

Hudson Realty Capital LLC

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February 13, 2012

This brochure provides information about the qualifications and business practices of Hudson Realty Capital LLC (“Hudson Realty”). If you have any questions about the contents of this brochure, please contact Hudson Realty at (212) 532-3553. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training of Hudson Realty or its personnel.

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

Item 2 Material Changes

This brochure dated February 13, 2012 is a new document prepared by Hudson Realty Capital LLC in accordance with the SEC's new requirements and rules pertaining to Form ADV.

In the future, this Item will discuss only specific material changes that are made to the brochure and provide investors with a summary of such changes. It will also reference the date of the last annual update of the brochure.

Currently, copies of this brochure may be requested by contacting Michael Arman, Hudson Realty's Chief Compliance Officer, at (212) 532-3553 or at marman@hudsoncap.com.

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Item 4 Advisory Business

- A. **Description of advisory firm and principal owners.** Hudson Realty Capital LLC, a Delaware limited liability company, also referred to in this brochure as “Hudson Realty”, is a real estate investment advisory firm, which commenced operations in 2003. The principal owners of Hudson Realty are David Loo and Richard Ortiz.
- B. **Advisory services offered.** Hudson Realty provides discretionary investment advisory services to various private partnerships and other private investment vehicles (each, a “Fund” or a “Client” and, collectively, the “Funds” or “Clients”) each of which focuses on a broad range of real estate-related debt and opportunistic equity investments across multiple property types in the United States. Interests in the Funds are only offered to qualified investors through private offerings. Hudson Realty has affiliated entities that serve as the general partners to each of the Funds (each, a “General Partner” and, collectively, the “General Partners”) and each of the Funds is controlled by its respective General Partner.

Hudson Realty’s investment strategy is to make consistent and disciplined investments in, and the asset management of, a broad range of real estate-related debt and opportunistic investments throughout the United States, targeting middle-market investments, with a focus on: (i) distressed sellers, sponsors or assets; (ii) assets in transition; (iii) complicated legal situations; and (iv) time-sensitive circumstances. The types of assets held by the Funds include, but are not limited to, first mortgages, subordinated debt, preferred equity and direct equity in real estate. As discussed further in Item 8 of this brochure, Hudson Realty generally concentrates its investment activity in middle market transactions, targeting investments in office, industrial, retail, and single- and multi-family residential properties.

- C. **Tailoring to individual Client needs.** Although Hudson Realty implements a substantially similar strategy for all of the Funds, Hudson Realty tailors its advisory services to the individual needs of a particular Fund, as may be necessary. Each Fund has a set of specific guidelines that may limit the strategy, size, concentration, geography, type of security and/or terms of the Fund’s underlying investments as described in each Fund’s operating agreements and offering documents.

Investment advice is provided directly to each Fund itself and not to the individual investors in the Funds. Although Hudson Realty does not provide tailored investment advice to the individual investors in the Funds, the General Partners and/or the Funds may enter into side letter agreements with certain investors which may modify such investors’ rights or obligations under the operating agreements or such investors’ subscription agreement for a particular Fund or otherwise provide such investor preferential treatment in connection with such agreements, but, generally only to the extent the General Partner determines that such modifications are not materially detrimental to other investors, the Fund, its assets or the operation of its business.

- D. **Wrap fee programs.** Hudson Realty does not participate in wrap fee programs.

E. **Assets under management.** As of September 30, 2011, Hudson Realty managed approximately \$184,387,228 of regulatory assets under management on a discretionary basis.

Item 5 Fees and Compensation

- A. **How Hudson Realty is compensated for advisory services.** Hudson Realty's fee and compensation arrangements vary depending on the particular Fund. The specific terms of such arrangements are set forth in each Fund's operating agreements and offering documents.

The Funds pay Hudson Realty a management fee calculated and charged to the limited partners in the Funds based on a percentage of the committed capital of the limited partners from the initial closing of a Fund and, thereafter, the limited partners' invested capital. Such management fee is payable quarterly in arrears.

