

**Item 1. Cover Page**

PART 2A OF FORM ADV UNIFORM APPLICATION  
FOR INVESTMENT ADVISER REGISTRATION

FIRM BROCHURE

FOR

**HUDSON HOUSING CAPITAL LLC**

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This brochure provides information about the qualifications and business practices of Hudson Housing Capital LLC. If you have any questions about the contents of this brochure, please contact us at (212) 218-4456 and/or matt.brush@hudsonhousing.com. 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.

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

## **Item 2: Material Changes**

The following is a summary of the material changes in the Firm Brochure of Hudson Housing Capital LLC (“HHC”) from HHC’s Firm Brochure dated March 28, 2022. The following is only a summary of such changes.

1. In Item 4, the dollar amount of assets managed has been updated.

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## Item 4: Advisory Business

### ADVISORY BUSINESS AND STRATEGY

Hudson Housing Capital LLC (“HHC”) is a Delaware limited liability company which provides advisory services to low income housing tax credit funds (the “Funds”), which are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), in reliance on Section (3)(c)(7) thereof, and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”), in reliance on an exemption under Regulation D thereof. HHC has been in business since February 1998. The principal owners of HHC are John Scott Zeiler and Hudson Holdings, LLC, the majority member of which is Joseph Augustus Macari. HHC is a New York headquartered investment advisor to the Funds. The Funds are typically structured as limited partnerships or limited liability companies.

HHC provides investment advisory services to each of the Funds, which are subject to the direction and control of the HHC affiliated general partner or managing member of such Fund (the “Fund General Partners”). The Fund General Partners are typically wholly owned by HHC.

HHC raises equity capital, on behalf of the Funds, from financial institutions and insurance companies (the “Investors”). Each Investor is a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended. The Funds use the contributed capital to invest in limited partnerships or limited liability companies (the “Property Partnerships”) which develop, construct, own and operate multi-family, rental real estate properties which are restricted to occupancy by low income individuals and families (the “Properties”). The Properties owned by the Property Partnerships generate low income housing tax credits (the “Tax Credits”) pursuant to Section 42 of the Internal Revenue Code of 1986, as amended. The Tax Credits are allocated among the partners or members of the Property Partnerships in accordance with their ownership percentages. The Funds typically own 98.98%-99.98% of the Property Partnerships. HHC’s advisory services are limited to making investments in Property Partnerships.

HHC tailors its advisory services to the individual needs of the Funds as prescribed by the Investor or Investors in each Fund. HHC makes and manages each investment in accordance with the purposes, terms, restrictions and limitations set forth in the governing documents of each Fund, consisting primarily of such Fund’s limited partnership agreement or limited liability company agreement (which is negotiated on a case-by-case basis with each Investor). A Fund may impose restrictions or limitations on investing in certain types of Property Partnerships. As part of a Fund’s investment in a Property Partnership, HHC commits to providing ongoing asset management services to the Fund as described in more detail in the Fund’s governing documents.

## **PRIMARY INVESTMENTS**

HHC originates, underwrites and structures low income housing investment opportunities in which the Funds invest. The Funds earn a return on investment through an allocation of the Tax Credits and other tax benefits generated by the Properties owned by the Property Partnerships in which the Funds invest.

A subsidiary of HHC (the “SLP”) on behalf of each Fund exercises substantial authority and control over the Property Partnerships to which the Fund contributes capital. The interests of the Funds in Property Partnerships may not constitute “securities” for purposes of the federal securities laws.

## **EQUITY CAPITAL**

Equity capital raised by the Funds is contributed to the Property Partnerships to finance the development and construction of the Properties. In general, Investors commit equity capital to a Fund that will be used to develop and construct a specific Property identified in equity commitment documents. In addition to the equity financing received from the Funds, the Property Partnerships typically obtain debt financing from conventional lenders and/or government agencies. The terms on which the capital of a Fund is contributed to a Property Partnership are approved by each Investor in the Fund.

As of December 31, 2022, HHC manages approximately \$0 in client assets on a discretionary basis and \$4,573,938,405 in client assets on a non-discretionary basis.

## **Item 5: Fees and Compensation**

HHC’s compensation for its advisory services is negotiated in the context of each Fund’s circumstances. Each Fund is a qualified purchaser as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. HHC does not have a fixed fee schedule.

