



**Bentall  
Kennedy**

## Bentall Kennedy (U.S.) Limited Partnership Disclosure Brochure

Form ADV Part 2a

March 31, 2013

The information contained within this document is intended to provide clients and prospective clients information about the qualifications and business practices of Bentall Kennedy (U.S.) Limited Partnership. 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. If you have any questions about the contents of this Brochure, please contact us at the telephone number listed below.

Bentall Kennedy (U.S.) Limited Partnership is an SEC Registered Investment Adviser; however registration does not imply a certain level of skill or training.

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Additional information about Bentall Kennedy (U.S.) Limited Partnership is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Item 2 - Material Changes

The following narrative highlights the material changes that have been made to this brochure since it was last filed on March 31, 2012 and any material changes to the company that may be relevant to any clients or prospective clients about the qualifications and business practices of Bentall Kennedy (U.S.) Limited Partnership ("Bentall Kennedy").

On June 26, 2012, the California Public Employees' Retirement System ("CalPERS"), acquired a one-third interest in Bentall Kennedy. CalPERS, the largest public pension plan in the United States, has acquired the ownership interest that has been held for the past two decades by Ivanhoe Cambridge, the real estate subsidiary of the Caisse de depot et placement du Quebec.

On October 9, 2012, Bentall Kennedy appointed two additional independent Board members, both nominated by CalPERS; Olena Berg Lacy and Bernard Winograd. Olena Berg Lacy is currently a Senior Advisor and Board member at Financial Engines, and a Special Consultant on Fiduciary Issues for Crosswater Realty Advisors. Ms. Berg Lacy recently served as trustee to the Board of the Voluntary Employees' Beneficiary Association (VEBA) for UAW Health Care at General Motors (2008-2011), where she chaired the investment management committee responsible for the \$50 Billion+ portfolio.

Ms. Berg Lacy is the former U.S. Assistant Secretary of Labor in the Clinton Administration, where she was responsible for the enforcement of ERISA, and was the former head of the Pension and Welfare Benefits Administration. She also served as Chief Deputy State Treasurer for the State of California where she represented the Treasurer on the Boards of CalPERS and CalSTRS. Earlier in her career, Ms. Berg Lacy served in various senior executive capacities within the commercial real estate industry. Ms. Berg Lacy graduated summa cum laude from California State University Chico and received her MBA, with honors, from Harvard Business School.

Bernard Winograd served as the Executive Vice President and Chief Operating Officer of Prudential Financial Inc.'s U.S. businesses until his retirement in February 2011. His career at Prudential began in 1996 when he joined the company to lead the firm's real estate investment management arm. In 2001, Mr. Winograd was promoted to the role of CEO of Prudential Investment Management, where he was responsible for all of Prudential's investment management businesses. In 2008, Mr. Winograd assumed the role of EVP and Chief Operating Officer of U.S. operations for Prudential.

Before joining Prudential, Mr. Winograd was the Executive Vice President, Chief Financial Officer, and a Member of the Board of Directors of Taubman Centers Inc. Prior to his time at Taubman, Mr. Winograd was Treasurer of the Bendix Corporation and was Executive Assistant to the Secretary of the Treasury, Michael Blumenthal, in the Carter Administration. Mr. Winograd currently serves on the Board of Directors of Cohen & Steers. He is also the Director and Chairman of the Executive Committee for Local Initiatives Support Corporation, a community development financing organization. He graduated from the University of Chicago with a BA in social sciences. Mr. Winograd serves on the Visiting Committee for the College at the University of Chicago.

On December 13, 2013, Bentall Kennedy appointed David Denison to its Board of Directors. Mr. Denison has over 32 years of experience in the financial services sector, most recently serving for over seven years as the Chief Executive Officer of the Canada Pension Plan Investment Board. Prior to assuming his role at CPPIB, Mr. Denison served as the President of Fidelity Investments Canada. His career has also included senior postings in the investment banking, consulting and mutual funds businesses in Canada, the United States and Europe. Mr. Denison sits on the boards of Bridgepoint Health, BCE Inc. and the Royal Bank of Canada and is a member of the World Bank Treasury Expert Committee. He is also a Director of the United Way of Greater Toronto and a past Chair of the Canadian Coalition for Good Governance.

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## **Item 4 – Advisory Business**

Bentall Kennedy (U.S.) Limited Partnership (“Bentall Kennedy”) is a full-service registered real estate investment advisor. We counsel our clients on their direct investments in office, industrial, retail, multi-family residential and hospitality real estate throughout the United States.

