



## **BERKELEY PARTNERS MANAGEMENT, LLC**

Form ADV Part 2A

March 30, 2020

One Sansome Street, 15th Floor  
San Francisco, California 94104  
(415) 295-8080

This Brochure provides information about the qualifications and business practices of Berkeley Partners Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (415) 295-8080 or [compliance@berkeleypartners.com](mailto:compliance@berkeleypartners.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. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Berkeley Partners Management, LLC is also available on the SEC's Web site at <http://www.adviserinfo.sec.gov>.

## ITEM 2 – MATERIAL CHANGES

This item discusses only specific material changes that are made to the Brochure since the Firm's last annual update. Since our last annual amendment the following material changes have been made to this brochure:

- **Item 4 – Advisory Business** has been updated with current regulatory assets under management of \$518,096,332.

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## ITEM 4 – ADVISORY BUSINESS

Berkeley Partners Management, LLC (“BPM” or the “Firm”) is a Delaware limited liability company formed in 2016. The Firm is wholly owned by Berkeley Partners Group, LLC. The principal owners of Berkeley Partners Group LLC are Aaron Snegg, Matt Novak, Norman Villarina and Doug Wertheimer. Mr. Snegg, Mr. Villarina and Mr. Wertheimer are also the partners and principles of Industry Capital Holdings, LLC (“IC”). IC started operations in 2003 as a spin-off of Industry Ventures, a \$1+ billion secondaries fund manager co-founded by Norman D. Villarina in New York City in 1998.

BPM provides discretionary investment advisory services to privately held pooled real estate investment vehicles (“Funds”) based on the investment objectives and strategies described in each of the Fund’s offering memorandum and/or investment management agreement. The Funds invest solely in hard real estate assets and do not invest in publicly traded securities in any form.

Together Berkeley Advisors, a parent company of Berkeley Partners Group, LLC, and BPM comprise Berkeley Partners, a vertically integrated real estate operating company with 60+ employees specializing in the investment and management of multi-tenant industrial real estate. Berkeley Partners handles all aspects of its real estate investment in-house, including leasing, facilities, construction and property management.

The Firm does not provide investment advice to individual investors in the Funds (“Investors”).

As of December 31, 2019, BPM’s discretionary assets under management were \$518,096,332.

## ITEM 5 – FEES AND COMPENSATION

BPM receives investment management and performance-based fees from Funds in exchange for investment advisory services provided. Management Fees are 1.5% per year of the Capital Commitments, and after the Investment Period, 1.5% per year of the Invested Capital attributable to each limited partner. Performance-based fees, or carried interest, is 20%. In accordance with Fund offering memorandum, performance-based fees are calculated after the stated capital and return requirements are met for the Fund using the European waterfall distribution method.

Certain Investors may receive management fee and/or performance-based fee reductions from the General Partner.

Management Fees are paid quarterly in advance and performance-based fees are calculated and paid at the time of fund Distributions. Management fees are debited directly from the Fund. Investors receive quarterly statements from the Firm that show the value of the Investor’s capital account and the fees debited from the account.

Affiliates of BPM receive the following additional fees for services provided to the Funds:

- Property Management: 3-4% of gross revenue
- Construction Management: Charged at cost
- Leasing: Charged at cost
- Development: Charged at cost

In addition to the fees above, each Fund bears all of its operating expenses, including legal, organizational and other expenses. Please refer to each Fund's confidential private placement memorandum for additional information on fees and expenses.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As stated above, in addition to investment management fees, Berkeley Partners Management also receives performance-based fees from the pooled investment funds managed by the firm. BPM does not manage any client accounts which do not pay performance-based fees.

Performance-based fees may create an incentive for BPM to make investments that are riskier or more speculative than those that might have been made in the absence of such fees.

