

**Item 1 – Cover Page**

# **Exeter Property Group, LLC**

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## **MARCH 31, 2015**

This Brochure provides information about the qualifications and business practices of Exeter Property Group, LLC (“Exeter” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 610-828-3200 and/or [info@exeterpg.com](mailto:info@exeterpg.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.

Exeter Property Group, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Exeter Property Group, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

For Item 4, we have described changes to our business operations that occurred in 2014. This has necessitated corresponding changes in Item 4 (Advisory Business), Item 5 (Fees and Compensation) and Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), including further disclosure addressing potential conflicts of interest.

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## **Item 4 - Advisory Business**

### **Our Advisory Services**

Exeter Property Group, LLC is a Delaware limited liability company, initially formed in 2006. Our investment advice is primarily provided to real estate funds we form and manage, each owning a portfolio of properties we select. Overall, our investment advice encompasses two categories of funds that own real estate portfolios with differing investment strategies: value-add and core assets; see also, Item 8, which details our investment strategy. In addition to advising our own funds, we have entered into joint ventures with third party limited partnerships to provide investment advice: (1) on a real estate portfolio in a master REIT subsidiary; and (2) to a co-investment fund. Terms not otherwise defined in this Form ADV are as defined in the respective Limited Partnership Agreements.

We are vertically integrated to acquire, develop, redevelop, reposition, operate, lease, manage and sell industrial properties (including big box warehouse and multi-tenant properties) and related flex/office properties throughout the United States and select markets in Canada.

Through affiliated entities, in 2014, we, jointly with an institutional investor, raised €25 million to found a new real estate partnership for investments in European markets (the “European Partnership”). In the European Partnership, our investment strategy is to apply our industry expertise to properties and market sectors in Europe comparable to those of our Funds located in the United States. In late 2014, we began discussions with a second institutional investor for a second European investment partnership comparable to the European Partnership. Our Fund documents disclose that our key personnel may provide advice and services to all of the Funds we manage. We discuss the potential conflicts that may arise as a result of the overlap in key personnel in Item 8, in the subsection labeled “Conflicts.”

### **Our Funds**

We are the investment adviser to three (3) Delaware closed-end, discretionary private equity real estate investment funds (each, a “Fund,” and collectively, the “Funds”) that may include parallel funds structured, for tax or other reasons, to satisfy investor needs. The structure of our Funds may include one or more REITs, feeder vehicles, co-investment vehicles, alternative investment vehicles, parallel partnerships, special purpose entities or other investment vehicles and subsidiaries of the Funds. Exeter’s principals co-invest in each of our Funds. All investors in the Funds are institutional investors or high net worth individuals; please see Item 7.

As a value-add investment fund, Exeter typically targets opportunities for our Funds with vacancy or lease rollover risk, properties that require repositioning and redevelopment, and complex transactions. Our investment portfolios focus on big box warehouse, multi-tenant industrial, flex, assembly, and, to a limited degree, research and development and suburban office properties. Exeter acquires properties for their functionality and capacity to serve diverse tenant needs. Exeter also acquires land for speculative and build-to-suit development. Similar

types of properties comprise our investment portfolio for our joint ventures. We acquire fee simple asset and whole loan transactions ranging from \$5 million to \$250 million in transaction value.

A. Ongoing Fund

Exeter Industrial Value Fund III, L.P. ("Fund III") was formed in 2013 and is currently closed to new investors. It has approximately \$1,237,102,000 million in assets under management. We did not form any new funds in 2014 with operations in the United States; an affiliated entity formed the European Partnership.

B. Disposition of Underlying Properties in Older Funds

In October of 2014, we entered into an agreement (the "Eastdil Agreement") with Eastdil Secured Broker Services, Inc. ("Eastdil") for the sale or other disposition of a substantial portion of the portfolio of industrial properties in our Funds I and II and Exeter-Core (each, as defined below). In January of 2015, we entered into an agreement (the "CBRE Agreement", and together with the Eastdil Agreement, collectively the "Engagement Agreements") with CBRE, Inc. ("CBRE") to assist Eastdil in the sale or other disposition of a substantial portion of the portfolio of industrial properties in our Funds I and II and Exeter-Core. The exclusive period under each Engagement Agreement runs through June 30, 2015, with a tail period for actual closings for the subject properties of 180 days. The Engagement Agreements were entered into with the intent to capture a portfolio premium through the aggregation of a substantial portion of the properties in our older funds. The assets from Funds I and II and Exeter-Core selected to be sold under the Engagement Agreements will depend on market conditions at the time when contractual terms are negotiated. Any transactions pursuant to the Engagement Agreements will be in accordance with the terms and conditions of the respective Fund and Exeter-Core documents and will be coordinated with and approved by the independent Advisory Committees for each Fund and the investors in Exeter-Core. For properties not sold in the transactions(s) covered by the Engagement Agreements, each of Funds I and II and Exeter-Core will actively review disposition strategies, in accordance with the terms and conditions of the respective Fund documents.

1. Funds I and II

In 2007, we formed Exeter Industrial Value Fund, L.P. and Exeter Industrial Value Fund AIV, L.P. (collectively, "Fund I"). Exeter Industrial Value Fund II, L.P. ("Fund II") was formed in 2011. Through the Engagement Agreements, we are in the process of marketing for sale a substantial portion of the portfolios comprising Funds I and II. As discussed above, disposition strategies will be implemented in accordance with the respective Fund and documents.