Bentall Kennedy’s services are limited to real estate investment management and it is not involved in trading securities. Our asset management specialists leverage Bentall Kennedy’s comprehensive real estate knowledge to create focused portfolios that meet the specific requirements of each of our clients. Bentall Kennedy acts as a real estate investment advisor for a select number of public, corporate and Taft-Hartley retirement systems, as well as major university endowments and sovereign wealth funds.

Bentall Kennedy is privately owned indirectly in thirds by a group of individuals in senior management and two of North America’s largest institutional investors, the California Public Employees Retirement System (“CalPERS”) and the British Columbia Investment Management Corporation (“bcIMC”).

As of December 31, 2012, Bentall Kennedy has \$8.7 billion in assets under management. 4.1% of the assets are managed on a discretionary basis and 95.9% are managed on a non-discretionary basis. Bentall Kennedy was founded in Seattle, Washington in 1978.

## **Item 5 - Fees and Compensation**

This brochure will be delivered only to “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940. As such, Bentall Kennedy is not required to provide fee and compensation details in this brochure.

Bentall Kennedy does deduct its fees in accordance with our client advisory agreements from the client assets under our control on a monthly or quarterly basis. Individual arrangements for settling fees for services provided can be negotiated and tailored for each individual client.

Bentall Kennedy does not require the prepayment of fees from its clients for the real estate advisory service provided. Included in our compensation for services rendered, Bentall Kennedy does in certain circumstances earn fees for the sale of real estate assets under its management. In order to avoid conflicts of interests and ensure Bentall Kennedy’s fiduciary obligations are met when making disposition recommendations, all investment decisions are approved by a formal Investment Committee in accordance with an established Conflict Policy.

This Investment Committee membership is made up of senior management of the organization and provides strategic oversight, governance oversight, and formal internal authority. Some client mandates retain discretion and require that Bentall Kennedy formally seek approval for all major transactions from authorized representatives of the client in addition to approval from the Investment Committee.

For a more detailed description of the Investment Committee, please see **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**.

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

Bentall Kennedy provides real estate investment advisory services and is remunerated through a number of fee structures which can include participation in capital appreciation of the assets under management. These structures can also include fees based upon a percentage of revenue streams generated by the real estate assets within the client portfolios. Our formal Conflict Policy and related procedures address situations where there may be investment conflicts between two or more clients with differing fee structures.

The key element of our governance structure to address these potential conflicts is our Investment Committee. The Investment Committee membership is made up of senior management of the organization and its mandate is to provide strategic oversight, governance oversight, and formal internal authority for all investment transactions entered into on behalf of Bentall Kennedy's clients. This committee will review all major investment activity and ensure that Bentall Kennedy has met its fiduciary obligations and has served the best interests of our clients.

For a more detailed description of the Investment Committee, please see **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**.

## **Item 7 - Types of Clients**

Bentall Kennedy acts as a real estate investment advisor for a select number of public, corporate and Taft-Hartley retirement systems, as well as major university endowments and sovereign wealth funds.

Bentall Kennedy has no set minimum account size for which it is prepared to establish for its clients.

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

Bentall Kennedy formulates real estate investment strategies that fit the specific investment goals and risk tolerances of our individual clients. Bentall Kennedy as a professional real estate adviser will work to deliver proper risk-adjusted real estate investment returns.

The institutional real estate investment industry is tracked by a number of published return benchmarks that include those posted by National Council of Real Estate Investment Fiduciaries ("NCREIF"). These benchmarks provide data on risk-adjusted returns for various types of real estate investments achieved by active market participants. This data allows Bentall Kennedy and its clients the opportunity to discuss the strategies to be deployed and provides some meaningful context when discussing performance expectations and those actually achieved.

Real estate investment presents exposure to a number of risks. To mitigate these risks, our clients' real estate portfolios are analyzed and regularly reviewed by Bentall Kennedy based on the following criteria:

- Property type diversification
- Geographic diversification
- Property age and type
- Vacancy and lease expiry
- Financial strength and exposure to major tenants
- Exposure to major industry sub-groups
- Leverage exposure, maturity and interest rates
- Development and construction costs
- Environmental
- Market conditions

