

Date: February 22, 2016
To: Employees' Retirement System of Rhode Island
From: Pension Consulting Alliance, LLC
RE: IC Berkeley Partners IV, L.P.

Pension Consulting Alliance, LLC (PCA) has evaluated IC Berkeley Partners IV, L.P. (ICBP IV or the Fund). The Fund is sponsored by Industry Capital Advisors, LLC (Industry Capital, IC, or the Firm). ERSRI has previously invested \$18 million with IC in the prior, similar closed end fund which is performing. Based on the merits of the Fund and the information provided in this summary, PCA is of the opinion that an investment in the Fund, subject to certain restrictions set forth below, is a prudent investment for the Employees' Retirement System of Rhode Island (ERSRI). PCA's opinion is limited to the merits of the Fund and does not constitute, nor shall it be considered as, tax, legal or transaction-structuring advice. In making any investment decision with respect to this Fund, ERSRI may rely on this report but must also make its own examination and assessment of the Fund and the terms of the offering, including the merits and risks involved.

Investment Overview

Since inception, Industry Capital has been solely focused on multitenant industrial real estate. The Firm's target market, industrial properties under 120,000 square feet, is the largest segment of the U.S. multitenant industrial market and comprises more than four billion square feet. Within this submarket, IC focuses on transactions which require less than \$10 million of equity. IC focuses on these assets in particular because the Firm observes that there is little institutional competition due to the smaller transaction size and management intensity required. While their target deal size is sub-\$10 million, portfolio acquisitions could range from \$5 to \$25 million. It is not unusual for IC to acquire assets with relatively shorter lease durations and sell these assets once the lease terms have been lengthened. Once IC enters a market, it acquires a critical mass of property within that market to achieve economies of scale on the operations and expense sides and scale on the revenue/lease-up side. IC purchases at least 100,000 square feet in any given market so it can install in-house trained employees as property managers in the market, maximizing the leverage of its vertically integrated management strategy. IC's tenant base is composed of smaller local and regional businesses and IC typically invests in geographic clusters. IC adds value by stabilizing undermanaged or distressed assets, aggregating a critical mass of properties, and adding institutional-quality management to an inefficient asset class.

Organization

In 2004, the principals of Industry Capital established an operating partnership that combined the 20-year industrial-real-estate-investment track record of the Snegg family with IC's experience in professional alternative-fund management. Industry Capital was founded by Norman Villarina in 2003 as a spin-off of Industry Ventures, which he co-founded in 1998. Norman Villarina, Aaron Snegg, Doug Wertheimer, and Kingston Wu own or control 100% of Industry Capital Advisors' real

estate affiliate, Berkeley Capital Advisors, LLC (BCA). Mr. Villarina is the majority owner. The Firm is currently led by Norman Villarina, Aaron Snegg, and Doug Wertheimer and manages four private-equity real estate commingled funds in geographic clusters across the Western and Southern U.S. Industry Capital Advisors LLC (ICA) is an SEC-registered investment advisor and the Advisor to ICBP IV. Berkeley Capital Advisors LLC is the subadvisor and the owner of the general partner. ICA has been a registered investment advisor (RIA) since March 2012.

Fund Strategy

The Fund will focus on the light industrial real estate market, which the Firm believes has certain advantages over other real estate sectors, including (i) higher replacement costs and limited land supply in infill locations; (ii) negligible tenant improvement requirements; and (iii) multi-faceted diversification through geographies, unit sizes, lease durations and tenant profiles. IC believes that the combination of these and other traits allows light industrial properties to more readily adapt to changing market conditions, making the sector more stable. IC also believes that the sector is also highly fragmented, which may allow for investment opportunities across market cycles. The Fund will focus on acquisitions in urban core and infill locations across Western, Southern and other U.S. growth markets, often from individual owner/operators or large institutional investors, where, through leasing, repositioning and effective management, the properties' operations can be improved and stabilized. IC typically expects to stabilize its acquisitions at a 9% to 12% unlevered stabilized return-on-cost following the execution of its value enhancement strategy.

Performance

As of December 31, 2015, Industry Capital is projected to generate positive returns across all of its four prior investment vehicles since its first investment vehicle in 2005. IC Berkeley Partners III, the 2013 vintage-year predecessor fund to ICBP IV in which ERSRI has invested, is projected to generate an 18.0% net leveraged IRR and a net leveraged equity multiple of 1.6x.

Terms

The proposed management fee is an amount equal to 1.5% per annum of the capital commitments during the investment period and 1.5% of contributed capital thereafter. In exchange for ERSRI's early and significant commitment, ERSRI would be charged a management fee of 1.375% of committed capital during the investment period, instead of the 1.5% that will be charged to typical investors. Following the investment period, ERSRI would be charged the regular 1.5% on capital contributions. The preferred return is 8% for the Fund. However, in exchange for ERSRI's early and significant commitment, ERSRI preferred return would be 1% higher than that offered to the typical investor at 9%. After investors have received their preferred return and a return of all invested capital, IC will participate in 20% of all profits. However, In exchange for ERSRI's early and significant commitment, IC would participate in 19% of all profits and ERSRI would receive 81% of the additional distributions instead of the 80% that will be paid to typical investors. The investment period will be three years after the final closing and the total partnership term is 10 years from the final closing, with two one-year extensions. The General Partner's commitment will be equal to 2% of the Fund's aggregate capital commitments, up to \$5 million.

Recommendation

PCA is of the opinion that an investment of up to \$30 million (not to exceed 15% of the Fund's committed capital) in the Fund is a prudent investment for the Employees' Retirement System of Rhode Island.

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Supplement for real estate and private equity partnerships:

While PCA has reviewed the terms of the Fund referred to in this document and other accompanying financial information on predecessor partnerships, this document does not constitute a formal legal review of the partnership terms and other legal documents pertaining to the Fund. PCA recommends that its clients retain separate legal and tax counsel to review the legal and tax aspects and risks of investing in the Fund. Information presented in this report was gathered from documents provided by third party sources, including but not limited to, the private placement memorandum and related updates, due diligence responses, marketing presentations, limited partnership agreement and other supplemental materials. Analysis of information was performed by PCA.

An investment in the Fund is speculative and involves a degree of risk and no assurance can be provided that the investment objectives of the Fund will be achieved. Investment in the Fund is suitable only for sophisticated investors who are in a position to tolerate such risk and satisfy themselves that such investment is appropriate for them. The Fund may lack diversification, thereby increasing the risk of loss, and the Fund's performance may be volatile. As a result, an investor could lose all or a substantial amount of its investment. The Fund's governing documents will contain descriptions of certain of the risks associated with an investment in the Fund. In addition, the Fund's fees and expenses may offset its profits. It is unlikely that there will be a secondary market for the shares. There are restrictions on redeeming and transferring shares of the Fund. In making an investment decision, you must rely on your own examination of the Fund and the terms of the offering.