In addition to the management fee, the General Partner of a Fund is entitled to receive Carried Interest as defined and further described in Item 6 of this brochure.

- B. **Deduction of fees from Client assets.** The Funds pay the management fee to Hudson Realty quarterly in arrears. The management fee is deducted from distributable proceeds, borrowings under credit facilities or capital contributions from each of the Fund's limited partners. The investors in the Funds are not separately billed for such services by Hudson Realty.

- C. **Other types of fees or expenses.** Generally, each Fund is responsible for the organizational and offering expenses incurred in the formation of such Fund. Those fees associated with the formation of a Fund's General Partner are sometimes subject to an expense cap. Fees exceeding this maximum amount will be borne by the General Partner. The Funds are responsible for all Fund-related expenses, including all travel and other out-of-pocket expenses of the General Partners, Hudson Realty or either of their affiliates incurred in connection with the evaluation, acquisition, origination, ownership sale, hedging or financing of any potential investment, (whether or not consummated). all litigation-related and indemnification expenses, all administrative expenses of the Funds and all other expenses incurred by the General Partners, Hudson Realty or any affiliate in connection with the operation of the Funds or performing the General Partners' or Hudson Realty's duties, including maintaining the Funds' general ledgers, investment reporting, preparing the Funds' financial statements and tax returns and performing in-house legal services; provided that the charges for such services shall be no less favorable to the Funds than those generally available from reputable, experienced and unaffiliated persons and shall not exceed the direct and indirect costs to the General Partners of the employees providing such services. The Funds will also bear the organizational and ongoing administrative costs of any subsidiaries of the Fund, including special purpose entities formed to hold one or more of the Funds' investments. To the extent Hudson Realty requires the use of a broker to effect transactions for the Funds, such brokerage and transaction costs are paid by the Funds. Please see Item 12 of this brochure for further information on Hudson Realty's brokerage activities.

Please refer to the Funds' offering documents for further information regarding the fees and expenses of Hudson Realty and the Funds.

- D. **Payment of fees in advance.** As described further in Item 5.A. and B., the management fee is paid quarterly in arrears.
- E. **No compensation for the sale of securities.** Neither Hudson Realty nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

When an investment owned by a Fund is realized, the General Partner of such Fund may be entitled to receive a distribution of the investment proceeds as performance-based incentive compensation (any such compensation is referred to in this brochure as the “Carried Interest”). The payment of the Carried Interest to the General Partner may be subject to certain conditions being satisfied such as the prior return of capital to Fund investors and the payment to Fund investors of a predetermined rate of return on their invested capital as described in the operating agreements and offering documents for each Fund. Each Fund has established a distribution waterfall describing the distribution priority. The Carried Interest may be paid on a per investment basis in the General Partner’s discretion subject to specific clawback and reserve account provisions outlined in each of the Fund’s operating agreements and offering documents. For more information regarding the specific terms of the Carried Interest, please consult each of the operating agreements and offering documents for the Funds.

The Carried Interest is structured subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 of the Advisers Act. Accordingly, Hudson Realty seeks to ensure that investors in a Fund that is directly or indirectly assessed a Carried Interest satisfy the qualifications of Rule 205-3, and have been advised of the terms of such performance-based fees and the associated risks.

Investors in all Funds are subject to the Carried Interest, although in accordance with the Funds’ operating agreements and offering documents and the General Partners’ operating agreements, the General Partners may, in their sole discretion, reduce or modify an investor’s obligation to pay Carried Interest. The Carried Interest that may be due to the General Partners based on the Funds’ net performance may create an incentive for Hudson Realty to cause the Funds to make investments that are riskier or more speculative than would be the case if this special allocation were not made. Hudson Realty manages this potential risk by ensuring through its investment approval process that appropriate material investment decisions are made by the Investment Committee (as described further in Item 13 of this brochure). In addition, the General Partners generally makes a significant contribution to the Funds, which further serves to protect against potential risks from performance-based compensation arrangements.

