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I. EXECUTIVE SUMMARY

A. Description of the Business Concept and the Business

Williams Pacific Ventures II (WPV II) is a real estate investment limited partnership to finance real estate development projects in rapidly emerging urban markets. The partnership will provide seed capital and preconstruction equity, and mezzanine equity or participating debt for real estate development projects of up to \$50 -75 million in cost including leverage. The partnership will invest in 15 to 20 projects over a three-year period to be implemented by 8 – 10 developers in 6 - 10 cities, consisting of apartment, retail, commercial, mixed use, industrial, and condominium development. WPV II will target returns of 16% to 18%, net of management fees, to investors. The Fund is seeking \$200 Million in capital commitments.

B. The Opportunity and Strategy

WPV II will enable large institutional investors to invest in the stability and minimal risk associated with the real estate market, while maximizing returns by exploiting the rapidly growing urban in-fill real estate space. In many cases, large institutions do not have the ability to quickly gain the in-depth on-the-ground understanding that is essential to identifying the most profitable deals in this market. WPV II will enable investors to participate in the returns associated with this space, without the hassle and expense of developing the local relationships and expertise in house that it would take for direct equity investment.

WPV II 's investment strategy will continue the experience and direction taken by its General Partners. That real estate investment effort has consisted of a collaborative, community-based strategy of urban development, working in close concert with potential project users, local residents, businesses and public entities to ensure the successful development of its projects. Building from the success of WPV and WDG Ventures, WPV II brings a strong network of relationships, long-standing operational experience in urban venture development, and a deep understanding of the drivers of economic success in this investment space.

The challenges of successful operation in urban real estate are myriad – inefficient parcel configuration/size, complicated/time consuming entitlement processes, parking requirements, environmental issues, redevelopment requirements, minority/local participation, community offsets, and mandatory interfaces with community groups. WPV II believes it is uniquely qualified to overcome the obstacles to successful investment in this space.

WPV II expects to generate significant investment returns while meeting the challenges inherent in urban real estate development through providing a range of value-added services beyond its provision of capital. Key components of this effort include:

- Identification of attractive development sites
- Identification of emerging urban developers
- Providing analytics for project evaluation
- Providing/structuring attractive financing
- Assisting in identification of tax increments and other credits
- Providing accounting/back office support

- Partnering emerging developers with experienced developers
- Facilitation of use of/relationships with sound key subcontractors
- Structuring attractive development deals
- Identification of requirements for quick and efficient entitlements
- Providing control/reporting systems
- Development of liquidation strategies and assist in implementation
- Identification and negotiation of tenants

C. The Target Market and Projections

Many urban communities across the country, often inhabited by low-income residents, are experiencing tremendous growth as market forces create economic pressure to adapt, redevelop, and reuse these areas. The need to develop such space has become more acute as available landmass on the perimeters of prime real estate in major metropolitan regions has been absorbed and buildable in-fill sites diminish. Many of these markets are strategically located with highly developed infrastructure, multi-modal transportation and transit, utilities, hospitals, educational institutions, cultural resources and entertainment readily available.

WPV II believes that its investment strategy can take advantage of this large and rapidly growing real estate development opportunity. WPV II especially believes it can assist smaller developers identify and implement urban real estate projects in a way that they can ultimately attract long term institutional financing. Moreover, WPV II 's experience with local emerging urban developers, its access to an inventory of attractive projects, and its portfolio as opposed to a one-off transaction approach to project investing combine to give WPV II a sustainable competitive advantage in the Target Market.

D. The Competitive Advantages

(i) Experienced and committed investment team

WPV II has designed an organizational structure to produce competitive advantage in the investment of capital in the urban real estate space. In addition to General Partners with extensive investment experience, the WPV II Fund structure is designed to provide active participation from its Advisory Board and certain limited partners. WPV II will fully draw upon this organization and its network of relationships with established developers, redevelopment agencies, and corporate tenants to provide strategic direction and specific opportunities.

(ii) Experience with emerging urban developers

Experience with emerging urban developers allow WPV II to provide a unique on-the-ground community based investment method to maximize results. The General Partners have found that emerging developers often have a thorough understanding of the local marketplace and are able to find the most attractive development sites. WPV II will partner with these developers to impart the expertise and capital necessary to enhance profit potential, minimize risk exposure, and deliver substantial returns to investors.

