

Disclosure Brochure
(Form ADV, Part 2A)

Cabot Properties, L.P.
One Beacon Street, Suite 1700
Boston, Massachusetts 02108
(617) 723-7400
www.cabotprop.com

This brochure provides information about the qualifications and business practices of Cabot Properties, L.P. If you have any questions about the contents of this brochure, please contact us at (617) 723-7400 or contactus@cabotprop.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. That the firm is registered is not intended to, and does not, imply a certain level of skill.

Additional information about Cabot Properties, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

In October 2013, Liberty Property Trust acquired Cabot Industrial Value Fund III from Cabot Properties, Inc. (“Cabot”). Cabot Properties, L.P. (the “Adviser”) continues to advise Fund III on certain limited matters as part of the post-sale obligations.

Cabot also has formed a new real-estate investment fund, Cabot Industrial Core Fund L.P. (the “Core Fund”). The Adviser has been appointed the investment manager of the Core Fund.

Table of Contents

Advisory Business	1
Fees and Compensation	2
Performance-Based Fees and Side-By-Side Management	3
Types of Clients	4
Methods of Analysis, Investment Strategies and Risk of Loss	4
Disciplinary Information	7
Other Financial Industry Activities and Affiliations	7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	7
Brokerage Practices	8
Review of Accounts	8
Client Referrals and Other Compensation	9
Custody	9
Investment Discretion	9
Voting Client Securities	10
Financial Information	10

1. Advisory Business

Cabot Properties, Inc. (“Cabot”) is a private equity real estate investment firm that has been in business for over 27 years. Cabot is the general partner of the Cabot Properties, L.P.

(“Adviser”), which has been in business since 1986. The significant owners of the Adviser, as reflected on Schedule A of Form ADV, Part 1A, are Messrs. Franz Colloredo-Mansfeld, Robert Patterson, Howard Hodgson and Andrew Ebbott. The Adviser is registered with the SEC [SEC File No.: 801-60839] pursuant to the U.S. Investment Advisers Act of 1940 (“Advisers Act”).

The Adviser provides real estate investment advisory and management services to real estate investment vehicles, including real estate investment trusts (“REITs”). These real estate investment vehicles, in turn, invest in various types of partnerships or other pooled investment vehicles that ultimately own real property assets. The Adviser targets institutional investors, such as university endowments, pension and profit-sharing plans, other tax-exempt entities, corporations and other business entities, and private institutional investors, to invest in Cabot-sponsored real estate investment vehicles. Advice is rendered on a collective basis to the real estate investment vehicle and not to any individualized needs of any investor in the vehicle.

The Adviser’s services include:

- Acquiring industrial properties, such as bulk warehouses, multi-tenant properties and light industrial properties located in strategic and super-regional markets;
- Recommending short-term cash management instruments (*e.g.*, money market mutual funds and other short-term instruments) for accumulated funds awaiting investment;
- On-site property management, including maintenance and repairs, collections, disbursements and fulfillment of owner obligations under leases;
- Negotiating leases with industrial tenants;
- Continuous portfolio supervision, which includes reviewing budgets and recommending expenditures to improve or upgrade properties;
- Recommending the sale of properties, as appropriate;
- Negotiating property sales and overseeing the documentation of purchase and sale transactions;

- Recordkeeping relating to each property;
- Facilitating appraisals and audits; and
- Providing periodic reports and meeting with investors as required.

Cabot generally forms real estate general partnerships, limited partnerships and other investment entities (collectively “investment vehicles”) in which institutional investors may invest. Investors generally must commit a minimum of \$10 million to participate, although the general manager of each investment vehicle has the discretion to accept smaller commitments. Although the Adviser typically enters into advisory agreements with an affiliated general partner or member manager of the investment vehicles, the Adviser considers the investment vehicle to be its client for purposes of the Advisers Act. In this respect, the Adviser is deemed to be the “enterprise-wide” adviser responsible for rendering advisory services subject to the Advisers Act. Thus all advice, and related records, subject to the Advisers Act are provided and maintained by the Adviser. Unless otherwise noted in this Brochure or in its Form ADV, Part 1A disclosure or as may be required, the Adviser does not typically “look through” an investment vehicle to determine its client relationship. Cabot, however, does maintain investor relations with each investor in a Cabot-sponsored investment vehicle.

The Adviser renders advice on a discretionary basis to four real estate investment vehicles – Cabot Industrial Value Fund II, L.P. (“Fund II”), Cabot Industrial Value Fund III (“Fund III”), Cabot Industrial Value Fund IV (“Fund IV”) and Cabot Industrial Core Fund L.P. (the “Core Fund”). The Adviser performs limited advisory services for Fund III in connection with certain post-sale obligations. The Core Fund has been newly formed and currently has no assets under management, although the Adviser expects that the Core Fund will have funded commitments during the course of 2015. As of December 31, 2014, the value of Fund II, Fund III and Fund IV collectively was slightly under \$1.5 billion.

