

**Sullivan Realty Capital, LLC**

**d/b/a Madison Realty Capital**

**Form ADV, Parts 2A and 2B**

March 30, 2022

**Item 1 – Cover Page**

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This brochure provides information about the qualifications and business practices of Sullivan Realty Capital, LLC, a Delaware limited liability company doing business in New York as Madison Realty Capital and an investment advisor registered with the United States Securities and Exchange Commission (SEC), and its supervised persons. If you have any questions about the contents of this brochure, please contact Julie Breslin Furda by telephone at (646) 442-4209 or by electronic mail at [jbreslin@madisonrealtycapital.com](mailto:jbreslin@madisonrealtycapital.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Registration of an investment advisor with the SEC or any state securities authority does not imply any level of skill or training.

Additional information about Sullivan Realty Capital, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Since the last annual update to this brochure was filed on March 29, 2021 the following material changes have been made to this document:

- Item 4 has been updated to provide additional disclosure regarding operating expenses borne by the Clients.
- Item 8 has been updated to provide additional disclosures relating to risks in connection with (i) “side letters” or similar agreements with institutional or other investors, (ii) recycling provisions under a Client’s limited partnership agreement, and (iii) information- and technology-related security breaches.
- Item 10 has been updated to further enhance the section titled “Conflicts of Interest.”

Other changes have been made to this brochure, some of which enhance existing disclosures, but we do not consider these changes to be material.

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#### **Item 4 – Advisory Business**

Sullivan Realty Capital, LLC is a real estate fund investment advisory firm with its principal place of business located in New York, New York. Sullivan Realty Capital, LLC conducts its business in New York under the name Madison Realty Capital and is referred to in this brochure as “we,” the “Advisor” or the “firm.”

Our managing members, Joshua Zegen and Brian Shatz, formed the firm in 2008 as a Delaware limited liability company. Messrs. Zegen and Shatz principally own the Advisor (the “Key Principals”).

We provide investment advisory services on a discretionary basis to various privately-offered unregistered investment vehicles (together with any feeder funds, alternative investment vehicles and other special purpose investment vehicles that we manage in our main funds, the “Clients”). Our Clients focus primarily on investments in real estate credit, including commercial real estate loans, real estate mezzanine loans, and preferred equity investments. We originate some of the commercial real estate loans that our Clients invest in ourselves, and acquire others on the commercial real estate debt market. Some of our Clients also make bridge loans, which may include private mortgages secured by commercial real estate throughout the United States. Some of our Clients may also invest in distressed loan opportunities, including private distressed notes purchased directly from money-center banks, special servicers of securitized debt, hedge funds, regional savings banks, and community savings banks and thrifts.

Interests in the Clients are offered only in private placements to investors who are qualified purchasers and who meet certain other criteria. The detailed terms applicable to investors in a Client are detailed in the Client’s confidential offering memorandum or its limited partnership agreement, or both. Currently, the Clients are our only investment advisory clients. The Advisor may in its discretion manage other funds or investment vehicles from time to time.

We provide investment advice directly to each Client pursuant to discretionary investment management agreements, subject to the direction and control of the general partner of the Client, which is affiliated with the Advisor. Any restrictions on the types of investments that we make for a Client are established by its general partner and are set forth in the Client’s confidential offering memorandum or its limited partnership agreement, or both. Once an investor has invested in a Client, the investor is not permitted to impose restrictions on the types of investments in which the Client may invest. However, in accordance with common industry practice, a Client or its general partner may from time to time enter into a “side letter” or similar agreement with an investor pursuant to which the Client or its general partner grants the investor specific rights, benefits or privileges that are not generally made available to all investors. See “Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss” below for more details.

We do not participate in wrap fee programs.

As of December 31, 2021, we had approximately \$4,719,233,000 in assets under management, all of which are managed on a fully discretionary basis.

Item 8 of this firm brochure contains a more detailed discussion of our investment strategies.

## **Item 5 – Fees and Compensation**

### ***Management Fees***

Pursuant to its investment management agreement, each Client pays us management fees based on either capital commitments or invested capital, depending on the Client's investment stage and its governing documents. In some cases, we may, in our sole and absolute discretion, waive, reduce, or delay payment of management fees related to any fiscal quarter. Our affiliates that invest in a Client generally do not pay any management fees.

We generally deduct management fees and expenses directly from Client assets and, accordingly, from the capital accounts of the Client's investors. The details of how the management fee is calculated may be found in a Client's confidential offering memorandum or its limited partnership agreement, or both, in each case as provided to investors.

If the general partner of a Client is removed as general partner without cause pursuant to the terms of the Client's limited partnership agreement, the investment advisory agreement will terminate. If the effective date of the termination of the investment advisory agreement or the Client's dissolution is not the last day of a calendar quarter, the management fee for the quarterly period during which termination or dissolution occurs will be prorated based on the number of days during the quarterly period that the investment advisory agreement was in effect or the Client was not dissolved, and we will return to investors in the Client any excess of the amount of the management fee that was previously received with respect to the quarterly period over the prorated amount.