Item 7 Types of Clients

Generally, Hudson Realty provides investment advisory services to the Funds, which are privately offered pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended. Fund investors may include, without limitation, high-net worth individuals, pension plans, trusts, financial institutions, endowments and other U.S. and non-U.S. entities. Each investor is required to meet certain suitability requirements.

Typically, an initial investment in a Fund must be at least \$5 million, as set forth in the Funds' offering documents; however, the General Partners of the Funds have the sole discretion to accept investments of a lesser amount.

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

A. Methods of Analysis and Investment Strategies. As more fully described in each Fund's offering documents, the Funds' investment strategy is to make consistent and disciplined investments in, and conduct the asset management of, a broad range of real estate-related debt and opportunistic investments throughout the United States. In evaluating potential opportunities for the Funds, Hudson conducts extensive due diligence, employs a value-oriented approach, assesses each investment on a risk-adjusted basis, implements its proactive, integrated asset management approach, and places significant emphasis on downside analysis. Hudson Realty focuses this strategic approach on middle market transactions while employing a flexible investment approach.

Hudson approaches its investment process by evaluating investment opportunities through a rigorous underwriting, due diligence process and proactive asset management throughout each Fund's investment period. The investment process incorporates a high degree of coordination, institutional control, checks and balances, and risk management. Hudson Realty's asset management team participates in all phases of the process, from the early development of the business plans through the disposition of each investment. The investment process is phased as follows: (i) transactions are sourced through Hudson Realty's established network; (ii) initial due diligence is conducted; (iii) Investment Committee pre-qualification approval is obtained; (iv) comprehensive analysis is conducted; (v) final Investment Committee approval is obtained; (vi) the investment is executed; (vii) the transaction is actively managed through an extensive focus on financial reporting and investor relations; and (viii) a disposition strategy will be executed.

B. Investment Risks. There are significant risks inherent in the strategy of investing in real estate not associated with other investments and an investment in the Funds is only suitable for persons of adequate financial means who have no need for liquidity from an investment in the Funds. There can be no assurance that a Fund's investment strategy will be successful. Set forth below, as well as in other Items in this brochure, is a summary of some of the investment risks disclosed in greater detail in each of the Funds' offering documents. Please refer to each of the Funds' offering documents for more information on these and other risks relating to Hudson Realty's business and investments in the Funds.

General Risks of Real Estate. All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. No assurances can be given that the fair market value of any real estate investments held by a Fund will not decrease in the future or that a Fund will recognize full value for any investment that a Fund is required to sell for liquidity reasons. In addition, the ability of a Fund to realize anticipated rental and interest income on its equity and debt investments will depend, among other things, on the financial reliability of its tenants and borrowers, the location and attractiveness of the properties in which it invests, the supply of comparable space in the areas in which its properties are located and general economic conditions. Additionally, a Fund may, in certain instances, be responsible for structural repairs, improvements and general maintenance of real property. The expenditure of any sums in connection therewith beyond those budgeted for by a Fund will reduce the cash available for distribution and may require a Fund to fund deficits resulting from the operations of a property.

These factors and any others that would impede a Fund's ability to respond to adverse changes in the performance of its assets could significantly affect the Fund's financial condition and operating results.

Potential Lack of Diversification. The Funds intend to limit the impact on financial performance of poorly performing investments by investing in investments of varying types, locations and degrees of risk. However, there can be no assurance that such diversifications will be available on terms acceptable to each of the Funds. A Fund may make a limited number of investments and, as a consequence, the aggregate return and performance of that Fund maybe substantially adversely affected by the unfavorable performance of even a single investment. Furthermore, the aggregate return to such Fund may be affected by the Fund's strategy to sell, foreclose upon, or refinance an asset once the Fund believes that its value-added strategy has led to maximization of the asset's potential value. That is, aggregate returns may be adversely affected if Hudson Realty does not correctly time its refinancing or disposition strategy.