<b>Risk Type</b>	<b>Risk</b>	<b>Mitigation Strategies</b>
Property Type Diversification	Yields from the various property sectors (i.e. office, industrial, retail and residential) will vary over the real estate cycle. Unbalanced exposure to a specific sector could present additional risk.	Portfolio management will implement a level of property diversification that will mitigate this form of risk.
Geographic Diversification	Not all geographic regions have similar economic foundations. They are impacted by different economic drivers.  Unbalanced exposure to a specific geographic region could present additional risk.	A real estate investment portfolio should have some level of geographic diversification to mitigate this form of risk.
Property Age and Type	Generally, older properties are less likely to be functional, well-located and close to modern transportation networks and they will often require more capital upgrades in the near future.  Reduced functionality will hamper leasing efforts and capital upgrades will reduce real estate investment returns.	All real estate investment portfolios should be analyzed by property age and type. A diversified portfolio will consist of the targeted mix of age and types of properties.  Thorough due diligence will be conducted as part of the acquisition process to assess an asset's characteristics and future capital requirements.
Vacancy and Lease Expiry	A diversified real estate investment portfolio should not have a significant portion of the leases (by area) expiring in any one period.  Increased vacancy in a building or real estate portfolio could significantly reduce cash flow or require a cash outlay from the investor.  Disproportionate expiries could expose	Bentall Kennedy monitors the lease expiry profiles of each property and then aggregates them into the portfolio analysis.  Bentall Kennedy will develop future leasing strategies to mitigate this risk.

Risk Type	Risk	Mitigation Strategies
	the portfolio to market risk during low points in the business cycle.	
Financial Strength and Exposure to Major Tenants	<p>The tenant profile of an asset or real estate portfolio may present significant dependence and exposure to one large tenant or exposure from an excessive number of tenants that have a poor credit position.</p> <p>Erosion in the occupancy of a building or portfolio could significantly reduce cash flow or require a cash outlay from the investor.</p>	<p>Bentall Kennedy will look to identify excessive exposure to any major tenant or group of tenants and will develop future leasing strategies to mitigate this risk.</p> <p>The leasing process includes a comprehensive assessment of a prospective tenant's ability to meet the obligations under the lease prior to entering into a commitment.</p>
Exposure to Major Industry Sub-Groups	While a portfolio may be diversified by type and location, if a significant number of tenants are in one industry (e.g. high-tech or auto manufacturing), the portfolio is subject to increased risk and unstable returns.	<p>Portfolio management will look to identify excessive exposure to specific industry sub-groups. Efforts to mitigate this risk may include amending the future leasing strategy for an asset or group of assets.</p> <p>This risk can be mitigated by forming an investment strategy that avoids acquiring assets exposed to this industry or supports the disposition of certain assets creating the exposure.</p>
Leverage Exposure, Maturity and Interest Rates	Most mortgages are for a fixed term and a disproportionate number of them may mature all within a given period. This could expose the real estate portfolio to interest rate and refinancing risk if financing rates are high and capital is not readily available during this period.	Financing strategies can be developed to mitigate this type of exposure.
Development and Construction Costs	<p>Construction projects can experience significant cost over-runs on preliminary costs estimates or schedule delays due to changes in market conditions for materials and labor, design changes, and changes in the leasing and capital markets.</p> <p>Increased costs or delays can significantly reduce the profitability and return of a real estate investment and may require the investor to fund additional capital.</p>	Securing fixed price contracts, negotiating development service agreements, tying performance fees to cost over-runs and earn-outs that carry penalties when buildings or spaces are not occupied on time, structuring lease arrangements to address these type of potential situations are a few of the important strategies for mitigating this risk.

Risk Type	Risk	Mitigation Strategies
Environmental	<p>Environmental site conditions or environmental contamination attributed to the activities of a tenant or others that access properties can create significant liabilities for remediation.</p> <p>Federal and state regulatory authorities can impose fines for failure to comply with the legislation.</p>	<p>Bentall Kennedy conducts a thorough due diligence process for each investment, including environmental risk assessments.</p> <p>Also, by working with experienced developers, property managers, and other partners that have local market and specific product type experience, we manage local government approval and regulatory risks more effectively than those that do not have these long-standing relationships.</p>
Market Conditions	<p>Real estate investment is subject to the volatility of the leasing and capital markets.</p>	<p>It is important to manage real estate investments so that they can perform well at all points of the business cycle.</p> <p>This is achieved by strengthening the term and quality of the cash flow of the individual assets and that of the entire real estate portfolio.</p>

A key element of our governance structure to mitigate these risks is our Investment Committee. The Investment Committee membership is made up of senior management of the organization and its mandate is to provide strategic oversight, governance oversight, and formal internal authority for all investment transactions entered into on behalf of Bentall Kennedy's clients. This committee will review all major investment activity and ensure that Bentall Kennedy has met its fiduciary obligations and has served the best interests of our clients.

