



MARCUS PARTNERS

Investment Adviser Brochure

December 31, 2020

**Marcus Partners, Inc.
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Boston, MA 02110
www.marcuspartners.com**

This brochure provides information about the qualifications and business practices of Marcus Partners, Inc. If you have any questions about the contents of this brochure, please contact Michael Norris, Chief Compliance Officer, at (617) 556-5200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Marcus Partners, Inc. is also available on the SEC's website at www.advisorinfo.sec.gov.

Marcus Partners, Inc. is an SEC registered investment adviser. This registration does not imply a specific level of expertise, skill or training nor does it imply a recommendation by the SEC or by any state securities authority.

This cover page constitutes Item 1 to the Marcus Partners, Inc. Brochure on Form ADV, Part 2A.

Item 2. Material Changes

This document differs from the Form ADV Part II brochure that Marcus Partners, Inc. has prepared in the past. While there have been no material changes that have occurred since the firm's latest ADV was filed with the SEC in September 2020, we have made certain routine updates.

This page 2 constitutes Item 2 to the Marcus Partners, Inc. Brochure on Form ADV, Part 2A.

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Item 4. Advisory Business

Marcus Partners, Inc. ("we," "us" or the "Firm") is a privately owned real estate, and real estate related, investment, development and investment management company, headquartered in Boston, Massachusetts that has been a registered investment advisor since March 28, 2012 (SEC registration number 801-74632). The Firm provides investment management services to pooled investment vehicles ("Funds") that invest in real estate and real estate related assets. The Firm does not provide investment advisory services to clients apart from its management of the Funds.

The Firm was founded in March of 2008 by Paul R. Marcus, the sole shareholder, President and CEO of the Firm. Prior to the formation of the Firm, Mr. Marcus, in conjunction with a third party, sponsored real estate and real estate related investments. Most of these investments were property-specific syndicated investment vehicles and were capitalized by high net worth individuals and institutional joint venture partners over which Mr. Marcus and his former partner maintained management control. Certain of those entities constitute pooled investment vehicles that are co-managed by Mr. Marcus and his former partner. The co-managed entities are fully invested in real estate and real estate related assets. The Firm, on behalf of Paul Marcus, co-advises other ventures with the former partner.

Since early 2009, the Firm has been providing investment management services to three closed end commingled real estate funds: Marcus Capital Partners Fund I, LP ("Fund I"), Marcus Capital Partners Fund II, LP ("Fund II") and Marcus Capital Partners Fund III, LP ("Fund III") or collectively referred to as ("The Funds"). The Firm's primary responsibility is to identify, review and select investment opportunities that it believes will achieve the investment objectives of the Funds. The Firm also provides administrative services to the Funds. Fund I made its final liquidating distribution and was dissolved effective December 31, 2019. The investment period for Marcus Capital Partners Fund II, LP ended on January 2, 2020. Marcus Capital Partners Fund III, LP had its final closing on January 27, 2021.

The Firm has complete discretion over the investment of the Funds' capital commitments subject to certain investment restrictions on the general partner of the Funds. Although the Firm may invest anywhere in the United States, the current investment focus of the Firm is to acquire real estate and real estate related investments in major metropolitan markets on the East Coast. For Fund III, the Firm is acquiring and seeking to acquire, a diversified value added and opportunistic real estate and real estate related investments, emphasizing residential, warehouse/distribution, light industrial, office, medical office, biomedical, research and development, and mixed-use properties. Leverage is employed in accordance with leverage restrictions in the applicable Fund's partnership agreement.

Investment in real estate and real estate related investments has inherent risks. Please refer to Item 8 below, for a summary of the risks associated with an investment in real estate and real estate related investments.

As of December 31, 2020 the Firm managed a total of \$849.49M of discretionary capital on behalf of the Funds, including \$336.06M of capital contribution commitments to Fund II and Fund III.

Item 5. Fees and Compensation

The Firm receives asset management fees which are based on a percentage of Invested Capital and capital committed to investment for Fund II and capital commitments under management for Fund III, in each case with a \$50,000 per year minimum after the Fund's investment period. These fees are billed monthly in arrears and are paid to the General Partner of Fund II and Fund III. Investors do not pay the fees directly. Please refer to Item 19 Appendix A for the asset management fee structure of Fund II and Fund III

Affiliates of the Firm provides property management, leasing and construction/redevelopment management services to certain assets of the Funds and other third party owners and receives fees for those services in amounts that it believes are market rates. All such payments to the Firm are disclosed in the audited financial statements of the Funds.

