

**Newport Investment Management, LLC**

**A Wholly Owned Subsidiary of Newport Capital Partners Holding, LLC**

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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.

Additional information about Newport Investment Management is also available on the SEC's website at [www.advisorinfo.gov](http://www.advisorinfo.gov).

This is Newport Investment Management's annual brochure. This brochure provides information about the qualifications and business practices of Newport Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (847) 324-7790 and/or [derrick@newportcapitalptrs.com](mailto:derrick@newportcapitalptrs.com).

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## **I. Advisory Business**

Newport Investment Management, LLC (“Newport”) is a Chicago based real estate investment manager focused on acquiring, operating, financing and selling multiple property types on behalf of its investors.

Newport’s primary business focus is on closed-end comingled funds and separate accounts. As such, its focused approach to investing leads to restrictions articulated in Fund offering documents.

Newport does not participate in wrap fee programs.

As of September 30, 2013, Newport managed approximately \$140 million in discretionary assets and \$68 million of non-discretionary assets.

On behalf of its clients, Newport currently manages:

- Newport Capital Partners Fund I, a closed end real estate fund targeting convenience/necessity based retail properties in major Midwestern metro areas (the “Newport Fund I”). The Fund has raised \$42.0 million of Limited Partner capital and currently has AUM of \$95.0 million.
- DV Urban Realty Partners Fund I, LP, a closed-end opportunistic real estate fund initially launched by DV Realty Advisors. In 2011, the Limited Partners terminated DV Realty and requested that Newport become the General Partner of this investment vehicle on a fixed fee basis (the “DV Fund”). The DV Fund is in its liquidation stage. The DV Fund current AUM is approximately \$45 million.
- Newport also manages three independent real estate investments with an approximate AUM of \$68 million.

Newport was formed in March 2010 and is wholly owned by Newport Capital Partners Holding, LLC (NCPH). NCPH is 100% owned by Mr. Derrick E. McGavic.

## **II. Fees and Compensation**

Newport is typically compensated via:

- |                                  |              |
|----------------------------------|--------------|
| • Percentage of equity committed | 50 - 100 bps |
| • Fixed Fee                      | Variable     |
| • Acquisition Fee                | 25 – 100 bps |
| • Disposition Fee                | 25 – 100 bps |
| • Financing Fee                  | 25 – 100 bps |

All fees are fully disclosed in Investment Advisory Agreements. Fees are negotiable.

Fees are billed to clients as an allocated expense to the real estate investment or to the respective Fund.

There are no custodian fees.

Affiliates of Newport may earn property level fees (i.e., property management, leasing commissions, and construction management) provided that they do not exceed “market” rates.

Fees are typically paid quarterly, in advance. If an advisory contract is terminated before the end of the billing period, the client is due a refund based on the pro-rata number of days Newport was the investment manager.

Neither Newport, nor any supervised persons, accepts compensation for the sale of securities or other investment products.

### **III. Performance Based Fees**

Newport has the potential to earn performance based fees from Newport Fund I. Following is the cash flow waterfall:

1. All investors pari pasu to a 10% IRR;
2. From a 10% IRR to 13% IRR:
  - (a) 20% of profits to the “General Partner investor.”
  - (b) 80% to all Limited Partners.
3. Above a 13% IRR:
  - (a) 25% of profits to the General Partner investor
  - (b) 75% to all Limited Partners.

Payments 2(a) and 3(a) are the performance based fees. Performance based fees are split 50% with the General Partner Investors and 50% to Newport.

Newport clients include accounts with and without incentive fees. Since incentive fees are typically longer term payouts (up to 10 years), Newport avoids conflicts of interest by awarding shares of incentive fees (“Points”) annually over the life of the investment vehicle, with a 3 year vesting schedule to all employees, regardless of their client assignment.

### **IV. Types of Clients**

Newport’s clients include pension plans, endowments, foundations, family offices and high net worth investors.

### **V. Methods of Analysis, Investment Strategies and Risk of Loss**

Methods of analysis for real estate typically utilize Discounted Cash Flow Analysis, Site Population / Economic demographics.

As most of its investments are leveraged, the potential risk of loss is 100% of allocated equity.

Newport primarily executes a “Value-Add” strategy to real estate investments.

Risks include:

- Leasing/re-leasing vacant space;

- Construction Costs associated with capital projects;
- Unanticipated tenant bankruptcies;
- Capital market fluctuations which occur during refinancing or sales

#### **VI. Disciplinary Information**

Newport has no criminal or civil action pending or in the past 10 years.

Newport has not been involved in any administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency or any foregoing financial regulatory authority.

Newport has not been involved with a Self-Regulatory (SRO) proceeding.

#### **VII. Other Financial Industry Activities and Affiliations**

Newport is not registered, nor has application pending to register, as a broker-dealer, a registered representative of a broker dealer, futures commission merchant, commodity pool operator, or a commodity trading advisor.

An affiliate of Newport, NCP Asset Management, LLC, is an Illinois Real Estate Broker.

#### **VIII. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Newport will provide a copy of its Code of Ethics to any client or prospective client upon request.

Newport does not allow buying or selling on behalf of client account investments in which the Firm or any related person has a material financial interest.

Newport, and related persons, may co-invest with clients on specific transactions. Such co-investments are fully disclosed to clients and designed to align the interests of Newport with its clients.

Newport and related persons are prohibited from buying or selling an investment which is in close proximity, or would be economically impacted, at the same time it recommends buying or selling to a client.

#### **IX. Brokerage Practices**

Newport does not select or recommend broker dealers for client transactions.

Newport does engage licensed real estate brokers to sell assets, place mortgage financing and lease space.

Prior to selecting a real estate broker, Newport solicits an RFP from at least three (3) agents. Based upon the RFP, Newport selects the team that is most capable when taking into account the type of the assignment property type and fee schedule.

Newport does not receive client referrals from broker dealers.

#### **X. Review of Accounts**

Newport meets, in person or via tele-conference, with its clients no less than quarterly to review client accounts. This is typically handled by the Firm's Managing Principal and/or the head of Asset Management.

If market conditions trigger the need for additional capital, a change in strategy (sale / refinance) or merit discussion regarding investment strategy, a client review will occur.

Newport provides written quarterly financial reports with a narrative update. Newport also provides a written yearly strategic plan with semi-annual updates and audited Financial Statements for its two Funds.

#### **XI. Client Referrals**

Newport does not accept for fee client referrals.

#### **XII. Custody**

Newport does maintain / manage bank accounts used by Property and Fund investments. As part of the annual audit such banks statements are verified by independent auditor.

#### **XIII. Investment Discretion**

Newport does accept discretionary authority as allowed under individual investment advisory agreements. Typically limitations are imposed via Fund investment strategy as Limited Partner Advisory Committees.

#### **XIV. Voting Client Securities**

Newport does not, nor will it, accept authority to vote client securities.

#### **XV. Financial Information**

Please refer to Exhibit A for NCPH's balance sheet.

#### **XVI. Requirements for State Registered Advisors - Biographies**

##### **Derrick 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.

### **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.