UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(mark one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES ACT OF 1934**

For the fiscal year ended December 31, 2015

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission file number 000-53673

NETREIT, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**33-0841255**
(State of other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**
1282 Pacific Oaks Place Escondido, CA	**92029-2900**
(Address of principal executive offices)	**(Zip code)**

(760) 471-8536
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, Series A, $.01 par value
(Title of class)

Indicate by check mark whether the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. o Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the last 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. o Yes ☒ No

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K. ☒ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes ☒ No

At March 18, 2016, registrant had issued and outstanding 17,202,228 shares of its common stock $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Part III, Items 10, 11, 12, 13 and 14 incorporate by reference certain specific portions of the definitive Proxy Statement for NetREIT's Annual Meeting currently scheduled to be held on June 24, 2016 to be filed pursuant to Regulation 14A. Only those portions of the proxy statement which are specifically incorporated by reference herein shall constitute a part of this annual report.

NETREIT, INC.

FORM 10-K – ANNUAL REPORT
For the year ended December 31, 2015

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CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, many of which are beyond our control. Our actual results could differ materially and adversely from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in this Form 10-K. Important factors that may cause actual results to differ from projections include, but are not limited to:

- specific risks that may be referred to in this Form 10-K, including those set forth in the "Risk Factors" section of the Form 10-K;
- adverse economic conditions in the real estate market;
- adverse changes in the real estate financing markets;
- our inability to raise sufficient additional capital to continue to expand our real estate investment portfolio and pay dividends on our shares;
- unexpected costs, lower than expected rents and revenues from our properties, and/or increases in our operating costs;
- inability to attract or retain qualified personnel, including real estate management personnel;
- adverse results of any legal proceedings; and
- changes in laws, rules and regulations affecting our business.

All statements, other than statements of historical facts, included in this Form 10-K regarding our strategy, future operations, financial position, estimated revenue or losses, projected costs, prospects, current expectations, forecasts, and plans and objectives of Management are forward-looking statements. When used in this Form 10-K, the words "will," "may," "believe," "anticipate," "intend," "estimate," "expect," "should," "project," "plan," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this Form 10-K. We do not undertake any obligation to update any forward-looking statements or other information contained in this Form 10-K, except as required by federal securities laws. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements in this Form 10-K are reasonable, we cannot assure you that these plans, intentions or expectations will be achieved. We have disclosed important factors that could cause our actual results to differ materially from our expectations under the "Risk Factors" section and elsewhere in this Form 10-K. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Information regarding market and industry statistics contained in this Form 10-K is included based on information available to us that we believe is accurate. We have not reviewed or included data from all sources, and we cannot assure you of the accuracy or completeness of the data included in this Form 10-K. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We undertake no obligation to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements. See the "Risk Factors" section of this Form 10-K for a more detailed discussion of uncertainties and risks that may have an impact on our future results.

ITEM 1.

OVERVIEW

NetREIT, Inc. ("we", "our", "us" or the "Company") is a Maryland corporation which operates as a self-managed and self-administered real estate investment trust as defined under the Internal Revenue Code (a"***REIT***"). As a Maryland chartered corporation, we are governed by the Maryland General Corporation Law (the"***MGCL***"). We have approximately 17.2 million shares of voting common stock outstanding with approximately 3,000 shareholders none of which own more than 5.0% of the outstanding shares. We are a non-traded, publicly owned company registered under the Securities Exchange Act of 1934 (the"***1934 Act***").

RECENT DEVELOPMENTS

During 2015, the Company acquired:

- One office building consisting of approximately 93,000 rentable square feet located in Centennial, Colorado for $13.1 million plus closing costs;
- One retail building consisting of approximately 10,700 rentable square feet located in Colorado Springs, Colorado for $2.9 million plus closing costs;
- One office building consisting of approximately 36,500 rentable square feet located in West Fargo, North Dakota for $3.9 million plus closing costs;
- Seven industrial/flex buildings consisting of approximately 152,154 rentable square feet located in West Fargo, North Dakota for $7.9 million plus closing costs;
- One office property consisting of approximately 69,200 rentable square feet located in Westminster, Colorado for $9.1 million plus closing costs;
- One office property consisting of approximately 121,399 rentable square feet located in Highlands Ranch, Colorado for $25.3 million plus closing; and
- Seventeen Model Homes with NNN leases located in various states for $5.7 million plus closing costs.

The Company sold all seven of its self-storage facilities ("Self-Storage Properties") which totaled approximately 652,000 rentable square feet on April 10, 2015 for a net sales price of $34.0 million.

CORPORATE STRUCTURE

We were incorporated in the State of California on September 28, 1999, and in August 2010, we reincorporated as a Maryland chartered corporation. During the last five years, we have increased our investments in real property from 13 to 26 properties. Through NetREIT, Inc., its subsidiaries and its partnerships, we own 23 properties in fee interest and have partial interests in 3 properties through our investments in limited partnerships for which we serve as the General Partner. Each of the limited partnerships is referred to as a "***DownREIT***". In each DownREIT, we have the right, through options and put options, to require our co-investors to exchange their interests for shares of our common stock at a stated price within a definite period, generally five years from the date they first invested in the entity's real property. Through NetREIT Dubose Model Home REIT, Inc. and NetREIT Model Homes LLC, we also fully own or have an interest in 64 model home properties (the"***Model Homes***").

MARKET AND BUSINESS STRATEGY

The Company invests in a diverse portfolio of real estate assets. The Company seeks three types of commercial real estate properties primarily located in the western United States for which the Company's decision-makers internally evaluate operating performance and financial results: commercial office properties and industrial **(**"***Office/Industrial Properties***"), retail properties ("***Retail Properties***") and residential properties, including Model Homes ("**Residential Properties**").

Our investment objective is to create current income and growth for our stockholders to fund our continuing operations and to pay out monthly and quarterly cash distributions to our stockholders. Our primary strategy to achieve our objective is to invest in and own a diversified portfolio of income producing commercial real estate assets that will produce a stabilized cash flow with increase values over time. In the past, we have acquired commercial office, industrial, self-storage, retail, single family residential Model Homes, and multi-unit residential real estate with promising financial opportunities located primarily in the western United States.

Investment – Commercial properties

NetREIT's Office/Industrial and Retail Properties are located primarily in Southern California and Colorado, with four properties located in North Dakota. As of December 31, 2015, we owned or had an equity interest in twenty Office/Industrial Properties which total approximately 1,614,000 rentable square feet and six Retail Properties which total approximately 236,000 rentable square feet. Our tenant list of the non-Model Home portfolio is highly diversified consisting of over 300 individual commercial tenants with an average remaining lease term of approximately five years. No single commercial tenant represents more than 5.0% of revenue, while the Company's ten largest tenants represent approximately 23.2% of annualized base rent revenue. In addition, the rent rolls have limited exposure to any single industry. Our Office/Industrial and Retail Properties had a net book value of approximately $214.2 million as of December 31, 2015.

Investment - Model Home properties

Our Model Homes business is conducted through our wholly-owned subsidiary, NetREIT Dubose Model Home REIT, Inc., three limited partnerships, Dubose Model Home Investors #201, LP Dubose Model Home Investors #202, LP and NetREIT Dubose Model Home REIT, LP and one limited liability company NetREIT Model Homes, LLC. Our Model Home properties are located in ten states throughout the United States. As of December 31, 2015, these entities owned 64 Model Homes with a net book value of approximately $16.9 million.

NetREIT Dubose Model Home REIT, Inc. ("***NetREIT Dubose***") is engaged in the business of acquiring Model Homes from third party homebuilders in sale-leaseback transactions whereby a homebuilder sells the Model Home to NetREIT Dubose and leases back the Model Home under a triple net lease (*"**NNN**"*) for use in marketing its residential development. Our Model Home business was started in March 2010 through the acquisition of certain assets and rights from Dubose Model Homes USA ("***DMHU***"), which we refer to as the (*"**DMHU Purchase**").* Subsequent to its formation, NetREIT Dubose raised $10.6 million pursuant to a private placement of its common stock (the private placement was terminated on December 31, 2013). As of December 31, 2015, NetREIT has invested $2.6 million in NetREIT Dubose through the purchase of common stock. We owned approximately 27.2% of NetREIT Dubose as of December 31, 2015.

We operate three limited partnerships in connection with NetREIT Dubose, Dubose Model Home Investors #201, LP ("***DMHI #201***"), Dubose Model Home Investors #202, LP ("***DMHI #202***") and NetREIT Dubose Model Home REIT, LP ("***NetREIT LP***"). The limited partnerships typically raise private equity to invest in Model Home properties and lease them back to the homebuilders.

- We owned 8.3% of DMHI #201 LP as of December 31, 2015. DMHI #201 raised $3.0 million through the sale of partnership units.
- We owned 10.3% of DMHI #202 as of December 31, 2015. The partnership had raised $2.9 million, including our investment, through December 31, 2015. This partnership was formed to raise up to $5.0 million through the sale of units.
- NetREIT Dubose owned 100 % of NetREIT LP as of December 31, 2015.
- We owned 100% of NetREIT Model Homes, LLC as of December 31, 2015.

We provide management services to our various limited partnerships through NetREIT Advisors, LLC (*"**NetREIT Advisors**"*) and Dubose Advisors LLC (*"**Dubose Advisors**"*). These entities are 100% owned subsidiaries and are referred to collectively as the ("***Advisors***"). For their services, each of the Advisors receives ongoing management fees, acquisition fees and has the right to receive certain other fees when a partnership sells or otherwise disposes of a Model Home. NetREIT Advisors manages NetREIT Dubose, NetREIT Model Homes, LLC and Dubose Advisors manages DMHI #201 and DMHI #202.

Use of Leverage

We use mortgage loans secured by the individual properties in order to maximize the return for our stockholders. Typically these loans would be for terms ranging from 5 to 10 years. Currently the majority of our mortgage loans are structured as non-recourse to us with the limited exceptions that would cause a recourse nature only upon occurrence of certain fraud, misconduct, environmental, or bankruptcy events. The non-recourse financing limits the exposure to the amount of equity invested in each property pledged as collateral thereby protecting the equity in the other assets. We can provide no assurance that the non-recourse financing will be available on terms acceptable to us, or at all and there may be circumstances where lenders have recourse to our other assets. To a lesser extent, we use recourse financing or a cross collateral pledge of certain properties. At December 31, 2015, $9.1 million of our total debt was recourse to the Company and relates to the model homes properties.

We use both fixed and variable interest rate debt to finance our properties. Wherever possible, we prefer to obtain fixed rate mortgage financing as it provides better cost predictability. As of December 31, 2015, none of our mortgage obligations include variable interest rate provisions.

PROPERTY MANAGEMENT

The Company is the primary property manager for all of its properties. The Company retains third party property management companies in Colorado and North Dakota to render on-site management services.

COMPETITION

Our principal factors of competition is our focus on contrarian, immediate yield, value-driven acquisitions by seeking unique properties with identifiable value-creation opportunities without the need for significant structural improvements or other costly renovations. We operate in niche geographies, targeting $5-$25 million acquisitions of properties or small portfolios in order to limit competition from both larger and well capitalized buyers focused on core markets.

We compete with a number of other real estate investors, many of which own properties similar to ours in the same markets in which our properties are located. Competitors include other REITs, pension funds, insurance companies, investment funds and companies, partnerships, and developers. Many of these entities have substantially greater financial resources than we do and may be able to accept more risk than we can prudently manage, including risks with respect to the creditworthiness of a tenant or the geographic location of its investments. In addition, many of these entities have capital structures that allow them to make investments at higher prices than what we can prudently offer while still generating a return to their investors that is commensurate with the return we are seeking to provide our investors. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants' leases expire. The concentration of our properties in Southern California, Colorado and North Dakota makes us especially susceptible to local market conditions in these areas.

To be successful, we must be able to continue to respond quickly and effectively to changes in local and regional economic conditions by adjusting rental rates of our properties as appropriate. If we are unable to respond quickly and effectively, our financial condition, results of operations, cash flow, and ability to satisfy our debt service obligations and pay dividends may be adversely affected.

REGULATION

Our Management will continually review our investment activity in order to prevent us from coming within the application of the Investment Company Act of 1940 (the “1940 Act”). Among other things, Management will attempt to monitor the proportion of our portfolio that is placed in various investments so that we do not come within the definition of an “investment company” under the Act. If at any time the character of our investments could cause us to be deemed an investment company for purposes of the 1940 Act, would be required to comply with the operating restrictions of the 1940 Act which are generally inconsistent with our typical operations. As such, we will take the necessary action to ensure that we are not deemed to be an “investment company.”

Various environmental laws govern certain aspects of the ongoing operation of our properties. Such environmental laws include those regulating the existence of asbestos-containing materials in buildings, management of surfaces with lead-based paint (and notices to residents about the lead-based paint) and waste-management activities. The failure to comply with such requirements could subject us to government enforcement action and/or claims for damages by a private party.

To date, compliance with federal, state and local environmental protection regulations has not had a material effect on our capital expenditures, earnings, or competitive position. All proposed acquisitions are inspected prior to acquisition. The inspections are conducted by qualified environmental consultants, and we review the issued report prior to the purchase of any property. Nevertheless, it is possible that our environmental assessments will not reveal all environmental liabilities, or that some material environmental liabilities exist of which we are unaware. In some cases, we may be required to abandon otherwise economically attractive acquisitions because the costs of removal or control of hazardous materials have been prohibitive or we have been unwilling to accept the potential risks involved. We do not believe we will be required to engage in any large-scale abatement at any of our properties. We believe that through professional environmental inspections and testing for asbestos, lead paint and other hazardous materials, coupled with a relatively conservative posture toward accepting known environmental risk, we can minimize our exposure to potential liability associated with environmental hazards.

We are unaware of any environmental hazards at any of our properties that individually or in the aggregate may have a material adverse impact on our operations or financial position. We have not been notified by any governmental authority, and we are not otherwise aware of any material non-compliance, liability, or claim relating to environmental liabilities in connection with any of our properties. We do not believe that the cost of continued compliance with applicable environmental laws and regulations will have a material adverse effect on us or our financial condition or results of operations. Future environmental laws, regulations, or ordinances, however, may require additional remediation of existing conditions that are not currently actionable. Also, if more stringent requirements are imposed on us in the future, the costs of compliance could have a material adverse effect on us and our financial condition.

MANAGEMENT OF THE COMPANY

Our Management

We refer to our executive officers and any directors who are affiliated with them as our "***Management***". Our Management is currently comprised of:

- Jack K. Heilbron, Chairman of the Board, Chief Executive Officer and President of NetREIT, Inc., President and Director of NetREIT Dubose, and President of NetREIT Advisors;
- Kenneth W. Elsberry, Chief Financial Officer and Director of NetREIT, Inc., and CFO of Dubose Advisors and NetREIT Advisors;
- Larry G. Dubose, Director of NetREIT, Inc., CFO and Director of NetREIT Dubose, and CEO of Dubose and NetREIT Advisors;
- Gary Katz, Senior Vice President-Asset Management; of NetREIT, Inc.

Mr. Heilbron is responsible for managing our day-to-day affairs. Mr. Dubose is responsible for managing the day-to-day activities of the Dubose and NetREIT Advisors and our Model Homes Division. Mr. Katz, is responsible for managing the day-to-day affairs for the Office/Industrial and Retail Properties. Mr. Heilbron, Mr. Elsberry, and Mr. Katz are responsible for all Company property acquisitions.

Our Board of Directors

Our Management is subject to the direction and supervision of our board of directors (our ***"Board"***). Among other things, our Board must approve each real property acquisition our Management proposes. There are eight directors comprising our Board, five of whom are independent directors, as defined by the New York and NASDQ Stock Exchanges (***"Independent Directors"***). Three of our directors, Mr. Heilbron, Mr. Elsberry, and Mr. Dubose are not independent directors.

TAX STATUS

Starting in our 2000 tax year, we elected to be taxed as a REIT. As a REIT, we are generally not subject to federal income tax on income that we distribute to our stockholders. Under the Internal Revenue Code of 1986, as amended (the "Code"), to maintain our status as a REIT and receive favorable REIT income tax treatment, we must comply with certain requirements of federal income tax laws and regulations. These laws and regulations are complex and subject to continuous change and reinterpretation. We have received an opinion of special tax counsel that we will qualify as a REIT if we achieve certain of our objectives, including diversity of stock ownership and operating standards. However, there is no assurance that we will be able to achieve these goals and thus qualify or continue to qualify to be taxed as a REIT. The principal tax consequences of our being taxed as a REIT are that our stockholders may receive dividends that are indirectly sheltered from corporate federal income taxation. In the event we fail to qualify as a REIT, we will be subject to taxation on two levels because our income will be taxed at the corporate level and we will not be able to deduct the dividends we pay to our stockholders. In turn, stockholders will be taxed on dividends they receive from us.

To continue to be taxed as a REIT, we must satisfy numerous organizational and operational requirements, including a requirement that we distribute at least 90% of our REIT taxable income to our stockholders, as defined in the Code and calculated on an annual basis. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates and stockholders will be taxed on dividends they receive from us, and we may be precluded from qualifying for treatment as a REIT for the four-year period following our failure to qualify. Even though we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

OFFICES AND EMPLOYEES

Our offices are situated in approximately 12,134 square feet of space in Escondido, California.

As of March 18, 2016, we have a total of 23 full-time and 1 part-time employees.

AVAILABLE INFORMATION

Access to copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, and other filings with the SEC, including amendments to such filings are available via a link to *http://www.sec.gov* or on our website at *www.netreit.com* as soon as reasonably practicable after such materials are electronically filed with the SEC. They are also available for printing by any stockholder upon request.

Our office is located at 1282 Pacific Oaks Place, Escondido, California, 92029-2900. Our telephone number is 866-781-7721. Our e-mail address is info@netreit.com or you may visit our website at www.netreit.com.

Item 1A. RISK FACTORS

Risks Related to our Operations and an Investment in our Securities

Our long term growth may depend on obtaining additional equity capital.

In the past we relied on cash from the sale of our equity securities to fund the implementation of our business plan, including property acquisitions and building our staff and internal management and administrative capabilities. We terminated our private placement for common stock on December 31, 2011 and closed on a preferred stock financing in August 2014. Our continued ability to fund real estate investments, our operations, and payment of regular dividends to our stockholders will likely be dependent upon our obtaining additional capital through the additional sales of our equity and/or debt securities. Without additional capital, we may not be able to grow our asset base to a size that is sufficient to support our planned growth, current operations, or to pay dividends to our stockholders at current rates or at the levels required to maintain our REIT status (see risk factor titled "*We may be forced to borrow funds on a short-term basis, to sell assets or to issue securities to meet the REIT minimum distribution requirement or for working capital purposes*"). There is no assurance as to when and under what terms we could successfully obtain additional funding through the sale of our equity and/or debt securities. Our access to additional equity or debt capital depends on a number of factors, including general market conditions, the market's perception of our growth potential, our expected future earnings, and our debt levels.

We currently are wholly dependent on internal cash from our operations and debt financing to fund future property acquisitions, meet our operational costs and pay distributions to our stockholders.

To the extent the cash we receive from our real estate investments, preferred stock financing, and debt financing of unencumbered properties is not sufficient to pay our costs of operations, our acquisition of additional properties, or our payment of dividends to our stockholders, we would be required to seek capital through additional measures. In addition, our debt and preferred stock require that we generate significant cash flow to satisfy the payment and other obligations under the terms of our debt and these securities. We may incur additional debt or issue additional preferred stock for various purposes, including, without limitation, to fund future acquisition and development activities and operational needs. Other measures of seeking capital could include decreasing our operational costs through reductions in personnel or facilities, reducing or suspending our acquisition of real estate, and reducing or suspending dividends to our stockholders. *See Risks Related to Our Debt and Preferred Stock.*

Reducing or suspending our property acquisition program would prevent us from fully implementing our business plan and reaching our investment objectives. Reducing or suspending the payment of dividends to our stockholders would decrease our stockholders' return on their investment and possibly prevent us from satisfying the minimum distribution requirements of the REIT provisions (see risk factor titled "*We may be forced to borrow funds on a short-term basis, to sell assets or to issue securities to meet the REIT minimum distribution requirement or for working capital purposes*"). Any of these measures would likely have a substantial adverse effect on our financial condition, the value of our common stock, and our ability to raise additional capital.

There can be no assurance that dividends will be paid or increase over time.

There are many factors that can affect the availability and timing of cash dividends to our stockholders. Dividends will be based principally on cash available from our real estate investments. The amount of cash available for dividends will be affected by many factors, such as our ability to acquire profitable real estate investments and successfully manage our real estate properties and our operating expenses. We can provide no assurance that we will be able to pay or maintain dividends or that dividends will increase over time.

If we are unable to find suitable investments, we may not be able to achieve our investment objectives or continue to pay dividends.

Our ability to achieve our investment objectives and to pay regular dividends is dependent upon our acquisition of suitable property investments and obtaining satisfactory financing arrangements. We cannot be sure that our management will be successful in finding suitable properties on financially attractive terms. If our management is unable to find such investments, we will hold the proceeds available for investment in an interest-bearing account or invest the proceeds in short-term, investment-grade investments. Holding such short-term investments will prevent us from making the long-term investments necessary to generate operating income to pay dividends. As a result, we will need to raise additional capital to continue to pay dividends at the current level until such time as suitable property investments become available (see risk factor titled "*We may be forced to borrow funds on a short-term basis, to sell assets or to issue securities to meet the REIT minimum distribution requirement or for working capital purposes*"). In the event that we are unable to do so, our ability to pay dividends to our stockholders will be adversely affected.

We depend on key personnel, and the loss of such persons could impair our ability to achieve our business objectives.

Our success substantially depends upon the continued contributions of certain key personnel in evaluating and consummating our investments, selecting tenants and determining financing arrangements. Our key personnel include Mr. Jack K. Heilbron, Mr. Kenneth W. Elsberry and Mr. Larry G. Dubose, each of whom would be difficult to replace. If any of our key employees were to cease their association with us, the implementation of our investment strategies could be delayed or hindered, and our operating results could suffer.

We also believe that our future success depends, in large part, upon our ability to hire and retain skilled and experienced managerial, operational and marketing personnel. Competition for skilled and experienced professionals is intense, and we cannot assure our stockholders that we will be successful in attracting and retaining such persons.

We may change our investment and business policies without stockholder consent, and such changes could increase our exposure to operational risks.

Our board of directors may change NetREIT's investment and business policies, including our policies with respect to investments, acquisitions, growth, operations, indebtedness, capitalization and distributions, at any time without the consent of our stockholders. Although our independent directors review our investment policies at least annually to determine that the policies we are following are in the best interests of our stockholders, a change in such policies could result in our making investments different from, and possibly riskier than, investments made in the past. A change in our investment policies may, among other things, increase our exposure to interest rate risk, default risk and real estate market fluctuations, all of which could materially affect our ability to achieve our investment objectives.

The absence of a public market or redemption program for our common stock will make it difficult for our stockholders to sell their shares, which may have to be held for an indefinite period.

There is no public market for our common stock, and we have no plans to cause our common stock to be listed on any securities exchange or quoted on any market system. Additionally, our articles of incorporation contain restrictions on the ownership and transfer of our common stock (see risk factor titled "*The stock ownership limit imposed by the Internal Revenue Code for REITs and our articles of incorporation may discourage a takeover that could otherwise result in a premium price to our stockholders"*). Further, we do not have a share redemption program, nor do we plan to adopt one in the near future, and any share redemption program we do adopt will be limited in terms of the amount of shares that may be annually redeemed. As a result, it will be difficult for our stockholders to sell their shares promptly or at all. If our stockholders are able to sell their shares, they likely will only be able to sell them at a substantial discount from the price they paid. Thus, our stockholders should consider their shares to be an illiquid and long-term investment, and they should be prepared to hold their shares for an indefinite length of time.

Certain conditions may challenge our ability to establish a stable secondary market for our common stock and to make future offerings of our equity securities.

As of December 31, 2015, we had 17,202,228 shares of our common stock outstanding. Substantially all of these shares are freely tradable (subject to restrictions on the shares held by our directors, officers and other affiliates). Additionally, we intend to issue additional shares of our common stock in the future under our employee and agent incentive plans and possibly in one or more private offerings. Neither we nor any of our affiliates have any control, contractually or otherwise, on the amounts or frequency of trades the holders of these shares may make. The sale of a large amount of common stock in the secondary market could adversely affect the price of our stock in that market and impair our ability to raise capital through additional private placements. Additionally, institutions and other professional investors could seek to take advantage of this condition through short sales of our common stock, which could exert further downward pressure on the trading price.

If we seek to establish a public market for our common stock by listing on a national securities exchange, we may experience a number of challenges related to the secondary market for our shares. The presence of a large number of outstanding freely tradable shares of our common stock in the secondary market could discourage underwriters from participating in a public offering of our common stock and could place us at a disadvantage in negotiating a public offering price with underwriters who do choose to participate. The prices at which we have sold our common stock in the past were, in the absence of a public market, determined based on a number of objective and subjective factors. Accordingly, there is no assurance that the trading price of our common stock in a subsequent public market would correspond with our prior offering prices of common stock or that the trading price of our stock in a public market would reflect our financial condition or performance.

If we failed to comply with applicable exemption requirements in connection with our private placement offerings, we may be liable for damages to certain of our stockholders.

Since 2005, we have conducted multiple private placement offerings in reliance upon the private placement exemptions from registration under Section 4(2) and Rule 506 of Regulation D under the Securities Act of 1933 and various exemptions from registration under applicable state securities laws. Many requirements and conditions of these exemptions are subject to factual circumstances and subjective interpretation. There is no assurance that the SEC, any state securities law administrator, or a trier of fact in a court or arbitration proceeding would not determine that we failed to meet one or more of these requirements. In the event that we are found to have sold our securities without an applicable exemption from registration, we could be liable to the purchasers of our securities in that offering for rescission and possibly monetary damages. If a number of investors were successful in seeking one or more of these remedies, we could face severe financial demands that would adversely affect our business and financial condition.

Further, under applicable laws and regulations, our multiple offerings could be combined (or integrated) and treated as a single offering for federal and state securities law purposes. While we have structured each of our offerings individually so that if they are combined they would meet exemption requirements, the law related to integrated offerings remains somewhat unclear and has not been fully defined by the SEC or the courts. Thus, there is uncertainty as to our burden of proving that we have correctly relied on one or more of these private placement exemptions.

If we are deemed to be an investment company under the Investment Company Act, our stockholders' investment return may be reduced.

We are not registered as an investment company under the Investment Company Act of 1940, as amended ("Investment Company Act") based on exceptions we believe are available to us. If we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things, limitations on capital structure, restrictions on specified investments, prohibitions on transactions with affiliates, and compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly increase our operating expenses.

Our articles of incorporation permit our board of directors to issue stock with terms that may subordinate the rights of existing stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to our stockholders.

Our board of directors has the authority to establish more than one series of preferred stock and to fix the relative preferences and rights regarding conversion, voting powers, restrictions, limitations as to dividends and other distributions, and terms of redemption without shareholder approval. Thus, our board could authorize the issuance of a series of preferred stock with terms and conditions that are more favorable that those of our outstanding common or preferred stock. Such series of stock could also have the effect of delaying, deferring or preventing a change in control, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might otherwise provide a premium price to holders of our stock, even if it would be in the best interest of our stockholders.

In August 2014, we completed a preferred stock financing with PFP III Sub II, LLC, an affiliate of Prime Finance Partners III, Inc. (collectively, "Prime") in which we issued 16,600 shares of Series B Preferred Stock and an additional 18,400 shares were issued during 2015. This Preferred Stock ranks senior to our common stock with respect to dividend rights and rights upon the Company's liquidation, dissolution or winding up. *See Risks Related to Our Preferred Stock Offering.*

Maryland law prohibits certain business combinations, which may make it more difficult for us to be acquired.

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the holder becomes an "interested stockholder." These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer, including potential acquisitions that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our rights, and the rights of our stockholders, to recover claims against our officers and directors are limited.

Our articles of incorporation eliminate the liability of our officers and directors for monetary damages to the fullest extent permissible under Maryland law. Maryland law provides that a director has no liability in that capacity if he performs his duties in good faith, in a manner he reasonably believes to be in our best interest, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our articles of incorporation authorize us, and our bylaws require us, to indemnify our directors, officers, employees and agents to the maximum extent permitted under Maryland law. Because of these provisions, we and our stockholders may have more limited rights to monetary damages against our directors and officers than might otherwise be available under common law. In addition, we may be obligated to fund the defense costs incurred by our directors, officers, employees and agents in any legal actions to collect damages against them.

Our management faces certain conflicts of interest with respect to their positions and/or interests in NetREIT and its affiliates, which could hinder our ability to implement our business strategy and to generate returns to our stockholders.

We rely on our management, Messrs. Heilbron, Elsberry and Dubose, for implementation of our investment policies and our day-to-day operations. Messrs. Heilbron and Elsberry are also officers and directors of NTR Property Management, Inc. and certain affiliated entities. Mr. Dubose, who we rely on for the day-to-day operations of NetREIT Advisors and our Model Homes Division, is also an executive officer of Dubose REIT and, like Messrs. Heilbron and Elsberry, engages in other investment and business activities in which NetREIT has no economic interest. Their loyalties to these other entities could result in action or inaction that it detrimental to our business, which could harm the implementation of our business strategy. For instance, they may have conflicts of interest in making investment decisions regarding properties for us as opposed to other entities with similar investment objectives or in determining when to sell properties and with respect to which NTR Property Management Inc. is entitled to different amounts of fees and compensation. Additionally, they may face conflicts of interest in allocating their time among us, our property manager, Dubose REIT and their other real estate investment programs or business ventures and in meeting their obligations to us and those other entities. Their determinations in these situations may be more favorable to other entities than to NetREIT.

Possible future transactions with our executive management or their affiliates could create a conflict of interest, which could result in actions that are not in the long-term best interest of our stockholders.

Under prescribed circumstances, we may enter into transactions with affiliates of our management, including the borrowing and lending of funds, the purchase and sale of properties and joint investments. Currently, our policy is not to enter into any transaction involving sales or purchases of properties or joint investments with management or their affiliates, or to borrow from or lend money to such persons. However, our policies in each of these regards may change in the future.

We face system security risks as we depend on automated processes and the Internet.

We are increasingly dependent on automated information technology processes. While we attempt to mitigate this risk through offsite backup procedures and contracted data centers that include, in some cases, redundant operations, we could be severely impacted by a catastrophic occurrence, such as a natural disaster or a terrorist attack.

In addition, an increasing portion of our business operations are conducted over the Internet, putting us at risk from cybersecurity attacks, including attempts to gain unauthorized access to our confidential data, viruses, ransomware, and other electronic security breaches. Such cyber-attacks can range from individual attempts to gain unauthorized access to our information technology systems to more sophisticated security threats that could impact day-to-day operations. While we employ a number of measures to prevent, detect and mitigate these threats, there is no guarantee such efforts will be successful at preventing a cyber-attack. Cybersecurity incidents could compromise confidential information of our tenants, employees and vendors and cause system failures and disruptions of operations

Risks Related to Investments in Real Estate

Unsettled conditions in the financial markets could affect our ability to obtain financing on reasonable terms and have other adverse effects on our operations.

Recent volatilities in the financial markets could result in a tightening of secured real estate financing. Lenders with whom we typically deal have increased their credit spreads as the volatility has increased. Thus, borrowing costs have increased. Higher costs of mortgage financing may result in lower yields from our real estate investments, which may reduce our cash flow available for distribution to our stockholders. Reduced cash flow could also diminish our ability to purchase additional properties and thus decrease our diversification of real estate ownership.

Further disruptions in the financial markets and continued uncertain economic conditions could adversely affect the value of our real estate investments.

Disruptions in the financial markets could adversely affect the value of our real estate investments. Such conditions could impact commercial real estate fundamentals and result in lower occupancy, lower rental rates, and declining values in our real estate portfolio and in the collateral securing our loan investments. As a result, the value of our property investments could decrease below the amounts paid for such investments, the value of collateral securing our loan investments could decrease below the outstanding principal amounts of such loans, and revenues from our properties could decrease due to fewer tenants or lower rental rates. These factors would significantly harm our revenues, results of operations, financial condition, business prospects and our ability to make distributions.

A decrease in real estate values could negatively affect our ability to refinance our properties and our existing mortgage obligations.

A decrease in real estate values would decrease the principal amount of secured loans we can obtain on a specific property and our ability to refinance our existing mortgage loans. In some circumstances, a decrease in the value of an existing property which secures a mortgage loan may require us to prepay or post additional security for that mortgage loan. This would occur where the lender's initial appraised value of the property decreases below the value required to maintain a loan-to-value ratio specified in the mortgage loan agreement. Thus, any sustained period of depressions in real estate prices would likely adversely affect our ability to finance our real estate investments.

We may be adversely affected by unfavorable economic changes in the geographic areas where our properties are located.

Adverse economic conditions in the areas where the properties securing or otherwise underlying our investments are located (including business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply or reduced demand) may have an adverse effect on the value of the properties underlying our investments. The deterioration of any of these local conditions could hinder our ability to profitably operate a property and adversely affect the price and terms of a sale or other disposition of the property.

Competition for properties could negatively impact our profitability.

In acquiring real properties, we experience substantial competition from other investors, including other REITs and real estate investment programs. Many of these competitors are larger than we are and have access to greater financial resources. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments. Because of this competition, we may be limited in our ability to take advantage of attractive investment opportunities that are consistent with our objectives. Our inability to acquire the most desirable properties on favorable terms could adversely affect our financial condition, our operations and our ability to pay dividends.

Our inability to sell a property at the time and on the terms we desire could limit our ability to realize a gain on our investments and pay distributions to our stockholders.

Generally, we seek to sell, exchange or otherwise dispose of our properties when we determine such action to be in our best interests. Many factors beyond our control affect the real estate market and could affect our ability to sell properties for the price, on the terms or within the time frame that we desire. These factors include general economic conditions, the availability of financing, interest rates and supply and demand. Because real estate investments are relatively illiquid, we have a limited ability to vary our portfolio in response to changes in economic or other conditions. Therefore, our inability to sell properties at the time and on the terms we want could reduce our cash flow and limit our ability to make distributions to our stockholders.

Lease default or termination by one of our major tenants could adversely impact our operations and our ability to pay dividends.

The success of our real estate investments materially depends on the financial stability of our tenants. A default or termination by a significant tenant on its lease payments would cause us to lose the revenue associated with such lease and could require us to find an alternative source of revenue to meet mortgage payments and prevent a foreclosure, if the property is subject to a mortgage. In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. Additionally, we may be unable to lease the property for the rent previously received or sell the property without incurring a loss. These events could cause us to reduce the amount of distributions to our stockholders.

A property that incurs a vacancy could be difficult to sell or re-lease and could have a material adverse effect on our operations.

We expect our properties to periodically incur vacancies by reason of lease expirations, terminations, or tenant defaults. If a tenant vacates a property, we may be unable to re-lease the property without incurring additional expenditures, or at all. If the vacancy continues for a long period of time, if the rental rates upon such re-lease are significantly lower than expected, or if our reserves for these purposes prove inadequate, we will experience a reduction in net income and may be required to reduce or eliminate distributions to our stockholders. In addition, because a property's market value depends principally upon the value of the leases associated with that property, the resale value of a property with high or prolonged vacancies could suffer, which could further reduce our returns.

We may incur substantial costs in improving our properties.

In order to re-lease a property, substantial renovations or remodeling could be required. For instance, we expect that some of our properties will be designed for use by a particular tenant or business. Upon default or termination of the lease by such a tenant, the property might not be marketable without substantial capital improvements. The cost of construction in connection with any renovations and the time it takes to complete such renovations may be affected by factors beyond our control, including material and labor shortages, subcontractor defaults and delays, weather conditions, and changes in federal, state and local laws. If we experience cost overruns resulting from delays or other causes in any construction project, we may have to seek additional debt financing. Further, delays in construction will cause a delay in our receipt of revenues from that property and could adversely affect our ability to meet our debt service obligations.

Uninsured losses may adversely affect returns to our stockholders.

Our policy is to obtain insurance coverage for each of our properties covering loss from liability, fire, and casualty in the amounts and under the terms we deem sufficient to insure our losses. Under tenant leases on our commercial and retail properties, we require our tenants to obtain insurance to cover casualty losses and general liability in amounts and under terms customarily obtained for similar properties in the area. However, in certain areas, insurance to cover some losses, generally losses of a catastrophic nature such as earthquakes, floods, terrorism and wars, is either unavailable or cannot be obtained at a reasonable cost. Consequently, we may not have adequate coverage for such losses. If any of our properties incurs a casualty loss that is not fully insured, we could lose some or all of our investment in the property. In addition, other than any working capital reserve or other reserves we may establish, we likely would have no source of funding to repair or reconstruct any uninsured property.

Because we are not required to maintain specific levels of cash reserves, we may have difficulty in the event of increased or unanticipated expenses.

We do not currently have, nor do we anticipate that we will establish in the future, a permanent reserve for maintenance and repairs, lease commissions, or tenant improvements of real estate properties. To the extent that existing expenses increase or unanticipated expenses arise and accumulated reserves are insufficient to meet such expenses, we would be required to obtain additional funds through borrowing or the sale of property. There can be no guarantee that such additional funds will be available on favorable terms, or at all.

We may have to extend credit to buyers of our properties and a default by such buyers could have a material adverse effect on our operations and our ability to pay dividends.