2. Core Assets Fund

The principals of Exeter own a relying investment advisor, Exeter Core Platform LLC ("Exeter Platform"), an entity that provides investment advice to a separate fund, Exeter-Core Industrial Venture, L.P. ("Exeter-Core"), formed to provide direct investments in core assets. Exeter Platform is the sole member of Exeter-Core Industrial Venture Management LLC

("Venture Management"), the sole general partner of Exeter-Core. All of these entities were formed in March, 2012. The investors in Exeter-Core are Venture Management and two independent entities, one, a public common trust fund and the other, a sovereign wealth fund.

The portfolio for Exeter-Core consists of interests in industrial real estate properties meeting specified yield requirements, under generally long-term leases with limited rollover of tenants in the portfolio. The underlying properties in Exeter-Core are also currently being marketed for sale by Eastdil and CBRE as part of the portfolio subject to the Engagement Agreements. Disposition of the Exeter-Core portfolio will be implemented in accordance with the Exeter-Core documents.

### **Principal Owners**

Exeter's investment advisory decisions are made by two (2) key individuals, Edward J. Fitzgerald (Managing Principal and Chief Executive Officer) and Timothy J. Weber (Managing Principal and Chief Financial Officer), in consultation with Exeter's Investment Committee, which committee consists of Mr. Fitzgerald, Mr. Weber, a senior principal of Exeter and principals/regional investment officers/asset managers.

Edward J. Fitzgerald and Timothy J. Weber each own more than twenty-five percent (25%) of Exeter. All other individuals own less than twenty-five (25%) percent of Exeter. We are providing biographical information about Edward J. Fitzgerald and Timothy J. Weber below instead of filing Form ADV, Part 2B.

**Edward (Ward) J. Fitzgerald**, 51, Managing Principal, Chief Executive Officer. Mr. Fitzgerald has 25 years of commercial real estate experience. At Exeter, Mr. Fitzgerald is responsible for providing strategic direction, evaluating investment decisions and utilizing relationships to source transactions. He has been instrumental in raising investment funds and their co-invest/joint venture programs for Exeter exceeding \$2.3 billion to serve pensions, endowments, fund of funds and insurance companies across North America, Asia and Europe. In addition he has overseen the acquisition and management of 200 transactions and over \$4.0 billion of investments across the United States.

Prior to Exeter, Mr. Fitzgerald worked for Malvern, Pennsylvania-based Liberty Property Trust for 14 years from 1993 to mid-2006, where for the last seven years he was Senior Vice President and Northeast Regional Director. This region, Liberty's largest, included 180 industrial and office properties comprising approximately 15 million square feet of commercial space valued at an estimated \$2.5 billion. During his tenure as Regional Director, Mr. Fitzgerald oversaw all aspects of acquisitions, asset management, development, leasing and property management. In addition, Mr. Fitzgerald was the lead member of the senior management team that restructured Liberty's finances and took the predecessor company public in 1994. Prior to Liberty, Mr. Fitzgerald worked in the Real Estate Consultancy group at Coopers & Lybrand from 1989 to 1992 with a focus on Resolution Trust Corporation (RTC) workouts and bankruptcy and creditor committee representation. Mr. Fitzgerald graduated from the University of Notre Dame with a BA degree in Business Administration and earned an MBA from Harvard Business School.

**Timothy J. Weber**, 61, Managing Principal, Chief Financial Officer. Mr. Weber has 30 years of real estate experience. At Exeter, Mr. Weber is responsible for managing accounting, financial reporting, budgeting, legal, operations and asset financings. In addition while at Exeter he has been instrumental in the negotiation, structuring, and tax planning for over 200 real estate transactions, 100 investor capital commitments and nearly \$3 billion in financings through CMBS, commercial banks and life insurance companies.

Prior to Exeter, Mr. Weber worked for Malvern, Pennsylvania-based Terramics Property Company, where, as Partner and Chief Operating Officer, he oversaw all leasing, property management and certain accounting, real estate budgeting, tax preparation and asset financings. He joined Terramics in 1984 and during his tenure helped orchestrate nearly \$300 million of office and flex investments with Ohio State Teachers' Retirement System. In 1997, Prentiss Properties (NYSE: PP) purchased Terramics, and Mr. Weber became Vice President of Operations of the Northeast Region, responsible for overseeing asset management. This role included all of the corporate financial reporting, asset budgeting of the Northeast portfolio and financial analysis on new investments for the region. In 2001, the Northeast Region of Prentiss was purchased by Brandywine Realty Trust (NYSE: BDN), and Mr. Weber and his partners re-formed Terramics Property Company, where he remained until joining Exeter. Mr. Weber started his career with Price Waterhouse, where he earned his CPA. He graduated with a BA degree in Economics from Muhlenberg College.

### **Custom Advisory Services**

We offer custom services through the creation and management of customized funds, parallel partnerships and/or side letters. These are designed to meet the specific investment objectives, tax regulatory requirements and/or reporting issues articulated by the investor. Most of our side letters include a "Most Favored Nations" clause allowing all investors of the same capital commitment amount or larger in a particular fund to elect the same treatment.