2. Fees and Compensation

Fees and compensation are negotiable on a case-by-case basis and vary significantly depending on the nature of the services. Cabot has previously negotiated, or is currently the recipient of, the following types of fee and compensation arrangements:

- Annual management fees of 1.5 percent, payable monthly, on: (i) committed capital prior to the end of a particular investment period; and (ii) unreturned capital after the investment period;

- Disposition fees of up to 0.5 percent of the gross sales price of each real estate asset, in the case of asset sales by private separate account clients;
- Performance-based fees of up to between 15 and 20 percent of the base distributions paid to the client from real estate assets (*see* Item 3 regarding Performance-Based Fees and Side-By-Side Management);
- Property management fees of up to 5 percent of gross revenues of the client's managed real estate assets. Property management fees may vary based on the requirements of the particular property.
- Annual asset management fee of up to 5 percent based on the net operating income generated by the particular portfolio.
- Fixed fees, for certain private separate account clients.
- Development fees of up to 5 percent of development costs.
- Annual management fees of 1.5 percent, payable monthly, on: (i) committed capital prior to the end of a particular investment period; and (ii) unreturned capital after the investment period; and
- Development fees of up to 5 percent of development costs.

Fees owed to the Adviser are wired from client accounts at the end of each month. Because of this manner of payment, the Adviser (in addition to other reasons) is deemed to have asserted custody over client funds. *See* Item 12 regarding custody.

In addition to the Adviser's fees discussed above, cash management transactions may generate expenses related to portfolio transactions which would be borne by clients. *See* Item 9 regarding Brokerage Practices. Additionally, investment vehicle clients may bear formation and operational expenses, taxes, professional expenses, such as accounting and attorney's expenses, litigation expenses and expenses of the vehicle's advisory board and investment committee.

3. Performance-Based Fees and Side-By-Side Management

As explained above, Cabot assesses performance-based fees to investment vehicles. Performance fees are structured to comply with Rule 205-3 under the Advisers Act, meaning that each investor in a private investment vehicle subject to performance fees must be a "qualified client."

In any particular strategy, there may be differences in the structure of the carried interest. Differences in the performance fee structure could create potential conflicts in that Cabot could have greater incentive to favor investment vehicle structures having the most profitable performance fee structure versus other investment vehicle structures that have a lower or no performance fee structure. These potential conflicts, however, are practicably mitigated by various limitations common to private equity structures. For example, allocations of investment opportunities are subject to organizational limitations on the creation of successor investment vehicles. That is, before Cabot may permissibly raise a new investment vehicle, a predecessor vehicle must be substantially committed. In any case, the profits to Cabot or the Adviser may not permissibly be used as a basis for making investment decisions on behalf of clients.

4. Types of Clients

In the case of investment vehicles, the Adviser considers its client to be the investment vehicle itself, even though the Adviser's advisory arrangement is directly with the general partner. The Adviser does not "look through" the investment vehicle to each investor in determining its client relationship for purposes of Advisers Act compliance unless required to do so by regulation (*e.g.*, Rule 205-3) or interpretation (*e.g.*, delivery of the Brochure to investors). Cabot, however, does maintain investor relations with investors in its sponsored investment vehicles. Investors currently include university endowments, employee retirement benefit and pension plans, high net-worth persons, charitable organizations and corporations. For purposes of disclosure in Form ADV, Part 1A, the Adviser does identify the types of investors as if they were clients because, in accordance with SEC interpretations, the firm's Brochure must be delivered to new investors in a private investment fund or made available to existing investors on an annual basis.

5. Methods of Analysis, Investment Strategies and Risk of Loss

Investment Analysis and Strategy

When making recommendations concerning investments in real estate interests, the Adviser relies on a quantitative review of specific properties, including: (i) the appraised value of the particular property; (ii) projected rates of return; (iii) projected costs of operation, repair, and improvement; and (iv) the construction, use, tenancy and location of the properties.

The firm's strategy can be summarized as follows:

- *Exclusive Focus on the Industrial Sector.* The strategy in the industrial sector segments the market by type of building, use and tenant size.