### ***Origination and Acquisition Fees***

For some of our Clients, the Advisor may receive origination and acquisition fees in connection with Client transactions. In situations in which the Advisor receives these fees, the Advisor's compensation may be subject to a setoff. For other Clients, origination and acquisitions fees are paid to the Client (other than, as set forth in the limited partnership agreement of the applicable Client, a portion thereof which is ultimately paid to certain employees of an affiliate of the Advisor for the performance of services in connection with the origination of an investment).

### ***Expenses***

Except as otherwise set forth in the limited partnership agreement of each Client, we are responsible for the following ordinary day-to-day expenses incidental to the administration of each Client: (i) the compensation and benefits of the employees of the general partner of each Client and the Advisor and payroll taxes relating thereto and (ii) the rent and general office overhead of the Advisor and the general partner of each Client, including clerical, office supplies, office equipment, and other like expenses.

In addition to management fees, carried interest and out-of-pocket investment costs, such as brokerage commissions and finders' fees and transfer taxes, each Client will bear all other costs and expenses of its activities, including but not limited to: all expenses of the Client relating to investigating, acquiring, monitoring, operating, managing, constructing, rehabilitating, zoning, marketing and marketing events, advertising, public relations, financing, and disposing of investments (including dead-deal and pursuit costs and expenses, travel, and other out-of-pocket

expenses, regardless of whether or not the potential investment is acquired or the investment is disposed of); fees and disbursements to third parties relating to any audit and accounting or bookkeeping or tax services with respect to the books and records of the Client including, without limitation, the preparation of the periodic reports required to be delivered under the limited partnership agreement of the Client, tax advice, tax projections, tax returns and K-1's, the costs of verifying distributions, models, valuations and tax allocations; fees and disbursements of attorneys, consultants, engineers, accountants, tax advisors, bookkeepers, administrators, custodians, depositaries, third-party appraisers, third-party loan servicers, third-party providers of origination services, third-party fund administrators, third-party asset managers, third-party asset underwriters, and other third-party service providers (including legal fees in connection with any legal opinions required to be delivered by or on behalf of the Client), other costs of valuation, third-party due diligence, software for research, deal sourcing, financial monitoring, underwriting, technology for investment management services, and third-party research services; interest expense on borrowings permitted by the terms of the limited partnership agreement of the Client and all expenses incurred in negotiating, entering into, effecting, maintaining, varying and terminating any borrowing or guarantee permitted to be incurred by such limited partnership agreement (including compensation to the general partner of the Client or any person to the extent such Person is required to provide guarantees of any financing, subject to the approval of the investor advisory committee of the Client); controversy and controversy settlement costs; expenses relating to meetings (and attendance thereof) of the investor advisory committee of the Client, along with any additional advisory councils; indemnification costs and expenses; all insurance premiums, finance charges, any fees and costs of brokers, agents, attorneys and advisors, and third-party charges for risk management services or similar expenses incurred by the Client or the general partner of the Client or the Advisor in connection with the activities and management of the Client (including but not limited to fidelity and directors' and officers' insurance); the costs of maintaining records and books of account in relation to the business of the Client; all costs and expenses incurred in relation to obtaining waivers, consents or approvals pursuant to the limited partnership agreement of the Client and all reasonable costs and expenses of, and/or incidental to, the preparation of amendments to such limited partnership agreement; all costs and expenses of, and/or incidental to, the preparation and dispatch to the partners of all checks, reports, circulars, forms and notices and any other documents necessary or desirable in connection with the business and administration of the Client, including the cost of all insurance of the Client in connection therewith; all costs and expenses incurred as a result of termination of the Client and the distribution, realization or disposal of investments pursuant thereto; any fees, costs and expenses (including the amount of any judgment or settlement paid in connection therewith) related to any threatened or actual litigation, regulation, government inquiry, investigation or proceeding, in each case involving the Client or its investments, including, without limitation, compliance or filings related to the European Alternative Investment Fund Managers Directive and similar regulations and administrative requirements in other jurisdictions, but excluding the costs and expenses of any litigation, judgment or settlement with respect to which an indemnitee under the limited partnership agreement of the Client is not entitled to indemnity; all expenses incurred in connection with meetings of the Client, including any annual meeting; all expenses incurred in relation to maintaining custody of any and all Client documents that the general partner of the Client deems appropriate in connection with the business activities of the Client (including bank charges, insurance of documents of title against loss in shipment, transit or otherwise), and charges by the general partner of the Client or the Advisor for document retention; all expenses incurred in

connection with the valuation of the investments and assets of the Client; (xviii) all development, construction, leasing, property management, construction management, development management, real estate brokerage and similar property-level operation service fees and expenses relating to investments, which will be provided at competitive market rates, and may be provided by an affiliate of the Client or the general partner of the Client; investment-level hedging, environmental and other third-party services; taxes, other than taxes attributable to and actually borne by a limited partner of the Client; subscription agreement processing, fund administration software and related services; fees, costs and expenses incurred in connection with administering side letters (including software used in connection therewith); and other expenses as set forth in the Client's confidential offering memorandum or its limited partnership agreement, or both. Although we do not generally utilize the services of broker-dealers for transaction-related services, if we choose to use a broker-dealer for limited purposes for a Client, the Client will incur brokerage and other transaction costs. . Each Client will bear a portion of the cost of conferences, travel, and related expenses for deal sourcing during its investment period and costs relating to technology servicing platforms and their related implementation.