Item 6. Performance Based Fees and Side-by-Side Investing

Carried Interest

In addition to asset management fees and expense reimbursements for the investment, management and disposition of real estate and real estate related investments within the Funds as noted above, the Firm will, directly or indirectly, receive performance based distributions ("Carried Interest") from the Funds if predetermined rates of return are met. Such performance based fees are incorporated into the Funds.

It should be noted that the existence of a Carried Interest has the potential to create an incentive to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such incentive. In addition, due to the method of calculating the Carried Interest, the distributions to the holder of the Carried Interest may be affected by the timing of dispositions and other factors within the control of the Firm. We believe that the foregoing conflicts will be mitigated to a substantial extent by: (i) the fact that affiliates of the Firm have a substantial cash investment in each of the Funds; and (ii) the fact that, before any Carried Interest is paid, investors must have received a return of their capital contributions plus a cumulative preferred return thereon.

Side-by-Side Investment

The Principals and senior management of the Firm, through a separate entity, have an interest in the capital, profits, losses and distributions of the Funds. The Principals, along with other firm employees, also invest in the Funds as limited partners either directly or through affiliated entities.

Expense Reimbursements

In addition to the investment management and service fees and Carried Interest paid to the Firm and its affiliates, the Funds incur/incurred the following expenses which are/were subject to payment by the Funds:

1. ***Organizational Expenses.*** All organizational expenses of the Funds incurred by the general partner/managing member, or any affiliate. The reimbursement of these fees is capped at \$750,000 and \$1,000,000 for Fund II and Fund III, respectively.
2. ***Expenses Associated with Investments or Subsidiaries.*** Any expenses related to a specific investment by a Fund is charged to the applicable investment and paid directly by the Fund. Any expenses related to the formation or operation of a specific subsidiary shall be charged to the applicable subsidiary and paid directly by that subsidiary.
3. ***Operating Expenses.*** The Fund pays all expenses arising from, or in connection with, its management and operation, and with the management and operation of its real estate investments, including the following: (i) fees and expenses of attorneys, engineers, appraisers, architects and other service providers, including all transaction investigation costs and due diligence costs (regardless of whether the transaction closes); (ii) legal, audit, tax preparation, management information systems and accounting fees and costs; (iii) out of pocket expenses related to the administration of the Funds including record keeping, investor relations and investor mailing and communication costs; and (iv) reasonable travel, lodging, meals, communications, public relations, courier, telephone, mail, printing and copying expenses related to the Fund's proposed and actual Investments.

Item 7. Types of Clients

The Firm provides portfolio management services to the Funds and to other pooled investment vehicles co-advised by the Firm and, in certain cases, a former partner of Paul Marcus. Investors in the Funds and the co-advised pooled investment vehicles include institutional investors, high net worth individuals, family offices, and trusts. The minimum investment requirement in Funds managed by the Firm will vary depending on the Fund.

Item 8. Methods of Analysis, Investment Strategies & Risk of Loss

Methods of Analysis

In estimating the value of target acquisitions, three methods of analysis are normally considered prior to arriving at a determination of a target investment's reasonable acquisition price. These methods consider factors relative to the income producing potential of the investment opportunity, an analysis of probable market response to investment characteristics by comparison

to sale transactions involving similar types of investment opportunities and, where appropriate, the replacement cost of the investment opportunity.

The Firm uses the discounted cash flow analysis method as the primary method of determining if an investment opportunity is likely to generate acceptable returns over a projected hold period. This analysis method focuses on several factors, such as the future income stream that the investment can provide, after adjustments based upon projected operating expenses, capital expenditures and third party financing terms, as well as other factors such as residual value assumptions and reasonable discount rates given the risk profile of the investment.

In addition to employing the discounted cash flow analysis method, the Firm also incorporates an analysis of the sale transactions involving similar types of investments. With the sales comparison method the investment opportunity is compared to recently sold, comparable investments. However, because no two investments are identical, the sales prices of the comparable investments must be adjusted for each of the differences between the subject investment and the comparable investment.

The final method of analysis employed, is a comparison of the investments replacement cost to the target acquisition price. While this element of the analysis is given less weight, it is deemed to be an appropriate factor to consider.

Investment Strategy

The Funds' investment strategy is to provide attractive risk adjusted returns to investors by investing in a well-diversified portfolio of value added and opportunistic real estate and real estate related investments. It is anticipated that investments will be held for at least two years and up to seven years; however, investments may be held for shorter or longer periods. The current investment focus of Fund III is to acquire real estate and real estate related assets in the approximately \$20 million to \$50 million range in major metropolitan markets on the East Coast of the United States. The current product type focus of the Firm emphasizes residential, warehouse/distribution, light industrial, office, medical office, biomedical, research and development and mixed use properties. Leverage is employed in accordance with the Funds leverage restrictions.