- *Target Markets with Growing Demand and Scarcity Value.* Investments typically are in larger North American industrial markets. Value is sought by focusing on sub-markets with (i) limitations on the type and quantity of new development relative to tenant demand; (ii) superior access and proximity to labor and amenities; (iii) superior access and proximity to major highways, railroads, airports and seaports; (iv) strong job growth and tenant demand; and (v) market liquidity.
- *Value Investing.* Value investing requires attention to real estate fundamentals that takes into account: (i) tenant needs and changing functional requirements; (ii) replacement costs and real market rent; (iii) repositioning and upgrading efforts; and (iv) active management and tenant relations.
- *Market Evaluation.* The following processes are part of the firm's market evaluation: (i) macroeconomic analysis (review of long-term economic and demographic trends); (ii) sub-market analysis; (iii) transaction flow; (iv) due diligence; (v) tenant underwriting; (vi) optimal forms of financing strategies; and (vii) pinpointing optimal exit strategies.
- From time to time, the Adviser manages short-term investments, such as for cash management of accumulated funds awaiting investment. The general strategy for these types of investments is to find instruments that are considered safe and liquid. The Adviser relies on information published by the Federal Reserve Bank and other financial institutions in respect of implementing its short-term investment strategies. Other sources for these kinds of investments may include financial periodicals.

Risks

Very generally, investing in securities and real estate assets involves risk of loss of the principal amount invested. Clients and investors should be prepared to bear any risk of loss when investing in real estate related securities and assets. Investing in the real estate sector and in privately offered securities may raise unique investment risks, as summarized below. The risk summary contained herein is intended solely as a summary and is not an exhaustive list of risk. Each investment vehicle is described in an offering memorandum or similar disclosure statement. These documents also disclose potential risks for each vehicle in greater and more particularized detail than the summary set forth below.

- Real estate investment is considered a long-term and an illiquid investment.

- There is the potential for risk of loss associated with mortgage loans, which are subject to default, foreclosure and delays and expenses in respect of foreclosures.
- Distressed debt investments may have unique risks because they are already in default or default may be imminent.
- Real estate investing can include the use of leverage which, among other things, can increase the risk of loss during unfavorable economic conditions.
- Assets held by investment vehicles, and the interests in private real estate investment vehicles themselves, can be illiquid, thus making them hard to value and liquidate, particularly in a falling market. Additionally, interests in private investment vehicles are subject to restrictions on transfer pursuant to the U.S. Securities Act of 1933.
- There are risks related to the real estate investment vehicle's organization whether limitations prescribed by the U.S. Investment Company Act of 1940 in the case of a private investment vehicle or in respect of applicable tax structures.
- Because Cabot-sponsored real estate investment vehicles are privately offered for purposes of the Securities Act of 1933 and are formed as private investment funds for purposes of the Investment Company Act of 1940, they are not subject to certain investor protection and other prophylactic regulations that would be applicable to a registered public offering and registered investment fund.
- Investment strategies and analysis may not accurately project targeted returns because the considerations and assumptions underlying any projected returns are subject to uncertainty.
- Real estate, because it is generally considered a long-term investment, may be subject to risks not associated with investments in more liquid assets. For instance, real estate may experience fluctuations and cycles in value during any holding period. Some factors attributable to the marketability and value of real property include, but are not limited to the following: (i) changes in general or local economic conditions; (ii) changes in supply or demand for the particular property type; (iii) fluctuations in occupancy and rents for real property; (iv) changes in interest rates; (v) government regulation related to land-use and zoning, environmental protection and occupational safety; (vi) unavailability of mortgage funds, making property disposition difficult; (vii) the financial condition of consumers of real property; (viii) insurance coverage; and (ix) natural disasters.

- Real estate investing can be prone to environmental liabilities.

6. Disciplinary Information

Neither the Adviser, its affiliates nor any of its professionals has been the subject of any legal or disciplinary event of an investment-related nature that would be material to the business of the firm or that would be subject to disclosure in Item 11 of Part 1A of Form ADV.

7. Other Financial Industry Activities and Affiliations

Cabot establishes real estate investment vehicles in which affiliated general partners have broad authority to control the operations of the vehicle. The offering documents relevant to an investment vehicle disclose the Cabot structure and entities material to the operation of the investment vehicle.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser maintains a code of ethics that addresses compliance under the Advisers Act and other relevant laws, as well as the Adviser's fiduciary duties. The code of ethics sets forth obligations of the Adviser and its personnel to: (i) observe duties toward clients, including maintaining client confidential information; (ii) report personal securities holdings of real-estate related assets that would be of the type that clients would acquire; and (iii) observe policies to prevent the abuse of material non-public information. The Adviser will provide a copy of its code of ethics to any client or prospective client upon request.

The Adviser may recommend investments in which it or related persons, including officers, directors, employees, or affiliates, have an interest. Such an interest can include not only an ownership or equivalent interest in an investment vehicle but also a management interest. For example, the Adviser may act as manager to the investment vehicle, or an affiliate may act as general partner or member manager of the investment vehicle.

In addition, the Adviser may make recommendations to one client that are different from the recommendations made to another client. Neither the Adviser nor its related persons, including officers, directors, or employees of the foregoing, are obligated to purchase or sell for their clients any securities that may be purchased, sold, or recommended to any other client of the Adviser.