In order to sell a property, we may lend the buyer all or a portion of the purchase price. When we provide financing to a purchaser, we bear the risk that the purchaser may default or that we may not receive full payment for the property sold. Even in the absence of a purchaser default, the distribution of the proceeds of the sale to our stockholders, or the reinvestment of the proceeds in other assets, will be delayed until the promissory note or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed.

We may acquire properties in joint ventures, partnerships or through limited liability companies, which could limit our ability to control or liquidate such holdings.

We generally hold our investments in directly with others as co-owners (a co-tenancy interest) or indirectly through an intermediary entity such as a joint venture, partnership or limited liability company. Also, we may on occasion purchase an interest in a long-term leasehold estate or we may enter into a sale-leaseback financing transaction (see risk factor titled "In a sale-leaseback transaction, we are at risk that our seller/lessee will default, which could impair our operations and limit our ability to pay dividends"). Such ownership structures allow us to hold a more valuable property with a smaller investment, but also reduce our ability to control such properties. In addition, if our co-owner in such arrangements experiences financial difficulties or is otherwise unable or unwilling to

fulfill its obligations, we may be forced to find a new partner on less favorable terms or lose our interest in such property if no partner can be found.

As a general partner in DOWNREIT partnerships, we could be responsible for all liabilities of such partnership.

We own four of our properties indirectly through limited partnerships under a DOWNREIT structure. In a DOWNREIT structure, as well as some joint ventures or other investments we may make, we will employ a limited partnership as the holder of our real estate investment. We will likely acquire all or a portion of the interest in such investment as a general partner. As a general partner, we would be potentially liable for all of the liabilities of the partnership, even if we don't have rights of management or control over its operation. Therefore, our liability could far exceed the amount or value of investment we initially made, or then had, in the partnership.

We are subject to risks and uncertainties associated with the internalization of management of our properties.

NTR Property Management, Inc., our wholly owned subsidiary serves as our property manager. Prior to the internalization of our management, we were externally managed by CHG Properties, Inc. Effective as of January 31, 2013, we acquired CHG Properties, Inc. and thereby became internally managed. Realizing our business objectives depends in large part on the ability of NTR Property Management, Inc. to effectively manage the day-to-day operations of our assets and properties. We cannot assure you that our past performance with external management will be indicative of internal management's ability to function effectively and successfully operate our company. We do not have an operating history with internal management and do not know if we will be able to successfully integrate our former external management. If NTR Property Management, Inc. is not successful in managing our properties to achieve the investment returns we anticipate, our operations may be adversely impacted.

Our ability to operate a property may be limited by contract, which could prevent us from obtaining the maximum value from such properties.

Some of our properties will likely be contiguous to other parcels of real property, for example, comprising part of the same shopping center development. In some cases, there could exist significant covenants, conditions and restrictions, known as CC&Rs, relating to such property and any improvements or easements related to that property. The CC&Rs would restrict our operation of that property which could adversely affect our operating costs and reduce the amount of funds that we have available to pay dividends.

We may acquire properties "AS IS," which increases the risk that we will have to remedy defects or costs without recourse to the prior owner.

We may acquire real estate properties "as is," with only limited representations and warranties from the property seller regarding matters affecting the condition, use and ownership of the property. If defects in the property or other matters adversely affecting the property are discovered, we may not be able to pursue a claim for any or all damage against the seller. Therefore we could lose some or all of our invested capital in the property as well as rental income. Such a situation could negatively affect our results of operations.

In a sale-leaseback transaction, we are at risk that our seller/lessee will default, which could impair our operations and limit our ability to pay dividends.

On occasion we may lease an investment property back to the seller for a certain period of time. When the seller/lessee subleases space to its tenants, the seller/lessee's ability to meet any mortgage payments and its rental obligations to us will likely be subject to its subtenants' ability to pay their rent on a timely basis. A default by the seller/lessee or other premature termination of its leaseback agreement with us and our subsequent inability to release the property could cause us to suffer losses and adversely affect our financial condition and ability to pay dividends.

We may be required under applicable accounting procedures and standards to make impairment charges against one or more of our properties.

Under current accounting standards, requirements, and procedures, we are required to periodically evaluate our real estate investments for impairment based on a number of indicators. Impairment indicators include real estate markets, leasing rates, occupancy levels, mortgage loan status, and other factors which directly or indirectly affect the value of a particular property. The properties acquired prior to the recession that started in 2007 are more susceptible to these indicators. For example, a tenant's default under a lease, the upcoming termination of a long-term lease, the pending maturity of a mortgage loan secured by a property, and the unavailability of replacement financing are all impairment indicators. The presence of any of these indicators may require us to make a material impairment charge against the property so affected. If we determine an impairment has occurred, we are required to make an adjustment to the net carrying value of the property which could have a material adverse effect on our results of operations and financial condition for the period in which the impairment charge is recorded.

Discovery of toxic mold on our properties may adversely affect our results of operation.

Litigation and concern about indoor exposure to certain types of toxic molds have been increasing as the public becomes aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. Toxic molds can be found almost anywhere; when excessive moisture accumulates in buildings or on building materials, mold growth will often occur, particularly if the moisture problem remains undiscovered or unaddressed. We attempt to acquire properties where there is no toxic mold or where there has not been any proceeding or litigation with respect to the presence of toxic mold. However, we cannot provide assurances that toxic mold will not exist on any of our properties at acquisition or will not subsequently develop. The presence of significant mold at any of our properties could require us to undertake a costly remediation program to contain or remove the mold from the affected property. In addition, the presence of significant mold could expose us to liability from our tenants, employees of our tenants, and others if property damage or health concerns arise

Risks Related to Debt and our Preferred Stock Financing

We have outstanding indebtedness and preferred stock, which requires that we generate significant cash flow to satisfy the payment and other obligations under the terms of our debt and these securities, and exposes us to the risk of default under the terms of our debt and these securities.

Our total indebtedness as of December 31, 2015 was $144.7 million. As of December 31, 2015, we also had outstanding, in the aggregate, $35.0 million of mandatorily redeemable Series B Preferred Stock. We may incur additional debt or issue additional preferred stock for various purposes, including, without limitation, to fund future acquisition and development activities and operational needs.

The terms of our outstanding indebtedness and preferred stock provide for significant interest and dividend payments. Our ability to meet these and other ongoing payment obligations of our debt and preferred stock depends on our ability to generate significant cash flow in the future. Our ability to generate cash flow, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors, as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that capital will be available to us, in amounts sufficient to enable us to meet our payment obligations under our loan agreements and our outstanding preferred stock and to fund our other liquidity needs. If we are not able to generate sufficient cash flow to service these obligations, we may need to refinance or restructure our debt, sell assets (which we may be limited in doing in light of the relatively illiquid nature of our properties), reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet these payment obligations, which could materially and adversely affect our liquidity. Our outstanding indebtedness, and the limitations imposed on us by the agreements that govern our outstanding indebtedness, and the debt to equity ratio obligations under our outstanding preferred stock, could have significant adverse consequences, including the following:

- make it more difficult for us to satisfy our obligations;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements, or to carry out other aspects of our business plan;
- limit our ability to refinance our indebtedness at maturity or impose refinancing terms that may be less favorable than the terms of the original indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to payments on obligations under our outstanding indebtedness and preferred stock, thereby reducing the availability of such cash flow to fund working capital, capital expenditures and other general corporate requirements, or adversely affect our ability to meet REIT distribution requirements imposed by the Internal Revenue Code;
- cause us to violate restrictive covenants in the documents that govern our indebtedness, which would entitle our lenders to accelerate our debt obligations;
- cause us to default on our obligations, causing lenders or mortgagees to foreclose on properties that secure our loans and receive an assignment of our rents and leases;
- force us to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- limit our ability to make material acquisitions or take advantage of business opportunities that may arise and limit our flexibility in planning for, or reacting to, changes in our business and industry, thereby limiting our ability to compete effectively or operate successfully;
- We may not have sufficient cash flow to pay the quarterly dividends to our shareholders.

If any one of these events was to occur, our business, results of operations and financial condition would be materially adversely affected.

The documents that govern our outstanding indebtedness restrict our ability to engage in some business activities, which could materially adversely affect our business, results of operations and financial condition.

The documents that govern our outstanding indebtedness contain negative covenants and other financial and operating covenants that place restrictions on the Company and subsidiaries. The Investor Agreement with Prime that was entered as part of the Series B Preferred Stock financing, grants to Prime, among other rights, certain board designation and observer rights, negative control rights, information rights and rights to indemnification for certain types of liabilities. The Investor Agreement provides that Prime will have the right to consent to certain material actions by the Company, its affiliates and its subsidiaries, including, among others, the decision to:

- Settle any proceeding for which monetary damages exceed $250,000;
- Approve the annual budget for any properties and the Company;
- Commence an insolvency proceeding or adopt a plan of liquidation or other reorganization with respect to the Company or any of its subsidiaries;
- Enter into a transaction for the purchase of any additional property or stock or assets of any corporation or other business organization;
- Enter into any transaction involving the sale or mortgage of any property that is not on arms'-length terms or provides for non-market terms or conditions;
- Enter into certain financing or refinancing transactions or material amendments to the Company's senior loans;
- Select or replace a property manager;
- Enter into or modify a major contract or material lease;
- Authorize for issuance any shares of stock or other equity interests of the Company other than common stock of the Company;
- Amend the charter or Bylaws of the Company;
- Enter into any merger, consolidation, recapitalization or other business combination to which the Company or any of its subsidiaries is a party, or effectuate a sale of all or substantially all of its assets;
- Take any action that would constitute a default under the Company's senior loans or related loan documents;
- Change the size of the Board of Directors of the Company; and
- Remove or replace any of the Company's officers or other senior management personnel.

In addition, covenants contained in the documents that govern our outstanding indebtedness require the Company and/or its subsidiaries to meet certain financial performance tests.

These restrictive operational and financial covenants reduce our flexibility in conducting our operations, limit our flexibility in planning for, or reacting to, changes in our business and industry, and limit our ability to engage in activities that may be in our long-term best interest, including the ability to make acquisitions or take advantage of other business opportunities that may arise, any of which could materially adversely affect our growth prospects, future operating results and financial condition.

Our failure to comply with these restrictive covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all or a substantial portion of our outstanding debt. The documents that govern our outstanding indebtedness require that we maintain certain financial ratios and, if we fail to do so, we would be in default under the applicable debt instrument.

Under the terms of our Series B Preferred Stock financing, if there is an event of default, the investor may exercise various remedies, including a change of control via replacing a majority of the Board of Directors.

If we fail to comply with the payment obligations, financial covenants, or restrictive covenants of the agreements governing our debt and our preferred stock, then we may trigger an event of default. The terms of our Series B Preferred Stock financing provide that, upon the occurrence of an event of default, the investor will have the right to take the unilateral action to, or cause the Company to, among other things:

- Replace property managers and leasing agents;
- Following 180 days after the mandatory redemption date of August 1, 2017 for the Series B Preferred Stock (as may be extended), sell any property of the Company, except as otherwise required under applicable law;

- Implement all major decisions listed above and in the Investor Agreement, except as otherwise required under applicable law;
- Refinance, repay or prepay any senior loans of the Company;
- Cure any default under any senior loans of the Company; and
- Elect six individuals to serve as members of the Board of Directors of the Company.

The ability of our investor to replace a majority of our board of directors upon an event of default would give control of the Company to the investor. Such a change of control, or the exercise of other rights upon an event of default, could result in a material adverse effect on us, including our business, results of operations and financial condition.

Mortgage indebtedness and other borrowings increase our operational risks.

Loans obtained to fund property acquisitions will generally be secured by mortgages on our properties. The more we borrow, the higher our fixed debt payment obligations will be and the greater the risk that we will not be able to timely meet these payment obligations. At December 31, 2015, we had a total of approximately $144.7 million of secured financing on our properties and we intend to continue to borrow funds through secured financings to acquire additional properties. If we are unable to make our debt payments as required, due to a decrease in rental or other revenues or an increase in our other costs, a lender could foreclose on the property or properties securing its debt. This could cause us to lose part or all of our investment, diminishing the value of our real estate portfolio.

Our risk of losing property through a mortgage loan default is greater when the property is cross-collateralized.

In circumstances we deem appropriate, we may cross-collateralize two or more of our properties to secure a single loan or group of related loans, such as where we purchase a group of unimproved properties from a single seller or where we obtain a credit facility for general application from an institutional lender. Cross-collateralizing typically occurs where the lender requires a single loan to finance the group of properties, rather than allocating the larger loan to separate loans, each secured by a single property. Our default under a cross-collateralized obligation could result in the loss of all of the properties securing the loan. At December 31, 2015, we had two cross-collateralized mortgages between the Morena and Pacific Oaks office properties which terms contain a release clause for each property.

Lenders may require restrictive covenants relating to our operations, which may adversely affect our flexibility and our ability to achieve our investment objectives.

Some of our mortgage loans may impose restrictions that affect our distribution and operating policies, our ability to incur additional debt and our ability to resell interests in the property. Loan documents may contain covenants that limit our ability to further mortgage the property, discontinue insurance coverage, replace the property manager, or terminate certain operating or lease agreements related to the property. Such restrictions may limit our ability to achieve our investment objectives.

Financing arrangements involving balloon payment obligations may adversely affect our ability to pay dividends.

Some of our mortgage loans require us to make a lump-sum or “balloon” payment at maturity. And in the future, we may finance more properties in this manner. Our ability to make a balloon payment at maturity could be uncertain and may depend upon our ability to obtain additional financing, to refinance the debt or to sell the property. At the time the balloon payment is due, we may not be able to refinance debt on terms as favorable as the original loan or sell the property at a sufficient price. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets.

In addition, making a balloon payment may leave us with insufficient cash to pay the distributions that are required to maintain our qualification as a REIT. At December 31, 2015, excluding our Model Home Division, we had loans that require balloon payments of $5.6 million due in 2016. The Model Home Division pays off its mortgage loans out of proceeds from the sale of homes. Any deficiency in the sale proceeds would have to be paid out of existing cash, diminishing the amount available for dividends.

Risks Related to our Status as a REIT and Related Federal Income Tax Matters

Failure to qualify as a REIT could adversely affect our operations and our ability to pay dividends.

We expect to operate in a manner that will allow us to continue to qualify as a REIT for federal income tax purposes. However the federal income tax laws governing REITs are extremely complex, and interpretations of the federal income tax laws governing qualification as a REIT are limited. Qualifying as a REIT requires us to meet various tests regarding the nature of our assets and our income, the ownership of our outstanding stock, and the amount of our distributions on an ongoing basis. In the Series B Preferred

Stock financing, the Company granted a limited waiver to Prime from the 9.8% aggregate stock ownership limit under the Company's charter to permit Prime to purchase up to 40,000 shares of Series B Preferred Stock, subject to the accuracy of certain representations by Prime designed to ensure the Company's qualification as a REIT. While we believe the investment by Prime does not change our status as a REIT, and we intend to continue to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the tax treatment of certain investments we may make, and the possibility of future changes in our circumstances, no assurance can be given that we will qualify for any particular year. If we lose our REIT qualification, we would be subject to federal corporate income taxation on our taxable income. Additionally we would not be allowed a deduction for dividends paid to shareholders. And, unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified. The income tax consequences could be substantial and would reduce our cash available for distribution to stockholders and investments in additional assets. Further, we could be required to borrow funds or liquidate some investments in order to pay the applicable tax.

As a REIT, we may be subject to tax liabilities that reduce our cash flow.

Even if we continue to qualify as a REIT for federal income tax purposes, we may be subject to federal and state taxes on our income or property, including the following:

- To continue to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income (which is determined without regard to the dividends-paid deduction or net capital gains) to our shareholders. If we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to corporate income tax on the undistributed income.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which the distributions that we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income, and 100% of our undistributed income from prior years.
- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.
- If we sell a property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain will be subject to the 100% “prohibited transaction” tax.
- We may be subject to state and local taxes on our income or property, either directly or indirectly, because of the taxation of our operating partnership or of other entities through which we indirectly own our assets.

We may be forced to borrow funds on a short-term basis, to sell assets, or to issue securities to meet the REIT minimum distribution requirement or for working capital purposes.

In order to maintain our REIT status or avoid the payment of income and excise taxes, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements, even if the then-prevailing market conditions are not favorable for these borrowings. To qualify as a REIT, in general, we must distribute to our stockholders at least 90% of our net taxable income each year, excluding capital gains. We have and intend to continue to make distributions to our stockholders, however, our ability to make distributions may be adversely affected by the risk factors described elsewhere in this Item 1A. In the event of a decline in our operating results and financial performance or in the value of our asset portfolio, we may not have cash sufficient for distribution. Therefore, to preserve our REIT status or avoid taxation, we may need to borrow funds, sell assets or issue additional securities, even if the then-prevailing market conditions are not favorable.

In addition, we require a minimum amount of cash to fund our daily operations. Due to the REIT distribution requirements, we may be forced to make distributions when we otherwise would use the cash to fund our working capital needs. Therefore, we may be forced to borrow funds, to sell assets or to issue additional securities at certain times for our working capital needs.

The stock ownership limit imposed by the Internal Revenue Code for REITs and our articles of incorporation may discourage a takeover that could otherwise result in a premium price for our stockholders.

In order for us to maintain our qualification as a REIT, no more than 50% of our outstanding stock may be beneficially owned, directly or indirectly, by five or fewer individuals (including certain types of entities) at any time during the last half of each taxable year. To ensure that we do not fail to qualify as a REIT under this test, our articles of incorporation restrict ownership by one person or entity to no more than 9.8% in value or number, whichever is more restrictive, of any class of our outstanding stock. This restriction may have the effect of delaying, deferring or preventing a change in control, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

Ordinary dividends payable by REITs generally are taxed at the higher ordinary income rate, which could reduce the net cash received by stockholders and may be detrimental to our ability to raise additional funds through any future sale of our common shares.

The maximum U.S. federal income tax rate for “qualifying dividends” payable by U.S. corporations to individual U.S. shareholders currently is 15.0%. However, ordinary dividends payable by REITs to its shareholders generally not eligible for the reduced rates for qualifying dividends and are taxed at ordinary income rates (the maximum individual income tax rate currently is 35.0%). This could reduce the net cash received by our stockholders as a result of their investment and could be detrimental to our ability to raise additional funds through the future sale of our common stock.

Tax-exempt stockholders will be taxed on our distributions to the extent such distributions are unrelated business taxable income.

Generally, neither ordinary nor capital gain distributions should constitute unrelated business taxable income (“UBTI”) to tax-exempt entities, such as such as employee pension benefit trusts and individual retirement accounts. Our payment of distributions to a tax-exempt stockholder will constitute UBTI, however, if the tax-exempt stockholder has incurred debt to acquire its shares. Therefore, tax-exempt shareholders are not assured all dividends received will be tax-free.

Our common stock may not be a suitable investment for qualified retirement plans.

Investors who are qualified plans, such as a pension, profit sharing, 401(k), Keogh or other qualified retirement plan, or who are IRAs should satisfy themselves that:

- their investment is consistent with their fiduciary obligations under ERISA and the Internal Revenue Code;
- their investment is made in accordance with the documents and instruments governing their Retirement Plan or IRA, including their plan’s investment policy;
- their investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;
- their investment will not impair the liquidity of the plan;
- their investment will not produce UBTI for the plan or IRA;
- they will be able to value the assets of the plan annually in accordance with ERISA requirements; and
- their investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

We have not evaluated and will not evaluate whether an investment in our common stock is suitable for any particular plan.

Risks Related to Legal and Regulatory Requirements

Costs of complying with governmental laws and regulations may reduce our net income and the cash available for distributions to our stockholders.

Our properties are subject to various local, state and federal regulatory requirements, including those addressing zoning, environmental and land use, access for disabled persons, and air and water quality. These laws and regulations may impose restrictions on the manner in which our properties may be used or business may be operated, and compliance with these standards may require us to make unexpected expenditures, some of which could be substantial. Additionally, we could be subject to liability in the form of fines, penalties or damages for noncompliance, and any enforcement actions could reduce the value of a property. Any material expenditures, penalties, or decrease in property value would adversely affect our operating income and our ability to pay dividends to our stockholders.

The costs of complying with environmental regulatory requirements, of remediating any contaminated property, or of defending against claims of environmental liability could adversely affect our operating results.

Under various federal, state and local environmental laws, ordinances and regulations, an owner or operator of real property is responsible for the cost of removal or remediation of hazardous or toxic substances on its property. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated.

For instance, federal regulations require us to identify and warn, via signs and labels, of potential hazards posed by workplace exposure to installed asbestos-containing materials ("ACMs"), and potential ACMs on our properties. Federal, state, and local laws and regulations also govern the removal, encapsulation, disturbance, handling and disposal of ACMs and potential ACMs, when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a property. There are or may be ACMs at certain of our properties. As a result, we may face liability for a release of ACMs and may be subject to personal injury lawsuits by workers and others exposed to ACMs at our properties. Additionally, the value of any of our properties containing ACMs and potential ACMs may be decreased.

There are comprehensive regulatory programs governing underground storage tanks used in a convenience store-tenant's gasoline operations. Compliance with existing and future laws regulating underground storage tanks may require significant capital expenditures, and the remediation costs and other costs required to clean up or treat contaminated sites could be substantial.

Although we have not been notified by any governmental authority and are not otherwise aware of any material noncompliance, liability or claim relating to hazardous substances in connection with our properties, we may be found noncompliant in the future. Environmental laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of any hazardous substances. Therefore, we may be liable for the costs of removing or remediating contamination of which we had no knowledge. Additionally, future laws or regulations could impose an unanticipated material environmental liability on any of the properties that we purchase.

The presence of contamination, or our failure to properly remediate contamination of our properties, may adversely affect the ability of our tenants to operate the contaminated property, may subject us to liability to third parties, and may inhibit our ability to sell or rent such property or borrow money using such property as collateral. Any of these occurrences would adversely affect our operating income.

Compliance with the Americans with Disabilities Act may require us to make unintended expenditures that could adversely impact our results of operations.

Our Properties are generally required to comply with the Americans with Disabilities Act of 1990, or the ADA. The ADA has separate compliance requirements for "public accommodations" and "commercial facilities," but generally requires that buildings be made accessible to people with disabilities. Compliance with ADA requirements could require removal of access barriers and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants. The parties to whom we lease properties are obligated by law to comply with the ADA provisions, and we believe that these parties may be obligated to cover costs associated with compliance. If required changes to our properties involve greater expenditures than anticipated, or if the changes must be made on a more accelerated basis than anticipated, our tenants may to be able to cover the costs and we could be required to expend our own funds to comply with the provisions of the ADA. Any funds used for ADA compliance will reduce our net income and the amount of cash available for distributions to our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We have no unresolved staff comments.

ITEM 2. PROPERTIES

General Information

We invest in a diverse portfolio of real estate assets primarily consisting of office/industrial, retail, and residential properties located in the western United States. As of December 31, 2015, we owned or had an equity interest in twenty office/industrial buildings totaling approximately 1,614,000 rentable square feet and six retail strip centers totaling approximately 236,000 rentable square feet. In addition, through our Model Home subsidiary and our investments in three limited partnership, we own a total of 64 Model Home properties located in ten states. We directly manage the operations and leasing of our properties. Substantially all of our revenues consist of base rents received under leases that generally have terms that range from less one to five years. We estimate that at least 75% of our existing leases as of December 31, 2015 contain contractual rent increases that provide for increases in the base rental payments. Our tenants consist of local, regional and national businesses. Our properties generally attract a mix of diversified tenant's creating lower risk in periods of economic fluctuations. Our largest tenant represented less than 5% of our total revenues for the year ended December 31, 2015.

Geographic Diversification Table

The following table shows a list of properties we owned as of December 31, 2015, grouped by the state where each of our investments is located.

NetREIT, Inc. properties:

State	No. of Properties	Aggregate Square Feet	Approximate % of Square Feet	Current Base Annual Rent	Approximate % of Aggregate Annual Rent
California	8	438,209	23.7%	$ 5,352,000	24.5%
Colorado	14	1,011,083	54.6%	13,130,000	60.2%
North Dakota	4	401,461	21.7%	3,335,076	15.3%
Total	26	1,850,753	100.0%	$ 21,817,076	100.0%

Model Home properties:

State	No. of Properties	Aggregate Square Feet	Approximate % of Square Feet	Current Base Annual Rent	Approximate of Aggregate % Annual Rent
Arizona	5	12,507	7.2%	$ 141,852	8.4%
California	2	4,563	2.6%	42,456	2.5%
Florida	4	9,833	5.6%	101,412	6.0%
Illinois	4	11,876	6.8%	130,476	7.7%
New Jersey	4	10,379	6.0%	101,820	6.0%
North Carolina	1	2,929	1.7%	16,200	1.0%
Pennsylvania	25	67,289	38.6%	706,020	41.7%
South Carolina	3	8,313	4.8%	71,388	4.2%
Texas	14	41,855	24.0%	326,832	19.3%
Wisconsin	2	5,016	2.9%	55,992	3.3%
Total	64	174,560	100.0%	$ 1,694,448	100.0%

The following table summarizes information relating to our properties (excluding Model Homes) at December 31, 2015:

Property Summary

($ in000's) *Property Location*	*Sq., Ft.*	*Date Acquired*	*Year Property Constructed*	*Purchase Price (1)*	*Occupancy*	*Percent Ownership*	*Mortgage On property*	*Estimated Renovation or Improvement Cost (1)*
Office/ Industrial Properties:								
Havana/Parker Complex, Aurora, CO (3)	114,000	06/06	1975	$ 5,829	58.0%	100.0%	$ 2,500	$ 93
Garden Gateway, CO Springs, CO (4)(7)	115,052	03/07	1982	$ 1,513	78.4%	94.0%	$ 6,799	$ 41
Executive Office Park, CO Springs, CO (5)	65,084	07/08	2000	$ 10,126	84.4%	100.0%	$ 4,307	$ 53
Pacific Oaks Plaza, Escondido, CA (6)	16,000	09/08	2005	$ 4,877	100.0%	100.0%	$ 1,557	$ 40
Morena Office Center, San Diego, CA (3) (7)	26,784	01/09	1987	$ 6,575	90.8%	20.0%	$ 2,290	$ 12
Rangewood Medical Building, CO Springs, CO (3)	18,222	03/09	1998	$ 2,630	73.0%	100.0%	$ 1,027	$ 19
Genesis Plaza, San Diego, CA (3)	57,685	08/10	1986	$ 10,000	82.2%	100.0%	$ 6,500	$ 89
Dakota Center, Fargo, ND (5)	119,749	05/11	1982	$ 9,575	86.5%	100.0%	$ 10,825	$ 40
Port of San Diego Complex, National City, CA (5)	146,700	12/11	1971/2008	$ 14,500	84.9%	100.0%	$ 10,098	$ —
Shoreline Medical Center, Half Moon Bay, CA (3)	15,335	05/12	1980	$ 6,350	100.0%	100.0%	$ 3,728	$ 32
The Presidio, Colorado Springs, CO (5)	80,800	11/12	1988	$ 7,275	78.4%	100.0%	$ 6,000	$ 116
Bismarck Office Building, Bismarck, ND	93,058	03/14	1976	$ 5,350	83.9%	100.0%	$ 3,252	$ 986
Union Terrace, Lakewood, CO	84,145	08/14	1982	$ 9,400	85.0%	100.0%	$ 6,600	$ 485
Centennial Tech Center, CO Springs, CO	110,405	12/14	1999	$ 15,500	97.3%	100.0%	$ 10,238	$ 60
Arapahoe Service Center, CO Springs, CO	79,023	12/14	2000	$ 11,850	100.0%	100.0%	$ 8,500	$ 55
West Fargo Industrial, West Fargo, ND	152,154	08/15	1998/2005	$ 7,900	97.6%	100.0%	$ 4,500	$ 120
300 N.P., West Fargo, ND	36,500	08/15	1922	$ 3,850	86.4%	100.0%	$ —	$ —
Highland Court, Centennial CO (8)	93,055	08/15	1984	$ 13,050	93.9%	80.8%	$ 6,958	$ 205
One Park Centre, Westminster CO	69,173	08/15	1983	$ 9,150	94.1%	100.0%	$ 6,610	$ 230
Shea Center II, Highlands Ranch, CO	121,399	12/15	2000	$ 25,325	100.0%	100.0%	$ 17,728	$ —
Total Office/Industrial	1,614,323			$ 180,625	87.3%		$ 120,017	$ 2,676
Retail Properties:								
World Plaza, San Bernardino, CA (5)	55,098	09/07	1974	$ 7,650	81.8%	100.0%	$ —	$ 23
Regatta Square, Denver, CO (5)	5,983	10/07	1996	$ 2,180	86.6%	100.0%	$ 1,183	$ 5
Waterman Plaza, San Bernardino, CA (5)	21,170	08/08	2008	$ 7,164	100.0%	100.0%	$ —	$ —
Yucca Valley Retail Center, CA (5)	99,437	9/11, 5/12	1978	$ 7,802	91.7%	100.0%	$ 6,000	$ 136
Union Town Center, Colorado Springs, CO	44,042	12/14	2003	$ 11,212	96.8%	100.0%	$ 8,440	$ 65
Research Parkway, CO	10,700	8/15	2003	$ 2,850	100%	100.0%	$ —	$ 15
Total Retail	236,430			$ 38,858	91.3%		$ 15,623	$ 244

(1) Prior to January 1, 2009, "Purchase Price" includes our acquisition related costs and expenses for the purchase of the property. After January 1, 2009, acquisition related costs and expenses were expensed when incurred.

(2) Expected capital expenditures over the next 12 months.

(3) Office building leased to tenants on a gross basis where tenants may be required to pay property related expenses in excess of base year cost.

(4) Garden Gateway Plaza is comprised of three buildings, each on a separate legal parcel.

(5) Leased on either a triple net basis, or on a pro-rata share of expenses in excess of base year property related expenses basis.

(6) Approximately 12,134 square feet, or 75.8% of this property, is occupied by the Company and related parties as its corporate offices.

(7) This property is owned by a Partnership for which we serve as general partner and in which we own less than 100% equity interest.

(8) This property is owned by two tenants-in-common of which 60% is owned by the Company and the Company owns approximately 52% in the other tenant-in-common.

Top Ten Tenants Physical Occupancy Table

The following table sets forth certain information with respect to our top ten tenants.

As of December 31, 2015 *Tenant*	*Number of Leases*	*Annualized Base Rent*	*% of Total Annualized Base Rent*
Comcast of Colorado X, LLC	1	$ 949,819	3.93%
Halliburton Energy Services, Inc.	1	$ 869,279	3.60%
County of San Mateo	1	$ 629,610	2.61%
County of San Bernardino	1	$ 586,956	2.43%
D+H USA Corporation	1	$ 539,976	2.24%
Caliber Bodyworks, Inc	1	$ 454,700	1.88%
The College for Financial Planning, Inc.	1	$ 414,252	1.72%
General Services Administration	1	$ 400,871	1.66%
Goodwill Industries of Southern California	1	$ 379,398	1.57%
Wells Fargo Dealer Services, Inc.	1	$ 370,042	1.53%

Lease Expirations Tables

The following table sets forth lease expirations for our properties as of December 31, 2015, assuming that none of the tenants exercise their renewal options.

NetREIT, Inc. properties:

Expiration Year	*Number of Leases Expiring*	*Square Footage*	*Annual Rental From Lease*	*Percent of Total*
2016	92	315,083	4,481,318	21.8%
2017	78	202,869	2,982,052	14.5%
2018	74	251,526	3,620,917	17.6%
2019	27	83,235	1,285,931	6.3%
2020	32	225,707	4,236,363	20.6%
Thereafter	29	376,832	3,942,141	19.2%
Totals	332	1,455,252	$ 20,548,722	100.0%

Model Home properties:

Expiration Year (1)	*Number of Leases Expiring*	*Square Footage*	*Annual Rental From Lease*	*Percent of Total*
2016	45	122,804	$ 1,140,084	68.7%
2017	19	45,377	518,688	31.3%
	64	168,181	$ 1,658,772	100.0%

(1) These leases are subject to extensions by the developer depending on sales of the total development. All model homes are sold at the end of the lease period.

Physical Occupancy Table for Last 5 Years (1)

The following table presents the percentage occupancy for each of our properties, excluding our Model Home properties, as of December 31 for each of the last five years.

	Date Acquired	Percentage Occupancy as of the Year Ended December 31,				
		2011	2012	2013	2014	2015
Office/ Industrial Properties:						
Havana/Parker Complex	06/06	57.4%	57.4%	59.2%	53.0%	58.0%
Garden Gateway Plaza	03/07	83.5%	83.5%	82.8%	83.3%	78.4%
Executive Office Park	07/08	88.8%	88.8%	84.5%	83.4%	84.4%
Pacific Oaks Plaza (1)	09/08	100.0%	100.0%	100.0%	100.0%	100%
Morena Office Center	01/09	92.4%	92.4%	92.4%	86.8%	90.8%
Rangewood Medical Office Building	03/09	83.4%	83.4%	68.2%	70.1%	73.0%
Genesis Plaza	08/10	76.4%	76.4%	89.7%	83.3%	82.2%
Dakota Bank Buildings	05/11	98.3%	98.3%	98.3%	82.1%	86.5%
Port of San Diego Complex	12/11	51.7%	51.7%	51.7%	75.9%	84.9%
Shoreline Medical Building	05/12	N/A	100.0%	100.0%	100.0%	100.0%
The Presidio	11/12	N/A	72.9	80.5%	76.7%	78.4%
Bismarck Office	03/14	N/A	N/A	N/A	83.4%	83.9%
Union Terrace	08/14	N/A	N/A	N/A	87.6%	85.0%
Centennial Tech Center	12/14	N/A	N/A	N/A	100.0%	97.3%
Arapahoe Service Center	12/14	N/A	N/A	N/A	82.0%	100.0%
West Fargo Industrial	08/15	N/A	N/A	N/A	N/A	95.7%
300 N.P.	08/15	N/A	N/A	N/A	N/A	97.0%
Highland Court	08/15	N/A	N/A	N/A	N/A	93.9%
One Park Centre	08/15	N/A	N/A	N/A	N/A	94.1%
Shea Center II	12/15	N/A	N/A	N/A	N/A	100.0%
Retail Properties:						
World Plaza	09/07	87.1%	87.1%	83.0%	81.8%	81.8%
Regatta Square	10/07	100.0%	100.0%	100.0%	100.0%	86.6%
Waterman Plaza	08/08	95.3%	95.3%	100.0%	100.0%	100.0%
Yucca Valley Retail Center	09/11	92.9%	92.9%	95.5%	95.5%	91.7%
Union Town Center	12/14	N/A	N/A	N/A	97.0%	96.8%
Research Parkway	08/15	N/A	N/A	N/A	N/A	100.0%

(1) Approximately 12,134 square feet, or 75.8% of this property, is occupied by the Company and related parties as its corporate offices.

Annualized Base Rent Per Square Foot for Last 5 Years

The following table presents the average effective annual rent per square foot for each of our properties, excluding our Model Home properties, as of December 31, 2015.

	Annualized Base Rent per Square Foot (1) For the Years Ended December 31,						
	2011	2012	2013	2014	2015	Annualized B Rent (2)	Net Rentable Square Feet
Office/ Industrial Properties:							
Havana/Parker Complex	$ 9.40	$ 10.64	$ 10.55	$ 11.35	$ 11.57	$ 765,000	114,000
Garden Gateway Plaza	$ 9.39	$ 10.11	$ 10.37	$ 10.51	$ 11.55	$ 1,042,000	115,052
Executive Office Park	$ 12.12	$ 12.32	$ 11.13	$ 10.85	$ 11.81	$ 649,000	65,084
Pacific Oaks Plaza (3)	$ 17.36	$ 17.36	$ 17.36	$ 19.50	$ 19.50	$ 312,000	16,000
Morena Office Center	$ 25.61	$ 19.90	$ 21.37	$ 20.13	$ 20.97	$ 510,000	26,784
Rangewood Medical Office Building	$ 24.09	$ 24.57	$ 23.20	$ 17.24	$ 15.86	$ 211,000	18,222
Genesis Plaza	N/A	$ 24.90	$ 24.33	$ 24.27	$ 25.83	$ 1,225,000	57,685
Dakota Center	N/A	$ 11.73	$ 10.83	$ 10.83	$ 10.86	$ 1,125,000	119,749
Port of San Diego Complex	N/A	$ 12.37	$ 9.92	$ 9.84	$ 8.49	$ 1,058,000	146,700
Shoreline Medical Building	N/A	$ 36.50	$ 46.86	$ 38.80	$ 41.08	$ 630,000	15,335
The Presidio	N/A	$ 24.89	$ 21.12	$ 13.67	$ 13.61	$ 862,000	80,800
Bismarck	N/A	N/A	N/A	$ 8.65	$ 12.74	$ 995,000	93,058
Union Terrace	N/A	N/A	N/A	$ 7.60	$ 18.36	$ 1,313,438	84,145
Centennial Tech Center	N/A	N/A	N/A	$ 12.52	$ 12.52	$ 1,344,568	110,405
Arapahoe Center	N/A	N/A	N/A	$ 12.43	$ 12.43	$ 982,000	79,023
West Fargo Industrial	N/A	N/A	N/A	N/A	$ 5.47	$ 812,000	152,154
300 N.P.	N/A	N/A	N/A	N/A	$ 10.91	$ 344,000	36,500
Highland Court	N/A	N/A	N/A	N/A	$ 18.93	$ 1,654,000	93,055
One Park Centre	N/A	N/A	N/A	N/A	$ 19.85	$ 1,292,000	69,173
Shea Center II	N/A	N/A	N/A	N/A	$ 16.08	$ 1,952,000	121,399
Retail Properties:							
World Plaza	$ 14.09	$ 14.55	$ 14.32	$ 16.01	$ 18.66	$ 841,000	55,098
Regatta Square	$ 32.08	$ 33.00	$ 42.40	$ 39.60	$ 32.16	$ 166,620	5,983
Waterman Plaza	$ 23.08	$ 23.38	$ 24.23	$ 23.15	$ 24.14	$ 511,000	21,170
Yucca Valley Retail Center	N/A	$ 11.35	$ 9.30	$ 10.04	$ 8.46	$ 771,000	99,437
Union Town Center	N/A	N/A	N/A	$ 20.27	$ 20.27	$ 864,000	44,042
Research Parkway	N/A	N/A	N/A	N/A	$ 20.65	$ 221,000	10,700

(1) Annualized based rent divided by the percentage occupied divided by rentable square feet.
(2) Annual Gross Rent is based upon actual rents due as of December 31, 2015, determined using GAAP including CAM reimbursements.
(3) Approximately 12,134 square feet, or 75.8% of this property, is occupied by the Company as its corporate offices.