Generally, the subsidiary of HHC that acts as the general partner of each Fund has the authority to deduct compensation payable to HHC from the assets of the Fund as and when due in accordance with the terms of each Fund’s partnership agreement. Certain components of HHC’s fees are payable upon the occurrence of specific events. Other components of HHC’s compensation are payable annually.

To the extent that HHC is required by the rules promulgated under the Investment Advisers Act of 1940, as amended, to establish a custodial relationship for Property Partnership interests of a given Fund, the custodial charges assessed by the third party custodian may be charged to the Fund. Property Partnership interests are not generally traded, and therefore Funds do not incur brokerage expenses or other transaction expenses. When requested by an Investor, HHC may facilitate a transfer of a Property Partnership Interest. In such cases, any compensation payable to HHC is negotiated with the applicable Investor and is disclosed to and agreed by the Investor.

Compensation to HHC is not payable in advance.

Neither HHC nor its supervised persons accepts compensation for the sale of securities or other investment products such as asset-based sales charges or service fees from the sale of mutual funds. To the extent that, when requested by an Investor, HHC facilitates a transfer of a Property Partnership Interest from one Investor to another, HHC's potential conflict of interest is disclosed in writing, each Investor is represented by counsel and HHC's compensation is agreed to by each Investor.

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

HHC may in some instances receive performance-based fees for its advisory services through the Funds' investment in the Property Partnerships. In such instances, HHC may generally receive a share of the proceeds of capital appreciation from a sale or other disposition of a Property owned by a Property Partnership in the event that the Property's sales proceeds exceed the amount of the Investors' capital investment in the Funds. The existence of performance-based compensation may create an incentive for HHC to make riskier or more speculative investments than it would otherwise make in the absence of such performance-based fees. HHC may also receive compensation based upon the amount of capital commitments of a Fund to Property Partnerships. Because each element of HHC's compensation is specifically negotiated with the Investors in the applicable Fund, HHC does not consider that the receipt of performance-based and asset-based compensation gives rise to a conflict of interest on HHC's part.

## **Item 7: Types of Clients**

HHC provides investment advisory services to the Funds. Each Fund is owned solely by Investors each of which is a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended.

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

### **METHODS OF ANALYSIS AND INVESTMENT STRATEGY**

Several important elements characterize HHC's investment approach:

- (1) Target investment opportunities in areas of interest to the Funds.
- (2) Target investment opportunities in geographic markets that demonstrate demographic and economic activity that would indicate long term viability.
- (3) Target development teams with strong financial wherewithal and significant targeted experience.
- (4) Evaluation of Property developers, including financial standing, experience, performance of past developments and HHC prior experience, if relevant. This evaluation includes all members and third parties associated with the development team, including, but not limited to architects, contractors, property managers, lawyers and accountants.

- (5) Review of property development plans and specifications.
- (6) Market analysis to determine property viability over expected 15 - 18 year investment horizon.
- (7) Review of all legal documentation, including, but not limited to, tax credit allocation, documents relevant to all sources of funds, development agreements, guarantee agreements, construction agreements, property management agreements and governing agreements of the Funds and Property Partnerships.
- (8) Conservative forecasting of expected investment performance and delivery of benefits.
- (9) Thorough evaluation of all risks and relevant mitigating factors.
- (10) Careful structuring of investments, including, but not limited to, guarantees, reserves, holdbacks and other financial undertakings.
- (11) Disclosure of all relevant terms to and discussion of each Property Partnership investment with the Investor or Investors in the applicable Fund.

## **RISK OF LOSS**

The Funds invest in Property Partnership interests. Property Partnerships are generally managed by single purpose entities ("Property General Partners") with certain of their obligations guaranteed by other financially viable entities or individuals ("Guarantors"). Investing in such securities entails a number of significant risks that should be considered before making an investment. Although the SLP has the right to exercise certain authorities and control over the Property Partnerships, the possibility of a partial or total loss of capital will exist, and investors must be prepared to bear capital losses that might result from such investments. An investment in a Fund should be considered only by institutions and companies who are prepared for and can afford a loss of their entire investment.

Investors in a Fund should be aware of certain risk factors involved in HHC's investment strategy, which include, but are not limited to, the following:

### Tax Risks

The Tax Credit programs involve complex sets of laws and regulations and require the analysis and resolution of many legal and business issues. It is difficult to predict the costs of compliance with such laws and regulations and of the resolution of such issues. As a result of such uncertainty, there can be no assurance that the rules will be complied with at all times, that Funds will achieve a particular return on an investment or receive a specific amount of Tax Credits or other tax benefits. The Internal Revenue

Service has substantially increased its audit activity of Funds claiming Tax Credits and there is a significant possibility that Funds or one or more of its investments will be audited.

