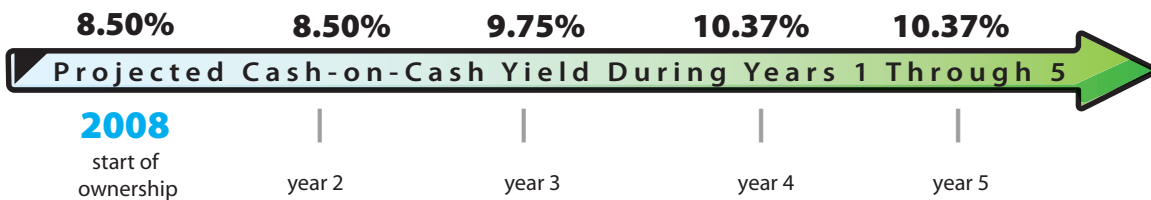


# Kerasotes Showplace 16

NOTRE DAME UNIVERSITY TRADE AREA  
SOUTH BEND, IN



first year **projected**  
**YIELD**  
**8.50%**



## KERASOTES SHOWPLACE 16, SOUTH BEND:

## OVERVIEW

**SUMMARY:** The subject is the only all-stadium seating movie theatre in South Bend and in the Notre Dame University trade area. Subject is under an absolute NET LEASE, with 17 years remaining; Tenant has strong ownership, is well capitalized, has a strong balance sheet and operates approximately 1,000 screens nationwide in 100 locations. The financing for this property is in place and fully committed with a locked rate of 6.25%.

### LOCATION



The subject movie theatre well positioned in the South Bend market, located near Notre Dame in a 2-mile long shopping corridor where more than 1.5 million sqft of retail and commercial space is being developed to include a \$35M shopping center [source: CrestNetLeasing]

### NNN INCOME

The absolute triple net lease, which is guaranteed by the Tenant, is anticipated to provide stable income for the subject property during ownership. With 17 years remaining on the lease, the income stream is backed by the Tenant who has \$237M in assets and 2007 revenues of \$167M.

### COMPETITIVE ADVANTAGE

Kerasotes Showplace 16 is the only all-stadium theatre in South Bend. It is popular with Notre Dame students and South Bend residents seeking first run films. Subject is located in the Central Shopping Corridor [source: CrestNetLeasing].

### STRONG TENANT

Based in Chicago, Kerasotes ShowPlace Theatres, LLC is the 7th largest movie-theater company in North America with 945 screens in 100 midwest locations. The Company is 61% owned by Providence Equity, who manage \$21B in funds dedicated to media and communications companies [source: <http://www.provequity.com>].

## KEY INVESTMENT METRICS

Investment Structure	TIC
Property Type	Single Tenant
Tenant	Kerasotes
Parcel	16.24 acres
Total Capitalization	\$18.64M
Structure	NET LEASE
Total Equity	\$5.58M
Min. Equity	\$300K
First Year Yield	8.50%

## PROPOSED LOAN AND TERMS

Contracted Loan	\$13.05M
Loan Term	7 years
Amortization	30 yr; 5 year i/o
LOCKED Interest Rate	6.25%
LTV	70%
TIC Equity Required	\$5.58M
Rent Increase	3xpci or 8% /5yr

### OPERATING STATEMENTS AND CASHFLOW

For the Years Ending	Year 1 May-09	Year 2 May-10	Year 3 May-11	Year 4 May-12	Year 5 May-13	Year 6 May-14	Year 7 May-15
Proforma NNN Lease Income	1,328,734	1,328,734	1,399,600	1,435,033	1,435,033	1,435,033	1,435,033
Management Fees	24,620	24,620	25,329	25,683	25,683	14,350	14,350
Accounting Expenses	13,287	13,287	13,996	14,350	14,350	14,350	14,350
Cash Flow Before Debt Service	1,290,827	1,290,827	1,360,275	1,395,000	1,395,000	1,406,333	1,406,333
Debt Service	(816,000)	(816,000)	(816,000)	(816,000)	(816,000)	(964,656)	(964,656)
Net Cash Flow to Owners	474,827	474,827	544,275	579,000	579,000	441,676	441,676
Annualized Cash on Cash to Investors as a % of Equity	8.50%	8.50%	9.75%	10.37%	10.37%	7.91%	7.91%
Additional Benefit to Investors - Amortization of Debt	-	-	-	-	-	152,990	162,830
Total Annualized Benefit (Cash + Amortization of Debt)	8.50%	8.50%	9.75%	10.37%	10.37%	10.65%	10.82%

