



## **FORM ADV PART 2(A) INVESTMENT ADVISER BROCHURE**

### **Madison International Realty Holdings, LLC**

March 29, 2019

410 Park Avenue, 10<sup>th</sup> Floor  
New York, NY 10022  
212-688-8777  
[www.madisonint.com](http://www.madisonint.com)

*This brochure provides information about the qualifications and business practices of Madison International Realty Holdings, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 688 - 8777. Our website is [www.madisonint.com](http://www.madisonint.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Madison International Realty Holdings, LLC is a registered investment adviser with the United States Securities and Exchange Commission. Registration of an investment adviser does not imply any level of skill or training. Additional information about Madison International Realty Holdings, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2. Material Changes**

While there are no material changes to this brochure since our updating amendment on March 30, 2018, we have provided additional detail in certain sections to provide further information and clarity to the readers of this brochure.

### **Item 3. Table of Contents**

Item 1. Cover Page.....	1
Item 2. Material Changes .....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	6
Item 6. Performance Based Fees and Side-by-Side Management .....	11
Item 7. Types of Clients.....	14
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	15
Item 9. Disciplinary Information .....	25
Item 10. Other Financial Industry Activities and Affiliations .....	26
Item 11. Code of Ethics, Participation of Interest in Client Transactions and Personal Trading.....	27
Item 12. Brokerage Practices .....	28
Item 13. Review of Accounts.....	30
Item 14. Client Referrals and Other Compensation.....	31
Item 15. Custody .....	32
Item 16. Investment Discretion.....	33
Item 17. Voting Client Securities.....	34
Item 18. Financial Information.....	35

#### **Item 4. Advisory Business**

Madison International Realty Holdings, LLC (“MIRH”) is a highly specialized investment advisory firm focused on originating, underwriting and executing its investments in real estate for its private equity funds (the “Private Fund Vehicle(s)”) and separate account mandates (“Separate Accounts” and together with the Private Fund Vehicles, the “Funds”). The Funds are managed by a team of experienced real estate investment professionals led by Ronald M. Dickerman, the founder, owner and president of MIRH. Mr. Dickerman has more than 30 years of experience analyzing, underwriting, acquiring, financing, managing and disposing of commercial real estate and other asset types as well as originating and managing pooled investment vehicles. MIRH has extensive multi-disciplinary experience distributed through offices in New York, London and Frankfurt, Germany.

MIRH is an investment adviser registered with the SEC that was founded in 2011 to make secondary investments in private real estate transactions. MIRH owns Madison International Realty, LLC, Madison International Realty II, LLC, Madison International Realty III, LLC, Madison International Realty IV, LLC, Madison International Realty V, LLC, Madison International Realty VI, LLC, Madison International Realty VII, LLC, Madison International Realty NYC Core Retail, LLC, Madison International Realty GmbH, Madison International Realty NYC Core Retail II, LLC, Madison International Prime Property Realty, LLC, Madison International Realty UK, Ltd, Madison International European Realty, LLC and Madison International Global Alpha Realty, LLC (collectively, including MIRH, “Madison”). Madison International Realty, LLC was founded by Ronald M. Dickerman in 2002. Since 2002, Madison has invested in private real estate transactions primarily to acquire illiquid ownership positions in commercial real estate transactions from existing investors seeking liquidity.

Madison pursues an investment strategy in an effort to produce attractive risk adjusted returns for its Private Fund Vehicle investors. Although the Private Fund Vehicles initially determine an investor's suitability for investment in each Private Fund Vehicle, the individual needs of investors in each Private Fund Vehicle are not a basis of Madison's investment recommendations. Investment advice is provided directly to the Private Fund Vehicles on a discretionary basis and not individually to its investors.

In the case of any Separate Account, Madison will generally pursue a similar investment strategy as the Private Fund Vehicles, subject to any specific investment restrictions, limitations or particular areas of investment focus, which are typically set forth in the limited partnership or operating agreement. Differences in strategy between Funds may relate to geographic focus, investment term, return target, investment size, capital call/drawdown structure or investment type focus (i.e. listed security vs. private transaction), among others. In addition, certain Funds may have provisions that require investor approval before Madison can make the investment, rather than being fully discretionary. The Funds, including Separate Accounts will also have differing fee and expense structures.

Madison will seek to acquire partial ownership interests or debt obligations in real estate investment vehicles such as limited partnerships, joint ventures, limited liability

companies, private and public REITs, thinly traded or de-listed property companies, and other structured equity vehicles, at what it believes to be discounts to intrinsic value through secondary market purchases.

Madison expects the Funds to acquire positions from foreign and domestic individual and institutional investors, as well as provide new equity capital to existing property owners seeking to monetize equity positions, restructure balance sheets or buy out partners. The Funds will target ownership interests in high-quality, well-leased, well-located assets with moderate leverage, strong sponsorship, and limited operating risk. Fund investments are expected to be diversified by geographic location, commercial real estate type, and underlying sponsor. The Funds target investments in all major commercial real estate asset classes, including office, retail and multifamily. Madison has an established track record of underwriting, acquiring, and realizing returns from investments in each of these asset classes.

In certain limited situations, Madison may also seek to wholly own and operate underlying properties. In such situations, Madison uses a third-party property manager and operator, while maintaining control over key decisions.

Madison generally pursues one investment strategy across its Funds (as described above and in **Section 8**). However within its overall strategy, investment decisions by Madison may be tailored to the specific investment objectives and restrictions of each Madison Fund pursuant to the applicable Fund's investment guidelines and restrictions set forth in the relevant confidential private placement memorandum, limited partnership agreement, investment management agreement and other organizational documents pertaining to such Madison Fund (collectively, the “organizational documents”). Fund investors and prospective Fund investors should refer to the organizational documents for complete information on the general investment objectives, investment restrictions and material risks associated with each Madison Fund. Side letters may be used to tailor additional rights to individual Fund investors. Madison does not participate in any wrap fee programs.

As of December 31, 2018, Madison managed Funds with a total of \$4,590,329,359 of assets under management, of which \$4,374,249,466 are managed on a discretionary basis and \$216,079,893 which are managed on a non-discretionary basis. Assets under management have been calculated pursuant to SEC guidance.

## **Item 5. Fees and Compensation**

Madison receives a fixed asset management fee for each Fund it manages and may also receive a performance-based fee in accordance with the organizational documents of each individual Fund. During the investment period of the Funds, asset management fees are generally charged based on the aggregate capital commitments of each Fund. Subsequent to the investment period, these fees are generally charged based on aggregate capital contributions for investments that have not been liquidated. Madison may also receive a performance-based fee through the payment of distributions utilizing the distribution priority detailed in the organizational documents. Generally the distribution priority includes (i) return of capital contributions to Fund investors, (ii) a preferred rate of return to Fund investors, (iii) additional distributions returned to Fund investors and Madison as the general partner in accordance with ratios detailed in the organizational documents. These ratios, as well as the preferred rate of return, are Fund-specific. The receipt of distributions in the third stage of priority represents the performance-based compensation received by Madison, which is subsequent to Fund investors achieving their preferred rate of return. For certain Separate Accounts, asset management fees may be calculated based on net asset value of the account. For such accounts, performance-based fees are calculated as a percentage of net gain over a stated hurdle rate and subject to a high water mark.

