



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

# **Madison International Realty Holdings, LLC**

March 28, 2014

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*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 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**

Since March 2013, Madison completed its capital raising process and ceased accepting new investors in Madison International Real Estate Liquidity Fund V, LP, increased its asset under management by approximately \$641,280,314 and drew down approximately \$298,149,278 of outstanding uncalled capital commitments. These changes are reflected on pages 4 and 5 of this Brochure.

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#### **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 “Fund(s)”). 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 25 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 and Madison International Realty V, LLC (collectively, including MIRH, “Madison”). Madison International Realty, LLC was founded by Ronald M. Dickerman in 2002. Since 2002, Madison has invested approximately \$1.3 billion in 67 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 Fund investors. Although the Funds initially determine an investor's suitability for investment in each Fund, the individual needs of investors in each Fund are not a basis of Madison's investment recommendations. Investment advice is provided directly to the Funds on a discretionary basis and not individually to its investors.

Madison will seek to acquire direct ownership interests or debt obligations in illiquid real estate investment vehicles such as limited partnerships, joint ventures, limited liability companies, private 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, with expected remaining holding periods of four to six years. 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.

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, 2013, Madison manages funds with a total of \$1,776,414,481 of assets under management, all of which are managed on a discretionary basis, of which \$465,988,076 represents uncalled capital commitments. 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 respective 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, will be specific to each Fund. 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.

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.

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 respective Fund.

Madison charges and deducts asset management fees directly from the Funds; these fees are generally paid quarterly in advance in accordance with the organizational documents of each Fund.

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 Fund entities, the asset manager and the general partner, and the offering of the interests in the Funds, including, without limitation, legal and accounting fees and expenses, marketing, printing costs, filing fees and transportation, meal and lodging expenses, but excluding all placement fees.

Operating expenses may include those costs or expenses of the Funds related to maintaining the operations of the Funds, including, taxes, insurance, administrative fees; fees for outside services including audit costs; expenses of custodians, outside counsel, accountants, administrators and other consultants and professionals; reasonable travel expenses; brokerage commissions; expenses of liquidating the Funds; expenses incurred

in connection with any tax audit, investigation, settlement or review of the Funds; expenses relating to litigation involving the Funds, and the amount of any judgments or settlements paid in connection therewith; expenses related to holding, monitoring and managing investments, selling or disposing of investments; and interest on and fees, costs and expenses arising out of all financings (including subscription facilities) entered into by the Funds, including, but not limited to, those of lenders, investment banks, and other financing sources.

Investment expenses include those costs or expenses of the Funds, in connection with, or related to originating investments, establishing the terms and consummating the acquisition of potential investments including, but not limited to, expenses relating to market research, marketing, solicitation of sellers, mailing and postage, temporary or contract employees, brokerage, legal, accounting, due diligence, and such other related expenses.

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.

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. 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 7 unaffiliated Fund investors has been in place for all Funds that have been 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 Conflicts Committee 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.

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.

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 small 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. Finally, to the extent Madison obtains publicly-traded securities, Madison will strive to allocate investment opportunities and trades fairly. Any potential conflicts of interest and/or allocation issues may be reviewed by Conflicts Committee, and may be subject to approval by each Fund's Advisory Board, as necessary.

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

Madison provides investment management services to a series of private equity funds, including co-investment vehicles, 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. Madison's Fund investors 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 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 illiquid 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 REIT, 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. Fund investments are expected to have a defined exit strategy within four to six years. 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, 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 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 consider the following factors before investing in the Funds and refer to the 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.

### **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 Fund's 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 seeks 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.

#### 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: (i) changes in general or local economic conditions; (ii) changes in supply of, or demand for, commercial real estate in an area (e.g., as a result of over-building); (iii) fluctuations in the occupancy and rents for residential properties; (iv) changes in interest rates; (v) promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (vi) unavailability of mortgage funds which may render the sale of a property difficult; (vii) the financial condition of tenants, buyers and sellers of properties; (viii) changes in real estate tax rates and other operating expenses; (ix) various uninsured or uninsurable risks; and (x) 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.

Madison does not recommend or select other investment advisers for our clients.

## **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.

Certain Madison Funds may on occasion be invested in other Madison Managed Funds. In order to avoid any conflicts of interest, investment management fees and other performance based fees are charged only one time, thus avoiding duplication of fees paid to Madison from the same capital contribution in accordance with Fund organizational documents.

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. Included on the restricted security list is any security that is an investment or a potential investment of any Madison Fund.

## **Item 12. Brokerage Practices**

Madison's use of broker-dealers is limited due to the nature of its investment strategy, which is primarily focused on highly illiquid real estate investments that are most often not traded on any public exchange. Where Madison must engage a securities broker, it will aim to place orders with brokers on the best available terms, taking into account the relevant market at the time of the transactions of the kind and size concerned. When evaluating transactions to ensure best execution, Madison will take into account the price of the financial instrument, transaction costs, speed and likelihood of execution and settlement size, financial strength, reliability, responsiveness, and integrity of the broker-dealer, and any other consideration(s) relevant to execution of the order. The best possible result for a particular transaction will be determined by the relative importance given by Madison to each factor.

Madison does not have any "soft dollar benefit" arrangement with any broker-dealer and based on its investment strategy does not intend to enter into any such arrangements in the future. Madison may receive general research from certain brokers we use to execute trades; however the receipt of this information would have no impact on the selection of brokers utilized.

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.

Although unusual, 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 client account holdings. The investment committee consists of senior management, including Madison's President, senior investment professionals and the CFO, 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 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, but generally Madison compensates these placement agents directly; they are not costs allocated to the Funds. 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. 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 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 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.

## **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.

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.