(iii) Value-Added Investment Strategy

WPV II will strive for higher returns by participating and sharing in development fees for development services rendered. These services will range from project feasibility to accounting/reporting. Due to WPV's experience meeting investor requirements, providing these services will greatly contribute to the success of funded projects.

(iv) Significant Deal Flow and Access to Inventory of Attractive Projects

WPV II is confident of its ability to move quickly and effectively deploy committed capital in the emerging urban markets. Its current inventory of projects, as a result of its affiliate relationship with WDG Ventures, assures initial opportunities, while its network of relationships in communities throughout the nation will enable on-going transaction sourcing and capital allocation. WPV II currently has a five-project forward deal flow of investment opportunities in locales ranging across the State of California, including a hotel and residential property. For the majority of these projects, due diligence has been initiated by the General Partners.

(v) Geographic Focus

WPV II's positioning in the marketplace enables its operation in jurisdictions throughout California and through an established network of affiliations and partnerships throughout the U.S. Some of those potential partners include WPV/WDG Ventures and Telemat in Chicago.

(vii) Unique Capabilities with Entitlements and Tenants

WPV II will emphasize its competitive advantages gained through its experience in quick and efficient entitlement and tenant identification and negotiation. The General Partners strongly believe they are key differentiators in a real estate project's potential success.

E. The Economics, Profitability, and Harvest Potential

WPV II will invest in a diverse portfolio of projects in various markets. WPV II will limit its investment in any one project to no more than 10% of the total portfolio. The Fund will make strong efforts to partner local developers with mainstream developers to access projects of scale, attractive revenues and lower-risk profits. The partnership will also seek to achieve a balance between projects held for longer-term investments and those short-term projects with quicker results, such as condominiums.

F. The Team

WPV II draws upon the operational and investment experience of Williams Pacific Ventures (WPV), an investment holding company formed in 1987; a strategic partnership with WDG Ventures, an urban real estate development partnership with over 1.5 million square feet of office, retail, and residential space valued in excess of \$750 million; and the direct investment experience of the general partners Barry Lawson Williams and Stephen L. Hicks.

The two general partners bring a combined 37 years of direct investment experience and a vast network of relationships to the partnership. Barry Lawson Williams, JD/MBA from Harvard University has over 20 years of direct investment experience via his work at Bechtel Investments,

his work with WPV and WDG, and his work on various public company boards of directors. Stephen L. Hicks, Executive MBA/Sloan Fellow from the Stanford University School of Business has over 17 years experience as an investment banker in mortgage and asset-backed securities, redevelopment projects, and infrastructure finance. Williams and Hicks have invested together for over 5 years including investing together in real estate for over two years.

WPV II will perform the full range of real estate investment functions and development services including the identification of deal flow, strategy evaluation and analysis, identification of emerging development partnerships, and structuring complex transactions. In addition, the partnership has established a prominent Advisory Board that will assist the General Partners in deal sourcing, strategy evaluation and analysis, development partnerships, and financing opportunities. For a description of the backgrounds of the WPV II Advisory Board, Special Limited Partners, and the General Partners, please refer to the Management Team Section. WPV II will utilize its strategic partnership with WDG Ventures, a San Francisco based urban real estate partnership for project identification, evaluation, and development services.

WPV II will draw on its relationships with strategic players throughout the real estate development value chain to ensure effective execution of its investment approach. These relationships are based on the real estate, academic, and business professionals on its Advisory Board; its Special Limited Partners, who draw experience from executive positions at major banking institutions and successful development operations; and its General Partners, whose experience includes several major corporate directorships and the raising of capital to finance real estate for every major redevelopment agency in the State of California.

II. THE INDUSTRY AND THE COMPANY

A. The Industry

WPV II has found that developers and financial institutions often avoid urban real estate because of its complexity and risk profile as compared to suburban real estate development. The challenges of successful operation in urban real estate include inefficient parcel configuration/size, complicated/time consuming entitlement processes, parking requirements, environmental issues, redevelopment requirements, minority/local participation, community offsets, and mandatory interfaces with community groups. The need to overcome these obstacles and develop such space has become more acute as available landmass on the perimeters of major metropolitan regions has been absorbed and buildable in-fill sites diminish.