Asset management fees and performance-based compensation may vary from Fund to Fund and investors should review the organizational documents of the relevant Fund in addition to this brochure for complete details on fees paid to Madison. In addition, subject to any applicable provisions in the Funds organizational documents, we may offer certain persons the ability to co-invest in particular investment opportunities alongside the Funds. The compensation payable to Madison in such cases may differ from the compensation we received from the Funds that participate in the same investment.

All Madison Funds are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940 (as amended, the “Company Act”) and therefore specific fee information is not disclosed in this brochure, but can be found in the organizational documents of each Fund.

Madison charges and deducts asset management fees directly from the Funds; these fees are generally paid quarterly in advance and are generally not refundable once paid, in accordance with the organizational documents of each individual Fund. These fees are paid through borrowings under the Funds’ credit facilities, if applicable, deductions from investment proceeds or other cash held by the relevant Fund, or through drawdowns of the unfunded commitments of underlying investors in the relevant Fund. In the case of certain Separate Accounts, asset management fees may be invoiced to the underlying investor.

In accordance with applicable fund organizational documents, Madison reserves the right to waive or reduce the amount of future installments of asset management fees that it would otherwise receive, in exchange for the financing of deemed present day capital contributions to individual Funds. Any reduction of an asset management fee installment payable by an individual Fund, will reduce dollar-for-dollar the amount of capital

contributions that the Fund's general partner would otherwise contribute to a Fund as a general partner commitment, or otherwise increase the allocation of profits to the general partner or its affiliates. Fully waived or reduced asset management fees may relate to installment periods that are several quarters or years in the future. The general partner or its affiliates will always contribute at least the portion of the general partner commitment in cash such that its cash funding is at least 0.75% of the total commitments.

In addition to the asset management fees and performance based compensation described above, Fund investors are allocated their pro rata share of all other fees and expenses charged to the Funds. These expenses include organizational expenses, operating expenses and investment expenses.

Organizational expenses include expenses incurred in connection with the organization and formation of the Fund entities, the asset manager and the general partner and the offering of the interests in the Fund entities, including, without limitation, legal and accounting fees and expenses, printing costs, registration and filing fees, marketing costs and expenses, including expenses arising from compliance with marketing regulations, and transportation and meal and lodging expenses incurred in connection with marketing activities, but excluding all placement fees.

Operating expenses may include those costs or expenses of the Funds in connection with, or related to:

- (a) Sourcing, acquiring, evaluating, negotiating, holding, monitoring, managing, financing, hedging, selling or disposing of its investments, including:
  - marketing, advertising, press releases and public relations (including a pro rata portion of all such expenses incurred by the investment manager and its affiliates relating to activities of (i) the investment manager, (ii) its affiliates and (iii) any party advised by any of the foregoing)
  - all costs and expenses incurred in connection with a proposed investment that is not ultimately consummated, or a proposed disposition that is not actually consummated, including, without limitation, legal, tax, accounting, travel and entertainment, advisory, consulting and printing expenses, and any liquidated damages, reverse termination fees, or similar payments (collectively, "Broken Deal Expenses"), provided, that notwithstanding anything to the contrary herein, the Fund may, under certain circumstances, bear Broken Deal Expenses associated with unconsummated transactions that are in excess of the amount of a Fund's pro rata share of such Investment had such investment been consummated (e.g., to cover the portion thereof attributable to any co-investor that does not bear such broken deal expenses, because a co-investment vehicle had not yet been formed, or for any other reason)
  - entertainment expenses (including expenses related to attendance or exhibiting at industry conferences)
  - trade association membership fees

- administrative and research fees (including proxy research and voting services)
  - fees for outside services
  - software costs (including the cost of software used for real estate underwriting)
  - investment-related research, organizing and storing portfolio data, financial modelling software and financial modelling services)
  - expenses incurred in monitoring transactions that may affect the value of the investments, communicating with parties that control or participate in each Investment
  - evaluating the actions taken or not taken by the management of each investment, evaluating the actions taken or not taken by the management of each investment
  - expenses of custodians, outside advisors, counsel (including Fund counsel)
  - travel expenses related to all of the foregoing, including commercial airfare, lodging, meals and meeting space
  - brokerage and other transaction costs associated with such sale or disposition
  - interest and fees arising out of all financings entered into by the Funds, including, but not limited to, those of lenders, investment banks, and other financing sources
- (b) maintaining the operations of the Fund entities, including:
- taxes, fees and other governmental charges levied against the Fund entities
  - insurance
  - administrative fees
  - fees for outside services
  - audit costs
  - software costs (including technological expenses, data services and investor portals)
  - custodians
  - outside counsel
  - accountants, administrators and other consultants and professionals, including but not limited to service providers engaged to ensure compliance with tax, legal, and regulatory requirements, including the Alternative Investment Fund Managers Directive and similar requirements, other EU Directives, including BEPS and related compliance in jurisdictions, including but not limited to Luxembourg, Netherlands and the Cayman Islands, to the extent related to or arising from a Fund, the pro rata cost of employees engaged by the general partner, the investment manager and/or their affiliates (including any bonuses, fees and benefits paid to such persons) employed to provide such services in lieu of a third-party service provider (including salaries, bonuses and customary employee benefits paid to such



persons) and the pro rata direct or indirect allocation of specified overhead costs and expenses associated with such employees (including rent, information technology and employment and similar taxes)

- expenses associated with forming and operating alternative investment vehicles and other holding vehicles related to an Investment
- interest on and fees, costs and expenses arising out of all financings entered into by a Fund (including, without limitation, those of lenders, investment banks, and other financing sources)
- filing fees and legal or regulatory compliance expenses (but excluding costs directly related to registering as a registered investment advisor such as ongoing compliance costs and costs associated with any examination or deficiency finding of the U.S. Securities and Exchange Commission)
- litigation expenses (including the amount of any judgments or settlements paid in connection therewith)
- expenses of the advisory committee members and the costs of any services provided by the general partner or its affiliates
- expenses associated with meetings of the advisory committee and the limited partners
- travel, meals and entertainment expenses incurred in connection with meeting any limited partner in connection with a Fund
- expenses associated with the preparation and distribution of reports, financial statements, tax returns, U.S. Treasury forms and K-1s to the Partners expenses associated with compliance with the U.S. Foreign Account Tax Compliance Act
- expenses associated with the representation of a Fund or the partners by the "tax matters partner"
- indemnification and other unreimbursed expenses
- fees paid to locally licensed intermediaries that a Fund or an affiliate thereof is required to engage as a result of one or more limited partners being domiciled in, or otherwise affiliated with a particular jurisdiction
- expenses of liquidating the Fund entities
- expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund entities
- expenses relating to litigation involving the Fund entities and the amount of any judgments or settlements paid in connection therewith

