



NEWPORT CAPITAL

# Newport Capital Special Situations Fund

*John Vasquez, Paul Brahe, Chris Keller*  
*Portfolio Managers*

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# Portfolio Manager

## John Vasquez

Prior to founding Newport Capital Holdings, Inc., John Vasquez served as Managing Director for a small boutique merchant banking firm that provided mezzanine financing for small to mid-size companies. Mr. Vasquez has over twelve years of experience in the public and private equities market developing capital and business strategies for such firms as Axa Financial, Alliance Capital Management and DLJ brokerage, as well as other global financial services firms and smaller companies. Mr. Vasquez has worked as a principal consultant for the IPO of more than twenty private companies.

Mr. Vasquez has started, managed and self-financed many private companies, ten of which are currently 100% owned by Newport Capital Holdings, Inc.



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# Portfolio Manager

## Paul Brahe

Paul Brahe has more than 18 years of experience in the technology and financial sectors. Most recently, Mr. Brahe founded Tiburon Research, a technology and financial institutional research organization. Prior to forming Tiburon Research, Mr. Brahe was the Director of Research at Preferred Capital Markets, a full service institutional, retail and online brokerage firm. Before joining Preferred Capital, Mr. Brahe was a Partner with Apodaca-Johnston Investment Group, working as a hedge fund and mutual fund portfolio manager. During his time at Apodaca-Johnston, he helped the firm grow from \$2 million to \$800 million in assets. Mr. Brahe's experience also includes software programming, systems analysis, security and systems design. Mr. Brahe serves on the Board of Directors and Audit Committee of Komag Inc. (NASDAQ: KOMG), a publicly traded independent supplier of disk drive media. He holds an AB degree in Economics from Stanford University and now makes his home in Marin County.



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# Portfolio Manager

## ▶ Christopher Keller

Mr. Keller has over 25 years of experience trading convertible and equity securities. Most recently Chris was Director of Trading and Senior Managing Director and Co-Founder of Creedon Keller and Partners and the Alta Partners Funds. During his time there assets grew from \$10mm to over \$1.5 billion. Mr. Keller started his career at Salomon Brothers in 1982 and had also worked at Smith Barney and Oppenheimer before moving to San Francisco in 1991 to co-found the Robertson Stephens convertible desk.



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# Fund Overview

Newport Capital Special Situations Fund focuses on private equity investments in private and public companies that are in transition and at an inflection point in their life cycle. The Fund has an annualized return target of 30%.

## Investment Process

- ▶ Investment universe is composed of NASDAQ small-cap companies and private companies with enterprise values under \$500 million.
- ▶ We utilize strict selection discipline in evaluating new ideas and filter potential investments through proprietary quantitative metrics and institutional networks.
- ▶ We employ a two-pronged evaluation process of the issuer and the issuer's offering. Both the General Partner and a third party management consultant performs a complete evaluation and the results are compared for agreement.
- ▶ The Issuer's offering will be countered for optimal investment terms for benefit of fund.
- ▶ Continuation of two-pronged evaluation process for investment monitoring.