Exeter also offers custom services in the form of co-investment vehicles, which allow investors to target certain investment objectives by investing alongside one of our Funds.

### **Wrap-fee Programs**

N/A.

### **Assets Under Management**

As of 12/31/2014, the firm's regulatory assets under management was approximately \$4,883,457,172.

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

Certain fees charged by Exeter may be subject to negotiation. Although our older funds are in the process of marketing for sale significant portions of their underlying portfolios, as discussed in Item 4, above, the fees and compensation discussed below remain in effect in accordance with the respective Fund and Exeter-Core documents.

### **Management Fees; Transaction-Related Fee Income**

#### **Value-Add Funds**

Subject to side letter negotiations, each Fund is charged a Management Fee of 1.5% per year of the Capital Commitment annually, payable by Fund investors quarterly in advance. During the Commitment Period, the Management Fee is based on the total capital commitments of the investors in the Fund. After the Commitment Period, the Management Fee is based on the amount of capital then-currently invested. Affiliates of Exeter do not pay Management Fees.

The Manager does not charge the Funds any transaction fees in connection with acquisition, disposition or financing of its portfolio properties.

With respect to each Fund, Exeter has the right to forego all or a portion of its Management Fee (the “Foregone Management Fee”). In that event, a Foregone Management Fee reduces the amount of capital contributions that the General Partner (including its affiliates) in its capacity as a Partner would otherwise be required to contribute to that Fund.

The Management Fee for Fund I is paid quarterly in advance and will accrue in respect of the Capital Commitments of each Limited Partner that is not an Affiliate of the General Partner from the Initial Closing. Each quarterly installment of the Management Fee which is due (i) during the Commitment Period will be paid at the rate equal to 25% of 1.5% of the Capital Commitment of each Limited Partner that is not an Affiliate of the General Partner; and (ii) after the expiration of the Commitment Period will be at the rate of 25% of 1.5% of the aggregate amount of the Capital Contributions of each Limited Partner that is not an Affiliate of the General Partner invested as of the date of such payment in Investments, less the portion of such Capital Contributions invested in Investments that have been sold.

With respect to Fund II, Exeter is paid a Management Fee by the Fund quarterly in advance; such fee accrues for the Capital Commitments of each Limited Partner that is not an Affiliate of the General Partner (regardless of the Closing in which such Limited Partner participates) from the Initial Closing. Each quarterly installment of the Management Fee which is due and payable (i) prior to the first to occur of the termination of the Commitment Period and the third anniversary of the Initial Closing shall be paid at a rate equal to 25% of 1.5% of the aggregate amount of the Capital Contributions of each Limited Partner that is not an Affiliate of the General Partner; and (ii) on or after the first to occur of the termination of the Commitment Period and the third anniversary of the Initial Closing shall be paid at a rate equal to 25% of 1.5% of the aggregate amount of the Capital Contributions of each Limited Partner that is not an



Affiliate of the General Partner that has been invested in Investments, less the portion of such Capital Contributions invested in Investments that have been sold or completely written off and not subsequently recalled.

With respect to Fund III, Exeter is paid a Management Fee by the Fund quarterly in advance; such fee accrues for the Capital Commitments of each Limited Partner (regardless of the Closing in which such Limited Partner participates) from February 1, 2014 (defined in Fund III's Limited Partnership Agreement as the "Commencement Date.") Each quarterly installment of the Management Fee is due and payable on each three-month anniversary of the Commencement Date as follows: (i) prior to the first to occur of the termination of the Commitment Period and the third anniversary of the Initial Closing shall be paid at a rate equal to 25% of 1.5% of the aggregate amount of the Capital Contributions of each Limited Partner; and (ii) on or after the first to occur of the termination of the Commitment Period and the third anniversary of the Initial Closing shall be paid at a rate equal to 25% of 1.5% of the aggregate amount of the Capital Contributions of each Limited Partner that has been invested in Investments, less the portion of such Capital Contributions invested in Investments that have been sold or completely written off and not subsequently recalled.

Upon the termination of any Limited Partner, any prepaid, unearned fees (less expenses) will be promptly refunded, to the extent required by law.

The management fees for the joint ventures are separately negotiated.

In the event that the Funds incur transaction-related fee income, including commitment, break-up, or similar fee income in the course of pursuing suitable portfolio properties, any such fees are first applied to unreimbursed out-of-pocket expenses related to the applicable transaction and any excess amounts are thereafter applied to Exeter's account. Such payments to Exeter reduce the Management Fee otherwise payable by the Fund by an identical amount.

### **Core Assets Fund**

This fund pays a total asset management fee of .70% on 99% of Exeter-Core's invested equity, payable quarterly in arrears.

### **Additional Expenses and Fees**

Each Fund and Exeter-Core bears its own Operating Expenses incurred with respect to its portfolio properties.

The Funds pay certain expenses, on a prorated basis: Organizational Expenses and Placement Agent Fees. As explained below, these fees are subject to a cap or an offset. To the extent these fees exceed the next installment of the Management Fee, the excess is carried forward to the next subsequent installment of the Management Fee until paid; if not paid in full by the time the Fund is liquidated, the General Partner will pay the excess fees to the Partnership.