The opportunity to adapt and reuse these areas is based on the intrinsic strengths of this space, including:

- **Strategic Location** – Emerging urban areas are at the edge of prime real estate and benefit from being strategically located with access to highly-developed infrastructure, multi-modal transportation and transit, utilities, hospitals, educational institutions, cultural resources and entertainment.
- **Use of Existing Infrastructure** – From a planning perspective, in-fill development avoids suburban sprawl and makes use of existing facilities and infrastructure. Adaptive reuse of these areas benefits the lives of existing residents and businesses and spurs community revitalization.
- **Limited Competition** – The inherent challenges to successful development in the urban in-fill space create inefficient markets, ones that are beset with information asymmetries, illiquidity, and mis-pricing. Such inefficiency limits competition, while offering unique opportunities. WPV II has the investment and operating experience in this space to exploit such inefficiency.
- **Attractive Land Valuations** – Emerging urban areas can often be acquired at attractive valuations. In addition, these properties can often attract tax credits or other inducements.

WPV II will leverage these strengths to create rapidly growing investment opportunities and serve as a catalyst for future economic growth in target areas. The challenge of economic redevelopment in these markets lie in bringing more residents into the economic mainstream through housing, employment and business development. Infrastructural real estate development will attract the business and governmental support needed to contribute to growth and sustainability.

WPV II 's operating philosophy and business approach are consistent with the development challenge in this market. WPV II 's strong operating history in the urban real estate area, its network of contacts with developers, community leaders, and public entities, especially redevelopment agencies, its inventory of initial projects and its strong and active Advisory Board, provide a sufficient competitive advantage to take full advantage of this rapidly growing opportunity.

B. The Company and Concept

Williams Pacific Ventures II (WPV II) is a real estate investment limited partnership to finance real estate development projects in rapidly emerging urban markets. The partnership will provide seed capital and preconstruction equity, and mezzanine equity or participating debt for real estate development projects of up to \$50 -75 million in cost including leverage. The partnership will invest in 15 to 20 projects over a three-year period to be implemented by 8 – 10 developers in 6 - 10 cities, consisting of apartment, retail, commercial, mixed use, industrial, and condominium development. WPV II will target returns of 16% to 18%, net of management fees, to investors. The Fund is seeking \$200 Million in capital commitments.

WPV II will operate as an investment partner to experienced and emerging urban real estate developers, providing the seed capital to source, evaluate, and develop projects and potentially mezzanine equity and/or risk participating debt to complete the financing of such projects and to diversify WPV II 's risk.

WPV II will draw on its relationships with strategic players throughout the real estate development value chain to ensure effective execution of its investment approach. These relationships are based on the real estate, academic, and business professionals on its Advisory Board; its Special Limited Partners, who draw experience from executive positions at major banking institutions and successful development operations; and its General Partners, whose experience includes several major corporate directorships and the raising of capital to finance real estate for every major redevelopment agency in the State of California.

C. The Service

WPV II will enable large institutional investors to invest in the stability and minimal risk associated with the real estate market, while maximizing returns by exploiting the growing opportunity in the urban real estate space. In many cases, large institutions do not have the ability to quickly gain the in-depth on-the-ground understanding that is essential to identifying the most profitable deals. WPV II will allow investors to participate in the returns associated with this space, without the hassle and expense of developing the local relationships and expertise that it would take for direct equity investment.

WPV II will use its network of contacts with redevelopment agencies, mainstream development partners and emerging developers to do the following:

- Identify attractive urban real estate development projects, principally in California's major cities, Illinois, and New York;
- Match local emerging developers who have a thorough grassroots understanding of a particular target market with attractive development sites, and with established developer partners;
- Provide the seed equity financing for these emerging developers and secondarily backup service support to ensure the success of projects;
- Provide a broad range of operational support from project feasibility to accounting/reporting, in addition to providing equity financing. WPV II in turn will

receive a return on the equity provided and a share of various developer fees, both of which will be passed on to investors; and

- Use portfolio approach to diversify risk and develop exit strategies to realize returns on individual projects.

A key element of the services that will be provided by WPV II is that it will partner with developers to provide the expertise and capital necessary to enhance the profit potential of projects. WPV II will provide a full range of value-added services to emerging developers. Some of these value added service include market review, deal evaluation, project analytics, financial structuring, project management support services, identification and negotiation of partnering opportunities, facilitating use of/relationships with sound key subcontractors, assistance in the identification of tax increments and other credits, providing control and reporting systems, permitting, research/product design and strategy, and overall incubation and assistance in project implementation.

