

# **Newport Capital Partners Overview**

**October 3, 2013**

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## Executive Summary



Newport Capital Partners is a privately held, boutique, real estate investment management firm.

As a vertically integrated investor / operator, Newport provides its clients with superior deal flow and skilled operational expertise driven to maximize property and portfolio values.

The Firm is focused on making smart investment choices with one objective: delivering exceptional risk adjusted returns for our clients while earning and keeping their trust.



Danada Square East  
Wheaton, IL



Belden Centre  
Chicago, IL

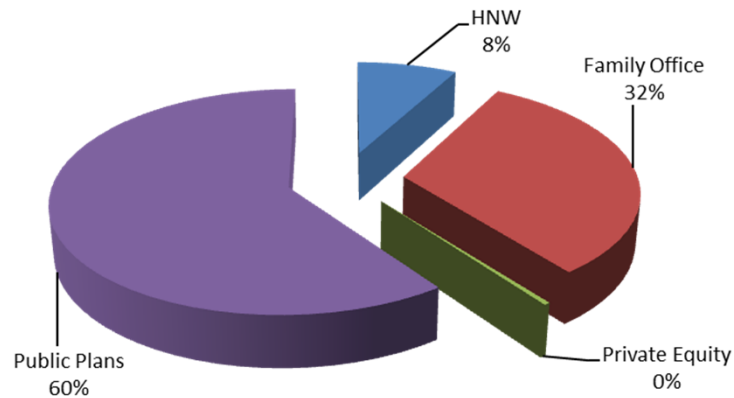


Clybourn Galleria  
Chicago, IL

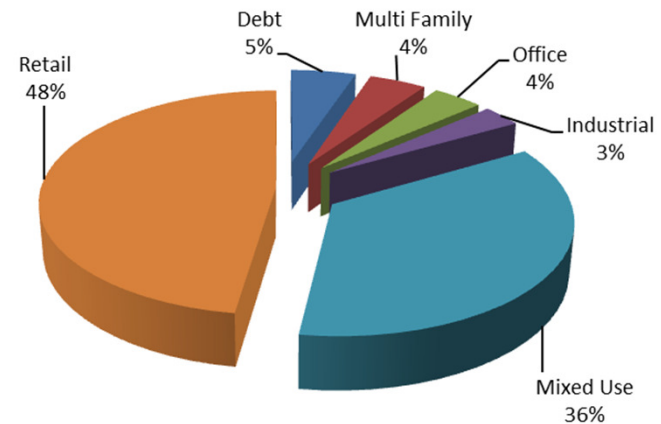
## Executive Summary – AUM \$200 million



