



THE DIRECT APPROACH

To Value-Add Commercial Real Estate Investment

Who We Are



- A collaborative investment firm that **empowers investors** to actively participate in the growth of their investments.
- Through our innovative platform based on **value-add direct investment** in industrial commercial real estate.
- Delivered with **transparency, engagement, and execution.**
- Providing investors with a **“Boots on the Ground”** operator platform, well positioned to generate high, on-going cash flow returns and capture capital appreciation as value is created.

Our strong reputation of consistently upholding our fiduciary responsibility to investors, partners, and clients – yields our success.

The team is comprised with several top commercial real estate professionals with execution experience. The track record totals over 150 million square feet facilitated and \$850 million invested in assets throughout the western United States. Our experience encompasses financial underwriting, property management, project entitlement, due diligence, planning & design, construction, development, brokerage, all with alignment of the capital and debt structures.

What We Do

At BKM Capital Partners, we deliver a clear, direct, and confident vision into the future of real estate investment so investors know exactly where and how their capital investment is building wealth.

- By expertise within the industrial asset class, strategy, and sub-market.
- By strategically acquiring underperforming multi-tenant business parks.
- By unleashing value through aggressive repositioning.
- By portfolio diversity through a mixed-business tenant base and geographic location throughout the western United States.
- By providing capital protection that reduces risk associated with specific local market and industry specific economic fluctuations.

Today's trusted wealth advisors are guiding clients "to build wealth through commercial real estate investment." Our unique investment platform is well positioned to generate high, ongoing cash flow returns on investment and capture capital appreciation as value is created.

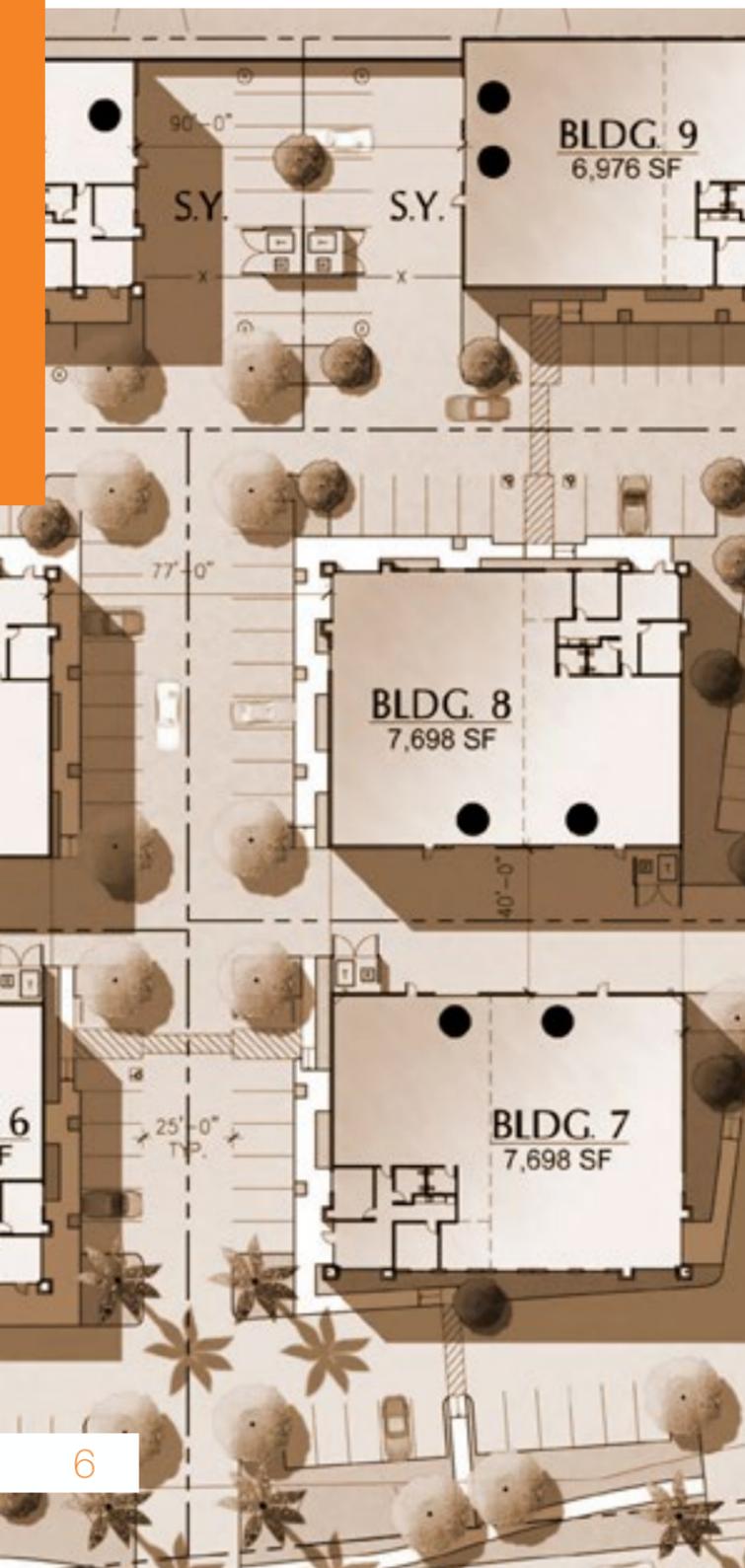
We Deliver a new degree of transparency that today's real estate investors demand and deserve.