ITEM 3. LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on our financial position, results of operation or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUERS PURCHASES OF EQUITY SECURITIES

Market Information

To date, there is no public market for any of our securities. Our common stock is not currently traded on any stock exchange or electronic quotation system, and we do not expect that our securities will be publicly traded in the near future.

Number of Holders of Each Class of Stock

As of March 15, 2016 there were 3,007 holders of our Series A common stock and a single holder of our Mandatorily Redeemable Series B Preferred Stock.

Dividend Payments

We pay quarterly cash distributions to our common stockholders. The following is a summary of cash payment amount per share for the years ended December 31, 2015 and 2014:

Month	2015 Cash Dividend	2014 Cash Dividend
March 31	$ 0.10	$ 0.1353
June 30	0.10	0.1353
September 30	0.10	0.10
December 31	0.10	0.10
Total	$ 0.40	$ 0.4706

The December 31, 2015, quarterly cash distribution of $0.10 per common share was paid in February 2016.

In December 2011, the Company issued approximately 1,649 shares of its Convertible Series 6.3% Preferred Stock. The Company paid approximately $0 and $65,000 in dividends in the years ended December 31, 2015 and 2014. The Company repurchased all of the shares of its convertible Series 6.3% Preferred Stock in August 2014.

Dividend Policy

We plan to pay at least 90% of our annual REIT Taxable Income to our stockholders in order to maintain our status as a REIT. We have paid dividends to our stockholders at least quarterly since the first quarter we commenced operations on April 1, 1999.

We intend to continue to declare quarterly distributions, however we cannot provide any assurance as to the amount or timing of future distributions. We eventually intend to make cash dividend distributions out of our operating cash flow and proceeds from the sale of properties. During 2015, we declared dividends of $6.8 million and approximately $2.6 million of these dividends were reinvested and paid back to the Company resulting in a net cash payout of approximately $4.1 million for the year ended December 31, 2015. Cash flow from operations for the year ended December 31, 2015 was $5.0 million, therefore, to fund, we expect that we will continue to rely on proceeds from additional borrowings of secured or unsecured debt and from proceeds from the sale of properties until such time that our cash flow from operations is sufficient to fund dividends paid to stockholders. In the event that we are unable to make distributions out of cash flow from operations, or cannot secure additional equity or debt financing, our ability to declare and pay a cash dividend on our common stock may be materially limited.

To the extent that we make distributions in excess of our earnings and profits, as computed for federal income tax purposes, these distributions will represent a return of capital, rather than a dividend, for federal income tax purposes. Distributions that are treated as a return of capital for federal income tax purposes generally will not be taxable as a dividend to a U.S. stockholder, but will reduce the stockholder's basis in its shares (but not below zero) and therefore can result in the stockholder having a higher gain upon a subsequent sale of such shares. Return of capital distributions in excess of a stockholder's basis generally will be treated as gain from the sale of such shares for federal income tax purposes.

We provide each of our stockholders a statement detailing distributions paid during the preceding year and their characterization as ordinary income, capital gain or return of capital annually. During the years ended December 31, 2015 and 2014, all distributions were non-taxable as they were considered a return of capital to the stockholders.

Equity Compensation Plan Information

The Company established the 1999 Flexible Incentive Plan (the "Plan") for the purpose of attracting and retaining employees. The Plan provides that no more than 10% of the outstanding shares of common stock can be issued under the Plan. At December 31, 2011, the maximum number of shares that could be issued under the plan was approximately 1,648,000 shares. In 2006, the Compensation Committee of the Board of Directors adopted a restricted stock compensation plan under the Plan. There have been approximately 442,000 restricted shares granted since adopting the restricted stock compensation plan. At December 31, 2015, the amount of common shares available for future grants under the Plan is approximately 1,206,000 shares.

Issuer Purchases of Equity Securities

Not applicable.

ITEM 6. SELECTED FINANCIAL DATA

Not required.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion relates to our financial statements and should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. Statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are not historical facts may be forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to materially differ from those projected. Some of the information presented is forward-looking in nature, including information concerning projected future occupancy rates, rental rate increases, project development timing and investment amounts. Although the information is based on our current expectations, actual results could vary from expectations stated in this report. Numerous factors will affect our actual results, some of which are beyond our control. These include the timing and strength of national and regional economic growth, the strength of commercial and residential markets, competitive market conditions, fluctuations in availability and cost of construction materials and labor resulting from the effects of worldwide demand, future interest rate levels and capital market conditions. You are cautioned not to place undue reliance on this information, which speaks only as of the date of this report. We assume no obligation to update publicly any forward-looking information, whether as a result of new information, future events or otherwise, except to the extent we are required to do so in connection with our ongoing requirements under federal securities laws to disclose material information. For a discussion of important risks related to our business, and an investment in our securities, including risks that could cause actual results and events to differ materially from results and events referred to in the forward-looking information. See Item 1A for a discussion of material risks.

OVERVIEW

The Company operates as a self-managed and self-administered real estate investment trust, or REIT. The Company invests in a diverse portfolio of real estate assets office, retail, industrial and model home leased back to the developer located primarily in the western United States. As of December 31, 2015, including properties held for sale, the Company owned or had an equity interest in:

- Eighteen office properties ("Office Properties") which total approximately 1,315,000 rentable square feet,
- Two industrial properties ("Industrial Properties") which total approximately 299,000 rentable square feet,
- Six retail shopping centers ("Retail Properties") which total approximately 236,000 rentable square feet and,
- Sixty-four Model Homes owned by three affiliated limited partnerships and one limited liability company ("Residential Properties").

NetREIT's office, retail and industrial properties are located primarily in Southern California and Colorado, with four properties located in North Dakota. Our Model Home properties are located in ten states. We do not develop properties but acquire properties that are stabilized or that we anticipate will be stabilized within two or three years of acquisition. We consider a property to be stabilized once it has achieved an 80% occupancy rate for a full year as of January 1 of such year, or has been operating for three years. Our geographical clustering of assets enables us to reduce our operating costs through economies of scale by servicing a number of properties with less staff, but it also makes us more susceptible to changing market conditions in these discrete geographic areas.

Most of our office and retail properties are leased to a variety of tenants ranging from small businesses to large public companies, many of which are not investment grade. We have in the past entered into, and intend in the future to enter into, purchase agreements for real estate having net leases that require the tenant to pay all of the operating expense (NNN Leases) or pay increases in operating expenses over specific base years. Most of our office leases are for terms of 3 to 5 years with annual rental increases built into such leases. In general, we have experienced decreases in rental rates in many of our submarkets due to recessionary conditions and other related factors when leases expire and are extended. During 2013 and 2012, the changes in rental rates have affected our operating results due to the older leases being extended at market rates lower than the old rates. We cannot give any assurance that as the older leases expire or as we add new tenants that rental rates will be equal to or above the current market rates. Also, decreased demand and other negative trends or unforeseeable events that impair our ability to timely renew or re-lease space could have a negative effect on our future financial condition, results of operations and cash flow. Our Model Homes are typically leased for 2 to 3 years to the home developer on a triple net lease. Under a triple net lease, the tenant is required to pay all operating, maintenance and insurance costs and real estate taxes with respect to the leased property.

Prior to the sale of all of our self-storage properties in April 2015, these facilities were rented pursuant to rental agreements that were typically for no longer than six months in duration. The self-storage properties are located in markets having other self-storage properties. Competition with these other properties impacted the operating results of these properties, which depended materially on our ability to timely lease vacant self-storage units, to actively manage unit rental rates, and our tenants' ability to make required rental payments.

We seek to diversify our portfolio by commercial real estate segments to reduce the adverse effect of a single under-performing segment, geographic market and/or tenant. We further supplement this at the tenant level through our credit review process, which varies by tenant class. For example, our commercial and industrial tenants tend to be corporations or individual owned businesses. In these cases, we typically obtain financial records, including financial statements and tax returns (depending on the circumstance), and run credit reports for any prospective tenant to support our decision to enter into a rental arrangement. We also typically obtain security deposits from these commercial entities. Our Model Home business partners are also typically substantial home developers with established credit histories. These tenants are subjected to financial review and analysis prior to us entering into a sales-leaseback transaction. Our ownership of the underlying property provides a further means to avoiding significant credit losses.

SIGNIFICANT TRANSACTIONS IN 2015 and 2014

Acquisitions - we acquired the following properties during 2015:

- On December 24, 2015, the Company acquired a four story, 121,399 square foot office building located in Highlands Ranch, Colorado for a purchase price of approximately $25.3 million. The building was 100% occupied at the date of acquisition. The acquisition was financed with a down payment of $7.6 million and a ten year secured mortgage of $17.7 with an interest rate of 4.9%.
- On August 28, 2015, the Company acquired a four story, 69,200 square foot office building located in Westminster, Colorado for a purchase price of approximately $9.1 million. The building was approximately 96% occupied at the date of acquisition. The acquisition was financed with a down payment of $2.5 million and a ten year secured mortgage of $6.6 million with an interest rate of 4.7%.
- On August 26, 2015, the Company acquired a four story 93,000 square foot office building located in Centennial, Colorado for a purchase price of approximately $13.1 million. The building was approximately 97% occupied on the date of acquisition. The acquisition was financed with a down payment of $6.1 million and a seven year secured mortgage of $7 million with an interest rate of 3.8%.
- On August 13, 2015, the Company acquired a single story 10,700 square foot retail building located adjacent to the Union Town Center building already owned by the Company in Colorado Springs, Colorado for a purchase price of approximately $2.9 million. The building was 100% occupied at the date of acquisition. The acquisition was paid in cash.
- On August 8, 2015, the Company acquired a two story 36,500 square foot office building in Fargo, North Dakota for a purchase price of $3.9 million. The building was 86.4% occupied at the date of acquisition. The acquisition was paid in cash.
- On August 8, 2015, the Company acquired seven single story 152,154 square foot industrial/flex buildings in West Fargo, North Dakota for a purchase price of approximately $7.9 million. The buildings were 97.6% occupied at the date of acquisition. The acquisition was financed with a down payment of $3.4 million and a five year secured mortgage of $4.5 million with interest rate of 4.8%.
- On May 22, 2015, NetREIT Model Home LLC acquired and leased back to the developer one (1) Model Home property located in Pennsylvania for a purchase price of $587,500, consisting of a cash payment of $244,500 and a promissory note of $343,000. On March 26, 2015, the Company acquired three (3) Model Home properties in Wisconsin, Illinois and Arizona on March 26, 2015 and lease them back to the home builder. The purchase price for the properties totaled $940,230, consisting of cash payments of $376,000 and promissory notes of $564,230.
- On May 18 and 22, 2015, NetREIT Dubose and Dubose Model Home Investors #202 LP acquired and leased back to the developer four (4) Model Home properties in South Carolina and Pennsylvania for an aggregate purchase price of $1,376,300, consisting of cash payments of $550,520 and promissory notes of $825,780. On March 26, 2015 these entities acquired nine (9) Model Home properties in Illinois, Florida, Wisconsin and Arizona on March 26, 2015 (and leased them back to the home builders). The purchase price for the properties totaled $2.8 million, consisting of cash payments of $1.1 million and promissory notes of $1.7 million.

We review our portfolio of investment properties for appreciation potential on an on-going basis, and dispose of any properties that no longer satisfy our requirements in this regard. The proceeds from any such property sale, after repayment of any associated mortgage, are available for investing in properties that we believe will have a much greater likelihood of future price appreciation.

- On July 9, 2015, NetREIT Dubose sold one Model Home property (upon maturity of lease) for $163,400 resulting in a gain on sale of approximately $11,000. During the second quarter of 2015, NetREIT Dubose sold two Model Homes properties (upon the maturity of leases) for $747,000, resulting in gain on sales of approximately $75,000. During the first quarter of 2015, NetREIT Dubose sold two Model Home properties (upon the maturity of leases) for $621,000, resulting in gain on sales of approximately $79,000.
- On April 10, 2015, the Company sold all seven of the Sparky's Self Storage facilities that had been acquired during 2007 through 2013 as a package for a net sales price of $34 million, resulting in a gain on sale of approximately $4.7 million. The net proceeds from the sale after selling costs and payment of associated mortgages were approximately $17 million. Approximately $3.3 million was used to pay off a loan, bearing an interest rate of 6.5% that was scheduled to mature on September 1, 2015, on the Waterman property, $3.9 million was used to acquire the office building in Fargo, North Dakota, $2.9 million was used to acquire the retail building in Colorado, Springs and $2.4 million was used to acquire the office building in Centennial, Colorado.
- In April 2015, the Company sold one building and a parcel of land at the Yucca Valley Retail Center for approximately $1.5 million resulting in a gain on sale of $1.0 million

Preferred Stock Financing - In August 2014, we entered into an offering of our Series B Preferred Stock. The financing was funded in installments with the last installment on December 24, 2015. We issued 35,000 shares of our Series B Preferred Stock for $35 million during 2014 and 2015. These shares have a $0.01 par value and a $1,000 per share liquidation preference. The Series B Preferred Stock shall be redeemed through a cash payment equal to the face value of the shares outstanding at redemption. The dividend rate on these funds is 14%, with 10% to be paid on a monthly basis, and the remaining 4% shall accrue and compound monthly and be payable from excess cash flow starting in January 2016. The proceeds of this financing were used for property acquisitions approved by the Series B Preferred investor. The Series B Preferred Stock is scheduled to be redeemed by the third anniversary of the issuance date; however, we can extend the redemption date by up to two additional years. Due to the redeemable requirement of the stock, the dividends paid are treated as interest expense for GAAP reporting.

Debt transactions - During 2015, the Company originated mortgage notes of approximately $35.8 million in connection with property acquisitions. The originated notes bear interest at weighted interest rate of 4.6%. During 2015, the Company also refinanced approximately $7.4 million of existing debt with new debt of approximately $12.5 million, providing additional cash to invest in new acquisitions. The new debt bears interest at an average rate of 4.5%, compared to 5.1% on the old debt. Although our aggregate debt outstanding increased due to acquisitions of new properties and the refinancing of existing debt, the weighted average interest rate of our non-Model Home property mortgages decreased to 4.7% at December 31, 2015 from 4.9% at December 31, 2014.

ECONOMIC ENVIRONMENT

The United States continues to slowly gain momentum from the recession of 2008 with GDP of 2.4 percent for 2015, identical to the rate recorded in 2014. The GDP was reported to have risen only 0.7% over the fourth quarter of 2015 largely reflecting slower sales of durable goods, a weaker trade picture caused by the strong dollar and slower business investment and accumulation of inventories. Published unemployment rates have remained in the 5% range and many experts forecast that it will decline in 2016. There seems to be concern with the increase in long-term unemployment, high involuntary part-time employment and meager increases of wages and salaries. With the decreasing unemployment rates many people agree wages increases are likely to follow. Job gains in the office-using employment sector, professional & business services, financial activities and information, continue to outpace broader job gains and that could be favorable for the commercial real estate segment. Vacancy rates for commercial real estate continued to tighten. Rental rates have increased in many primary and secondary markets.

During 2015, existing home sales reached their highest level since November 2009 and housing prices have increased as demand outpaced supply. On the supply side there has been an increase in housing starts and building permits. Residential housing has continued to recover, supported by job growth. The market for start-up home owners has not recovered much but should improve as wage growth picks up but could be hindered by increases in interest rates.

The significance of the U.S. Dollar in the global economy, the volatility of the price of oil, the size of the U.S. debt and uncertainty of servicing such debt seems to be the biggest concern for continued economic recovery. The impact of the current global market instability and recent slowdown in economies of China, Asia and Europe and the ability of certain European Union countries to continue to service their sovereign debt obligations are inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions.

It is impossible to project U.S. Economic growth but economic conditions could have a material effect on our business, financial condition and results of operations.

CREDIT MARKET ENVIRONMENT

The raising of the short-term interest rates in December 2015 for the first time since 2006 by the Federal Reserve signals that policy makers think the economy is strong enough to withstand a gradual tightening of monetary policy over the next couple years. The effect of increased interest rates on Real Estate Investment Trusts is a still a debated topic. In the past when interest rates increased it has been a sign of a better economy that allowed for rental rates to increase mitigating the effect on REIT's.

Our ability to execute our business strategies, particularly to make new investments is highly dependent upon our ability to procure external financing. Our principal source of external financing includes the issuance of equity securities and mortgages secured by properties. The market for mortgages has improved although the interest rates may increase they are still low compared to pre-recessionary rates. We continue to obtain mortgages from the CMBS market, life insurance companies and regional banks. Commercial MBS lenders are generally optimistic, although the potential impact of impending regulations and market volatility are a concern. Even though we have been successful in procuring equity financing and secured mortgages financing we cannot be assured that we will be successful in the future.

MANAGEMENT EVALUATION OF RESULTS OF OPERATIONS

Management's evaluation of operating results includes an assessment of our ability to generate cash flow necessary to pay operating expenses, general and administrative expenses, debt service and to fund distributions to our stockholders. As a result, Management's assessment of operating results gives less emphasis to the effects of unrealized gains and losses and other non-cash charges, such as depreciation and amortization and impairment charges, which may cause fluctuations in net income for comparable periods but have no impact on cash flows. Management's evaluation of our potential for generating cash flow includes assessments of our recently acquired properties, our non-stabilized properties, long-term sustainability of our real estate portfolio, our future operating cash flow from anticipated acquisitions, and the proceeds from the sales of our real estate assets.

In addition, Management evaluates our portfolio and individual properties results of operations with a primary focus on increasing and enhancing the value, quality and quantity of properties in our real estate holdings. Properties that have reached goals in occupancy and rental rates are evaluated for potential added value appreciation and, if lacking such potential, are sold with the equity reinvested in properties that have better potential without foregoing cash flow. Management focuses its efforts on improving underperforming assets through re-leasing efforts, including negotiation of lease renewals and rental rates.

The ability to increase assets under management is affected by our ability to raise borrowings and/or capital, coupled with our ability to identify appropriate investments.

CRITICAL ACCOUNTING POLICIES

As a company primarily involved in owning income generating real estate assets, management considers the following accounting policies critical as they reflect our more significant judgments and estimates used in the preparation of our financial statements and because they are important for understanding and evaluating our reported financial results. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses.

Real Estate Assets and Lease Intangibles. Land, buildings and improvements are recorded at cost, including tenant improvements and lease acquisition costs (including leasing commissions, space planning fees, and legal fees). We capitalize any expenditure that replaces, improves, or otherwise extends the economic life of an asset, while ordinary repairs and maintenance are expensed as incurred. We allocate the purchase price of acquired properties between the acquired tangible assets and liabilities (consisting of land, building, tenant improvements, land purchase options, and long-term debt) and identified intangible assets and liabilities (including the value of above-market and below-market leases, the value of in-place leases, unamortized lease origination costs and tenant relationships), based in each case on their respective fair values.

We allocate the purchase price to tangible assets of an acquired property based on the estimated fair values of those tangible assets assuming the building was vacant. Estimates of fair value for land, building and building improvements are based on many factors including, but not limited to, comparisons to other properties sold in the same geographic area and independent third party valuations. We also consider information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair values of the tangible and intangible assets and liabilities acquired.

The value allocated to acquired lease intangibles is based on management's evaluation of the specific characteristics of each tenant's lease. Characteristics considered by management in allocating these values include the nature and extent of the existing business relationships with the tenant, growth prospects for developing new business with the tenant, the remaining term of the lease and the tenant's credit quality, among other factors.

The value allocable to the above-market or below-market market component of an acquired in-place lease is determined based upon the present value (using a market discount rate) of the difference between (i) the contractual rents to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of rents that would be paid using fair market rates over the remaining term of the lease.

The value of in-place leases and unamortized lease origination costs are amortized to expense over the remaining term of the respective leases, which range from less than a year to ten years. The amount allocated to acquire in-place leases is determined based on management's assessment of lost revenue and costs incurred for the period required to lease the "assumed vacant" property to the occupancy level when purchased. The amount allocated to unamortized lease origination costs is determined by what we would have paid to a third party to secure a new tenant reduced by the expired term of the respective lease.

Real Estate Held for Sale and Discontinued Operations. Real estate sold during the current period is classified as "real estate held for sale" for all prior periods presented in the accompanying condensed consolidated financial statements. Mortgage notes payable related to the real estate sold during the current period is classified as "notes payable related to real estate held for sale" for all prior periods presented in the accompanying condensed consolidated financial statements. Additionally, the Company records the operating results related to real estate that has been disposed of as discontinued operations for all periods presented if the operations have been eliminated and the Company will not have any significant continuing involvement in the operations of the property following the sale.

Impairment of Real Estate Assets. We review the carrying value of each property to determine if circumstances that indicate impairment in the carrying value of the investment exist or that depreciation periods should be modified. If circumstances support the possibility of impairment, we prepare a projection of the undiscounted future cash flows, without interest charges, of the specific property and determine if the investment in such property is recoverable. If impairment is indicated, the carrying value of the property is written down to its estimated fair value based on our best estimate of the property's discounted future cash flows.

Goodwill and Intangible Assets. Intangible assets, including goodwill and lease intangibles, are comprised of finite-lived and indefinite-lived assets. Lease intangibles represents the allocation of a portion of the purchase price of a property acquisition representing the estimated value of in-place leases, unamortized lease origination costs, tenant relationships and land purchase options. Intangible assets that are not deemed to have an indefinite useful life are amortized over their estimated useful lives. Indefinite-lived assets are not amortized.

We test for impairment of goodwill and other definite and indefinite lived assets at least annually, and more frequently as circumstances warrant. Impairment is recognized only if the carrying amount of the intangible asset is considered to be unrecoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and the estimated fair value of the asset.

Sales of Real Estate Assets. Gains from the sale of real estate assets will not be recognized under the full accrual method until certain criteria are met. Gain or loss (the difference between the sales value and the cost of the real estate sold) shall be recognized at the date of sale if a sale has been consummated and the following criteria are met:

a. The buyer is independent of the seller;

b. Collection of the sales price is reasonably assured; and

c. The seller will not be required to support the operations of the property or its related obligations to an extent greater than its proportionate interest.

Gains relating to transactions which do not meet the criteria for full accrual method of accounting are deferred and recognized when the full accrual method of accounting criteria are met or by using the installment or deposit methods of profit recognition, as appropriate in the circumstances.

Revenue Recognition. We recognize revenue from rent, tenant reimbursements, and other revenue once all of the following criteria are met:

a. Persuasive evidence of an arrangement exists;

b. Delivery has occurred or services have been rendered;

c. The amount is fixed or determinable; and

d. The collectability of the amount is reasonably assured.

Annual rental revenue is recognized in rental revenues on a straight-line basis over the term of the related lease. Estimated recoveries from certain tenants for their pro rata share of real estate taxes, insurance and other operating expenses are recognized as revenues in the period the applicable expenses are incurred or as specified in the leases. Other tenants pay a fixed rate and these tenant recoveries are recognized as revenue on a straight-line basis over the term of the related leases.

Certain of our leases currently contain rental increases at specified intervals. We record as an asset, and include in revenues, deferred rent receivable that will be received if the tenant makes all rent payments required through the expiration of the initial term of the lease. Deferred rent receivable in the accompanying balance sheets includes the cumulative difference between rental revenue recorded on a straight-line basis and rents received from the tenants in accordance with the lease terms. Accordingly, Management determines to what extent the deferred rent receivable applicable to each specific tenant is collectible. We review material deferred rent receivable, as it relates to straight-line rents, and take into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. In the event that the collectability of deferred rent with respect to any given tenant is in doubt, we record an increase in the allowance for uncollectible accounts, and write-off of the specific rent receivable. No such reserves related to deferred rent receivables have been recorded as of December 31, 2015 or 2014.

Income Taxes. We have elected to be taxed as a REIT under Sections 856 through 860 of the Code, for federal income tax purposes. To maintain our qualification as a REIT, we are required to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we maintain our qualification for taxation as a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. If we fail to maintain our qualification as a REIT in any taxable year, and are unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax. We are subject to certain state and local income taxes.

We, together with one of our entities, have elected to treat such subsidiaries as taxable REIT subsidiaries (a "TRS") for federal income tax purposes. Certain activities that we undertake must be conducted by a TRS, such as non-customary services for our tenants, and holding assets that we cannot hold directly. A TRS is subject to federal and state income taxes.

Fair Value Measurements. Certain assets and liabilities are required to be carried at fair value, or if long-lived assets are deemed to be impaired, to be adjusted to reflect this condition. The guidance requires disclosure of fair values calculated under each level of inputs within the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs other than quoted process that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

Fair value is defined as the price at which an asset or liability is exchanged between market participants in an orderly transaction at the reporting date. Our cash equivalents, mortgage notes receivable, accounts receivable and payables and accrued liabilities all approximate fair value due to their short term nature. Management believes that the recorded and fair values of notes payable are approximately the same as of December 31, 2015 and 2014.

Depreciation and Amortization. The Company records depreciation and amortization expense using the straight-line method over the useful lives of the respective assets. The cost of buildings are depreciated over estimated useful lives of 39 years, the costs of improvements are amortized over the shorter of the estimated life of the asset or term of the tenant lease (which range from 1 to 10 years), and the cost of furniture, fixtures and equipment are depreciated over 4 to 5 years.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Our results of operations for 2015 and 2014 are not indicative of those expected in future periods as we expect that rental income, interest expense, rental operating expense, general and depreciation and amortization will significantly increase in future periods as a result of the assets acquired over the last two years and as a result of anticipated growth through future acquisitions of real estate related investments.

The following discussion over our results of operations for all properties for the years ended December 31, 2015 and 2014 relates to continuing operations, with the exception of the discontinued operations portion.

Revenues. Total revenue was $24.0 million for the year ended December 31, 2015, compared to $16.5 million for the same period in 2014, an increase of $7.5 million or 45.5%. The increase in rental income as reported in 2015 as compared to 2014 reflects:

- A net increase in industrial and office properties rental income of $5.5 million as a result of the five property acquisitions made during 2014 and $1.7 million from the four property acquisitions made during 2015 (not including Shea II as the property was acquired on 12/24/2015). There was a $200,000 impact on net revenue from the sale of the Fontana property in December 2014.
- A net increase in same store rental income of $600,000 due to a 2.5 % increase in occupancy during the year ended December 31, 2015 compared to the same period in 2014 along with a 3% increase in rental rates.
- Revenues from rentals of Model Homes decreased to $500,000 or 33.3% in 2015 from $2.0 million in 2014 to $1.5 million. The decrease in rental revenues arose as a result of a reduction in the number of Model Homes owned during the twelve month period compared to the same period in 2014. The remaining decrease is attributed to the decrease in transaction fees related to the sales of model homes

Rental Operating Costs. Rental operating costs were $8.5 million for the year ended December 31, 2015 compared to $5.7 million for the same period in 2014, an increase of $2.8 million or 49.1%. Costs associated with properties acquired during 2015 accounted for $633,000 of the increase and properties acquired in 2014 that had a full year of operating expenses accounted for $2.2 million of the increase. Rental operating costs as a percentage of rental and fee income was 35.4% and 37.5% for the years ended December 31, 2015 and 2014, respectively.

General and Administrative Expenses. General and administrative ("G&A") expenses were $4.7 million for the year ended December 31, 2015, compared to $4.6 million for the same period in 2014, representing an increase of $100,000 or 2.2%. While these expenses are semi-fixed and do not necessarily correlate to total revenue and remain relatively unchanged year over year, we had an increase due to annual increases in costs related to salaries and professional services. With the sale of the self-storage facilities, which segment was the most administrative intense, we anticipate that our general and administrative expenses will remain fairly constant as we acquire more office, retail and industrial properties in the future. As a percentage of total revenue, our general and administrative costs decreased from 27.9% to 19.6% due to the increase in revenue.

Depreciation and Amortization. Depreciation and amortization expenses were $7.8 million for the year ended December 31, 2015, compared to $5.4 million for the same period in 2014, representing an increase of $2.4 million or 44.5 %. Depreciation costs associated with properties acquired during 2015 and 2014 accounted for all of this increase.

Asset Impairments. We review the carrying value of each of our real estate properties annually to determine if circumstances indicate an impairment in the carrying value of these investments exists. During 2014, we recognized an impairment charge of $950,000 for our Havana Parker property. These impairment charges reflect management's estimate of the fair market value based on sales comps of like property in the same geographical area. There were no impairment changes during 2015.

Interest Expense-Series B preferred stock. The Series B Preferred Stock issued in August 2014 includes a mandatory redemption and therefore is treated as a liability for financial reporting purposes. The dividends paid and accrued and the amortization of the deferred offering costs are considered interest expense. Interest expense, including amortization of the deferred offering costs of $951,000 and and $380,000, respectively, totaled $4.8 million for the year ended December 31, 2015 compared to $1.2 million for the period August 2014 through December 31, 2014. An initial investment of $16.6 million was made during 2014 and an additional investment of $18.4 million was made during 2015. Dividends paid and accrued totaled $3.4 million and $776,000, respectively, and the amortization of the deferred offering costs associated with that transaction totaled $1.2 million and $380,000, respectively for the year ended December 31, 2015 and 2014.

Interest Expense-mortgage notes. Interest expense, including amortization of deferred finance charges, increased by approximately $1.6 million, or 36.4%, to approximately $6.0 million for the year ended December 31, 2015 compared to $4.4 million for the same period in 2014. Interest expense associated with properties acquired subsequent to the second quarter of 2014 totaled $1.5 million and interest expense related to the five August 2015 acquisitions totaled $300,000. The weighted average interest rate on our outstanding debt was 4.7% at December 31, 2015 compared to 4.9% at December 31, 2014

Gain on Sale of Real Estate Assets. For the year ended December 31, 2015, we had gains from the sales of eight Model Homes of approximately $500,000 and a gain on sale of one building at the Yucca Valley Retail Center of approximately $1.0 million. For the year ended December 31, 2014, we had a gain on the sale of the Fontana Medical Center of $1.7 million, gains from the sales of Model Homes of $3.5 million and a loss on the sale of a land parcel of $200,000. Refer to discontinued operations below for discussion of the gain on sale of the Sparky's Self-Storage Portfolio.

Gain on Extinguishment of Debt. In December 2014, the Company and the lender for the Havana Parker Complex entered into to a loan modification agreement pursuant to which the lender agreed to reduce the outstanding loan balance on the property by $537,000 (from $3,037,000 to $2,500,000) and also agreed to defer a portion of the monthly interest on the loan until loan maturity. Under the modified agreement, interest only payments (at 2.5%) are due through in July 1, 2016, at which time all principal and the deferred interest are due. The Company has the option to extend the loan maturity date for one additional year in exchange for making a one-time payment of $100,000 (which will be applied to outstanding principal).

Discontinued Operations. Loss from discontinued operations for the year ended December 31, 2015 included only one quarter of activity as the Sparky's self-storage portfolio that was sold on April 10, 2015. As we owned the division for the entire period in 2014, a comparison of financial results is not attainable. During the year ended December 31, 2015, the Company sold 100% of the Sparky's Self-Storage Portfolio and recognized a gain on sale of approximately $4.7 million. During the year ended December 31, 2014, a parcel of land at one of the self-storage properties was sold resulting in a loss of $156,000.

Income from non-controlling interests. Loss allocated to non-controlling interests for the year ended December 31, 2015 totaled $1.8 million when compared to December 31, 2014 of $3.2 million. The self-storage portfolio had two properties that were owned in limited partnerships and substantially all of the income allocated to non-controlling interests was due to the gain on sale of the two properties. Approximately $500,000 was attributable to the model home partnerships for the year ended December 31, 2015. For the year ended December 31, 2014, $3.0 million was attributed to the gain on sales of the model homes that are owned under three limited partnerships of which the Company has a minority interest.

LIQUIDITY AND CAPITAL RESOURCES

Overview

As discussed above under Economic Environment, during 2015, there have been signs of economic improvement and stabilization in the equity markets. We expect the market turbulence could continue in the commercial real estate arena due to the uncertainties previously discussed. We believe that as a result of the trends, new mortgage financing will continue to remain less favorable in terms of loan amount to value as pre-recession days, which may negatively impact our ability to finance future acquisitions. Long-term interest rates remain relatively low by historical standards but we anticipate that interest rates will increase during the next couple years. On the other hand, we believe the negative trends in the mortgage markets for smaller properties and in some geographic locations have reduced property prices and may, in certain cases, reduce competition for those properties.

Our future sources of liquidity include existing cash and cash equivalents, cash flows from operations, new mortgages on our unencumbered properties, refinancing of existing mortgages, future real estate sales and the possible sale of additional equity/debt securities. Our available liquidity at December 31, 2015 included cash and cash equivalents of $6.6 million, as well as our potential borrowing capacity under potential credit facilities such as a revolving line of credit or from mortgages on unencumbered properties and refinancing of mortgages with low debt to value. We do not have a revolving line of credit at the current time, and we cannot guarantee that we will be able to consummate a line of credit in the near future, but we have been exploring the possibilities of obtaining such a line of credit. We also do not have any commitments or other arrangements with any financial institution to borrow any amounts in the form of mortgages on currently unencumbered properties or through refinancing existing mortgages and we cannot be certain that a financial institution would ultimately provide such financing, but we estimate that such borrowings represent additional borrowing capacity of approximately $12 million. As an example of such financing during 2015, we refinanced approximately $7.5 million of existing debt with new debt of approximately $12.5 million. The new debt bears interest at an average rate of 4.5% compared to 5.1% on the old debt and extended the maturity date to the year 2025.

Our future capital needs include paying down existing borrowings, maintaining our existing properties, funding tenant improvements, paying lease commissions, monthly payments on the Series B preferred stock and the payment of a competitive distribution to our stockholders. We also are actively seeking investments that are likely to produce income in order to pay distributions as well as long-term gains for our stockholders. To ensure that we are able to effectively execute these objectives, we routinely review our liquidity requirements and continually evaluate all potential sources of liquidity.

Our short term liquidity needs include paying our current operating costs, satisfying the debt service requirements of our existing mortgages, completing tenant improvements and funding for our distributions to stockholders. During the year ended December 31, 2015, our principal debt service and the cash portion of the distributions to our shareholders was $6.5 million, while the net cash provided by our operating activities totaled $3.8 million. The remainder of the short term liquidity needs were covered by proceeds from sales of real estate assets. We believe that the cash flow from our existing portfolio and our anticipated acquisitions (when operational for the full term) and distributions from joint ventures in Model Home partnerships will be sufficient to fund our near term operating costs, capital expenditures, debt service costs on our existing mortgages, and the cash portion of distributions to stockholders at the current rate. However, if our cash flow from operating activities is not sufficient to fund our short term liquidity needs, we will fund a portion of these needs from additional borrowings of secured or unsecured indebtedness or we will reduce the rate of distribution to the stockholders.

Our long-term liquidity needs include proceeds necessary to grow and maintain our portfolio of investments. We believe that the potential financing capital available to us in the future is sufficient to fund our long-term liquidity needs. We are continually reviewing our existing portfolio for properties that have met maximized short and long term potential with the intent of selling those properties and reinvesting the proceeds in properties that have equivalent or better short term benefits and better long term potential. We expect to obtain additional cash in connection with refinancing of maturing mortgages and assumption of existing debt collateralized by some or all of our real property in the future to meet our long-term liquidity needs. If we are unable to arrange a line of credit, borrow on unencumbered properties, or sell securities to the public we may not be able to acquire additional properties to meet our long-term objectives.

Cash and Cash Equivalents

At December 31, 2015, we had approximately $6.6 million in cash and cash equivalents compared to approximately $5.6 million at December 31, 2014. Our cash and cash equivalents are held in bank accounts at third party institutions and consist of invested cash and cash in our operating accounts. During 2015 and 2014, we did not experience any loss or lack of access to our cash or cash equivalents. Approximately $3.0 million of our cash balance is intended for capital expenditures on existing properties. We intend to use the remainder of our existing cash and cash equivalents for acquisitions, general corporate purposes and distributions to our stockholders.