## ITEM 7 – TYPES OF CLIENTS

BPM provides investment advisory services to unregistered pooled investment vehicles which invest in real estate assets. Interests in these funds are offered to foundations, endowments, corporations, trusts, high net worth individuals and other institutional investors. Investors must qualify as both “accredited investors” and “qualified clients” as currently defined by SEC rules. The minimum initial subscription is \$5 million. BPM may waive or reduce investment minimums for certain Investors at its discretion.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Investment Strategy and Methods of Analysis

**Identify and pursue a unique market niche.** BPM focuses on acquiring multi-tenant light industrial real estate and, specifically, on deal sizes that range from \$5-25 million of gross value. The sellers of these assets are generally local / regional owners or large institutions. Additionally, the tenant base is typically composed of small- to medium-sized businesses. The smaller transaction sizes and variety of tenants result in reduced institutional competition on the buy side.

**Choice of markets.** BPM typically focuses on markets with above average employment and population growth.

**Focus on cost basis at acquisition.** BPM targets under-managed properties that can be acquired at a low cost basis with a significant discount to the estimated replacement cost.

**Active value-add initiatives.** After acquisition, BPM undertakes active value-add initiatives to move the assets to stabilization and identifies opportunities for value creation, including relevant ESG (Environmental, Social, and Corporate Governance) opportunities.

**Diversification.** BPM seeks to build a high quality diversified portfolio in order to manage risk, preserve, and protect capital. We expect to produce diversification through:

- *Markets:* Seek investments across a range of MSAs and in markets with favorable long-term economic environments.
- *Tenants:* Achieve a highly diversified income stream by leasing to multiple tenants.
- *Industry Exposure:* Seek broad-based exposure to multiple industries through its tenant base.
- *Lease Expirations:* Seek to diversify the expiration periods of its leases to reduce rollover risk.

## **Risk of Loss**

As with any investment, investing in real estate funds involves risk of loss that investors should be prepared to bear. Some of the risks associated with investing in real estate via private funds such as those managed by BPM include, but are not limited to, the following:

**General Risks of Real Estate Investment.** All real estate investments, ranging from equity investments to debt investments, are subject to some degree of risk. For example, real estate investments are relatively illiquid and, therefore, will tend to limit a Fund's ability to vary its portfolio promptly in response to changes in economic or other conditions. No assurances can be given that the fair market value of any real estate investments held by a Fund will not decrease in the future or that a Fund will recognize full value for any investment that a Fund is required to sell for liquidity reasons. In addition, the ability of a Fund to realize anticipated rental and interest income on its equity and debt investments will depend, among other factors, on the financial reliability of its tenants and borrowers, the location and attractiveness of the properties in which it invests, the supply of comparable space in the areas in which its properties are located and general economic conditions. Other risks include changes in zoning, building, environmental and other governmental laws, changes in operating expenses, changes in real estate tax rates, changes in interest rates, changes in the availability of property relative to demand, changes in costs and terms of mortgage funds, energy prices, changes in the relative popularity of properties, changes in the number of buyers and sellers of properties, the ongoing need for capital improvements, cash-flow risks, construction risks, as well as natural catastrophes, acts of war, terrorism, civil unrest, uninsurable losses and other factors beyond the control of the Fund's management.

Additionally, a Fund may, in certain instances, be responsible for structural repairs, improvements and general maintenance of real property. The expenditure of any sums in connection therewith beyond those budgeted for by a Fund will reduce the cash available for distribution and may require it to fund deficits resulting from the operation of a property. No assurance can be given that a Fund will have funds available to make such repairs or improvements. These factors and any others that would impede its ability to respond to adverse changes in the performance of its assets could significantly affect a Fund's financial condition and operating results.

**Risks Associated with Industrial Properties.** A Fund may invest in commercial or industrial properties, including special use single tenant properties. With these properties, if the current lease is terminated or not renewed, a Fund may be required to renovate the property or to make rent concessions in order to lease the property to another tenant or sell the property. In addition, a Fund may have difficulty selling the property to a party other than the tenant due to the special purpose for which the property may have been designed. These and other limitations may affect its ability to sell or re-lease industrial properties and may adversely affect returns to investors.

Properties historically used for industrial, manufacturing and commercial purposes are more likely to contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. Investing in industrial properties that conduct industrial, manufacturing and commercial

activities will cause a Fund to be subject to increased risk of liabilities under environmental laws and regulations. The presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect the Fund's ability to sell or rent an industrial property.