We Serve investors who are seeking to participate in a bold investment platform that empowers active financial asset growth. These investors include high net worth individuals, family offices, foundations, endowments, and pensions seeking a specific niche investment platform that provides direct investment in industrial real estate.

We Empower investor participation by encouraging involvement to create an innovative approach and process including understanding deal sourcing, debt structuring, sub-market competitive sets, arbitrage opportunities, asset ranking and repositioning, etc.

We Believe only through true collaboration in an environment of transparency, access, and involvement can public and private investors build wealth and appreciation with confidence by actively participating in a unique level of input and open channels.

Why This Product Type



MULTI-TENANT BUSINESS PARK: ASSET CLASS NICHE

The business park asset class interests us for several reasons that make this product niche unique from other real estate product types. Targeting assets that are typically occupied by anywhere between 20 and 100 tenants, the rollover profile is smoother which produces fewer binary outcomes and more consistent NOI trends compared to bigger box industrial or traditional offices. With average lease terms of 1-3 years, market rental rate inflation and deflation fall to the bottom line relatively quickly. Should we experience an inflationary environment, this niche should perform well as rents in the rent roll will adjust quickly with the execution of annual roll over to the most current market rents, yearly value is created by the sponsor's efforts, not by uncontrollable macro factors which may or may not occur. Additionally, concrete tilt-up construction style and the universal layout desired by these smaller tenants minimize tenant improvement and capital expenditure costs, further increasing cash flow. We believe these attributes are a powerful risk mitigant particularly in uncertain economic environments.

MULTI-FAMILY COMPARISON: OWN VS. RENT

Currently, in the residential sector, multi-family properties have experienced robust demand and are effectively cannibalizing tenants from single family homes. Homeowners are becoming renters as incomes and low cash savings prevent them from purchasing homes and qualifying for financing. More importantly, a shift against long term obligations has permeated the mindset of many previous homeowners.

We expect a similar trend in the business park niche, driven by somewhat similar factors. Business park tenants are typically entrepreneurial users whose real estate costs represent a large chunk of their budget; consequently they are highly ownership sensitive and seek shorter-term leases and smaller, more flexible space requirements. Due to these facts, we expect an effect similar to the shift from single-family to multi-family residential to drive demand for business parks as users vacate more permanent space and past building owners become tenants. Business parks, with highly flexible and affordable space, provide considerable value desired particularly during a recovering economy.

SHORTER LEASE DURATION

The multi-tenant nature of business parks allows for quicker adjustment to inflation as well as diversified rollover due to no one tenant occupying a majority of square footage. Additionally, the lease terms are one to three years which leads to approximately one-third of the property experiencing rollover each year. This, in turn leads to the more rapid adjustment to inflation as well as significantly smoother rollover, creating more even, tempered cash flow – making the outcome of the investment less binary, lowering the standard deviation and improving risk-adjusted returns.