Series B Preferred Stock

In August 2014, the Company closed on an offering of our Series B Preferred Stock up to $40 million. We received capital contribution of $16.6 million during 2014 and an additional capital contribution of $18.4 million during 2015. On December 24, 2015 the Company terminated the offering of Series B Preferred Stock. We are currently negotiating with financial institutions for additional equity capital. We will continue to seek acquisitions or properties for equity in a DownREIT structure. Our ability to access equity markets is dependent on a number of factors including general market conditions for the REIT industry and market perception of our Company.

Secured Debt

As of December 31, 2015, the Company had commercial mortgage notes payable in the aggregate principal amount of $135.6 million, collateralized by a total of 22 properties with loan terms at issuance ranging from 3 to 10 years. The weighted-average interest rate on the mortgage notes payable as of December 31, 2015 was approximately 4.7%, and our debt to current estimated value on these properties was approximately 56.5%. Two of the mortgage notes aggregating approximately $5.8 million mature in 2016 and there are no notes maturing during 2017 or 2018. The portfolio total weighted average term to maturity is 7.5 years.

As of December 31, 2015, NetREIT Dubose, and related entities, had 59 fixed-rate mortgage notes payable in the aggregate principal amount of $9.1 million, collateralized by a total of 59 Model Home properties. These loans generally have a term at issuance of three to five years. The average balance outstanding and the weighted-average interest rate on these mortgage loans are $143,400 and 5.5%, respectively, as of December 31, 2015. The debt to estimated current value on these properties is approximately 43.0%. The Company has guaranteed these promissory notes. The balloon principal payments on the notes payable are in 2016 and 2019, and are typically tied to the end of the lease and the sale of the Model Home properties securing the debt.

Despite the disruptions in the debt market discussed in "Overview" above, we have been able to refinance maturing debts before scheduled maturity dates and we have also not experienced any unusual difficulties financing our acquisitions.

Cash Flows for the Years Ended December 31, 2015 and 2014

Operating Activities: Net cash provided by operating activities was $3.8 million during 2015 compared to $4.2 million for 2014. We anticipate an increase during 2016 due to the property acquisitions of approximately $63.6 million during the third and fourth quarter of 2015 and December 2014.

Investing Activities: Net cash used in investing activities decreased approximately $6.2 million to $36.3 million for the year ended December 31, 2015, compared to net cash used of $42.5 million during the same period in 2014. Acquisitions during 2015 were approximately $8.9 million more than in 2014, however, the proceeds from sale of real estate were approximately $15.5 million more in 2015 compared to 2014. Net cash provided by sales of real estate was unusually high in 2015 due to the sale of all of our self-storage facilities of approximately $34 million.

Model Home sales will increase during 2016 due to the number of Model Homes coming off leases. In addition, we have commenced raising additional capital in a new limited partnership specifically for the purchase and lease back of model homes. Future acquisitions of Model Homes will depend on the availability of Model Homes from developers at acceptable terms and our ability to raise the necessary capital.

We currently project that we need approximately $3.0 million in capital improvements, tenant improvements and leasing costs for properties within our portfolio during 2016. The tenant improvements and leasing costs will only be incurred if and when new or renewed leases are consummated. Capital expenditures may fluctuate in any given period subject to the nature, extent, and timing of improvements required to the properties. We may spend more on gross capital expenditures during 2016 as compared to 2015 due to rising construction costs and overall increase in our portfolio. Tenant improvements and leasing costs may also fluctuate in any given year depending upon factors such as the property, the term of the lease, the type of lease, the involvement of external leasing agents and overall market conditions.

Financing Activities: Net cash provided by financing activities in 2015 was $33.5 million compared to cash provided by of $33.7 million for the comparable prior year period. The cash flow in the current year was primarily attributable to net inflow of $20 million from new mortgage and debt refinancing activity and the net cash inflow of $18.2 million from the issuance of Series B Preferred Stock compare to a net inflow of $34 million from new mortgages and debt refinancing activity and $13.9 million from sale of Series B Preferred that resulted in a net decrease of $10 million from those two sources. This decrease was offset by approximately $7 million less in distributions to non-controlling interests, $0.7 million less dividends paid and $1.6 million less in 2015 due to the redemption of Series 6.3% preferred stock.

We anticipate mortgaging one unencumbered property and increasing mortgages balances in connection with refinancing debt maturing in 2016 on several other properties (during the next two years) to provide additional funds for financing activities. The unencumbered properties have an estimated market value of approximately $22 million that could generate approximately $10.8 million for acquisitions. We are also pursuing other sources of capital either through a line of credit facility or the possible sale of additional equity/debt securities to provide resources to pursue future acquisitions.

Off-Balance Sheet Arrangements

As of December 31, 2015, we do not have any off-balance sheet arrangements or obligations, including contingent obligations.

Non-GAAP Supplemental Financial Measures:

Funds From Operations ("FFO")

Management believes that FFO is a useful supplemental measure of our operating performance. We compute FFO using the definition outlined by the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as net income (loss) in accordance with GAAP, plus depreciation and amortization of real estate assets (excluding amortization of deferred financing costs and depreciation of non-real estate assets), plus impairment write downs of depreciable real estate and excluding gains and losses from sales of depreciable operating property and extraordinary items, as defined by GAAP.

Modified Funds From Operations ("MFFO")

We define MFFO, a non-GAAP measure, consistent with the Investment Program Association's ("IPA") Guideline 2010-01, Supplemental Performance Measure for Publicly Registered, Non-Listed REIT Modified Funds From Operations, or the Practice Guideline, issued by the IPA in November 2010. The Practice Guideline defines MFFO as FFO further adjusted for the following items, as applicable, included in the determination of GAAP net income: acquisition fees and expenses; amounts relating to deferred rent receivables and amortization of above-market and below-market leases and liabilities (which are adjusted in order to reflect such payments from a GAAP accrual basis to a cash basis of disclosing the rent and lease payments); accretion of discounts and amortization of premiums on debt investments; nonrecurring impairments of real estate-related investments (i.e., infrequent or unusual, not reasonably likely to recur in the ordinary course of business); mark-to-market adjustments included in net income; nonrecurring gains or losses included in net income from the extinguishment or sale of debt, hedges, foreign exchange, derivatives or securities holdings where trading of such holdings is not a fundamental attribute of the business plan, unrealized gains or losses resulting from consolidation from, or deconsolidation to, equity accounting, and after adjustments for consolidated and unconsolidated partnerships and joint ventures, with such adjustments calculated to reflect MFFO on the same basis. The accretion of discounts and amortization of premiums on debt investments, nonrecurring unrealized gains and losses on hedges, foreign exchange, derivatives or securities holdings, unrealized gains and losses resulting from consolidations, as well as other listed cash flow adjustments are adjustments made to net income in calculating the cash flows provided by operating activities and, in some cases, reflect gains or losses which are unrealized and may not ultimately be realized.

In calculating MFFO, we exclude acquisition related expenses, amortization of above-market and below-market leases, deferred rent receivables and the adjustments of such items related to noncontrolling interests. Under GAAP, acquisition fees and expenses are characterized as operating expenses in determining operating net income. These expenses are paid in cash by us. All paid and accrued acquisition fees and expenses will have negative effects on returns to investors, the potential for future distributions, and cash flows generated by us, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover

the purchase price of the property, these fees and expenses and other costs related to such property. The acquisition of properties, and the corresponding acquisition fees and expenses, is the key operational feature of our business plan to generate operational income and cash flow to fund distributions to our stockholders. Further, under GAAP, certain contemplated non-cash fair value and other non-cash adjustments are considered operating non-cash adjustments to net income in determining cash flow from operating activities.

Other REITs may use different methodologies for calculating FFO and MFFO and, accordingly, our FFO and MFFO may not be comparable to other REITs. Because FFO and MFFO excludes depreciation and amortization, gains and losses from property dispositions that are available for distribution to stockholders and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities, general and administrative expenses and interest costs, providing a perspective not immediately apparent from net income. In addition, Management believes that FFO and MFFO provides useful information to the investment community about our financial performance when compared to other REITs since FFO and MFFO is generally recognized as the industry standard for reporting the operations of REITs. However, FFO and MFFO should not be viewed as an alternative measure of our operating performance since it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties which are significant economic costs and could materially impact our results from operations.

The following table presents our FFO and MFFO for the years ended December 31:

Year Ended December 31,	**2015**	**2014**
Net loss	$ (2,027,498)	$ (853,601)
Adjustments:		
Depreciation and amortization (including discontinued operations)	7,950,563	6,049,385
Asset impairments	—	950,000
Gain on sale of real estate assets	(6,243,640)	(5,120,699)
FFO	**$ (320,575)**	**$ 1,025,085**
Adjustments:		
Straight line rent adjustment	(453,528)	(376,661)
Amortization of above and below market rents	43,578	(156,257)
Amortization of restricted stock compensation	465,323	455,819
Finance charge amortization (including loan cost penalties)	1,536,437	417,723
Acquisition costs	348,414	163,429
MFFO	**$ 1,940,224**	**$ 1,529,138**

No conclusion or comparisons should be made from the presentation of these figures.

Same-Property Operating Results for the years ended December 31, 2015 and 2014.

The table below presents the 2015 and 2014 operating results for the Company's commercial rental properties owned as of January 1, 2014, thereby excluding the impact on our results of operations from the real estate properties acquired subsequently. The table below excludes model home operations as the rental rates do not fluctuate during the term of the lease and there are no operating expenses. Income from discontinued operations from the self-storage portfolio are not included. The Company believes that this type of non-GAAP financial measure, when considered with our financial statements prepared in accordance with GAAP, is useful to investors to better understand the Company's operating results. Properties are included in this analysis if they were owned and operated for the entirety of both periods being compared. Further, same-property operating results is a measure for which there is no standard definition and, as such, it is not consistently defined or reported on among the Company's peers, and thus may not provide an adequate basis for comparison between REITs.

	Year Ended December 31,		Variance	
	2015	2014	$	%
Rental revenues	$ 10,171,697	$ 9,806,211	$ 365,486	3.7%
Tenant reimbursements	2,873,608	2,583,159	290,449	11.2%
Other operating income	54,758	72,157	(17,399)	-24.1%
Total rental revenue	$ 13,100,063	$ 12,461,527	$ 638,536	5.1%
Rental operating costs	$ 5,126,588	$ 5,038,587	$ 88,001	1.7%
Net operating income	$ 7,973,475	$ 7,422,940	$ 550,535	7.4%
Operating Ratios:				
Number of same properties	15	15		
Same property occupancy, end of period	81.6%	79.1%	2.5%	3.2%
Same-properties operating costs as a percentage of revenues	39.1%	40.4%	-1.3%	-3.2%

Overview

Property net operating income ("NOI") basis began to improve during 2015 as evidenced by the increase in rental revenues of 5.1% and NOI of 7.4% for the year ended December 31, 2015, respectively, as compared to the corresponding period in 2014. The improvement in rental revenues was almost equally due to the occupancy increase and rental rate increases that correspond to the overall increase in net absorption and the small increase in rental rates or reduction in rent abatements in the geographical areas of our portfolio. Increase in renewal rates ranged from 3-14% for the year ended December 31, 2015. Any absorption of currently vacated space in the portfolio due to new leasing activity could favorably impact our leased percentage, total NOI, and possibly our same property NOI comparisons once any associated periods expire.

Leasing

Our same-store growth is primarily driven by increases in rental rates on new leases and lease renewals and changes in portfolio occupancy. Over the long-term, we believe that the infill nature and strong demographics of our properties provide us with a strategic advantage, allowing us to maintain relatively high occupancy and increase rental rates. We have continued to see signs of improvement for many of our tenants as well as increased interest from prospective tenants for our spaces. While there can be no assurance that these positive signs will continue, we remain cautiously optimistic regarding the improved trends we have seen over the past few years. We believe the locations of our properties and diverse tenant base mitigate the potentially negative impact of a poor economic environment. However, any reduction in our tenants' abilities to pay base rent, percentage rent or other charges, may adversely affect our financial condition and results of operations.

During the quarter ended December 31, 2015, we signed 10 leases (6 new leases and 4 renewals) for a total of 19,735 square feet of comparable space leases, at an average rental rate increase of 8.5% on a cash basis and an average rental increase of 17.6% on a straight-line basis. New office leases for comparable spaces were signed for 6,458 square feet at an average rental rate increase of 17.1% on a cash basis and an average rental rate increase of 31.3% on a straight-line basis. Renewals for comparable office spaces were signed for 13,277 square feet at an average rental rate increase of 1.4% on a cash basis and increase of 6.2% on a straight-line basis.

Impact of Downtime and Rental Rate Changes

The downtime between a lease expiration and a new lease commencement, typically ranging from 6-24 months, can negatively impact total NOI and same property NOI. In addition, office leases, both new and lease renewals typically contain upfront rental and /or operating expense abatement periods which delay the cash flow benefits of the lease even after the new lease or renewal has commenced. If we are unable to replace expiring leases with new or renewal leases at rental rates equal to or greater than the expiring rates, rental rate roll downs can also negatively impact total NOI and same property NOI comparisons. This was the case for all leases entered into prior to 2008 the start of the recession. Most of our leases were less than seven years and therefore the rental rate roll downs should not have a significant effect on future years. Our geographically diverse portfolio model results in rent roll ups that can fluctuate widely on a market by market basis; however, given the large volume of leasing activity over the last several years, we estimate that our portfolio, taken as a whole, is currently at market. Total NOI and same property NOI comparisons for any given period may still fluctuate as a result of rent roll ups and roll downs, however, depending on the leasing activity in individual geographic markets during the respective period.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are filed with this report as described under Item 15.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to Management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of “disclosure controls and procedures” in Rule 13a-14(c). In designing and evaluating the disclosure controls and procedures, Management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and Management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our Management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our evaluation under the framework in *Internal Control — Integrated Framework* , our Management concluded that our internal control over financial reporting was effective as of December 31, 2015.

This annual report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding our internal control over financial reporting as such report is not required for non-accelerated filers such as the Company pursuant to certain federal legislation enacted in July 2010.

ITEM 9B. OTHER INFORMATION

None.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is set forth under the captions "Board of Directors" and "Executive Officers of the Company" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for the 2015 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference. The Annual Meeting of Stockholders is presently scheduled to be held on June 24, 2016.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth under the caption "Executive Compensation" in our definitive Proxy Statement for the 2016 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in our definitive Proxy Statement for the 2015 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is set forth under the caption "Related Party Transactions" in our definitive Proxy Statement for the 2015 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is set forth under the caption "Independent Registered Public Accounting Firm Fees and Services" in our definitive Proxy Statement for the 2015 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements - the following documents are filed as part of this report:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2015 and 2014
- Consolidated Statements of Operations for the years ended December 31, 2015 and 2014
- Consolidated Statements of Equity for the years ended December 31, 2015 and 2014
- Consolidated Statements of Cash Flows for the years ended December 31, 2015 and 2014
- Notes to Consolidated Financial Statements

(2) Financial Statement Schedules - the following documents are filed as part of this report:

- Schedule III - Real Estate Assets and Accumulated Depreciation and Amortization as of December 31, 2015

All other financial statement schedules have been omitted for the reason that the required information is presented in the financial statements or notes thereto, the amounts involved are not significant or the schedules are not applicable.

(3) Exhibits - an index to the Exhibits as filed as part of this Form 10-K is set forth below.

Number	Description
2.1	Plan and Agreement of Merger, by and between NetREIT, Inc., a Maryland corporation, and NetREIT, a California corporation, dated as of July 30, 2010 (incorporated by reference to Exhibit 2.01 to NetREIT’s Report on Form 8-K filed August 10, 2010).
2.2	Agreement of Purchase & Sale, between NetREIT, Inc. and Mullrock 3 Murphy Canyon, LLC, dated as of July 12, 2010 (incorporated by reference to Exhibit 2.1 to NetREIT’s Report on Form 8-K filed August 13, 2010).
2.3	Agreement and Plan of Merger between the Company and C I Holding Group, Inc. (incorporated by reference to Exhibit 10.23 to NetREIT’s Report on Form 8-K filed February 6, 2013).
3.1	Articles of Merger filed with the Maryland State Department of Assessments and Taxation and the California Secretary of State on August 4, 2010 (incorporated by reference to Exhibit 3.03 to NetREIT’s Report on Form 8-K filed August 10, 2010).
3.2	Articles of Amendment and Restatement of the Articles of Incorporation of NetREIT, dated as of July 30, 2010 (incorporated by reference to Exhibit 3.01 to NetREIT’s Report on Form 8-K filed August 10, 2010).
3.3	Articles Supplementary filed on August 4, 2014 (incorporated by reference to Exhibit 3.5 to NetREIT’s Report on Form 8-K filed August 8, 2014).
3.4	Amended and Restated Bylaws of NetREIT, Inc. (incorporated by reference to Exhibit 3.02 to NetREIT’s Report on Form 8-K filed August 10, 2010).
3.5	Amendment No. 1 to Amended and Restated Bylaws of NetREIT, Inc. effective as of August 8, 2014 (incorporated by reference to Exhibit 4.3 to NetREIT’s Report on Form 8-K filed August 8, 2014).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to NetREIT’s Report on Form 10-12B, file no. 001-34049, filed May 6, 2008).
4.2	Form of Series AA Preferred Stock Certificate (incorporated by reference to Exhibit 4.2 to NetREIT’s Report on Form 10-12B, file no. 001-34049, filed May 6, 2008).
4.3	Specimen Certificate for NetREIT, Inc. Series B Preferred Stock (incorporated by reference to Exhibit 10.28 to NetREIT’s Report on Form 8-K filed August 8, 2014).
4.4	Investor Agreement dated as of August 4, 2014, by and between NetREIT, Inc., and PFP III Sub II, LLC (incorporated by reference to Exhibit 4.4 to NetREIT’s Report on Form 8-K filed August 8, 2014).
10.1+	1999 Flexible Incentive Plan (incorporated by reference to Exhibit 10.1 to NetREIT’s Report on Form 10-12B, file no. 001-34049, filed May 6, 2008).

Number	Description
10.2+	NetREIT Dividend Reinvestment Plan (incorporated by reference to Exhibit 10.2 to NetREIT's Report on Form 10-12B, file no. 001-34049, filed May 6, 2008).
10.3	Form of Property Management Agreement (incorporated by reference to Exhibit 10.3 to NetREIT's Report on Form 10-12B, file no. 001-34049, filed May 6, 2008).
10.4	Option Agreement to acquire CHG Properties (incorporated by reference to Exhibit 10.4 to NetREIT's Report on Form 10-12B, file no. 001-34049, filed May 6, 2008).
10.5	Loan Assumption and Security Agreement, and Note Modification Agreement (incorporated by reference to Exhibit 10.7 to NetREIT's Report on Form 8-K filed August 27, 2009).
10.6	Promissory Note (incorporated by reference to Exhibit 10.8 to NetREIT's Report on Form 8-K filed August 27, 2009).
10.7	Loan Agreement by and Between Jackson National Life Insurance Company and NetREIT Inc. (incorporated by reference to Exhibit 10.9 to NetREIT's Report on Form 8-K filed August 27, 2010).
10.8	Fixed Rate Promissory Note Between Jackson National Life Insurance Company and NetREIT Inc. (incorporated by reference to Exhibit 10.10 to NetREIT's Report on Form 8-K filed August 27, 2010).
10.9+	Employment Agreement for Mr. Heilbron Effective as of January 1, 2011 (incorporated by reference to Exhibit 10.11 to NetREIT's Report on Form 8-K filed January 24, 2011).
10.10+	Employment Agreement for Mr. Elsberry Effective as of January 1, 2011 (incorporated by reference to Exhibit 10.12 to NetREIT's Report on Form 8-K filed January 24, 2011).
10.11+	Employment Agreement for Mr. Dubose Effective as of January 1, 2011 (incorporated by reference to Exhibit 10.13 to NetREIT's Report on Form 8-K filed January 24, 2011).
10.12	Purchase & Sale Agreement and Joint Escrow Instructions to acquire Dakota Bank Building (incorporated by reference to Exhibit 10.14 to NetREIT's Report on Form 8-K filed February 3, 2011)
10.13	Promissory Note - Dakota Bank Buildings (incorporated by reference to Exhibit 10.15 to NetREIT's Report on Form 8-K/A filed May 31, 2011).
10.14	Mortgage, Security Agreement and Fixture Financing Statement - Dakota Bank Buildings (incorporated by reference to Exhibit 10.16 to NetREIT's Report on Form 8-K/A filed May 31, 2011).
10.15	Property Contribution Agreement and Joint Escrow Instructions- Port of San Diego Complex (incorporated by reference to Exhibit 10.17 to NetREIT's Report on Form 8-K filed September 12, 2011).
10.16	First Amended and Restated NetREIT National City Partners, LP Limited Partnership Agreement (incorporated by reference to Exhibit 10.18 to NetREIT's Report on Form 8-K filed December 30, 2011).
10.17	Assumption Agreement - NetREIT National City Partners, LP (incorporated by reference to Exhibit 10.19 to NetREIT's Report on Form 8-K filed December 30, 2011).
10.18	NetREIT National City Partners LP Promissory Note (incorporated by reference to Exhibit 4.4 to NetREIT's Report on Form 8-K filed March 5, 2013).
10.19	NetREIT National City Partners LP Deed of Trust (incorporated by reference to Exhibit 3.3 to NetREIT's Report on Form 8-K filed March 5, 2013).
10.20	Preferred Stock Purchase Agreement dated as of August 4, 2014, by and between NetREIT, Inc., and PFP III Sub II, LLC (incorporated by reference to Exhibit 10.23 to NetREIT's Report on Form 8-K filed August 8, 2014).
10.21	Purchase and Sale Agreement and Joint Escrow Instructions between NetREIT Highland, LLC, NetREIT Joshua, LLC, NetREIT Casa Grande, LP, NetREIT Sunrise, LLC, NetREIT, Inc. and Sparky's Storage 18 (CA) LP, dated as of February 6, 2015; as amended by the First Amendment dated February 25, 2015, and the Second Amendment dated April 2, 2015 (incorporated by reference to Exhibit 99.1 to NetREIT's Report on Form 8-K filed on April 15, 2015).
10.22++	Purchase and Sale Agreement dated November 10, 2015 by and between Highlands Ranch Shea Center II, LLC and NetREIT, Inc.*
21.1	Subsidiaries of the Registrant*
23.1	Consent of Independent Registered Public Accounting Firm *

Number	Description
31.1	Certificate of the Company’s Chief Executive Officer (Principal Executive Officer) pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of the Company’s Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.3	Certification of the Company’s Principal Accounting Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101.INS	Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *

* FILED HEREWITH

\+ Denotes a compensatory plan or arrangement

++ Confidential treatment requested as to a portion of the exhibit. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jack K. Heilbron Jack K. Heilbron	Director, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 18, 2016
/s/ Kenneth W. Elsberry Kenneth W. Elsberry	Director and Chief Financial Officer	March 18, 2016
/s/ Heather L. Pittard Heather L. Pittard	Principal Accounting Officer	March 18, 2016
/s/ William H. Allen William H. Allen	Director	March 18, 2016
/s/ David T. Bruen David T. Bruen	Director	March 18, 2016
/s/ Shirley Y. Bullard Shirley Y. Bullard	Director	March 18, 2016
/s/ Larry G. Dubose Larry G. Dubose	Director, Executive Vice President – Model Homes Division	March 18, 2016
/s/ Sumner J. Rollings Sumner J. Rollings	Director	March 18, 2016
/s/ Thomas E. Schwartz Thomas E. Schwartz	Director	March 18, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of NetREIT, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of NetREIT, Inc. and Subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, equity and cash flows for each of the two years in the period ended December 31, 2015. Our audits also included the financial statement schedule in Item 15 (a), Schedule III – Real Estate and Accumulated Depreciation and Amortization. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NetREIT, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Squar Milner LLP
(formerly Squar, Milner, Peterson, Miranda &Williamson, LLP)
Newport Beach, California
March 18, 2016

NetREIT, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2015	December 31, 2014
ASSETS		
Real estate assets and lease intangibles:		
Land	$ 49,965,418	$ 40,422,812
Buildings and improvements	177,360,584	128,719,410
Tenant improvements	19,876,549	13,164,998
Lease intangibles	13,845,100	9,793,814
Real estate assets and lease intangibles, cost	261,047,651	192,101,034
Accumulated depreciation and amortization	(29,961,472)	(23,011,006)
Real estate assets and lease intangibles, net	231,086,179	169,090,028
Real estate assets held for sale, net	—	29,107,675
Cash and cash equivalents	6,626,423	5,636,002
Restricted cash	6,759,786	4,086,498
Deferred leasing and financing costs, net	5,141,312	5,438,857
Goodwill	2,423,000	2,423,000
Other assets, net	5,895,991	4,842,878
TOTAL ASSETS	$ 257,932,691	$ 220,624,938
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable	$ 144,690,570	$ 106,966,774
Mortgage notes payable related to assets held for sale	—	16,932,524
Accounts payable and accrued liabilities	7,458,761	5,185,250
Accrued real estate taxes	2,401,770	1,446,554
Dividends payable	1,063,454	997,175
Below-market rent	2,154,479	960,328
Mandatorily redeemable Series B Preferred Stock, $0.01 par value, $1,000 liquidating preference; shares authorized: 35,000; shares issued and outstanding at December 31, 2015 and 2014: 35,000 and 16,600, respectively	35,000,000	16,600,000
Total liabilities	192,769,034	149,088,605
Commitments and contingencies		
Equity:		
Convertible Series AA preferred stock, $0.01 par value, $25 liquidating preference; shares authorized: 1,000,000; no shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	—	—
Common stock - Series A, $0.01 par value; shares authorized: 100,000,000; shares issued and outstanding at December 31, 2015 and 2014: 17,202,228 and 16,887,377, respectively	172,023	168,874
Additional paid-in capital	146,712,853	143,715,876
Dividends in excess of accumulated losses	(93,821,328)	(83,150,866)
Total stockholders' equity before noncontrolling interest	53,063,548	60,733,884
Noncontrolling interest	12,100,109	10,802,449
Total equity	65,163,657	71,536,333
TOTAL LIABILITIES AND EQUITY	$ 257,932,691	$ 220,624,938

See Notes to Consolidated Financial Statements

NetREIT, Inc. and Subsidiaries
Consolidated Statements of Operations

	Year ended December 31, 2015	2014
Revenues:		
Rental income	$ 23,590,011	$ 16,378,195
Fee and other income	388,834	95,712
Total revenues	23,978,845	16,473,907
Costs and expenses:		
Rental operating costs	8,515,151	5,749,279
General and administrative	4,672,783	4,578,517
Depreciation and amortization	7,784,917	5,383,266
Real estate asset impairments	.	950,000
Total costs and expenses	20,972,851	16,661,062
Other (expense) income:		
Interest expense-Series B preferred stock	(4,767,559)	(1,156,097)
Interest expense-mortgage notes	(6,007,101)	(4,439,232)
Interest and other income	150,008	85,806
Gain on sales of real estate	1,513,242	5,277,350
Income tax expense	(172,691)	(813,503)
Acquisition costs	(348,414)	(163,429)
Gain on extinguishment of debt	—	536,952
Total other (expense) income, net	(9,632,515)	(672,153)
Loss from continuing operations	(6,626,521)	(859,308)
Discontinued operations		
Gain (loss) on the sale of real estate	4,730,398	(156,651)
(Loss) income from discontinued operations, net	(131,375)	162,358
Income from discontinued operations	4,599,023	5,707
Net loss	(2,027,498)	(853,601)
Less: Income attributable to noncontrolling interests	(1,791,194)	(3,192,082)
Net loss attributable to NetREIT, Inc. common stockholders	$ (3,818,692)	$ (4,045,683)
Basic and diluted (loss) income per common share		
Continuing operations	$ (0.39)	$ (0.05)
Discontinued operations	$ 0.27	$ 0.00
Loss per common share	$ (0.22)	$ (0.24)
Weighted average common shares outstanding - basic and diluted	17,139,479	16,798,232

See Notes to Consolidated Financial Statements

NetREIT, Inc. and Subsidiaries
Consolidated Statements of Equity

	Series 6.3% Preferred Stock Shares		Common Stock Shares		Additional Paid in Capital	Dividends Paid in Excess of Accumulated Losses	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2013	1,649	$ 16	16,473,674	$ 164,737	$ 141,494,883	$ (71,226,974)	$ 70,432,662	$ 15,435,421	$ 85,868,083
Net income (loss)	—	—	—	—	—	(4,045,683)	(4,045,683)	3,192,082	(853,601)
Vesting of restricted stock	—	—	51,115	511	455,308	—	455,819	—	455,819
Repurchase of preferred stock from related parties	(1,649)	(16)	—	—	(1,649,250)	—	(1,649,266)	—	(1,649,266)
Common stock issued to related party	—	—	39,806	398	312,394	—	312,792	—	312,792
Repurchase of common stock	—	—	(6,579)	(66)	(47,128)	—	(47,194)	—	(47,194)
Repurchase of common stock from related parties	—	—	(21,000)	(210)	(164,808)	—	(165,018)	—	(165,018)
Dividends paid/reinvested	—	—	277,660	2,777	2,624,536	(6,190,366)	(3,563,053)	—	(3,563,053)
Dividends declared/reinvested	—	—	72,701	727	689,941	(1,687,843)	(997,175)	—	(997,175)
Distributions paid in excess of contributions received fron noncontrolling interests	—	—	—	—	—	—	—	(7,825,054)	(7,825,054)
Balance at December 31, 2014	—	$ —	16,887,377	$ 168,874	$ 143,715,876	$ (83,150,866)	$ 60,733,884	$ 10,802,449	$ 71,536,333
Net income (loss)	—	—	—	—	—	(3,818,692)	(3,818,692)	1,791,194	(2,027,498)
Vesting of restricted stock	—	—	54,050	541	464,286	—	464,827	—	464,827
Common stock issued	—	—	5,000	50	49,949	—	49,999	—	49,999
Common stock repurchased from related party	—	—	(18,806)	(188)	(147,564)	—	(147,752)	—	(147,752)
Repurchase of common stock	—	—	(5,513)	(55)	(28,654)	—	(28,709)	—	(28,709)
Dividends paid/reinvested	—	—	211,324	2,113	2,006,086	(5,134,754)	(3,126,555)	—	(3,126,555)
Dividends declared/reinvested	—	—	68,796	688	652,874	(1,717,016)	(1,063,454)	—	(1,063,454)
Distributions paid in excess of contributions received fron noncontrolling interests	—	—	—	—	—	—	—	(493,534)	(493,534)
Balance at December 31, 2015	—	$ —	17,202,228	$ 172,023	$ 146,712,853	$ (93,821,328)	$ 53,063,548	$ 12,100,109	$ 65,163,657

See Notes to Consolidated Financial Statements.

NetREIT, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	$ (2,027,498)	$ (853,601)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization from continuing operations	7,784,917	5,383,266
Depreciation and amortization from discontinued operations	165,646	666,119
Stock compensation	464,827	455,819
Bad debt expense	236,329	122,121
Real estate asset impairments	—	950,000
Gain on sales of real estate assets, net	(6,243,640)	(5,120,699)
Gain on extinguishment of debt	—	(536,952)
Amortization of financing costs	1,286,437	417,724
Amortization of above-market rent	212,941	215,523
Amortization of below-market rent	(169,363)	(28,048)
Changes in operating assets and liabilities:		
Other assets	(1,170,342)	702,386
Accounts payable and accrued liabilities	2,273,512	1,138,508
Accrued real estate taxes	955,216	664,605
Net cash provided by operating activities	3,768,982	4,176,771
Cash flows from investing activities:		
Real estate acquisitions	(67,852,592)	(59,063,369)
Building and tenant improvements	(2,854,939)	(2,567,027)
Deferred leasing costs	(639,004)	(407,261)
Proceeds from sales of real estate assets	37,755,598	22,287,463
Increase in restricted cash	(2,673,288)	(2,731,221)
Net cash used in investing activities	(36,264,225)	(42,481,415)
Cash flows from financing activities:		
Proceeds from mortgage notes payable, net of issuance costs	50,864,054	56,859,919
Repayment of mortgage notes payable	(30,834,664)	(22,811,129)
Proceeds from issuance of mandatorily redeemable preferred stock, net of offering costs	18,200,000	13,862,103
Issuance of common stock	49,999	—
Repurchase of common stock	(176,461)	(212,212)
Redemption of Series 6.3% preferred stock	—	(1,649,266)
Distributions paid in excess of contributions received from noncontrolling interests	(493,534)	(7,512,262)
Dividends paid	(4,123,730)	(4,803,508)
Net cash provided by financing activities	33,485,664	33,733,645
Net increase (decrease) in cash and cash equivalents	990,421	(4,570,999)
Cash and cash equivalents - beginning of year	5,636,002	10,207,001
Cash and cash equivalents - end of year	$ 6,626,423	$ 5,636,002
Supplemental disclosure of cash flow information:		
Interest paid -Series B preferred stock	$ 3,439,189	$ 775,833
Interest paid -mortgage notes payable	$ 5,965,824	$ 6,477,096
Non-cash financing activities:		
Reinvestment of cash dividend	$ 2,661,979	$ 3,314,477
Accrual of dividend payable	$ 1,063,454	$ 997,175
Conversion of partnership interests into common stock	$ —	$ 165,018

See Notes to Consolidated Financial Statements

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization. NetREIT (the "Company") was incorporated in the State of California in January 1999 for the purpose of investing in real estate properties. Effective August 2010, NetREIT merged into NetREIT, Inc., a Maryland Corporation, with NetREIT, Inc. becoming the surviving Corporation. As a result of the merger, NetREIT is now incorporated in the State of Maryland. The Company qualifies and operates as a self-administered real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), and commenced operations with capital provided by its private placement offering of its equity securities in 1999.

The following partnership activity occurred during the periods covered by these consolidated financial statements:

- The Company is the sole General Partner in three consolidated limited partnerships (NetREIT Palm Self-Storage LP, NetREIT Casa Grande LP and NetREIT Garden Gateway LP), all with ownership in real estate income producing properties. The Company refers to these entities collectively, as the "NetREIT Partnerships".
- The Company is a limited partner in two partnerships and one limited liability corporation that purchase and leaseback Model Homes from developers ("Dubose Model Home Investors #201, LP", "Dubose Model Homes Investors #202, LP", and "NetREIT Dubose Model Home REIT, Inc"). The Company refers to these entities collectively, as the "Model Home Entities".
- The Company had previously been a limited partner in a number of Model Home partnerships, the last of which (Dubose Acquisition Partners II, Dubose Model Home Income Fund #3, LTD., Dubose Model Home Income Fund #4, LTD., and Dubose Model Home Investors Fund #113, LP) sold all of their Model Home assets and were dissolved before the end of 2014. These entities were referred to as the "Income Funds".

The Company has determined that the entities described above, where it owns less than 100%, should be included in the Company's consolidated financial statements as the Company directs their activities and holds a non-controlling interest in these limited partnerships through NetREIT, the Parent Company.

Unit-based information used herein (such as references to square footage or property occupancy rates) is unaudited.

Segments. The Company acquires and operates income producing properties including office/industrial properties, residential properties and retail properties and invests in real estate assets, including real estate loans and, as a result, the Company operates in three business segments. See Note 14 "Segments".

Customer Concentration. Concentration of credit risk with respect to accounts receivable is limited due to the large number of tenants comprising the Company's rental revenue. No single tenant accounted for 10% or more of total rental income for the years ended December 31, 2015 and 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as contained within the Financial Accounting Standards Board ("FASB") Accounting Standards Codication ("ASC").

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of NetREIT and its subsidiaries, NetREIT Advisors, LLC and Dubose Advisors LLC (collectively, the "Advisors"), and NetREIT Dubose Model Home REIT, Inc. The consolidated financial statements also include the results of the NetREIT Partnerships, the Model Home Partnerships and NetREIT National City Partners, LP. As used herein, references to the "Company" include references to NetREIT, its subsidiaries, the Advisors, the Partnerships and the Income Funds. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company classifies the noncontrolling interests in the NetREIT Partnerships as part of consolidated net loss in 2015 and 2014, and includes the accumulated amount of noncontrolling interests as part of equity from the NetREIT Entities inception in February 2010. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interest will be remeasured, with the gain or loss reported in the statement of operations. Management has evaluated the noncontrolling interests and determined that they do not contain any redemption features.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include the allocation of purchase price paid for property acquisitions between land, building and intangible assets acquired including their useful lives; valuation of long-lived assets, and the allowance for doubtful accounts, which is based on an evaluation of the tenants' ability to pay. Actual results may differ from those estimates.

Real Estate Assets and Lease Intangibles. Land, buildings and improvements are recorded at cost, including tenant improvements and lease acquisition costs (including leasing commissions, space planning fees, and legal fees). The Company capitalizes any expenditure that replaces, improves, or otherwise extends the economic life of an asset, while ordinary repairs and maintenance are expensed as incurred. The Company allocates the purchase price of acquired properties between the acquired tangible assets and liabilities (consisting of land, building, tenant improvements, land purchase options, and long-term debt) and identified intangible assets and liabilities (including the value of above-market and below-market leases, the value of in-place leases, unamortized lease origination costs and tenant relationships), based in each case on their respective fair values.

The Company allocates the purchase price to tangible assets of an acquired property based on the estimated fair values of those tangible assets assuming the building was vacant. Estimates of fair value for land, building and building improvements are based on many factors including, but not limited to, comparisons to other properties sold in the same geographic area and independent third party valuations. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair values of the tangible and intangible assets and liabilities acquired.