AUM by Investor Type



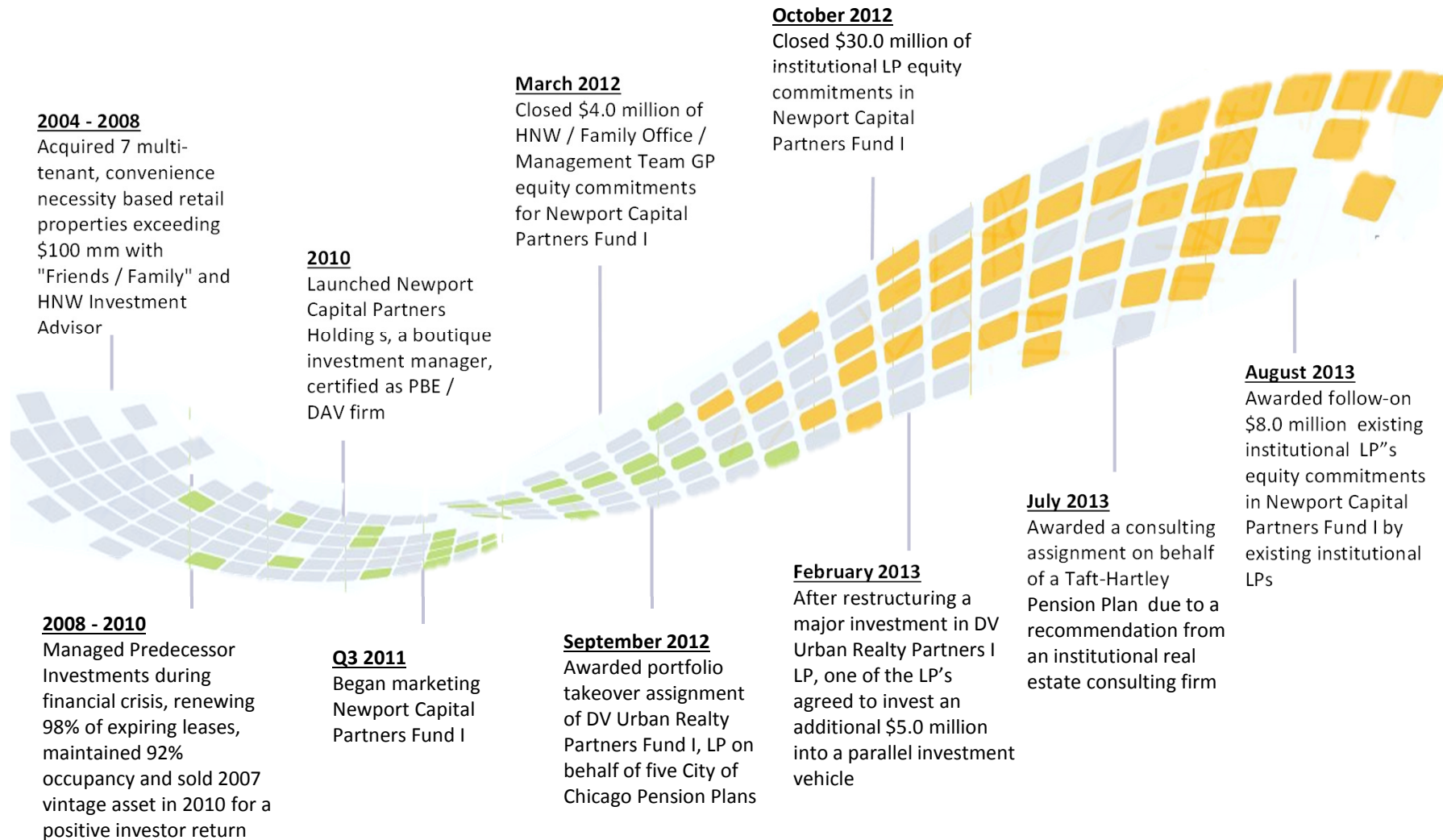
AUM by Property Type



### RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES



## Executive Summary – Earning Client Trust



## Executive Summary – Firm Advantages



### ***Proven access to off-market / not widely exposed investment opportunities***

- Twelve investments acquired since 2004:
  - 3 off-market acquisitions
  - 3 poorly or “selectively” marketed
  - 2 priced below “cover bid”

### ***Investor / operator expertise at creating value by improving property cash flow / reducing asset risk***

- Improved NOI 15% at Clybourn Commons
- Newport Fund I renewal ratio 100% <sup>1</sup> / Predecessor investments renewal ratio in excess of 95% <sup>2</sup>
- Value creation initiatives include:
  - Façade renovation
  - Out lot re-positioning / re-tenanting
  - Current and projected vacancy re-leasing
  - Grocery re-positioning / re-tenanting

### ***Investment Strategy capitalizes on transactional and operational expertise***

- Focused on “middle market” investments (\$4.0 - \$10.0 million equity deployments)
- Smaller “equity bites” are inefficient for larger investment managers but generate enhanced investor returns for similar (or lower) property risk
- Fund Management Team has acquisition and operational expertise with multi-tenant properties

<sup>1</sup>Predecessor Investments: Excludes tenants who went out of business or ceased operations

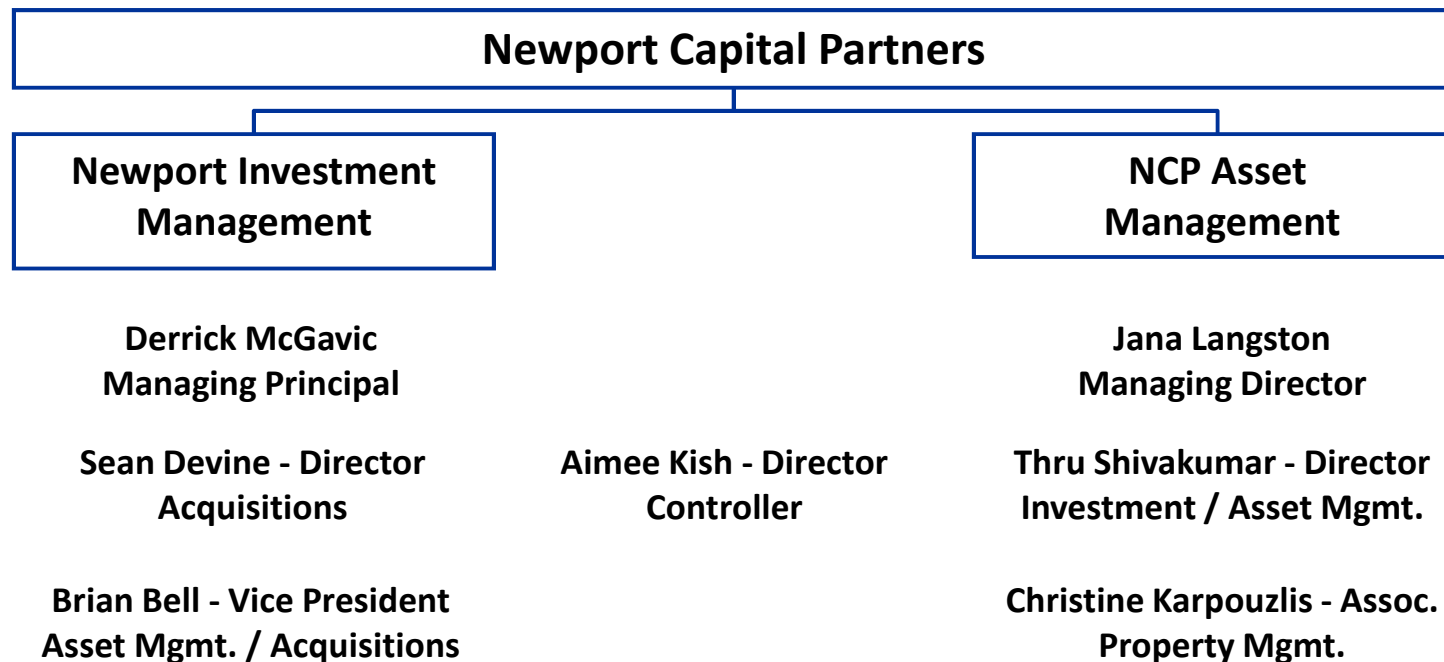
<sup>2</sup>Newport Fund I: Excludes tenants underwritten to vacate as part of value add strategy