D. Entry and Growth Strategy

Projects will have an average holding period of approximately three years before attaining the potential for profitable exit. This period will include project identification and finalization, construction and possibly leasing. The Fund will have the flexibility to operate projects until such profitable exit cycles occur. WPV II 's primary exit strategy will be to finance out its equity to long-term institutional holders. The type and scale of projects in which WPV II intends to invest should allow for capital market solutions as part of the exit strategy, including direct institutional sales, asset securitization, and REIT's. Secondary opportunities for exit will be sales to the minority developer or local syndications. WPV II has executed these strategies previously through its work with WDG Ventures. The anticipated realization time horizon for the Fund would be six to seven years. This would allow a three-year development cycle for projects started in the third year, plus an extra year or so to fully execute an attractive workout strategy.

III. MARKET RESEARCH AND ANALYSIS

(INSERT ICIC RESEARCH)

IV. THE ECONOMICS OF THE BUSINESS

WPV II will invest in a diverse portfolio of projects in various markets. WPV II will limit its investment in any one project to no more than 10% of the total portfolio. The Fund will make strong efforts to partner local developers with mainstream developers to access projects of scale, attractive revenues and lower-risk profits. The partnership will also seek to achieve a balance between projects held for longer-term investments and those short-term projects with quicker results, such as condominiums.

The composition of the WPV II Fund will spur innovative deal structures and partnership opportunities. The General Partners are in discussions with a number of major financial institutions with whom they expect to develop joint venture investment and financing efforts. In addition, WPV II 's real estate industry relationships, from major developers to asset managers, are strong and create opportunity for unique strategies. Finally, WPV II intends to work closely with the academic community to identify leading edge investment strategies for the urban market

space, relying on the strong ties WPV II has to several leading research universities and business schools in the country. (See Appendix for historic project portfolio)

V. TRANSACTION SOURCING

WPV II plans to work with 8 to 10 developers in \pm 10 cities to develop 15 to 20 projects. WPV II can thereby be highly selective of developers, locations and project type by not having to do every project in every location. Between the ten major cities, six major project types, and numerous developers, WPV is confident that its identification strategy will produce attractive returns.

WPV II's affiliate relationship with WDG Ventures, assures initial identification of attractive opportunities, while its network of relationships in communities throughout California and in other locales in the nation will enable on-going deal flow and capital allocation. WPV II currently has a five-project forward deal flow of investment opportunities in locales across the State of California. For the majority of these projects, due diligence has been initiated by the General Partners.

The Fund will target investments that have some or all of the following characteristics:

Type of Developer	<ul style="list-style-type: none"> ▪ Established developers looking for projects in cities ▪ Minority/emerging developers seeking projects in cities ▪ Minority/emerging developers seeking joint ventures on projects ▪ Developers looking for redevelopment projects in cities
Type of Projects	(i) condominiums, (ii) apartments, (iii) mid-sized hotels, (iv) retail strips, (v) office buildings, (vi) mixed-use developments, (vii) medical office buildings, (viii) residential, and (ix) industrial
Projects Characteristics	<ul style="list-style-type: none"> ▪ In-fill locations ▪ Highly dependent on entitlement/planning process ▪ Inclined towards financial leverage/tax entitlements ▪ \$25-\$75 Million in size (total project costs) ▪ Critical sub-contracting relationships

The General Partners have found that emerging developers and redevelopment agencies often have an in-depth understanding of the local marketplace and are able to contribute to the identification of the most attractive development sites. WPV II has extensive access and has already built relationships with these developers and will partner with them to impart the expertise and capital necessary to enhance profit potential and deliver substantial returns to investors.

WPV has and will continue to partner with large, mainstream developers, as well as with community development entities, to identify potential projects. WPV II has direct relationships with some of the largest real estate investors and asset managers in the country, as well as several academic institutions with strong real estate practices, including the Haas Business School of the University of California where Barry Lawson Williams is an Adjunct Lecturer on Entrepreneurship.

WPV II is depending heavily on identifying developers with whom it can do repeat business, on projects which it can export to other locations, and on relationships with mainstream developers and redevelopment agencies which can develop additional projects.

In addition to the relationship with WDG Ventures, WPV II intends to leverage its business networks to identify potential projects, developers and partners. For example, the WPV II principals have spearheaded for years an entrepreneurial network in the Bay Area called The San Francisco Board. This group includes 140 Afro-Americans who are entrepreneurs or hold significant positions in the corporate world. Another example of network opportunities is WPV's strong relationships with mainstream developers. These developers would be sources of projects and partnership opportunities for emerging urban developers.