## Risk Management

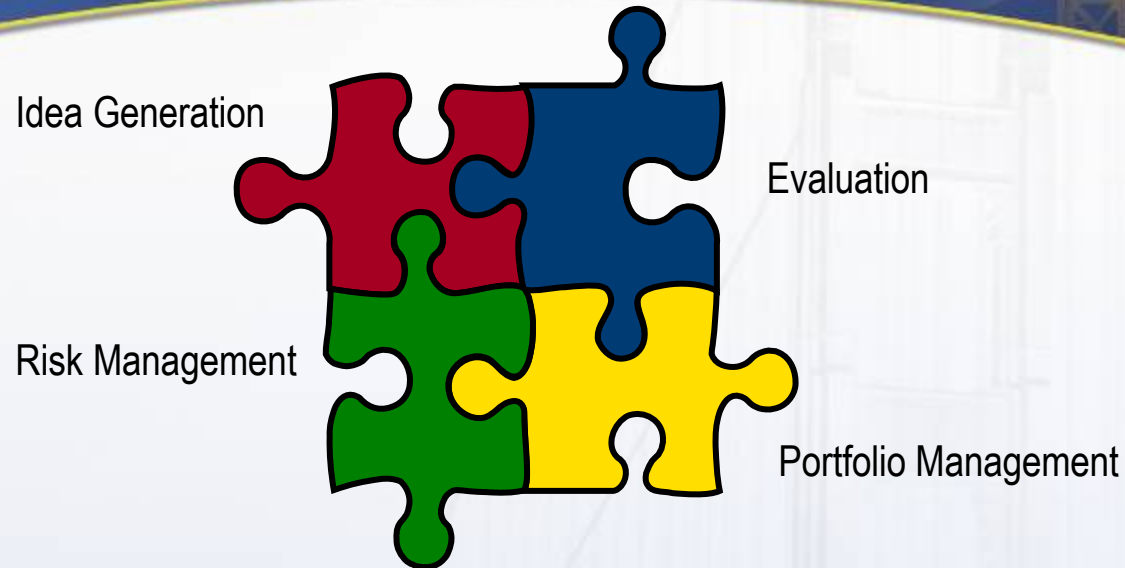
- ▶ Ex-ante risk management throughout offering terms evaluation and investment process which follows a value investing philosophy.
- ▶ Portfolio limits to minimize concentration risk: no more than 15% of the fund can be in any one company. Additionally, the Fund will not subscribe for more than 25% in any one offering.

The Fund can take advantage of market volatility, if there is no material adverse change in the business. As long term investors, we are not affected by the negative psychology associated with volatility of the market.





# Investment Approach



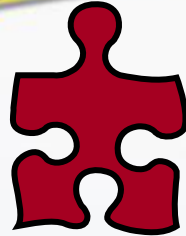
- ▶ The strength of our investment approach is the utilization of a third party management advisory team which serves to:
  - Ratify the evaluation of an issuer and offering.
  - Affirm portfolio and risk management decisions made by the General Partner.
  - Add value to each issuer by assisting the implementation of strategies needed to create a growth catalyst. Each fund investment is predicated on pairing the issuer with a third party management advisory team of our choosing.
- ▶ This two-pronged approach provides an additional layer of vigilance throughout the investment process.



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# Investment Process: Idea Generation



We utilize strict selection discipline in evaluating new ideas and filter potential investments through proprietary quantitative metrics and institutional networks.

Ideal candidates for investment into the fund will be:

- Private or under-followed public companies with a discernable growth catalyst.
- \$50-150 million in annual revenues.
- Situated in a niche market and undervalued in relation to its peers.
- Generally poised for high growth, possibly with a new product on the horizon.

## Typical Catalyst For Investment Consideration:

- Acquisitions / Divestiture / Takeovers
- Increased earnings momentum
- Increased market share
- Analyst coverage (increase or lack thereof)
- Improving capital structure
- Sector momentum in like industries
- Management change
- Increased liquidity
- Share repurchase programs
- Increased institutional investment



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# Investment Process: Evaluation



Our investment methodology stems from our two-pronged, internal and external evaluation process.

- Once a potential deal is identified through our business network of institutional contacts, companies, we evaluate the offering as well as the issuer.
- Simultaneously, we employ a third party to perform an additional evaluation of the offering and the issuer in parallel with our own. This generates an offering opinion and fundamental report that is delivered to the General Partner.
- The third party report and opinion is compared to our own internal evaluation for agreement.
- If there is agreement and the issuer meets all of our criteria, then the General Partner shifts its focus to the offering terms and makes a counter offer to include:
  - Continuous monitoring of the issuer by a management advisory team selected by the General partner.
  - Definition of benchmarks that must be achieved.
  - Other terms
- Offering is then added to portfolio.