Risks of Potential Leveraging. The Funds expect to use leverage to increase the potential value of the assets to be acquired. While the use of leverage may enhance returns to the Funds and increase the number of investments the Funds can make, it will also substantially increase the risk of loss to a Fund. In the case that investments utilize leverage, the third-party lender would be entitled to cash flow generated by such investment prior to a Fund receiving a return. If the Fund defaults on secured indebtedness, the lender may foreclose and the Fund could lose its entire investment securing such loan. In the instance that several investments held by a Fund are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, the Fund could lose its interest in performing investments in the event such investments are cross-collateralized with poorly performing or non-performing investments. In addition, recourse debt, which each Fund reserves the right to obtain, may subject other assets of a Fund and the investors' investments to risk of loss. To the extent financing is not available on terms considered favorable by the Funds, the number and size of investments that each Fund will be able to make will be limited. In addition, even if the Funds are able to arrange for an acquisition line of credit, there can be no assurance that longer term financing will be available with respect to any particular investment.

Illiquidity. It is unlikely that there will be a public market for much, if any, of the Funds' investments. The Funds generally will not be able to sell their investments held in the form of securities publicly unless their sale is registered under applicable federal and state securities laws, or unless an exemption from such registration requirements is available. In some cases, the Funds may be prohibited by contract from selling investments for a period of time. In addition, the types of investments held by the Funds may be such that they require a substantial length of time to liquidate. Accordingly, each Fund's ability to respond to changes in economic and other conditions may be relatively limited. In particular, no assurances can be given that all Funds investments will be able to be liquidated prior to the scheduled expiration of the term of the Funds. No assurances can be given that the fair market value of any of the Funds' assets will not decrease in the future.

Risks Associated with Commercial Mortgage Loans. The Funds may invest in commercial mortgage loans. The value of each Fund's commercial mortgage loans will be influenced by the historical rate of delinquencies, defaults experienced on the commercial mortgage loans and by

the severity of loss incurred as a result of such defaults. The factors affecting delinquencies, defaults and loss severity include (i) industry sector and economic and real estate market conditions (e.g. multi-family, retail, office, etc.), (ii) the terms and structure of the mortgage loans, and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan. Commercial loans generally expose a lender to a greater risk of loss through delinquency and foreclosure since the ability of the borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property, rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guarantees. Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining debt amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligations. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the Funds could become liable upon taking title to an asset for environmental or structural damage existing at the property.

General Risks Relating to CMBS. The Funds will bear the risk of loss on any commercial mortgage backed security ("CMBS") it purchases. To the extent third parties have been contracted to provide credit enhancement, the Funds will be dependent in part upon the creditworthiness and claims paying ability of the insurer and the timeliness of reimbursement in the event of a default in the underlying obligations. Further, the insurance coverage for various types of losses is limited in amount and losses in excess of the applicable limitations would consequently be borne by the Fund. Additional risks of investing in CMBS reflect the special risks of investing directly in commercial real estate as described herein. This may be especially true in the case of CMBS secured by, or evidencing an interest in, a single mortgage loan or a relatively small or less diverse pool of mortgage loans. The process of rating CMBS generally involves a more complicated credit analysis than the process of rating residential mortgage-backed securities. The process of servicing CMBS is also more complicated than the servicing of residential mortgage-backed securities, and difficulties encountered in servicing may cause a rating agency to reevaluate or downgrade the credit quality of an issue during its life. In such event, the Fund could realize a loss on its investment.