SUBSTANTIAL VALUE ADD OPPORTUNITY

Within the business park asset class, BKM has built an ample pipeline of prime value-add investment opportunities. Whether due to mismanagement, leasing issues, poor maintenance, or broken capital structures, these opportunities provide investment returns not dependent on market appreciation. Investing prudently and deriving returns independent of market appreciation is the paramount goal of the Fund Manager. Despite the value-add nature of the Fund's anticipated investments, a substantial portion of overall return is expected to be derived from cash flow and not value creation. Additionally, BKM will pursue transactions with alternative exit strategies such as selling off a business park building-by-building, placing a parcel/condo map on a project then selling off the units, and selling buildings and/or net leased investments to users or small investors.

FEDERAL RESERVE LENDING

Multi-tenant business parks typically consist of new or small businesses, which are driving the economic recovery. As the Federal Reserve has increased money supply, banks have loosened credit standards making small business loans easier to attain, growing this tenant base. Since 2009, small business lending has more than doubled. And, as recently as first quarter 2013, the Federal Reserve has indicated its desire to continue this practice, making multi-tenant business parks poised for continued new tenant absorption which will lead to rent growth.

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CAPTURE APPRECIATION IN REAL TIME

The small businesses who typically make up the tenant base for multi-tenant business parks tend to sign leases with a limited term of one to three years, similar to the multi-family sector. This allows BKM to capture appreciation on a lease-by-lease basis, increasing a third of the asset's rents to market each year and creating substantial income growth in an improving market.

Is Now the Time to Buy?

COMMERCIAL REAL ESTATE ASSET CLASS

Commercial real estate investment is an important part of every diversified portfolio and is currently being rated by prominent investors like Warren Buffet as a strong buy. In fact, transaction volume has increased 38 percent since 2010 as institutional investors rush back to the market. It is a “must purchase” for investors who are looking to build wealth in the improving

economy. That’s why private wealth advisors are directing their clients to seek out new avenues, like the innovative platform offered by BKM Capital Partners, in which their clients can actively participate in the ownership of high-growth, value-add commercial real estate.

MARKET CYCLE

Current financial data and analytic trends show now is the right time in the commercial real estate cycle to invest. Upward trajectory of rent growth and tenant absorption are especially positive in Western regions of the United States, where **BKM Capital Partners has proven experience**. When you have three to five market factors all occur at the same time, you have opportunistic alignment that rarely occurs. We call this “alignment of the moons” theory. Within this product type, multi-tenant business parks and within the west coast geographic regions, we have alignment.

- 1 3-4 years of a down cycle to allow the entire rent roll to adjust down to low market lease rates.
- 2 The overall price per square foot to tail down from market peaks.
- 3 No new product to be built in order to take supply out of the market.
- 4 1-2 years of a market bottom within a market cycle to set up the right time to take positions in the market.
- 5 Interest rates at 20 year historical lows of 3-5%.
- 6 Optimism in the market with economists projecting lease and sale activity, and a start of actual increases in rents, which signals forward or upward direction in the market.
- 7 Projected rental growth for the next three (3) years driven from over 12 quarters (3 years) of historical industrial rent’s declining (4th Q 2008 – 4th Q 2011) and availability rates reaching an all-time high during this same period over last 12 years (2000).

UPWARD RENTAL GROWTH

While commercial real estate has historically been an effective inflation hedge, it is important to note not all products are created equal. BKM is strategically focused on multi-tenant business parks in the Western United States. This asset-class niche is **experiencing decreasing supply**, expanding tenant base, and no new construction for the past four years, leading to rent escalations that substantially surpass inflation.

Middle market niche is considered too big for private investors and too small for institutions, which limits competition and creates arbitrage opportunities for investors.



BIFURCATION OF THE CAPITAL MARKETS

At present, hyper-core assets (CBD, high-rise, institutional quality, larger, etc.) are highly sought after, driving down cap rates to all-time lows. The spread between Tier 1 and Tier 3 markets has widened considerably during this nascent recovery, and we believe that Class B/B- assets are mispriced relative to more core product. Although not being underwritten, we expect that capital will begin to demand higher yields, and as the recovery takes hold recognize this mispricing, directing capital flows toward our target markets and assets. This redirection of capital should narrow the spread between core real estate and the non-core assets that the Fund will target, creating the potential for meaningful cap rate compression.