**Development, Redevelopment and Construction Risks.** A Fund may invest in real property requiring construction, new development or redevelopment. The development and construction of such property is subject to timing, budgeting and other risks that may adversely affect its operating results. Any renovation, redevelopment, development and related construction activities could subject s Fund to a number of risks, including risks associated with:

- Construction delays or cost overruns that may increase project costs;
- Availability and timely receipt of zoning, occupancy and other required governmental permits, authorizations and regulatory approvals;
- Development costs incurred for projects that are not pursued to completion;
- Acts of God such as earthquakes, hurricanes, floods or fires that could adversely impact a project;
- Labor conditions or material shortages that may adversely impact the cost and timing of construction;
- Inability to obtain construction and permanent financing on favorable terms, or at all; and
- Governmental restrictions on the nature or size of a project.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction or development activities once undertaken, any of which could have an adverse effect on the financial condition and results of operations of a Fund and on the amount of funds available for distribution. Properties under construction or development, or properties acquired to be developed, generally generate no cash flow from the date of acquisition through the date of completion of construction or development and experience operating deficits for a period after the date of completion. A Fund may commence construction, development or redevelopment activities prior to obtaining financing for such activities and there is no guarantee that financing will be available on favorable terms, or at all.

**Possible Inability to Complete Renovation on Advantageous Terms.** The renovation of existing properties involves significant risks in addition to those involved in the ownership and operation of established properties, including the risks that financing may not be available on favorable terms for renovation projects and that construction may not be completed on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing such properties and generating cash flow. Substantial renovation activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations. Once completed, such renovated properties may perform below anticipated levels, producing cash flow below budgeted amounts. In addition, substantial renovations, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention, which could divert management's time from a Fund's day-to-day operations. If a Fund anticipates that future renovation activities may be financed through construction loans, in which case there is a risk that, upon completion of construction, permanent financing may not be available or may be available only on disadvantageous terms.

**Volatility of Property Income.** The volatility of operating income for a property also may be influenced by matters such as: the length of tenant leases; the creditworthiness of tenants; the level of tenant defaults; the ability to convert an unsuccessful property to an alternative use; new construction in the same market as the subject property; rent control laws or other laws impacting operating costs; the number and diversity of tenants; the availability of trained labor necessary for tenant operations; the rate at which new rentals occur; and the

property's operating leverage (which is the percentage of total property expenses in relation to revenue), the ratio of fixed operating expenses to those that vary with revenues, and the level of capital expenditures required to maintain the property and to retain or replace tenants. A decline in the real estate market or in the financial condition of a major tenant will tend to have a more immediate negative effect on the net operating income of properties with short-term revenue sources (such as short-term or month-to-month leases) and may lead to higher rates of delinquency or defaults under mortgage loans secured by such properties.

**Termination or Expiration of Leases.** Properties may be subject to existing leases with major tenants occupying a substantial portion of the properties. There can be no assurance that a Fund will be able to retain tenants in any of their respective properties upon the expiration of their leases. Upon the expiration or early termination of such leases, the availability of the large blocks of space they cover may have an adverse effect on the Fund's ability to achieve the lease terms and rents it might otherwise be able to achieve if space were to turn over in smaller portions, spread out over a period of time. If the space is suited to the particular needs of a former tenant, then a Fund may have difficulty finding a new tenant for the space or may need to redevelop such space.

**Unable to Lease Properties.** Any of a Fund's properties could become partially or completely vacant in the future. If a Fund is unable to re-lease these properties and generate sufficient cash flow to replace or exceed that amount lost due to the vacancy, it will be required to recognize a financial loss as to that property, which could reduce its operating results and ability to make distributions.