The strategy noted above is meant to be general in nature and is not intended to be all inclusive.

RISK FACTORS

An investment in real estate and real estate related assets entails a high degree of risk and is suitable only for sophisticated institutions and high net worth individuals who fully understand and are capable of bearing the risks of an illiquid investment. There can be no assurance that an investment in a real estate private equity fund will meet its investment objectives or otherwise be able to successfully carry out its investment program. The risks described below are not the only risks relating to an investment in a Fund and other risks also may adversely affect an investment in a Fund.

Management of the Fund. Investors have no rights or powers to take part in the management of the Fund and will not receive most of the detailed information furnished by subsidiaries and affiliates of the Fund that is available to the General Partner. Accordingly, an investor must be willing to entrust all aspects of the management of the Fund to the General Partner and the Firm.

Investment Discretion. Subject to certain limitations contained in the Fund agreement, the General Partner will be solely responsible for the management, control and investment strategy of the Fund and, accordingly, will have the sole and absolute discretion to select those investments in which to invest the Fund's capital. Consequently, Investors will not be able to evaluate for themselves the merits of particular investments, nor will Investors be entitled to participate in any manner in the decisions regarding refinancing or divestiture of any investment of the Fund.

Future Investments Unspecified. Investors will be relying on the ability of the firm to identify Fund real estate and real estate related investments. Because such investments may occur over time, the Fund faces the risks of changes in interest rates and adverse changes in any other market conditions.

Inability to Identify Real Estate Investments within the Fund's Criteria. There is no assurance that the Firm will be able to identify real estate investments that meet its investment criteria for any Fund or that a Fund will be successful in completing any investment it identifies or that any investment the Fund completes will produce a return on its investment.

Risks of Real Estate Ownership. There is no assurance that the operations of a Fund 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 fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of real property interests. The marketability and value of the real property interests will depend on many factors beyond the control of the General Partner and the Fund, including, without limitation:

- changes in general or local economic conditions;
- changes in supply of or demand for competing properties in an area (e.g., as a result of over-building);
- changes in interest rates;
- the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety;
- condemnation or other taking of property by the government;
- unavailability of mortgage funds which may increase borrowing costs and/or render the sale of a property difficult;
- unexpected environmental conditions;
- the financial condition of tenants, ground lessees, ground lessors, buyers and sellers of properties;
- changes in real estate tax rates, other excise tax rates, and any other operating expenses;

- the imposition of rent controls;
- energy and supply shortages and resulting increases in operating costs or the cost of materials and construction;
- various uninsured or uninsurable risks (such as losses from terrorist acts), including risks for which insurance is unavailable at reasonable rates or with reasonable deductibles; and
- acts of God, natural disasters and underinsured and uninsurable losses; and volatility of the capital markets.

Because investments in real estate and real estate related assets generally are not liquid, there is no assurance that there will be a ready market for Fund assets, including any interests in real property related assets (debt or equity) held by a Fund. In addition, general economic conditions in the United States and abroad, as well as conditions of domestic and international financial markets, may adversely affect operations of the Fund.

Valuation Risk. Because there is a significant uncertainty in the valuation of, or in the stability of the value of, certain of a Fund's possible investments, fair values of such investments as reflected in a Fund's results of operations may not reflect the prices that the Fund would obtain if such investments were actually sold. A Fund may be required to hold illiquid investments for several years before any disposition can be effected.

Risks of Engaging in Development/Redevelopment Activities. A Fund may undertake to redevelop some properties in which it is investing (including excess land). Development/Redevelopment activities often involve construction projects on the properties or reconstruction of the properties. Although the Firm is experienced in handling such development/redevelopment projects, the Fund will be subject to various risks, including, among others:

- Unanticipated delays;
- material and labor shortages;
- increases in the costs of labor and materials;
- rising energy costs;
- strikes;
- adverse weather;
- other "force majeure" events;
- changes in building plans and specifications;
- zoning, entitlement and regulatory concerns, including changes in laws, regulations, elected officials and government staff;
- unanticipated soil problems; and
- delays caused by any of the foregoing (which could result in unanticipated increased costs, the expiration of permits, unforeseen changes in laws, regulations, elected officials and government staff, and losses due to market timing of any sale that is delayed).

Delays in completing any redevelopment project will cause corresponding delays in the receipt of operating income and, consequently, the distribution of any cash flow by the Fund with respect to such project.