#### Risks of Real Estate Ownership

Although affordable housing has historically had relatively stable occupancy because of the relatively low rents offered by affordable housing properties, investments in real estate involve certain inherent risks, a number of which may be beyond the reasonable control of a Fund, the Fund General Partner, a Property Partnership, the Property General Partner, the SLP and HHC. In addition, if a Fund invests in Property Partnerships that have or intend to have apartment units rented at market rates, such units and consequently the Properties owned by such Property Partnerships may not enjoy the relatively stable occupancy rates historically associated with rental units at below-market rates and will be subject to all of the risks inherent in investments in market rate residential housing properties. Real estate investment risks generally may include (i) difficulty in initial lease-up of a newly-constructed or newly-rehabilitated Property, and subsequent fluctuations in supply and demand for the apartment units in such Property, either of which can occur due to factors such as overbuilding in the relevant market or changes in the neighborhood of the Property; (ii) the risk that the Property Partnerships will not be able to meet debt service obligations and will suffer foreclosures; (iii) increases in utility, maintenance and other operating costs, which the Property Partnerships may not be able to recover by increasing rental rates; (iv) changes in applicable federal and local laws and regulations and property tax rates; and (v) the risk of catastrophic losses that exceed the limits of insurance coverage. The Funds generally make a substantial portion of their capital contributions to Property Partnerships during the period of construction of the Properties and before any rental commitments have been obtained for the Properties. The loss or reduction of government assistance also could adversely affect the financial condition or results of the Property Partnerships.

#### Reliance on Property General Partners

The ability of each Property Partnership to complete the construction and initial rental of its Property, and maintain or improve levels of occupancy of the Property, will depend on the management ability and experience of its Property General Partner and may depend upon the ability of the Property General Partner and its guarantors to provide the Property Partnership with funds that may be required in excess of the funds budgeted and reserved for the Property. While the SLP has the right to exercise substantial authority and control over the Property Partnerships, there is no assurance that the SLP will be made aware of issues in sufficient time to exercise such rights, and the exercise of such rights may not be sufficient to avoid financial or other defaults on the part of the applicable Property Partnership. The operating income from a Property and the assets of the Property General Partner, in addition to the reserves maintained by the Property Partnership, may not be sufficient to meet the obligations of the Property Partnership. If income from the operations and the operating reserves of the Property is not sufficient to pay all operating expenses, taxes and debt service and reserve requirements, a foreclosure on the Property may result.



### Risks of Government-Assisted Housing Projects with Operating and Financing Subsidies

A Fund may invest in Property Partnerships that own Properties that receive government financing and operating subsidies. The following risks are associated with programs that provide operating or financing subsidies:

*Risks Arising from Restrictions on Tenants for the Properties.* Governmental regulations with regard to the eligibility of tenants at a Property receiving government financing or operating subsidies may make it more difficult to rent the apartments in the Properties.

*Difficulties in Obtaining Rent Increases.* In many cases, rents in Properties receiving governmental financing or operating subsidies can only be increased with the prior approval of the applicable governmental agency. There can be no assurance that any rent increases that might be approved for any Property will be sufficient in time or in amount to offset any increased operating expenses such a Property may be experiencing.

*Limitations on Public Housing Operating Subsidy Payments.* Certain Property Partnerships may receive federal public housing operating subsidy payments which are designed to assist a Property Partnership in meeting a portion of its current obligations. Such amounts may be fixed or may not increase adequately to meet expenses associated with such units and are subject to annual appropriations. There can be no assurance that operating subsidies, in combination with the tenant payments for such public housing units, will be sufficient to meet associated operating expenses of a Property. Such operating subsidy payments are not expected to be available to make debt service payments. In addition, failure to comply with requirements applicable to public housing replacement units could result in the loss of subsidy payments to a Property Partnership and possible adverse tax consequences to the Fund and the Investors.

*Requirements for Government Approval of Acquisitions.* Governmental agencies providing financing or assistance often require that their consent be obtained with respect to any purchasers of interests in the applicable Property Partnership or the transfer by the prior owner of a Property to a newly-organized Property Partnership. There can be no assurance that any such governmental agency will approve any of the requested transfers, that such approvals will be received in a timely manner or that other conditions will not be imposed for such approvals.