CURRENT PRICING OPPORTUNITY

With corporate profits at an all-time high, unemployment below eight percent, and domestic trade increasing, the

fundamentals of multi-tenant business parks are poised for substantial growth. However, distress remains in the market that is still recovering from over-leverage during the financial crisis. Pricing currently remains 30-40 percent below the market peak. Comparatively, the S&P 500 index has reached all-time highs and bond yields are hovering near historic lows.

TROUBLED LEGACY ASSETS

Lenders and struggling borrowers are bringing troubled legacy assets to market to clear their balance sheets and make room for future growth. These distressed sales are ripe with opportunity for advantageous pricing. BKM targets assets above \$5 million and below \$30 million, known as the “Middle Market.” This middle market niche is considered too big for private investors and too small for institutions, which **limits competition and creates arbitrage opportunities** for our investors.

How We Do It

With successful careers spanning a quarter of a century, the management team at BKM prides itself on strong personal relationships with special servicers, commercial brokers, and lender networks established during ownership of one of the premier brokerage and asset management firms in the western United States.

With a network of qualified market sources, bkm has the resources to identify market opportunities and implement strategic business plans specific to each asset to successfully obtain the desired IRR's for the investors while building a higher than market value portfolio of assets.

Our strategy is simple, because it's simply all we do!

Action stages of our implementation

- IDENTIFY
submarket specific opportunities
- CLASSIFY
property specific issues
- DEFINE
strategy
- OBTAIN
committee approval
- ACQUIRE
real estate
- EXECUTE
plan
- CREATE
value
- EARN
quarterly returns
- BUILD
portfolio of assets

IDENTIFY submarket opportunities.

Based on up-to-date information provided by skilled associates within the broker, lender, and special servicer network along with the Trepp CMBS Analytics data and Real Capital Analytics transactions and trend data, we consistently identify opportunities to acquire promising assets. These are, specifically, assets that have been labeled "distressed" as a result of economic trends of years past, but had been considered performing assets with strong cash flows. Other key indicators of promising opportunities are the lack of responsive ownership, lack of capability of ownership, or lack of infrastructure of current ownership for immediate execution needed to build and sustain cash flow which equates to longer term value creation within a market. Current conditions make efforts to pursue these market acquisitions compelling, especially within our target markets of Southern and Northern California, Oregon, Washington, Arizona and Nevada.

CLASSIFY property specific issues.

Once industrial business parks are identified in the detailed market research stage, further comprehensive property assessments are completed in order to classify the level of improvements needed to meet the proposed value creation opportunity available for each asset. The preferred product types include industrial multi-tenant (20-100 units), office, warehouse, and flex-use projects. Our asset and property management practices enable us to successfully address any occupancy and leasing problems to increase positive

cash flow as well as take all necessary actions to promptly complete neglected standard operating capital improvements and implement property image rebranding efforts.

Our design team is LEED® certified and has broad insight into commercial real estate design trends specific to aesthetics, as well as cutting-edge and cost-saving materials used to update physically obsolete irrelevant interior spaces and exterior façades. Their understanding of each property and potential tenant needs within each allows them to 'fix' inefficient and dysfunctional floor plans/units to appeal to new potential users and tenants while meeting all required conditions of approvals.

DEFINE strategy.

Based on the market-specific and property-specific information compiled, a thorough Asset Business Plan will be defined. Our informative plan will include current property positioning and profile, clarification of the broken asset opportunity, intent/strategy, cash flow assumptions, project cost breakdown, value creation improvements, financial analysis monitoring, project proformas and also an alternative exit strategy.