(iii) Examples of Current WPV II Relationships

- | | |
|--------------------------------|--|
| Developer Network | <ul style="list-style-type: none">▪ San Francisco Board (entrepreneur network)▪ Individual Developers▪ WDG Ventures▪ Telemat |
| Mainstream Developers | <ul style="list-style-type: none">▪ Millennium Partners▪ L-Cor Real Estate▪ Reynolds & Brown▪ Ted Lee & Co.▪ Sidney Unobskey |
| Redevelopment Agencies | <ul style="list-style-type: none">▪ Oakland RDA▪ San Francisco RDA▪ Sacramento SHRA▪ Los Angeles CRA▪ Port of Oakland |
| Architects | <ul style="list-style-type: none">▪ Michael Willis & Associates |
| Real Estate Consultants | <ul style="list-style-type: none">▪ Ernst & Young (Charles Shorter) |
-

WPV II is confident of its ability to move quickly and effectively to deploy committed capital in promising projects in the emerging market space through forward deal flow, strategic transaction origination and the network and relationships of the Partners and Advisory Board.

IV. MANAGEMENT TEAM

A. Organization Structure

WPV II has designed an organizational structure to produce competitive advantage in the investment of capital in the urban real estate space. The partners have paid careful attention to the need to provide incentives to maximize performance and execution and to the need to align the interests of all parties from capital partners and employees to General Partners. The General Partners of WPV II will have direct responsibility for all investor relations and will personally service the client relationship with investors. The WPV II Fund structure is designed to provide active participation from the Advisory Board and certain limited partners, in addition to its General Partners and staff. (See Appendix for Organizational Chart)
(ADD ORGANIZATIONAL CHART TO APPENDIX)

B. Biographies

Barry Lawson Williams and Stephen L. Hicks are the initial founding General Partners and shall represent WPV II in all investment activities. Charles Collins, Jerome Engel, and Arnold Grisham will serve as Special Limited Partners.

Barry Lawson Williams has direct investment and real estate experience via his work at Bechtel Investments, his work with WPV and his work on various public company boards of directors. He draws upon specific real estate investment experience via his personal investing; his active participation as a general partner on WDG Ventures II real estate projects; his general partner role of an real estate investment fund, WDG Ventures, Inc., a California limited partnership; and his being a Director of Newhall Land & Farming Company. Barry Lawson Williams has also had experience in more socially oriented investing through his prior consulting work with Rockefeller & Co.

Barry Lawson Williams will spend 100% of his professional time on WPV II where he will focus on project identification, fund strategy, project structuring and financing, and project partnering.

Stephen L. Hicks has directly relevant finance and investment experience as a result of his seventeen-year career as an investment banker in mortgage and asset-backed, redevelopment, and infrastructure finance. As a Managing Director and Partner at Paine Webber, he ran the Infrastructure Group in the firm's Western Region. In particular, during the period 1983-1991, he structured as senior manager more par value of local agency mortgage revenue bonds than any other banker in the State, working for every major redevelopment agency in California, including the Sacramento SHRA, the San Francisco Redevelopment Agency, and the Los Angeles CRA. In addition to his housing and infrastructure finance experience, he brings direct investment experience of the last five years in biotechnology, Internet applications, financial services, and real estate ventures.

Stephen L. Hicks will spend 100% of his professional time on WPV II . He will focus on fund strategy, project structuring and financing, public agency partnering, and asset management and project monitoring. Both he and Barry Lawson Williams will monitor and develop value-added exit strategies.

Charles M. Collins, Chairman and President of WDG Ventures, directs business development, corporate and equity finance and access to capital for WDG and affiliated partnerships. Mr. Collins has extensive planning experience as the former Deputy Secretary of the Business, Transportation and Housing Agency for the State of California, as a former member of the California Housing Finance Agency, and through his work with Sedway/Cooke and Associates. Mr. Collins responsibilities with Sedway and Associates was directing a comprehensive study for the City and County of San Francisco incorporating economic and fiscal considerations, land-use planning, transportation systems, and housing requirements for downtown San Francisco. Mr. Collins received a BA with honors from Williams College, Masters of City Planning from the Massachusetts Institute of Technology (MIT), and a JD from the Harvard Law School.