## Executive Summary – Management Team



### *Management Team with an extensive background managing institutional capital*

- Management Team has a lengthy history of working together at RREEF and LaSalle Partners
- Key principals combined career track records exceed: AUM of \$7 billion / Transactions of \$4.2billion  
Leasing activity of 10 million sf / asset management of 45 million sf



## Newport Capital Partners Fund I - Overview



**Investment Strategy:** Multi-tenant, income producing, retail and mixed use properties. Convenience / necessity oriented tenancy

Close proximity to Fortune 1000 HQs

Submarkets with high population density / supply side barriers to entry

Value creation through revenue improvement

**Fund Capitalization:** \$30 million of LP Investor Commitment  
\$ 8 million of follow on LP Investor Commitment  
\$ 4 million of GP Investor Commitment

**Investment Size:** \$4 to \$10 million equity deployment

**Leverage:** 60% - 65% LTC

**Target Returns:** 6.0% to 9.0% Levered Cash Yield<sup>1</sup>  
16.0% Gross Levered IRR



### Stabilized Return on All-In Cost: 8.2%

	Exit Cap Rate		
	6.9%	7.2%	7.4%
Leveraged Cash Yield	5.4%	5.4%	5.4%
Amortization Yield	4.5%	4.5%	4.5%
Refinance/Gain at Sale	7.0%	8.6%	10.3%
<b>Total Return</b>	<b>16.9%</b>	<b>18.5%</b>	<b>20.2%</b>
<b>Equity Multiple</b>	<b>2.1 x</b>		

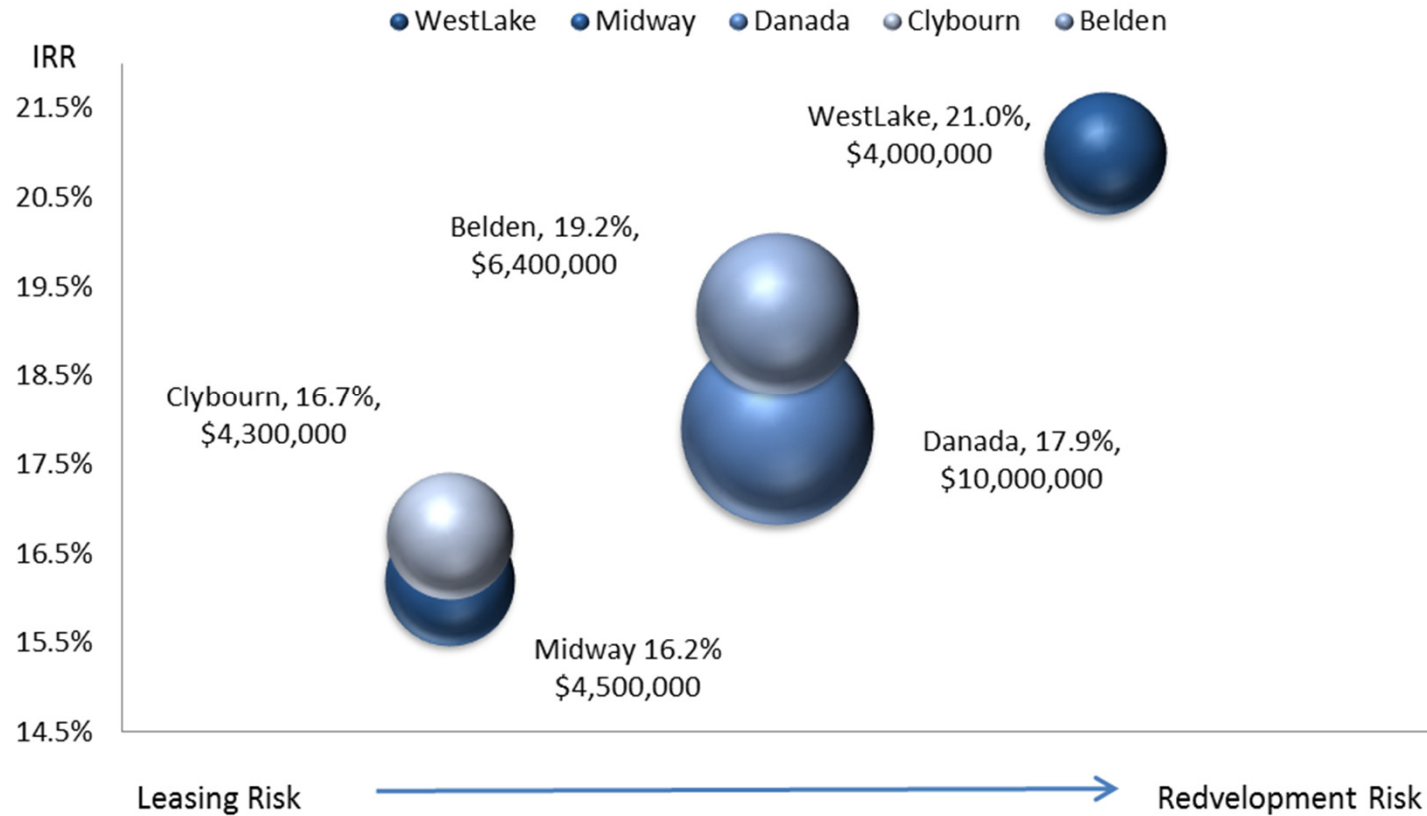
<sup>1</sup> Levered net operating cash flow over invested equity