## KERASOTES: FINANCIAL METRICS

For the year ending December 31, 2007, the audited financial statements of Kerasotes reported Box Office Revenue of \$167 million, compared to \$118.5 million for the year ending December 31, 2006. The increase was primarily the result of two acquisitions occurring during the year which added 13 theatres and 153 screens to the company's operations. The company's cash flow from operations increased from \$29.7 million to \$34.7 million. For the Kerasotes Showplace 16 in South Bend, Box Office Revenue was \$2.94 million for the year ending 12/31/07, compared to \$2.84 million for the prior year, an increase of 3.5%. Total Revenues increased by 4.7% during the same time frame from \$4.46 million in 2006 to \$4.67 million for 2007. Gross profit, as a percentage of sales, remained stable at 62.0% in 2007, compared to 62.2% for 2006. [source: Kerasotes Theaters audited financials]

YEAR	2006	2007	comment
BOX OFFICE REVENUES	118.5M	167.0M	Increase of 29%
CASH FLOW FROM OPERATIONS	29.7M	34.7M	Increase of 14.4%
ASSETS	222.2M	237.0M	Increase of \$14.8M
Screens Operated	659	945 <small>* AS OF JAN 2008</small>	a net increase of 286 screens
Theatre Locations	79	100	a net increase of 21 Locations

[source: Kerasotes Theaters audited financials and www.kerasotes.com]



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## NOTRE DAME UNIVERSITY: SOUTH BEND, IN: ERSKINE HILLS SHOPPING DIS.

### ANALYSIS: MEASURES OF VALUE FOR THE SUBJECT PROPERTY

Subject property is a stabilized, income producing theatre with a tenant that is the 7th largest theatre chain in the nation by total number of screens operated. Notably, the Tenant is 61% owned by Providence Equity, who manages \$21 Billion of equity capital in media and communications and has investments in MGM and Warner Music.

<b>NNN Income with rent increases</b> >>	17 years remaining on Absolute NNN Lease that includes 3 X CPI increases every 5 years (not to exceed 8%), with a rent increase to occur in 2 years. <b>Investor has no responsibility for any general maintenance or repairs.</b>
<b>8.50% projected cash-on-cash yield</b> >>	First two years of ownership are projected to provide 8.5% cash-on-cash yield. This return increases to 10.37% by year five, after which amortization of the loan begins.
<b>Barriers to Entry</b> >>	The population density in the trade area of the theatre would likely need to double, from 3,400/screen to 7,000 screen before another exhibition property (theatre) would be targeted for development.
<b>Revenue &amp; Assets</b> >>	Kerasotes Theatres has strong ownership, with \$237M in assets and \$19M in cash. For the year ending 12/31/2007, the audited financial statements of Kerasotes reported Box Office Revenue of \$167M.
<b>Class A Property</b> >>	The appraisal noted that "the subject is considered to be a Class A asset in this market," and "It is in close proximity to one of South Bend's primary retail nodes."

### introduction KERASOTES THEATRE SHOWPLACE 16 South Bend, IN Notre Dame University Trade Area

The subject is a premium branded sixteen screen theater located in South Bend, Indiana in the Notre Dame University trade area. The theatre opened to the public in 1999 on its 16 acre site in one of the city's central shopping and retail districts. Currently, the property is 100% leased and occupied by Kerasotes Showplace Theatres and is considered to be a Class A asset in this market. No other theatre competes in the trade area with all-stadium seating for its theaters.

Having 16 theatres with afformentioned stadium seating and 64,000 sqft of facilities, **the subject is the largest and most modern theatre in the South Bend market and is advantaged by the type of non-compete agreements typically afforded to theatres.** (film distributors historically do not distribute the same film to two operators within a film zone, which is three square miles.)