Competition for Real Property Interests. The Fund will encounter competition for real property investments from numerous other real estate investment partnerships, limited liability companies and trusts, as well as from individuals, corporations, REITs, bank and insurance company investment accounts, foreign investors and other entities engaged in real estate investment activities. Competition for investments may have the effect of increasing costs, thereby reducing investment returns to the Fund.

Investment Concentration. Because a Fund has the ability to concentrate its investments in few investments (with as much as 15% of the Capital Commitments invested in one investment, or even higher in certain circumstances), the overall adverse impact on the Fund of adverse movements in the value of a single property (including as a result of market conditions in which such property is located such as an economic downturn or one or more natural disasters) will be considerably greater than if the Fund were not permitted to concentrate its investments to such an extent. In addition, the Fund may make investments in some transactions with the intent of refinancing or selling a portion thereof, and in such cases, there will be the risk that the Fund will be unable to complete the refinancing or sale which could lead to increased risk as a result of the Fund having an unintended long-term investment and reduced diversification.

Geographic Investment Concentration. Because the Firm's investment strategy is primarily focused on east coast markets such as the metropolitan Boston area, metropolitan New York (including Connecticut, New Jersey and New York), the metropolitan Washington D.C. area and other select markets where the Firm or its affiliates have made investments or developed relationships with operating partners, economic and real estate conditions in such particular geographic area will significantly affect the Fund's performance. Business layoffs or downsizing, industry slowdowns, changing demographics and other similar factors may adversely affect the economic climate of the targeted markets. Any resulting oversupply or reduced demand in such area would therefore have a disproportionate negative impact on the Fund's performance and limit the Fund's ability to make distributions to its Limited Partners.

Some of the Fund's investment activities could occur in regions with a high concentration of technology-related industries. Therefore, the success of the Fund's investments may be tied to market conditions in the technology-related industries, which are highly cyclical. Because the success of some of the Fund's investments may be dependent on the demand of technology-related companies for commercial real estate, any downturn in any technology-related industry could have a material adverse effect on the Fund's investments. In addition, the positive ripple effects in any region created by growing technology-related industries (including work force growth and the demand for real estate by the supply and demand chains related to any such industries) lead to increased risks of negative ripple effects on the value of real estate investments in any region that experiences any technology-related industry downturn.

Investment in Troubled Assets. Investments in nonperforming or other troubled assets involve a relatively high degree of financial risk and there can be no assurance that a Fund's return objectives will be realized or that there will be any return of capital from such investments. Investments in properties operating in workout modes or under Chapter 11 of the Bankruptcy Code may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the investor's original investment, including equitable subordination and/or disallowance of claims or lender liability. In addition, under certain circumstances, payments to a Fund and distributions by a Fund to Investors may be reclaimed (i) if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment under applicable law or (ii) if the Fund lacks the resources to pay its indemnification obligations to the General Partner and its affiliates (but limited to two years after the making of such distribution).

Leverage of Investments. Each of the Funds uses financial leverage to expand its portfolio of real estate assets. The amount a Fund has to pay on variable rate debt will increase as interest rates increase, and these additional expenses may decrease cash available for distribution to the Fund's Investors. There is no assurance that a Fund will be able to meet its debt service obligations. If the Fund does not meet its debt service obligations, the Fund risks the loss of some or all of its assets to foreclosure. Changes in economic conditions or a Fund's financial results or prospects could:

- result in higher interest rates on variable rate debt;
- result in less favorable terms on debt instruments, such as lockouts, prepayment penalties, *etc.*;
- reduce the availability of debt financing generally or debt financing at favorable rates;
- reduce cash available for distribution to Investors; and
- increase the risk that the Fund could be forced to liquidate assets to repay debt.

If the Fund violates covenants in any debt agreements, it could be required to repay all or a portion of its indebtedness before maturity at a time when the Fund might be unable to arrange financing for such repayment on attractive terms, if at all.

Origination of Loans. As part of either Fund's business strategy, the Fund may originate and acquire uninsured and non-investment grade mortgage loans and mortgage assets, including interim first mortgage loans and mezzanine loans. While holding these interests, the Fund is subject to risks of borrower defaults, bankruptcies, fraud and special hazard losses that are not covered by standard hazard insurance. Also, the costs of financing the mortgage loans could exceed the return on the mortgage loans. In the event of any default under such mortgage loans, the Fund will bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount of the mortgage loan (and may incur substantial foreclosure expenses). Mezzanine loans involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property due to a variety of factors, including the loan becoming unsecured as a result of foreclosure by the senior lender. If such loans are originated, the Fund may not recover some or all of its investment in these loans. In addition, mezzanine loans may have higher loan-to-value

ratios than conventional mortgage loans resulting in less equity in the property and increasing the risk of loss of principal.