Each Fund and Exeter-Core pays, or reimburses, its General Partner, on a prorated basis, for all organizational expenses, capped at \$1 million for Fund I; \$1.2 million for Fund II; \$1.5 million for Fund III; and \$300,000 for Exeter-Core. To the extent these fees exceed the capped amount, the Management Fees otherwise owed are reduced dollar-for-dollar, but not below zero; if such fees or expenses would reduce the Management Fee below zero for any installment, the excess is carried forward as an offset to the payment of future Management Fee installments. The General Partners of the Funds and Exeter-Core are affiliated entities of Exeter.

“Placement Agent Fees” are payable to third party placement agents, financial consultants and/or finders retained by the General Partner in connection with the sale and offering of the Interests to the Limited Partners. Placement Agent Fees are offset against the Management Fee.

In connection with an investment by the Funds and/or Exeter-Core, the Funds and/or Exeter-Core may retain one or more affiliates of the General Partner to perform certain leasing, property management, maintenance, construction management, property-related legal, and similar services. Any agreements between the Funds, Exeter-Core and such affiliates will contain terms and conditions generally available in arm's length transactions with qualified independent third party providers of comparable services. The General Partner will not charge the Funds and/or Exeter Core any transaction fees in connection with the acquisition, disposition or financing, although one or more affiliates of the General Partner may receive fees for property management, construction management and leasing services.

The allocation and payment of additional fees incurred by the joint ventures are separately negotiated.

### **Distributions**

Net cash flow from investments in each Fund and Exeter-Core is distributed quarterly or, in the General Partner's discretion, more frequently. Distributions are first divided among the Partners (including the General Partner in its capacity as a Partner), on a prorated basis, according to their respective capital contributions and then distributed as between a Partner (including the General Partner in its capacity as a Partner) and the General Partner (in respect of its carried interest) in the following order of priority:

### **Value-Add Funds I and II**

- (1) Preferred return to Partners: 9% compounded annually on their net cumulative capital contributions;
- (2) Capital contributions: 100% return of Partners' net cumulative capital contributions;
- (3) Incentive distributions:
  - 80% to the Partners and 20% to the General Partner (for its carried interest) until the Partners have received a cumulative internal rate of return (“IRR”) of 12.5% compounded annually;

- *Next*, 50% to the Partners and 50% to the General Partner (for its carried interest) until the General Partner has received 20% of net cumulative profits; and
- *Thereafter*, 80% to the Partners and 20% to the General Partner (for its carried interest).

### **Value-Add Fund III**

- (1) Preferred return to Partners: 9% compounded annually on their net cumulative capital contributions;
- (2) Capital contributions: 100% return of Partners' net cumulative capital contributions;
- (3) Incentive distributions:
  - 80% to the Partners and 20% to the General Partner (for its carried interest) until the Partners have received a cumulative internal rate of return ("IRR") of 11% compounded annually;
  - *Next*, 50% to the Partners and 50% to the General Partner (for its carried interest) until the General Partner has received 20% of net cumulative profits; and
  - *Thereafter*, 80% to the Partners and 20% to the General Partner (for its carried interest).

### **Exeter-Core**

- (1) Preferred return to Partners: 9% compounded annually on their net cumulative capital contributions;
- (2) Capital contributions: 100% return of Partners' net cumulative capital contributions; and
- (3) Incentive distributions: 85% to the Partners and 15% to the General Partner (for its carried interest).

Notwithstanding the formulae described above, to the extent the General Partner's tax liability in any year attributable to its carried interest exceeds the amount distributed to the General Partner for its carried interest, and provided cash is available without a sale or refinancing of a fund's assets, such fund will make a special tax distribution to the General Partner. Any special tax distributions to the General Partner of a fund reduce future distributions payable to the General Partner for its carried interest. Upon the liquidation of a fund, its General Partner may be required to repay such fund up to the after tax amount of distributions for its carried interest to the extent that such distributions exceeded amounts otherwise distributable to that General Partner under the formula set forth above, applied over the life of each fund.

Distributions to the joint ventures are separately negotiated.

## **CONFLICTS**

The existence of the General Partner's carried interest may create an incentive for the General Partner to make more speculative investments on behalf of the Funds or Exeter-Core than it would otherwise make in the absence of such performance-based compensation. Exeter believes, however, that its long term commitment to the business, combined with ongoing reviews by each Fund's Investment Committee and the Advisory Board, result in investment decisions made in the best interests of its funds and not its respective General Partner. With regard to Exeter-Core, any investment deviating from the investment criteria set forth in Exeter-Core's limited partnership agreement and described in Item 8 below requires consent of Exeter-Core's limited partners.

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

Performance based fees are paid to the respective General Partners of the Funds and Exeter-Core in the form of the respective General Partner's carried interest, as provided in the respective Fund's and Exeter-Core's documents and discussed below. Although our older funds are in the process of marketing significant portions of their portfolios for sale, as discussed in Item 4, above, the fees described below remain in effect in accordance with the respective Fund and/or Exeter-Core documents until the liquidation process is completed.