The above does not include every possible expense a Fund may incur and not all Funds will bear all of the expenses described above. Certain expenses may be common to one or more Funds, as well as the general partner or asset manager. These expenses will be allocated among such entities on a basis that we believe to be fair and equitable, taking into consideration all relevant facts. In some cases shared expenses may be paid by a single Fund entity, or the general partner/asset manager and subsequently reimbursed by the other

entities for their appropriate share. This practice could incentivize Madison to allocate fewer expenses to the general partner/asset manager or to Fund entities that have a greater expected performance-based fee profile. This conflict is mitigated by Madison's expense allocation controls, including review and approval of each expense allocation and disbursement by multiple parties within Madison's Finance & Accounting Team.

In limited situations, Madison will seek reimbursement for advisory or consultant services, including, including legal, tax, and accounting related services incurred by the general partner and its affiliates for its employees or consultants. In addition, where Madison wholly owns and operates the underlying properties, we will seek to be reimbursed for the costs of "owner's representatives" (who may be employees or consultants of MIRH and its affiliates).

The third-party managers or investment sponsors of the investment vehicles the Fund invests in typically charge the vehicles a management fee and may charge an incentive fee. In the case of an internally managed listed or unlisted REITs, the REIT pays the costs and compensation of the management team. Investors should understand that Madison expects that in all of the Funds investments, a third party sponsor or management team will receive compensation from the investment vehicle that is in addition to any amounts due to Madison.

Madison does not receive any compensation for the sale of securities or other investment products.

## **Item 6. Performance Based Fees and Side-by-Side Management**

As discussed in Item 5 above, Madison receives both an asset management fee and a performance-based fee. The performance-based fee is earned after Fund investors achieve their preferred rate of return. Performance-based fees are only received subsequent to actual liquidation events (cash distributions received by Fund investors in excess of the preferred return described in Item 5) and neither asset management nor performance-based fees are calculated utilizing unrealized asset valuations (other than in limited situations as detailed in certain Funds organizational documents).

The use of performance-based fees could create incentives for Madison to acquire riskier Fund investments than might be acquired under a different fee arrangement, although a side-by-side commitment of capital by Madison to a Fund may reduce this incentive. In addition, Madison could have an incentive to hold investments for a longer term rather than selling in order to achieve additional management fees. Both of these conflicts are mitigated by Madison's robust acquisition and disposition controls, including review and approval of each acquisition and disposition by the investment committee to ensure compliance with all organizational documents and adherence to stated investment strategies. In addition an advisory committee inclusive of up to 9 unaffiliated Fund investors has been in place for all Private Fund Vehicles created since 2007. The advisory committee provides advice and counsel on Fund activities and is required to approve certain activities as described in the respective organizational documents, which also helps to mitigate the potential conflicts described above. Madison has also formalized an internal Senior Management Team comprised of senior personnel who seek to proactively identify, and respond to potential and actual conflicts of interest. All fees charged by Madison are in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Fee arrangements between advisers and multiple clients (e.g., advisers to multiple funds), can create an incentive to favor higher fee paying Funds over other Funds in the allocation of investment opportunities. It is Madison's policy to seek to provide consistent treatment of advisory clients with similar investment guidelines when possible, recognizing that differences in client holdings will exist due to the timing of their investments and other considerations.

### **Private Investment Allocations**

On occasion, Madison may conclude that an investment opportunity is appropriate for more than one Fund. For example, to the extent that a Fund is either at the beginning or end of its investment period, it may co-invest with an existing Fund (in the event of an opportunity presented at the beginning of its investment period) or with a successor Fund (in the event of an opportunity presented at the end of its investment period). In addition, Madison occasionally makes de minimis investments as part of its due diligence process in pursuing potential projects or sectors to invest in more fully in the future. Depending on the timing and circumstances of such future investment, it is possible a larger investment may come to fruition for a fund other than the one that initially pursued the small investment.

Potential conflicts of interest and/or allocation issues may be reviewed by the investment committee, and are subject to approval by each Fund's Advisory Board, as necessary.

There may be instances in which we determine that an investment opportunity that would otherwise be offered to a Fund is not suitable (or is not of a suitable size) for such Fund. In such event, the investment opportunity may be offered to other co-investors in whole or in part, as appropriate under the circumstances. In addition, we may offer co-investment opportunities to certain underlying investors in the Funds or to other third parties if we determine that, for diversification or other reasons, it may not be prudent for existing Funds to invest the entire amount necessary to fund an investment. Such co-investment opportunities, if offered, would be subject to any relevant agreements or restrictions set forth in the organizational documents of our Funds.

The Firm's allocation of investment opportunities to the Funds, as well as co-investment allocation outside the Funds, is subject to a number of allocation provisions that are set forth in the organizational documents of the applicable Funds (each, an "Allocation Rule"). Such Allocation Rules include, but are not limited to: provisions relating to exclusivity with respect to particular types of investments during certain time periods, and specified exceptions thereto; provisions related to the order of presentation of co-investment opportunities; provisions that may permit certain types or categories of investments to be made by a Fund, notwithstanding a conflicting Allocation Rule; and provisions that limit the concentration of a Fund in one or more particular categories of investments. The Allocation Rules are set forth in the organizational documents of the Funds to which they relate. Other Funds advised by the Firm in the future may be subject to these or other Allocation Rules. If and to the extent that any Allocation Rule requires that an investment opportunity be allocated to a specific Fund, such investment will generally be so allocated. In any of the foregoing circumstances where an investment opportunity is to be allocated other than in a manner required by an applicable Allocation Rule, Madison will allocate the opportunity in light of all applicable circumstances, taking into account factors such as, without limitation: each Fund's investment strategies, objectives and guidelines (including each Fund's applicable investment limitations); each Fund's existing overall portfolio composition, including its exposure to particular types of investments and/or geographical markets or submarkets; where each Fund is situated within its overall expected entity lifespan; and general market conditions in the markets in which the Funds invest. However, in making such determination, Madison shall ensure that such determination is not based upon any Fund's applicable fee structures (including with respect to any performance-based compensation) or any other factors which could appear to provide preferential treatment to one or more Funds.

