

## **Hudson Realty Capital LLC**

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

Additional information about Hudson Realty is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Copies of this brochure may be requested by contacting Andrew Bloom at (212) 532-3553 or at [abloom@hudsoncap.com](mailto:abloom@hudsoncap.com).

## **Item 2           Material Changes**

Since the Firm's last annual amendment filing on March 31, 2022 there have been no material changes.

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

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

Occasionally, Hudson Realty and Hudson Realty’s principals, officers, partners, directors, employees, or other persons occupying a similar status or performing similar functions for the Firm (“Employees”) and their respective friends and families will co-invest collectively and, in certain instances, with third parties. Those deals are structured as strategic joint ventures (“Strategic JVs”) where decision making may be retained by the third-party investor or may be shared by the co-investors. Although certain Strategic JVs compensate Hudson Realty for performing origination, underwriting, servicing, reporting or other ministerial or administrative functions, Hudson Realty does not provide investment advice and consequently does not consider those principals, Employees, friends, family or co-investors to be Funds or Clients with respect to these Strategic JVs. Occasionally, these Strategic JVs are invested and structured in transactions on a side-by-side basis with Hudson Realty’s Funds or Clients. The Strategic JVs and co-investment opportunities are only pursued if Hudson Realty has determined that the potential investment is not appropriate for an existing Fund or Client, or alternatively, if such opportunity may be appropriate for an existing Fund or Client then the applicable Fund or Client has specifically elected not to invest in the opportunity.

In addition, Hudson Realty provides non-discretionary advisory services to a separately managed account (“Managed Account”).

Hudson Realty’s investment strategy is to make consistent and disciplined investments in, and the asset management of, a broad range of real estate-related debt and opportunistic investments throughout the United States, targeting middle-market investments. The types of assets held by the Funds include, but are not limited to, first mortgages, subordinated debt, preferred equity and direct equity in real estate. As discussed further in Item 8 of this brochure, Hudson Realty generally concentrates its investment activity in middle market transactions, targeting investments in office, industrial, retail, and single- and multi-family residential properties.

Hudson and its affiliates are engaged in various real estate related activities, many of which fall outside the scope of the stated investment objectives/mandates of its investment advisory clients. These activities could give rise to potential conflicts of interest, specifically with respect to the allocation of investment opportunities. On a case by case basis, Hudson first assesses the suitability of each prospective new deal for its advisory clients and, if it is determined that the investment is not appropriate, the Firm or its affiliates may pursue a proprietary investment or other structure in which the funds/clients do not participate. Hudson endeavors to ensure that any investment opportunities (which are often non-regulatory real estate assets) do not create conflicts of interest or that any conflicts can be mitigated. Additionally, Hudson also engages in certain other real estate related activities (i.e. property management, loan servicing and asset underwriting assignments) which are evaluated prior to engagement to minimize potential conflicts of interest with Hudson's asset management advisory business. Additional information regarding such relationships and activities can be found in Item 10 of this Brochure.

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

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

In addition, the Managed Account is subject to different investment objectives, restrictions, terms and/or fees than those of the Funds.

- D. **Wrap fee programs.** Hudson Realty does not participate in wrap fee programs.
- E. **Assets under management.** As of December 31, 2022, Hudson Realty managed approximately \$125,057,281 of regulatory assets under management on a discretionary basis and \$18,614,046 on a non-discretionary basis.

## **Item 5            Fees and Compensation**

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

Generally, the Funds pay Hudson Realty a management fee calculated and charged to the limited partners in the Funds based on either a percentage of the committed capital of the limited partners or the limited partners' invested capital. Such management fee is payable quarterly in arrears.

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

- B. **Deduction of fees from Client assets.** The Funds generally pay the management fee to Hudson Realty quarterly in arrears. The management fee is deducted from distributable proceeds, borrowings under credit facilities or capital contributions from each of the Fund's limited partners. The investors in the Funds are not separately billed for such services by Hudson Realty.
- C. **Other types of fees or expenses.** Pursuant to the respective Fund partnership agreements, Funds are generally responsible for the organizational and offering expenses incurred in the formation of such Fund. Those fees associated with the formation of a Fund's General Partner are sometimes subject to an expense cap. Fees exceeding this maximum amount, if any, will be borne by the General Partner. Pursuant to the respective Fund partnership documents, Funds are generally responsible for all Fund-related expenses, including (i) all travel and other out-of-pocket expenses of the General Partners, Hudson Realty or either of their affiliates incurred in connection with the evaluation, acquisition, origination, ownership sale, hedging or financing of any potential investment, (whether or not consummated); (ii) all litigation-related and indemnification expenses; (iii) all administrative expenses of the Funds and all other expenses incurred by the General Partners, Hudson Realty or any affiliate in connection with the operation of the Funds or performing the General Partners' or Hudson Realty's duties, including maintaining the Funds' general ledgers, investment reporting, preparing the Funds' financial statements and tax returns and performing in-house legal services; and (iv) asset management and servicing fees, as agreed by the investors and Hudson Realty and set forth in the respective Funds' governing documents. The Funds will also bear the organizational and ongoing administrative costs of any subsidiaries of the Fund, including special purpose entities formed to hold one or more of the Funds' investments. To the extent Hudson Realty requires the use of a broker to effect transactions for the Funds, such brokerage and transaction costs are paid by the Funds. Please see Item 12 of this brochure for further information on Hudson Realty's brokerage activities.