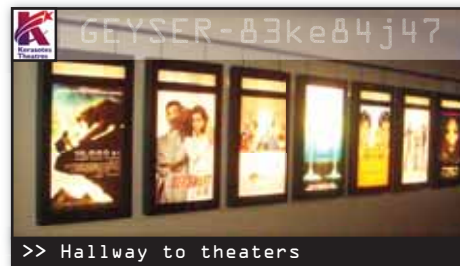
The Sponsor describes this facility as "a beautiful modern theatre that is in a great position in the main commercial district and used by area college students and residents."

Although South Bend is best known for **Notre Dame University**, the South Bend MSA has a durable and consistent Midwest economy.

South Bend is the 4th largest city in Indiana with the 2nd busiest airport in the state and has a stable industrial base that includes Bosch and AM General [source: city-data.com]. South Bend also enjoys a base of tourism, driven primarily by Notre Dame University, and attractions such as the College Football Hall of Fame. The city has recently attracted investment in high profile technology projects. One example is the IBM, Intel, Micron, Texas Instruments and AMD group that is investing \$25M in a Nanotech center at NDU. [source:

<http://tinyurl.com/5ztdvxj>

According to the appraisal, The University of Notre Dame is South Bend's top employer and provides a steady source of jobs for the metro area.



The Tenant, Kerasotes Showplace Theatres is owned 38.9% by the original Kerasotes family and **61.1% by Providence Equity Partners, a private equity firm that**

**specializes in communications and media holdings.** Providence also has holdings in MGM in addition to \$9B of communication and media investments ([www.provequity.com](http://www.provequity.com)). **Kerasotes audited financials for the year ending December 31, 2007, reported Box Office Revenue of \$167 million.**

# the MOVIE THEATRE BUSINESS

**\$9.6B** Annual Revenues

[source: appraisal of subject property]

Movie theater attendance continues to be one of the nation's favorite recreational activities. The Motion Picture Association of America (MPAA) reports domestic box office revenue for 2007 was \$9.629 billion, a 5.4% increase over 2006.

According to the appraisal, attendance in 2007 was 1.4 billion patrons, which is a 3.0% increase over the previous year and is the highest attendance figure since 2004.

Larger exhibitors with strong balance sheets and purchasing power benefit in many ways. For example, these larger properties are able to achieve higher box office sales per screen and have enough critical mass to use an electronic management information



system to monitor ticket and concession sales from a central location. With such data available almost instantaneously, central management is able to adjust film selection, staffing requirements and concession purchases.

Large chains such as Kerasotes can also exact more favorable terms from concession suppliers and film distributors than their smaller competitors.

### Barriers to Entry

Development of film exhibition properties (movies theatres) hinges on demand exhibited by the local population. In this instance the population per existing screen within the

## KERASOTES THEATRE SHOWPLACE 16 South Bend, IN

Trade Area:  
Notre Dame University

trade area of approximately 3,400 is the primary barrier to increased competition. Most operators prefer to enter a market only if there is current or expected population growth and the number of persons per screen within a market area exceeds 7,000. [source: subject appraisal]

National Ticket Price and Trends		
Year	Average Ticket Price	Change
2007	\$6.88	5.04%
2006	\$6.55	2.18%
2005	\$6.41	3.22%
2004	\$6.21	3.01%
2003	\$6.03	3.79%
2002	\$5.81	2.62%
2001	\$5.66	5.01%
2000	\$5.39	6.10%
1999	\$5.08	8.32%
1998	\$4.69	2.18%
1997	\$4.59	3.80%
Average Change		4.28%

Source: Motion Picture Association of America (MPAA)

### Site & Trade Area Information

This 63,735 square foot Kerasotes Showplace Theatre is located at 450 West Chippewa Avenue in South Bend, Indiana. The building was constructed in 1999 on a 707,369 square foot lot and is located just 5 miles south of the University of Notre Dame. Main Street, indicated below, is a two-lane north-south thoroughfare that carries an average of 26,540 cars per day by the site and intersects with US Highway 20 about 1 mile south of the theater. There are more than 55,000 residents with an average household income of over \$52,000 within a three mile radius of the property. [source: CrestNetLease incorporated].