In the event that Madison is unable to make an allocation determination because it considers that the investment opportunity should be made to more than one Fund, Madison shall allocate the investment opportunity on a rotational basis based on an actively managed queue. The Fund that is a fit based on the screening process and has been waiting the longest to execute an investment opportunity meeting its criteria shall be awarded the opportunity on a sequential basis.

### Listed Securities Allocations

Subject to certain exceptions, any listed real estate security (“Listed Opportunity”) for which the supply in the market at an actionable price is limited at a time when more than one Fund desires to acquire such Listed Opportunity will be allocated pro rata between the Funds based on available capital. Depending on the specific investment strategy, available capital will be determined as either a Fund’s targeted allocation to Listed Opportunities or a Fund’s targeted allocation to a specific security.

Allocations may be made other than on a pro rata basis under limited circumstances (for example due to certain Allocation Rules described above) and therefore Madison has established an internal allocation committee (the “Allocation Committee”) to oversee allocations to, and potential conflicts associated with overlapping investments of multiple Funds. In addition, because there may be differences in investment strategy for certain Funds (i.e., return thresholds, holding periods, position concentration and sizing, etc.), a Listed Opportunity may arise within a short time frame during which it is not practical to convene the investment committee for a relevant Fund, and such Listed Opportunity may be taken exclusively or disproportionately by another Fund. Also, the Allocation Committee may determine at the outset of a particular Listed Opportunity that it presents an opportunity for a Private Investment in Public Equity or “PIPE” investment, in which case it may be allocated exclusively or predominantly to a certain Fund. Finally, because of the illiquid (or potentially illiquid) nature, size, duration of an opportunity or because it is otherwise inconsistent with the appropriate management of a certain Fund’s liquidity needs or desired concentration levels, the Allocation Committee may decide that such Listed Opportunity should be allocated exclusively, or predominantly, to another Fund.

Conflicts may also arise as a result of Madison’s receipt of material non-public information (which could adversely affect another Fund’s need for liquidity with respect to such investment). Similarly, a Fund’s acquisition or disposition of a Listed Opportunity could adversely affect another Fund by affecting the price and liquidity of such Listed Opportunity available in the market at the time of the desired acquisition and disposition of such Listed Opportunity by such Fund(s). The Allocation Committee will consider whether any Fund may be adversely affected and whether such adverse effects may be mitigated.

Madison anticipates that conflicts associated with dispositions made at different times will arise infrequently. However, there may be instances where required market liquidity for disposition of a particular Listed Opportunity at a designated price may be limited and conflicts may arise. For example, as a Fund nears the end of its term, it may enjoy a preferential right of disposal over another Fund. When such potential conflicts arise, Madison expects to convene the Allocation Committee (with consultation from outside counsel, where appropriate) to consider any potential adverse effects on any Fund and how such effects might be mitigated.

## **Item 7. Types of Clients**

Madison provides investment management services to a series of private funds, including co-investment vehicles, and separate account mandates, which are not available to the general public for investment. The terms of each Fund can be found in the organizational documents of each Fund. Investors in Madison Funds are typically state or municipal government entities, pension and profit-sharing plans, pooled investment vehicles, endowments, estates, foundations, state or municipal government entities, high-net worth individuals, non-U.S. institutions and trusts.

**Madison requires that each limited partner in a Madison Fund be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”) and, in most cases, a “qualified purchaser” as defined by the Company Act.**

Investors in the Madison Funds should refer to the organizational documents of the applicable Madison Fund for complete information on the minimum investment requirement for participation in that Madison Fund. Madison does, however, maintain discretion to individually waive, increase or reduce the minimum investment commitment required for any of its Funds.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

Madison seeks to make secondary purchases of partial ownership interests in high quality U.S. and Western European commercial real estate assets using an event-driven, value-oriented investment strategy. Ownership interests within the Funds' target investment market include limited partnership, limited liability company, private and public REITs, joint venture and structured equity interests held by individual and institutional investors seeking liquidity. The Funds may also originate structured equity investments and invest in property companies with similar attributes. Madison will pursue these interests at discounts to their underwritten value. Investments are expected to be diversified by geographic location, commercial real estate asset type, and underlying fund sponsor. Madison's investments will target all major commercial real estate asset classes, including office, retail, multifamily residential, industrial and hospitality. Madison's investment strategy targets investments with high asset quality, minimal operating risk, moderate leverage with no near term maturities, and strong current dividend yields.

Madison will primarily pursue investments for its Funds where Madison believes it has a strategic or informational pricing advantage and will seek "off-market" investment opportunities where no secondary market exists for the underlying interests. The Funds do not concentrate on widely marketed investment opportunities or property auctions. Instead the Funds will focus on privately negotiated transactions and other off-market situations where Madison holds strategic, informational, and/or other competitive advantages. The Funds leverage Madison's transatlantic transaction sourcing capabilities to originate investments both through Madison's specific knowledge of historical transactions and through its reputation as a leading provider of liquidity to existing real estate investors. Madison expects to source Fund investments through its existing and growing network of domestic and foreign relationships including fund sponsors, financial intermediaries, wealth managers, trust and estate lawyers, industry professionals, and industry trade organizations. In addition, Madison expects to source investments through event and conference participation, membership in various professional real estate groups, direct mail, and print campaigns, including articles, editorials and advertisements in widely circulated publications worldwide.

Madison's investment analysis and due diligence process is characterized by in-depth financial analysis, original market research, and conservative assumptions embedding a level of conservatism in asset valuation, holding period, and investment pricing. This conservatism may result in positive variances to underwritten target returns while also providing a cushion to returns in more challenging market environments. Madison takes a disciplined, comprehensive approach to underwriting each prospective investment opportunity employing a systematic due diligence process conducted internally by Madison and assisted, when appropriate, by outside experts. The goal of the underwriting process is to determine the current value, future value, and estimated remaining holding period of the underlying real estate asset and translate these factors into a price for the target ownership interest that takes into account the capital structure of the investment and a Fund's target return to its investors. In addition to its fundamental real estate analysis and market diligence, Madison also will conduct a thorough review of the debt and equity

structure of the asset, the sponsor, property specifics, such as entitlements and code compliance, and legal documentation.

## **Risk Factors**

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 a Fund's investment objectives will be achieved or that there will be any return of capital. Prospective investors should read the following key risk factors before investing in the Funds, and should refer to the relevant Fund's organizational documents for a complete list of risk factors.

### **Nature of Investment**

An investment in the Madison Funds requires a long-term commitment, with no certainty of return. The Funds may make investments in real-estate related assets, some of which may be experiencing or are expected to experience financial difficulties, which difficulties may never be overcome. There may be little or no near-term cash flow available to investors. Since the Funds may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors.