Each Client will reimburse its general partner, up to a predetermined maximum amount, for its organizational and startup expenses, including but not limited to legal, travel, accounting, filing, and capital-raising expenses. The general partner of a Client and the Advisor will bear the cost (through an offset against the management fee or otherwise) of all organizational expenses in excess of the predetermined maximum amount, if any, and of any placement fees payable to any placement agent in connection with the formation of the Client.

The applicable governing documents of each Client have provisions that allow each such Client to borrow money for investment and other purposes. Such borrowings may be made prior to capital being called from such Client's investors. This mechanism may defer investor capital calls and provides a form of leverage that can have the effect of amplifying a Client's reported net internal rate of return (IRR), particularly in the early years of a Client's investment cycle. Such borrowings can also accelerate the date upon which a Client's preferred return will be achieved for purposes of determining when the applicable general partner (or affiliates which earn carried interest) are entitled to begin receiving carried interest payments on distributions from a Client. In accordance with the terms of the applicable governing documents of each Client, interest payments and other fees and expenses incurred in respect of such borrowings are Client expenses and such expenses will decrease a Client's net returns over time. The terms of each Client's borrowing arrangement and borrowings outstanding, if any, are disclosed to the investors in the annual financial statements of each Client.

Transaction termination expenses will generally be borne solely by the Clients, in accordance with the Clients' governing documents, even if co-investors were being sought or in some cases have agreed to participate had the transaction been consummated. Such co-investors may include those with whom the Advisor has pre-existing relationships, as well as co-investors that have participated in other completed transactions. By generally bearing the transaction termination expenses, the Clients provide a potential benefit to other co-investors in the Clients' investments.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

The general partner of each Client, which is affiliated with the Advisor, accepts performance-based compensation in the form of carried-interest distributions of a percentage of the Client's profits. Performance-based compensation may create an incentive for us to make more speculative investments on behalf of a Client than the Client would otherwise make in the absence of a carried interest. Although our affiliates are often investing their own capital in a Client along with the other investors, the interests of our affiliates may under some circumstances differ from those of the Client or its other investors, or both. These conflicting interests may affect our decisions and recommendations in purchasing, holding, and disposing of the Client's investments. To mitigate these risks, the carried-interest distributions are subject to the terms and conditions set forth in the Client's limited partnership agreement, or both including with respect to preferred returns, waterfalls, and clawback provisions.

The Clients are our only investment advisory clients. Should we serve additional clients in the future, we will exercise due care and will implement additional policies and procedures as necessary and appropriate to ensure over time the fair and equitable treatment of all investment advisory clients.

## **Item 7 – Types of Clients**

As described in Item 4 of this firm brochure, the Advisor generally provides investment advice to the Clients. Our services to a Client are subject to the direction and control of the general partner of the Client, our affiliate. Investors in a Client may include both domestic and international pension funds, endowments, foundations, funds of funds, and high net worth families and individuals. Investors in a Client generally are required to qualify as accredited investors within the meaning of rule 501 of Regulation D under the Securities Act of 1933, as qualified purchasers within the meaning of section 2(a)(51) of the Investment Company Act of 1940, and as qualified clients within the meaning of rule 205-3 under the Investment Advisers Act of 1940. In addition, investors in a Client are required to meet other eligibility criteria established by its general partner.

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

### ***Methods of Analysis and Investment Strategies***

In determining potential investments, we generally consider macroeconomic trends, local real estate market information, discussions with local owners and operators, and other relevant due-diligence items. Once an opportunity has been determined to fall within the investment criteria of a client, a term sheet will be issued. Upon execution of a term sheet, we begin a formal due-diligence process.

As part of our property due-diligence process, our underwriting team will prepare a thorough investment memorandum that compiles property-level data at the sector level, as well as at the local geographic sub-market level, principal and sponsor profiles, market research, detailed financial analysis, post-investment management and disposition plans, and other pertinent information relevant to specific transactions. Local operators, owners, brokers, and lenders will be contacted to obtain detailed local market data as well as important anecdotal information about a specific considered investment. Our servicing staff may engage third parties to produce a variety



of due-diligence reports, including but not limited to appraisals, credit and background checks on borrowers, property-condition reports, and environmental and engineering reports.

In conjunction with property due diligence, we conduct legal due diligence, which generally involves but is not limited to conducting a full title and lien search on the property being analyzed, understanding any pending actions with respect to nonperforming loans, obtaining a mortgage proposal, obtaining quotations for insuring the property for casualty and liability risk, and endorsing insurance policies to the Client. After a detailed analysis of this material, a final decision is made on how to proceed with the proposed transaction.

There can be no assurance that the objectives associated with any strategies described above will be met. At any time, we may add, remove, or modify any of the strategies that we employ. Investments made by a Client involve risk of loss that its investors should be prepared to bear. A more detailed description of our method of analysis and a Client's investment strategy is set forth in the Client's confidential offering memorandum, if any.

### ***Material Risks of Significant Investment Strategies and Securities***

The investment strategies described above involve a substantial degree of risk, and a Client may lose all or a substantial portion of the value of its investments. No guarantee or representation is made that the strategies will be successful or a targeted return and risk will be achieved or maintained.