Kerasotes theatre is located in the Erskine Hills Shopping District, a two mile long shopping corridor along and around Ireland Road. The expanding Erskine Village Shopping Center includes Wal-Mart and Lowe's. Other notable retailers in the area include, Old Navy, Target, Panera Bread, TGI Fridays, Kroger, Walgreens, CVS, Applebee's, Friday's, Arby's, Wendy's and McDonald's.



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## IMPROVEMENTS SUMMARY

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Property Type	Retail	(Movie Theater)
Number of Buildings	1	
Number of Stories	1	
Gross Leasable Area	63,735 SF	
Major Tenants		
Kerasotes	63,735 SF	
Seating Capacity	2,939 Seats	
No. of Screens	16 Screens	
Site Coverage	9.0%	
Land-to-Building Ratio	11.1 : 1	
Parking Improvements	Open	
Total Spaces:	895	
Parking Ratio (per 1,000 SF GLA )	14.04	

## KERASOTES THEATRE SHOWPLACE 16 South Bend, IN

*Trade Area:  
Notre Dame University*

*[source: appraisal of subject property]*

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## About Kerasotes

**\$259,082,281**  
**Annual Revenues**

### About Kerasotes Showplace Theatres

Based in Chicago, Kerasotes ShowPlace Theatres, LLC is the seventh-largest movie theater company in North America with 944 screens in 100 locations in Colorado, Illinois, Indiana, Iowa, Ohio, Missouri, Minnesota and Wisconsin. *[source: www.kerasotes.com]*

The company's founder, Gus Kerasotes, opened a storefront nickelodeon in Springfield, Illinois in 1909. By the mid 1940's all four of Gus' sons had joined the company. Kerasotes Theatres had then expanded to eleven theatres. Into the 1960's the company aggressively expanded, opening its fiftieth theatre in 1967. According to the Kerasotes website, "It was Gus' love of movies and his vision for the entertainment industry that began the Kerasotes legacy. We keep his vision alive by realizing that people come to the movies to have a good time." In 2008, Kerasotes continues to grow, including the January '08

acquisition of AGT Enterprise's Star Cinema brand. As mentioned previously, Kerasotes ShowPlace Theatres, LLC remains a privately held business. Tony Kerasotes is the current Chief Executive Officer and Dean Kerasotes is COO. In June 2003, Providence Equity Partners PEP acquired 30% of Kerasotes for \$39M, valuing the company at \$130M. In 2004, PEP acquired an additional 31% of the firm. The Kerasotes maintain 39% ownership and manage company operations. Today, total assets of the company have grown to \$237M. *[source: Kerasotes financials]*

## PROVIDENCE EQUITY PARTNERS www.provequity.com

**\$9.0 Billion**

**Investments in Media  
and Communications  
Companies**

### About Providence Equity Partners

*http://www.provequity.com*

Providence Equity Partners is a private equity firm headquartered in Providence, Rhode Island that focuses on investments in media and

telecommunications. Including its 61% stake in Kerasotes Showplace Theatres, Providence Equity is one of the largest private investment firms focusing on media and communications companies. As stated previously, Providence manages funds totalling \$21 billion of capital targeted for equity investing.

According to the company's website, www.provequity.com, Providence has over \$9 billion in equity commitments in media and communications and have invested in more than 80 companies since the firm's inception in 1991.

Areas of investment include cable television content and distribution, wireless and wireline telephony, publishing, radio and television broadcasting and other media and communications sectors.

On April 20, 2007, Providence Equity Partners entered into an agreement to acquire all of the television stations currently owned by Clear Channel Communications. Other Significant investments include Metro-Goldwyn-Mayer, Warner Music Group, AT&T Canada. The firm has offices in Providence, New York, and London.