The value allocated to acquired lease intangibles is based on management's evaluation of the specific characteristics of each tenant's lease. Characteristics considered by management in allocating these values include the nature and extent of the existing business relationships with the tenant, growth prospects for developing new business with the tenant, the remaining term of the lease and the tenant's credit quality, among other factors.

The value allocable to the above-market or below-market component of an acquired in-place lease is determined based upon the present value (using a market discount rate) of the difference between (i) the contractual rents to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of rents that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above or below-market leases are amortized on a straight-line basis as an increase or reduction of rental income over the remaining non-cancelable term of the respective leases. Amortization of above and below-market rents resulted in a net increase (reduction) in rental income of approximately $44,000 and $(156,000) for the years ended December 31, 2015 and 2014, respectively.

The value of in-place leases and unamortized lease origination costs are amortized to expense over the remaining term of the respective leases, which range from less than a year to ten years. The amount allocated to acquire in-place leases is determined based on management's assessment of lost revenue and costs incurred for the period required to lease the "assumed vacant" property to the occupancy level when purchased. The amount allocated to unamortized lease origination costs is determined by what the Company would have paid to a third party to secure a new tenant reduced by the expired term of the respective lease. The amount allocated to tenant relationships is the benefit resulting from the likelihood of a tenant renewing its lease. Amortization expense related to these assets was approximately $839,000 and $456,000 for years ended December 31, 2015 and 2014, respectively.

Real Estate Held for Sale and Discontinued Operations. Real estate sold during the current period is classified as "real estate held for sale" for all prior periods presented in the accompanying condensed consolidated financial statements. Mortgage notes payable related to the real estate sold during the current period is classified as "notes payable related to real estate held for sale" for all prior periods presented in the accompanying condensed consolidated financial statements. Additionally, the Company records the operating results related to real estate that has been disposed of as discontinued operations for all periods presented if the operations have been eliminated and the Company will not have any significant continuing involvement in the operations of the property following the sale.

Impairment of Real Estate Assets. The Company reviews the carrying value of each property to determine if circumstances that indicate impairment in the carrying value of the investment exist or that depreciation periods should be modified. If circumstances support the possibility of impairment, the Company prepares a projection of the undiscounted future cash flows, without interest charges, of the specific property and determines if the investment in such property is recoverable. If impairment is indicated, the carrying value of the property is written down to its estimated fair value based on the Company's best estimate of the property's discounted future cash flows.. During 2014, the Company determined that an additional impairment existed in one of its properties and, as a result, recorded an asset impairment of $950,000. There were no impairments during 2015.

Intangible Assets. Intangible assets, including goodwill and lease intangibles, are comprised of finite-lived and indefinite-lived assets. Lease intangibles represents the allocation of a portion of the purchase price of a property acquisition representing the estimated value of in-place leases, unamortized lease origination costs, tenant relationships and land purchase options. Intangible assets that are not deemed to have an indefinite useful life are amortized over their estimated useful lives. Indefinite-lived assets are not amortized. Amortization expense of intangible assets that are not deemed to have an indefinite useful life was approximately $556,000 and $608,000, respectively, for the years ended December 31, 2015 and 2014 and is included in depreciation and amortization in the accompanying consolidated statements of operation.

The Company is required to perform a test for impairment of goodwill and other definite and indefinite lived assets at least annually, and more frequently as circumstances warrant. Impairment is recognized only if the carrying amount of the intangible asset is considered to be unrecoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and the estimated fair value of the asset. Based on the review, no impairment was deemed to exist at December 31, 2015 and 2014.

Depreciation and Amortization. The Company records depreciation and amortization expense using the straight-line method over the useful lives of the respective assets. The cost of buildings are depreciated over estimated useful lives of 39 years, the costs of improvements are amortized over the shorter of the estimated life of the asset or term of the tenant lease (which range from 1 to 10 years), and the cost of furniture, fixtures and equipment are depreciated over 4 to 5 years. Depreciation expense for the years ended December 31, 2015 and 2014 was approximately $6.1 million and $5.0 million, respectively, and is included in depreciation and amortization in the accompanying consolidated statements of operations.

Cash and Cash Equivalents. The Company considers all short-term, highly liquid investments that are both readily convertible to cash and have an original maturity of three months or less at the date of purchase to be cash equivalents. Items classified as cash equivalents include money market funds. At December 31, 2015, the Company had approximately $3.5 million in deposits in financial institutions that were above the federally insurable limits.

Restricted Cash. Restricted cash consists of funds held in escrow for Company lenders for properties held as collateral by the lenders. The funds in escrow are primarily for escrow funds for payment of property taxes.

Tenant Receivables. The Company periodically evaluates the collectability of amounts due from tenants and maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under lease agreements. In addition, the Company maintains an allowance for deferred rent receivable that arises from straight-lining of rents. The Company exercises judgment in establishing these allowances and considers payment history and current credit status of its tenants in developing these estimates. At December 31, 2015 and 2015, the balance of allowance for possible uncollectible tenant receivables included in other assets, net in the accompanying consolidated balance sheets was approximately $91,000 and $66,000, respectively.

Deferred Leasing Costs. Costs incurred in connection with successful property leases are capitalized as deferred leasing costs and amortized to leasing commission expense on a straight-line basis over the terms of the related leases which generally range from one to five years. Deferred leasing costs consist of third party leasing commissions. Management re-evaluates the remaining useful lives of leasing costs as the creditworthiness of the tenants and economic and market conditions change. If management determines the estimated remaining life of the respective lease has changed, the amortization period is adjusted. At December 31, 2015 and 2014, the Company had net deferred leasing costs of approximately $1,483,000 and $1,333,000, respectively, which are included in deferred leasing and financing costs, net in the accompanying consolidated balance sheets. Total amortization expense for the year ended December 31, 2015 and 2014 was approximately $412,000 and $393,000, respectively and is included in interest expense in the accompanying consolidated statements of operations.

Deferred Financing Costs. Costs incurred, including legal fees, origination fees, and administrative fees, in connection with debt financing are capitalized as deferred financing costs and are amortized using the straight-line method, which approximates the effective interest method, over the contractual term of the respective loans. At December 31, 2015 and 2014, deferred financing costs related to mortgage notes payable were approximately $2,052,000 and $1,748,000, respectively, and deferred financing costs associated with the Series B preferred stock costs were approximately $1,606,000 and $2,358,000, respectively, which are included in deferred leasing and financing costs, net in the accompanying consolidated balance sheets. For the year ended December 31, 2015 and 2014, total amortization expense related to the mortgage notes payable deferred financing costs was approximately $335,000 and $417,000, respectively, and total amortization expense related to the Series B preferred stock costs was approximately $952,000 and $380,000, respectively, and is included in interest expense in the accompanying consolidated statements of operations.

Income Taxes. We have elected to be taxed as a REIT under Sections 856 through 860 of the Code, for federal income tax purposes. To maintain our qualification as a REIT, we are required to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we maintain our qualification for taxation as a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities.

If we fail to maintain our qualification as a REIT in any taxable year, and are unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax. We are subject to certain state and local income taxes.

We have elected to treat such subsidiaries as taxable REIT subsidiaries (a "TRS") for federal income tax purposes. Certain activities that we undertake must be conducted by a TRS, such as non-customary services for our tenants, and holding assets that we cannot hold directly. A TRS is subject to federal and state income taxes.

The Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. Neither the Company nor its subsidiaries have been assessed any significant interest or penalties for tax positions by any major tax jurisdictions.

Fair Value Measurements. Certain assets and liabilities are required to be carried at fair value, or if long-lived assets are deemed to be impaired, to be adjusted to reflect this condition. The guidance requires disclosure of fair values calculated under each level of inputs within the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs other than quoted process that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

Fair value is defined as the price at which an asset or liability is exchanged between market participants in an orderly transaction at the reporting date. Cash equivalents, mortgage notes receivable, accounts receivable and payables and accrued liabilities all approximate fair value due to their short term nature. Management believes that the recorded and fair values of notes payable are approximately the carrying value of December 31, 2015 and 2014.

Sales of Real Estate Assets. Gains from the sale of real estate assets are not recognized under the full accrual method until certain criteria are met. Gain or loss (the difference between the sales value and the cost of the real estate sold) shall be recognized at the date of sale if a sale has been consummated and the following criteria are met:

a. The buyer is independent of the seller;

b. Collection of the sales price is reasonably assured; and

c. The seller is not required to support the operations of the property or its related obligations to an extent greater than its proportionate interest.

Gains relating to transactions which do not meet the criteria for full accrual method of accounting are deferred and recognized when the full accrual method of accounting criteria are met or by using the installment or deposit methods of profit recognition, as appropriate in the circumstances.

Revenue Recognition. The Company recognizes revenue from rent, tenant reimbursements, and other revenue once all of the following criteria are met:

a. Persuasive evidence of an arrangement exists;

b. Delivery has occurred or services have been rendered;

c. The amount is fixed or determinable; and

d. The collectability of the amount is reasonably assured.

Annual rental revenue is recognized in rental revenues on a straight-line basis over the term of the related lease. Estimated recoveries from certain tenants for their pro rata share of real estate taxes, insurance and other operating expenses are recognized as revenues in the period the applicable expenses are incurred or as specified in the leases. Other tenants pay a fixed rate and these tenant recoveries are recognized as revenue on a straight-line basis over the term of the related leases.

Certain of the Company's leases currently contain rental increases at specified intervals. The Company records as an asset, and include in revenues, deferred rent receivable that will be received if the tenant makes all rent payments required through the expiration of the initial term of the lease. Deferred rent receivable in the accompanying balance sheets includes the cumulative difference between rental revenue recorded on a straight-line basis and rents received from the tenants in accordance with the lease terms. Accordingly, Management determines to what extent the deferred rent receivable applicable to each specific tenant is collectible. The Company reviews material deferred rent receivable and takes into consideration the tenant's payment history, the financial condition

of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. In the event that the collectability of deferred rent with respect to any given tenant is in doubt, we record an increase in the allowance for uncollectible accounts, the Company records a direct write-off of the specific rent receivable. No such reserves related to deferred rent receivables have been recorded as of December 31, 2015 or 2014.

Loss per common share. Basic loss per common share (Basic EPS) is computed by dividing net loss available to common shareholders (Numerator) by the weighted average number of common shares outstanding (Denominator) during the period. Diluted loss per common share (Diluted EPS) is similar to the computation of Basic EPS except that the Denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. In addition, in computing the dilutive effect of convertible securities, the Numerator is adjusted to add back the after-tax amount of interest recognized in the period associated with any convertible debt. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net earnings per share

Basic and diluted net loss per share are equivalent because the Company has incurred a net loss in all periods presented causing any potentially dilutive securities to be anti-dilutive. Dilutive securities include non-vested restricted shares issued under the Company's share-based incentive plan, shares issuable under certain of the Company's partnership arrangements and (for 2013) shares issuable under stock purchase warrants. The calculation of net loss per share excludes dilutive securities totaling 722,019 and 701,51 shares for the years ended December 31, 2015 and 2014, respectively.

Subsequent Events. Management has evaluated subsequent events through the date that the accompanying financial statements were filed with the Securities and Exchange Commission ("SEC") for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

Reclassifications. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of consolidated operations or equity.

Recently Issued Accounting Pronouncements. In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU No. 2016-02"). The amendments in ASU No. 2016-02 changes the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of ASU No. 2016-02 as of its issuance is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact of adopting the new leases standard on its consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments* ("ASU No. 2015-16"). ASU No. 2015-16 eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. ASU No. 2015-16 is effective for fiscal years, and interim periods within these fiscal years, beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of ASU No. 2015-16 to have a significant impact on its consolidated financial statements.

In April 2015, the FASB issued an ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs ("ASU No. 2015-03*. The amendments in ASU No. 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company does not expect the adoption of ASU No. 2015-03 to have a significant impact on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU No. 2015-02"), which makes certain changes to both the variable interest model and the voting model, including changes to (1) the identification of variable interests (fees paid to a decision maker or service provider), (2) the variable interest entity characteristics for a limited partnership or similar entity and (3) the primary beneficiary determination. ASU No. 2015-02 is effective for fiscal years, and interim periods within these fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of ASU No. 2015-02 to have a significant impact on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements* (Subtopic 205-40), *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU No. 2014-15"). The amendments in ASU No. 2014-15 require management to evaluate, for each annual and interim reporting period, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or are available to be issued when applicable) and, if so, provide related disclosures. ASU No. 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after

December 15, 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. We believe the adoption of this guidance will not have a material effect on income from operations or the Company's financial position.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU No. 2014-09"). ASU No. 2014-09 requires an entity to recognize the revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU No. 2014-09 supersedes the revenue requirements in *Revenue Recognition* (Topic 605) and most industry-specific guidance throughout the Industry Topics of the Codification. ASU No. 2014-09 does not apply to lease contracts within the scope of *Leases* (Topic 840). In August 2015, the FASB issued ASU No. 2015-14, which deferred the effective date of its new revenue recognition standard by one year. The standard will be effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company is currently assessing the impact of adopting ASU No. 2014-09 but does not believe it will have a material effect on income from operations or the Company's financial position.

3. RECENT REAL ESTATE TRANSACTIONS

During 2015, the Company acquired the following properties:

- On December 24, 2015, the Company acquired a four story, 121,399 square foot office building located in Highlands Ranch, Colorado for a purchase price of approximately $25.3 million. The building was 100% occupied at the date of acquisition.
- On August 28, 2015, the Company acquired a four story, 69,200 square foot office building located in Westminster, Colorado for a purchase price of approximately $9.1 million. The building was approximately 96% occupied at the date of acquisition.
- On August 26, 2015, the Company acquired a four story 93,000 square foot office building located in Centennial, Colorado for a purchase price of approximately $13.1 million. The building was approximately 97% occupied on the date of acquisition.
- On August 13, 2015, the Company acquired a single story 10,700 square foot retail building located adjacent to the Union Town Center building already owned by the Company in Colorado Springs, Colorado for a purchase price of approximately $2.9 million. The building was 100% occupied at the date of acquisition.
- On August 8, 2015, the Company acquired a two story 36,500 square foot office building in Fargo, North Dakota for a purchase price of $3.9 million. The building was 86.4% occupied at the date of acquisition.
- On August 8, 2015, the Company acquired seven single story 152,154 square foot industrial/flex buildings in West Fargo, North Dakota for a purchase price of approximately $7.9 million. The buildings were 97.6% occupied at the date of acquisition.

The Model Home Partnerships and Limited Liability Company acquired seventeen Model Home properties and leased them back to the home builders. The purchase price for the properties totaled $5.7 million.

The Company allocated the purchase price of the properties acquired during 2015 as follows:

Property	Land	Buildings and Other	Tenant Improvements	Leases in Place (1)	Leasing Costs	Total Purchase Price
Shea Center II	$ 2,213,734	$19,344,132	$ 2,336,066	$ 809,110	$ 621,958	$ 25,325,000
One Park Centre	1,205,552	7,047,875	274,591	366,121	255,861	9,150,000
Highland Court	3,608,028	6,939,286	1,412,097	621,323	469,266	13,050,000
Research Parkway	407,722	2,283,689	38,022	50,300	70,267	2,850,000
300 N.P.	135,430	3,429,097	53,272	127,852	104,349	3,850,000
West Fargo Industrial	1,693,035	6,021,666	3,166	99,595	83,038	7,900,500
Model Homes Properties	797,000	4,930,092	—	—	—	5,727,092
	$10,060,501	$49,995,837	$ 4,117,214	$ 2,074,301	$ 1,604,739	$ 67,852,592

(1) Leases in place include intangible assets and liabilities related to above and below market rents, net.

For the year ended December 31, 2015, the Company recognized an aggregate of $1.8 million of total revenues and an aggregate of $666,000 of operating expenses from these properties.

On April 10, 2015, the Company sold 100% of the Sparky's Self-Storage Portfolio. The net sales price was approximately $34 million and approximately $16.9 million in mortgage notes payable were repaid in connection the sale. The Company recognized a gain on sale of approximately $4.7 million.

On April 24, 2015, the Company sold a parcel of land and its building at the Yucca Valley Retail Center for approximately $1.5 million and recognized a gain of approximately $1.0 million.

During the year ended December 31, 2015, NetREIT Dubose and the other Model Home entities disposed of five Model Home properties. The sales price, net of selling costs, aggregated to approximately $2.7 million and approximately $1.1 million in mortgage notes payable were repaid in connection with these sales. The Company recognized a gain of $473,000 related to the sale of these Model Homes.

4. REAL ESTATE ASSETS

The Company owns a diverse portfolio of real estate assets. The primary types of properties the Company invests in are office, retail, and NNN leased residential properties located primarily in Southern California and Colorado, with four properties located in North Dakota. Our model home properties are located in ten states. As of December 31, 2015, the Company owned or had an equity interest in:

- Eighteen office buildings and two industrial building ("Office/Industrial Properties") which total approximately 1,614,000 rentable square feet,
- Six retail shopping centers ("Retail Properties") which total approximately 236,000 rentable square feet,
- Sixty-four model homes owned by three affiliated limited partnerships and one limited liability company ("Residential Properties").

The Company's real estate assets consisted of the following as of December 31, 2015 and 2014:

Property Name	Date Acquired	Location	Real Estate Assets Owned (000s) 2015	2014
Havana/Parker Complex	June 2006	Aurora, CO	$ 2,093	$ 2,269
Garden Gateway Plaza	March 2007	Colorado Springs, CO	11,808	12,120
World Plaza	September 2007	San Bernardino, CA	6,653	6,834
Regatta Square	October 2007	Denver, CO	1,859	1,897
Sparky's Palm Self-Storage	November 2007	Highland, CA	—	4,266
Sparky's Joshua Self-Storage	December 2007	Hesperia, CA	—	6,661
Executive Office Park	July 2008	Colorado Springs, CO	8,227	8,274
Waterman Plaza	August 2008	San Bernardino, CA	5,877	5,995
Pacific Oaks Plaza	September 2008	Escondido, CA	4,213	4,291
Morena Office Center	January 2009	San Diego, CA	5,269	5,461
Rangewood Medical Office Building	March 2009	Colorado Springs, CO	2,306	2,361
Sparky's Thousand Palms Self-Storage	August 2009	Thousand Palms, CA	—	5,365
Sparky's Hesperia East Self-Storage	December 2009	Hesperia, CA	—	2,376
Sparky's Rialto Self-Storage	May 2010	Rialto, CA	—	4,681
Genesis Plaza	August 2010	San Diego, CA	8,398	8,613
Dakota Bank Buildings	May 2011	Fargo, ND	10,452	10,027
Yucca Valley Retail Center	September 2011	Yucca Valley, CA	7,190	8,044
Sparky's Sunrise Self-Storage	December 2011	Hesperia, CA	—	2,142
Port of San Diego Complex	December 2011	San Diego, CA	13,971	13,954
Shoreline Medical Building	May 2012	Half Moon Bay, CA	5,856	5,994
The Presidio	November 2012	Colorado Springs, CO	6,643	6,684
Sparky's Lancaster Self-Storage	May 2013	Lancaster, CA	—	3,616
Bismarck Office Building	March 2014	Fargo, ND	4,904	4,970
Union Terrace Building	August 2014	Lakewood, CO	8,607	9,032
Centennial Tech Center	December 2014	Colorado Springs, CO	14,755	15,540
Arapahoe Service Center	December 2014	Centennial, CO	11,301	11,873
Union Town Center	December 2014	Colorado Springs, CO	10,941	11,268
Research Parkway	August 2015	Colorado Springs, CO	2,875	—
West Fargo Industrial, West Fargo, ND	August 2015	West Fargo, ND	7,833	—
300 N.P., West Fargo, ND	August 2015	West Fargo, ND	3,910	—
Highland Court, Centennial CO	August 2015	Centennial, CO	13,245	—
One Park Centre, Westminster CO	August 2015	Westminster, CO	9,050	—
Shea Center II, Highlands Ranch, CO	December 2015	Highlands Ranch, CO	25,961	—
Subtotal - NetREIT, Inc. properties			214,197	184,608
Model Home properties	2009-2015	AZ, CA, FL, IL, NC, NJ, PA, SC, TX, WI	16,889	13,589
Real estate assets and lease intangibles, net			$ 231,086	$ 198,197

5. LEASE INTANGIBLES

Lease intangibles consist of the following:

	As of December 31, 2015			As of December 31, 2014		
	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
In-place leases	$ 6,903,882	$ (2,647,002)	$ 4,256,880	$ 4,255,565	$ (1,842,782)	$ 2,412,783
Leasing costs	4,816,858	(1,766,578)	3,050,280	3,228,415	(1,214,967)	2,013,448
Above-market leases	2,124,360	(1,415,762)	708,598	1,977,113	(1,202,821)	774,292
Tenant relationships	—	—	—	332,721	(332,721)	—
Total	$ 13,845,100	$ (5,829,342)	$ 8,015,758	$ 9,793,814	$ (4,593,291)	$ 5,200,523

Future aggregate amortization expense for the Company's other intangible assets is as follows: $2,165,192 (2016), $1,652,832 (2017), $1,131,293 (2018), $913,181 (2019), $708,519 (2020) and $1,444,741 (thereafter). The weighted average amortization period for the intangible assets as of December 31, 2015 was approximately 4.5 years. Lease incentives are amortized over the term of the related lease and included as a reduction of rental income in the statement of income.

6. REAL ESTATE HELD FOR SALE AND DISCONTINUED OPERATIONS

Discontinued operations for the years ended December 31, 2015 and 2014 include the operations of its Sparky's Self-Storage Portfolio located in Southern California, which was sold to an unrelated party on April 10, 2015. The following summary presents the major components of real estate held for sale and liabilities related to real estate held for sale as of:

	December 31, 2015	December 31, 2014
Real estate assets	$ —	$ 32,637,520
Less: accumulated depreciation	—	(3,529,845)
Real estate assets, net	—	29,107,675
Other assets	—	895,831
Total assets	$ —	$ 30,003,506
Mortgage notes payable	—	16,932,524
Other liabilities	—	508,955
Total liabilities	$ —	$ 17,423,479

The following table summarizes certain revenue and expenses related to these properties for the years ended December 31:

	For the Years Ended December 31,	
	2015	2014
Rental revenues	$ 940,048	$ 3,080,387
Fee and other income	112,218	348,116
Rental operating expenses	(595,832)	(1,716,379)
Depreciation	(165,646)	(666,119)
Interest expense	(422,163)	(883,647)
Gain on sale of real estate	4,730,398	(156,651)
Discontinued operations before non-controlling interests	$ 4,599,023	$ 5,707

7. OTHER ASSETS

Other assets consist of the following:

	As of December 31,	
	2015	2014
Deferred rent receivable	$ 2,097,623	$ 1,499,113
Notes receivable	920,216	920,216
Raw land	900,000	900,000
Prepaid expenses, deposits and other	758,173	543,390
Accounts receivable, net	683,446	362,727
Other intangibles, net	536,533	617,432
Total other assets	$ 5,895,991	$ 4,842,878

8. MORTGAGE NOTES PAYABLE

Mortgage notes payable consisted of the following:

Mortgage note property	Notes	Principal as of December 31, 2015	Principal as of December 31, 2014	Loan Type	Interest Rate (1)	Maturity
Waterman Plaza		$ —	$ 3,368,146	Fixed	6.50%	9/1/2015
Havana/Parker Complex		2,500,000	2,500,000	Fixed	6.51%	7/1/2016
Bismarck Office Building		3,252,016	3,321,198	Fixed	6.12%	10/1/2016
Sparky's Rialto	(2)	—	2,119,037	Fixed (reset)	4.75%	5/3/2018
Rangewood Medical Office Building		1,027,085	1,092,778	Fixed	4.95%	1/1/2019
Regatta Square		1,183,473	1,214,799	Fixed	4.95%	1/1/2019
Port of San Diego Complex		10,097,726	10,368,228	Fixed	4.75%	3/5/2020
Garden Gateway Plaza		6,799,229	6,963,381	Fixed	5.00%	4/5/2020
Sparky's Lancaster		—	1,903,982	Fixed	5.00%	6/1/2020
West Fargo Industrial		4,500,000	—	Fixed	4.79%	9/9/2020
Morena Office Center	(3)	2,289,899	2,351,805	Fixed (reset)	4.50%	1/1/2021
Pacific Oaks Plaza	(3)	1,556,891	1,599,204	Fixed (reset)	4.50%	6/1/2021
Shoreline Medical Building	(3)	3,727,569	3,846,697	Fixed (reset)	5.10%	6/1/2022
Highland Court		6,958,147	—	Fixed	3.82%	9/1/2022
Sparky's Palm, Joshua and Sunrise		—	7,986,522	Fixed	4.70%	12/6/2022
Sparky's Hesperia East	(4)	—	830,883	Variable	4.75%	12/18/2022
Dakota Bank Buildings		10,825,201	10,993,386	Fixed	4.74%	7/6/2024
Union Terrace Building		6,600,000	6,600,000	Fixed	4.50%	9/5/2024
The Presidio		6,000,000	6,000,000	Fixed	4.54%	12/1/2024
Centennial Tech Center		10,237,591	10,250,000	Fixed	4.34%	12/5/2024
Arapahoe Service Center		8,500,000	8,500,000	Fixed	4.34%	1/5/2025
Union Town Center		8,440,000	8,440,000	Fixed	4.28%	1/5/2025
Yucca Valley Retail Center		6,000,000	2,982,411	Fixed	5.62%	4/6/2025
Executive Office Park	(5)	4,307,975	4,379,854	Fixed (reset)	5.80%	7/1/2025
Genesis Plaza		6,500,000	4,491,588	Fixed	4.65%	9/6/2025
One Park Centre		6,610,000	—	Fixed	4.77%	9/5/2025
Shea Center II		17,727,500	—	Fixed	4.92%	1/5/2026
Sparky’s Thousand Palms	(6)	—	4,092,100	Variable	5.50%	3/1/2034
Subtotal, NetREIT, Inc. properties		135,640,302	116,195,999			
Model Home mortgage notes		9,050,268	7,703,299	Fixed	(7)	2015-2019
Mortgage Notes Payable, total		$ 144,690,570	$ 123,899,298			

(1) Interest rates as of December 31, 2015
(2) Interest subject to reset; thereafter, monthly payments of $11,982, including interest at rate indexed to 5-year Treasury Rate + 3%.
(3) Interest rate subject to resetting on the 3rd and 6th loan anniversary.
(4) Interest at a variable rate indexed to the 5 year interest rate swap.
(5) Interest rate is subject to reset on July 1, 2018.
(6) Interest at variable rate ranging from 5.50%-10.50%.
(7) Each Model Home has a standalone mortgage note at interest rates ranging from 4.9% to 5.8% (at December 31, 2015).

The Company is in compliance with all conditions and covenants of its mortgage notes payable.

Scheduled principal payments of mortgage notes payable are as follows:

Years Ending December 31:	Principal Payments NetREIT, Inc. Notes Payable	Model Homes Notes Payable	Scheduled Principal Payments
2016	7,245,568	901,272	8,146,840
2017	1,767,577	1,557,176	3,324,753
2018	5,973,359	1,581,239	7,554,598
2019	2,984,389	1,442,319	4,426,708
2020	2,276,109	3,568,262	5,844,371
Thereafter	115,393,300	-	115,393,300
Total	$ 135,640,302	$ 9,050,268	$ 144,690,570

In December 2014, the Company and the lender for the Company's Havana Parker Complex entered into to a loan modification agreement pursuant to which the lender agreed to reduce the outstanding loan balance from $3,037,000 to $2,500,000, and also agreed to defer a portion of the monthly interest until loan maturity. Under the modified agreement, interest only payments (at 2.5%) are due through July 1, 2016, at which time all principal and deferred interest is due. The Company has the option to defer loan maturity for one additional year in exchange for making a one-time payment of $100,000 (which will be applied to outstanding principal).

9. SERIES B MANDATORILY REDEEMABLE PREFERRED STOCK

In August 2014, the Company closed on a private placement offering of its mandatorily redeemable Series B Preferred Stock. The financing, was to be funded in installments and planned to be completed no later than the one year anniversary of the initial investment. At the conclusion of the funding period, the Company expected to generate a total capital contribution of $40 million which was expected to be used for Series B Preferred investor approved property acquisitions. Certain specified management decisions must be approved in advance by the Series B Preferred investor and upon the occurrence of an event of default, the Preferred Stock investor has certain additional rights. As of December 31, 2015, the Company had issued 35,000 shares of its Series B Preferred Stock. The Company terminated the offering on December 24, 2015. The Company has classified the Series B Preferred Stock as a liability in accordance with ASC Topic No. 480, "*Distinguishing Liabilities from Equity*," which states that mandatorily redeemable financial instruments should be classified as liabilities and therefore the related dividend payments are treated as a component of interest expense in the accompanying consolidated statements of operations.

The Series B preferred stock has a $0.01 par value and a $1,000 liquidation preference. The Series B preferred stock shall be redeemed through a cash payment of the face value of the shares outstanding at redemption. The preferred return on the funds invested is 14% (10% shall be paid on a monthly basis and the remaining 4% shall accrue and compound monthly payable beginning in February 2016). The Series B Preferred Stock is scheduled to be redeemed by the third anniversary of the closing date; however, the Company has the right to extend the redemption for up to two additional years. The Company incurred approximately $3.1 million in legal and underwriting costs related to this transaction. These costs have been recorded as deferred financing costs on the accompanying consolidated balance sheets and are being amortized over the term of the agreement. Amortization expense totaling approximately $951,000 and $380,000 was included in interest expense for the year ended December 31, 2015 and 2014, respectively, in the accompanying consolidated statement of operations.

10. COMMITMENTS AND CONTINGENCIES

Litigation. From time to time, we may become involved in various lawsuits or legal proceedings which arise in the ordinary course of business. Neither the Company nor any of the Company's properties are presently subject to any material litigation nor, to the Company's knowledge, is there any material threatened litigation.

Environmental Matters. The Company monitors its properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist, the Company is not currently aware of any environmental liability with respect to the properties that would have a material effect on the Company's financial condition, results of operations and cash flow. Further, the Company is not aware of any environmental liability or any unasserted claim or assessment with respect to an environmental liability that the Company believes would require additional disclosure or recording of a loss contingency.

11. STOCKHOLDERS' EQUITY

Preferred Stock. The Company is authorized to issue up to 8,990,000 shares of preferred stock (the "Preferred Stock"). The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is authorized to fix the number of shares of any

series of the Preferred Stock, to determine the designation of any such series, and to determine or alter the rights granted to or imposed upon any wholly unissued series of preferred stock including the dividend rights, dividend rate, conversion rights, voting rights, redemption rights (including sinking fund provisions), redemption price, and liquidation preference.

The Board of Directors authorized the original issuance of 1,000,000 shares of the Preferred Stock as Series AA Convertible Preferred Stock ("Series AA"). Each share of Series AA (i) is non-voting, except under certain circumstances as provided in the Articles of Incorporation; (ii) is entitled to annual cash dividends of 7% which are cumulative and payable quarterly; (iii) ranks senior, as to the payment of dividends and distributions of assets upon liquidation, to common stock or any other series of preferred stock that is not senior to or on parity with the Series AA; (iv) is entitled to receive $25.00 plus accrued dividends upon liquidation; (v) may be redeemed by the Company prior to the mandatory conversion date at a price of $25.00 plus accrued dividends, and (vi) may be converted into two shares of common stock at the option of the holder prior to the mandatory conversion date. The conversion price is subject to certain anti-dilution adjustments. The Company has not issued any shares of this preferred stock.

Convertible 6.3% Preferred Stock. In December 2011, the Company issued 1,649 shares of Series 6.3% Convertible Preferred Stock to the NetREIT National City Partnership, LP (an entity that was included in the consolidated financial statements). The terms of this stock provided for cumulative dividends at the rate of 6.3% per annum, payable on a quarterly basis in arrears subject to declaration by the Board of Directors. The convertible series 6.3% preferred stock was redeemed at its $1.6 million face value in August 2014.

Common Stock. The Company is authorized to issue up to 100,000,000 shares of Series A Common Stock ("Common Stock") $0.01 par value and 1,000 shares of Series B Common Stock $0.01 par value. The Common Stock and the Series B Common Stock have identical rights, preferences, terms and conditions except that the Series B Common Stockholders are not entitled to receive any portion of Company assets in the event of Company liquidation. There have been no Series B Common Stock shares issued. Each share of Common Stock entitles the holder to one vote. The Common Stock is not subject to redemption and it does not have any preference, conversion, exchange or pre-emptive rights. The articles of incorporation contain a restriction on ownership of the Common Stock that prevents one person from owning more than 9.8% of the outstanding shares of common stock.

In October 2006, the Company commenced a private placement offering of its common stock. Through December 31, 2011 when the offering was terminated, the Company conducted a self-underwritten private placement offering and sale of 20,000,000 shares of its common stock at a price of $10 per share. This offering was made only to accredited investors (and up to thirty-five non-accredited investors) pursuant to an exemption from registration provided by Section 4(2) and Rule 506 of Regulation D under the Securities Act of 1933, as amended. No public or private market currently exists for the securities sold under this offering. The Company ceased raising capital under this private placement offering effective December 31, 2011.

Cash Dividends. During the years ended December 31, 2015 and 2014, the Company paid cash dividends, net of reinvested stock dividends, of $4,124,000, and $4,803,000, respectively, or at a rate of $0.400 and $0.471, respectively, per share on an annualized basis.

The Company paid cash dividends on its Convertible Series 6.3% Preferred Stock of approximately $0 and $65,000 during the years ended December 31, 2015 and 2014, respectively. The dividends were paid to a subsidiary that is consolidated into the condensed consolidated financial statements of the Company and, as a result, have been eliminated in consolidation. The Company redeemed these shares during 2014.

Dividend Reinvestment Plan. The Company has adopted a distribution reinvestment plan that allows stockholders to have dividends or other distributions otherwise distributable to them invested in additional shares of Company common stock. The Company has registered 1,500,000 shares of common stock pursuant to the dividend reinvestment plan. The dividend reinvestment plan became effective on January 23, 2012. The purchase price per share is 95% of the price the Company was formerly selling its shares for $9.50 per share. No sales commission or dealer manager fee will be paid on shares sold through the dividend reinvestment plan. The Company may amend, suspend or terminate the Plan at any time. Any such amendment, suspension or termination will be effective upon a designated dividend record date and notice of such amendment, suspension or termination will be sent to all Participants at least thirty (30) days prior to such record date. As of December 31, 2015, the third year under the plan, approximately $13.9 million, or approximately 1,465,000 shares of common stock have been issued under the dividend reinvestment plan to date.

Limited Partnerships. In October 2009, NetREIT and five former tenants in common of Casa Grande Apartments and Palm Self-Storage contributed their respective ownership interests in these properties into NetREIT Casa Grande LP and NetREIT Palm LP. In exchange for the contribution of property, the owners became limited partners of these partnerships and NetREIT became the general partner. The partners have an option to exchange their equity interest in the partnership for up to 457,028 shares of Company common stock at a conversion price equal to $8.44 per share. The Company has a put option to convert the partner's equity interests in these limited partnerships to shares of Company common stock at $8.44 per share for up to 457,028 shares.

In February 2010, NetREIT and a former tenant in common of Garden Gateway Plaza contributed their respective ownership interests in these properties into NetREIT Garden Gateway LP. In exchange for the contribution of property the owners became limited partner of this partnership, and NetREIT became the general partner. The partner has an option to exchange its equity interest in the partnership for up to 105,000 shares of Company common stock at a conversion price equal to $9.52 per share. The Company has a put option to convert the partner's equity interests in this limited partnership to shares of Company common stock at $9.52 per share for up to 105,000 shares.

12. SHARE-BASED INCENTIVE PLAN

The Company established a Restricted Stock plan ("Restricted Stock") in December 2006 for the purpose of attracting and retaining officers, key employees and non-employee board members. Share awards vest in equal annual instalments over a three or five year period from date of issuance. Non-vested shares have voting rights and are eligible for any dividends paid to common shares. The Company recognized compensation cost for these fixed awards over the service vesting period, which represents the requisite service period, using the straight-line method. The value of non-vested shares was calculated based on the offering price of the shares in the most recent private placement offering of $10.00, adjusted for stock dividends since granted and assumed selling costs (currently $8.60), which management believes approximates fair market value as of the date of grant.

A summary of the activity for the Company's restricted shares was as follows:

Outstanding shares:	**Common Shares**
Balance at December 31, 2014	101,890
Granted	79,162
Vested	(54,051)
Cancelled	(4,613)
Balance at December 31, 2015	122,388

The non-vested restricted shares outstanding as of December 31, 2015 will vest over the next one to ten years.

The value of non-vested Restricted Stock granted during the years ended December 31, 2015 and 2014 was approximately $1,036,000 and $876,000, respectively.

Share-based compensation expense for the years ended December 31, 2015 and 2014 was approximately $465,000 and $456,000, respectively.

13. RELATED PARTY TRANSACTIONS

The Company leases a portion of its corporate headquarters at Pacific Oaks Plaza in Escondido, California to an entity 100% owned by the Company's Chairman and Chief Executive Officer and another related party. Total rents charged and paid by this affiliate was approximately $36,000 and $36,000 for the years ended December 31, 2015 and 2014, respectively.