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

- D. **Payment of fees in advance.** As described further in Item 5.A. and B., the management fee is paid quarterly in arrears.
- E. **No compensation for the sale of securities.** Hudson Realty Employees do not receive compensation for the sale of securities or other investment products. Except in connection with Hudson Realty's affiliate FHA/GNMA platform discussion in Item 10, Hudson Realty does not receive compensation for the sale of securities or other investment products. The purchasers of these securities are not Hudson Realty Clients, as such, the sale of these investments does not create a conflict of interest.

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

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

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

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



## **Item 7           Types of Clients**

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

Typically, an initial investment in a co-mingled Fund must be at least \$5 million, as set forth in the Funds' offering documents; however, the General Partners of the Funds have the sole discretion to accept investments of a lesser amount. Certain other Clients of the Firm do not have a minimum initial investment.

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

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

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

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

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

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

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

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

*Risks Associated with Commercial Mortgage Loans.* Certain Funds invest in commercial mortgage loans. The value of each Fund's commercial mortgage loans will be influenced by the historical rate of delinquencies, defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. The factors affecting delinquencies, defaults and loss severity include (i) industry sector and economic and real estate market conditions (e.g. multi-family, retail, office, etc.), (ii) the terms and structure of the mortgage loans, and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan. Commercial loans generally expose a lender to a greater risk of loss through

delinquency and foreclosure since the ability of the borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property, rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guarantees. Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining debt amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligations. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the Funds could become liable upon taking title to an asset for environmental or structural damage existing at the property.

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

*Risks Associated with Cybersecurity.* Hudson Realty, the Funds and their service providers, may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. In addition, cybersecurity risks may also impact issuers of securities in which the Funds invest, which may cause a Fund's investment in such issuers to lose value. Despite the various protections utilized, systems, networks or devices potentially can be breached. There can be no assurance that Hudson Realty, a Fund or its service providers will not suffer losses relating to cyber-attacks or other information security breaches in the future. For instance, cyber attacks may interfere with the processing of transactions, cause the release of confidential information, including private information about investors, subject the Funds and Hudson Realty to regulatory fines or financial losses, or cause reputable damage.

*Risks Associated with Force Majeure.* Hudson Realty's strategies and investments on behalf of its Funds may be affected by force majeure events (i.e., events beyond Hudson Realty's control, including acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern such as COVID-19, war, terrorism and labor strikes). Some force majeure events could adversely affect Hudson Realty's ability to perform its obligations until it is able to remedy the force majeure event. In addition, the losses to Funds resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an

outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries where Hudson Realty may invest specifically on behalf of its Funds. Additionally, a major governmental intervention into industry, including the nationalization of an industry, could result in a loss to Funds. Any one or any combination of the foregoing may therefore adversely affect Fund performance.

*Risks Associated with Business Continuity and Disaster Recovery.* Hudson Realty and its Funds' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolong power outages. Hudson Realty has implemented, and continues to assess and implement best business practices to manage risks relating to these types of events. However, there can be no assurances that all contingencies can be foreseen. The risk of loss associated herewith can be substantial and could have a material adverse effect on Hudson Realty and investments therein.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's portfolio investments.

As of the beginning of 2023, there is an especially high degree of economic uncertainty given elevated inflation, a rapid increase in interest rates by Central Banks, and a high level of geopolitical uncertainty in Europe and Asia. The likelihood of a recession, and the magnitude of any such recession, is highly uncertain and would have significant implications across asset classes, particularly if a recession occurs and is of significant magnitude or duration. In addition, due to the recent bank failures, there is a risk of loss of deposits in excess of \$250,000, risks surrounding liquidity concentration, systemic risk regarding the failure of other banks, and increased compliance costs associated with diversifying deposits among multiple banks. Collectively, the foregoing could adversely impact Hudson Realty, the value of Fund holdings and overall Fund performance. Any of the risks described below, or other risks not described, if realized, could have a material adverse effect on the liquidity, current and/or projected business operations, financial condition and/or performance results, as applicable, for any of Hudson Realty, its related parties, a Fund and/or the portfolio investments.