Third-Party Involvement. A Fund may co-invest through partnerships, joint ventures or other entities with third parties that may have economic or business interests or objectives that are different than or conflict with those of the Fund. As a partner or member in any of these ventures, the Fund's subsidiary may be exposed to liability for claims asserted against the venture, and the venture may not have sufficient assets or insurance to discharge the liability. Furthermore, the Fund has no control over whether a venture partner (or borrower) satisfies its obligations under the limited liability company agreement or limited partnership agreement (or loan documents) with the Fund or a Fund subsidiary and the breach of such agreement by a venture partner (or borrower) could result in the loss of all or part of the investment with such venture partner (or borrower).

A Fund's subsidiaries may not legally be able to control decisions being made regarding these ventures and their properties. In addition, the properties in a venture may perform at levels below expectations, resulting in the potential for insolvency of the venture unless the venture partners provide additional funds. The Fund may be faced with the choice of losing its investment in a venture or investing additional capital in it with no certainty of receiving a return on that investment.

Illiquidity of Investments. The real estate investments are illiquid. Dispositions of such investments may be subject to limitations on transfer or other restrictions that would interfere with the subsequent sale of such investments or adversely affect the terms that could be obtained upon any disposition thereof (including contributions to an UPREIT that may limit the ability of a Fund to liquidate the properties or securities received in return therefor). In addition, a Fund may invest in securities of privately held companies for which there is no public market (e.g., partnership interests in an entity) and which may not be sold unless an exemption from registration requirements under the applicable securities laws is available. In some cases, the Fund may be prohibited by contract from selling securities for a period of time. There is also the risk that the Fund will be unable to dispose of such securities at attractive prices or otherwise execute a successful exit strategy.

Environmental Risks. Real estate acquired may be subject to environmental liabilities. There may be environmental problems associated with acquired properties of which the Fund is unaware. An owner of real property can face liability for environmental contamination created by the presence or discharge of hazardous substances on the property.

Under various environmental laws, courts and government agencies have the authority to require the owner of a contaminated property to clean up the property, even if the owner did not know of (or was not responsible for) the contamination. These laws also apply to persons who owned a property at the time it became contaminated. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner's ability to borrow funds using the property as collateral or an owner's ability to sell the property. A person who arranges for the disposal (or transports for disposal or treatment) of a hazardous substance at a property owned by another may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property. Furthermore, various court decisions

have established that third parties may recover damages for injury caused by property contamination. The presence of significant mold at any of the real properties of a Fund could cause the Fund to undertake a costly remediation program to contain or remove the mold from the affected property. The Fund could be responsible for the costs discussed above, if it found itself in one or more of these situations. Insurance may or may not be available at reasonable rates or with reasonable deductibles to cover these potential costs.

The Americans with Disabilities Act and Other Regulations. A Fund may be required to make substantial capital expenditures to comply with Federal, state and local safety, accessibility, and land use requirements, and these expenditures could adversely affect the Fund's ability to make distributions to its Investors. These requirements include, among others the Americans with Disabilities Act, or the ADA. The ADA requires that "public accommodations" such as medical office buildings and office buildings be made accessible to people with disabilities. Compliance with the ADA could require removal of access barriers and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants, or both.

Cybersecurity. As the use of technology has become more prevalent in the ordinary course of business, operational and other risks resulting from potential cybersecurity breaches have increased. A breach in cyber security refers to both intentional and unintentional events that may cause the firm to lose propriety information, suffer data corruption, or lose operational capacity. This in turn could cause the firm to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cyber security breaches may involve unauthorized access to the digital information systems that support the firm (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches of third party service providers that provide services to the firm can also subject the firm to many of the same risks associated with direct cyber security breaches. Like with operational risk in general, the firm has established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will succeed, especially because the firm does not directly control the cyber security systems of issuers or third party service providers.

Reliance on Key Individuals. The success of each Fund is substantially dependent on Paul Marcus, Ryan McDonough, Pete Cameron, David Hooke, William McAvoy, David Fiore, John Busby, Andrew Dolinsky, Levi Reilly, and Patrick Sousa (the "Principals"). These individuals generally possess institutional knowledge about the Funds or the real estate industry generally, have significant expertise in their fields and possess important leadership skills. The loss of any of the Firm's key employees could adversely affect a Fund's ability to execute its strategy. Moreover, these persons are not required to exclusively dedicate or devote their business time or efforts to the Fund. [See "*Potential Conflicts of Interests*" below.]