The ultimate performance and value of a Client's investments are subject to varying degrees of risk generally correlated to the ownership and operation of the properties that collateralize or support its investments. The ultimate performance and value of a Client's loans and other investments depend upon, in large part, the ability of the property owner to operate the property so that it produces sufficient cash flows to pay the interest and principal due to the Client on its loan. Our return from these investments may be adversely affected by a number of factors, including but not limited to:

We may need to conduct our investment analysis on an expedited basis to take advantage of investment opportunities. In such cases, the information available to us at the time of making an investment decision may be limited, and we may not have complete information regarding the investment conditions affecting an investment. Therefore, no assurance can be given that we will have knowledge of all circumstances that may adversely affect the investment.

A Client may become the owner of commercial real estate assets as the resolution of a defaulted debt investment. To the extent that the Client becomes the owner of commercial real estate assets engaged in real estate development, the Client will be subject to the risks normally associated with these activities.

The commercial mortgage loans that a Client may acquire are subject to delinquency, foreclosure, and loss, which could result in losses to the Client.

A Client may make investments in nonperforming or other troubled assets that involve a high degree of financial risk. There can be no assurance that a Client's investment objectives will be realized or that there will be any return of capital to its investors. Furthermore, investments

in properties that are foreclosed upon or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the Client's original investment.

Lawsuits may cause a Client to incur significant legal expenses and may divert management's time and attention from the day-to-day operations of the Client.

The enforceability of some remedies in debt investments may be limited.

A Client may have limited cure rights pursuant to applicable intercreditor agreements.

Loans made by a Client may be subject to usury laws.

There are increased risks involved with construction lending activities.

There may be other factors that are beyond a Client's control or the control of the property owners, or both.

If any of the properties underlying an investment experiences any of the foregoing events or occurrences, the value of, and return on, the investment is likely to be negatively impacted. A more detailed discussion of these material risks is set forth in a Client's confidential offering memorandum, if any.

The Clients may invest in both performing and nonperforming commercial real estate mortgages. There are risks specifically associated with these types of assets, such as: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property-market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity capital markets; the ongoing need for capital improvements, particularly in older building structures; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies, civil unrest, acts of God (including earthquakes, hurricanes, and other natural disasters), and acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws; the impact of environmental claims arising in respect of properties with undisclosed or unknown environmental problems or as to which inadequate reserves had been established; the fact that real estate investments tend to be relatively illiquid and that some are highly illiquid; the fact that the collateral securing a debt investment may decline in value; the fact that a Client's borrowings may be cross-collateralized, which increases the risks associated with a single underperforming property; the fact that increases in interest rates may increase the amount of any future debt payments and reduce a Client's income and its ability to make distributions; and exposure to lender-liability risks, including equitable subordination.

A Client may become involved in bankruptcy cases. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that are contrary to the interests of a Client.

As noted in Item 4 above, in connection with or as a condition to an investor's agreement to invest in a Client, a Client or its general partner may from time to time enter into a "side letter" or similar agreement with an institutional or other investor pursuant to which such Client or its general partner grants the investor specific rights, benefits or privileges that are not generally made available to all investors. Such rights, benefits or privileges include waivers or discounts on management fees and/or carried interest, "most favored nation" clauses, preferential access to co-investment opportunities, the right to be excused from participating in certain investments made by a Client, notice rights upon the occurrence of certain events, seats on a Client's limited partner advisory committee, specialized or additional reporting rights, rights related to tax treatment, rights related to regulatory matters, rights related to immunities or indemnification, rights related to the ability of the investor to transfer its interest in such Client, additional representations and warranties from such Client, its general partner and/or the Advisor, modifications to the subscription agreement and other benefits. While the ability of a Client or its general partner to enter into a side letter or similar agreement affording preferential rights to certain investors is generally disclosed to other investors in such Client, the terms of such "side letters" or similar agreements are generally not disclosed to other investors in the Fund, except to investors that have separately negotiated for the right to review such agreements.

A Client generally has the right to recall (or "recycle") certain distributed amounts in accordance with such Client's governing documents. Accordingly, during the term of a Client, an investor may be required to make capital contributions in excess of its commitment. Any such reinvestment would limit early distributions to investors, and to the extent such recalled or retained amounts are reinvested, an investor will remain subject to the investment and other risks associated with such investments. As a result, reinvestment could increase the risk of investing in a Client. Additional investments resulting from recycling have the potential to increase investment returns to investors (and reduce the effective burden of management fees assessed on the basis of commitments during a Client's commitment period) to the extent such investments are profitable. However, there can be no assurance that any such investment will have a positive return. Further, any such additional investments will have the effect of increasing the management fee borne by investors following the investment period, and as a result a Client may face a conflict of interest with respect to such additional investments insofar as it is incented to deploy recycled capital in additional investors when it might not otherwise have done so.