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**KERASOTES THEATRE  
SHOWPLACE 16**  
South Bend, IN  
Trade Area:  
Notre Dame University



**LEASE ABSTRACT - KERASOTES SHOWPLACE 16**

Lessee	Kerasotes Showplace Theatres, LLC	
Building Size (SF)	63,735	
Lease Date	September 28, 2005	
Lease Commence Date	September 28, 2005	
Expiration Date (Base Lease)	September 30, 2025	
Lease Term (Base Lease)	240 Months	
Remaining Lease Term (Base Lease)	210 Months	
No. & Term of Options	3 options @ 5 years	
Expiration Date (Base + All Options)	September 30, 2040	
Remaining Lease Term (Base + All Options)	390 Months	
Assignment/Subletting	Allowed with consent of landlord, which shall not be unreasonably withheld	
Termination Clause	Lessor may terminate upon default only	
Proforma Rental Rate	\$/SF/Yr.	Total \$/Yr.
Base Lease Term - Years 1 - 5	\$20.85	\$1,328,734
Base Lease Term - Years 6 - 10*	\$22.52	\$1,435,033
Base Lease Term - Years 11 - 15*	\$24.32	\$1,549,836
Base Lease Term - Years 16 - 20*	\$26.26	\$1,673,823

Lessor Expenses	None
Lessee Expenses	All - Absolute Net (including roof and structure)
Expense Cap	None
% Rent Clause:	None

\* The rent increases in year 6, 11 and 16 are based on three times the increase in CPI, but are capped at 8.0%. The rental rates listed above represent 8% increases.

Source: Lease

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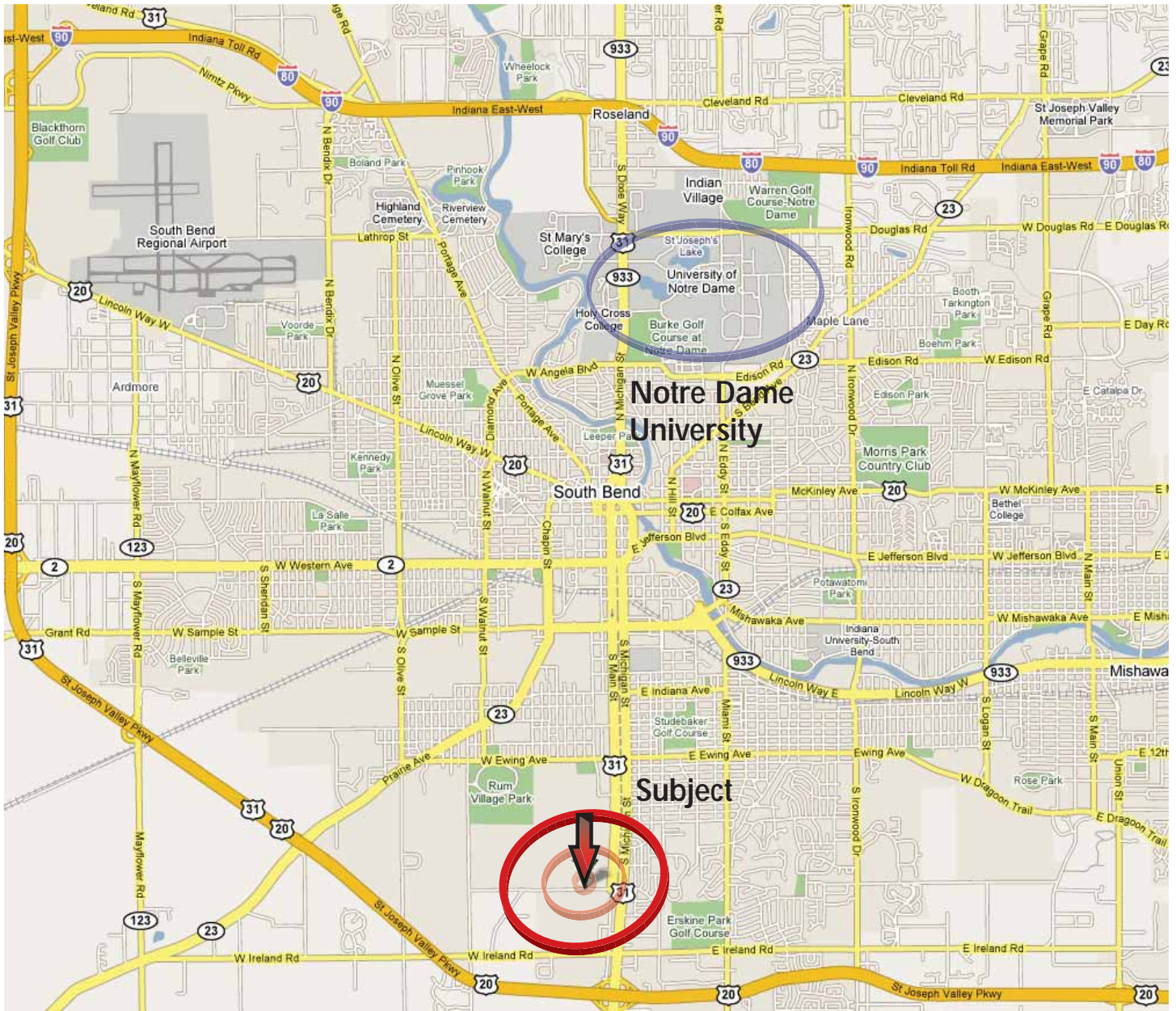
PROPERTY LOCATION