### **Investments Longer than Term**

The Funds may make investments that may not be advantageously disposed of prior to the date that the Funds will be dissolved, either by expiration of the Funds term or otherwise. Although Madison expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, Madison has a limited ability to extend the term of the Funds and the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

### **REITs**

Because the Funds may invest a portion of their assets in REITs, they may also be subject to certain risks associated with direct investments in REITs. REITs are able to benefit from a deduction for dividends paid which reduces their corporate U.S. federal tax liability. In order to qualify for this benefit, a REIT must satisfy a variety of income, asset distribution and ownership requirements. REITs may be affected by changes in the value of their underlying assets and by defaults by borrowers or tenants. Operation as a REIT may require specialized management skills and REITs have limited diversification. The performance of a REIT may be affected by changes in the tax laws or by its failure to qualify for the tax deduction described above. Prospective investors should consult their tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of an investment in a REIT.

### **Limited Information**

In certain instances, Madison may not receive access to all available information to determine fully the origination, credit appraisal and underwriting practices utilized with



respect to the investments or the manner in which the investments have been serviced or operated.

#### Highly Competitive Market for Investment Opportunities

The activity of identifying, completing and realizing attractive real estate investments is highly competitive and involves a high degree of uncertainty. The Funds will be competing for investments with other real estate investment vehicles, as well as individuals, publicly traded real estate companies, financial institutions (such as mortgage banks and pension funds), hedge funds and other institutional investors. Further, over the past several years, many real estate funds and publicly traded companies have been formed (and many such existing funds have grown in size) for the purpose of investing in real estate assets, including distressed real estate assets. Additional real estate funds and companies with similar investment objectives may be formed in the future by other unrelated parties and further consolidations may occur (resulting in larger funds and vehicles). There can be no assurance that the Funds will be able to locate, complete and exit investments which satisfy the Funds objectives, or realize upon their values, or that the Funds will be able to invest fully its committed capital.

#### Lack of Liquidity of Investments

The investments to be made by the Funds are likely to be illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Funds. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. The possibility of partial or total loss of capital will exist, and investors should not subscribe unless they can readily bear the consequences of such loss.

#### Funds and/or Portfolio Investments May Be Highly Leveraged

The partnerships, companies and joint ventures in which the Funds invest may have highly leveraged capital structures subject to organizational document limitations. Shortfalls in cash flow or increased interest rates may impair their ability to meet their debt obligations, which could impair the Funds' ability to earn an acceptable rate of return (or any rate of return) on such investment. In addition, the Funds may incur debt to fund acquisitions or for working capital, which may be recourse to some or all assets of the Funds. Such leverage, while increasing the possibility of high returns, may also increase the risk of loss of an investment.

#### Lack of Control over Investments

The Funds will generally acquire minority interests in the investments and as such, the Funds will typically not be in a position to exercise control or substantial influence over the investments. The actions taken by those holding a majority ownership interest in and/or control of an investment may not always be in the best interests of the Funds and may even have an adverse effect on the Funds investment in such investments.

### Lack of Management Rights

Investors will have no opportunity to control the day-to-day operation, including investment and disposition decisions, of the Funds. Madison will have sole and absolute discretion in structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of the Funds. Madison and its affiliates make all acquisition decisions. Consequently, Fund investors will not have the right to evaluate for themselves the merits of particular investments prior to a Madison Fund making such investments. The investors of the Funds will not have voting rights except with respect to certain limited matters.

### Risks Associated with Foreign Investments

The Funds are generally expected to make investments in one or more foreign countries. The Funds' assets generally will be denominated in the currency of the jurisdiction in which investments are located. Any fluctuation in currency exchange rates or costs of conversion and any changes in exchange control regulations will affect the value of investments in foreign assets. Moreover, the Funds may incur costs when converting from one currency to another.

In addition, with any investment in a foreign country, especially in real estate, there exist certain economic, political and social risks. In addition, laws, regulations and conditions in foreign countries may impose restrictions or risks that would not exist in the United States and may require financing and structuring alternatives that differ significantly from those customarily used in the United States. Foreign countries also may impose taxes on a Fund and/or its investors.

### Risks Inherent In Secondary Market Purchases

The Funds seek to make secondary market purchases of partial and/or illiquid ownership interests in entities owning certain properties and portfolios from existing investors seeking liquidity at material discounts to intrinsic value where such value is expected to be realized through a liquidation event by the manager of the underlying investment vehicle. Accordingly, the success of the Funds' investments will be subject to a variety of risks, including those related to the ability of the manager of the underlying investment vehicles to successfully (i) operate and manage their portfolios and the underlying properties and (ii) liquidate their underlying investments. The Funds generally will not participate in the management and control of such portfolios and the underlying properties. In addition, the success of the Funds' investments will be subject to the following risks:

- Underlying investment vehicles may be denominated in a currency that is different than the currency of the jurisdiction of the underlying properties. In addition, certain underlying investment vehicles may have senior financing in currencies that are different than the currencies of the jurisdictions of the underlying properties or the Fund.
- There may be situations where additional equity is needed to satisfy capital needs of an underlying investment vehicle or to de-lever the portfolio or an asset. Further, given the fragmented nature of the capital base, there is a risk that the entire investor base may

not be able or willing to provide additional equity which might have a material adverse effect on the underlying asset.

- One or more of the underlying investment vehicles may have restrictions against investments by U.S. persons or investors that are entities or other restrictions that may limit investment opportunities in such vehicles.

#### Leverage And Interest Rates

Investments will likely utilize a leveraged capital structure, in which case a third-party typically would be entitled to cash flow generated by such investments prior to a Fund receiving a return. Fluctuating or rising interest rates may adversely affect the ability of a Fund to successfully acquire investments and may also adversely affect the performance of the investments. Use of borrowed funds to leverage acquisitions involves a high degree of financial risk and can amplify the effect of any increase or decrease in value of an investment and will increase the exposure of the investments to adverse economic factors, such as fluctuations in interest rates, downturns in the local economy in which the investments are located or deterioration in the condition of the investments.

#### Uninsured Losses

There can be no assurance that insurance will be available or sufficient to cover the risks associated with the Funds' investments. Insurance against certain risks, such as earthquakes, floods, or terrorism may be unavailable, unavailable at a reasonable cost, available in amounts that are less than the full market value or replacement cost of investments or subject to a large deductible. In addition, there can be no assurance that the particular risks which are currently insurable will continue to be insurable at a reasonable cost. If a Fund or any of its investments suffers an uninsured loss, all or a substantial portion of the relevant investment may be lost. In addition, all of the assets of a Fund may be at risk in the event of an uninsured liability to third parties.

#### Third Party Claims

The Funds may acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if liability were asserted against a Fund based upon such properties, a Fund might have to pay substantial sums to dispute or remedy the matter, which could adversely affect a Fund's cash flow. Unknown liabilities with respect to properties acquired could include: liabilities for clean-up of undisclosed environmental contamination; claims by tenants, vendors or other persons relating to the former owners of the properties; liabilities incurred in the ordinary course of business; and claims for indemnification by the general partners, directors, officers, and others indemnified by the former owners of the properties.