A public-health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the outbreak of COVID-19 in the United States and other countries, could have an adverse impact on global, national, and local economies, which in turn could negatively impact the performance of a Client. Disruptions to commercial activity relating to the imposition of quarantines or travel restrictions (or more generally, a failure of containment efforts) may adversely impact real estate values and may increase financial stress on borrowers or tenants. In addition, the ability of the personnel of the Advisor to effectively identify, originate, monitor, operate, and dispose of investments may also be negatively impacted due to direct or indirect disruptions to the business operations of the Advisor (including travel restrictions and increased work-from-home procedures).

Finally, the outbreak of COVID-19 has contributed to, and may continue to contribute to, volatility in financial markets. A continued outbreak may affect a Client's ability to finance, consummate, or dispose of investments and could lead to a significant rise in counterparty default risk, all of

which could have a material and adverse impact on a Client's returns. The impact of a public-health crisis such as COVID-19 (or any future pandemic, epidemic, or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to a Client's performance.

The Clients and the Advisor's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Advisor has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Clients or the Advisor may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in the operations of any of the affected Clients or the Advisor and could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors in the applicable Clients (and the beneficial owners of such investors). Such a failure could harm the reputation of such Clients or the Advisor and could subject such entities and their respective affiliates to legal claims or otherwise affect their business and financial performance.

This discussion of risk factors does not purport to be a complete enumeration or explanation of the risks involved in the types of investments that we make. A more detailed discussion of these material risks is set forth in a Client's confidential offering memorandum, if any. Investors should read this entire firm brochure and brochure supplement and any accompanying materials provided by us and consult with their own advisors before deciding whether to invest. In addition, as a Client develops and changes over time, an investment may be subject to additional and different risk factors.

#### **Item 9 – Disciplinary Information**

Not applicable.

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

##### ***Material Financial Industry Affiliations of the Firm***

Our affiliate, Sullivan Debt Fund GP, LLC, serves as the general partner of Sullivan Debt Fund LP. Our affiliate, Madison Realty Capital Debt Fund III GP LLC, serves as the general partner of Madison Realty Capital Debt Fund III LP. Our affiliate, Madison Realty Capital Debt Fund IV GP LLC, serves as the general partner of Madison Realty Capital Debt Fund IV LP. Our affiliate, MDFIV Co-invest 4 Pack GP LLC, serves as the general partner of MDFIV Co-invest 4 Pack LP. Our affiliate, Madison Realty Capital Debt Fund V GP LLC, serves as the general partner of Madison Realty Capital Debt Fund V LP. Our affiliate, Madison Realty Capital Debt MA I GP LLC, serves as the general partner of Madison Realty Capital Debt MA I LP. Our affiliate, Madison Realty Capital Debt MA II GP LLC, serves as the general partner of Madison Realty Capital Debt MA II LP. Our affiliate, Silverstone Property Group, LLC, serves as a property manager for real estate properties, which may include properties in which the Clients invest. Our

affiliate, Vertical Real Estate, LLC, provides real estate leasing and brokerage services to certain properties owned and/or controlled by the Clients.

### ***Conflicts of Interest***

In the ordinary course of conducting our activities, the interests of our Clients or their investors may conflict with our interests and those of our affiliates. In addition, the Advisor and its affiliates have the right to sponsor, manage or advise separately managed accounts or other investment funds and vehicles that do not have an investment objective that is substantially the same as the investment objective of another Client. However, conflicts of interest may arise regarding the allocation of investment opportunities if we are investing for more than one Client.

The Advisor is committed to allocating investment opportunities among the Clients in a manner that, over time, is on a fair and equitable basis. The Advisor has adopted detailed policies and procedures (collectively and as amended from time to time, the “Allocation Policy”) to guide the determination of such allocations. The Allocation Policy seeks to mitigate the potential that the Advisor will allocate investment opportunities in a self-interested manner.

The Allocation Policy provides that the Advisor will allocate investment opportunities based on factors that the Advisor reasonably determines are relevant, including, but not limited to: (a) relevant limitations imposed by or conditions set forth in the applicable offering documents and limited partnership agreements (or analogous organizational documents) of each Client; (b) the investment objectives and investment focus of each Client; (c) the relative actual or potential exposure of any particular Client to the type of investment opportunity in terms of its existing investment portfolio; (d) whether a Client has an existing investment in or relating to the investment in question or potential conflicts of interest relating to the investment; (e) the availability of other suitable investments for each Client; (f) cash availability, permitted leverage, lender covenants, and available financing for the investment opportunity (including taking into account the levels/rates that would be required to obtain an appropriate return); (g) the likelihood of current income; (h) the size, liquidity, and term of the investment opportunity; (i) the seniority of the investment and other capital structure criteria; (j) the stage of development and anticipated hold period of the investment opportunity, (k) the source of investment opportunity, (l) whether an investment opportunity requires additional investor consents; (m) tax considerations; (n) legal, contractual, regulatory or other considerations deemed relevant in good faith; (o) the expected amount of capital required for the investment as well as projected future capacity for investment of each Client (including as a result the recycling of proceeds); (p) the targeted rate of return of each Client; (q) the geographic location of the investment opportunity; (r) the expected level of risk associated with such investment opportunity and the risk profile of each Client; and (s) any other factors deemed relevant by the Advisor or its affiliates.