OBTAIN Committee Approval:

Once the initial due diligence is complete and the seller has accepted the Fund's letter of intent, BKM will seek approval from the Fund's Investment Committee. At this stage, the Committee reviews due diligence and ensures the asset's alignment with the Fund's objectives. The Investment Committee is comprised of Brian Malliet, Nima Taghavi, Michael Hernstad, Matthew Stephenson, and Brett Turner. All five committee members must give unanimous approval prior to releasing a deposit. At this stage, a comprehensive memorandum is presented to the Investment Committee to ensure that the real estate value as underwritten is accurate and that projected yields are appropriate for the risks and rewards of the proposed transaction. Relying on the comprehensive memorandum's findings, the Investment

Committee will vote on whether the asset, as positioned, meets the Fund's goals. Only transactions that are approved by a unanimous vote will be accepted by the Fund.

ACQUIRE real estate.

BKM believes we are in an ideal environment to take advantage of a identified pipeline of current opportunities. The actual acquisition stage of our implementation process is simple. Given the nature of the fund venture structure, we can deliver on shorter escrow periods and closings, with investment dollars immediately available. Understanding the thorough methods taken to underwrite the pipeline of assets available, BKM and our lenders, are able to achieve an efficiency of closing through a historical familiarity of underwriting proformas, acceptable loan terms, and loan documentation. These long-term relationships also equate to shortened time frames to close on transactions which is vital to compete in today's environment and deliver exceptional returns from the start.

EXECUTE plan:

Upon the closing of escrow, we seamlessly transfer operations of acquired assets to our Asset Management team to execute the implementation process stated in the Asset Business Plan. This execution includes bidding and contracting General Contractor services for interior and exterior improvements, consulting environmental and entitlement experts and vendors, and selecting a brokerage team to execute leasing and marketing strategies. These actions will take place within scheduled timelines and budgets. Due to long-standing relationships and presence in the commercial real estate arena, we have established highly efficient standards for low pricing and quick turnaround with all our in-house team members and third-party consultants.

How We Invest

CREATE Value:

Regardless of asset class, all value-add assets will have anywhere from one to five issues to resolve, problems to work through, or hurdles to surpass. Examples of these issues have been cited in the above sections; they include floor plan optimization, rent roll restructuring, capital improvements, long-neglected repairs, etc. Each asset will go through a complete image makeover to inspire cooperation of leasing in the market and upgraded asset positionality within its competitive subset. Only after all steps are put into place is the asset on its way to creating real value.

EARN Quarterly Investor Returns:

All the above stages are critical to attaining anticipated investor returns from two sources: 1) On any given investment, once the underlying asset has been stabilized, we look to distribute 7-10% of invested capital on an annualized basis; and 2) we enter each transaction with a goal of achieving a minimum compounded internal rate of return of 15% net (of fees and incentive carry) to our investors when we do our underwriting.

BUILD a Portfolio of Assets:

With our moderately aggressive acquisition schedule, BKM Capital Partners anticipates acquiring approximately 15-18 assets in Year 1 and 2. Our goal is to successfully build a value-added portfolio of performing assets within a five year initial hold period, which will create both a strong, cash-generating asset portfolio and economies of scale that boost capital efficiency for each asset.

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THE PROBLEM

Coming out of the downturn, we understand the misgivings private and institutional investors have about commercial real estate. An enormous amount of money was lost in large commingled funds that purchased “trophy properties” located in premier markets in a variety of real estate asset classes – most with no per asset defined investment time frames to be aligned with execution of their business plan. As prices rose, these large commingled funds turned to leverage to drive their returns, disregarding the inherent risk of the maximized asset value and the direction of the economy. These investment platforms were also riddled with poor communication and lack of transparency to their investors as the downward cycle unfolded. As a result, today’s uneasy commercial real estate investors expect a new way of doing business.

Foremost, there is a disappointing lack of investor friendliness and appropriate alignment amongst the current investment structures – such as non-traded REITs and large private equity real estate funds. In our opinion, these investment platforms generally lack the transparency between fund manager and investor which BKM’s principals wish to bring to the industry. We believe that this lack of communication between investment professionals and those that invest their monies distances the investment professionals from those they represent, producing an impersonal disconnect that limits the tendency to act as true fiduciaries throughout the investment management process.

Effective access is gained through regional sponsors with exclusive insight, knowledge and boots on the ground.