#### Targeted Returns

Investors have no assurance that the Funds will achieve their target internal rate of return and/or cash multiple of invested capital objectives. Targeted returns are based on Madison's analysis of the types of underlying investments a Fund is expected to make over its lifetime, the implementation of Madison's investment strategy, the net returns received on the Fund's

investments, and the costs related to these investments. While Madison's targeted returns are based on assumptions that it believes are reasonable and sound under the circumstances, the actual realized returns on investments may differ from the assumptions and circumstances on which the targeted returns are based. Accordingly, the actual returns on any investments may differ materially from any targeted returns and no assurance can be given that the return objectives will be met. An investor could experience returns below the return objectives or a loss of its entire investment.

#### Risks Associated with Unspecified Transactions

Investors may not be able to evaluate for themselves the merits of a particular investment in real property interests or the management of underlying properties prior to the investors' decision to invest in a Fund or prior to a Fund's investment in a particular property, nor will investors be entitled to participate in any manner in the decisions regarding refinancings or divestitures. Investors will be relying on the ability of the general partner with respect to the investments made by a Fund.

#### Interest Rate Fluctuation

The Funds may incur variable rate indebtedness. In that case, increases in interest rates would increase a Fund's interest costs, thereby decreasing the amount of available funds for distribution to the Fund's limited partners. Increases in interest rates also may cause a reduction in the value of a Fund's investments. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies that are beyond the control of the Funds. The Funds may employ a hedging strategy to limit the effects of changes in interest rates on their operations, including engaging in interest rate swaps, caps, floors and other interest rate exchange contracts. There is a cost associated with the use of these types of derivatives to hedge the Funds' assets and liabilities. Moreover, there is no perfect hedge for any investment, and a hedge may not perform its intended use of offsetting losses on an investment. With respect to certain potential hedge instruments, the Funds are exposed to certain counterparty risks, such as a swap counterparty ceasing to make markets and quote prices in such instruments, which may render a Fund unable to enter into an offsetting transaction with respect to an open position. Consequently, the profitability of the Funds may be adversely affected during any period as a result of changing interest rates.

#### Hedging Policies/Risks

The Funds may utilize a wide variety of derivative financial instruments for risk management purposes. The successful utilization of hedging and risk management transactions requires skills that are separate from the skills used in selecting and monitoring investments and such transactions may entail greater than ordinary investment risks. Additionally, costs related to hedging and/or other derivative arrangements (including legal expenses) will be borne by the Funds. There can be no assurance that any hedging transactions will be effective in mitigating risk in all market conditions or against all types of risk (including unidentified or unanticipated risks or where Madison does not regard the probability of the risk occurring to be sufficiently high as to justify the cost), thereby resulting in losses to the Funds. Engaging in hedging and/or other derivative transactions may result in a poorer overall performance for the Funds than if it had not engaged in any such hedging and/or other derivative transaction, and Madison may not be able to

effectively hedge against, or accurately anticipate, certain risks that may adversely affect the Funds' investments. In addition, the Funds' investments may be exposed to certain risks that cannot be fully or effectively hedged, such as credit risk relating both to particular securities and counterparties and foreign exchange rules. The Funds will utilize hedging transactions only as determined by Madison in its sole discretion.

#### Potential Environmental Liability

The Funds may be exposed to substantial risk of loss arising from investments involving undisclosed or unknown environmental, health or occupational safety matters, or inadequate reserves, insurance or insurance proceeds for such matters that have been previously identified. Under various U.S. federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws may impose joint and several liability, which can result in a party being obligated to pay for greater than its share, or even all, of the liability involved. Such liability may also be imposed without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property are generally not limited under such laws and could exceed the value of the property and/ or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Funds' return from such investment. Environmental claims with respect to a specific investment may exceed the value of such investment, and under certain circumstances, subject the other assets of the Funds to such liabilities.

#### Limited Transferability of Interests

Fund interests are subject to restrictions on transfer. In all events, limited partners may not withdraw capital from a Fund other than to the extent of current income and disposition proceeds when and as required to be distributed by the Fund. It is anticipated that the offering and sale of interests in each Fund will be exempt from registration pursuant to Regulation D promulgated under the Securities Act; that there will be no public market for Fund interests; and that the Funds will not be registered as investment companies under the Company Act.

#### Asset Valuations

With certain limited exceptions, valuations of current income and disposition proceeds with respect to investments will be determined by the general partner of each Fund and will be final and conclusive to all limited partners. If distributions upon the termination of the Funds are made in assets other than cash, the amount of any such distribution will be accounted for at the fair market value of such assets, with certain limited exceptions, as determined by the general partner in accordance with procedures set forth in each Fund's partnership agreement. The market value of investments held by the Funds will generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular security, and the conditions of financial markets. Because there is no liquid market for the investments, or only a limited liquid market, the

fair value of the investments may not be readily determinable. The Funds will value these investments periodically at fair value as determined by the general partner. The valuations used by the general partner for a substantial portion of a Fund's investments may therefore not reflect the most recently available market information. Factors that may be considered in valuing the investments include discounted cash flows, prevailing market conditions with respect to the location of an investment, similar property sales and other relevant factors. Because such valuations are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, the general partner's determination of fair value may differ materially from the actual results obtainable in an arm's-length sale of such investments to a third party. A Fund's financial condition and the results of its operations could be adversely affected if the Fund's fair value determination for an investment is materially higher than the value it ultimately realizes on the investment.

#### Material Non-public Information

By reason of their responsibilities in connection with its investment activities, Madison or its personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. A Fund will not be able to act upon any such information. Due to these restrictions, Madison may not be able to initiate a transaction on behalf of a Fund that it otherwise might have initiated and may not be able to dispose of an investment that it otherwise might have disposed of.

#### Investments in Restricted Securities

The Fund may be prevented from buying or selling certain publicly traded securities if the Investment Manager or the Fund acquires material, non-public information with respect to such securities. In addition, if such information is acquired with respect to a publicly traded security that the Fund already holds, such security will be placed on a "restricted securities list" maintained by the Investment Manager and will not be traded until the material, non-public information becomes public or is no longer material. Accordingly, the Fund may be disadvantaged due to its inability to participate in investments that would otherwise be suitable for the Fund or its ability to liquidate existing investments during favorable market conditions.