Risks Associated with Mezzanine Loans. The Funds may make or invest in mezzanine loans. Mezzanine loans typically are unsecured and subordinate to other debt obligations of the borrower, and therefore have more risk of loss than senior debt. Mezzanine loans may increase a Fund's exposure to adverse economic factors such as significantly rising interest rates, severe downturns in the economy and deterioration in the condition of the borrower or other obligor on the mezzanine loan or the real estate industry as a whole. In the event that any borrower or other obligor on a mezzanine loan is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness, the value of a Fund's investment in such mezzanine loan could be significantly reduced or even eliminated. In addition, changes in the interest rates may adversely affect the value of a mezzanine loan. Longer term debt obligations are usually more sensitive to interest rate changes.

C. Risks associated with investing in the Funds. An investment in the Funds involves a significant amount of risk and should only be undertaken by investors capable of evaluating and bearing such risk. There can be no assurance that the Funds' investment objectives will be achieved or that there will be any return of capital.

No Market for Limited Partner Interests. Under the terms of each Fund's Partnership Agreement and applicable securities laws, the limited partner interests may not be directly or indirectly assigned, pledged, hypothecated or otherwise transferred in whole or part without the prior written consent of the General Partner and exemption from registration under the securities laws. There is no public market for the limited partner interests and none is expected to develop.

Lockup of Partnership Capital. Under the terms of each Fund's Partnership Agreement, limited partners are not permitted to withdraw profits, gains or capital prior to the liquidation of the Fund.

Default by Limited Partners. Although the Funds believe that all subscribers will have the financial ability to meet their capital commitments, there can be no assurance that all capital commitments will be honored. In the event that a limited partner defaults on a capital call, it may be difficult for a Fund and its non-defaulting limited partners to make up the shortfall from other sources. Notwithstanding the contractual remedies provided in each Fund's Partnership Agreement, any default by one or more limited partners could have a material adverse effect on the Funds. In addition, it may be difficult, or impossible, to obtain or enforce a judgment against certain potential limited partners, such as, for example, those affiliated with foreign governments or international organizations established by treaty that enjoy certain immunities, including immunities from taxation and service of process, for the amount of their capital calls, if the Funds were to have such investors as limited partners. The inability of the Funds to enforce certain potential limited partners' obligations to contribute capital to the Funds could impair the Funds' ability to take advantage of investment opportunities. In addition, a defaulting limited partner is subject to a buy out of its limited partner interest at prices reflecting an approximate 50% discount from the hypothetical liquidation value, less costs and expenses, of that limited partner interest.

Item 9 Disciplinary Information

There have been no legal or disciplinary events to disclose that are material to an investor's or prospective investor's evaluation of Hudson Realty's advisory business or integrity of management.

Item 10 Other Financial Industry Activities and Affiliations

- A. **Broker-dealer registration.** Neither Hudson Realty nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. **Commodity industry registration.** Neither Hudson Realty nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. **No material relationships.** Neither Hudson Realty nor any of its related persons have relationships or any arrangements with its related persons that involve financial industry activities or other financial industry affiliations. However, certain employees of Hudson Realty may hold ownership interests and/or a Carried Interest in the General Partners. Hudson Realty and its related persons may also form other partnerships or entities and offer investment opportunities in such partnerships and entities in accordance with the operating agreements and offering documents of the Funds as more particularly described in Item 11 of this brochure.
- D. **Other Advisers.** Hudson Realty does not recommend or select other investment advisers for the Funds.

