

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer		
1 Issuer's name		2 Issuer's employer identification number (EIN)
NetREIT, Inc.		31-0841255
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact
Kenneth Elsberry	760-471-8536	kelsberryt@netreit.com
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and Zip code of contact
1282 Pacific Oaks Place		Escondido, CA 92029
8 Date of action		9 Classification and description
Payment Dates: 2/28/17		Common Stock -Series A -\$0.01 Par Value
10 CUSIP number	11 Serial number(s)	12 Ticker symbol
13 Account number(s)		

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ Issuer paid 2017 quarterly distributions on 2/28/17 to its shareholders of record on 12/31/16.

At this time based on reasonable assumptions by NetREIT, 0% of this distribution is expected to be treated as a taxable dividend and 100% is expected to be non-taxable return of capital to the extent of a U.S. shareholder's tax basis. Pursuant to the applicable Treasury Regulation Section 6045B, if these assumptions turn out to be incorrect, NetREIT will file a corrected Form 8937 within 45 days of such determination.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ Issuer paid a distribution of \$0.10 per share on 2/28/17.

At this time based on reasonable assumptions by Issuer of this distribution we expect 0% (\$0.0 per share) will be treated as taxable dividend and 100% (\$0.10 per share) of this distribution is expected to be a non-taxable return of capital (and a reduction of a U.S. shareholder's tax basis) to the extent of a U.S. Shareholder's tax basis in each of its NetREIT, Inc. shares, with any remaining amount being taxed as a reduction of a U.S. shareholder's tax capital gain pursuant to Internal Revenue Code Section 301(c)(1)-(3).

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ As described above the Issuer has expects that of such distributions approximately 0% (\$0.00 per share) will be treated as taxable dividend and 100% (\$0.10 per share) will be treated as a return of capital under Section 301(c)(2).

Declaration Date	Record Date	Payment Date	Total Per Share Distribution	Taxable Dividend	Return of Capital
12/9/16	12/31/16	2/28/17	\$0.10	\$0.0	\$0.10