#### Risks of Co-investments

Under certain circumstances, the partners, members, employees and managers of Madison will be permitted to make coinvestments as part of the general partner's commitment to such co-investment with or through the Fund on terms that are not available to its other investors generally. In addition, Madison may negotiate for and retain certain carried interest or other incentive fees from co-investors in entities in which a Fund invests. A Fund may also make an investment with the expectation of offering a portion of its interests therein as a co-investment opportunity to limited partners and/or other third-party investors. There can be no assurance that a Fund will be successful in syndicating such co-investment, in whole or in part, that the closing of such coinvestment will be consummated in a timely manner, that the syndication will take place on terms and conditions that will be preferable for a Fund or that expenses incurred by a Fund with respect to such syndication will not be substantial. In the event that a Fund is not successful in syndicating such co-investment, in whole or in part, a Fund may consequently hold a greater

concentration and have more exposure in the related Investment than initially was intended, which could make a Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, an investment by a Fund that is not syndicated to co-investors as originally anticipated could significantly reduce a Fund's overall investment returns, including through the payment of Broken Deal Expenses by a Fund that are not paid by the prospective co-investors.

#### Cyber Security Breaches and Identity Theft

Cyber security incidents and cyber-attacks are occurring globally at a more frequent and severe levels and will likely continue to increase in frequency in the future. Madison's, its investments', and their service providers' information and technology systems may be vulnerable to damage or interruption from computer viruses and other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals or service providers, power, communications, or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete, or modify private and sensitive information. Although Madison has implemented, and its investments and their service providers may implement, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced malware, impersonation of authorized users, and industrial, governmental or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing it from being addressed appropriately. Madison, a Fund, and/or an investment may have to make a significant investment to fix or replace such systems. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Madison's, the Funds', and/or an investment's operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to limited partners (and their beneficial owners) and the intellectual property and trade secrets of Madison and/or its investments. Such a failure could harm Madison's, the Funds' and/or an investment's reputation, subject any such entity and their respective affiliates to legal claims and adverse publicity and otherwise affect their business and financial performance.

#### General Real Estate Investment Considerations

There is no assurance that the operations of the Funds will be profitable or that cash from operations will be available for distribution to investors. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuation and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the Funds' investments. The marketability and value of the real property interests will depend on many factors beyond the control of the Funds, including, without limitation: changes in general or local economic conditions; changing demographics; perceptions of prospective tenants of the convenience, services, safety and attractiveness of a Fund's investments; competition from other real estate investors with

significant capital, including other real estate investment companies and institutional investment funds; the quality of the construction and design of the relevant buildings; contingent liabilities on disposition of assets; changes in availability of debt financing; environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established; energy prices; changes in the relative popularity of property types and locations; the ability of the General Partner to provide adequate management, maintenance and insurance; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; changes in supply of, or demand for, commercial real estate in an area (e.g., as a result of over-building); fluctuations in the occupancy and rents for residential properties; changes in interest rates; promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; unavailability of mortgage funds which may render the sale of a property difficult; the financial condition of tenants, buyers and sellers of properties; changes in real estate tax rates and other operating expenses; various uninsured or uninsurable risks; and acts of God and natural disasters. Since investments in real estate generally are not liquid, there can be no assurance that there will be a ready market when a Fund determines to sell a property.



**Item 9. Disciplinary Information**

Madison has not been involved in any legal or disciplinary events that it believes would be material to a Fund's, Fund investor's, or a prospective Fund investor's evaluation of our investment advisory business or the integrity of management.

## **Item 10. Other Financial Industry Activities and Affiliations**

Neither Madison, nor its management persons are registered or have a pending application to register as a broker-dealer or a representative of a broker-dealer. In addition, neither Madison nor its management persons are registered or have a pending application to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

Madison and its related persons are the general partners, or managing members of each Madison Fund. In addition, under SEC guidance, our affiliated investment advisers that have the authority to make investment decisions on behalf of the Funds are deemed to operate, for Advisers Act registration purposes, as a single advisory business together with MIRH. MIRH's affiliated investment advisers include Madison International Realty, LLC, Madison International Realty II, LLC, Madison International Realty III, LLC, Madison International Realty IV, LLC, Madison International Realty V, LLC and Madison International Realty VI, LLC, Madison International Realty VII, LLC, Madison International European Realty, LLC, Madison International Realty NYC Core Retail, LLC, Madison International Realty NYC Core Retail II, LLC, Madison International Global Alpha Realty, LLC, Madison International Prime Property Realty, LLC, Madison International Realty UK, Ltd and Madison International Realty GmbH.

The general partners of the Madison Funds are Madison International Holdings, LLC, Madison International Holdings II, LLC, Madison International Holdings III, LLC, Madison International Holdings IV, LLC, Madison International Holdings V, LLC, Madison International Holdings VI, LLC, Madison International Realty VII, LLC, Madison Fornebu Holdings, LLC, Madison International Real Estate (Lux) GP S.À R.L, Madison International European GP, LLC, Madison International European Feeder GP, LLC, Madison International Holdings VI Retail Co-Investment, LLC Madison International Holdings NYC Core Retail, LLC, Madison International Holdings NYC Core Retail II, LLC, Madison International Prime Property Holdings, LLC, Madison International Real Estate VII (Lux) GP S.a.r.l. and Madison International Global Alpha GP, LLC.

Madison does not recommend or select other investment advisers for clients in return for compensation. Madison does contract with non-US service providers for certain advisory, accounting, fund administration, and other services to comply with the EU Alternative Investment Fund Managers Directive and similar requirements and other EU Directives, including the Base Erosion Profit Sharing (BEPS) directive.

## **Item 11. Code of Ethics, Participation of Interest in Client Transactions and Personal Trading**

In compliance with Rule 204A-1 of the Advisers Act, Madison has adopted a Code of Ethics in order to establish the standard of conduct expected of all employees in light of Madison's duties to its clients. It also establishes reporting and other requirements for personal securities transactions.

Employees owe a fiduciary duty to the Funds. Among other duties, each employee should (i) at all times place the interests of the Funds before his or her own interests, (ii) act with honesty and integrity with respect to the Funds, (iii) not take inappropriate advantage of his or her position for his or her personal benefit, (iv) make full and fair disclosure of all material facts, particularly where Madison's or employee interests may conflict with a Fund's, and (v) have a reasonable, independent basis for his or her investment advice.

Madison maintains a copy of its Code of Ethics adopted and implemented pursuant to SEC Rule 204A-1. Clients may obtain a copy of Madison's Code of Ethics upon request by contacting the Chief Compliance Officer at 212-688-8777.

As general partners, limited partners or managing members of the general partners of each of the Madison Funds, or as co-investors in investment vehicles, Madison and its related persons have direct or indirect beneficial interests in the assets owned by the Madison Funds and share in any profits and losses generated by the Madison Funds' investments.