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# Investment Process: Evaluation

The General partner and the third party management advisory team will evaluate each issuer and offering according to the following factors:

- Fundamental Research Outline:
- Industry
- History
- Current & future outlook
- T.A.M. (Total Available Market)
- Company
- Position within the industry
- Product / services / asset portfolio
- Capitalization structure
- Largest holders of equity and debt
- Financial history
- History of executing the business plan
- Roadmap for future growth
- Management Team
- Founders
- Current organizational chart
- History of CEOs, CFO's & other top positions
- Biographies of current top officials
- Current management compensation plans and equity & debt holdings
- Company's Financial History
- Income statements
- Balance sheet
- Cash flow statement
- History of meeting financial targets
- History of capital raising
- M & A History
- Caliber of past financings
- Qualitative management team evaluation
- Capital sufficiency
- Process evaluation
- Need to increase awareness to the industry or Wall Street
- Fresh strategic insight



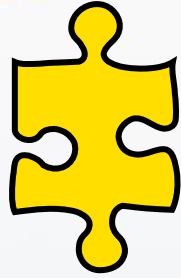
# Portfolio Structure

- ▶ \$1.5 million is average subscription per issuer
- ▶ Initially, 6-10 names in fund
- ▶ No more than 15% of the fund is in any one company, the Fund will provide no more than 25% of the investment capital in any one offering.
- ▶ Cash reserves. After initial investment, 10% is set aside for follow up investment opportunity.
- ▶ Leverage possible but not used, to date.
- ▶ We intend to liquidate the principal investment capital in any offering within 18 months.
- ▶ Pre-emptive rights on each offering passed through to the Limited Partners.



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# Portfolio Management



## Price Matrix

- ▶ Investment is valued for entry as follows: 30% discount from trailing 30 day average price.

## Time Matrix

- ▶ 9 months into an offering investment, the portfolio managers perform a complete evaluation of the issuer.
  - If the issuer has been consistently achieving predefined benchmarks, then the stock performance will follow accordingly. In this model, the fund will begin to liquidate the principal at the 12 month mark and generally will be completely liquidated within 18 months.
  - If the issuer has not consistently achieved it's benchmarks, at month 9, the principal will be liquidated at a rate of 50% of the average volume.



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# Risk Management



Risk is evaluated from a fundamental perspective. We examine the elements that lie at the core of creating value in each investment, as well the tangible results in reaching the benchmarks.

## Risk Management

- ▶ Ex-ante risk management through following a value investing philosophy. (inherent risk management)
- ▶ Partnership with strategic institutions to limit risk of market perception for quality of funds. Smart money financing and structure to limit short/risk arbitrage activity.
- ▶ Monthly reviews by Portfolio and Risk Managers to monitor if the issuer is achieving pre-defined benchmarks.
- ▶ Update files monthly and update research quarterly as well as with each significant fundamental event.
- ▶ Proven skill and expertise of management advisory board executing the strategy and limiting exposure.



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# Investor Relations

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# Newport Capital Management Partners



# Management Partners

## Chuck McArthur

Chuck McArthur has over twenty-five years of experience managing technology firms. Mr. McArthur has experience in both start-ups as well as enterprise organizations. He was recently the President and COO of ViewSonic Corporation, a \$1B+ provider of computer display products. Mr. McArthur has held senior management positions in successful companies throughout his career. These firms include Atari, Solectron, Memorex, Capetronic, Mag Innovision and Nokia (as a contractor). His experience includes General Management, Operations, Sales and Marketing as well as roles in Corporate Development and Mergers & Acquisitions.