Although the Advisor intends that the target return and investment activities of a Client generally will not be substantially the same as the target return and investment activities of another Client, a number of variables impact the risk and target returns of a particular investment. It is possible that an investment could be appropriate for a Client and one or more other Clients or that an investment assigned a particular risk and return profile may later prove to have been more appropriate for a different investment strategy. In addition, the investment strategy or objective of a Client may overlap with the investment strategy or objective of another Client.

In exercising discretion with respect to the allocation of investment opportunities, the Advisor and its affiliates, including the general partner of a Client, may make allocation decisions that, in retrospect, were based on imperfect information, or may accord greater weight to only a few or a single factor listed above. Further, the allocation of investment opportunities in accordance with such principles and policies does not eliminate any conflicts of interest that could exist with respect to the allocation of an investment opportunity. For example, in allocating investment opportunities among Clients with different fees, expenses, and compensation structures, the Advisor and its affiliates, including the general partner of a Client, will have an incentive to allocate investment opportunities to a Client that the Advisor and its affiliates will derive, directly or indirectly, higher fees, compensation or returns therefrom. In addition, the Advisor would be responsible for negotiating and structuring investment opportunities for each Client, including with respect to appropriate amounts of investment-level leverage, and such negotiations and structuring could impact the anticipated returns thereon, which could in turn impact the allocation decision with respect to any such investment opportunity. The Advisor and its affiliates have different levels of ownership interest in different Clients. The ownership interest in a Client gives the Advisor an incentive to favor that Client over other Clients in which the Advisor and its affiliates have a smaller ownership interest (or no ownership interest).

Subject to the terms of each Client's confidential offering memorandum or its limited partnership agreement, or both, the general partner of the Client may give some investors in the Client an opportunity to co-invest in particular Client investments alongside the Client, on such terms as the general partner believes to be fair and reasonable to the Client but that are no more favorable to these investors than to the Client. The general partner of a Client may receive (and retain without reducing any management fees payable by a Client) fees and carried interests with respect to any such co-investment, but these fees and carried interests may be no more favorable to the general partner and its affiliates than those received by them from the Client.

The general partner of a Client may also establish an investment fund for purposes of making co-investments alongside such Client (a "Sidecar Fund"). The general partner of a Client that established a Sidecar Fund will have full discretion to make investments on behalf of such Sidecar Fund. Such general partner and the Advisor will be entitled to management fees and carried interest with respect to such Sidecar Fund. If such general partner makes a co-investment opportunity available, such general partner will make the opportunity available to the applicable Sidecar Fund prior to making the opportunity available to any investor of the applicable Client.

Any such co-investment will be on terms and conditions that the general partner of a Client believes to be fair and reasonable to the applicable Client. In addition, any such co-investment by the relevant Sidecar Fund or an investor of the relevant Client will be consummated and disposed of on an arm's length basis and will be disposed of at substantially the same time as the investment by such Client. If such Sidecar Fund or other co-investment vehicle fails to fund the full amount it is obligated to fund with respect to an investment, the applicable general partner may determine to cause the applicable Client to fund the amount of such shortfall. Any such funding by such Client will be on terms that the Client's general partner reasonably determines in good faith. The general partner of the relevant Client will face conflicts of interest in structuring and implementing any such shortfall funding as a result of its involvement with the applicable Sidecar Fund or such co-investment vehicle.

We expect our management team to be actively involved in acquiring, managing, and disposing of assets of our Clients and in providing other services to our Clients pursuant to our investment management agreements. Some members of our management team may have conflicts in allocating their time and services among the Clients and other ventures. While we expect that members of our management team will devote as much time to the Clients as is required under the Clients' governing documents, some members of management may devote a substantial amount of time to matters other than those of our Clients.

If, during a Client's investment period, either Key Principal fails to comply with their respective time commitments set forth in the Client's limited partnership agreement, the general partner of the Client will promptly give written notice to each investor in the Client. Following such an event, the Client's investment period will be automatically suspended, subject to reinstatement, in accordance with the Client's limited partnership agreement.

The Advisor may face conflicts of interest relating to service providers. Certain advisors and other service providers, or their affiliates (including, without limitation, accountants, administrators, lenders, bankers, brokers or other deal sourcers, attorneys, placement agents, finders, consultants, investment or commercial banking firms and certain other advisors and agents) to a Client, the Advisor and entities in which a Client invests may also provide goods or services to, have their services be recommended by, or have business, personal, familial, political, financial or other relationships with, the Advisor and its affiliates. Such advisors and service providers may (a) be investors in a Client or affiliates of the Advisor, (b) serve as a source of investment opportunities or (c) be co-investors or counterparties with a Client. These relationships and the potential of leveraging the capabilities of its personnel through the use of service providers may influence the the Advisor in deciding whether to select or recommend such a service provider to perform services for a Client or with respect to investments (the cost of which will generally be borne directly or indirectly by such Client or an entity in which it invests directly or indirectly).

In certain circumstances, advisors and service providers, including legal counsel to a Client, or their affiliates, may charge different rates or have different arrangements for services provided to the Advisor, the general partner of a Client, or their respective affiliates as compared to services provided to a Client and the entities in which it invests, which will result in more favorable rates or arrangements than those payable by such Client or entities in which such Client invests. In some instances, with respect to legal counsel, the Advisor or its affiliates may have negotiated a discount on its legal fees with such counsel that may be substantially greater than the discount received by a Client due, in part, to the greater volume and different types of legal work that the Advisor and/or its affiliates gives to the legal counsel. Accordingly, the Advisor may benefit from the greater discount in legal fees they receive for legal work on relating to matters other than a Client.