Mr. Collins will assist in project and market identification, project evaluation, financing strategy, and capital raising.

Jerome S. Engel, Professor/Director of the Lester Center for Entrepreneurship and Innovation at the University of California at Berkeley, formerly served as Partner for Ernst and Young. Professor Engel has conducted extensive research on start up entrepreneurial ventures and raising capital. Professor Engel received his MS in Accounting from the Wharton School, University of Pennsylvania and his BS from Pennsylvania State University.

(Need to Update) Arnold T. Grisham, President and Chief Operating Officer of Civic Bancorp and Civic Bank of Commerce. Mr. Grisham, has over 20 years of experience in leading corporate and commercial banking/finance. As the Executive Vice President of Wells Fargo Bank he managed the National Financial Services Division, including eight offices with 100 employees who handled 1,500 banking relationships with large corporate and financial institution customers nationwide. Mr. Grisham received a MBA and BS in Management from De Paul University.

Arnold Grisham and Jerry Engel will serve as adjunct operational advisors focusing on fund investment operation, strategy, and financial operations.

C. Advisory Board

The Advisory Board will provide WPV II with strategic direction, prospective partner identification, capital raising, and project identification in new geographic markets. Advisory Board members include:

Kofi Bonner, Former Chief of Economic Development of San Francisco and Real Estate and Economic Development Expert, Mr. Bonner was the most senior economic development official responsible for the economic growth and redevelopment of San Francisco neighborhoods. He also directed planning for the City's proposed \$525 million stadium-mall complex and led business attraction and retention efforts, industry growth strategies, military base reuse activities and complex real estate negotiations. Mr. Bonner now serves as Chief Administrative Officer of the Cleveland Browns professional football team and is responsible for all business affairs of the team, including overseeing marketing, business operations, community and governmental affairs. Mr. Bonner received two Masters Degrees in City Planning and Architecture from the University of California at Berkeley and a BS with honors from the University of Science and Technology in Ghana.

William D. Bradford, Former Dean of University of Washington Graduate School of Business, is now an Endowed Professor of Business and Economic Development and Professor of Finance and Business Economics. Professor Bradford has conducted extensive research and teaches in the

areas of Corporate Finance, Management of Financial Institutions, Minority and Small Business and Capital Markets. Professor Bradford received his Ph.D. in Finance and MBA in Finance from Ohio State University, and BA from Howard University in Economics.

John K. French is Director and Vice Chairman of Spieker Properties, Inc., which he helped form in November 1993. In his role as Vice Chairman, Mr. French will focus on organizational learning and corporate productivity. Until recently, John was Chief Operating Officer and was responsible for the company's day-to-day operations including the leasing, marketing and management of the company's properties. Mr. French has extensive experience in all aspects of development activities including land acquisition, entitlement process, design, construction and marketing, as well as the management of teams of people involved in the development process. Mr. French received a MBA from Harvard Business School and BA from Harvard College.

Earl A. Goode, Former President of GTE Information Services, has extensive experience in linking buyers and sellers worldwide. He managed the two business units of GTE Information Services, GTE Directories and GTE New Media Services. Under his leadership, GTE's "Super Pages", a premier internet-based advertising and information resource was named "Best Directory Site on the Internet." Mr. Goode has also been active in prominent community and civic activities. Some of these activities include serving as a board member of the Chase Manhattan Bank of Texas and the USA Education, Inc. (Sallie Mae), as well as the Vice Chairman of the Greater Dallas Chamber of Commerce. Mr. Goode is a graduate of Georgetown College.

John W. Larson has over 30 years of professional experience in management, venture capital and consulting. He is currently a private investor engaged in venture capital and special situation investing, and is the Former Chief Operating Officer of Chronicle Publishing Co., a diversified, privately-held media concern in San Francisco. He has also served as a General Partner of J.H. Whitney & Co., a venture capital and buyout firm, as well as Senior Director of McKinsey & Company, the international consulting firm, where he served as the Managing Director of McKinsey's San Francisco Office. Mr. Larson received his MBA degree from Columbia University and BA from Carleton College.

Tom L. Lee, Retired Chairman and Chief Executive Officer of Newhall Land and Farming, directs the activities of Newhall Land, which owns more than 50,000 acres in California and develops new towns and master planned communities. Newhall Land and Farming is traded on the New York and Pacific Stock Exchanges. Mr. Lee joined Newhall Land in 1970 and has held various positions in the company's residential, commercial and industrial real estate operations. He was named President and Chief Operating Officer in 1985, CEO in 1987 and Chairman in 1989. Mr. Lee has an MBA from Stanford University and graduated from Denison University with a degree in Economics.