# STRATEGIC POSITION

SOUTH BEND, IN

450 West Chippewa  
South Bend, IN 46614

AERIAL VIEW >> KERASOTES THEATRE



# GEYSER HOLDINGS

# EXECUTIVE PROFILES



## MANAGEMENT TEAM



### **Russell Geysler**

#### **Managing Member / CEO**

Mr. Geysler formed Gibraltar Holdings, now Geysler Holdings, in 2003 with a focus on tenant-in-common syndications for the 1031 exchange market. He has led the company's emergence as a leading syndicator of 1031 exchange properties and continues in 2008 to grow the company with acquisitions, typically \$15-30M in size. Under his direction, Geysler Holdings has acquired more than \$400M of retail, hospitality and multi-family properties throughout the United States. Mr. Geysler holds bachelor and graduate degrees from UC Berkeley and the University of Southern California.

### **Ronald Max**

#### **Chief Operating Officer**

Mr. Max has been involved in the real estate industry for the past 22 years and has participated in the acquisition, development and financing of over \$5 billion in commercial real estate transactions throughout his career including office, multi-family, retail, single tenant and hotel properties. Mr. Max began his career as a senior accountant with the predecessor firm to KPMG Peat Marwick. Following this, he was Vice President of VMS Realty Partners and Director of Acquisitions and Chief Financial Officer for Brauvn Real Estate Funds. In 1995 Mr. Max joined Captec to establish a retail properties acquisition and development program. Based on the success of this program, he became Chief Investment Officer of Captec Net Lease Realty, Inc. through its initial public offering. He joined Gibraltar Holdings, now Geysler Holdings, in 2004. At Geysler Holdings, Mr. Max oversees a \$400M portfolio of hospitality, multi-family and retail properties. He received a B. S. Degree in Accountancy from Northern Illinois University and is a Certified Public Accountant.

### **Steven J. Willison**

#### **Chief Investment Officer**

Mr. Willison joined Gibraltar Holdings, now Geysler Holdings, in October 2005 as Chief Investment Officer where he is responsible for the company's new acquisitions and offerings. Prior to Geysler Holdings, Mr. Willison was employed by Captec Financial Group, Inc., most recently as Managing Director, Portfolio Management. Mr. Willison started at Captec in 1997 as a Senior Credit Analyst, and was subsequently promoted to Assistant Vice President, Sales in 1998, and Regional Vice President in 2000. He was promoted to Vice President, Special Assets in 2002, and to Managing Director, Portfolio Management in 2003. Mr. Willison has been responsible for new business development and portfolio management of a \$1.5 billion real estate portfolio. Mr. Willison attended Alma College in Alma, MI and graduated with a Bachelor of Arts in Business Administration with an emphasis in Accounting.

### **Oren D. Klaff**

#### **Director of Sales**

Mr. Klaff has worked with Russell Geysler since 1999, and joined Gibraltar Holdings, now Geysler Holdings, full time in 2006. He serves as the company's Director of Sales and Chief Marketing Officer. He is responsible for the development of securities compliant real estate marketing. Mr. Klaff has overseen the syndication of \$83M of real estate in the tenant-in-common industry and manages the marketing requirements of the company's \$400M real estate portfolio.