In January 2014, the former limited partner of NetREIT 01, LP, a consolidated subsidiary of the Company (the "Partnership") that owns the Presidio, exercised its option to convert approximately 52.8% of its ownership interests in the Partnership in exchange for approximately 21,000 shares of Company common stock. After conversion, the Company's interest in the Partnership increased to approximately 89%. The Company purchased these shares from the limited partner at a price that was determined when the Partnership was formed, which, adjusted for stock dividends, was $7.858 per share. The stock purchase transaction was subject to the Company's related party transaction policy, which required a review of the transaction by the non-interested parties of the Audit Committee and a subsequent vote by the Company's Board of Directors (and was formally approved in December 2013). Effective April 2014, the former limited partner elected to convert all of its remaining interest in the Partnership in exchange for 18,807 shares of Company common stock. The Company bought these shares back in January 2015 for an aggregate purchase price of approximately $148,000.

The limited partner of NetREIT 01, LP is the Allen Trust DTD 7-9-1999. William H. Allen, a Director of the Company and Chairman of the Audit Committee, is a beneficiary and a trustee of the trust. The Partnership was formed approximately one year before Mr. Allen became a Board Member.

14. SEGMENTS

The Company's reportable segments consist of the four types of commercial real estate properties for which the Company's decision-makers internally evaluate operating performance and financial results: Office/Industrial Properties, Retail Properties; and Self-Storage Properties. During the year ended December 31, 2015, the Company sold all of its Self-Storage Properties. The Company also has certain corporate level activities including accounting, finance, legal administration and management information systems which are not considered separate operating segments. The accounting policies of the reportable segments are the same as those described in Note 2. There is no intersegment activity.

The Company evaluates the performance of its segments based upon net operating income ("NOI"), which is a non-GAAP supplemental financial measure. The Company defines NOI for its segments as operating revenues (rental income, tenant reimbursements and other operating income) less property and related expenses (property operating expenses, real estate taxes, insurance, asset management fees, impairments and provision for bad debt) less interest expense. NOI excludes certain items that are not considered to be controllable in connection with the management of an asset such as non-property income and expenses, depreciation and amortization, real estate acquisition fees and expenses and corporate general and administrative expenses. The Company uses NOI to evaluate the operating performance of the Company's real estate investments and to make decisions about resource allocations.

The following tables reconcile the Company's segment activity to its results of operations and financial position as of and for the years ended December 31, 2015 and 2014, respectively.

	Year Ended December 31,	
	2015	2014
Office/ Industrial Properties:		
Rental income	$ 18,497,621	$ 11,800,836
Property and related expenses	(7,170,550)	(4,769,577)
Asset impairment	—	(950,000)
Net operating income, as defined	11,327,071	6,081,259
Residential Properties:		
Rental income	1,521,148	2,065,327
Property and related expenses	(63,875)	(102,082)
Net operating income, as defined	1,457,273	1,963,245
Retail Properties:		
Rental income	3,960,076	2,607,744
Property and related expenses	(1,280,726)	(877,620)
Net operating income, as defined	2,679,350	1,730,124
Self-Storage Properties:		
Rental income	1,052,266	3,428,503
Property and related expenses	(1,183,641)	(3,266,145)
Net operating income, as defined	(131,375)	162,358
Reconciliation to net loss:		
Total net operating income, as defined, for reportable segments	15,332,319	9,936,986
Unallocated other income (expense):		
General and administrative expenses	(5,193,888)	(5,555,449)
Depreciation and amortization	(7,784,917)	(5,383,266)
Interest expense	(10,774,660)	(5,595,329)
Interest income	150,008	85,806
Gain on sales of real estate, net	6,243,640	5,120,699
Gain on extinguishment of debt	—	536,952
Net loss	$ (2,027,498)	$ (853,601)

Assets by Reportable Segment:	As of December 31,	
	2015	2014
Office/ Industrial Properties:		
Land, buildings and improvements, net (1)	$ 178,776,776	$ 122,351,316
Total assets (2)	$ 190,857,259	$ 130,184,998
Residential Properties:		
Land, buildings and improvements, net (1)	$ 16,888,267	$ 13,133,827
Total assets (2)	$ 14,395,904	$ 13,588,922
Retail Properties:		
Land, buildings and improvements, net (1)	$ 35,395,235	$ 33,141,294
Total assets (2)	$ 36,747,069	$ 34,712,223
Self-Storage Properties:		
Land, buildings and improvements, net (1)	$ —	$ 29,107,675
Total assets (2)	$ —	$ 30,003,506
Reconciliation to total assets:		
Total assets for reportable segments	$ 242,000,232	$ 208,489,649
Other unallocated assets:		
Cash and cash equivalents	6,626,423	5,636,002
Other assets, net	9,306,036	6,499,287
Total assets	$ 257,932,691	$ 220,624,938

(1) Includes lease intangibles and the land purchase option related to property acquisitions.

(2) Includes land, buildings and improvements, current receivables, deferred rent receivables and deferred leasing costs and other related intangible assets, all shown on a net basis.

Capital expenditures by Reportable Segment:(1)	Year Ended December 31,	
	2015	2014
Office/Industrial Properties:		
Acquisition of operating properties	$ 59,223,876	$ 42,125,000
Capital expenditures and tenant improvements	$ 2,793,850	$ 2,123,438
Residential Properties:		
Acquisition of operating properties	$ 5,720,540	$ 5,726,700
Retail Properties:		
Acquisition of operating properties	$ 2,908,176	$ 11,211,669
Capital expenditures and tenant improvements	$ 54,839	$ 359,473
Self Storage Properties:		
Capital expenditures and tenant improvements	$ 6,250	$ 84,116
Totals:		
Acquisition of operating properties, net	$ 67,852,592	$ 59,063,369
Capital expenditures and tenant improvements	2,854,939	2,567,027
Total real estate investments	$ 70,707,531	$ 61,630,396

(1) Total consolidated capital expenditures are equal to the same amounts disclosed for total reportable segments.

15. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company for the years ended December 31, 2015 and 2014. The Company acquired five properties during the quarter ended September 30, 2015. The following unaudited pro forma information for the years ended December 31, 2015 and December 31, 2014 has been prepared to give effect to the operations as if the acquisitions had occurred on January 1, 2014. This pro forma information does not purport to represent what the actual results of operations of the Company would have been had these acquisitions occurred on this date, nor does it purport to predict the results of operations for future periods.

	Year Ended December 31,	
	2015	2014
Revenues	$ 4,655,215	$ 4,234,510
Total operating expenses	1,841,705	1,918,842
Net income	$ 2,813,510	$ 2,315,668
Net loss attributable to NetREIT, Inc. common stockholders	$ (168,244)	$ (579,296)

16. SUBSEQUENT EVENTS

On December 31, 2015, the Company's Board of Directors declared a distribution in the amount of $0.10 per common share of common stock to stockholders of record as of the close of business on December 31, 2015. The Company paid this distribution on February 12, 2016.

NetREIT, Inc. and Subsidiaries

Schedule III - Real Estate and Accumulated Depreciation and Amortization – as of December 31, 2015

All amounts are in thousands		Initial Cost				Total Cost					
Property Name/ Location	**Loan Balance**	**Land Cost**	**Building and Improvements**	**Acquisition Price**	**Capitalized Improvements**	**Land Cost**	**Building & Improvements**	**Total Cost**	**Accumulated Depreciation**	**Reserve for Impairment**	**NBV Real Estate**
Havana Parker, Aurora , CO	$ 2,500	$ 1,023	$ 4,806	$ 5,829	2,603	1,023	7,409	$ 8,432	$ 2,889	$ 3,450	$ 2,093
Garden Gateway, CO Springs, CO	6,799	3,035	12,091	15,126	1,335	3,035	13,426	16,461	4,653	—	11,808
Executive Park, CO Springs, CO	4,308	1,266	8,815	10,081	386	1,266	9,201	10,467	2,240	—	8,227
Pacific Oaks Plaza, Escondido, CA	1,557	980	3,868	4,848	143	980	4,011	4,991	780	—	4,211
Morena Center, San Diego, CA	2,289	1,333	5,203	6,536	707	1,333	5,910	7,243	1,474	500	5,269
Genesis Plaza, San Diego, CA	6,500	1,400	8,600	10,000	805	1,400	9,405	10,805	2,407	—	8,398
Dakota Center, Fargo, ND	10,825	832	8,743	9,575	2,752	832	11,495	12,327	1,875	—	10,452
Rangewood Medical, CO Springs	1,027	572	2,058	2,630	384	572	2,442	3,014	707	—	2,307
Shoreline Medical, Half Moon Bay	3,728	1,820	4,530	6,350	—	1,820	4,530	6,350	494	—	5,856
Port of San Diego Complex, SD, CA	10,098	9,613	4,887	14,500	700	9,613	5,587	15,200	1,230	—	13,970
The Presidio, CO Springs, CO	6,000	1,325	5,950	7,275	553	1,325	6,503	7,828	1,185	—	6,643
Bismarck Building, Bismarck, ND	3,252	413	4,926	5,339	419	413	5,345	5,758	854	—	4,904
Union Terrace, Lakewood, CO	6,600	1,717	7,708	9,425	329	1,717	8,037	9,754	1,147	—	8,607
Centennial Tech Center, CO	10,238	2,025	13,475	15,500	48	2,025	13,523	15,548	792	—	14,756
Arapahoe Service Center, CO Springs	8,500	1,420	10,430	11,850	29	1,420	10,459	11,879	578	—	11,301
West Fargo Industrial	4,500	1,693	6,207	7,900	26	1,693	6,233	7,926	94	—	7,832
300 N.P.	—	135	3,715	3,850	116	135	3,831	3,966	57	—	3,909
Highland Court	6,958	3,608	9,442	13,050	474	3,608	9,916	13,524	279	—	13,245
One Park Centre	6,610	1,206	7,944	9,150	141	1,206	8,085	9,291	241	—	9,050
Shea Center II	17,728	2,214	23,747	25,961	—	2,214	23,747	25,961	—	—	25,961
Total Office/ Industrial properties	**$ 120,017**	**$ 37,630**	**$ 157,145**	**$ 194,775**	**$ 11,950**	**$ 37,630**	**$ 169,095**	**$ 206,725**	**$ 23,976**	**$ 3,950**	**$ 178,799**
World Plaza , San Bernardino, CA	—	1,698	6,232	7,930	682	1,698	6,914	8,612	1,959	—	6,653
Regatta Square, Denver, CO	1,184	811	1,369	2,180	71	811	1,440	2,251	392	—	1,859
Waterman Plaza, San Bernardino, CA	—	2,350	4,814	7,164	81	2,350	4,895	7,245	1,068	300	5,877
Yucca Retail Ctr, Yucca Valley, CA	6,000	2,811	5,175	7,986	619	2,811	5,794	8,605	1,415	—	7,190
Union Town Center, CO Springs, CO	8,440	1,750	9,462	11,212	153	1,750	9,615	11,365	424	—	10,941
Research	—	408	2,442	2,850	61	408	2,503	2,911	33	—	2,878
Total Retail properties	**$ 15,624**	**$ 9,828**	**$ 29,494**	**$ 39,322**	**$ 1,667**	**$ 9,828**	**$ 31,161**	**$ 40,989**	**$ 5,291**	**$ 300**	**$ 35,398**
Model Homes -NDMHR, LP	4,804	1,417	7,983	9,400	—	1,417	7,983	9,400	472	—	8,928
Model Homes -DMH LP #201	860	287	1,337	1,624	—	287	1,337	1,624	94	—	1,530
Model Homes-DMH LP #202	2,508	796	4,236	5,032	—	796	4,236	5,032	106	—	4,926
Model Homes-NTMH LLC	878	217	1,311	1,528	—	217	1,311	1,528	23	—	1,505
Total Model Home properties	**9,050**	**2,717**	**14,867**	**17,584**	—	**2,717**	**14,867**	**17,584**	**695**	**—**	**16,889**
											—
CONSOLIDATED TOTALS:	**$ 144,691**	**$ 50,175**	**$ 201,506**	**$ 251,681**	**$ 13,617**	**$ 50,175**	**$ 215,123**	**$ 265,298**	**$ 29,962**	**$ 4,250**	**$ 231,086**

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

Exhibit 10.22

PURCHASE AND SALE AGREEMENT

HIGHLANDS RANCH SHEA CENTER II, LLC, Seller

NETREIT, INC., Purchaser

November 10, 2015

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

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<u>Exhibits</u>

A	Legal Description
B	Personal Property
C	Special Warranty Deed
D	Assignment of Leases
E	Assignment of Contracts and Other Intangibles
F	Bill of Sale
G	Form of Notice to Tenants
H	Estoppel Certificate
I	List of Contracts
J	Leasing Commissions, Tenant Improvements, Tenant Delinquencies
K	Rent Roll

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is entered into as of the 10th day of November, 2015, by HIGHLANDS RANCH SHEA CENTER II, LLC, a Colorado limited liability company (the "Seller"), and NETREIT, INC., a Maryland corporation (the "Purchaser").

ARTICLE 1.
PURCHASE AND SALE

Section 1.1 Purchase and Sale. Subject to the terms and provisions in this Agreement, Seller agrees to sell to Purchaser and Purchaser agrees to purchase from Seller the land described in Exhibit A to this Agreement and the buildings, fixtures and other improvements located on that land (together called the "Property"), known as Highlands Ranch Shea Center II, located at 1805 Shea Center Drive, in the County of Douglas, State of Colorado, along with (a) all easements, servitudes and other rights now belonging or appertaining to the Property, and (b) the Personal Property described in Section 1.3.

Section 1.2 Purchase Price; Payment of the Purchase Price. The price of the Property and Personal Property is $25,325,000.00 (the "Purchase Price"). The Purchase Price (subject to the prorations to be made under this Agreement) is payable by Purchaser as follows:

a. Deposit. $150,000.00 (the "Initial Deposit") has been delivered or shall be delivered within one business day after the date of this Agreement, time being of the essence, in the form of a cashier's check, wire transfer or other good funds ("Good Funds") for immediate credit to the escrow account of Fidelity National Title Insurance Company (the "Title Company"), at its offices at 4643 S. Ulster, Suite 500, Denver, Colorado 80237 Attention: Darren Hone, to be held by the Title Company pursuant to the provisions of this Agreement. If Purchaser does not terminate this Agreement pursuant to its rights under Section 2.5d before the expiration of the Inspection Period, Purchaser shall, on or before the last day of the Inspection Period, deliver to the Title Company an additional $200,000.00 in Good Funds (the "Subsequent Deposit") for immediate credit to the Title Company's account. As used herein, the "Deposit" shall mean the Initial Deposit, and from and after the date, if at all, delivered by Purchaser to the Title Company, the Subsequent Deposit, together with all interest which shall accrue thereon. The Title Company shall invest the Deposit in government insured interest-bearing instruments reasonably satisfactory to both Purchaser and Seller, shall not commingle the Deposit with any funds of the Title Company or others, and shall promptly provide Purchaser and Seller with confirmation of the investment made. The Deposit shall be non-refundable except as expressly set forth in this Agreement.

b. Balance of Purchase Price. The balance of the Purchase Price shall be paid to Seller on the Closing Date in Good Funds, which payment shall be made by wire transfer to the Title Company on or before 3:00 p.m. Mountain Time on the Closing Date, so that the Purchase Price can be disbursed by the Title Company in Good Funds to Seller on the Closing Date.

Section 1.3 Personal Property. Included in the sale of the Property is all of the Seller's right, title and interest in and to the following (the "Personal Property"):

a. Leases. All leases and rental agreements in effect as of the Closing with respect to the Property (the "Leases"), together with any guaranties of any Leases, and Seller's interest in any security deposits, security interests and prepaid rents under the Leases;

b. Contracts. The service, supply, leasing, maintenance and other contracts entered into in connection with the operation, leasing, maintenance and repair of the Property (the "Contracts");

c. Licenses, Permits and Warranties. To the extent they may be transferred by Seller and are in existence and effect (i) all licenses, permits, approvals and authorizations required for the use and operation of the Property; and (ii) warranties covering any portion of the Property (together, the "Licenses, Permits and Warranties");

d. Surveys and Plans. All existing surveys, blueprints, drawings, plans and specifications (including, without limitation, structural, HVAC, mechanical and plumbing plans and specifications) in Seller's possession (the "Surveys and Plans");

e. Leasing Materials. All tenant lists, lease files, lease booklets, manuals and promotional and advertising materials concerning the Property or used in connection with the operation of the Property, to the extent they are located at the Property or the Property

manager's office, but excluding any confidential or proprietary internal books and records of Seller maintained at any of Seller's offices, internal and external appraisals and/or evaluations of the Property, budgets and any other privileged or proprietary information (the "Leasing Materials"); and

f. Name. To the extent of any proprietary rights of Seller therein, the right to use the name "Highlands Ranch Shea Center II" now used in connection with the Property (the "Name"), provided that Seller shall retain the right to use the Name for marketing purposes identifying the Property as a project developed by Seller or an affiliate of Seller, but excluding any other Marks (as defined in Section 8.2b); and

g. Tangible Personal Property. All tangible personal property owned by the Seller and used solely in connection with the Property, including that shown on Exhibit B attached hereto and incorporated herein by this reference (the "Tangible Personal Property").

ARTICLE 2.
CLOSING

Section 2.1 Closing. The closing of the purchase and sale of the Property (the "Closing") shall be held on December 31, 2015, or on such earlier date as the parties may agree (the "Closing Date"), beginning at 10:00 a.m. Mountain Time, at the offices of Seller. Time is of the essence with respect to the obligations of Seller and Purchaser to close the purchase and sale pursuant to this Agreement on the Closing Date, except as expressly provided in this Agreement.

Section 2.2 Seller's Closing Items. At the Closing, Seller agrees to execute, deliver and/or provide to Purchaser, or cause to be executed, delivered and/or provided to Purchaser, the following:

a. Deed. A special warranty deed in the form of Exhibit C attached hereto and incorporated herein by this reference (the "Deed"), conveying fee title to the Property to Purchaser, subject only to the reservations in favor of Seller contained therein and the Permitted Exceptions;

b. Assignment of Leases. An assignment to and assumption by Purchaser of the Leases for the Property, in the form of Exhibit D attached hereto and incorporated herein by this reference;

c. Assignment of Contracts. An assignment to and assumption by Purchaser of the Contracts which Purchaser has agreed to assume under Section 6.3 below, the Licenses, Permits and Warranties, the Surveys and Plans, the Leasing Materials, and the Name, in the form of Exhibit E attached hereto and incorporated herein by this reference;

d. Bill of Sale. A bill of sale transferring Seller's interest in the Tangible Personal Property to Purchaser, in the form of Exhibit F attached hereto and incorporated herein by this reference;

e. Tenant Estoppel Letters. The tenant estoppel letters to be obtained in accordance with Section 2.5b and Seller's certificate, if any, delivered pursuant to Section 2.5b;

f. Non-Foreign Affidavit. An affidavit stating that Seller is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code; and a Colorado Department of Revenue Form 1083 indicating that no withholding is required;

g. Leases and Contracts. Originals of all Leases and of those Contracts which Purchaser has agreed to assume pursuant to Section 6.3 below, as well as any and all building plans, surveys, site plans, landscaping plans, development plans, specifications and drawings concerning the Property which are in the possession of Seller; provided, if an original is not available, a photocopy certified by Seller to be true and complete will be acceptable, and further provided that if originals are held by the Property manager, a letter instructing the Property manager to deliver those documents to Purchaser or Purchaser's Property manager within 3 days following Closing and acknowledged by Seller's Property manager shall be sufficient, provided, however, that Seller agrees to reasonably cooperate with Purchaser following the Closing to facilitate the delivery of such items;

h. Owner's Title Policy. The Title Policy referred to in Section 2.5c, which may be delivered a reasonable time after the Closing if that is the customary practice of the Title Company;

i. Notices to Tenants. A notice to the tenants of the Property informing them of the sale of the Property to Purchaser, in the form of Exhibit G attached hereto and incorporated herein by this reference; and

j. Other Property. Any bonds, warranties or guarantees which are applicable to the Property and which are in existence and transferable, and all keys, codes and electronic cards to all locks on the Property to the extent in the possession and control of Seller;

k. Rent Roll. An updated Rent Roll (as defined herein) for the Property and an updated Exhibit K, each certified to be true, correct and complete in all material respects by Seller.

l. Amendment to Vesting Deed. A recorded copy of an amendment to that certain Special Warranty Deed (the "Vesting Deed") recorded August 21, 2000, in Book 1884 at Page 2083 of the County real property records, pursuant to which Seller was conveyed title to the Property, that amends the "Use Limitation Period", as defined therein, to expire on the date that is 10 years after the date of the Closing and expands the "Use Limitations", as defined therein, to include medical office purposes.

Section 2.3 Purchaser's Closing Items. At the Closing, Purchaser agrees to execute, deliver and/or provide to Seller, or cause to be executed, delivered and/or provided to Seller, the following:

a. Purchase Price. The balance of the Purchase Price as provided in Section 1.2b; and

b. Assignments. The assignment and assumption agreements executed and delivered by Seller pursuant to Section 2.2.

Section 2.4 Other Closing Documents. In addition to the documents referred to in Section 2.2 and Section 2.3, each party agrees to execute and deliver at the Closing such other documents as may be required in this Agreement or as may be necessary to carry out its obligations under this Agreement.

Section 2.5 Conditions to Purchaser's Obligations. The obligation of Purchaser to purchase the Property pursuant to this Agreement is subject to the fulfillment on or prior to the Closing Date, as provided below, of each of the following conditions, except to the extent waived by Purchaser:

a. Seller's Representations and Warranties. All representations and warranties of Seller set forth in Section 2.5d.iii shall be true in all material respects as of the Closing Date;

b. Tenant Estoppel Letters. Seller shall have obtained estoppel letters in the form required by the particular Leases, from tenants which, in the aggregate, generate 90% of the monthly Base Rent under the current Leases of the Property, including each of the tenants under leases for 5,000 or more square feet each ("Major Tenants"). The estoppel letters shall be on the form attached as Exhibit H hereto and incorporated herein by this reference; provided, however, that in the event any Leases permit a tenant to provide an estoppel letter on a specified form, or to the extent the Purchaser's lender or a national chain tenant utilizes its own form of estoppel letter, should said tenant(s) execute that form of estoppel letter rather than the form in Exhibit H, Purchaser shall accept that form. The Estoppel Letters shall be delivered to Purchaser at least three (3) business days prior to the Closing Date. If on the Closing Date Seller has obtained estoppel letters from tenants which generate less than 90% of such Base Rent, Seller may satisfy this condition by executing and delivering to Purchaser at the Closing its own certificate in the form attached as Exhibit H with respect to space leased to tenants who have not delivered estoppel letters and which will cause the space covered by estoppel letters and Seller's certificates to equal or exceed this 90% requirement, provided that such Seller's certificates shall not be permitted for any Major Tenant or for more than 5% of the monthly aggregate Base Rent under the current Leases of the Property. Seller shall be deemed to have represented and warranted each item of information contained in its certificate delivered to Purchaser as to each of those Leases, which representations and warranties shall survive for a period terminating on the earlier of (i) 9 months from the Closing Date; or (ii) the date on which Purchaser has received an executed estoppel letter signed by the tenant under the Lease in question confirming such item of information. If Seller has not obtained estoppel letters from such tenants by the Closing Date, Seller may, in lieu of giving its own certificates, adjourn the Closing Date for up to 45 days to allow it additional time to satisfy this requirement (but without waiving the right to deliver its own certificates at the end of the adjournment period), by written notice to Purchaser delivered at or prior to the Closing Date, which regardless of the aforementioned shall be no later than December 31, 2015. Purchaser shall have two (2) business days following its receipt of the last of the required estoppel letters and Seller's certificates to review and either approve or disapprove all of the same. Purchaser's failure to notify Seller in writing of its disapproval of any estoppel letters or certificates, together with the reasons for any disapproval, within such five (5) business day period shall be deemed Purchaser's approval thereof. Purchaser may

only disapprove any estoppel letters or Seller's certificates in the event they contain information inconsistent with the Rent Roll and/or Leases provided to Purchaser by Seller and/or in the event they disclose a breach of the Lease by either the landlord or the tenant or in the event they contain any adverse matters or claims or contain matters inconsistent with Seller's representations in this Agreement. In the event that Purchaser fails to approve the estoppel letters or Seller certificates or Seller is unable to deliver the estoppel letters required herein or its own certificates in lieu thereof, Purchaser may either (i) terminate this Agreement, in which case the Deposit shall be returned to Purchaser, or (ii) Purchaser may waive this condition precedent and proceed to Closing, which election shall be stated in Purchaser's notification. Seller and Purchaser agree to cooperate with each other and to use good faith efforts for up to three months after the Closing to obtain any tenant estoppel letters missing at the Closing.

c. Title Evidence; Survey.

i. Title Evidence. Within 5 days after the date of this Agreement, Seller shall cause the Title Company to deliver to Purchaser a preliminary title insurance commitment issued by the Title Company (the "Commitment") pursuant to which the Title Company will commit to issue an ALTA Policy (the "Title Policy") complying with the requirements of this Section 2.5 and showing the status of record title to the Property, together with copies of all recorded documents listed as exceptions to title on Schedule B-2 of the Commitment (collectively, the "Exception Documents"). Seller shall pay the base premium for the Title Policy, and Purchaser shall pay the cost, if any, for the endorsements it wants to the Title Policy. Seller agrees to cause the Title Company (a) to delete standard printed exception nos. 1, 2, 3 and 5, from the Title Policy, (b) to modify standard printed exception no. 4 so that it only applies to any lien, or right to a lien, for services, labor or materials imposed by law and not shown by the public records, for matters contracted for or agreed to by Purchaser, or its agents and/or assigns, and (c) to modify standard printed exception no. 6 for real property taxes and assessments for the Property to apply only to real property taxes and assessments for the year in which Closing occurs and subsequent years. Seller agrees to deliver to the Title Company at the Closing a mechanic's lien affidavit reasonably acceptable to the Title Company certifying that all work on the Property requested by Seller or its employees or agents (including the Property manager) has been paid in full or that provision has been made by Seller for payment in full in the ordinary course of business. The Commitment, the Exception Documents, and the Survey (defined below) are referred to as the "Title Materials."

ii. Title Objections; Permitted Encumbrances. If, from its review of the Title Materials, Purchaser believes that any encroachment on the Property or any exception to title shown in the Title Materials or Survey (as defined below) would, in Purchaser's sole judgment, adversely affect the Property ("Title Objections"), Purchaser shall deliver to Seller written notice (the "Objection Notice") of the Title Objections no later than 15 days after it has received each of the Title Materials. During the five-day period following Seller's receipt of the Objection Notice, Seller may elect (but shall have no obligation) to remove or cure or, with Purchaser's consent, which consent shall not be unreasonably withheld, to obtain title insurance over any Title Objections, and, if Closing is scheduled to occur during that five-day period, the Closing Date shall, at Seller's option, be extended for up to 30 days to enable Seller to take any of these actions (the "Cure Period") so long as Closing is not extended beyond December 31, 2015. If Seller does not elect to or is unable to remove or cure or, with Purchaser's consent, to obtain title insurance over all such Title Objections prior to the end of the Cure Period, Purchaser may, by written notice (the "Election Notice") given to Seller within two business days after the end of the Cure Period, elect:

(1) if requested by Seller, to grant Seller an additional period of up to 30 days to cure or remove or, if applicable, to obtain title insurance over all uncured or unremoved Title Objections and, if Closing is scheduled to occur during that time period, the date of Closing shall be extended accordingly so long as Closing is not extended beyond December 31, 2015; or

(2) to waive all uncured or unremoved Title Objections; or

(3) to terminate this Agreement, whereupon the Deposit shall be returned to Purchaser, after which Seller and Purchaser shall have no further obligation or liability hereunder except as otherwise expressly provided in this Agreement.

If Seller does not receive an Objection Notice within that 10-day period, or after receiving an Objection Notice does not receive an Election Notice within that two business-day period, Purchaser shall be deemed to have accepted the status of title to the Property as disclosed by the Title Materials, and to have waived any uncured and unremoved Title Objections.

iii. Permitted Exceptions. Any matter that is disclosed in the Title Materials, and to which Purchaser does not object pursuant to subsection ii or iv (or to which Purchaser so objects but subsequently waives or consents to title insurance over) other than the Liens (as defined in subsection v below) shall be "Permitted Exceptions."

iv. Additional Defect of Title. If, at any time prior to the Closing, Purchaser becomes aware of any encumbrance on or defect in title to the Property that is not a Permitted Exception and that was not disclosed in the Title Materials, and which would otherwise qualify for an Objection Notice (an "Additional Title Objection"), Purchaser shall give Seller written notice of the Additional Title Objection no later than 7 days after the date on which Purchaser first becomes aware of it, which shall be subject to the same rights, requirements, elections and waivers as an Objection Notice and Election Notice given under this subsection iv.

v. Seller's Obligation to Remove Certain Liens. Notwithstanding anything to the contrary in this Section 2.5c, Seller shall be obligated to remove from title to the Property at Closing, and without any extension of the Closing Date, any deeds of trust and mortgages that encumber the Property as of Closing and any mechanic's and material men's liens or other exception to title which qualify as Title Objections and that were created by the actions of Seller after the date of this Agreement and that encumber the Property as of Closing (collectively, the "Liens"), and Purchaser agrees that Seller may use the proceeds of the Purchase Price for that purpose. Furthermore, the Liens shall not constitute Permitted Exceptions regardless of whether they are disclosed by the Title Materials or objected to by Purchaser, and Purchaser shall have no obligation to object to the Liens under subsection ii or iv.

vi. Survey. Within 5 days after the date of this Agreement, Seller shall deliver to Purchaser a preliminary ALTA/ACSM Land Title Survey of the Property dated April 7, 2015 (the "Survey"), prepared by AzTec Consultants, Inc., certified to Seller and Title Company, which Seller shall cause to also be certified to Purchaser and to Purchaser's lender (provided that Purchaser timely identifies such lender to Seller) within 30 days after the date of this Agreement.

d. Inspection of the Property.

i. Access Prior to Closing; Rent Roll; Inspection Period. At any time prior to the Closing Date, Purchaser and its authorized agents and employees shall have the right to enter the Property during reasonable business hours for the purposes of conducting environmental and other studies and inspections, provided that those operations are conducted in such a manner as not to damage the Property or create liability on Seller. Seller will provide Purchaser with a list of all Contracts in effect on the date of this Agreement and a rent roll for the last calendar month ending prior to the date of this Agreement, listing all of the existing Leases and the amount of security deposits held under each of those Leases, in the form of Exhibit K attached hereto and incorporated herein by this reference (the "Rent Roll"). All entries, studies and inspections shall be conducted so as not to disturb any tenants or unreasonably interfere with the operation or management of the Property. Purchaser shall advise Seller at least 24 hours in advance of any such entry, study or inspection and of the name or names of the persons who will be making, and the nature of, the entry, study or inspection. Seller or its authorized employee or agent shall have the right to be present during each such entry, study and inspection. All entries on and inspections or studies of the Property shall be at the sole risk and expense of Purchaser, and Purchaser shall indemnify and hold Seller harmless from and against any and all liens, claims, demands, injuries, damages, costs, expenses (including also reasonable attorney's fees) or liability incurred by or asserted against Seller or the Property as a result of any of those entries, inspections or studies, which obligations shall survive the Closing or any termination of this Agreement.

Seller will make available to Purchaser and its authorized agents and employees, through its electronic data room, copies of all Leases, Contracts and other relevant due diligence documents as listed on the attached Exhibit L pertaining to the Property or the Personal Property in Seller's or the Property manager's possession; provided, however, to the extent uploading any such due diligence documents would be unreasonably burdensome on Seller, as an alternative to uploading such documents, Seller shall have the option to make such documents available to Purchaser at Seller's offices for copying. All such copies and information shall be subject to Section 2.5d.ii and Section 2.5d.iii and, in particular, any studies or tests of the soil, environment or other conditions or matters shall be furnished without any representation or warranty by Seller, express or implied, as to their accuracy, completeness or otherwise. Seller shall not knowingly conceal any information requested by Purchaser pursuant to this Section or delete any portion of documents furnished to Purchaser.

If for any reason or for no reason Purchaser, in its sole discretion, is not satisfied with the results of such studies or inspections, Purchaser shall have the right to terminate this Agreement by giving notice to Seller on or before 5:00 p.m. Mountain Time on December 11, 2015 (the "Inspection Period"), time being of the essence, in which event this Agreement shall terminate, the Deposit shall be returned to Purchaser, and neither party shall have any further obligations or liability under this Agreement except as expressly provided herein; otherwise Purchaser shall be deemed to be satisfied with the condition of the Property and its suitability for Purchaser's use and this Agreement shall continue in full force and effect.

If this Agreement is terminated for any reason, then (a) within 30 days after termination Purchaser shall repair any damage caused by any of those entries, inspections or studies so as to restore the Property to its same condition before the damage; and (b) if requested by Seller, within the same 30-day period Purchaser shall deliver to Seller all written studies, inspections, reports, records and other documents it obtained from Seller or the Property manager with regard to the Property, or, if requested by Seller, Purchaser shall destroy all such documents; and (c) Purchaser shall maintain in confidence all information it obtained about the Property.

ii. Sale "As Is." Purchaser agrees and acknowledges that, except as set forth in Section 2.5d.iii below and as provided further in ARTICLE 7:

(1) Purchaser is acquiring the Property in its "as is" condition;

(2) Purchaser is relying upon the results of its own investigation concerning the Property; and

(3) SELLER HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, TO PURCHASER OR TO ANY OTHER PERSON OR ENTITY ABOUT THE PHYSICAL CONDITION OF THE PROPERTY OR ITS SUITABILITY FOR ANY USE OR PURPOSE, INCLUDING BUT NOT LIMITED TO CURRENT OR PAST COMPLIANCE WITH ENVIRONMENTAL AND HAZARDOUS WASTE LAWS, AND PURCHASER SHALL MAKE ITS OWN DETERMINATION AS TO THE CONDITION OF THE PROPERTY AND ITS SUITABILITY FOR PURCHASER'S PURPOSES, AS TO WHETHER HAZARDOUS OR TOXIC MATERIALS WERE USED, RELEASED OR STORED ON THE PROPERTY OR CONSTITUTE A PRESENT HAZARD WITH RESPECT TO THE PROPERTY, AND OTHERWISE.

iii. Limited Representations of Seller. Notwithstanding anything herein to the contrary, Seller warrants and represents to Purchaser that to the actual present knowledge of Peter A. Culshaw and Michael A. Brown (the "Employees"), without inquiry or investigation:

(1) The Property is free of "Hazardous Materials" and is otherwise in compliance with all applicable "Environmental Requirements" (as hereinafter defined). The term "Hazardous Materials" shall mean any waste, industrial by-product, chemical or hazardous substance of any nature, including without limitation, hydrocarbons, radioactive materials, phenylchlorobenzenes (PCBs), friable asbestos, pesticides, herbicides, pesticides or herbicide containers, untreated sewage, industrial process sludge, petroleum or petroleum by-products (including but not limited to crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas or synthetic gas usable for fuel or any mixture thereof), polychlorinated biphenals, urea formaldehyde, radon gas, medical waste, or other regulated materials that may cause cancer of reproductive toxicity, or any "hazardous substance," "hazardous material," "hazardous waste," or "toxic substance," as such terms are defined in the Environmental Requirements; provided, however, "Hazardous Materials" shall not include commercially reasonable amounts of such materials used in the ordinary course of operation of the Property. The term "Environmental Requirements" shall mean any applicable environmental requirement of federal, state or local law, statute, ordinance or regulation, or applicable court or administrative order or decree, or applicable private agreement. Seller has received no written notice from a governmental authority that the Property is in violation of the Environmental Requirements, and Seller has no actual knowledge of any underground storage tanks which contain hazardous materials or petroleum products being located on the Property other than in connection with the operation of the Property;

(2) There is no litigation pending or, to the actual knowledge of the Employees, threatened against or with respect to Seller in its capacity as owner of the Property or landlord under the Leases, or against the Property or the Leases;

(3) There is no condemnation or similar proceeding currently pending or, to the actual knowledge of the Employees, threatened against the Property; and

(4) The list of Contracts on Exhibit I to this Agreement is and shall be, to the actual knowledge of the Employees, complete and correct in all material respects.

(5) The current Rent Roll attached as Exhibit K hereto is and shall be complete and correct in all material respects. With respect to the Leases, except as set forth on Exhibit J, there are not as of the date of this Agreement any delinquencies in the payment of rent by tenants and Seller has not received any notice from any tenant as to any alleged default of the landlord thereunder, nor do the Employees have actual knowledge of nor have they given any notices to tenants of alleged defaults under the Leases. In addition, Employees have no actual knowledge of any events or circumstances which with the passage of time, or the giving of notice,

or both would become a material default of the landlord or any tenant under any Lease. Seller has received no notice that any tenant is a debtor in any pending bankruptcy proceeding, nor has any tenant informed Seller that it intends to file for bankruptcy. There are no agreements, written or oral, with any tenant to purchase the Property. There are no leasing commissions or tenant improvements due under the Leases, nor will any be due upon renewal of the Leases as a result of any agreement entered into by Seller, except as disclosed in the Leases or except as set forth on Exhibit J. Seller has delivered to Purchaser complete copies of all existing Leases and amendments to those Leases. Prior to the end of the Inspection Period, Seller shall deliver to Purchaser an updated Exhibit J.