Charles A. Shorter is Director of Real Estate Consulting in the New York Office of Ernst and Young. His primary experience is in project management, business development, market and financial feasibility studies for real estate transactions, master planning and strategic planning for site use and real estate disposition. He has special expertise in urban revitalization projects, economic development and impact analysis, public/private partnership development, waterfront development, corporate strategic planning, and general advisory services to developers, government and non-profit organizations. He currently serves as Principal with E&Y Kenneth Leventhal Real Estate Group. Prior to joining EY/KL, Mr. Shorter was a principal in the Real Estate Services Group for Arthur Andersen, LLP. Mr. Shorter received his MA from Columbia University and BA from Princeton University.

D. Investment Activity And Experience

A description of the investment experience of Barry Lawson Williams and WPV is included below. Steve Hicks began investing with WPV in 1997. The General Partners joint investment experience is delineated under “Williams-Hicks Investment Activities”.

Investment Experience

1988-Present

- General Partner of institutionally backed Real Estate Investment Fund that provided risk equity for WDG development projects.
- General Partner in five individual development projects developed by WDG.
- Active co-developer in two WDG real estate projects and currently co-developer of two potential WDG real estate projects in Oakland, California.
- Board member of Newhall Land and Farming Co., a planned community developer in Southern California.
- Chairman of the Finance Committee of PG&E Corporation and former Board member of Investment Subsidiary dealing with real estate as well as oil, gas and energy investments.

Pre-1988

- Managing Director of Bechtel Investments, Inc. during the middle 1980’s, focusing on investments in alternative energy, retirement centers, venture capital and financial services.
- Bechtel designated Board Member to Dillon Reed & Co.
- Founder and President of Williams Pacific Ventures, Inc., an investment consulting firm, since 1987.
- West Coast consultant to Rockefeller & Co., Investments during the late 1980’s.
- Successful major investor in four acquisitions/joint ventures since 1988 (Falcon Cable, CN Flagg, Denver Joint Venture and Oakland Coliseum Joint Venture).
- Chairman of four public-company Audit Committees overseeing pension investments, etc., and service on five other Audit Committees.
- Chairman of the Finance Committee of PG&E and two other publicly-traded companies.
- Former member of the Finance Committee of the Board of Overseers of Harvard University.

Williams-Hicks Investment Activities

- Joint bidders for acquisition of financial conglomerate in South Africa in 1995 (raised money but were not the successful high bidder).
- Joint bidders for formation of OPIC Telecommunications Fund in Africa in 1998 (structured joint venture but were not the successful bidder).
- Co-investor in two real estate projects and a new media technology company.
- Co-founders of Brazilian Technology Incubator.
- Co-sponsor of WPV II Real Estate Investment Fund.
- Joint investors on four potential real estate development projects, and joint bidders on four additional real estate development projects.

VI. RISK FACTORS AND CERTAIN INVESTMENT CONSIDERATIONS

A major risk specific to the WPV II investment concept is one of execution, wherein WPV II is challenged to find viable developer/operators on multiple jurisdictions given the inherent local nature of real estate development. WPV II is confident of its ability to execute and overcome this challenge. Its immediate deals, drawn from San Francisco, Oakland, San Jose, and Los Angeles, assure a strong, initial base of investment operations. Further, WPV II's organizational structure of major real estate and investment professionals will provide competitive advantage in sourcing other developer partners. This process has already begun, as WPV II Advisory Directors have identified and have begun introducing the General Partners to key developers in other parts of the country. WPV II is confident that it can identify a significant number of emerging developers and attractive projects. Most importantly, WPV II will draw upon its years of experience in urban real estate to identify, evaluate, structure, harvest, and liquidate projects for above-market returns.

WPV II is also confident that it can execute a strategy that lowers the risk profile of doing individual urban real estate projects. WPV II will employ risk management strategies, such as a portfolio approach, partnering with mainstream developers, project type/selection, and developer operational support. WPV II will engage in other strategies of risk mitigation. First, WPV II will limit its investment in any one project to no more than 10% of the total portfolio. Second, WPV II will invest in a diverse portfolio of projects in various markets. By investing in various projects, project types and locations, WPV II will not be overly dependent on one market. Next, WPV II will make strong efforts to co-develop with mainstream developers to access projects of scale, attractive revenues and lower-risk profits. Finally, WPV II will strive to achieve a balance between projects held for longer-term investments and those shorter-term projects with quicker results, such as condominiums. Other risks to the success of the venture relate more to the risks of real estate as an asset class and development risks in general, are discussed below.