## Newport Capital Partners Fund I – Overview



### Portfolio Risk / Return Projection



## Newport Capital Partners Fund I – Overview



### Newport Capital Partners Fund I - Historical Investment Performance

Q2 2013

Dollar Amounts in Thousands

Quarter Ended	NAV	Percent Leveraged	Wtd Avg Interest Rate	Before Fee Returns			NFI-ODCE Index	After Fee Returns		
				Investment Income (Loss)	Appreciation (Depreciation)	Total Gross		Investment Income (Loss)	Appreciation (Depreciation)	Total Net Returns
Q2 2013	\$25,243	65.1%	4.11%	2.47%	0.00%	2.95%	3.86%	1.90%	3.42%	5.32%
Q1 2013	\$8,566	62.0%	4.38%	2.47%	0.00%	3.52%	2.68%	1.13%	-0.69%	0.43%
Q4 2012	\$8,682	61.9%	4.50%	1.79%	9.25%	11.04%	2.35%	-0.58%	9.25%	8.67%
Q3 2012	\$3,866	64.4%	4.64%	3.52%	-0.69%	1.78%	2.77%	3.52%	0.00%	3.52%
Q 2 2012	\$3,819	64.8%	4.64%	2.95%	3.42%	6.40%	2.58%	2.95%	0.00%	2.95%
Annualized TWR				11.43%	9.65%	21.96%	15.07%	7.29%	9.65%	17.64%
Inception to Date - Annualized IRR						19.55%				5.16% <sup>1</sup>

<sup>1</sup>. Includes \$1.9 million pay down of Subscription Line

## DV Urban Realty Partners Fund I – Overview



**Investment Strategy:** Portfolio takeover of co-mingled fund after former GP was terminated

LPs include 5 City of Chicago Pension Plans

Investments include retail, mixed use, development, industrial, office and debt

During initial 180 days post takeover Newport executed the following:

- Settled numerous outstanding litigation issues;
- Completed 3 years prior audits / tax returns;
- Negotiated foreclosure stand still agreement and a discounted payoff while creating a parallel investment vehicle to re-capitalize the Fund's potentially most valuable asset
- Negotiating LOI for anchor tenant in above development asset
- Replaced property managers on all properties – despite litigation from former GP
- Refinanced / restructured loans in default;
- Placed 2 assets on the market for sale with pre-negotiated lender forbearance;
- Prepared fund liquidation strategy; and
- Launched forensic audit of prior GP

**Fund Capitalization:** \$69 million of LP Investor Commitment

**Target Returns:** Maximize return of capital / minimize loss to LPs

## DV Urban Realty Partners Fund I – Overview



DV Urban Realty Partners Fund I - Investment Performance Since Portfolio Takeover

Q2 2013

Dollar Amounts in Thousands

Quarter Ended	NAV	Before Fee Returns			NFI-ODCE Index	After Fee Returns		
		Investment Income (Loss)	Appreciation (Depreciation)	Total Gross		Investment Income (Loss)	Appreciation (Depreciation)	Total Net Returns
Q2 2013	\$9,004	1.90%	3.42%	5.32%	3.86%	-0.40%	0.58%	0.18%
Q1 2013	\$8,823	-1.36%	17.89%	16.53%	2.68%	-1.36%	15.34%	13.98%
Annualized TWR		-1.75%	18.57%	16.74%	6.54%	-1.75%	13.53%	11.70%
To Date - Annualized IRR				36.60%				25.00%