Distributions are first divided among the respective Partners (including the General Partner in its capacity as a Partner) of such entities, on a prorated basis, according to their respective capital contributions and then distributed as between a Partner (including the General Partner in its capacity as a Partner) and the General Partner (in respect of its carried interest) in the following order of priority:

### **Value-Add Funds I and II:**

- (1) Preferred return to Partners: 9% compounded annually on their net cumulative capital contributions.
- (2) Capital contributions: 100% return of Partners' net cumulative capital contributions.
- (3) Incentive distributions:
  - 80% to the Partners and 20% to the General Partner (for its carried interest) until the Partners have received a cumulative internal rate of return ("IRR") of 12.5% compounded annually;
  - *Next*, 50% to the Partners and 50% to the General Partner (for its carried interest) until the General Partner has received 20% of net cumulative profits; and
  - *Thereafter*, 80% to the Partners and 20% to the General Partner (for its carried interest).

### **Value-Add Fund III**

- (1) Preferred return to Partners: 9% compounded annually on their net cumulative capital contributions;
- (2) Capital contributions: 100% return of Partners' net cumulative capital contributions;
- (3) Incentive distributions:
  - 80% to the Partners and 20% to the General Partner (for its carried interest) until the Partners have received a cumulative internal rate of return ("IRR") of 11% compounded annually;
  - *Next*, 50% to the Partners and 50% to the General Partner (for its carried interest) until the General Partner has received 20% of net cumulative profits; and
  - *Thereafter*, 80% to the Partners and 20% to the General Partner (for its carried interest).

### **Exeter-Core:**

- (1) Preferred return to Partners: 9% compounded annually on their net cumulative capital contributions;
- (2) Capital contributions: 100% return of Partners' net cumulative capital contributions; and
- (3) Incentive distributions: 85% to the Partners and 15% to the General Partner (for its carried interest).

We will structure any performance or incentive fee arrangement in accordance with Section 205(a)(1) of the Investment Advisers Act of 1940 (the "Advisers Act") and the available exemptions thereunder, including the exemption set forth in Rule 205-3.

### **Side-by-Side Investments and Management**

Each Fund may invest side-by-side with (a) a specific Limited Partner which can provide investment opportunities, operating capabilities or other strategic or competitive opportunities or advantages to the Fund; or (b) an independent third party to facilitate the making of Investments. The Funds may enter into these investment opportunities without providing co-investment opportunities to any of the Limited Partners.

In certain instances, we will structure co-investment opportunities that also result in side-by-side management with the Funds. Generally, these situations arise where the General Partner determines that the Fund, due to the size or risk of an Investment, is either prohibited by the Partnership Agreement from acquiring such Investment or it is not in the Fund's best interests to acquire such Investment. All Limited Partners in a particular Fund are provided with prompt notice of such co-investment opportunity even if they are not eligible to participate based on the amount of their Capital Commitments to that Fund. The General Partner has the sole discretion to offer to certain Limited Partners the option of participating in a co-investment opportunity alongside the Fund. As between the General Partner and the participating Limited Partners, the terms of any co-investment opportunity will be agreed to at the time of each co-investment and will be as favorable to the participating Limited Partners as are the terms of the Fund. Eligible Limited Partners are under no obligation to make any co-investments.

### **Conflicts of Interest**

Performance based fees, in the form of the General Partner's carried interest, are intended to provide incentive to Exeter and/or the General Partner to invest in, manage and dispose of properties in a diligent and prudent manner. Performance based fee arrangements may create an incentive for Exeter to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. We have implemented policies and procedures designed to ensure that we act in the best interests of the Funds and Exeter-Core and that all our fund investors are treated fairly and equally. This includes policies and procedures intended to prevent this conflict from influencing the selection and allocation of investment opportunities among our funds and the management of portfolio properties once selected. Exeter believes, however, that its long term commitment to the business, combined

with ongoing reviews by each Fund's Investment Committee and Advisory Board, result in investment decisions made in the best interests of the investors in its funds and not its respective General Partner. With regard to Exeter-Core, any investment deviating from the investment criteria set forth in Exeter-Core's limited partnership agreement and described in Item 8 below requires consent of Exeter-Core's limited partners.

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

Through our Funds and Exeter-Core, Exeter provides asset management services to institutional clients, corporate pension and profit-sharing plans, and private investment funds, including a sovereign wealth fund, and high net worth individuals.



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

**INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT CLIENTS SHOULD BE PREPARED TO BEAR.**

### **ANALYSIS AND STRATEGIES**

#### **Value-Add Funds**

Our Funds pursue value-add investments that seek a balance of risk and return. We target industrial properties (including big box warehouse and multi-tenant properties) and related flex/office properties throughout the United States and select markets in Canada. We seek fee simple asset and whole loan transactions ranging from \$5 million single-asset acquisitions to \$250 million portfolio acquisitions. As value-add investment vehicles, these Funds typically target opportunities with vacancy or lease rollover risk, properties that require repositioning and redevelopment, or are otherwise complex transactions. Exeter also acquires land for speculative and build-to-suit development.

We seek to mitigate the risk associated with these strategies through several types of portfolio diversification: (1) smaller, single asset transactions; (2) geographic diversity; (3) strategy diversity; and (4) product diversity. Our management team seeks portfolio properties based on criteria that include (i) careful site selection; (ii) building designs that are responsive to tenant requirements; (iii) careful management of construction costs and risk; (iv) aggressive leasing; (v) thorough understanding of tenant demand and market supply trends; and (vi) intimate knowledge of land use laws and relationships with federal, state and local municipal authorities. Potential transactions are also further evaluated on their real estate fundamentals, including location, total cost per square foot, age and condition of building systems, space flexibility and leaseability.