POTENTIAL CONFLICTS OF INTERESTS

Management of the Fund. Paul Marcus, David Hooke, William McAvoy, Pete Cameron and David Fiore shall devote a sufficient portion of their business time to fulfill their duties to the

General Partner as is necessary for the operation of the Funds. However, the Principals provide services to other existing Firm clients and may devote a portion of their business time and attention to other projects during the life of a Fund. Accordingly, conflicts of interest may arise in allocating management time, services or functions among the Funds and such other projects. In addition, certain Principals currently own interests in real estate investments and may be involved in future investments that may be competitive with investments made by a Fund.

Carried Interest of the General Partner. The existence of the Carried Interest may create an incentive for the General Partner to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of such incentive. In addition, due to the method of calculating the Carried Interest, the distributions to the General Partner may be affected by the timing of dispositions and other factors within the control of the General Partner. The General Partner believes that the foregoing conflicts will be mitigated to a substantial extent by:

1. the fact that the General Partner and its officers collectively will have an investment in a Fund; and
2. the fact that the Carried Interest will be calculated based on a preferential return to the Partners of their total capital invested in a Fund, plus an annual return thereon.

Diverse Membership. The Limited Partners are expected to include taxable and tax-exempt entities and may include persons or entities organized in various jurisdictions. As a result, conflicts of interest may arise in connection with decisions made by the General Partner that may be more beneficial for one type of Investor than for another type of Investor. In selecting investments appropriate for a Fund, the Firm will consider the investment objectives of the Fund as a whole, not the investment objectives of any Investor individually.

Investment Opportunities. Conflicts of interest may arise in connection with the allocation of investment opportunities between the General Partner and its affiliates and the Fund. For example, the General Partner may decide that a particular opportunity is not appropriate for the Fund (e.g., because of an increased risk profile), whereas simultaneously an affiliate of the General Partner determines that the opportunity is appropriate for an investment vehicle other than the Fund. In other situations, a certain opportunity may be appropriate for both the Fund and another investment vehicle, in which case a conflict will arise.

Investment Operations. Conflicts of interest may arise between the Fund and other investment vehicles because of competition for tenants or the services offered by service providers to any particular investment.

Item 9. Disciplinary Information

As of the date of this Brochure, neither Marcus Partners, Inc. nor any of its management persons or owner, is or has been involved in any disciplinary action that would be material to an Investor in evaluating the Firm or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

Marcus Partners, Inc. is a member of several real estate related industry groups. Through our affiliation with these organizations we are able to gain a better understanding of trends and the issues that face the real estate investment industry.

Neither the Firm nor any of its management persons is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer, or as a future commission agent, commodities pool operator, commodities trading adviser, or an associated person of any of the foregoing.

As noted above, the Firm co-manages certain partnerships and joint ventures with The Davis Companies, a Boston, MA based registered investment adviser. Paul R. Marcus, Principal and CEO of the Firm, has an economic and management interest in such partnerships and joint ventures, but is not an affiliate of The Davis Companies.

Item 11. Code of Ethics

We follow a Code of Ethics ("Code") that is designed to comply with SEC Rule 204A-1. A copy of our Code is available to current and prospective Investors upon request.

The Code establishes rules of conduct designed to, among other things, govern personal securities trading activities in the accounts of Access Persons (as defined in the Code). In addition, the Code includes safeguards designed to avoid conflicts of interests that could adversely affect our clients. In addition to requiring compliance with the applicable securities laws, our Code establishes policies and procedures designed to prevent the misuse of material, non public information (including information regarding the Funds and Investors), and identifies activities that are either expressly prohibited or that require Chief Compliance Officer approval. Matters that could give rise to an appearance of impropriety, such as most business gift giving and receiving, and political contribution payments and solicitation also require prior review and/or approval by our Chief Compliance Officer. The Code applies generally to all Firm personnel.

The Code is based upon the principle that the Firm and its personnel owe a fiduciary duty to our clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of those of our clients, (ii) taking inappropriate advantage of their position or relationship with the Firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that high ethical standards continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

Marcus Partners, Inc., and its personnel are subject to the following specific fiduciary obligations when dealing with the Funds and their Investors:

- The duty to have a reasonable, independent basis for the investment advice provided;
- The duty to seek best execution for a client's transactions where the Firm is in a position to direct brokerage transactions for the client;
- The duty to ensure that investment advice is suitable to meeting the client's objectives, needs and circumstances; and
- A duty of loyalty.

The Firm conducts its business honestly and ethically. The Firm constantly strives to improve the quality of services, operations and reputation for honesty, fairness, respect, responsibility, integrity, trust and consistent employment of best business practices. No illegal or unethical conduct on the part of officers, employees or affiliates is in the Firm's best interest. The ethical performance of the Firm is the sum of the ethics of the people that work for the Firm. Thus, everyone employed by the Firm is expected to adhere to high standards of professionalism and personal integrity.