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# Management Partners

## Mark A. Franzen

Thirty-five years of experience in top-level accounting and corporate finance assignments for a wide variety of high-technology, high growth and distressed companies. Mr. Franzen has been the Chief Financial Officer or Acting CFO of fifteen companies, four of which were public, one was taken through a \$45 million IPO and eight were sold or merged. Two of the companies went public through the vehicle of a reverse merger into a public shell. Many of the companies had international operations in both Europe and the Far East. Mr. Franzen has raised in excess of \$100 million for equity capital, \$45 million in bank lines and \$25 million in capital lease lines. Prior to becoming a CFO, Mr. Franzen was a Senior Manager at Price Waterhouse & Co. He received a B.S. degree in Business Administration with an Accounting major in 1967 from California State University at Northridge. He is a certified public accountant.



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# Management Partners

## Paul Bockstedt

Mr. Bockstedt has more than eighteen years of experience in growing and managing technology companies. Prior to joining the Newport Capital Holdings team, he headed the sustaining business development team for Reynolds & Reynolds, a multi-billion dollar software provider. Mr. Bockstedt has held senior level management positions several industry leading technology companies including Solomon Software and Technology Group, Infotel, Mag Innovision and FoxConn. His experience includes product engineering, sales, marketing, operations, and business development.



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# Management Partners

## Michael Campbell

Twenty-five years of experience financing, building and running high growth companies. In the early 1990s, Mr. Campbell built Unistor into a \$100M plus per year producer of hard disk drives through three joint ventures in Russia, China and Spain. Mr. Campbell has raised over \$100M in government, venture, private, corporate, and institutional capital for 8 start-ups that he founded during his high tech career and another \$50M in debt and equity as a consultant for other emerging companies. He has been involved in merging private companies into public entities for the last three years.



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# Management Partners

## Piers Cooper

Mr. Cooper was recently a General Partner of Inflection Equity, a small-cap buyout fund. He has as more than 18 years of venture investing, corporate development, business development, operations and consulting experience. Prior to joining Inflection Equity he was a General Partner of McKenna Capital, an early stage Venture Fund created by Regis McKenna. Before joining McKenna Capital he was Vice President of the Oracle Venture Fund (a \$500m fund) and responsible for investing in start-up technology companies. In this role he created and successfully rolled out the early stage investment program. Mr. Cooper led over 20 investments ranging from Network Traffic Management through eCommerce and Software Infrastructure to Bioinformatics. Successful IPO's of the Oracle Venture Fund included RedHat, Cbridge and Webex. Other high profile deals included DNA Sciences, Archive, Talk2, Speedera Networks, and AuctionNet. Prior to the Oracle Venture Fund, Mr. Cooper was Vice President of Worldwide Business Development & Emerging Markets for Oracle Corporation. He was responsible for the company's entry into emerging technology markets. His organization drove revenue growth, formed market development partnerships, and built strategic customer relationships around Internet computing and electronic commerce, as well as, developing innovative channels and markets for Oracle's technology and applications business. Mr. Cooper joined Oracle in 1994, where he ran the advanced technology consulting line of business for Europe, the Middle East & Africa. Before joining Oracle, Mr. Cooper managed the Information Management practice at Deloitte & Touche Management Consultants. He holds a Fellowship in Computer Science from the University of Swansea.