#### **Core Assets Fund**

The portfolio for Exeter-Core consists of interests in industrial real estate properties meeting specified yield requirements, under generally long-term leases with limited rollover of tenants in the portfolio. Thus, our investment strategy for Exeter-Core involves stable properties with longer-term investment horizons.

### **Management Team**

The principals of our Funds have an average of 20 years' experience in real estate acquisitions, leasing, development and redevelopment activities. Exeter's investment process is strengthened by collaboration among the management team and other specialists within the Firm. Exeter's vertically integrated organization has expertise in acquisitions, dispositions, development, construction, leasing, asset and property management, finance, workouts, law, and accounting. A key feature of Exeter's structure is the accountability of its Investment

Officers/Asset Managers throughout the entire investment cycle, avoiding the conflict in traditional models of separate acquisition officer and asset manager roles. The Investment Officers/Asset Managers who lead each regional office are ultimately responsible for both the acquisition and asset management of investments in their region, with the support of in-house property management and both in-house and third-party leasing agents. We believe this allows us to focus on optimizing each investment's business plan from acquisition selection, through asset management, to disposition.

### **Financing Strategies**

Exeter's financing strategy seeks to enhance risk-adjusted investment returns prudently through a conservative leverage ratio of up to 65% on a portfolio basis for assets in the Funds and a leverage ratio of up to 50% on a portfolio basis for assets in Exeter-Core. Our financing strategy includes staggering debt maturities to manage refinancing risk, utilizing primarily non-recourse debt, and financing in small increments, which also reduces refinance risk. Typical loan sizes for the Funds and Exeter-Core are generally within the following ranges: (i) Fund I: \$9 million - \$50 million; (ii) Fund II: \$30 million - \$80 million, (iii) Exeter-Core: \$15 million - \$50 million and (iv) Fund III: \$100 million - \$125 million.

Exeter determines the appropriate financing for each investment, procures term sheets from banks and life insurance companies outlining likely financing terms, and advises the Investment Committee of any resultant changes to the potential investment's projected returns. In selecting the level and type of debt financing for a transaction, Exeter's analysis generally includes the following factors: projected cash flows, lease rollover, tenant credit, required capital improvements and marketing expenses, appreciation potential, and hold period.

### **Operations**

After acquisition closing, Exeter's asset management strategy concentrates on strong tenant relationships and disciplined budgetary controls. Asset management and construction personnel work alongside the tenant during the lease negotiation and eventual fit-out process to address the tenant's needs. Exeter believes its tenant experience and service-oriented process is a meaningful competitive advantage in the marketplace for attracting tenants and enhancing loyalty to Exeter's properties.

### **Investment Limitations**

To further define the investment parameters of the Funds, Exeter sets certain limitations on its investment activities. Below are our guidelines for each of our principal Funds, but these may be varied with the consent of our Advisory Committee. With regard to Exeter-Core, the limited partnership agreement of Exeter-Core defines certain criteria that must be met prior to making any investment and in the event that any proposed investment deviates from such criteria, the General Partner of Exeter-Core must first obtain Limited Partner consent. Greater detail of each Fund's and Exeter-Core's investment limitations is set forth in the Limited Partnership Agreement governing the respective Fund or of Exeter-Core, as applicable.

For Fund I, we set the following investment parameters to limit investments to no more than the following percentages of Capital Commitments:

- 20% in a single transaction;
- 15% in an investment outside the Fund's target market;
- 25% in development transactions that are less than 70% pre-leased;
- 10% in unentitled land (lacks development approval but has proper zoning);
- 15% in service center office properties;
- 5% in non-industrial or flex properties (but only in conjunction with an investment in predominantly industrial or flex properties); and
- 5% in taxable REIT subsidiaries.

For Fund II, the following investment guidelines limit investments to no more than the following percentages of Capital Commitments:

- 20% in any one portfolio transaction;
- 10% in investments located outside of the Fund's target markets;
- 10% in development transactions that are less than 75% pre-leased;
- 5% in unentitled land (lacks development approval but has proper zoning);
- 10% in service center office properties;
- 5% in non-industrial or flex properties (but only in conjunction with an investment in predominantly industrial or flex properties); and
- 5% in taxable REIT subsidiaries.

For Fund III, the following investment guidelines limit investments to no more than the following percentages of Capital Commitments:

- 20% in any one portfolio transaction;
- 7% in select markets in Canada (Vancouver, Calgary and Toronto metro areas);
- 15% in development transactions that are less than 75% pre-leased\*;
- 10% in unentitled land (lacks development approval but has proper zoning)\*;
- 15% in flex and office properties;
- 5% in mixed use properties containing predominantly targeted product type assets (intended to be divested within 12 to 24 of acquisition); and
- 5% (and with the consent of the Advisory Committee, up to 10%) in one or more Taxable REIT Subsidiaries.

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\*Alternatively, we may aggregate 20% of the aggregate Capital Commitments to invest in these two properties classes.