### Risks of Government-Assisted Housing Projects without Operating or Financing Subsidies

The Property Partnerships in which a Fund will invest may own Properties which do not receive government financing or operating subsidies, other than the Tax Credits. In order to be eligible for the Tax Credits, a Property must restrict the rent it charges to some or all of its tenants. In addition, if operating expenses of a Property Partnership increase (which is likely to occur), there can be no assurance that such a Property Partnership would be able to increase rents in an amount sufficient to offset such increased operating expenses without jeopardizing its eligibility for the Tax Credits.

### Legislative Changes

Numerous proposals have been made for the revision of applicable federal income tax laws that could have an adverse effect on the ability of a Fund to achieve its investment objectives. Once the Fund becomes a limited partner or member of a Property Partnership, the risk of the enactment of any legislation that adversely affects the Fund or the return on the Fund's investment in that Property Partnership will be borne by the Investors.

### Restrictions on Transferability

The transfer of the Investors' limited partnership or membership interests in the Funds will be subject to numerous restrictions, including that no transfer may be made without the prior written consent of the Fund General Partner, which may not be unreasonably withheld. The Fund General Partner will be required to withhold its consent to any proposed transfer of the Fund's interests which, among other things, would (i) impair the status of a Fund for federal income tax purposes (including by causing termination of the Fund or by causing the Fund to be treated as a corporation for federal income tax purposes); (ii) fall outside the safe harbor provisions of Treasury Regulation Section 1.7704-1 (or other safe harbors adopted by the Internal Revenue Service that protect against treatment of the Fund as a publicly traded partnership); (iii) be in violation of federal or state securities laws or cause any applicable exemption of the Fund under federal or state securities laws or under the Investment Company Act to be called into question; (iv) result in the Fund or any Investor (other than the transferring Investor) being required to pay a recapture penalty for the accelerated portion of the Tax Credits taken with respect to such Fund interests; or (v) be made to a transferee that is a foreign person or tax-exempt entity.

### Forecasts

Forecasts incorporate numerous assumptions and are for illustrative purposes only. The actual results of an investment in a Fund will be different from those reflected in a forecast. Investors should not rely upon any forecast as anything other than an illustration of a possible outcome of an investment in a Fund.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of HHC's advisory business or integrity of its management.

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

HHC is the sole member of Hudson Housing Securities LLC, which is a registered broker-dealer (the "Broker-Dealer"). Joseph Augustus Macari, a Managing Member and Chief Compliance Officer of HHC, Sridhar Ganeshan, Member and Managing Director of HHC, Matthew Brush, Senior Vice President and Chief Financial Officer of HHC, and Rick Gonzales, Senior Vice President of HHC, are registered

representatives of the Broker-Dealer. HHC engages the Broker-Dealer as a placement agent for the Funds as described in more detail in Item 12 below. To the extent that HHC's relationship with the Broker-Dealer creates any conflicts of interest with the Funds, HHC has adopted the Code of Ethics as described in Item 11 below to limit and address such conflicts of interest if any were to arise in the future.

HHC and its principals and employees will devote only such portion of their time to the affairs of the Funds as they consider appropriate in their respective judgment to manage effectively the affairs of the Funds. HHC and its affiliates are not restricted from engaging independently or with others in other business ventures even though such activities may be in competition with a Fund or may involve substantial amounts of time and resources. Such other business ventures may include, but are not limited to, the rendering of advice or services to other investors, the sponsoring of other publicly or privately syndicated investment vehicles with the same or similar investment objectives as those of any Fund and the making or management of other investments, including investments in real property. In addition, such other business ventures may include joint venture, co-development, property management and/or financing arrangements between affiliates of HHC and one or more Property General Partners or their affiliates pursuant to which such affiliates of HHC receive compensation that may include a participation in the development or other profits of such Property General Partners or their affiliates, including profits arising as a result of the acquisition by a Fund of interests in Property Partnerships sponsored by such Property General Partners or their affiliates. These relationships may be viewed as creating a conflict of interest in that the time and effort of HHC and its principals and employees will not be devoted exclusively to the business of the Funds but will be allocated between the business of the Funds and the management of the monies of other advisees and other business activities in which they engage.