In all cases in which a conflict of interest may arise, the Adviser seeks to serve its clients fairly and with the utmost good faith.

9. Brokerage Practices

Because Cabot-sponsored investment vehicles are not trading funds *per se* that have actively managed portfolios, the firm does not engage broker-dealers and other financial intermediaries to execute portfolio trades. On a much more limited basis, the Adviser may make recommendations for investing in short-term, highly liquid, cash management vehicles, such as money market mutual funds or currency investments. Investments in liquid and short-term assets typically are in connection with client funds awaiting investment in real estate or real-estate related assets. In this respect, the firm typically effectuates these kinds of transactions through commercial banking institutions. The Adviser periodically reviews the costs of executions to determine if transaction expenses are at market terms.

The Adviser does not obtain any research or brokerage services, as defined in Section 28(e) of the U.S. Securities Exchange Act of 1934, in exchange for the client commissions generated from portfolio trades. Additionally, Cabot is not party to any directed brokerage arrangements.

10. Review of Accounts

In general, the asset management team of Cabot has the responsibility annually to review each property investment in depth. At the end of this annual review, Cabot will prepare a capital plan and an operating budget. The Investment Committee of Cabot approves the overall plan for each client account. On a quarterly basis, the asset management team of Cabot will review a summary of each property investment, compare it to the plan, update financial projections and complete appraisals. Cabot will review monthly reports prepared by local property managers and, in cases where these reports vary significantly from the plan, will notify the asset management team of the variance. Properties and accounts are also reviewed on an *ad hoc* basis by officers of Cabot or other personnel responsible for determining general client advice, usually as the circumstances of either the property or the client change. Factors that could trigger an *ad hoc* review include a change in the following: tenancy; tenant financial profile; property income or expense; tenant prospects; or tenant receivables.

For the real estate investment vehicles, the finance team of Cabot prepares quarterly reports showing the acquisition and dispositions of each investment vehicle's assets. The finance and asset management teams of Cabot will report to the Investment Committee if there are significant variances in each investment vehicle's expenses compared to the Investment Committee's approved budget.

Investment vehicles are subject to an annual audit by an independent public accounting firm that is a member of the Public Company Accounting Oversight Board ("PCAOB"). Cabot distributes

audited annual reports to investors in a Cabot-sponsored investment vehicle typically within 90 days of the vehicle's fiscal year end.

11. Client Referrals and Other Compensation

The Adviser does not compensate any third party for client referrals and does not receive any economic benefit from a third party for providing investment advice to its clients.

12. Custody

The Adviser is deemed to have custody over client funds because it, or an affiliated person, has the ability to assert control over their disposition and/or make withdrawals for property management purposes. The Adviser's Management Agreement also provides the basis for the Adviser to assert custody, including the manner in which the Adviser's fees will be deducted from client accounts. As a result, the Adviser is subject to the SEC's custody rule – Rule 206(4)-2 under the Advisers Act.

The Adviser maintains cash at "qualified custodians" (e.g., banks) and relies on an exception available to "pooled investment vehicles" from the reporting and surprise audit obligations imposed by the SEC's custody rule. This exception requires the firm to engage an independent public accounting firm that is a member of, and examined by, the PCAOB and to distribute audited annual financial statements, prepared in accordance with GAAP, to fund investors within a prescribed period.

The firm has engaged PricewaterhouseCoopers LLP ("PWC") as its independent public accounting firm for these purposes. PWC has confirmed to the Adviser that it is a member of the PCAOB and is routinely examined by it. PWC also has confirmed that annual audited financial statements are prepared in accordance with GAAP. Neither the Adviser, Cabot nor their affiliates self custody client funds or securities.

13. Investment Discretion

The Adviser maintains discretionary authority to manage the investment vehicles on behalf of its clients. The firm's discretion is limited by the investment guidelines and conditions contained either in its investment advisory agreement with each investment vehicle and/or in the operating agreements of the specific investment vehicle. The parameters of these guidelines can vary from client to client, but all investors receive disclosure of investment guidelines and client operations prior to their investment.

Grants of discretionary authority typically will be part of the organizing documents of the relevant investment vehicle. The authorization permitting discretionary authority is extended to

Cabot directly and, because of the degree of overlap with Cabot, by extension to the Adviser indirectly.

14. Voting Client Securities

Neither the Adviser, Cabot nor any other affiliate votes proxies on behalf of clients.

15. Financial Information

Neither the Adviser, Cabot nor any affiliate assesses any fees more than six months in advance of any services rendered to the client. There are no financial conditions of which the Adviser, Cabot or an affiliate is aware that would impair the Adviser's ability to render the advisory services for which the Adviser is responsible under its advisory agreement.