The targeted categories of investments for the Funds' property portfolio include:

- Big box warehouses;
- Multi-tenant industrial space;
- Flex and office properties;
- Research & development facilities;
- Business park environments; and
- Land

For Exeter-Core, our investment criteria require:

- Properties with an initial occupancy rate of 93%;
- Properties used for storage, logistics services, sorting and packaging of finished goods together with some assembly, office and showroom components;
- Weighted average remaining lease term of at least 3 years by square footage;
- Maximum of 34% for properties outside of certain defined Top Target Markets;
- Properties with a minimum of 28 foot clear heights;
- Not more than 10% of rentable square footage built out with office finishes;
- 20% maximum investment in any one market;
- Equity investments not to exceed \$30 million in any one Project (as defined in the Exeter-Core limited partnership agreement); and
- Investments with an initial yield of at least 6.75% and a Financing Spread (as defined in the Exeter-Core limited partnership agreement) not to exceed 1%.

The targeted categories of investments for Exeter-Core's property portfolio include:

- Big box warehouses;
- Multi-tenant industrial space;
- Small-bay warehouse/Flex product; and
- Land.

### **Financial Controls and Exit Strategies**

Once properties have entered our portfolios, we exercise strict financial controls and management. We continually reevaluate exit strategies and alternatives for each investment as market and demand dynamics change. Our Principals have sold assets to numerous institutional and corporate buyers and have also worked with a range of brokers and consultants in the disposition of assets, which has provided extensive expertise in exiting industrial and flex investments at the optimum time and in the most efficient manner. These options are disclosed in the respective Fund and Exeter-Core documents.

### **Alignment with Investors**

We seek to align our interests with those of our investors.

The majority of the Exeter team members will collectively commit at least \$5 million to each Fund, which represents a meaningful personal contribution from each of them. Furthermore, to provide strong incentives to achieve the Fund's investment objectives, Exeter team members will contribute 100% of the sponsor commitment and share 100% of the carried interest. Exeter will not receive distributions with respect to its carried interest until investors receive a return of 100% of their capital contributions and a 9% annual preferred return thereon. Given the significant investment by Exeter in the Funds, its incentive-based compensation, and whole fund- and single-promote structure, Exeter believes there is meaningful alignment of interests between Exeter and the investors in the Funds.

For Exeter-Core, the Exeter team has committed capital totaling 1% of the entire Capital Contributions. We have also agreed to incentives similar to those provided to our Funds' investors, including delays in the return of distributions with respect to carried interest until investors receive a return of 100% of their capital contributions.

## **RISK FACTORS**

The Confidential Private Placement Memoranda ("PPM") we provide to our Fund investors detail risk factors, each of which could have an adverse effect on the value of their interests in the respective Fund. There can be no assurance that any of our Funds will achieve their respective investment objectives or that the Limited Partners will receive any return on, or the return of, their invested capital. The risks associated with an investment in our Funds are those typically associated with investments in real estate in general, including those made through other entities and/or joint ventures. An investment in our Funds is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risks. Due to the lack of liquidity inherent in an investment in the Funds, Investors in our Funds must be prepared to bear such risks for a significant period of time. All investors, or potential investors, requiring a more detailed discussion of risk factors should contact us for a copy of a Fund's PPM.

## **CONFLICTS**

- **Overlapping Personnel**

Each of our Funds may be subject to conflicts of interest involving the General Partner or the Manager, in part due to the overlap in our key personnel. Each Fund may enter into relationships with Exeter or its affiliates, some of which may give rise to conflicts of interest. Each Fund has implemented policies and procedures as necessary or appropriate to deal with such potential conflicts, but such measures may not be effective under all circumstances, and some of which may not be in the control of Exeter and/or its affiliates. This policy also guides our investment decisions and controls implemented in connection with the European Partnership.

- **Transactions with Affiliates**

Each Fund and/or Exeter-Core (or the General Partner on behalf of such entity) may engage one or more affiliates of such General Partner (referred to in such capacity as a "Servicing Party") to perform certain services for which the entity would otherwise retain third parties, including, without limitation, services for property leasing, management, maintenance, construction management and similar services. Each agreement for such services with an affiliate of the respective General Partners will be consistent with the fees and terms generally available in the market.

Although the respective General Partners expect that the fees for such services will be consistent with those generally available in the market, the enforcement of such provisions will be within the purview of such General Partner. Conflicts of interest may also arise with respect to contract terms, such as, for example, in determining whether a Servicing Party is entitled to be indemnified pursuant to any agreement between the Funds and/or Exeter-Core and such Servicing Party or whether such Servicing Party has satisfactorily performed in compliance with its agreement with such entity.

- **Performance Allocation**

The existence of the General Partners' carried interest may create an incentive for the General Partner to make more speculative investments on behalf of the Funds and Exeter-Core than it would otherwise make in the absence of such performance-based compensation. Nonetheless, we have not taken distributions with respect to carried interest in any of the Funds or in Exeter-Core.

## **MANAGEMENT OF CASH BALANCES**

We manage cash balances in a manner intended to be in the Funds' best interests. Exeter manages, in its sole discretion, the short-term investment of cash held for (1) reserves for Fund operations, (2) acquisitions of Fund investments, or (3) distribution to the Limited Partners. Despite significant portions of Funds I and II and Exeter-Core being marketed for sale, as discussed in Item 4, above, these policies with respect to the management of cash balances still remain in effect.