Item 11 Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

- A. **Code of Ethics.** Pursuant to Rule 204A-1 of the Advisers Act, Hudson Realty adopted a Code of Ethics (referred to in this brochure as the “Code”) to ensure that Hudson Realty fulfills its role as a fiduciary to the Funds. The interests of the Funds must always be recognized, respected, and have precedence over Hudson Realty employees. The Code requires that Hudson Realty employees and certain associated persons act in the best interests of the Funds to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Funds to the extent reasonably possible, and identify and manage conflicts of interest to the extent they arise. Hudson Realty employees are also required to comply with applicable provisions of federal securities laws and make prompt reports of any actual or suspected violations of such laws by Hudson Realty or its employees. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of Hudson Realty’s personnel. The Code requires that personnel pre-clear certain public and private personal securities transactions, report personal securities transactions in accordance with the Code on at least a quarterly basis and submit reports to Hudson Realty regarding personal accounts and reportable securities holdings at least annually. The Code also addresses outside activities of employees, conflicts of interest, policies and procedures concerning the prevention of insider trading, includes restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions. Employees are required to provide a written certification to Hudson Realty as to agreeing to comply with the Code upon hire, and their ongoing compliance annually thereafter. Copies of this Code may be requested by contacting Michael Arman, Hudson Realty’s Chief Compliance Officer, at (212) 532-3553 or at marman@hudsoncap.com.
- B. Neither Hudson Realty nor any of its related persons recommend that any Fund acquire or sell securities in which Hudson Realty or any related person has a material financial interest.
- C. As a matter of general practice, neither Hudson Realty nor any of its related persons acquire or sell securities that are also recommended to the Funds.
- D. From time to time, in appropriate circumstances and subject to satisfaction of the policies and procedures set forth in the Code and the Fund’s governing documents, Hudson Realty personnel and other related persons may co-invest in a Fund investment at the same time as and on a side-by-side basis with the Fund’s limited partners and other investors. Hudson Realty does not believe that this common industry practice gives rise to a material conflict of interest, and that any potential conflicts of interest are addressed by the Code and the Funds’ governing documents.

Item 12 Brokerage Practices

- A. Hudson Realty has full discretion on the types of investments to be made by the Funds subject to each of the Funds' investment strategy and purpose as set forth in the operating agreements and offering documents for each of the Funds respectively. Hudson Realty generally does not make recommendations for investments by the Funds in public securities as most investments are in privately negotiated real estate-related transactions. Accordingly, Hudson Realty does not frequently select or recommend broker-dealers for client transactions. In the event that a broker-dealer is selected or recommended, Hudson Realty employs a due diligence process to ensure that any such transaction is executed in the best interest of the Fund taking into account certain factors such as a broker's execution capability and trading expertise in addition to pricing.
1. Hudson Realty does not have any soft dollar arrangements.
 2. Hudson Realty does not consider whether Hudson Realty or a related person of Hudson Realty receives Fund or investor referrals from a broker-dealer or third party because Hudson Realty does not frequently select or recommend broker-dealers.
 3. Hudson Realty does not have directed brokerage dealings.
- B. Generally, aggregation of the purchase or sale of securities for various Fund accounts does not apply to Hudson Realty as Hudson Realty primarily invests in private real estate-related investments. See also Item 11.B., C. and D. of this brochure.

Item 13 Review of Accounts

- A. **Monitoring of accounts.** Hudson Realty's investment professionals and asset management teams continually review and monitor the Funds' investments. Hudson Realty's investment professionals and asset management teams routinely meet to discuss asset management activities as well as potential new investment opportunities. Hudson Realty's Investment Committee convenes as and when necessary to consider and approve new investment opportunities and material investment decisions regarding the Funds' existing investments, including dispositions and refinancings.
- B. **Review triggers.** Hudson Realty's investment professionals regularly supervise and monitor the activities of the Funds, as referenced in Item 13.A of this brochure.
- C. **Reports to Clients.** Hudson Realty holds an annual meeting to review and discuss the Funds' investment activities with their investors and Hudson Realty may conduct periodic conference calls with the Funds' investors to provide an investment update. Further, on a periodic basis Hudson Realty may provide update letters as to the Funds' activities to the Funds' investors.

In addition, the Funds furnish audited financial statements and tax information annually to all of the Funds' investors generally within 120 days after each Fund's fiscal year end and unaudited financial statements each calendar quarter.

Hudson Realty may also distribute certain other reports to the Funds' investors upon specific request from time to time. More information related to such reports is found in the Funds' operating agreements and offering documents.