**Environmental Risks on Real Estate.** Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate (which may include a lender in some instances) may be required to investigate and clean up any hazardous or toxic substances or petroleum product releases at such property and may be liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with contamination. These laws typically impose clean up responsibility and liability without regard to whether the owner knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances or the failure to properly remedy the contamination on such property may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances or petroleum products at a disposal or treatment facility may also be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at such disposal or treatment facility, whether or not the facility is owned or operated by such person. In certain circumstances, third-party lenders which have directed or had an active involvement in the environmental compliance activities or the day-to-day management of a borrower's facilities or which have taken possession of or title to such borrower's collateral may be liable for the costs of removal or remediation of a release of hazardous or toxic substances or petroleum products at the facility. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with contamination. The owner of a site may also be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from a site. Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos-containing materials ("ACMS") when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. These laws may impose liability for



release of ACMs and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with ACMs.

In connection with its direct or indirect ownership and operation of real estate, a Fund may incur liability for such environmental costs. Additionally, changes in environmental laws or in the environmental condition of an asset may create liabilities that did not exist at the time of acquisition and that could not have been foreseen

**Risks of Leverage.** The amount of borrowings which a Fund may have outstanding and/or to which its target investments may be subject at any time may be large in relation to its capital, the then current value of its target investments and/or its uncalled Capital Commitments. Although the use of leverage may enhance returns, it will also substantially increase a Fund's risk of loss. For example, under declining market conditions, a decline in the value of the collateral securing a mortgage loan could result in covenant breaches and defaults by a Fund. Because borrowings may be cross-collateralized, it is likely that a Fund could experience concurrent foreclosures of multiple financed assets, accompanied by attendant losses upon lender liquidations.

In addition, fluctuations in market values may significantly decrease the availability, and increase the costs, of real estate mortgage loans. The ability to obtain financing quickly and on reasonable terms is important to the success of a Fund. Any dramatic change in the real estate business may substantially increase the risks that a Fund will not be able to obtain such financing. Furthermore, the use of leverage will subject a Fund to risks normally associated with debt financing, including the risk that a Fund's cash flow will be insufficient to meet required payments of principal and interest, the risk that the indebtedness on the investments will not be able to be refinanced and the risk that the terms of any refinancing will not be as favorable as the terms of the existing indebtedness. A Fund may, under some circumstances, be required to liquidate assets to service interest and principal obligations on leveraged assets. If a Fund defaults on indebtedness secured by a particular property, then the lender may foreclose and it could lose its entire investment in the property. Moreover, if a Fund is required to deleverage as a result of changing market conditions, to comply with the limitations on its ability to leverage or otherwise, then it may be forced to sell investments at inopportune times or at disadvantageous prices.

**Casualty Losses; Uninsurable Losses.** A Fund intends to maintain insurance on each of its assets in amounts sufficient to permit the replacement of the assets in the event of a total loss, subject to applicable deductibles, and will endeavor to obtain coverage of the types and in the amounts customarily obtained by owners of real estate. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Additionally, there are certain types of losses, generally of a catastrophic nature, including, without limitation, losses sustained from terrorist strikes, earthquakes, floods and hurricanes, which may be uninsurable, not economically insurable or for which insurance may only be available in amounts that are less than the full market value or replacement cost of the insured properties. Also, there can be no assurance that any risks currently insurable will continue to be insurable on an economic basis. Inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors may also make it infeasible to use insurance proceeds to replace an asset if it is damaged or destroyed. Under such circumstances, the insurance proceeds received by a Fund might not be adequate to restore its economic position with respect to a particular property. Further, because a Fund is a pooled investment fund, Fund assets may be at risk in the event of an uninsured or under-insured liability to third-parties.

**Fair Value Asset Valuation.** Target investments will be presented in financial statements on a "fair value basis." In the case of many of the target investments, it is unlikely that readily available price quotations will exist. Accordingly, Limited Partners will need to rely on the judgment of BPM for valuing and pricing the target

investments, both for financial statement purposes and in connection with disposing of such investments. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions beyond the control of a Fund. Further, valuations do not necessarily represent the price at which an investment would sell since market prices of investments can only be determined by negotiation between a willing buyer and seller. If a Fund were to liquidate a particular investment, the realized value may be more than or less than the appraised valuation of such asset.