Performance Challenges and Risk Mitigation

WPV II intends to acquire a diverse portfolio of properties including residential, office, retail, industrial/distribution, parking, mixed-use and special-purpose properties. In general, WPV II will develop/acquire properties in which its entity investment ranges in value from \$5 million to \$15 million. The General Partners will seek to limit the equity investment in any single property to 10% of the portfolio's total capital commitments. In general, WPV II will undertake deals exhibiting strong cash-flow trends or potential for strong cash flow. WPV II also expects to benefit from an increase in income plus residual value as areas improve.

Several risk factors will be monitored and evaluated on an ongoing basis to confirm the viability of the investment strategy. These factors include the following:

- Softening market demand for real estate products, such as office, housing or retail space. This often leads to declining rental rates and the potential for increased vacancy rates. *Mitigation: Close monitoring of real estate and financial markets, including interface with active knowledgeable market research consultants, investment bankers and real estate brokers.*
- Overbuilding may occur if a glut of space is brought onto the market by developers out of pace with demand for space by users. *Mitigation: Close monitoring of real estate and financial markets, including the interface with active, knowledgeable real estate brokers.*

- Inflation and interest rate increases by the Federal Reserve. *Mitigation: Utilize firm ties to the Federal Reserve to gauge interest rate changes. Close monitoring of real estate and financial markets, including interface with active, knowledgeable financial intermediaries.*
- Duration–revitalization strategies can take many years to “grow” an area and achieve substantial returns. *Mitigation: WPV II ’s strategy of long-term investment in urban markets will be coupled with the pursuit of short-term projects with quick returns (i.e., condominium and other for-sale products).*
- Liquidity risk may occur if assets in the portfolio do not attract buyers once the market has matured. *Mitigation: WPV II ’s strategy of long-term investment in urban markets will be coupled with the pursuit of short-term projects with quick returns (i.e., condominium and other for-sale products). Moreover, this will be mitigated by WPV II ’s diversification strategy in terms of tenant and product types and geographic areas. In addition, with the scale of follow-on investments in target markets, WPV II may look to the capital markets for liquidity options.*
- Project risks: market, capital, entitlements, and design and construction. Each of these forms of risk and examples of mitigation techniques are described below.

Real estate developers and investors face several definitive forms of project risk. These fall into four main categories: market risk, capital risk, entitlement risk and design/construction risk.

Market risk refers to overbuilding (oversupply), softening demand and the disjunction between development costs and the pricing of space. Market risk cannot be eliminated entirely; however, proper planning and due diligence can reduce market risk considerably. As described above, WPV II and its developers maintain close interaction with experienced real estate brokers, who are active in the market, to stay abreast of new projects (supply) in the pipeline, vacancy rates in the area, and absorption rates. Pre-leasing space to creditworthy tenants is one of the best remedies our developers can utilize to reduce market risk.

Capital risk relates to the potential for inflationary pressure and rising interest rates to make otherwise viable projects financially infeasible. Another form of capital risk occurs when product types or locations fall out of favor with the capital markets. This usually coincides with fluctuations in market demand and supply, and can be anticipated. WPV II consults with debt and equity providers early in a project’s development, prior to acquisition, to obtain forward commitments of construction and permanent financing to fix interest rates and ensure the feasibility of the project.

Entitlement risk may become a significant obstacle to the success of a project if local government or community leadership opposes the intended development program. As a rule, WPV II has, and will continue to maintain, close ties with housing officials and regulatory agencies that have control over project approvals. By engaging local communities and public officials in the project design as it develops, WPV II and its development partner will be able to avoid the major pitfalls associated with entitlement risk.

Design/construction risk pertains to all facets of the design and building process. The most significant form of design/construction risk is the potential for construction costs to increase dramatically between the feasibility phase of a project and construction commencement. WPV II mitigates design/construction risk by pre-selecting and engaging a contractor, in collaboration

with the design team, at the front end of a project to secure cost estimates and eventually guaranteed maximum prices (GMP's), usually before acquisition.