## Predecessor Investments – Overview



**Investment Strategy:** Multi-tenant, income producing, retail and mixed use properties  
Convenience / necessity oriented tenancy  
Submarkets with high population density / supply side barriers to entry  
Value created by improving revenues

**Fund Capitalization:** \$29 million of Family Office / HNW Advisor / Friends & Family

**Investment Size:** \$4 to \$10 million equity deployment

**Leverage:** 65% - 75% LTC

**Investment Successes:**

Ballard Plaza	2007 Vintage investment / sold in 2010 for 5.2% cap rate on 97% leased NOI
Clybourn Commons	100% leased, NOI increased 15% to date, renewed PetCo in 2010
Ontario City Centre	100% leased, NOI increased 5% to date

**In Process:**

Glenbrook Market Place	Negotiating long term Walgreen's lease – demolishing a portion of the center to create a drive-thru / Façade renovation
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**Investment Loss:**

GBZ Retail	Negotiating “friendly foreclosure” with CMBS Special Servicer. Properties 1.0 DSCR interest only, but negative with loan amortization. Special Servicer unable/unwilling to restructure loan without additional equity investment
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## Predecessor Investments - Returns



### Predecessor Target/ Actual Returns Q2 2013

	\$ 000's Invested <u>Equity</u>	After Fee Returns			
		Target Levered <u>Cash Yield</u>	Distribution <u>Yield to Date</u>	Target <u>IRR</u>	To Date <u>IRR</u>
Ballard Plaza	\$3,500	7.0%	N/A	11.0%	3.4%
Clybourn Commons	\$2,700	7.0%	10.0%	11.0%	19.3%
Ontario City Centre	\$9,800	6.8%	8.2%	11.0%	12.7%
Glenbrook Market Place	\$5,250	7.0%	0.7%	12.0%	11.5%
GBZ Retail	<u>\$5,350</u>	<u>7.0%</u>	<u>0.2%</u>	<u>11.0%</u>	<u>-74.8%</u>
Total Predecessor Investments <sup>2.</sup>	\$26,600	6.9%	6.2%	11.2%	6.9%

1. Ballard Plaza realized IRR – 5.2% cap rate sale of 2007 vintage asset in 2010 with dark grocery anchor that was paying rent

2. Predecessor Distribution Yield to Date / IRR to Date calculated based on outstanding equity over hold period

# Fund I Investment – Closed March 2012

## WestLake Plaza, Wilmette, IL – \$11,700,000



### Transaction Profile

- Class B, 42,216 square foot retail center located in a densely populated, high barrier to entry North Shore Chicago submarket
- Currently 89% leased to an assortment of convenience oriented retailers; history of high occupancy
- Possesses excellent signalized ingress/ egress off of heavily traveled Lake Avenue. Approximately 22,500 VPD / 50,000 HH within 3 miles
- Acquired off market - \$4.0 million allocated equity

### Investment Summary

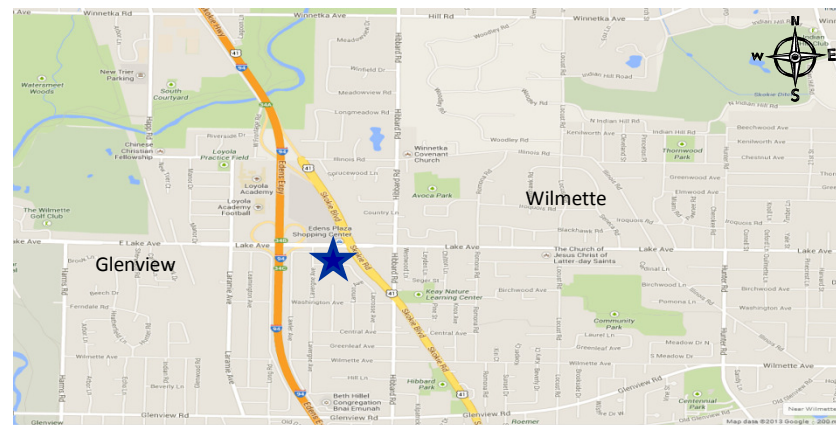
- Value add strategy: (1) update property aesthetics; (2) lease up existing 3,748 square feet vacancy; (3) add monument signage and upgrade tenant mix
- **Stabilized Return on Cost: 9.5%**

	Exit Cap Rate		
	7.75%	7.50%	7.25%
Leveraged Cash Yield	9.1%	9.1%	9.1%
Amortization Yield	3.4%	3.4%	3.4%
Refinance / Gain at Sale	7.2%	8.6%	9.9%
<b>Total Return</b>	<b>19.6%</b>	<b>21.0%</b>	<b>22.3%</b>
<b>Equity Multiple</b>	<b>2.3 x</b>		