**Illiquidity of Investments.** The target investments to be made by a Fund are likely to be illiquid, and it is unlikely that there will be a public market for any of a Fund's target investments held by a Fund. A Fund generally will not be able to sell its target investments publicly. While an investment may be disposed of at any time, it is generally expected that investments will be held for a number of years after being made. It is possible that a Fund may not encounter favorable disposition, financing or refinancing terms for its investments, thereby reducing its returns. No assurances can be given that all target investments will be able to be liquidated prior to the scheduled expiration of the term of a Fund.

**Possible Lack of Diversification.** While BPM intends to employ some degree of portfolio diversification as one of its risk management strategies, a Fund is expected to participate in a limited number of investments and there can be no assurances concerning the diversification of a Fund's investments either by geographic region or asset type. To the extent a Fund concentrates its investments in certain geographic markets, adverse events or conditions affecting these markets in particular could have a more negative effect on the financial condition and operations of a Fund than if its investments were more geographically diverse. Similarly, a Fund's financial condition and results of operations could be adversely affected by conditions affecting a Fund's specific property types. This could lead to increased risk as a result of a Fund having an unintended long-term investment and reduced diversification. A limited degree of diversification increases risk because, as a consequence, the aggregate return of a Fund may be substantially adversely affected by the unfavorable performance of even a single investment.

## ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of BPM or the integrity of BPM's management. BPM has no applicable information to this Item.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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

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

## ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

In recognition of our fiduciary duty to our clients, and by extension our investors, and in compliance with Rule 204A-1(a) of the Investment Advisors Act of 1940 we have instituted a Code of Ethics. The Code of Ethics aims to eliminate or minimize any conflicts of interest with our clients and investors. It requires our supervised persons to comply with fiduciary obligations to clients and investors and with all applicable securities laws. Additionally, the Code also contains specific requirements relating to personal trading, insider trading, conflicts of interest and confidentiality of client and investor information as well as requiring supervised persons to report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year.

BPM clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting BPM at (415)295-8080 or [compliance@berkeleypartners.com](mailto:compliance@berkeleypartners.com).

## ITEM 12 – BROKERAGE PRACTICES

As the Funds managed by BPM invest solely in real estate assets, and not publicly traded securities, to date, BPM has not directly established relationships with any securities brokers.

## ITEM 13 – REVIEW OF ACCOUNTS

BPM's investment committee will review all investments on a at the time of aquisition to ensure that the investments meet the requirements set forth to investors in the various Fund offering memoranda.

BPM issues quarterly and annual reports to investors which generally report and are intended to demonstrate the performance of the Funds' assets as well as providing an asset holding summary and summary of significant events affecting the Funds' holdings. Additionally, each Investor receives an annual K-1 highlighting the tax effects and performance of their investment and a copy of the Fund's audited financial statements.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

BPM has entered into placement agreements with placement agents who solicit investors for the Funds. Under the terms of these agreements registered representatives of the placement agents are compensated for introducing investors to the Funds. These placement fees are paid by each Fund's General Partner from a portion of the management and/or performance based fees earned. Such fees do not increase the fees charged to each Investor.

BPM does not receive any compensation for the referral of clients or investors.

## ITEM 15 – CUSTODY

Under Rule 206(4)-2 of the Advisors Act (the “Custody Rule”), BPM has custody of the assets of the Funds because a BPM affiliate serves as the general partner of, or in a similar capacity for, the Funds. In accordance with the Custody Rule, each Fund is subject to an annual audit and audited financial statements are distributed to each investor within 120 days of the fiscal year end.

## ITEM 16 – INVESTMENT DISCRETION

BPM receives discretionary authority from the client at the outset of an advisory relationship to select the particular real estate assets to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Fund.

## ITEM 17 – VOTING CLIENT SECURITIES

BPM invests solely in real estate assets and does not invest in publicly traded securities. Therefore, it does not take any action or render any advice with respect to the voting of proxies.

## ITEM 18 – FINANCIAL INFORMATION

BPM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients nor has it been the subject of a bankruptcy proceeding.