(6) Except as set forth on Exhibit I, neither Seller nor the other party is in material default under any Contract, nor is any event or circumstance present which with the passage of time, or the giving of notice, or both would become a material default of Seller or such other party.

(7) Seller has not received any written notice from any governmental authority of any alleged violations of any laws, ordinances, orders, codes or regulations with respect to the Property.

(8) Neither Seller nor any of its Affiliates is: (i) a Prohibited Person (defined below), and (ii) Seller is in full compliance with all applicable orders, rules, regulations and recommendations of The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury.

The term "Prohibited Person" shall mean any person or entity:

(a) Listed in the Annex to, or otherwise subject to the provisions of the Executive Order No. 13224 on Terrorist Financing effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the "Executive Order");

(b) That is owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the Annex to or is otherwise subject to the provisions of the Executive Order;

(c) With whom Purchaser is prohibited from dealing or otherwise engaging in any transaction by any terrorism or money laundering law, including the Executive Order;

(d) Who commits, threatens or conspires to commit, or supports "terrorism" as defined in the Executive Order;

(e) That is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, www.ustreas.gov/offices/enforcement/ofac or at any replacement website or other replacement official publication of such list; or

(f) Who is an Affiliate of or affiliated with a person or entity listed above.

The term "**Affiliate**" as used herein shall mean, as to any person or entity, any other person or entity that, directly or indirectly, is in control of, controlled by, or is under common control with such person or entity or is a director or officer of such person or entity or of an Affiliate of such person or entity. As used herein, the term "control" means the possession, directly or indirectly, of the power to direct, or cause the direction of, management, policies or activities of a person or entity, whether through ownership of voting securities, by contract or otherwise.

(9) There is no right of first refusal, right of first offer, or right of first negotiation to purchase or lease currently affecting the Property, except as may be disclosed pursuant to the tenant estoppel letters, the Leases, the Permitted Exceptions or as otherwise disclosed to Purchaser pursuant to this Agreement.

(10) The Due Diligence Materials and all other documents delivered by Seller to Purchaser or made available for Purchaser's inspection pursuant to Exhibit L are complete and correct in all material respects.

(11) There are no maintenance contracts, service contracts or any other contracts (whether oral or written) affecting or relating to the Property which shall survive the Closing, except those Contracts approved or assumed by Purchaser pursuant Section 6.3, if any. At the Closing, there shall be no outstanding contracts entered into by Seller for the construction or repair of the Property

which have not been fully paid for, and Seller shall cause to be discharged all mechanics' and material suppliers liens arising from any labor or materials furnished to the Property prior to Closing.

Seller agrees to advise Purchaser in writing if, subsequent to the date of this Agreement and prior to the Closing, the Employees learn that any of the representations and warranties set forth in this Section 2.5d.iii is no longer true or correct in any material respect; in which event, unless Seller elects to cause and does cause the representation and/or warranty to again become true or correct prior to the Closing, Purchaser’s sole remedies shall be to terminate this Agreement at or prior to the Closing (provided that if the termination occurs after the Closing, it shall not affect the parties’ rights and obligations under this Agreement or the Deed, which shall remain in effect) or to waive any objection to the representation or warranty to the extent it has become untrue or incorrect and to proceed with the Closing. Subject to the preceding sentence, these warranties and representations, as supplemented or amended by any such subsequent disclosure, shall be deemed restated at Closing, but shall only survive Closing for a period of 9 months.

In the event that one or more of the conditions set forth in this Section 2.5 has not been satisfied or waived by Purchaser on or before the Closing Date, then unless otherwise agreed to by Seller and Purchaser and except for any additional remedies available to Purchaser in the event of a default by Seller under Section 4.1b, Purchaser’s exclusive remedy shall be to request the Title Company to return the Deposit to Purchaser, whereupon this Agreement shall terminate and neither party shall have any further rights or obligations under this Agreement except as expressly provided in this Agreement.

The representations and warranties set forth in this Section 2.5d.iii shall be subject to the limitations set forth in Section 8.23.

ARTICLE 3.
CLOSING AND POST-CLOSING ADJUSTMENTS

Section 3.1 Closing Adjustments. The following are to be apportioned at the Closing on a per diem basis through and including 11:59 p.m. Mountain Time of the day preceding the Closing Date with respect to the Property:

a. Taxes and Assessments. Real property taxes and real property assessments for the Property for the year of Closing, payable in the following calendar year, shall be apportioned between Seller and Purchaser as of the date of Closing. Such apportionment shall be computed on the basis of the most recent assessed valuation and mill levy information, and shall constitute a final settlement. Purchaser understands that it shall be solely responsible for payment of all special assessments against the Property which are assessed for improvements to the Property or the surrounding land which are installed after Closing.

b. Rents. Base rents, parking rents, escalation or reimbursement payments for real estate and personal property taxes, insurance premiums, CAM or other operating expenses and charges, payable with respect to the Property for the month of Closing shall be prorated as of the Closing Date. Percentage rents for each tenant obligated therefor shall be pro-rated on the basis of the number of days lapsed during the tenant’s percentage rent period as of the Closing Date and not on the basis of the amount of the tenant’s sales which accrued during such percentage rent period as of the Closing Date. Such prorations may not be capable of determination at the Closing Date, in which event, such prorations shall be made within 90 days after Closing; provided, however, that to the extent any tenant required to pay percentage rent is not required to report its sales within said 90-day period, then such proration shall be made within thirty days following receipt by Purchaser of such sales report. All rents received by Seller under the Leases which are attributable to the period of time prior to the date of Closing will be retained by Seller. All rents received by Seller under the Leases which are attributable to the period of time commencing as of the date of Closing and thereafter will be paid or credited to Purchaser. With respect to any tenant (“Delinquent Tenant”) who owes rent and other charges which at Closing are past due, such past due rents and other charges (“Delinquencies”) shall not be prorated. Purchaser shall remit such Delinquencies, if any, if, as and when collected by Purchaser. If a payment is received by Purchaser from a Delinquent Tenant, such payment shall be applied by Purchaser first to the most recent rent then due from such Delinquent Tenant to Purchaser, if any, then to any Delinquencies that are owed to Seller. The right to receive and to collect all rents and profits, delinquent or otherwise, shall be assigned by Seller to Purchaser at Closing, except that Seller shall retain the right to collect all Delinquencies from any Delinquent Tenants of the Property, including the right to sue any such Delinquent Tenant in a collection action; provided, however, that following the Closing, Seller shall not have any right to commence or pursue any eviction action against any Delinquent Tenant. Purchaser agrees to use reasonable efforts to collect all such rents on Seller’s behalf for ninety (90) days after Closing.

At least 5 days prior to the Closing Date, Seller shall provide Purchaser with a reconciliation of operating expense reimbursements under the Leases ("CAM Charges") as of the Closing Date, together with such supporting documentation as Purchaser may reasonably request. In the event the reconciliation indicates that additional CAM Charges will be due to any of the tenants, Purchaser shall receive a credit on the Purchase Price equal thereto for each of the tenants who has overpaid. In the event the reconciliation indicates that additional CAM Charges will be due from any of the tenants, such additional CAM Charges shall be paid by Purchaser (if collected by Purchaser) post-closing in the manner specified below. To the extent tenants have underpaid CAM Charges as of the Closing, Purchaser shall bill said tenants for the underpayments ("Underpayments") in the calendar year 2015 as permitted under the tenant's Lease, and shall make reasonable efforts (without the requirement to initiate litigation) to collect the same on Seller's behalf. All amounts collected by Purchaser for Underpayments shall be applied first to the cost of collection and the balance shall be delivered to Seller within 10 business days from Purchaser's receipt thereof. Within 60 days after the Closing Date, Seller shall provide Purchaser with a final reconciliation of CAM Charges through the Closing Date, together with such supporting documentation as Purchaser may reasonably request. If the final reconciliation indicates that Purchaser received a credit at Closing for overpaid CAM Charges that was more than it was entitled to receive, Purchaser shall remit the excess to Seller within 10 business days from its receipt of the final CAM reconciliation and supporting documentation. If the amount received by Purchaser at Closing for overpaid CAM Charges was less than Purchaser should have received, the shortfall shall be paid to Purchaser by Seller at the same time Seller delivers the final CAM reconciliation and supporting documentation to Purchaser. If the final CAM reconciliation indicates that there are still Underpayments, the Underpayments shall be treated in the manner provided above.

c. Security Deposits. Seller, at its option, shall either (a) deliver funds in an amount equal to the Security Deposits to Purchaser at Closing, or (b) have the amount of the Security Deposits credited against the Purchase Price. In either event, Purchaser shall be deemed to have accepted a transfer of the Security Deposits from Seller at Closing.

d. Leasing Commissions. Seller shall be responsible for the payment of all leasing commissions and referral fees relating to Leases entered into prior to the date of this Agreement, other than those commissions or fees due or payable as a result of the exercise of renewal options or other options or rights under existing Leases which are exercised on or after the date of this Agreement or as a result of any Leases executed on or after the date of this Agreement and any renewal, expansion or other modification of Leases executed on or after the date of this Agreement, in each case, in accordance with this Agreement, which shall be Purchaser's responsibility (provided that each of those Leases which are in effect on the date of this Agreement are listed on Exhibit J to this Agreement or are otherwise disclosed to Purchaser in writing prior to the end of the Inspection Period). Purchaser shall reimburse Seller at the Closing to the extent Seller has paid any such leasing commissions or referral fees which are the responsibility of Purchaser. Each party agrees to indemnify, defend and hold the other harmless from and against any and all liability for leasing commissions, referral fees and other costs and expenses owed by that party under this Section.

e. Tenant Improvements and Other Expenses. Seller shall be responsible for the payment of all tenant improvement expenses (including all hard and soft construction costs, whether payable to the contractor or to the tenant), tenant allowances, moving expenses and other out-of-pocket costs which are the obligation of the landlord under the Leases entered into prior to the date of this Agreement, except as set forth in the following sentence with respect to renewal options or expansion options under those Leases. Purchaser shall be responsible for the payment of all such tenant improvement expenses, tenant allowances, moving expenses and other out-of-pocket costs which are the obligation of the landlord under (A) existing Leases relating to the renewal periods or additional space under renewal options or expansion options under the existing Leases exercised on or after the Effective Date (provided those Leases are listed on Exhibit J) or (B) the Leases entered into on or after the Effective Date. Purchaser shall reimburse Seller at the Closing to the extent Seller has paid any such expenses which are the obligation of Purchaser. Seller shall in no event be obligated to pay for any change orders or additions to the tenant improvements or changes in the scope of the work or the specifications agreed to by Purchaser and issued on or after the Closing Date. Seller and Purchaser hereby acknowledge that pursuant to that certain Office Building Lease dated February 7, 2002, between Seller and Halliburton Company, as amended pursuant to that certain First Amendment and Assignment of Office Building Lease dated December 9, 2008, among Seller, Halliburton Company and Halliburton Energy Services, Inc., a Delaware corporation ("Halliburton"), as further amended pursuant to that certain Second Amendment to Office Building Lease dated July 1, 2014 (collectively, the "Lease"), between Seller and Halliburton, Seller agreed to provide Halliburton with a tenant improvement allowance up to $1,007,860.00 (the "Halliburton Allowance"). Subject to the terms of the Lease, any portion of the Halliburton Allowance that has not been paid by Seller to Halliburton on or before December 31, 2016 shall be forfeited by Halliburton. Seller and Purchaser hereby acknowledge and agree that any obligation to pay the Halliburton Allowance is Seller's, and to secure such obligation Seller shall at Closing deposit in escrow with the Title Company a portion of the Purchase Price equal to the Halliburton Allowance (the "Escrowed TI Funds"). The Escrowed TI Funds shall be held in escrow by the Title Company until disbursed in accordance with the Lease and pursuant to an escrow holdback agreement among Seller, Purchaser and Title Company, the form of which shall be agreed upon prior to the expiration of the Inspection Period.

f. Payments under Contracts. All amounts due and payable under the Contracts through the date of Closing shall be paid by Seller. All payments due and payable under the Contracts during the period of time from and after the date of Closing shall be paid by Purchaser. For purposes of the foregoing sentences, all payments due and payable under the Contracts shall be determined by prorating the amount of the Contract over the term of the Contract or the period to which such payment applies. So, for example, if a Contract has a term of thirty days with a payment of $300 to be paid on the first day of the term of the Contract, then the $300 payment shall be treated as if it is due and payable at $10/day over the term of the Contract. Seller shall receive a credit for the portion of any prepaid amount under a Contract which is attributable to the period of time after the date of Closing. All deposits under any of the Contracts shall be retained by Seller as its exclusive property or Seller may elect to assign such deposits to Purchaser and receive a credit for such amounts at Closing.

g. Personal Property and Sales Taxes. All personal property taxes assessed against the Personal Property through the date of Closing shall be paid by Seller. All personal property taxes assessed against the Personal Property from and after the date of Closing shall be paid by Purchaser. Purchaser shall pay all sales and use taxes associated with sale of the Personal Property by Seller to Purchaser.

h. Utility Charges. All utility charges will be prorated as of the date of Closing, and Seller shall pay all charges assessed through the date of Closing if a final billing is available. If a final billing is unavailable, Seller shall deposit with the Title Company an amount estimated by the Title Company to be sufficient to pay the final billing when it becomes available, with any excess amount to be refunded to Seller. Seller shall receive a credit for the portion of any prepaid amount which is attributable to the period of time after the date of Closing. All deposits paid to utilities shall be retained by Seller as its exclusive property or Seller may elect to receive a credit at Closing in the full amount of such deposits.

i. Miscellaneous Closing Costs. Seller shall pay the costs associated with providing Purchaser with the Title Policy described in Section 2.5. All normal and customary real estate recording and documentary fees payable in connection with the purchase and sale of the Property shall be paid by Purchaser. Any fee for closing services which is charged by the Title Company shall be shared equally by Seller and Purchaser. Except as otherwise expressly provided in this Agreement, Purchaser and Seller shall pay their own fees and expenses incurred in the preparation, execution and performance of their respective obligations under this Agreement.

Section 3.2 Post-Closing Apportionments. Seller and Purchaser agree to use reasonable efforts to calculate all apportionments required under this ARTICLE 3 (and to make the applicable payments resulting from those calculations) with respect to those items of income and expense which are not known, have not been received or cannot be accurately or finally determined on the Closing Date by no later than 60 days after the Closing Date. Each other item of income and expense which is subject to apportionment under this ARTICLE 3 but which is not known, has not been received or cannot be accurately or finally determined on the Closing Date shall be apportioned retroactive to the Closing Date, and the payment made on such apportionment within 30 days after the date that the apportionment becomes ascertainable, i.e., the date by which each party, in its good faith business judgment, has sufficient information to make the apportionment. The parties agree that each party shall have the right following Closing, on reasonable written notice to the other, from time to time to review the books and records of such other party pertaining solely to the operations of the Property to the extent necessary to confirm the amounts of adjustments payable to Seller and/or Purchaser following the Closing, and Seller and Purchaser shall instruct their respective Property managers and former Property managers to make their books and records available for this purpose.

Purchaser and Seller shall cooperate as necessary following the Closing in order to promptly and in good faith discharge their respective obligations under this ARTICLE 3. Notwithstanding the foregoing, any claim for an adjustment under Section 3.1 will be valid only if made in writing with reasonable specificity within one year of the Closing Date, except in the case of items of adjustment which at the expiration of that period are subject to pending litigation or administrative proceedings. Claims with respect to items of adjustment which are subject to litigation or administrative proceedings will be valid only if made on or before the later to occur of (a) the date that is one year after the Closing Date; and (b) the date that is 180 days after a final order is issued in such litigation or administrative hearing. Both parties shall use good faith efforts to resolve any disputed claims promptly. The provisions of this ARTICLE 3 shall survive the Closing.

ARTICLE 4.
DEFAULT

Section 4.1 Default and Termination.

a. Purchaser's Default. If Purchaser defaults in its obligation to close, or otherwise commits a material default under this Agreement, Seller shall have the right (i) if the default occurs prior to or at Closing, as Seller's exclusive remedy, except as expressly set forth elsewhere herein, to terminate this Agreement and to demand payment of, collect and retain the Deposit as liquidated damages; or (ii) if the default occurs after Closing, to obtain any equitable or legal remedy for that default including, but not limited to, specific performance and money damages, and to obtain from Purchaser reasonable attorneys' fees incurred in connection with obtaining any such remedy.

b. Seller's Default. If Seller defaults in its obligation to close or otherwise commits a material default under this Agreement, Purchaser shall have, as its exclusive remedies, the right (i) if the default occurs prior to or at Closing, to terminate this Agreement and to obtain the return of the Deposit; or (ii) regardless of the date on which the default occurs, to treat this Agreement as being in full force and effect and to obtain specific performance to require Seller (a) to remove any Liens and fulfill Seller's obligations under ARTICLE 3; and (b) in addition to the removal of any Liens, to convey such title to the Property as it is able to convey, without any reduction in the Purchase Price; and (c) if Seller willfully and wrongfully refuses to close in accordance with this Agreement despite there being no default by Purchaser and Purchaser's being ready, willing and able to close in accordance with this Agreement, then, and only in that event, Purchaser shall have the right to recover Purchaser's money damages resulting from such willful and wrongful refusal to close, and (d) to obtain from Seller reasonable attorneys' fees incurred in connection with obtaining any such remedy. If Seller defaults in any of its post-Closing obligations, Purchaser shall have the right to obtain any legal or equitable remedy for that default, including without limitation, specific performance.

c. Termination of Agreement. Upon termination of this Agreement in the manner set forth in this Section and the receipt of the Deposit as provided above, neither party shall have any further obligations or liabilities hereunder except as otherwise provided in this Agreement. Seller or Purchaser, as the case may be, shall authorize the Title Company to deliver the Deposit to the party entitled to it and, if it refuses to do so, it shall be liable in damages to that party.

ARTICLE 5.
CASUALTY AND
CONDEMNATION

Section 5.1 Casualty. In the event that prior to the Closing Date the improvements on the Property are damaged by fire or other casualty, Seller shall notify Purchaser and Purchaser shall have the option either (a) to terminate this Agreement by notice given to Seller within 15 days after Purchaser receives the notice of the casualty (but only if the right to terminate exists hereunder); or (b) to close this sale by paying Seller the entire Purchase Price for the Property and (i) to the extent the damage has not been repaired prior to the Closing, receiving all of Seller's rights with respect to recovery for such unrepaired damage caused by the fire or casualty under Seller's existing insurance policies, without compromise; or (ii) if Seller and Purchaser agree at or prior to the Closing, receiving a credit on the Purchase Price of the amount they estimate will be required to repair the damage (which shall be a final settlement). In the event Purchaser elects to terminate this Agreement as provided, the Deposit shall be returned to Purchaser by the Title Company and neither party shall have any further liability or obligation to the other except as expressly provided in this Agreement. The right of termination due to any such fire or other casualty shall only exist if the damage caused by the casualty is material and has not been completely repaired prior to the Closing. A material casualty is one that results in damage to the improvements on the Property in excess of $250,000.00, or that materially and adversely affects access, parking, floor area ratios, or zoning setbacks or other requirements on the Property, or that allows one or more of the Major Tenants to abate rent or terminate its Lease. If the casualty is not material and has not been completely repaired prior to the Closing, then at the Closing Purchaser shall receive a credit on the Purchase Price equal to the amount of the deductible applicable to that casualty under Seller's existing insurance policies and, to the extent the damage has not been repaired prior to the Closing, Purchaser shall receive all of Seller's rights with respect to recovery for such unrepaired damage under Seller's existing insurance policies, or if Seller and Purchaser so agree under this Section 5.1(b)(ii), then Purchaser shall receive a credit on the Purchase Price equal to the amount Seller and Purchaser agree it will cost to repair the damage. If the casualty is not covered by Seller's existing insurance policies, and if Purchaser and Seller are unable to agree on the amount of the credit due to Purchaser as the cost to repair the damage, then Purchaser shall be entitled to terminate this Agreement as

set forth above in this Section. Seller shall be responsible for the payment of any such repairs made prior to the Closing and shall be entitled to the insurance proceeds applicable to those repairs.

Section 5.2 Condemnation. If, between the date of this Agreement and Closing, any portion of the Property that is of such size and configuration or character to be, in Purchaser's reasonable judgment, material to the operation of the Property (which shall include, without limitation, a taking of property valued at more than $250,000.00, or that materially and adversely affects access, parking, floor area ratios, or zoning setbacks or other requirements on the Property, or that allows one or more of the Major Tenants to abate rent or terminate its Lease) is taken in condemnation (a "Material Taking"), Purchaser shall have the right by written notice given to Seller prior to or at Closing to terminate this Agreement, and in the event of such a termination Purchaser shall be entitled to the return of the Deposit, after which Purchaser and Seller shall have no further liability or obligation under this Agreement, except as otherwise provided in this Agreement. If, between the date of this Agreement and Closing, any portion of the Property is taken in condemnation that is not a Material Taking, Purchaser may not terminate this Agreement for that reason, and Seller and Purchaser shall perform their respective obligations under this Agreement, except with respect to the part of the Property so taken; and Purchaser shall be entitled to all the condemnation proceeds and Purchaser shall not receive any reduction in or credit against the Purchase Price in respect of such condemnation.

ARTICLE 6.
OPERATION OF THE PROPERTY; LEASING; SERVICE CONTRACTS

Section 6.1 Operation of the Property. Seller agrees that between the date of this Agreement and the Closing Date, (a) Seller shall, subject only to conditions beyond Seller's reasonable control, continue to operate and maintain the Property in its present condition, ordinary wear and tear excepted, (b) Seller shall not initiate or consent to any proposed changes in the zoning of all or any part of the Property and (c) Seller shall maintain in full force or effect its existing insurance coverage on the Property.

Section 6.2 Leasing. From the date of this Agreement until the end of the Inspection Period, before entering into any new Leases for space at the Property, Seller shall provide Purchaser with a courtesy copy of the term sheet, and after entering into any such new Leases, Seller shall provide Purchaser with a copy of each executed new Lease, but in no event shall Purchaser's consent be required during this period for the execution of any new Leases. However, from the end of the Inspection Period until the Closing Date, if Purchaser has not elected to terminate this Agreement as provided in Section 2.5d.i above, Seller shall not without Purchaser's prior written approval, which shall not be unreasonably withheld, conditioned, or delayed: (a) voluntarily terminate, modify, renew, or accept a surrender (in whole or in part) of any of the Leases; or (b) enter into any new Leases. Purchaser shall notify Seller in writing within 5 days after its receipt of each proposed termination, modification or renewal of an existing Lease or proposed new Lease, along with the final form of the new Lease, if applicable, all available exhibits to those Leases, any written information Seller has received about the tenants, and the cost of all tenant-improvement work and leasing commissions to be incurred by the landlord in connection with the Lease of either its approval or disapproval. In the event Purchaser fails to notify Seller of its approval or disapproval of any such termination, modification, renewal or proposed new Lease within this 5-day period, then Purchaser shall be deemed to have approved it.

Section 6.3 Service Contracts. Seller agrees that after the date of this Agreement it will not enter into any Contracts which cannot be terminated on 30 days' notice without the payment of a penalty or other amount, other than in accordance with Section 6.2, without the prior written consent of Purchaser, which will not be unreasonably withheld, conditioned, or delayed. At least 5 business days before the end of the Inspection Period, Purchaser shall deliver a notice to Seller specifying which of the Contracts it intends to assume and which Purchaser requests that Seller terminate on or before the Closing Date. Within 2 business days after receipt of Purchaser's notice, Seller (if it has not already done so) shall advise Purchaser whether any of the Contracts specified by Purchaser cannot be terminated or can be terminated only with the payment of a fee or penalty which Seller is unwilling to pay, and:

a. With respect to those Contracts which cannot be terminated, Purchaser shall deliver notice to Seller, within 2 business days of receipt of Seller's notice, that Purchaser has either agreed to assume those Contracts or has elected to terminate this Agreement, in which latter instance, the Deposit and any interest accrued on it shall be refunded to Purchaser and neither Seller nor Purchaser shall have any further liability to the other except as expressly provided in this Agreement; and

b. With respect to those Contracts which can be terminated, but only with the payment of a fee or penalty which Seller is unwilling to pay, Purchaser shall deliver notice to Seller within 2 business days of receipt of Seller's notice, that Purchaser has either

agreed to pay the termination fee or penalty or has elected to terminate this Agreement, in which latter instance, the Deposit and any interest accrued on it shall be refunded to Purchaser and neither Seller nor Purchaser shall have any further liability to the other except as expressly provided in this Agreement.

Effective as of the Closing Date, Seller shall give notice of termination of all Contracts related to the leasing, management and operation of the Property, other than the Contracts which Purchaser has elected to assume.

ARTICLE 7.
GENERAL DISCLAIMER

Except as otherwise expressly stated in this Agreement or in any agreement or instrument executed and delivered by Seller to Purchaser at the Closing, including but not limited to representations and warranties set forth in Section 2.5 and Section 8.3b of this Agreement and the limited warranty of title expressly set forth in the Deed (collectively the "Surviving Representations"), Seller hereby expressly disclaims any and all representations and warranties of any kind or character, express or implied, with respect to the Property, and Purchaser agrees to accept the Property "as is, where is, with all faults." Without limiting the generality of the preceding sentence or any other disclaimer set forth herein, Seller and Purchaser hereby agree that, except for the Surviving Representations, Seller has not made and is not making any representations or warranties, express or implied, written or oral, as to (a) the nature or condition, physical or otherwise, of the Property or any aspect thereof, including, without limitation, any warranties of habitability, suitability, merchantability or fitness for a particular use or purpose, or the absence of latent vices or defects in the Property; (b) the nature or quality of construction, structural design or engineering of the improvements or the state of repair or lack or repair of any of the improvements; (c) the quality of the labor or materials included in the improvements; (d) the soil conditions, drainage conditions, topographical features, access to public rights-of-way, availability of utilities or other conditions or circumstances which affect or may affect the Property or any use to which the Property may be put; (e) any conditions at or which affect or may affect the Property with respect to any particular purpose, use, development potential or otherwise; (f) the area, size, shape, configuration, location, capacity, quantity, quality, cash flow, expenses or value of the Property or any part thereof; (g) the nature or extent of title to the Property, or any easement, servitude, right-of-way, possession, lien, encumbrance, license, reservation, condition or otherwise that may affect title to the Property; (h) any environmental, geological, structural, or other condition or hazard or the absence thereof heretofore, now or hereafter affecting in any manner the Property, including but not limited to, the presence or absence of asbestos or any environmentally hazardous substance on, in, under or adjacent to the Property; or (i) the compliance of the Property or the operation or use of the Property with any laws, ordinances or regulations of any governmental body (including specifically, without limitation, any zoning laws or regulations, any building codes, any environmental laws, and the Americans with Disabilities Act of 1990, 42 U.S.C. 12101 et seq.). The provisions of this ARTICLE 7 shall be binding on Purchaser and each of its permitted assignees and shall survive the Closing.

Purchaser has been given or is being given the opportunity to inspect the Property, and the Leases, the Contracts and other materials (including, without limitation, title materials) relating to the Property that Purchaser deemed necessary to inspect and review in connection with the Property or this Agreement, and Purchaser has retained such environmental consultants, structural engineers and other experts as it deemed necessary to inspect the Property and review such materials. Purchaser is relying on its own investigation and the advice of its experts regarding the Property, and upon its review of Leases, Contracts, and other materials, and not on any representations or warranties of Seller (other than the Surviving Representations). Purchaser acknowledges that Seller makes absolutely no representations or warranties with respect to the accuracy or completeness of any information, reports or other materials delivered to Purchaser, except as may be expressly set forth in the Surviving Representations, and that the Purchase Price reflects the fact that this is an "as is, where is, with all faults" transaction.

ARTICLE 8.
MISCELLANEOUS

Section 8.1 Special Districts. Purchaser hereby agrees and acknowledges that as of the date of this Agreement, the Property is included within various districts and special districts which are quasi-municipal corporations organized and existing under the laws of the State of Colorado (collectively, the "District s") and certain other authorities which are authorities established pursuant to Colorado law (collectively, the "Authorities"), and that as a result of such inclusion the Property and the rights and interests of Purchaser therein are subject to (a) current and future taxation by the Districts and the Authorities for all purposes for which the Districts and the Authorities are authorized to tax; and (b) any and all actions other than taxation, such as imposition of impact fees or

site connection and service fees, that the Districts and the Authorities lawfully may take that may affect the Land and/or the rights and interests of Purchaser therein. Purchaser hereby agrees, following the Closing Date, to comply with the terms of all rules or regulations of the Districts and the Authorities affecting the Land, as amended or modified from time to time.

Section 8.2 Confidentiality, Distribution of Information and Use of Marks.

a. Confidentiality. Without the prior written consent of the other, neither Seller nor Purchaser shall disclose to any person or entity (other than persons or entities who have a need to know in connection with Seller's or Purchaser's business and who, except in the case of governmental regulatory authorities, agree to keep the information confidential) any of the terms or provisions of this Agreement. This restriction does not apply to information contained in public or recorded closing documents executed as part of this transaction or to information required in connection with litigation between the parties with respect to this Agreement or to information required to be disclosed by applicable law. Notwithstanding anything else in this Agreement to the contrary, each party hereto (and each employee, representative, or other agent of any party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any and all transaction(s) contemplated herein and all materials of any kind (including opinions or other tax analyses) that are or have been provided to any party (or to any employee, representative, or other agent of any party) relating to such tax treatment or tax structure, provided, however, that this authorization of disclosure shall not apply to restrictions reasonably necessary to comply with securities laws. This authorization of disclosure is not intended to permit disclosure of any other information including (without limitation) (i) any portion of any materials to the extent not related to the tax treatment or tax structure of the transaction; (ii) the identities of participants or potential participants in the transaction; (iii) the existence or status of any negotiations; (iv) any pricing information; (v) any financial information or historic tax return information relating to any party to the transaction; or (vi) any other term or detail not related to the tax treatment or tax structure of the transaction.

b. Use of Marks. Purchaser acknowledges that the trademarks, service marks and/or trade names referenced in Section 1.19 of the Vesting Deed and any variations thereof (collectively, the "Marks") are the sole and exclusive property of Seller or Seller's affiliate. Purchaser agrees not to claim any superior right to the Marks and further agrees not to use the Marks in any manner whatsoever in conjunction with the Project or with its business or property on the Land unless it has obtained prior permission in writing, in the form of a license or other agreement, from Seller.

Section 8.3 Authority of Seller and Purchaser.

a. Purchaser. Purchaser represents and warrants that as of the date of this Agreement and as of the date of Closing, Purchaser is and shall be a duly organized and validly existing corporation under the laws of the State of Maryland, is and shall be in good standing under the laws of the State of Maryland, and has and shall have full and lawful right and authority to execute and deliver this Agreement and to consummate and perform the transactions contemplated in it. Furthermore, Purchaser represents and warrants that the person or persons executing this Agreement and any documents required under it on behalf of Purchaser have the full legal power and authority to do so. Purchaser also represents and warrants that the consummation and performance of the transactions contemplated by this Agreement will not constitute a default or result in the breach of any term or provision of any contract or agreement to which Purchaser is a party so as to adversely affect the consummation of these transactions.

b. Seller. Seller represents and warrants that, as of the date of this Agreement and as of the date of Closing, Seller is and shall be a duly formed and validly existing limited liability company under the laws of the State of Colorado, is and shall be in qualified to do business in and in good standing under the laws of the State of Colorado, and has and shall have full and lawful right and authority to execute and deliver this Agreement and to consummate and perform the transactions contemplated in it. Furthermore, Seller represents and warrants that the person or persons executing this Agreement and any documents required under it on behalf of Seller have the authority to do so. Seller also represents and warrants that the consummation and performance of the transactions contemplated by this Agreement will not constitute a default or result in the breach of any term or provision of any contract or agreement to which Seller is a party so as to adversely affect the consummation of these trans- actions.

Section 8.4 Brokers. Purchaser and Seller each represent and warrant to the other that no broker or finder other than CBRE, Inc., 1225 17th Street, Suite 2950, Denver, Colorado 80202 ("Broker") has been engaged by either party in connection with this sale. Seller agrees that if and only if this sale is closed in accordance with this Agreement, Seller shall pay the brokerage commission owed to the Broker in connection with this sale in accordance with a separate written agreement between Seller and the Broker. Each party further represents and warrants to the other that no person or entity except Broker claims or will claim any commission, finder's fee or other amounts by, through, under or as a result of any relationship with such party because of this transaction. Each party agrees to

indemnify and hold the other party harmless from and against any and all costs, expenses, claims, losses or damages, including also reasonable attorneys' fees, resulting from any breach of the representations and warranties contained in this Section 8.4. Broker shall be responsible for paying any commissions or fees owed to any person or entity claiming by, through or under or as a result of any relationship or arrangement with Broker, and Broker shall indemnify and hold Seller and Purchaser harmless from and against any and all costs, expenses, claims, losses or damages, including also reasonable attorneys' fees, arising from or out of any such claim, relationship or arrangement.

Section 8.5 Assignability.

a. Purchaser's Assignability. Purchaser may assign its rights and obligations hereunder without the prior written consent of Seller provided (i) the assignee is a single member limited liability company and the sole member of such assignee is Purchaser, and (ii) Purchaser delivers to Seller at least 5 days prior to the Closing a copy of the assignment, under which Purchaser remains liable for all of Purchaser's obligations under this Agreement through the Closing, and under which the assignee assumes all of the Purchaser's obligations under this Agreement (a "Permitted Transfer"). Except with respect to a Permitted Transfer, Purchaser cannot assign all or any part of its rights or obligations under this Agreement without the prior written consent of Seller. Any assignment made in violation of the terms of this Section shall be void and of no force and effect. For purposes of this Section, an assignment by Purchaser shall include, but not be limited to, a transfer or transfers by any means of more than 55% in the aggregate of the voting stock or voting interest in Purchaser.

b. Seller's Assignability. Seller may assign all or any part of its rights and obligations hereunder without the consent, written or otherwise, of Purchaser or any other person or entity, provided that Seller shall remain liable for its obligations under this Agreement until the Closing.

Section 8.6 Notices. All notices required or permitted under this Agreement shall be given by nationally recognized overnight courier delivery service (fees prepaid), or by hand delivery, directed as follows:

If intended for Seller, to:

Highlands Ranch Shea Center II, LLC
6380 S. Fiddlers Green Circle, Suite 400
Greenwood Village, CO 80111
Attn: Peter A. Culshaw
Email: peter.culshaw@sheaproperties.com

with a copy to:

Jeffrey H. Donelson, Esq. Regional Counsel
Shea Homes Limited Partnership
1805 Shea Center Drive, Suite 450
Highlands Ranch, CO 80129
Email: jeff.donelson@sheaproperties.com

and with a copy to:

Elizabeth A. Sharrer
Holland & Hart LLP Suite 3200
555 Seventeenth Street
Denver, CO 80202
Email: lsharrer@hollandhart.com

If intended for Purchaser, to:

Gary Katz

NetREIT, Inc.
1282 Pacific Oaks Place
Escondido, CA 92029-2900
Email: gkatz@netreit.com

with a copy to:

Kathryn Richman, General Counsel
NetREIT, Inc.
1282 Pacific Oaks Place
Escondido CA 92029-2900
Email: krichman@netreit.com

Any notice delivered by nationally recognized overnight courier services in accordance with this Section shall be deemed to have been delivered upon being deposited with such carrier, but, in the case of intended recipients who have an email address listed above, only if concurrently with that deposit a copy of the notice is sent by email to that intended recipient. If that copy is not sent by email to any intended recipient who has an email address listed above, the notice shall not be deemed to have been delivered until actually received by the intended recipient. Either party, by notice given as above, may change the address to which future notices or copies of notices may be sent.

Section 8.7 Binding Effect. Subject to Section 8.5, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, personal representatives, successors and permitted assigns.

Section 8.8 Entire Agreement; Modification. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and may not be modified in any manner except by an instrument in writing signed by both parties. This Agreement supersedes and replaces all earlier agreements or understandings of the parties, whether written or oral.

Section 8.9 Headings. The headings herein are inserted only for convenient reference and do not define, limit or prescribe the scope of this Agreement or any Section or subsection.

Section 8.10 No Merger. The representations, covenants and agreements contained herein shall not merge into the various documents executed and delivered at the Closing and shall survive Closing, except as limited in this Agreement.

Section 8.11 Counterparts. This Agreement may be executed in any number of counterparts which together shall constitute a final Agreement.

Section 8.12 Severability. If any provision of this Agreement or its application to any person or situation, to any extent, shall be held invalid or unenforceable, the remainder of this Agreement, and the application of that provision to persons or situations other than those to which it has been held invalid or unenforceable, shall not be affected, but shall continue valid and enforceable to the fullest extent permitted by law.

Section 8.13 No Waiver. No waiver by either party of any provision hereof shall be deemed a waiver of any other provision or of any subsequent breach by either party of the same or any other provision.

Section 8.14 U.S. Dollars. All dollar amounts stated in this Agreement are in United States dollars and all funds shall be delivered in United States currency.

Section 8.15 Construction of Agreement. Seller and Purchaser acknowledge each to the other that both they and their counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits to it.

Section 8.16 Governing Law; Attorneys' Fees. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado. In the event of any litigation between the parties with respect to the subject matter of this Agreement, the prevailing party shall be entitled to recover all of its reasonable attorneys' fees from the other party.