### Property View



### Property Location





# Fund I Investment – Closed November 2012

## Midway Square, Chicago, IL – \$11,200,000



### Transaction Profile

- Class B, 55,600 square foot retail center located in a densely populated, high barrier to entry City of Chicago submarket
- Currently 100% leased to an assortment of convenience oriented retailers; history of high occupancy
- Possesses excellent signalized ingress / egress off Pulaski, adjacent to CTA “L” stop. Approximately 37,500 VPD / 5,000 “L” Commuters and 37,000 HH within 1 mile
- Acquired on limited bid - \$4.5 million allocated equity

### Investment Summary

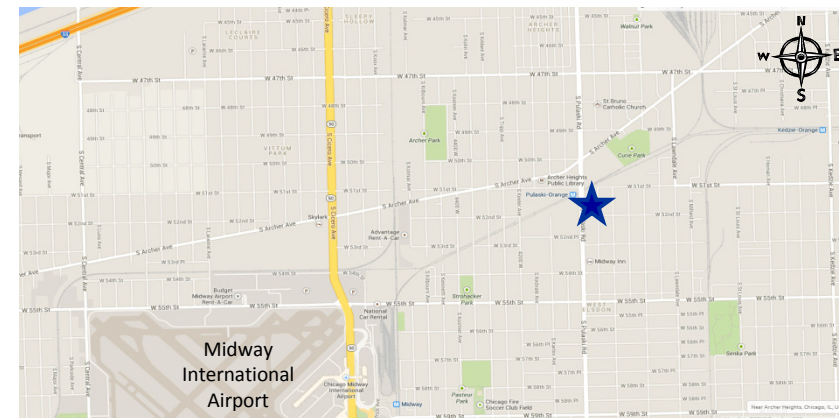
- Value add strategy: (1) renew / release below market space to market rates; (2) redevelop out-parcel; (3) upgrade property aesthetics; and (4) manage rollover
- **Stabilized Return on Cost: 8.3%**

	Exit Cap Rate		
Initial Return on Cost - 7.5%	7.75%	7.50%	7.25%
Leveraged Cash Yield	6.5%	6.5%	6.5%
Amortization Yield	3.3%	3.3%	3.3%
Refinance / Gain at Sale	4.8%	6.5%	8.2%
<b>Total Return</b>	<b>14.6%</b>	<b>16.2%</b>	<b>17.9%</b>
<b>Equity Multiple</b>	<b>1.8 x</b>		

### Property View



### Property Location





## Fund I Investment – Closed June 2013

### Danada Square East, Wheaton, IL – \$32,000,000



#### Transaction Profile

- 202,036 square foot Dominick's anchored shopping center in west suburban Wheaton, Illinois
- Strong visibility / traffic counts, high barrier to entry suburban submarket with attractive retail demographics
- Best real estate in trade area, weakest grocer. Primary grocer competition includes Whole Foods, Jewel and Marianos. Numerous Jr. Anchors interested in property
- Negotiated \$750 k price adjustment
- **Pricing backed up - \$10.0 million allocated equity**

#### Investment Summary

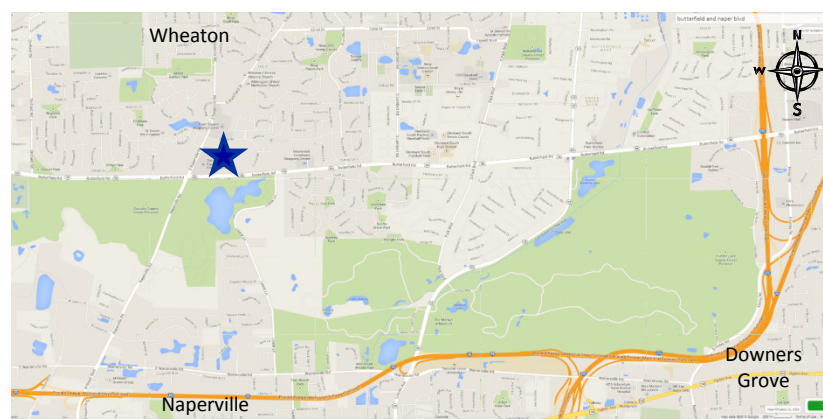
- Value add strategy: (1) downsize grocery use / improve functionality / visibility of "elbow" portion (2) sell "right sized", stabilized grocery center to core + buyer
- **Stabilized Return on Cost: 8.2%**

	Exit Cap Rate		
	7.00%	7.25%	7.50%
Leveraged Cash Yield	4.0%	4.0%	4.0%
Amortization Yield	4.0%	4.0%	4.0%
Refinance / Gain at Sale	8.5%	9.9%	11.3%
<b>Total Return</b>	<b>16.5%</b>	<b>17.9%</b>	<b>19.4%</b>
<b>Equity Multiple</b>	<b>2.2 x</b>		