ADAPT

“Out With the Old and in With the New.” Innovative commercial real estate investment platforms must adapt and change to deliver what today’s private equity investors demand.

In order to differentiate itself from its competitors, both past and present, BKM will execute on the following: transparency throughout, efficiency at the firm level and collaboration between the fund and its investors.

The Fund Manager will maintain open channels of communication with investors through:

- Exposure to deal sourcing
- Broker tours
- Lender property tours
- Local submarket knowledge
- Deal underwriting
- Property reposition roundtables

Enticing investors into the global investment process rather than passively and selectively sharing limited information through mandated reporting. The Fund Manager hopes to attract high net worth investors, family offices, endowments, pensions, and fund of funds turned off by the passivity, typical of old investment structures and those previously shunned by large institutional real estate funds.

THE SOLUTION

Investors, including institutional funds, are now looking for direct investment into specific markets and product types where effective access is gained through regional sponsors with exclusive insight and knowledge. Compared to national sponsors, these regional sponsors provide the invaluable access to deal flow, personal relationships with local market participants and the understanding of how an asset competes within its submarket. Turning what was once a solitary effort on the part of private real estate funds into a collaborative effort, the Fund Manager invests to create a new model, one better appreciated by investors and one that delivers higher risk-adjusted investment returns.

What We Need

Transparency, collaboration, & participation is how BKM intends to offer the best of private equity real estate investment

WHAT TO LOOK FOR

Investors are searching for clarity and knowledge when investing – seeking out funds that are focused on a niche specific to risk-class, product type, leverage, investment horizon, geographic location and diversification.

Private equity investment has always been just that, extraordinarily private. Investors and L.P.'s on the whole expect to be passive, to hand G.P.'s the capital and "let them go to work". From small operators to larger syndicators, real estate principals have tended in the past to be closed-minded and internal. As a result, investors have historically been left out with no access to local real estate investment markets. The lack of collaboration and openness created tentativeness among many L.P.'s who participated relatively limitedly and often through flawed or misaligned structures with high fee loads such as the non-traded REIT and TIC syndication market.

PLATFORM EXECUTION ABILITY

BKM Capital Partners' innovative commercial real estate investment platform has more than 25 years of proven experience. With "boots-on-the-ground" insight and relationships, we have more efficiently identified value-add opportunities, increased rates and occupancy, and driven effective value-add capital improvements for appropriate reposition, as well as identified and implemented creative exit strategies through our key understanding of each asset's relative positionality compared to its immediate competitors.

HOW TO PARTICIPATE & BE TRANSPARENT:

- Quarterly Investment Strategy Forums
- Off Market Property Tours
- Property Repositioning & Due Diligence Process Roundtables
- Lender / Bank Property Tours
- Broker Submarket Asset Targeting Road Shows
- Investment Committee Presentations
- Access to Direct Property & Fund Web Portal – Investors Only
- Quarterly Asset Dashboards
- Underwriting / Financial Modeling and Return Analysis Workshops

INVESTMENT VEHICLE-FUND I

Raised \$130 million including co-invest with \$340 million in buying power

VALUE-ADD OPPORTUNITIES

Identify and acquire functionally obsolescent, capital deficient, over leveraged, high occupancy, under rented properties and add value through repositioning

MULTI-TENANT BUSINESS PARKS

Industrial multi-tenant, business park, occupied by 20 to 100 tenants with 1-3 year lease terms and concrete tilt-up construction

FUND MIX

Include 15-25 assets
\$7.5 to \$15 million per asset

INVESTMENT TIME FRAME

Hold period of five (5) years

GEOGRAPHIC FOCUS

Western United States:
California, Washington, Oregon, Nevada, Arizona

LOAN-TO-COSTS

Lower leverage, not to exceed 65% loan-to-costs

CASH FLOW ASSETS

Provide 7% to 10% current annual yields once a property has been repositioned, distributed quarterly

TARGET RETURN

Target 15% + internal rate of return (IRR) net to Investor



As a specialized operator and investment management firm, BKM Capital Partners offers investors a 25-year track record of investment success. Our platform, based on direct, value-add industrial real estate investment, provides a high level of transparency and engagement that allows investors to capitalize on today's market opportunities.



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