Section 8.17 Recordation. Purchaser shall not place this Agreement or any of its terms and provisions, or any notice, memorandum or other written evidence of it, of record without the prior written consent of Seller, which Seller may withhold in its sole discretion. Any violation of the terms and conditions of this Section by Purchaser shall, at the option of Seller, render this entire Agreement null and void and of no further force or effect.

Section 8.18 Relationship of P arties. Nothing in this Agreement shall be construed or deemed to make or constitute Seller and Purchaser partners, joint venturers or any other form of joint participants in the acquisition and ownership of the Property, and Seller and Purchaser agree and acknowledge that the sole and exclusive nature of their relationship is as seller and purchaser.

Section 8.19 Exhibits; Section References. All exhibits to this Agreement are a part of this Agreement and are incorporated into it by reference. References to section numbers and exhibits, unless otherwise stated, are to sections in and exhibits to this Agreement.

Section 8.20 Date of This Agreement. References to the "date of this Agreement" or the "Effective Date" mean the date on which both Seller and Purchaser have signed this Agreement (including counterparts).

Section 8.21 Consideration. Notwithstanding any other provision in this Agreement, if this Agreement terminates for any reason and Seller is not entitled to receive the Deposit, then Seller shall be entitled to receive and retain $200.00 out of the Deposit as consideration for the rights and options given to Purchaser in this Agreement.

Section 8.22 Tax Deferred Exchange. Purchaser and Seller agree upon the request of the other to cooperate with the requesting party in closing this transaction as an exchange pursuant to Internal Revenue Code Section 1031, provided that:

(1) The party to whom the request is made shall incur no additional liability in connection therewith, and said party shall not have an obligation to actually take title to an exchange property;

(2) The requesting party shall indemnify and hold the other harmless from any claims, demands, causes of action, judgments, expenses, costs and attorneys' fees (collectively "Claims") which result from the requesting party's or a third party's non- performance of any exchange agreement(s); and

(3) The Closing is not delayed beyond the outside Closing Date by the exchange. In the event the parties execute an exchange agreement and the exchange escrow is not in a position to close as of the Closing, Seller and Purchaser shall immediately execute documents to effectuate a straight sale of the Property to Purchaser from Seller as if the exchange document had never been executed.

Section 8.23 Cap on Limited Representations of Seller. Seller shall have no liability to Purchaser for a breach of any representation or warranty set forth in Section 2.5d.iii of this Agreement unless (a) the valid claims for all such breaches of Section 2.5d.iii of this Agreement collectively aggregate more than $10,000.00, in which event the full amount of such valid claims shall be actionable, up to the Cap (as defined below), and (b) written notice containing a description of the specific nature of such breach shall have been given by Purchaser to Seller and an action shall have been commenced by Purchaser against Seller prior to the expiration of said one-year period. Purchaser agrees to first seek recovery under any insurance policies, Contracts and Leases prior to seeking recovery from Seller and Seller shall not be liable to Purchaser if Purchaser's claim is satisfied from such insurance policies, Contracts or Leases. As used herein, the term "Cap" shall mean the total aggregate amount of $1,250,000.00. Notwithstanding anything to the contrary set forth herein, if any of the representations and warranties set forth in Section 2.5d.iii is untrue or incorrect in any material respect and the Employees actually knew (without independent investigation) that such representation and warranty was untrue in any material respect, then Purchaser shall be entitled to pursue all remedies available to it at law or in equity, not limited by the Cap, including without limitation recovery of its actual damages resulting from such fraudulent misrepresentation. This Section shall survive Closing.

Section 8.24 Audit. No later than sixty (60) days following the Closing and upon Purchaser's reasonable prior written request and at Purchaser's sole cost and expense, Purchaser may request that its independent outside accounting firm (herein "Auditor")

prepare an audit of the operating income from the Property in conformity with the requirements of Rule 3-14 of Regulations S-X promulgated by the Securities and Exchange Commission for the calendar year 2014 and the 1st, 2nd and if completed, 3rd quarters for 2015 (herein "Property Audit"). In the event such an audit is needed, Seller agrees to provide Auditor with reasonable access to its books and records solely related to the Property as defined herein in connection with the preparation of the Property Audit, and a copy of the same shall be provided to Seller promptly upon completion. Purchaser agrees to compensate Seller for their actual out-of- pocket expenses incurred in connection with the Property Audit (including, but not limited to, the costs associated with any representation letter, if any, that Seller is mandated by applicable Federal law to provide). Purchaser acknowledges that Seller's agreement to facilitate the Property Audit as herein provided is being made strictly as an accommodation to Purchaser, without representation or warranty of any kind to or for the benefit of Purchaser. In no event shall any Property Audit or update thereto give rise to or be grounds for a claim or lawsuit by Purchaser against Seller, and Purchaser agrees to indemnify and hold Seller harmless from any claim, damage, loss, cost, expense or liability which Seller may incur or to which Seller is at any time subjected as a result of Seller's compliance with this Section 8.24.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Signature Page to Purchase and Sale Agreement
Between
HIGHLANDS RANCH SHEA CENTER II, LLC, As
Seller, And
NETREIT, INC., As
Purchaser

SELLER:

HIGHLANDS RANCH SHEA CENTER II, LLC,
a Colorado limited liability company

By: Shea Properties Management Company, Inc.,
a Delaware corporation, its manager

By: Shea Properties Management Company, Inc.,
a Delaware corporation, its manager

By: ______________________________
Assistant Secretary

By: ______________________________
Assistant Secretary

Dated: ______________________________

Signature Page(Cont'd) to Purchase and Sale Agreement
Between
HIGHLANDS RANCH SHEA CENTER II, LLC, As Seller,
And
NETREIT, INC., As Purchaser

PURCHASER:

NETREIT, INC.,
a Maryland corporation

By: ____________________
Name: ____________________
Its: ____________________

Dated: ____________________

EXHIBIT A

LEGAL DESCRIPTION

Lot 435B-1A, Highlands Ranch filing No. 134-A, 10th Amendment, County of Douglas, State of Colorado, according to the recorded plat thereof.

EXHIBIT B

LIST OF TANGIBLE PERSONAL PROPERTY

Lobby
6 - Chairs
2 - Small Tables
2 - Small Planters
4 - Large Planters
2 - Benches

Shop/Office
1 - Building Automation Computer
1 - Security System Computer
1 - 6' Fiberglass Ladder
1 - 8' Fiberglass Ladder
1 - Shelving Unit
1 - Light bulb Cart
1 - Tool Cabinet
1 - Print Rack
1 - Printer

Learning Center
85 - Chairs
15 - Tables
8 - Rolling Chairs
2 - Television Sets
1 - Television Stand
1 - Shelving Unit
1 – Podium

EXHIBIT C

SPECIAL WARRANTY DEED

This SPECIAL WARRANTY DEED ("Deed") evidences a conveyance by HIGHLANDS RANCH SHEA CENTER II, LLC, a Colorado limited liability company, whose address is 6380 S. Fiddlers Green Circle, Suite 400, Greenwood Village, CO 80111 ("Grantor"), to NETREIT, INC., a Maryland corporation ("Grantee"), whose address is 1282 Pacific Oaks Place, Escondido, CA 92029-2900.

Grantor, for and in consideration of the sum of $10.00 and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell, convey and confirm unto Grantee, its successors and assigns forever, that certain real property in the County of Douglas, Colorado (the "County"), which is described on Exhibit A attached to this Deed, together with all improvements situated thereon (such real property, and improvements being referred to herein collectively as the "Property");

TO HAVE AND TO HOLD the Property above bargained and described, with the appurtenances unto Grantee, its successors and assigns forever. And Grantor, for itself, its successors and assigns, does covenant and agree that Grantor shall and will WARRANT AND FOREVER DEFEND the Property in the quiet and peaceable possession of Grantee, its successors and assigns, against all and every person or persons lawfully claiming or to claim the whole or any part thereof by, through, or under Grantor, except for the lien of general taxes and assessments for the current year and all subsequent years and the matters shown on Exhibit B attached to this Deed (the "Permitted Exceptions").

This conveyance is made by Grantor and accepted by Grantee subject to the reservations, restrictions, rights, covenants and agreements contained in that certain Special Warranty Deed by Shea Homes Limited Partnership, a California limited partnership, to Grantor, recorded August 21, 2000, in Book 1884 at Page 2083 of the County real property records, as amended, all of which shall be binding upon Grantee and its successors and assigns and shall run with and burden the Property and its appurtenant rights and interests

All representations, warranties and covenants, if any, made in this Deed are made for the sole benefit of Grantee and its successors, assignees and grantees and shall not inure to the benefit of any third party, including any title insurer through subrogation or otherwise.

Dated: __________, 2015.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

Signature Page to Special Warranty Deed Between HIGHLANDS RANCH SHEA CENTER II, LLC, AS GRANTOR AND NETREIT, INC., AS GRANTEE

GRANTOR:

HIGHLANDS RANCH SHEA CENTER II, LLC,
a Colorado limited liability company

By: Shea Properties Management Company, Inc.,
a Delaware corporation, its manager

By: ______________________________
Assistant Secretary

By: ______________________________
Assistant Secretary

STATE OF COLORADO)
) ss.
COUNTY OF ____________________)

The foregoing instrument was acknowledged before me this _________ day of ______, 2015, by ______ as the _______ and by ______as the ______ of Shea Properties Management Company, Inc., a Delaware corporation, as manager of HIGHLANDS RANCH SHEA CENTER II, LLC, a Colorado limited liability company.

Witness my hand and official seal.

____
Notary Public

My commission expires: ______________________________.

EXHIBIT A
To
Special Warranty Deed

LEGAL DESCRIPTION

Lot 435B-1A, Highlands Ranch filing No. 134-A, 10th Amendment, County of Douglas, State of Colorado, according to the recorded plat thereof.

EXHIBIT B
To
Special Warranty Deed

PERMITTED EXCEPTIONS

EXHIBIT D

ASSIGNMENT AND ASSUMPTION OF LEASES

THIS ASSIGNMENT AND ASSUMPTION OF LEASES ("Assignment") is executed as of the ______ day of _______, 2015 (the "Effective Date"), between HIGHLANDS RANCH SHEA CENTER II, LLC, a Colorado limited liability company ("Assignor"), and NETREIT, INC., a Maryland corporation ("Assignee"), with reference to the following:

Recitals

A. Concurrently with the delivery of this Assignment, Assignor has sold to Assignee and Assignee has purchased from Assignor that certain real property in the County of Douglas, State of Colorado, known as Highlands Ranch Shea Center II and more particularly described on Exhibit A attached hereto and incorporated herein by reference ("Property"), pursuant to that certain Purchase and Sale Agreement dated as of ____________, as same may have been amended from time to time (the "Purchase Agreement").

B. Pursuant to the Purchase Agreement, Assignor is to assign to Assignee all of Assignor's interest as lessor under those certain written leases between Assignor and various tenants, as specified on Exhibit B hereto (collectively, the "Leases").

IN CONSIDERATION of the foregoing, the parties hereto agree as follows:

1. Assignor hereby assigns to Assignee all of Assignor's rights, title and interest in, to and under the Leases, together with (i) any and all rights, title, estates and interests of Assignor as lessor under the Lease, whether now owned or hereafter acquired, in and to any improvements and fixtures located thereon, (ii) any and all rights, privileges, easements, rights of way or appurtenances appertaining thereto (including, without limitations, any and all rents, issues, profits, royalties, income and other benefits derived from the Property) hereafter accruing, and any and all claims, causes of action, rights to proceeds or awards related to the Property hereafter accruing, and (iii) any and all rights, title, estates and interests of Assignor in and to any subleases, if any, relating to the Property.

2. Assignee hereby accepts the foregoing assignment and assumes Assignor's obligations under the Leases accruing from and after the effective date hereof, and acknowledges receipt of the security deposits and/or prepaid rents (if any) in the amounts specified in the escrow closing statement, if any.

3. In the event of any litigation between Assignor and Assignee arising out of the obligations of the parties under this Assignment or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses of such litigation, including, without limitation, reasonable attorneys' and expert witness' fees and costs.

4. The terms of this Assignment shall bind and inure to the benefit of the parties hereto and their respective heirs, legal representatives and successors and assigns.

5. Assignor hereby covenants that it will, at any time and from time to time upon written request therefor, without the assumption of any additional liability thereby, execute and deliver to Assignee, its successors and assigns, any new or confirmatory instruments and take such further acts as Assignee may reasonably request to fully evidence the assignment contained herein.

6. This Assignment may be executed in one or more counterparts, each of which shall be considered one and the same instrument, and may also be executed by way of facsimile signatures.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the date and year first above written.

ASSIGNOR:

HIGHLANDS RANCH SHEA CENTER II, LLC,
a Colorado limited liability company

By: Shea Properties Management Company, Inc.,
a Delaware corporation, its manager

By: ______________________________
Assistant Secretary

By: ______________________________
Assistant Secretary

ASSIGNEE:

NETREIT, INC.,
a Maryland corporation

By: ______________________________
Name: ______________________________
Its: ______________________________

EXHIBIT A
To
Assignment and Assumption of Leases

LEGAL DESCRIPTION

Lot 435B-1A, Highlands Ranch filing No. 134-A, 10th Amendment, County of Douglas, State of Colorado, according to the recorded plat thereof.

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

EXHIBIT B
To
Assignment and Assumption of Leases

LIST OF LEASES

(see attached)

EXHIBIT E

ASSIGNMENT AND ASSUMPTION OF SERVICE CONTRACTS, LICENSES, PERMITS, AND WARRANTIES, SURVEYS AND PLANS, LEASING MATERIALS AND INTANGIBLES

THIS ASSIGNMENT (the "Assignment") is dated, entered into and effective as of __________, 2015 ("Effective Date"), by and between HIGHLANDS RANCH SHEA CENTER II, LLC, a Colorado limited liability company ("Assignor"), and NETREIT, INC., a Maryland corporation ("Assignee"), with reference to the following:

R E C I T A L S:

A. Concurrently with the delivery of this Assignment, Assignor has sold to Assignee and Assignee has purchased from Assignor that certain real property located in the County of Douglas, State of Colorado, known as Highlands Ranch Shea Center II and more particularly described on Exhibit A attached hereto and incorporated herein by reference ("Property"), pursuant to that certain Purchase and Sale Agreement dated as of ________, as same may have been amended from time to time (the "Purchase Agreement").

B. Pursuant to the Purchase Agreement, Assignor is to assign to Assignee, to the extent that they are in existence and are assignable (i) certain service and maintenance contracts described on Exhibit B attached hereto and incorporated herein by reference (the "Service Contracts"), (ii) to the extent they may be transferred by Assignor and are in existence and effect, all licenses, permits, approvals and authorizations required for the use and operation of the Property; and warranties covering any portion of the Property (together, the "Licenses, Permits and Warranties") (iii) all existing surveys, blueprints, drawings, plans and specifications (including, without limitation, structural, HVAC, mechanical and plumbing plans and specifications) in Assignor's possession (the "Surveys and Plan s"); (iv) all tenant lists, lease files, lease booklets, manuals and promotional and advertising materials concerning the Property or used in connection with the operation of the Property, to the extent they are located at the Property or the Property manager's office, but excluding any confidential or proprietary internal books and records of Assignor maintained at any of Assignor's offices, internal and external appraisals and/or evaluations of the Property, budgets and any other privileged or proprietary information (the "Leasing Materials"); and (v) to the extent of any proprietary rights of Assignor therein, the non-exclusive right to use the name "Highlands Ranch Shea Center II" now used in connection with the Property (the "Name") in common with the owners or tenants of the Property, but excluding any other Marks (as defined below), provided that Assignor shall retain the right to use the Name for marketing purposes identifying the Property as a project developed by Assignor or an affiliate of Assignor.

C. Pursuant to the Purchase Agreement, Assignee is to assume certain obligations of Assignor under the Service Contracts and Assignee is to accept the assignment of the Licenses, Permits and Warranties, the Surveys and Plans, the Leasing Materials, and the Name.

NOW, THEREFORE, in consideration of the promises and conditions contained herein, the parties hereby agree as follows:

1. Assignor hereby assigns to Assignee all of its right, title and interest, if any, and to the extent that the same is assignable, in and to the Service Contracts, the Licenses, Permits and Warranties, the Surveys and Plans, the Leasing Materials, and the Name. The Personal Property herein conveyed expressly excludes the trademarks, service marks and/or trade names "Highlands Ranch," "Highlands Ranch Business Park," "Highlands Ranch Shea Center," "Shea Center," and "New Town of Highlands Ranch," and any variations thereof (except with respect to the Name), which are and shall remain the sole and exclusive property of Assignor (the "Marks").

2. Assignee assumes all of the owner's obligations under the Service Contracts.

3. In the event of any litigation between Assignor and Assignee arising out of the obligations of the parties under this Assignment or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses of such litigation, including, without limitation, reasonable attorneys' and expert witness' fees and costs.

4. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors-in-interest and assigns.

5. Assignor hereby covenants that it will, at any time and from time to time upon written request therefor, without the assumption of any additional liability thereby, execute and deliver to Assignee, its successors and assigns, any new or confirmatory instruments and take such further acts as Assignee may reasonably request to fully evidence the assignment contained herein.

6. This Assignment may be executed in any number of counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument, and may be executed by way of facsimile signatures.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment the day and year first above written.

ASSIGNOR:

HIGHLANDS RANCH SHEA CENTER II, LLC,
a Colorado limited liability company

By: Shea Properties Management Company, Inc.,
a Delaware corporation, its manager

By: ______________________________
Assistant Secretary

By: ______________________________
Assistant Secretary

ASSIGNEE:

NETREIT, INC.,
a Maryland corporation

By: ______________________________
Name: ______________________________
Its: ______________________________

EXHIBIT A
To Assignment of Contracts

LEGAL DESCRIPTION

Lot 435B-1A, Highlands Ranch filing No. 134-A, 10th Amendment, County of Douglas, State of Colorado, according to the recorded plat thereof.

EXHIBIT B
To Assignment of Contracts

LIST OF CONTRACTS

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

EXHIBIT F

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that HIGHLANDS RANCH SHEA CENTER II, LLC, a Colorado limited liability company ("Seller"), having its office at 6380 S. Fiddlers Green Circle, Suite 400, Greenwood Village, CO 80111, for and in consideration of the sum of $10.00 and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, paid by NETREIT, INC., a Maryland corporation ("Purchaser"), having its office at 1282 Pacific Oaks Place, Escondido, CA 92029-2900, has granted, bargained, sold, transferred and delivered, and does grant, bargain, sell, transfer and deliver unto Purchaser, its successors and assigns, all of Seller's right, title and interest in and to all tangible personal property owned by Seller and used solely in connection with the real property described on **Exhibit A** attached hereto and incorporated herein by reference, including those items shown on **Exhibit B** attached hereto and incorporated herein by reference (collectively, the "Personal Property").

Except as set forth herein, this Bill of Sale is made without representation, warranty, or recourse, express or implied.

Seller warrants and represents that it owns the Personal Property listed on **Exhibit B**, free of liens and encumbrances.

ALL WARRANTIES OF QUALITY, FITNESS AND MERCHANTABILITY ARE HEREBY EXCLUDED.

Dated As Of: ________________, 2015.

SELLER:

HIGHLANDS RANCH SHEA CENTER II, LLC,
a Colorado limited liability company

By: Shea Properties Management Company, Inc.,
a Delaware corporation, its manager

By: ______________________________
Assistant Secretary

By: ______________________________
Assistant Secretary

EXHIBIT A
To Bill of Sale

REAL PROPERTY DESCRIPTION

Lot 435B-1A, Highlands Ranch filing No. 134-A, 10th Amendment, County of Douglas, State of Colorado, according to the recorded plat thereof.

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

EXHIBIT B
To Bill of Sale

LIST OF PERSONAL PROPERTY

EXHIBIT G

FORM OF NOTICE TO TENANTS

TENANT NOTIFICATION LETTER

____________ , 2015

To the Tenants of Highlands Ranch Shea Center II:

RE: Your lease (as amended and assigned, and together with all guarantees thereof, collectively, the "Lease") at 1805 Shea Center Drive, Highlands Ranch, Colorado80129 (the "Property")

Dear Tenant:

This is to advise you that, effective this date (the "**Effective Date**"), HIGHLANDS RANCH SHEA CENTER II, LLC, a Colorado limited liability company ("**Seller**"), has sold the Property referenced above to NETREIT, INC., a Maryland corporation ("**Purchaser**"), having a principal address at 1282 Pacific Oaks Place, Escondido, CA 92029 and (b) Purchaser has assumed all obligations of the landlord under the Lease from and after the Effective Date.

Effective immediately, all rent and other payments due under your Lease should be made payable to " ________________" and should be delivered to the following:

____

1282 Pacific Oaks
Place
Escondido, CA
92029

or such other place as Purchaser may, from time to time, designate in writing.

Any security deposits, letters of credit, promissory notes or other instruments, whether for security or otherwise, held by Seller in connection with the Lease (if any, collectively, "**Lease Security**") have also been transferred to Purchaser, and Purchaser is, subject to the terms and conditions of the Lease, solely responsible for returning any Lease Security to which Tenant is entitled at the termination of the Lease.

Additionally, effective immediately, __________ is no longer the manager of the Property. The new manager of the Property is ___________________.

Effective as of the Effective Date, all notices and other communication to the landlord under your Lease should be delivered to the following:

	with required copies to:
1282 Pacific Oaks Place	______________________________
Escondido, CA 92029	______________________________
Attn: Asset Manager	______________________________
Phone: 760-471-8536	Attn: _____ Phone: _______ E-mail: ____________
Fax: 760-471-0399	
E-mail: sgiffin@netreit.com	

Please contact Purchaser's representative, Sean Giffin of NetREIT at 760-471-8536, if you have any questions regarding this transfer.

[signature page follows]

Very truly yours,

Seller:

HIGHLANDS RANCH SHEA CENTER II, LLC,
a Colorado limited liability company

By: Shea Properties Management Company, Inc., a Delaware corporation, its manager

By: ______________________________
Assistant Secretary

By: ______________________________
Assistant Secretary

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

EXHIBIT H

ESTOPPEL LETTER FORM

TENANT ESTOPPEL CERTIFICATE

Today's Date: ______________________________ Lease Date: ______________________________

Lease Commencement Date: ______________________________ Lease Expiration Date: ______________

Dates of Amendments or Modifications: ____

Property Name and Address: ____________________

Landlord: ____________________

Purchaser: ____________________

Tenant: ______________________________ d/b/a ______________________________

Leased Premises: Suite/Unit: # ______________ Leased Square Footage: __________________________ s.f.

Monthly Rental (excluding CAM): $ ____________ Annual Rental (excluding CAM): $ ____________

Security Deposit Paid:$ ____________/ Portion previously applied by Landlord:$ ____________.

The Lease is [_] or is not [_] guaranteed.

The undersigned states that he/she is fully authorized on behalf of the Tenant in the above-described Lease to execute this letter and hereby certifies to the Purchaser and to

____________, in its capacity as mortgage lender (together with its successors and/or assigns in such capacity, hereinafter, "**Lender**"), that the information set forth herein is true and accurate:

1. An accurate and complete list of Tenant's lease agreement, modifications, and amendments (the "**Lease**") is referenced above. The Lease is in full force and effect. There are no other promises, agreements, understandings or commitments between Landlord and Tenant relating to the Leased Premises. Tenant has not assigned, sublet, encumbered or otherwise transferred all or any part of the Leased Premises or the Lease.

2. Tenant has taken possession of the Leased Premises and is open for business and in operation therein. All work which is the responsibility of Landlord under the Lease has been completed and furnished to the satisfaction of Tenant.

3. Tenant has not given Landlord any notice of termination under the Lease. To the best of Tenant's knowledge and belief, no uncured default, event of default, or breach by Landlord or Tenant currently exists under the Lease and there are no conditions that, with the passage of time or the giving or notice, or both, would constitute such a default or breach. Tenant has no claim against Landlord under the Lease and no offset or defense to the enforcement of the terms of the Lease.

4. Tenant is obligated to pay rent to Landlord at the rate set forth in the Lease and is current in all payments required under the Lease. Tenant has not prepaid any rent or other amounts to Landlord other than rent and other charges due and payable in the calendar month of this certification. Tenant is not entitled to any current or future credits, reductions, offsets, free rent, rent concessions or abatements of rent or other charges under the Lease. Tenant is not due any current or future tenant improvement allowance or similar amount under the Lease. To Tenant's knowledge, there are no unpaid leasing commissions or similar charges payable with respect to the Lease.

5. In connection with its use and occupancy of the Leased Premises, Tenant is not and will not become engaged in the production, treatment, release or storage of hazardous or toxic substances which pose a substantial risk of imminent damage to public health or safety or to the environment.

6. Tenant is not currently a debtor in any bankruptcy, reorganization, arrangement or insolvency proceedings.

7. Tenant has received no notice of prior sale, transfer, assignment, hypothecation or pledge of the said Lease or of the rents secured therein.

8. Tenant has no options, rights of first refusal, expansion rights, relocation rights, purchase rights, termination, or exclusive business rights except as follows:

____

____

____.

9. Tenant is not identified on the list of specially designated nationals and blocked persons subject to financial sanctions that is maintained by the U.S. Treasury Department, Office of Foreign Assets Control and any other similar list maintained by the Office of Foreign Assets Control pursuant to any authorizing United States law, regulation or Executive Order of the President of the United States ("**OFAC List**") nor is Tenant subject to trade embargo or economic sanctions pursuant to any authorizing United States law, regulation or Executive Order of the President of the United States.

10. Tenant agrees to attorn to and recognize as its landlord under the Lease each party acquiring legal title to the Property by foreclosure (whether judicial or nonjudicial) of the Security Instrument, deed-in-lieu of foreclosure, or other sale in connection with enforcement of the Security Instrument or otherwise in satisfaction of the Loan.

11. Tenant agrees for a period of thirty (30) days from the date hereof to notify Purchaser and Lender in writing of any changes to the statements made by Tenant in this Certification promptly upon Tenant's learning of each such change.

12. Tenant agrees to provide Lender copies of any and all notices given under the Lease. Such notices shall be sent to Lender at the following address (or such other address as Lender may designate): ____________________.

Tenant acknowledges that Purchaser and Lender will rely on this Tenant Estoppel Certificate in making loans or otherwise extending credit to Landlord and/or constituent partners or members of Landlord.

TENANT:

____

By: ___________________________
Name:
Title:

GUARANTOR:

____

By: ______________________________
Name:
Title:

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

EXHIBIT I

LIST OF CONTRACTS

Shea Center II (55296)

Type of Service	Contractor Name / Address	Contract Period
Landscaping	[****] [****] [****]	[****]
Sweeping	[****] [****] [****]	[****]
HVAC	[****] [****] [****]	[****]
Floral	[****] [****] [****]	[****]
Waste Management	[****] [****] [****]	[****]
Janitorial	[****] [****] [****] [****]	[****]
Day Porter	[****] [****] [****] [****]	[****]
Lighting	[****] [****] [****]	[****]
Windows	[****] [****] [****]	[****]
Interior Foliage	[****] [****] [****]	[****]
Elevator	[****] [****] [****]	[****]
Alarm Monitoring	[****] [****] [****]	[****]
Snow Removal	[****] [****] [****]	[****]
Engineering	[****] [****] [****]	[****]

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EXHIBIT J

LEASING COMMISSIONS, TENANT IMPROVEMENTS AND TENANT DELINQUENCIES

Tenant Delinquencies:

1. [****]
2. [****]
3. [****]
4. [****]
5. [****]
6. [****]
7. [****]
8. [****]
9. [****]
10. [****]
11. [****]

Tenant Improvement Allowances:

1. [****]

EXHIBIT K

RENT ROLL

See attached pages K-2 through K-7

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

Highlands Ranch Shea Center II (55296)
Rent Roll with Lease Charges
As Of December 24, 2015

Unit	Sq Ft	Tenant	Charge Code	Amount	$ Per Sqft	Deposits	Lease From Lease To	Rent Lease Charge History From	To	Amount	Code
Current Leases											
100,120	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0035496			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							
130	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0050733			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							
140	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0048788			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

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Rent Roll with Lease Charges
As Of December 24, 2015

										Rent Lease Charge History	
Unit	**Sq Ft**	**Tenant**	**Charge Code**	**Amount**	**$ Per Sqft**	**Deposits**	**Lease From Lease To**	**From**	**To**	**Amount**	**Code**
Current Leases											
150 ,290	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0043466			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							
160	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0034165			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
			[****]	[****]	[****]			[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							
180	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0045248			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]				[****]	[****]	[****]	[****]

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

Highlands Ranch Shea Center II (55296)
Rent Roll with Lease Charges
As Of December 24, 2015

								Rent Lease Charge History			
Unit	**Sq Ft**	**Tenant**	**Charge Code**	**Amount**	**$ Per Sqft**	**Deposits**	**Lease From Lease To**	**From**	**To**	**Amount**	**Code**
Current Leases											
200	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0026042			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
			[****]	[****]	[****]			[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	8,008.41							
210	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0042206			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
			[****]	[****]	[****]			[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							

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Unit	**Sq Ft**	**Tenant**	**Charge Code**	**Amount**	**$ Per Sqft**	**Deposits**	**Lease From Lease To**	**From**	**To**	**Amount**	**Code**
Current Leases											
220	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0050513			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
			[****]	[****]	[****]			[****]	[****]	[****]	[****]
			[****]	[****]	[****]			[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							
220A	[****]	[****]				[****]	[****]				
t0054652						[****]	[****]				
			Total	[****]							
250	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0054645			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							
260	[****]	[****]				[****]	[****]				
t0039491						[****]	[****]				
			Total	[****]							

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Rent Roll with Lease Charges
As Of December 24, 2015

								Rent Lease Charge History			
Unit	**Sq Ft**	**Tenant**	**Charge Code**	**Amount**	**$ Per Sqft**	**Deposits**	**Lease From Lease To**	**From**	**To**	**Amount**	**Code**
Current Leases											
270	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0049085			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							
280	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0006780			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							

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Unit	**Sq Ft**	**Tenant**	**Charge Code**	**Amount**	**$ Per Sqft**	**Deposits**	**Lease From Lease To**	**From**	**To**	**Amount**	**Code**
Current Leases											
280A	[****]	[****]				[****]	[****]				
t0028122						[****]	[****]				
			Total	[****]							
400	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0100362			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							
450	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
t0037412			[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
								[****]	[****]	[****]	[****]
			Total	[****]							

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								Rent Lease Charge History			
Unit	**Sq Ft**	**Tenant**	**Charge Code**	**Amount**	**$ Per Sqft**	**Deposits**	**Lease From Lease To**	**From**	**To**	**Amount**	**Code**
Current Leases											
L1	[****]	[****]	[****]	[****]	[****]	[****]	[****]				
t0051364	[****]	[****]				[****]	[****]				
			Total	[****]							
P1	[****]	[****]	[****]	[****]	[****]	[****]	[****]				
t0073858											
			Total	[****]							
P10		[****]	[****]	[****]	[****]	[****]	[****]				
t0083106						[****]					
			Total	[****]							
P11		[****]	[****]	[****]	[****]	[****]	[****]				
t0038056	**DBA**	[****]				[****]					
			Total	[****]							
P12		[****]	[****]	[****]	[****]	[****]	[****]				
t0041637						[****]					
			Total	[****]							
P14		[****]	[****]	[****]	[****]	[****]	[****]				
t0041637						[****]					
			Total	[****]							
P15		[****]	[****]	[****]	[****]	[****]	[****]				
t0083664						[****]					
			Total	[****]							
P16		[****]	[****]	[****]	[****]	[****]	[****]				
t0086441						[****]					
			Total	[****]							

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								Rent Lease Charge History			
Unit	**Sq Ft**	**Tenant**	**Charge Code**	**Amount**	**$ Per Sqft**	**Deposits**	**Lease From Lease To**	**From**	**To**	**Amount**	**Code**
Current Leases											
P2		[****]	[****]	[****]	[****]	[****]	[****]				
t0073854						[****]					
			Total	[****]							
P3		[****]	[****]	[****]	[****]	[****]	[****]				
t0074888						[****]					
			Total	[****]							
P4		[****]	[****]	[****]	[****]	[****]	[****]				
t0085316						[****]					
			Total	[****]							
P5		[****]	[****]	[****]	[****]	[****]	[****]				
t0085223						[****]					
			Total	[****]							
P6		[****]	[****]	[****]	[****]	[****]	[****]				
t0042430						[****]					
			Total	[****]							
P7		[****]	[****]	[****]	[****]	[****]	[****]				
t0048497						[****]					
			Total	[****]							
P8		[****]	[****]	[****]	[****]	[****]	[****]				
t0083086						[****]					
			Total	[****]							
P9		[****]	[****]	[****]	[****]	[****]	[****]				
t0001357						[****]					
			Total	[****]							

CONFIDENTIAL TREATMENT REQUESTED UNDER C.F.R. SECTIONS 200.80(b)(4), 200.83 AND 230.406. [****] INDICATES OMITTED MATERIAL THAT IS THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST FILED SEPARATELY WITH THE COMMISSION. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION.

Highlands Ranch Shea Center II (55296)
Rent Roll with Lease Charges
As of December 24, 2015

	Square Footage	Lease Charges	Security Deposit	# of Units	Occupancy (Per SqFt)
Current Leases		[****]	[****]		
Future Leases		[****]	[****]		
Occupied Units	[****]			[****]	[****]
Vacant Units	[****]			[****]	[****]
Totals:	[****]	[****]	[****]	[****]	[****]

Summary of Charges by Charge Code (Current Leases only)

ccam	[****]
cfropp	[****]
cmis	[****]
cprk	[****]
rent	[****]
Total	[****]

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary	**State or other jurisdiction of incorporation or organization missing subsidiary names**
NetREIT, Inc.	Maryland
NetREIT Casa Grande LP (Morena property)	California
NetREIT Palm Self Storage LP (Highland Court property, manager of NetREIT Highland, LLC)	California
NetREIT Garden Gateway LP	California
NetREIT Advisors, LLC	Delaware
NetREIT Dubose Model Home REIT, Inc.	Maryland
NetREIT Dubose Model Home REIT, LP	Delaware
Dubose Advisors, LLC	Delaware
Dubose Model Home Investors #201, LP	California
Dubose Model Home Investors #202, LP	California
NetREIT Yucca Valley, LLC (Retail)	Delaware
NetREIT National City Partners, LP (SD Port property)	California
NETREIT HIGHLAND, LLC (Highland Court property)	Delaware
NetREIT Presidio, LLC (Presidio property)	Delaware
NTR PROPERTY MANAGEMENT, INC.	California
NetREIT Union Terrace, LLC (Union Terrace property)	Delaware
NetREIT Centennial, LLC (Centennial property)	Delaware
NetREIT Arapahoe, LLC (Arapahoe property)	Delaware
NetREIT UTC, LLC (UTC property)	Delaware
NetREIT Bismarck, LLC (Bismarck property)	Delaware
NetREIT Fargo, LLC (Dakota Bank property refi 6/1/14)	Delaware
NetREIT Yucca Valley 2, LLC (Arby's TI est. 3/2016)	Delaware
NetREIT Model Homes, LLC	Delaware
NetREIT West Fargo, LLC (10th, 13th & Main properties)	Delaware
NetREIT H Court, LLC (Highland Court property)	Delaware
NetREIT Genesis, LLC (Genesis property)	Delaware
NetREIT Westminster, LLC (One Park Centre)	Delaware
NetREIT SC II, LLC (Shea Center)	Delaware
Dubose Model Home Investors #203 LP	California

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements (No. 333-179029) on Form S-3 and (No. 333-179030) on Form S-8 of NetREIT, Inc. and Subsidiaries of our report dated March 18, 2016, relating to our audits of the consolidated financial statements, which appears in this Annual Report on Form 10-K of NetREIT, Inc. and Subsidiaries for the yearended December 31, 2015.

/s/ SQUAR MILNER LLP

Newport Beach, California
March 18, 2016

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jack K. Heilbron, certify that:

1. I have reviewed this Annual Report on Form 10-K of NetREIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has material affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2016

By: */s/ Jack K. Heilbron*
Jack K. Heilbron,
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth W. Elsberry, certify that:

1. I have reviewed this Annual Report on Form 10-K of NetREIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has material affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2016

By: */s/ Kenneth W. Elsberry*
Kenneth W. Elsberry,
Chief Financial Officer

EXHIBIT 31.3

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Heather L. Pittard, certify that:

1. I have reviewed this Annual Report on Form 10-K of NetREIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
   - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has material affected, or is reasonably likely to materially effect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2016

By: */s/ Heather L. Pittard*
Heather L. Pittard,
Principal Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, in their capacities as CEO, CFO and Principal Accounting Officer, respectively, of NetREIT, Inc. (the " **Company** ") that, to the best of his knowledge:

(i) the Annual Report for the year ended December 31, 2015 of the Company on Form 10-K (the " **Report** ") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Company.

Date: March 18, 2016

By : */s/ Jack K. Heilbron*
Jack K. Heilbron,
Chief Executive Officer

Date: March 18, 2016

By: */s/ Kenneth W. Elsberry*
Kenneth W. Elsberry,
Chief Financial Officer

Date: March 18, 2016

By: */s/ Heather L. Pittard*
Heather L. Pittard,
Principal Accounting Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to NetREIT, Inc. and will be retained by NetREIT, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.