#### Property View



#### Property Location



# Fund I Investment – Closed June 2013

## Belden Centre, Chicago, IL – \$18,000,000



### Transaction Profile

- 52,806 square foot, two-story commercial component of seven-story condominium development in Lincoln Park
- Infill, highly affluent /dense urban location with strong visibility, drive-by and foot traffic.
- Currently 100% leased to an assortment of convenience oriented retailers; 67% leased to high end, day care/preschool operator for fifteen years (Little GEMS)
- **Poorly marketed, pricing backed up - \$6.4 million allocated equity**

### Investment Summary

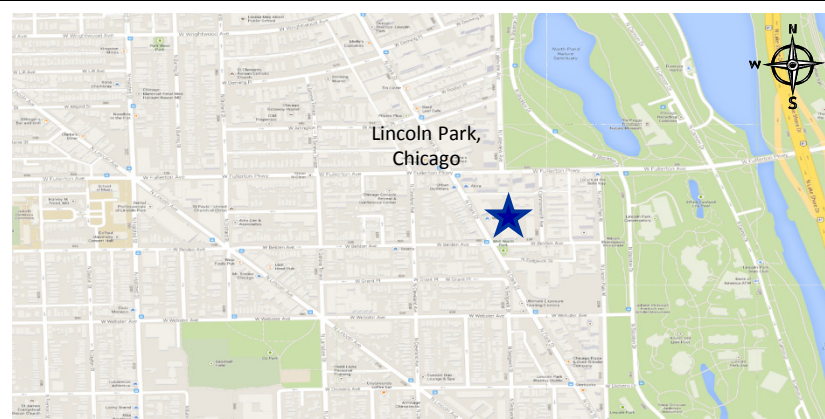
- Value add strategy: (1) downsize daycare / preschool, (2) release 2<sup>nd</sup> floor to multiple medical office users (3) improve tenancy stability
- **Stabilized Return on Cost: 8.3%**

	Exit Cap Rate		
	6.50%	6.75%	7.00%
Leveraged Cash Yield	(0.2%)	(0.2%)	(0.2%)
Amortization Yield	5.0%	5.0%	5.0%
Refinance / Gain at Sale	12.5%	14.2%	15.8%
<b>Total Return</b>	<b>17.4%</b>	<b>19.0%</b>	<b>20.6%</b>
<b>Equity Multiple</b>	<b>2.2 x</b>		

### Property View



### Property Location



## Fund I Investment – Closed August 2013

### Clybourn Galleria, Chicago, IL – \$11,750,000



#### Transaction Profile

- 25,301 square foot, 80% leased convenience / necessity oriented retail center across from Trader Joes / Aldi
- Situated within Chicago's highly desirable Clybourn submarket home to best in class retailers such as Apple, Whole Foods, Crate & Barrel, Bye Bye Baby, etc.
- Very strong urban retail demographics with 54,451 people within a 1-mile radius and average household incomes of \$126,000
- **\$100k below cover bid - \$4.3 million allocated equity**

#### Investment Summary

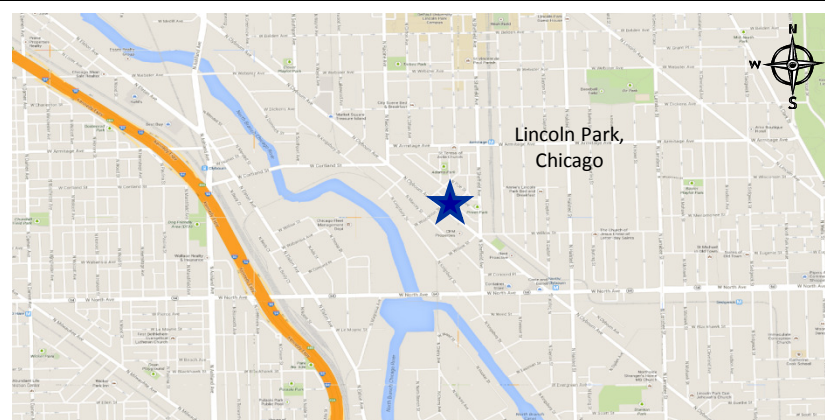
- Value add strategy: (1) lease up existing and anticipated vacancy into rising retail market rents and (2) stabilize tenant mix to more convenience oriented vs. fashion.
- **Stabilized Return on Cost: 8.0%**

	Exit Cap Rate		
	<b>6.75%</b>	<b>6.50%</b>	<b>6.25%</b>
Leveraged Cash Yield	4.4%	4.4%	4.4%
Amortization Yield	3.5%	3.5%	3.5%
Refinance / Gain at Sale	6.8%	8.3%	9.8%
<b>Total Return</b>	<b>14.7%</b>	<b>16.2%</b>	<b>17.7%</b>
<b>Equity Multiple</b>	<b>2.1x</b>		

#### Property View



#### Property Location





## Biographies – Key Team Members



### **Derrick E. McGavic**

Mr. McGavic is the Firm's Managing Principal and he serves on the Firm's Management and Investment Committees.