The acceptance by the general partner of one or more Clients of certain loan servicing and other loan-related fees may involve potential conflicts of interest. The general partner of a Client or its affiliates may receive directly or indirectly from borrowers annual loan servicing fees, loan underwriting fees with respect to the consummation of investments, construction monitoring fees for construction loans, fees at market rates for in-house legal services and other similar loan-related fees and cost reimbursements with respect to investments. Such servicing fees are payable by borrowers. Such fees initially may be paid by borrowers to a subsidiary of a Client, which in turn pays the fee to the applicable general partner or its affiliate. Any such fees are payable to the

applicable general partner or its affiliates regardless of the performance and value of the investment. In the event that a borrower is unable to repay in full its obligations to the applicable Client with respect to any investment, the payment of such servicing fees or other loan-related fees may reduce the investment proceeds received by such Client. Even if such Client does not produce positive investment returns on an investment, such Client's general partner or its affiliate may have an incentive to hold such investment to continue to receive such loan-related fees.

Also, certain of our employees will provide services in connection with the origination of a Client's debt investments, and, in exchange for such services, such employees will be allocated a portion of the fees paid to such Client by the borrowers. Such fees currently range from 10% to 15% of the origination and exit fees payable with respect to the applicable investment. However, the amount and structure of the participation of such employees in fees paid by borrowers is subject to change in the discretion of the Advisor. Moreover, our employees may serve in significant capacities with respect to a Client's business who are also immediate family members of the Key Principals, and, as a result, potential conflicts may be inherent in, or arise from, such relationship. For example, an employee of the Advisor holds a significant role in connection with a Client's origination of loans and has a compensation structure that is closely aligned to the deal volume of such originations. Therefore, because the Key Principals also serve on the investment committee of such Client, and any decisions to originate a loan are determined by such Client's investment committee, the Key Principal related to such originator may have an incentive to approve the consummation of transactions that are originated by such originator even if such investment would not otherwise have been approved.

In addition, certain of our officers and employees and other professionals of the Advisor and its affiliates have family members or relatives that are actively involved in the real estate or financial services industries and/or have business, personal, financial or other relationships with companies in those industries (including the advisors and service providers described above), which gives rise to potential or actual conflicts of interest. For example, such family members or relatives might be employees, officers, directors or owners of entities which are affiliated with actual or potential borrowers of a Client or other counterparties of such Client. Moreover, in certain instances, a Client may transact with entities that are owned by such family members or relatives or in respect of which such family members or relatives have other involvement. To the extent we determine it is appropriate, conflict mitigation strategies may be put in place with respect to a particular circumstance, such as internal information barriers or recusal, disclosure or other steps that we believe are appropriate.

From time to time, employees of the Advisor and persons selected by them may be given the right to receive the benefit of "friends and family" and similar discounts while staying at properties associated with a Client's investments (e.g., a property owned by a Client following a foreclosure on an investment or a property serving as collateral for an investment) while traveling for business or personal reasons. Because such properties generally offer such discounts to customers other than employees of the Advisor and persons selected by them as part of their standard commercial practices in an effort to expand their respective customer bases, we believe that the potential for conflicts of interest relating to such discounts is mitigated. Discounted prices or better terms offered by properties associated with investments to employees of the Advisor or any other third parties have the potential to affect the returns of the applicable investment. Employees are



prohibited from requesting and/or accepting accommodations by properties associated with investments that are free of charge to the employee, while traveling on personal time.

The terms and conditions of our carried-interest distributions are set forth in the Client's confidential offering memorandum or its limited partnership agreement, or both. Furthermore, our management fee is payable with respect to the invested capital of a Client, which will be reduced upon the liquidation of investments. As a result, we have an incentive to avoid liquidation to continue receiving management fees.

In some instances, we may provide additional services to a Client, including property management, construction management, development management, real estate brokerage and similar property-level operational services. Any fees or reimbursements that we earn in connection with these services will not offset the management fee payable by such Client and generally will not be shared with such Client. However, when we select an affiliate to provide services to a Client, we will provide annual written notice to the investor advisory committee of the Client, setting forth the terms under which our affiliate will provide the services. Since we will receive and retain such fees and reimbursements, we will be subject to conflicts of interest in determining the rates of such fees and the amount of such reimbursements.

A more detailed description of applicable conflicts of interest is set forth in a Client's confidential offering memorandum or its limited partnership agreement, or both, in each case as provided to investors.

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

### ***Code of Ethics***

We have adopted a written code of ethics that applies to our employees. Our code of ethics is administered by our chief compliance officer or her designees. Employees are given training with respect to our code of ethics when they are hired and periodically thereafter. Investors in the Clients may obtain a copy of our code of ethics by submitting a written request to Julie Breslin Furda by telephone at (646) 442-4209 or by electronic mail at [jbreslin@madisonrealtycapital.com](mailto:jbreslin@madisonrealtycapital.com).