Members of the Investment Committee will be familiar with client investment management agreements and will regularly discuss investment objectives with clients. Using this information, they will set current investment criteria as guidance in the acquisition process. The Investment Committee will meet periodically to evaluate investment opportunities relative to client guidelines and Bentall Kennedy's investment criteria.

The following procedures apply:

- Acquisition Officers will regularly investigate real estate and capital markets to target and evaluate investment opportunities by maintaining on-going communications with outside property owners, developers, mortgage bankers and brokers to source investment opportunities.
- Preliminary investment opportunities will be entered into the Acquisition Database.
- Preliminary investment opportunities identified by Acquisition Officers will be evaluated by the Investment Committee, using their knowledge and judgment of the markets and client investment criteria to determine whether or not to pursue the transaction.



- For each investment opportunity identified, Acquisition Officers will continue to investigate the transaction until either the project is recommended as a proposed investment to a client or pursuit is terminated.

The Investment Committee will allocate all potential investments to clients based upon criteria established in client investment management agreements. Where multiple clients may potentially qualify for the same investment, the Investment Committee will follow Bentall Kennedy's Conflict Policy as amended from time to time.

The Chief Compliance Officer will communicate annually with the Investment Committee to review and monitor compliance with these procedures and to confirm that:

- Preliminary Investment opportunities presented to the Investment Committee, and related attributes and key dates, shall be recorded in the Acquisition Database.
- Investment opportunities presented to clients must first be approved by the Investment Committee and specifically by the Chief Investment Officer.
- An updated Pipeline Report, listing the status of preliminary, underway, closed, and rejected investment opportunities and related attributes and key dates, shall be distributed to the Investment Committee on a regular basis.
- Investments approved by the Investment Committee, and the allocation of the investments to clients, shall be recorded by the Investment Committee Secretary. The Acquisition Database will be promptly updated to reflect decisions made in the Pipeline meeting.
- Proposed acquisitions shall be documented in the form of a registration statement.
- Client rejections of proposed acquisitions shall be documented.
- A proposed acquisition that has been rejected by a client may be offered to another client by creating a subsequent registration statement on behalf of that client.
- Correspondence and documentation related to investment allocation shall be retained for seven years.

## **Item 9 - Disciplinary Information**

Bentall Kennedy must disclose legal or disciplinary events that would be material to a client's consideration in choosing Bentall Kennedy to provide investment advisory services. Neither Bentall Kennedy nor any members of senior management have been a party to any such legal or disciplinary action.

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

Neither Bentall Kennedy, nor its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither Bentall Kennedy, nor its management persons are registered or have an application pending to register as a futures commission merchant, a commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

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

Bentall Kennedy's Code of Business Conduct is distributed to all employees and a Statement of Acknowledgement is executed by all employees annually. The Code of Business Conduct outlines the expectations of employees in the areas of equal employment opportunity, productive work environment, dispute resolution, confidential information, conflicts of interest, fiduciary standards, and insider trading.

Bentall Kennedy is committed to the highest level of ethical behavior in its business practices and this same commitment is required of all employees. Upon request, this Code of Business Conduct is available to all existing and potential clients of Bentall Kennedy.

Bentall Kennedy does not enter into any principal trades with its clients.

At the acquisition of a new real estate investment by a Bentall Kennedy client, limited partners of Bentall Kennedy may be required under the client advisory agreement to participate in the ownership of this investment. Any ownership interest held by a limited partner of Bentall Kennedy under these structures is a minority position and would not represent a controlling or material interest.

It is possible that material non-public information or "insider" information may be disclosed to Bentall Kennedy employees in the course of their employment at Bentall Kennedy. The Code of Business Conduct prohibits the practice of "insider trading" and outlines steps for employees to follow if they believe that material non-public information has been disclosed to them. These steps include the requirement for disclosure to the Chief Compliance Officer. The Chief Compliance Officer has the authority to impose restrictions on personal trading.

## **Item 12 - Brokerage Practices**

Bentall Kennedy provides its clients with real estate advisory services and is not involved in trading securities. Bentall Kennedy therefore does not recommend broker dealers for client transactions involving securities nor is it the recipient of research or other "soft dollar benefits".