Madison has adopted policies and procedures reasonably designed to avoid conflicts of interest related to the personal trading of its employees through the use and maintenance of a restricted security list in which no related person may purchase or sell, directly or indirectly, for his or her own account or for any account in which he or she may have a beneficial interest, any security that appears on the list, without prior approval from the Chief Compliance Officer. Included on the restricted security list are securities in the real estate sector as they can be investments or potential investments of the Madison Funds.

## Item 12. Brokerage Practices

To select brokers who are qualified to provide brokerage services, Madison considers, among others, the following relevant factors:

- financial stability of the broker;
- the price of the security and the broker's commission rates;
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis);
- custodial and other services provided by such brokers that are expected to enhance the Firm's general investment management capabilities;
- the broker-dealer's expertise in the specific securities or sectors in which Adviser seeks to trade;
- the extent to which the broker-dealer makes a market in the securities involved or has access to such markets;
- liquidity of the market for the security;
- the likely market impact of the order and Adviser's opinion as to which broker-dealer is best able to handle the order with minimum adverse market impact;
- the broker-dealer's promptness of execution;
- the broker-dealer's reputation for diligence, fairness and integrity;
- confidentiality considerations;
- the broker-dealer's ability and willingness to correct errors;
- the broker-dealer's ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and
- the size and type of the transaction;
- the operational facilities, infrastructure and technology of the brokers and/or dealers involved (including back office efficiency); and
- the ability to handle a block order for securities and distribution capabilities.

Madison also seeks to obtain "best execution" of the securities transactions effected for its Funds. To fulfill this obligation, Madison seeks to execute securities transactions in such a manner that the total cost or proceeds in each Fund transaction is the most favorable under the circumstances. In seeking best execution, Madison considers the full range and quality of a broker's services including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness. In addition, Madison considers the benefit of spreading certain trades among multiple brokers.

Madison receives soft dollar benefits from certain broker-dealers in compliance with Section 28(e) of the Securities Exchange Act of 1934. These benefits include, among others, research as well as brokerage services including trade execution, clearance, and settlement. Madison analyzes the soft dollar benefits that it receives to confirm that each product and service provides lawful and appropriate assistance to Madison in the performance of its investment management role, and that the commissions paid by the Funds for products and services are reasonable in light of the value received.

In addition, due to Madison's investment strategy, it does not receive client referrals from any broker-dealer utilized to execute Fund transactions, nor does it participate in directed brokerage.

There may be certain situations where multiple Madison Funds are actively engaged in purchasing or selling the same security. In these instances, trades may be aggregated to ensure any economic benefits are allocated proportionately to the Funds.

### **Item 13. Review of Accounts**

Madison's investment committee is responsible for the ongoing monitoring of each Madison Fund and the status of its holdings. The investment committee consists of Executive Management, including Madison's President, senior investment professionals, Chief Financial Officer, and Chief Compliance Officer, who are responsible for the continuous monitoring of the Funds' adherence to any investment objectives, policies and restrictions as set forth in each Fund's organizational documents.

Madison provides Fund investors with annual financial statements audited by an independent auditor registered with the Public Company Accounting Oversight Board within 120 days of year-end (unless Madison does not have custody over client assets) as well as a detailed management report with an update and analysis of each Fund investment. In addition, Madison provides unaudited financial statements and management reports on a quarterly basis with a detailed narrative of the activity of the Fund, as well as quarterly investor statements which roll-forward the Fund and individual investor net asset value.

#### **Item 14. Client Referrals and Other Compensation**

There is no person, other than the Funds, that provides any economic benefit to Madison for providing investment advice or other advisory services to the Funds. In addition, neither Madison nor any of its related persons compensate any person who is not a supervised person (employee) of Madison for client referrals.

Madison does compensate placement agents for soliciting Fund interests to prospective investors. The compensation paid generally consists of a cash payment computed as a percentage of asset management fees received from such placement activity, although other methods of computation or payment may be used. These arrangements are intended to be in compliance with the applicable rules and regulations of the Advisers Act, and the Securities Act of 1933. Fund organizational documents provide details of how the costs of any placement arrangements are allocated. Madison may either compensate these placement agents directly or placement agent fees may be paid initially by a Fund, but such payment shall reduce dollar-for-dollar the subsequent installment of the management fee payable by the fund. Fund investors should be aware that the receipt of compensation by a placement agent may create a conflict of interest, and may affect the judgment of the placement agent when making a recommendation for an investment with Madison.

## **Item 15. Custody**

Madison is deemed to have custody over client assets with respect to each private fund that it manages (Madison does not have custody over the client assets of certain Separate Accounts). The safeguarding of Fund assets and compliance with the Advisers Act is of primary importance to Madison. When applicable, cash and securities are maintained at a financial institution that meets the definition of qualified custodian under the Advisers Act. See Form ADV Part 1 for a complete list of qualified custodians for each Fund. In addition, the audited financial statements of each Fund are prepared in accordance with U.S. GAAP (or IFRS as allowable for partnerships organized outside the United States) and distributed to all Fund investors within 120 days of the end of the Fund's fiscal year. The audits are performed by an accounting firm registered with, and subject to regular inspection by the Public Company Accounting Oversight Board in accordance with its rules.



## **Item 16. Investment Discretion**

Madison generally has sole investment discretion over the Funds in accordance with the partnership agreements, investment management agreements and other organizational documents of each Fund. Any limitations or restrictions to this discretion, including investment objectives and guidelines would be detailed in the agreements and organizational documents above with respect to each Fund. In situations where Madison does not exercise sole investment discretion, the underlying investor has an investment opt-out period after being presented an investment opportunity.

## **Item 17. Voting Client Securities**

Pursuant to each Fund's partnership agreement, the general partner of each Fund is responsible for the management, policies and operations of each Fund. On behalf of the general partner of each of the Funds, Madison generally originates and recommends investment opportunities to the Funds, monitors and evaluates investments and provides other related services as each Fund may reasonably request.

To the extent Madison exercises or is deemed to be exercising voting authority over the Fund securities, it shall vote those securities in accordance with its proxy voting policies and procedures. In such cases, each proxy proposal received by Madison will be thoroughly reviewed by Madison in order to ensure that such proxy is voted in the best interests of the Fund.

Madison may occasionally be subject to material conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. Madison may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships. In addition, conflicts may arise as a result of an investment being held in multiple Funds with differing investment objectives.

If at any time, Madison becomes aware of a material conflict of interest relating to a particular proxy proposal, Madison will handle such proposal by requiring such proposal be reviewed by the Chief Compliance Officer and investment committee, who will determine how to vote the proxy in a manner consistent with the Funds' best interest.

Clients may obtain a copy of Madison's proxy voting policies and procedures or additional information about how Madison voted securities upon request.

**Item 18. Financial Information**

Madison does not require prepayment of more than \$1,200 in fees, six or more months in advance, nor is it aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. In addition, Madison has not been the subject of any bankruptcy petition at any time during the past ten years.