Other conflicts of interest may arise due to the ability of HHC and its affiliates to forming Funds and other investment entities that may compete with one another. Because HHC and its affiliates are not restricted from establishing one or more Funds or other investment entities for the purpose of acquiring interests in Property Partnerships or Properties that may be suitable for investment by any Fund or more than one Fund, a conflict of interest as to which Fund, if any, is allocated the investment opportunity may arise. Similarly, there may be instances where the Funds own interests in Property Partnerships that own competing Properties, such as Properties that are located within the same housing market. In such case, a conflict of interest may arise as a result of each Property's efforts to achieve 100% occupancy.

HHC has adopted the Code of Ethics as described in more detail in Item 11.A below to address and limit any potential conflicts of interest described above.

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

HHC has adopted a code of ethics (the "Code of Ethics") and the Chief Compliance Officer is designated as the person responsible for administering the Code of Ethics and other policies and procedures of HHC

and monitoring compliance by all HHC personnel. The Code of Ethics is based on the principle that HHC and each of its affiliates and employees owe a fiduciary duty to HHC's clients and are obligated to comply with all federal and state securities laws and other applicable laws. The fiduciary duty owed to HHC clients include the obligation of all employees to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise take unfair advantage of their relationship with clients. In recognition of this duty, the HHC has incorporated the following general principles, among others, in the Code of Ethics to guide the actions of all of its principals and employees:

- All principals and employees of HHC have a duty at all times to place the interests of its clients first.
- All principals and employees of HHC have the duty to conduct all personal securities transactions in a manner consistent with the Code of Ethics and in such a manner as to avoid any actual or potential conflict of interest or abuse of a position of trust and responsibility.
- All principals and employees of HHC must refrain from actions or activities that allow a person to profit or benefit from his or her position with respect to a client or that otherwise bring into question that person's independence or judgment.
- All principals and employees of HHC must avoid any circumstance or conduct that might adversely impact, or appear to negatively affect, HHC, its clients or their duty of complete loyalty to HHC and its clients.
- Information concerning the identity of securities owned and traded by clients and financial circumstances of clients must be kept confidential.
- Violations of the Code of Ethics must be promptly reported to HHC's Chief Compliance Officer.

The Code of Ethics also prohibits HHC's principals and employees from trading in securities while in possession of material, nonpublic information and requires that persons defined as "access persons" for purposes of the Code of Ethics disclose certain personal securities transactions to HHC's Chief Compliance Officer on a periodic basis. Principals and employees of HHC and its affiliates are also required to acknowledge in writing that they have received the Code of Ethics and that they have complied and will comply with the Code of Ethics. HHC will provide a copy of the Code of Ethics to any client or prospective client upon request.

HHC may have a material financial interest in recommending to the Funds interests in Property Partnerships sponsored by Property General Partners or their affiliates with whom HHC's affiliates have entered into certain business arrangements. As described in Item 10 above, HHC's affiliates may engage in business ventures with Property General Partners or their affiliates pursuant to which HHC's affiliates may be compensated from profits arising as a result of the Fund's acquisition of interests in Property Partnerships sponsored by such Property General Partners or their affiliates. In addition, although HHC

and its principals and employees generally do not invest individually in any of the Funds, none of them are prohibited from individually making the same investments as a Fund. HHC and its principals and affiliates may establish one or more other partnerships or other entities for the purpose of acquiring interests in Properties that may be suitable for investment by a Fund. HHC may have a conflict of interest in recommending investments to a Fund in which it has a material financial interest or in allocating investments among a Fund and HHC and any of its principals and affiliates. The duties of HHC and its affiliates as described in the Code of Ethics may be subject to the negotiated terms of the Funds' governing agreements that are approved by the Investors therein.

## **Item 12: Brokerage Practices**

HHC engages the Broker-Dealer solely as a placement agent to assist the Funds in seeking equity commitments by Investors. The Broker-Dealer generally receives a placement fee in an amount not in excess of 1% of the total capital commitments of a Fund. HHC determines the reasonableness of the Broker-Dealer's compensation based on the transaction costs incurred by a Fund, HHC and the Broker-Dealer and the amount of capital committed to the Fund. The Broker-Dealer may, in rare instances, enter into an agreement with an unaffiliated broker-dealer to serve as a co-placement agent due to such broker-dealer's pre-existing relationship with a potential Investor. HHC determines the reasonableness of a co-placement agent's compensation based on the transaction costs incurred by the Fund, HHC and the placement agents, the amount of capital committed to the Fund and prevailing market standards for co-placement fees. HHC does not receive research or other products or services from the Broker-Dealer or any other broker-dealer.

