

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name <u>NetREIT, Inc.</u>		2 Issuer's employer identification number (EIN) <u>31-0841255</u>	
3 Name of contact for additional information <u>Kenneth Elsberry</u>	4 Telephone No. of contact <u>760-471-8536</u>	5 Email address of contact <u>kelsberryt@netreit.com</u>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <u>1282 Pacific Oaks Place</u>		7 City, town, or post office, state, and Zip code of contact <u>Escondido, CA 92029</u>	
8 Date of action <u>Payment Dates: 2/28/17</u>		9 Classification and description <u>Common Stock -Series A -\$0.01 Par Value</u>	
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
<u>12/9/16</u>	<u>12/31/16</u>	<u>2/28/17</u>	<u>\$0.10</u>	<u>\$0.0</u>	<u>\$0.10</u>

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Section 301(c) of the Internal Revenue Code.

18 Can any resulting loss be recognized? ▶ N/A

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ None

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ *Kenneth W. Elsberry* Date ▶ 5/11/2017

Print your name ▶ Kenneth Elsberry Title ▶ Treasurer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.