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# Management Partners

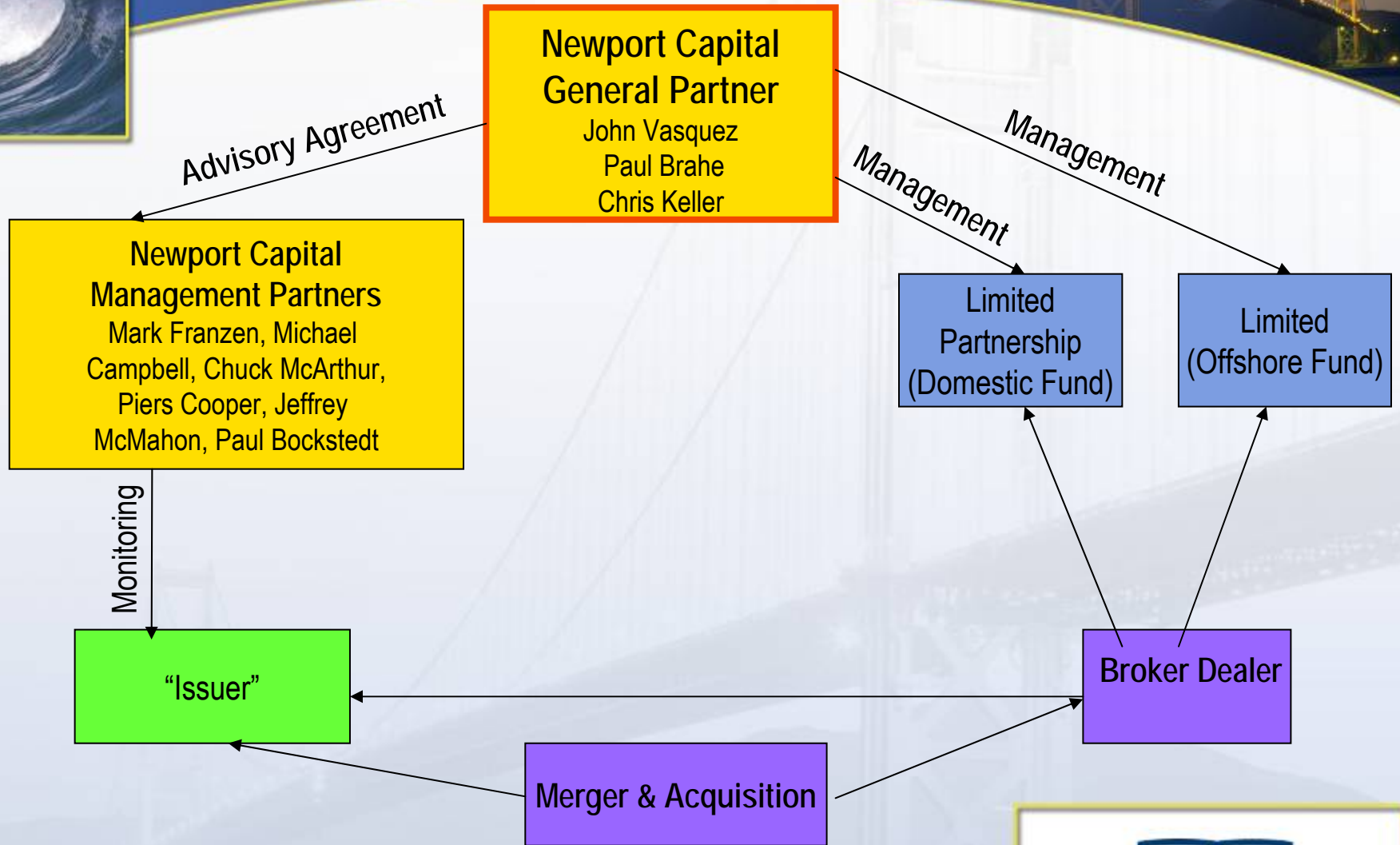
## Jeffrey McMahon

Mr. McMahon has twenty years of experience in senior level product development, sales & marketing, business development, and operations positions in high growth companies, which have included: Kenamea, Allbusiness.com, Netscape, SunSoft, Convergent / Unisys, and NBI. At each of these companies he has been instrumental in building products, sales channels, distribution networks, partnerships, and sales teams that drove each company to the next level. Mr. McMahon personally closed Kenamea's first deal (Qualcomm) and the Western Region he managed generated virtually all of the revenue for a 90 person software company. He booked \$10M in revenue at AllBusiness during first 3 months of their new business model as well as established formal partnerships with 60+ companies including GE Capital and ADP. Mr. McMahon established and managed Netscape's B2B ecommerce platform sales and integration alliances with global partners GE, EDS, Accenture, PWC, D&T and Booz-Allen. He was a sales team member of SunSoft's #1 revenue performing region worldwide. Mr. McMahon recruited 17 VARs/ISVs representing \$3M revenue, \$1M net margin, and \$10M+ identified revenue potential in 9 months for Unisys "Passport to Pick" program and was a major account sales team leader and guest headquarters sales instructor at NBI. He holds a BBA in Marketing from the University of Texas.