The basic principles discussed in the Firm's Code of Ethics are as follows:

4. *Securities Investments*

We have adopted the following principles governing personal investment activities by Marcus Partners, Inc. principals and personnel:

- The interests of client accounts will at all times be placed first;
- All personal securities transactions will be conducted in such manner as to address any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- Access Persons must not take inappropriate advantage of their positions.

Purchases and sales of publicly traded securities of real estate companies, purchases of securities in initial public offerings and purchases of securities in limited offerings (private placements) by our Access Persons and certain of their family members require pre-approval by our Chief Compliance Officer.

5. *Compliance with Laws, Rules and Regulations*

Obeing the law, both in letter and in spirit, is the guiding principle on which this Firm's ethical standards are built. All officers and employees are expected to obey the laws, rules, and regulations of the cities, states, and country in which we operate. Although officers and employees are not expected to know the details of each of these laws, rules and regulations, they have been advised to seek advice from managers or outside counsel when considered appropriate.

6. *Conflicts of Interest*

A conflict of interest is considered to exist when a person's private interest interferes in any way, or even appears to interfere, with the interests of the Firm or its clients. A conflict situation can arise when an officer or employee initiates

actions or has interests that may make it difficult to perform his or her Firm work objectively and effectively. Conflicts of interest may also arise when an officer or employee (or a member of their family) receives improper personal benefits as a result of their position in the Firm. Conflicts of interest are prohibited as a matter of Firm policy, except as approved by the Chief Compliance Officer.

No Marcus Partners, Inc. Access Person shall recommend any investment to a Fund without having disclosed to the GP of the Fund, his or her interest, if any, in such investment, including without limitation:

- Any direct or indirect beneficial ownership of any securities of a transaction party;
- Any contemplated transaction by such person in such investment;
- Any position with a transaction party or its affiliates; and
- Any present or proposed business relationship or transaction between such transaction party or its affiliates and such person or any party in which such person has a significant interest.

7. *Insider Trading of Information*

All non-public information about the Firm, the Funds, Investors, and Fund investments is considered confidential information and is to be protected as such at all times by officers and employees of the Firm. To use non-public information for personal financial benefit or to "inform" others who might make an investment decision on the basis of this information is not only unethical, but also illegal.

8. *Corporate Opportunities*

Officers and employees are prohibited from taking opportunities that are discovered through the use of Firm property, information or position for themselves without the consent of the Chief Compliance Officer. No officer or employee may use Firm property, information or position for personal gain and no officer or employee may compete with the Firm directly or indirectly. Officers and employees shall at all times advance the Firm's interests when the opportunity to do so arises.

9. *Competition and Fair Dealing*

The Firm consistently seeks to outperform its competition both fairly and honestly through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each officer and employee is cautioned to respect the rights of, and deal fairly with, the Investors, tenants, brokers, suppliers, competitors and employees.

The purpose of business entertainment and gifts in a commercial setting is to create goodwill and sound working relationships, not to gain or provide an unfair advantage.

10. *Political Contributions*

Management persons are free to make personal political contributions as they see fit as long as they do so legally in accordance with applicable election laws, statutes and SEC regulations including, without limitation, Rule 206(4)-5 under the Investment Advisers Act.

11. *Record Keeping, Financial Controls and Disclosures*

The Firm requires honest, accurate and timely recording and reporting of information in order to make responsible business decisions.

All of the Firm's books, records, accounts and financial statements must be maintained in reasonable detail; must appropriately reflect the Firm's transactions; must be promptly disclosed in accordance with any applicable laws or regulations; and must conform both to applicable legal requirements and to the Firm's system of internal controls.

12. *Confidentiality*

Principals, officers and employees must maintain the confidentiality of proprietary information entrusted to them by the Firm or its investors, investment partners, tenants or vendors, except when disclosure is authorized in writing by the CCO or required by laws or regulations.

13. *Whistleblower Policy*

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed behavior that they believe may be illegal or a violation of the code of ethics or Firm policy or when in doubt about the best course of action in a particular situation. It is the policy of the Firm not to allow retaliation for reports made in good faith by employees of misconduct by others.

Item 12. Brokerage Practices

The Firm invests in real estate and real estate related investments. These investments are typically acquired directly from owners and may involve the services of a real estate broker. The seller, as opposed to the buyer, of a real estate investment typically pays the brokerage commission on the transaction.