Item 14 Client Referrals and Other Compensation

- A. **Other compensation.** Hudson Realty does not receive economic benefits as a result of investment advice or advisory services provided by Hudson Realty to the Funds, other than from the Funds.

- B. **Compensation for Client referrals.** Neither Hudson Realty nor any of its related persons compensates any person who is not a supervised person for Fund referrals. However, from time to time, in the context of organizing a Fund, Hudson Realty may compensate one or more placement agents for referrals of Fund investors. In such case, generally the management fee payable by a Fund is reduced by the amount of fee paid to placement agents.

Item 15 Custody

With respect to the management of investments for the Funds, Hudson Realty or the General Partners may have, or may be deemed to have, custody of certain monies or securities of the Funds. Rule 206(4)-2, under the Advisers Act (the “Custody Rule”), imposes specific conditions on Hudson Realty as a registered investment adviser with respect to those securities and other assets that fall under the purview of the Custody Rule and are held by the Funds. Hudson Realty adheres to the applicable requirements of the Custody Rule with respect to each Fund for which it or an affiliate serves as general partner or managing member. All Fund securities and other assets that fall under the purview of the Custody Rule are held with at least one qualified custodian to the extent required by the Custody Rule. In addition, Hudson Realty delivers to all investors (or other beneficial owners) in each of the Funds an audited financial statement for their Fund, with a written opinion of an independent public accountant, in accordance with generally accepted accounting principles, on an annual basis, and within 120 days of each Fund’s fiscal year end.

Item 16 Investment Discretion

Hudson Realty exclusively manages the business of the Funds and has discretionary investment authority to manage the making of new investments by the Funds and the management of the existing investments held by the Funds. Generally, this discretionary authority is provided for in each Fund's operating agreements, offering documents, the investment management agreement with Hudson Realty and any side letters entered into with Fund investors and is subject to the terms and limitations thereon set forth in such agreements. Please refer to Item 4 of this brochure for information regarding Hudson Realty's advisory business.

Item 17 Voting Client Securities

A and B.

Pursuant to Rule 206(4)-6 of the Advisers Act and in accordance with Hudson Realty's fiduciary duty, Hudson Realty adopted a general policy to vote proxies for companies in which Funds have investments in the best interest of the Funds as determined by Hudson Realty. Although Hudson Realty does not invest in securities that solicit proxy voting, Hudson Realty maintains that, in instances where proxy voting is required, company management generally is best suited to make the decisions that are essential to the ongoing operation of the company. Therefore, Hudson Realty generally will vote proxies in line with company management. However, if a situation arises where Hudson Realty believes that company management's proposal does not maximize value for the Funds, Hudson Realty will vote against company management. In such instances, the reason for the decision and a record of the vote will be retained by Hudson Realty.

A situation may occur in which Hudson Realty is required to vote a proxy while a conflict of interest with a Fund exists. To protect the Funds against a breach of Hudson Realty's duties owed to them, on any occasion when a proxy vote presents a conflict of interest, Hudson Realty's investment professionals will conduct a conflict analysis accordingly. Hudson Realty will document the matter and preserve such documentation in accordance with its policy on record retention.

Funds and their investors may contact Michael Arman by telephone, (212) 532-3553 or at marman@hudsoncap.com to obtain a copy of Hudson Realty's proxy voting policy or to obtain any other information with respect to proxy votes, including how proxies were voted.

Item 18 Financial Information

- A. Hudson Realty does not require or solicit prepayment of more than \$1,200 in fees per Fund six months or more in advance.
- B. Hudson Realty is not aware of any financial conditions that would be reasonably likely to impair Hudson Realty's ability to meet contractual commitments to the Funds.
- C. Hudson Realty has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 Requirements for State-Registered Advisers

Hudson Realty is not required to register with any state securities authority. Therefore, this Item 19 is inapplicable.