The following general principles and standards of conduct are established by our code of ethics:

We operate at the highest level of ethical standards in keeping with our fiduciary duties to Clients and in compliance with all applicable laws.

We have a duty to place the interests of Clients first and to avoid conflicts of interest.

Our employees may not accept any benefit from a Client or a person who does business with us, except for normal business entertainment, gifts of nominal value, and gifts related to personal relationships, such as wedding gifts and congratulatory gifts for the birth of children.

Insider trading is prohibited and may expose an employee to stringent penalties.

Our code of ethics deals with a range of topics, including but not limited to the opening of personal securities accounts by covered persons, preapproval requirements for certain personal securities transactions, submission to the firm of information concerning personal securities holdings and transactions, and reporting of violations. Each covered person is required to acknowledge that he or she has received and reviewed, and understands, the code of ethics.

### ***Financial Interest in Client Transactions***

In certain instances, we may provide services to the Clients in addition to investment advisory services. As described in Item 5 of this firm brochure, we may also receive origination or acquisition fees for Client investments. These instances may represent a conflict of interest for us. These conflicts, and our procedures for addressing them, are described in detail in Item 10 of this firm brochure.

### ***Participation in Client Transactions and Personal Trading***

Our employees are required to follow our code of ethics. The code of ethics is designed to assure that the personal securities transactions, activities, and interests of our employees will not interfere with our making decisions in the best interests of Clients and our implementing these decisions, while at the same time allowing employees to invest for their own accounts. Under the code of ethics, some types of securities have been designated as exempt, based upon a determination that transactions in them would not materially interfere with the best interests of Clients. In addition, the code of ethics requires preclearance of certain transactions. Trading by some employees is required to be disclosed quarterly under the code of ethics in an effort to prevent conflicts of interest between us and Clients.

### **Item 12 – Brokerage Practices**

Although we do not generally utilize the services of broker-dealers for transaction-related services, if we choose to use a broker-dealer for a Client, we will seek to obtain best execution of Client transactions. We do not aggregate orders for purchases and sales.

### **Item 13 – Review of Accounts**

#### ***Review***

Client investment positions are monitored by our managing members, Joshua Zegen and Brian Shatz, on a regular basis. Their review includes but is not limited to general portfolio composition, investment opportunities, market conditions, and potential conflicts. We also consider whether investments remain consistent with a Client's governing documents and loan agreements. We may periodically review Client investments on an expedited basis following a material change in the financial industry or markets generally.

#### ***Reporting***

Investors in each Client typically receive, among other things, audited financial statements of the Client within 120 days after the Client's fiscal year end. The financial statements include a balance sheet, a statement of profit and loss, a statement of cash flows, and a condensed statement of

investments. In addition, investors in each Client typically receive written reports containing unaudited summary financial information regarding the Client at least quarterly, including a summary of transaction activity of the Client for the quarter as well as financial information and key operational and asset management activities.

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

We do not directly or indirectly compensate any person for client referrals.

#### **Item 15 – Custody**

Client assets are held by unaffiliated qualified custodians as required by the rules under the Investment Advisers Act of 1940. We provide investors in a Client with the Client's annual audited financial statements prepared by an independent public accountant. Investors in each Client also receive the reports described in Item 13 of this firm brochure.

#### **Item 16 – Investment Discretion**

We provide investment advice directly to each Client pursuant to a discretionary investment management agreement, subject to the direction and control of the general partner of the Client. Any restrictions on the types of investments that we make for a Client are established by the general partner and are set forth in the Client's confidential offering memorandum or its limited partnership agreement, or both. Once an investor has invested in a Client, the investor is not permitted to impose restrictions on the types of investments in which the Client may invest.

#### **Item 17 – Voting Client Securities**

The Clients invest in real estate loans and other real estate-related assets that in most instances do not result in or involve the issuance of proxies relating to voting securities.

To the extent that a Client holds voting securities, we have voting authority and responsibility with respect to those securities. In addition to proxy solicitations in connection with equity securities of traditional operating companies, proxy voting is deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt, and other rights and remedies. Our authority to vote proxies for a Client is established by our investment management agreement with the Client.

We have adopted proxy-voting policies and procedures. Under our proxy-voting policies and procedures, we will generally vote proxies on a case-by-case basis in a manner that serves a Client's best interest. We may abstain from voting specific proxies if we believe that abstinence is in the best interests of a Client.

We follow procedures designed to identify conflicts or potential conflicts that could arise between our own interests and those of the Clients. If we determine that a conflict or potential conflict is not material, we may vote proxies notwithstanding the existence of the conflict. If we determine that a conflict or potential conflict is material, we may engage a third party to recommend a course of action or take other appropriate action. We do not permit Clients to direct how we will vote on specific proxies.

Each investor in a Client may request information about how we voted with respect to the securities of the Client and may obtain a copy of our proxy-voting policies and procedures by contacting Julie Breslin Furda by telephone at (646) 442-4209 or by electronic mail at [jbreslin@madisonrealtycapital.com](mailto:jbreslin@madisonrealtycapital.com).

**Item 18 – Financial Information**

Not applicable.

**Item 19 – Requirements for State-Registered Advisors**

Not applicable.