Mr. McGavic has over 25 years of institutional and private real estate experience. Prior to founding the Firm, Mr. McGavic was a Managing Director with RREEF where he ran five separate co-mingled funds and two separate accounts with total AUM in excess of \$3.5 billion. Mr. McGavic also led initiatives involving RREEF's Structured Debt group and Client Relations. Prior to joining RREEF in 2000, Mr. McGavic was with JE Roberts Companies and LaSalle Partners (twice each) in acquisitions, portfolio management, M&A, loan workouts and asset management. Over his career Mr. McGavic has executed in excess of \$3.8 billion of real estate transactions.

Mr. McGavic is a member of PREA, ICSC and serves on Oregon State University School of Business Advisory Board. He participates in PREA's Valuations and Reporting Affinity Group.

Mr. McGavic holds a M.S. from the University of Southern California and a B.S. in Business Administration and Naval Science from Oregon State University. Mr. McGavic is a former Officer of Marines.

## Biographies – Key Team Members



### **Jana Langston**

Ms. Langston is a Managing Director and Head of Asset Management / Property Management. She serves on the Firm's Management and Investment Committees and is the Firm's Managing Broker.

Ms. Langston has over 27 years of institutional and private real estate experience. Prior to joining the Firm, Ms. Langston was a full time consultant for Harvard University Foundation's \$3.0 billion real estate portfolio, focused on portfolio management systems and procedures. Ms. Langston was also a Founder and Principal for Sight on Site, LLC providing asset management services for clients such as Syndicated Equities, Blue Vista, Newcastle, Grubb & Ellis, and the State of Illinois. Prior to forming Sight on Site, Ms. Langston was Director of Asset Management/Chief Administrative Officer for MB Real Estate. Ms. Langston was with Jones Lang LaSalle/LaSalle Investment Management (LIM) for 18 years as a Senior Vice President/Chief Administrative Officer for LIM. She was also an Asset Manager and Portfolio Manager for CalPERS, Dai-ichi, T. Rowe Price, Unisys, two commingled funds, and directly managed properties totaling in excess of \$2.4 billion. Over her career, Ms. Langston has overseen more than 45 million square feet of assets.

Ms. Langston is a member of ICSC, WIRE and REFF and recently served on the board of CREW Chicago. She also serves on the Friends of the Wheaton Public Library Board and is an adjunct faculty member for The Real Estate Center at DePaul University.

Ms. Langston holds both an M.B.A. and a B.A. from The University of Texas in Austin.

## Biographies – Key Team Members



### **Sean J. Devine**

Mr. Devine is a Director, responsible for acquisitions.

Mr. Devine has over 10 years of institutional real estate experience. Prior to joining the Firm, Mr. Devine held positions with RREEF, a family real estate company, CenterPoint Properties Trust and Cohen Financial primarily in acquisitions, asset management and debt capital markets. Mr. Devine has been involved with over \$700 million of acquisition transactions.

Mr. Devine is a member of ICSC and the Urban Land Institute Young Leaders Group.

Mr. Devine holds a B.S. in Finance from the University of Iowa and a J.D. Degree from Loyola University of Chicago School of Law.

## Biographies – Key Team Members



### **Thru Shivakumar**

Ms. Shivakumar is a Director, responsible for investment management and asset management.

Ms. Shivakumar has over 6 years of institutional real estate experience. Prior to joining the Firm, Ms. Shivakumar held positions with Green Courte Partners, InterPark and Hyatt Hotels. Ms. Shivakumar has been involved with over \$500 million of asset management assignments and acquisition transactions.

Ms. Shivakumar is a member of WIRE, REFF, CREW and the Urban Land Institute Young Leaders Group.

Ms. Shivakumar holds a B.S. in Finance from the University of Illinois and is currently enrolled at Northwestern University's Kellogg School of Management.

## Biographies – Key Team Members



### **Brian Bell**

Mr. Bell is a Vice President responsible for various functions with both asset management and acquisitions.

Mr. Bell has over 3 years of institutional real estate experience. Prior to joining the Firm, Mr. Bell was an asset manager with Mid-America Asset Management, Inc. While at Mid-America, Mr. Bell oversaw the management of 1 million square feet of retail properties in the Chicago metro area.

Mr. Bell is a member of ICSC and Young Real Estate Professionals of Chicago.

Mr. Bell holds a B.B.A. in Real Estate and Urban Land Economics from the University of Wisconsin-Madison.



## Biographies – Key Team Members



### **Aimee Kish**

Ms. Kish is a Director and Controller for the Firm.

Ms. Kish has over 16 years of real estate reporting and accounting experience. Prior to joining Newport Capital Partners in 2012, Ms. Kish was Director, Finance / Financial Reporting for General Growth Properties, a publically traded REIT. During her 10 year tenure at General Growth, she focused primarily on reporting and preparing SEC filings, overseeing internal projections, assisting with the reorganization, and as part of the accounting group's management team. Prior to joining General Growth, she was a staff and property accountant for Standard Parking.

Ms. Kish holds a B.S. in Accounting from Purdue University. She is a Certified Public Accountant.

## Contact Information



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