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# Organizational Chart





# Client References

- ▶ The fund established a strategic partnership with AmeriGas Partners, L.P. (NYSE:APU) whereby they invested private equity and Bridge capital to launch strategic refurbishing plants to support AmeriGas national distribution of its 20# barbecue cylinders.
- ▶ Effective 8-20-07 the fund released the following news to the industry supporting this event.

Newport Capital announced today that it sold all of the assets of Nevada Cylinder Refurbishing to AmeriGas Propane, L.P. (NYSE:APU) for an undisclosed amount in cash. Nevada Cylinder Refurbishing, LLC (NCR), which is a leading provider of 20# propane barbecue cylinders in the refurbishing business, was started and funded by Newport Capital's private equity fund. "This divestiture is a significant step in the proof of Newport Capital's module to partner with Management our investment experience to achieve market acceptance and penetration with industry leaders. We further intend to devote no further investment activity in the refurbishing space with this last divestiture but are considerably pleased with the financial results of all our previous investments," said John Vasquez, Managing Partner for Newport Capital Asset Management Group, G.P.

Chris Vasquez National Director of Refurbishing can be reached at

[Chris.Vasquez@AmeriGas.com](mailto:Chris.Vasquez@AmeriGas.com)





# Client References

- ▶ The fund established a New Company for investment effective December 2005, under LoanGenie, LLC, a newly formed, wholly owned, private California Limited Liability Company. This New Company identified and formed a new board of directors chaired by John Vasquez, management team lead by Deb Hubers, raised \$8,400,000 in new financing from strategic funds and began to execute on deploying the new business strategy to bring contemporary the previously un-launched technology. The new boards first action was to establish a new development team and office to undertake the documentation of the technology; fully test its capabilities and through a series of necessary upgrades, advance its core technology to establish it as a viable software solution in the consumer finance industry.
- ▶ The Company subsequently signed a definitive Letter Agreement to purchase an ownership in a Federally Chartered Bank for strategic partnership.
- ▶ The Company identified and signed a Letter Agreement for its second Acquisition with a profitable \$15 million revenue Company for expanding its technology offering of the software.
- ▶ Deb Hubers can be reached at [Dhubers@loangenie.com](mailto:Dhubers@loangenie.com)





# Client References

▶ Effective September 2, 2005, Scott Heller resigned as Chief Executive Officer and director of United Fuel & Energy Corporation (the "Company").

Charles McArthur agreed to serve and was appointed as the Company's President and Chief Executive Officer effective September 2, 2005.

From February 1999 to February 2001, Mr. McArthur served as President and Chief Operating Officer of View Sonic Corporation. From March 2001 through the present, Mr. McArthur has been the managing member of McArthur Consulting, LLC. In addition, Mr. McArthur is currently a principal of McArthur Consulting, LLC, which rendered services to the Company in connection with an ongoing consulting relationship between the Company and Newport Capital, a financial advisory group, since November 2003.

▶ Mr. McArthur can be reached at [cmcarthur@ufeonline.com](mailto:cmcarthur@ufeonline.com)



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# Client References

- ▶ Effective June 2005 Paul Bockstedt has agreed to take the position of interim President with Rand Technology during this transition phase with its existing business Founded in 1992, Andrea Klein, CEO organized her company with three key principles in mind: Quality Components, Professional Excellence and Outstanding Customer Service. Almost 10 years later, those core beliefs are still at the heart of "The Rand Way". As a result, the company has grown into one of the most respected and successful international distributors in the world and has been recognized on an ongoing basis for industry achievement:
- ▶ Paul Bockstedt can be reached at [Paul.Bockstedt@RandTech.com](mailto:Paul.Bockstedt@RandTech.com)



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