Item 13. Review of Accounts

Investor accounts are reviewed quarterly. The Firm keeps Fund books on the accrual basis of accounting for tax purposes, on a GAAP (fair value) basis for reporting purposes, and the cash basis for determining distributions to investors. Reporting is customized based on the needs of each client. The following is a summary of the various reports sent to Investors along with the frequency of reporting.

Quarterly Financial and Investor Statements. Within 45 days after the end of each calendar quarter, the GP provides the Investors with a quarterly investor statement that summarizes the account activity that occurred in the preceding calendar quarters. This statement shows the current value of the Investor's account based on fair values attributed to Fund investments and also reflects all cash flows into and from Investor accounts. In addition, the GP provides an unaudited financial statement containing: (i) a balance sheet, statements of operations, cash flows and Investors' equity, in conformance with GAAP (fair value) (ii) a statement of reimbursed amounts and fees paid to the Firm or its affiliates; and (iii) a valuation of the real estate and real estate related assets of each Fund that have been owned, directly or indirectly, by the Fund.

Annual Reporting. Within 90 days after the end of each calendar year, the GP causes each Fund to provide a report prepared by independent auditors containing: (i) a balance sheet, statements of operations, cash flows and Investors' equity, in conformance with GAAP (fair value) and accompanied by an auditor's report; (ii) a reasonably detailed statement of transactions that have closed since the most recent report; (iii) a statement of reimbursed amounts and fees paid to the Firm or its affiliates; and (iv) a valuation of the real estate and real estate related assets of each Fund that have been owned, directly or indirectly, by the Fund.

Item 14. Client Referrals and Other Compensation

The Firm does not compensate any individual or organization for client referrals. The Firm also has not utilized a third party placement agent or broker dealer to solicit equity commitments from new investors. To the extent that the Firm retains the services of a third party placement agent or broker dealer when soliciting equity commitments from new investors in the future, such use will be in accordance with SEC rules and regulations.

Item 15. Custody

Given the nature of the Firm's investment activity in acquiring and managing real estate and real estate related investments, the Firm does not use a third-party custodian for client assets. The Firm does, however, have custody of Fund cash in bank accounts. Bank accounts have controlled access limited to authorized signors.

In accordance with contract requirements, the Firm routinely provides Investor statements and Fund updates on a quarterly basis which disclose individual investor account activity, investment returns and detailed information regarding Fund investment activity.

Investors also receive audited financial statements that comply with U.S. generally accepted accounting principles (fair value basis) within 90 days following the Fund's fiscal year end.

The Firm urges investors to carefully review the audited financial statements.

Item 16. Investment Discretion

As noted above, the Firm invests Fund capital on a discretionary basis. In the past, along with an affiliate, the Managing Principal and CEO of Marcus Partners, Inc., Paul R. Marcus, completed multiple transactions involving single asset investments that were privately syndicated to high net worth and/or institutional investors.

Item 17. Voting Client Securities

Marcus Partners, Inc., in its capacity as the parent of the GP of the Funds, will vote proxies in accordance with policies and procedures which are designed to ensure compliance with Rule 206(4)-6 of the Investment Advisers Act. In this regard, proxies will be voted on behalf of a Fund based on a determination of the best interest of a Fund, consistent with the objective of maximizing long term investment returns for the Investors. Where a Fund has made an investment in equity interests or debt instruments secured by mortgages on properties with a view towards acquiring the underlying properties, we will vote proxies to facilitate such transaction taking into account the investment goals and objectives of a Fund. No Investor may direct the voting of proxies on any particular matter. Investors may obtain information on how proxies have been voted upon written request addressed to us at our office.

Copies of our Proxy Voting Policy will be available upon request.

Item 18. Financial Information

We are not aware of any financial condition of Marcus Partners, Inc. that impairs our ability to meet contractual and fiduciary commitments to the Funds or their Investors.

Item 19. Appendix A

The following is a summary of the asset management fees of Fund II and Fund III:

Breakpoint	Asset Management Fee
<25% Capital Commitments invested	1.00% of aggregate Capital Commitments
25% to 50% Capital Commitments invested	1.25% of aggregate Capital Commitments
>50% Capital Commitments invested	1.50% of aggregate Capital Commitments
Subsequent to completion of the Fund Investment Period	1.50% of Invested Capital (plus, for Fund II only, undrawn Capital Commitments that are committed to investment as of the end of the Investment Period) subject to a minimum fee of \$50,000 per year through final liquidation and dissolution of Fund II and Fund III

Fund II and Fund III notes:

- 1) The provisions in the side letters of certain major investors in Fund II and Fund III include variations to the asset management fee structure outlined above.
- 2) For Fund II only, during the final year of the Investment Period, the fee on uncommitted capital was reduced to 75 bps.