*Custody Risk.* The Firm is required to maintain certain Fund assets with a qualified custodian. The Firm or Funds may incur a loss on securities and cash held in custody in the event of a custodian's or sub-custodian's insolvency, negligence, fraud, poor administration, or

inadequate recordkeeping. Generally, deposits maintained at a bank do not become part of a failed bank's estate however, the Firm's operations could be impacted by the bank's insolvency in that there may be a delay in access to liquidity, trade settlement, delivery of securities, etc. To mitigate this risk, Hudson Realty (a) tries to select custodians with a strong balance sheet and significant capital base, (b) will monitor the custodian's financial health, and (c) recognizes that establishing multiple custodial relationships, to the extent possible, could mitigate custodial risk in the event of a bank failure.

*Bank Deposits Risk.* Deposits maintained at a Federal Deposit Insurance Corporation ("FDIC") insured bank are insured up to \$250,000 per depositor, per insured bank, for each account ownership category, in the event of a bank failure. Any deposits over \$250,000 in cash per account at a single bank may be unrecoverable in the event the bank fails. Hudson Realty believes, (a) it can mitigate this risk by doing business with banks that have strong balance sheets, and (b) will monitor the banks financial condition, and (c) to the extent appropriate, diversifying banking relationships that could serve to mitigate the potential loss of assets and available liquidity.

*Counterparty Risk.* The Firm and Funds may be subject to credit and liquidity risk with respect to the counterparties. Exposure to credit and liquidity risk from counterparties can occur through a wide range of activities when dealing with, including but not limited to, Hudson Realty's affiliates, founders/principals, limited partners, investors, lenders, service providers, banks, brokers, insurance providers, trading counterparties, portfolio companies, prospective portfolio companies, or other entities. Should a counterparty become bankrupt or otherwise fail to perform its obligations under a contract due to financial difficulties, there may be significant delays in obtaining a full or limited recovery under a contract in a bankruptcy court or other reorganization proceeding. The lack of any independent evaluation of such counterparties' financial capabilities, and the absence of a regulated market to facilitate settlement or provide access to capital will increase the potential for losses by the Firm and Funds especially during unusually adverse market conditions. The Firm intends to mitigate this risk by, to the extent possible and where appropriate, (a) maintain more than one relationship with counterparties, and (b) try to influence counterparties to address identified risks with appropriate action, policies, and guidelines. In this regard it is important to note that Hudson Realty typically will not have the right to exercise control over these counterparties in connection with these risks. Therefore, Hudson Realty may have limited or no influence on such persons' decisions and, even where it has influence, such persons may make decisions which are different than the decisions the Firm would make in the same circumstances.

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

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

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

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

**Item 9            Disciplinary Information**

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



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

- A. **Broker-dealer registration.** Neither Hudson Realty nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. **Commodity industry registration.** Neither Hudson Realty nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. **Material relationships.** Certain Employees of Hudson Realty hold ownership interests and/or a Carried Interest in the General Partners. Hudson Realty and its related persons may also form other partnerships or entities and offer investment opportunities in such partnerships and entities in accordance with the operating agreements and offering documents of the Funds as more particularly described in Item 11 of this brochure.

Hudson Realty and/or its affiliates may provide borrower and asset due diligence services, debt servicing, deal-level asset management services and other similar services in connection with the underlying investments made by a Fund and receive fees in connection therewith, which such fees will generally be offset against the investment management fee described in Item 5.A above, except in limited circumstances as provided for in each Fund's governing documents. Hudson Realty and/or its affiliates provides borrower and asset due diligence services, debt servicing, deal-level asset management services and other similar services in connection with the underlying investments made by third parties (non-Clients) and receive fees in connection therewith, which such fees are unrelated to any investment management fee described in Item 5.A above. The Firm has policies and procedures in place to reduce or avoid any conflicts of interest arising from these situations.

Hudson Realty and certain affiliates are involved in joint ventures with third parties which, in certain instances, may raise capital from investors. Many of Hudson Realty's Employees serve in substantially similar capacities for such joint ventures. The investment mandate for any joint ventures have been narrowly defined in terms of type and geographic location of investable assets in order to avoid conflicts of interests with the business of Hudson Realty and the Funds under its management.