Bentall Kennedy contracts with a number of outside firms to perform certain management activities relating to client real estate investments. Examples of such third-party providers include property management companies, developers, leasing brokers, accountants, and other categories of service firms. Senior management is responsible for overseeing contracts with third-party

providers in order to protect client assets from inappropriate use or conversion, and to protect the confidentiality of client data. The following procedures apply:

- The Board of Directors will annually designate those corporate officers and senior personnel authorized to exercise specified authorities pursuant to client investment management agreements. All actions by Bentall Kennedy employees must be consistent with the Board's delegation of such authority.
- Service contracts will prohibit third-party providers, and their subcontractors, from disclosing or using client information other than to carry out client authorized services.
- Either appropriate insurance coverage or other evidence of satisfactory financial strength will be required for those providers that have access to client funds and assets.
- The Chief Financial Officer will be responsible for establishing policies and procedures to regularly direct and monitor the external accounting for construction, operating, reporting and bank activity generated by third-party service providers.
- Portfolio controllers will monitor the adequacy of third-party controls over accounting for client funds and other assets, and are responsible for ensuring consistency with Bentall Kennedy's financial reporting policies and procedures.
- The Vice President of Capital Controls will verify third-party requests for client funding and ensure compliance with Bentall Kennedy's policies and procedures.
- The Chief Operating Officer will be responsible for establishing procedures for directing, approving and monitoring the activities of property managers and leasing brokers.
- The Chief Operating Officer will establish a delegation of authority indicating the management approvals necessary for all property leasing transactions in accordance with client requirements, if specified.

### **Item 13 - Review of Accounts**

The responsibility for each client account is assigned to an executive officer of the organization. These executive officers are responsible for overseeing the process and controls in place to effectively manage and safeguard the client's assets.

These executive officers oversee the activities of the portfolio managers, assets managers, portfolio controllers, accountants, and other Bentall Kennedy personnel providing services to the respective client account.

For all major investment activities, there is further oversight provided by the Investment Committee. The Investment Committee membership is made up of senior management of the organization and its mandate is to provide strategic oversight, governance oversight, and formal internal authority for all investment transactions entered into on behalf of Bentall Kennedy's clients. This committee will review all major investment activity and ensure that Bentall Kennedy has met its fiduciary obligations and has served the best interests of its clients.

For a more detailed description of the Investment Committee, please see **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**.

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

Bentall Kennedy does not enter into nor is compensated by any arrangements with outside parties that provide investment advice to our clients.

## **Item 15 - Custody**

Where possible, Bentall Kennedy will structure its business arrangements with clients to avoid holding, whether directly or indirectly, any client funds or securities. Certain clients require Bentall Kennedy to direct the movement of funds to and from client custodial bank accounts. In such cases, all client funds will be held in a separate bank account for each client, either under that client's name, in the name of a client title-holding entity, or name of a pooled investment vehicle. Under no circumstances will client funds be held in Bentall Kennedy's name, or be commingled with Bentall Kennedy funds, or with other clients' funds.

In accordance with the Investment Advisers Act of 1940 Section 275.206(4)-2, as amended in 2010, bank statements are sent to clients at least quarterly directly from the custodian bank. Clients are strongly urged to verify that the information on these bank statements is consistent with information received from Bentall Kennedy. Furthermore, client custodial accounts undergo an annual surprise inspection by an independent public accounting firm registered with the Public Company Accounting Oversight Board ("PCAOB") and Form ADV E is on file with the SEC.

Pooled investment vehicles are exempted from the requirements of direct delivery of bank statements by custodian banks and surprise inspection so long as the financial statements for these investments are audited within 120 days of the fiscal year end by an independent accounting firm registered with the PCAOB. It is Bentall Kennedy's policy to have such audits completed and distributed to investors within the required period of time.

## **Item 16 - Investment Discretion**

Bentall Kennedy's discretionary investment and decision making authority is outlined in the individual advisory agreements with each client and may vary from client to client. Authority may or may not be broad enough to allow Bentall Kennedy to unilaterally make material investment decisions on behalf of our clients.

Bentall Kennedy will maintain an Investment Committee that will include members from senior management including the Chief Executive Officer, Chief Operating Officer, Chief Investment Officer, and Acquisition Officers and other key personnel.

For a more detailed description of the Investment Committee, please see **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**.

## **Item 17 - Voting Client Securities**

Bentall Kennedy provides its clients with real estate advisory services and is not involved in trading securities. Bentall Kennedy does not receive voting proxies from its clients. As such, Bentall Kennedy does not have policies and procedures to govern this type of activity.

## **Item 18 - Financial Information**

Bentall Kennedy has custody of certain client assets. In addition, we have discretion on certain client assets. Bentall Kennedy is not in an unfavorable financial condition that may impair its ability to meet contractual commitments to clients.

Bentall Kennedy has not been subject to a bankruptcy petition at any time since its inception nor have any of its predecessor companies.