For Fund I, cash may be invested in (i) bank accounts, certificates of deposit and bankers' acceptances issued by a bank whose short term obligations are rated at least "Prime-1" by Moody's Investors Service, Inc. and "A-1" by Standard & Poor's or "Ag" by Standard & Poor's Corporation, and (ii) marketable obligations issued or guaranteed by the United States Government of any political subdivision thereof.

Fund II may invest in short-term investments in assets which are invested in (i) bank accounts, certificates of deposit and bankers' acceptances issued by a bank whose short term obligations are rated at least "Prime-I" by Moody's Investors Service, Inc. and "A-1" by Standard & Poor's Corporation, (ii) money market funds rated at least "Aaa" by Moody's Investors Service, Inc. and "Am" or "Ag" by Standard & Poor's Corporation, and (iii) marketable obligations issued or guaranteed by the United States Government or any political subdivision thereof.

Fund III may invest in short-term investments in assets which are invested in (i) bank accounts, certificates of deposit and bankers' acceptances issued by a bank whose short term obligations are rated at least "Prime-I" by Moody's Investors Service, Inc. and "A-1" by Standard & Poor's Corporation, (ii) money market funds rated at least "Aaa" by Moody's Investors Service, Inc. and "Am" or "Ag" by Standard & Poor's Corporation, and (iii) marketable obligations issued or guaranteed by the United States Government with a maturity of less than 90 days.

For Exeter-Core, we make short-term investments of cash held for reserves for Exeter-Core operations, when cash is needed pending its distribution to the partnership or for contribution to the property owning entities to use in connection with the assets.

## **Item 9 - Disciplinary Information**

None.



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

As discussed in Item 4, above, through affiliated entities, in 2014, we, jointly with an institutional investor, raised €25 million to found a new real estate partnership for investments in select European markets (the “European Partnership”). In the European Partnership, our investment strategy is to apply our industry expertise to properties and market sectors in Europe comparable to those of our Funds located in the United States. In late 2014, we began discussions with a second institutional investor for a second European investment partnership comparable to the European Partnership. Our respective Fund and Exeter-Core documents disclose that our key personnel may provide advice and services to all of the funds/vehicles we manage. We discuss the potential conflicts that may arise as a result of the overlap in key personnel in Item 8, in the subsection labeled “Conflicts.”

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

Exeter has adopted a Code of Ethics (“Code”) for all supervised persons of the firm describing our high standard of business conduct and fiduciary duty to our clients. All of our supervised persons are required to follow Exeter’s Code.

The Code includes provisions relating to the confidentiality of client information; a prohibition on insider trading; a prohibition of rumor mongering; restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items; personal securities trading procedures; and anti-bribery and whistle-blowing provisions, among other things. All supervised persons at Exeter are required to acknowledge the terms of the Code annually, or as amended.

The Code is designed to prevent conflicts of interest between Exeter and its clients. The Code requires that the personal securities transactions, activities and interests of our employees do not interfere with our making of and implementing investment decisions in the best interests of our advisory clients, while, simultaneously, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interests of Exeter’s clients. In addition, the Code requires pre-clearance of certain transactions that will have a direct or indirect impact on the business of our Funds or Exeter-Core. Employee trading is monitored as necessary under the Code.

Exeter’s clients or prospective clients may request a copy of the firm's Code by contacting Brian Fogarty at [info@exeterpg.com](mailto:info@exeterpg.com).

## **Item 12 - Brokerage Practices**

N/A.

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

We provide advisory services to proprietary real estate funds comprised of portfolio properties we select and manage. Periodic reports are provided to our investors for tax and other purposes. Exeter provides specific capital account statements for a substantial majority of the Limited Partners of the Funds and Exeter-Core quarterly.

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

From time-to-time, Exeter will enter into placement agent agreements with broker-dealers for the introduction of potential investors in our Funds of certain specified clients of the placement agents. All such arrangements will fully comply with the requirements of Rule 206(4)-3 of the Advisers Act and related SEC staff interpretations.

Exeter does not differentiate among investors in providing investment advisory services to our Funds based on how any investor became a Fund investor. When an investor introduced to Exeter by a placement agent commits to invest in our Funds, such investor is treated in the same manner as other investors in that Fund. Thus, no conflicts of interest arise as a result of any such arrangements.

## **Item 15 - Custody**

Exeter is deemed to have custody of the underlying assets in its Funds and Exeter-Core under the Advisers Act. We rely on the “Annual Audit Exception” of the Advisers Act to meet our obligations to our investors with respect to custody. We obtain an audit conducted by an independent accounting firm registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (“PCAOB”) and prepared in accordance with GAAP. Thereafter, we deliver the audited financial statement to the Funds’ and Exeter-Core’s underlying investors within 120 days of the Funds’ and Exeter-Core’s fiscal year-end. We encourage such investors to review these statements carefully.

## **Item 16 - Investment Discretion**

Exeter is provided with discretionary authority from our investors through the various offering documents we use to document our relationships. The various offering documents set forth the stated investment objectives for the fund or entity in which the investor is investing. Our exercise of discretion comports with the investment guidelines and restrictions stated in those offering documents.

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

Our offering documents set forth the issues on which investors may vote, or vote through duly executed, written proxies.



## **Item 18 - Financial Information**

N/A.

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

We have registered Exeter with the State of Pennsylvania, in accordance with the Pennsylvania Securities Act of 1972.