## **Item 13: Review of Accounts**

HHC continuously reviews its client accounts for purposes of ensuring that each Fund's investment objectives are satisfied in accordance with the Fund's governing documents. The principals of HHC, including the Chief Executive Officer and Vice Presidents, regularly meet to address ongoing tasks and issues and meet on an interim basis to the extent specific items need to be addressed. HHC carefully monitors each Fund's investments and generally evaluates such investments on an ongoing basis in a manner consistent with any applicable guidelines or restrictions in the Fund's limited partnership agreement and other governing documents.

### **PROPERTY PARTNERSHIP REPORTING**

Performance of the Property Partnerships in which the Funds invest are reviewed and reported to Investors quarterly, at a minimum, and often on a monthly basis, as negotiated by the Investor or Investors in each applicable Fund. The operating results of the Property Partnerships are closely monitored by the asset managers and accounting staff of HHC. Reports furnished to Investors may include with respect to each Property owned by a Property Partnership a balance sheet, a statement of operating income and expense, a cash flow statement, a lease-up and occupancy status report and a summary of results of annual inspections. All such reports are written.

## **FUND REPORTING**

The reporting requirements of the Funds to their Investors are set forth in the limited partnership or operating agreements of the Funds, as negotiated by each Investor in each applicable Fund. If required by the negotiated terms of the limited partnership or operating agreements of the applicable Fund, unaudited financial statements of the Funds are delivered to the Investor(s) in the Fund, generally within 45-60 days after the end of the quarter. Audited annual financial statements of the Fund are typically furnished to the Investors within 90-120 days of the fiscal year end. All such reports are written.

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

Not applicable.

### **Item 15: Custody**

HHC's clients (i.e. the Funds) are limited partnerships or other pooled investment vehicles subject to annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. To the extent that audited financial statements of a Fund are distributed annually to investors within the prescribed time, HHC is exempt from the requirement under Rule 206(4)-2 (the "Custody Rule") that interests and liquid assets owned by the Fund must be held by a qualified custodian that delivers account statements directly to limited partners of the Fund. To the extent that a Fund is not able to distribute audited financial statements within the prescribed period, assets owned by such Fund are required to be custodied with a qualified custodian in accordance with the Custody Rule.

Therefore HHC maintains, in its regular course of business, bank accounts and (in some cases) brokerage accounts at qualified custodians for liquid assets (including cash and Treasury securities) owned by Funds. Certain Funds have also established custodial accounts for interests owned by the Funds. All of these accounts are in the name of the applicable Fund.

In the case of bank or money market brokerage accounts for Funds that are subject to the Custody Rule, the bank or broker distributes to the limited partners of the Fund monthly account statements. With respect to all bank or money market brokerage accounts for Funds, HHC generally receives from the qualified custodian monthly account statements, which are reconciled to the financial statements of the Funds, and HHC causes the Fund General Partners to deliver the financial statements of the Funds to their limited partners on a quarterly and annual basis as described in Item 13 above. To the extent that interests owned by a Fund are required to be custodied pursuant to the Custody Rule, the limited partners of the applicable Fund receive a quarterly account statement directly from the custodian, and these statements are made available by the Fund to its independent public accountant as part of the annual audit procedures.

Limited partners of Funds should carefully review account statements received from banks, brokers or other qualified custodians. If at any time a limited partner receives an account statement directly from HHC, the limited partner is urged to compare the account statement received from a qualified custodian with the account statement received from HHC.

## **Item 16: Investment Discretion**

HHC does not exercise discretionary authority with respect to its Funds' investments in Property Partnership interests. Each investment by a Fund in a Property Partnership interest is specifically approved by the Investor(s) in such Fund.

HHC has limited discretionary authority with respect to bank and money market securities accounts in which liquid assets of its Funds are held pursuant to the negotiated authority granted to the Fund General Partners by the applicable Investors in each respective limited partnership or operating agreement of the Funds.

## **Item 17: Voting Client Securities**

Due to the nature of HHC's investment programs and the types of investments it makes on behalf of its clients, HHC would rarely, if ever, be requested to vote the proxies of traditional operating companies. If it becomes necessary for HHC to vote proxy proposals or amendments, consents or resolutions relating to client securities, HHC intends to adopt voting policies and procedures designed to ensure that proxies are properly voted and that any conflicts of interest are addressed appropriately. At such time, clients may contact HHC to request a copy of HHC's proxy policies and procedures.

## **Item 18: Financial Information**

HHC's financial condition is not reasonably likely to impair HHC's ability to meet its contractual commitments to clients.