Hudson Realty occasionally individually or jointly pitches business with other financial or real estate business and/or professionals. This work is unrelated to Hudson Realty's investment advisory and asset management work and is limited in scope so as to avoid conflicts of interest with the business of Hudson Realty and the Funds under its management.

Hudson Realty is affiliated with certain entities related to an existing FHA/GNMA platform. The platform allows for the underwriting of FHA/GNMA mortgage products. Certain Employees will be assisting in the operations of these entities, along with their work for the Clients and other activities related to Hudson Realty. Hudson Realty will devote such time, personnel and internal resources as are necessary to conduct the business

affairs of the Clients in an appropriate manner, as required by the relevant Client agreements, although the Clients and their respective investments will place varying levels of demand on these over time. As is customary across the FHA/GNMA mortgage business, an affiliate of Hudson Realty will receive compensation associated with the sale of GNMA securities backed by FHA insured originated mortgage loans.

Certain separate account relationships retain discretion over their investment decisions but engage and compensate Hudson Realty to source, originate, underwrite, negotiate, and/or service the investments. Hudson Realty's co-investment requirements vary based on the specific separate account investor.

- D. **Other Advisers.** Hudson Realty does not recommend or select other investment advisers for the Funds.

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

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

## **Item 12      Brokerage Practices**

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

## **Item 13      Review of Accounts**

- A. **Monitoring of accounts.** Hudson Realty's investment professionals and asset management teams continually review and monitor the Funds' investments. Hudson Realty's investment professionals and asset management teams routinely meet to discuss asset management activities as well as potential new investment opportunities. Hudson Realty's Investment Committee convenes as and when necessary to consider and approve new investment opportunities and material investment decisions regarding the Funds' existing investments, including dispositions and refinancings.
- B. **Review triggers.** Hudson Realty's investment professionals regularly supervise and monitor the activities of the Funds, as referenced in Item 13.A of this brochure.
- C. **Reports to Clients.** For certain of the Funds, Hudson Realty may hold an annual meeting with some investors to review and discuss Fund status and the respective investment activities. Additionally, the Firm invites all investors in each Fund to contact Hudson Realty with any questions or concerns. Further, on a periodic basis with respect to certain Fund vehicles, Hudson Realty may provide update letters as to the Funds' activities to the Funds' investors.

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

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

**Item 14            Client Referrals and Other Compensation**

- A. **Other compensation.** Hudson Realty does not receive economic benefits as a result of investment advice or advisory services provided by Hudson Realty to the Funds, other than from the Funds.
- B. **Compensation for Client referrals.** From time to time, in the context of organizing a Fund, Hudson Realty may compensate one or more placement agents for referrals of Fund investors. In such case, the management fee payable by a Fund has been, and may be in the future, reduced by the amount of the fee paid to placement agent, or the placement agent will share in the profits of the general partner.

## **Item 15        Custody**

While the Firm or certain affiliates may be deemed to have custody of certain Client funds and securities, the Firm itself does not maintain physical custody of such assets. As set forth in Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), all Client funds and securities that fall under the purview of the Custody Rule are held at accounts maintained in the name of the applicable Client by entities deemed qualified custodians as defined in the Custody Rule. Additionally, Hudson Realty endeavors to deliver audited financial statements of the applicable Clients (such Clients over which the Firm or an affiliate is deemed to have custody) to all investors in such Clients within 120 days of the Client’s fiscal year end. The financial statements are prepared in accordance with generally accepted accounting principles and are audited by an independent accountant. The Firm is not deemed to have custody over the funds and securities of certain of its Clients, and therefore such Clients are not audited. In the future, Hudson Realty may arrange for surprise audits and quarterly reports from a qualified custodian, if appropriate, instead of delivering audited financial statements.

Hudson Realty does not have custody of the Managed Account.

**Item 16            Investment Discretion**

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



## **Item 17      Voting Client Securities**

A and B.

Hudson Realty's investment strategy does not generally involve the acquisition of public securities with voting authority, making it unlikely that a Client will be placed in a position of proxy voting authority. However, consistent with the Compliance Manual, if a Client does come into possession of securities with voting rights, the Firm will implement the appropriate policies and procedures and seek to vote proxies in the best interests of its Clients in accordance with the Advisers Act. Further information can be obtained by contacting Andrew Bloom at [abloom@hudsoncap.com](mailto:abloom@hudsoncap.com).

**Item 18      Financial Information**

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

**Item 19            Requirements for State-Registered Advisers**

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