



Williams Pacific Ventures II

Commingled Equity Fund
for
Urban Real Estate

Williams Pacific Ventures II

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Executive Summary

Concept

- ◆ Invest \$200MM into \pm 20 urban real estate projects to be developed by small-medium sized real estate developers within three years
- ◆ Focus on urban infill projects (residential primarily, office, and mixed use) that are replicable in many locations and that fit with WPV development/investment expertise
- ◆ Fulfill need for intermediary between smaller developers and institutional investors
 - Leverage WPV development/investment experience and knowledge of institutional investor requirements
 - Capitalize on WPV skills relating to deal access, project management, development infrastructure, and local governmental relations
- ◆ Focus on 3-4 attractive geographic markets, using existing infrastructure, and which provide attractive opportunities for WPV product types
- ◆ Provide 18-20% leveraged return within a three- to seven-year period

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Urban real estate is an attractive investment space because:

- ◆ Good diversification for investment portfolios, given real estate's risk/reward profile
- ◆ Continued strong demand for urban infill real estate development, especially in housing
- ◆ Real estate development has proven exit strategies with relatively predictable returns in reasonable time frames
- ◆ Capital can be deployed rapidly, and current market offers attractive land acquisition opportunities
- ◆ WPV II is appropriate intermediary to execute strategy and optimally deploy capital, given its infrastructure/network/product expertise

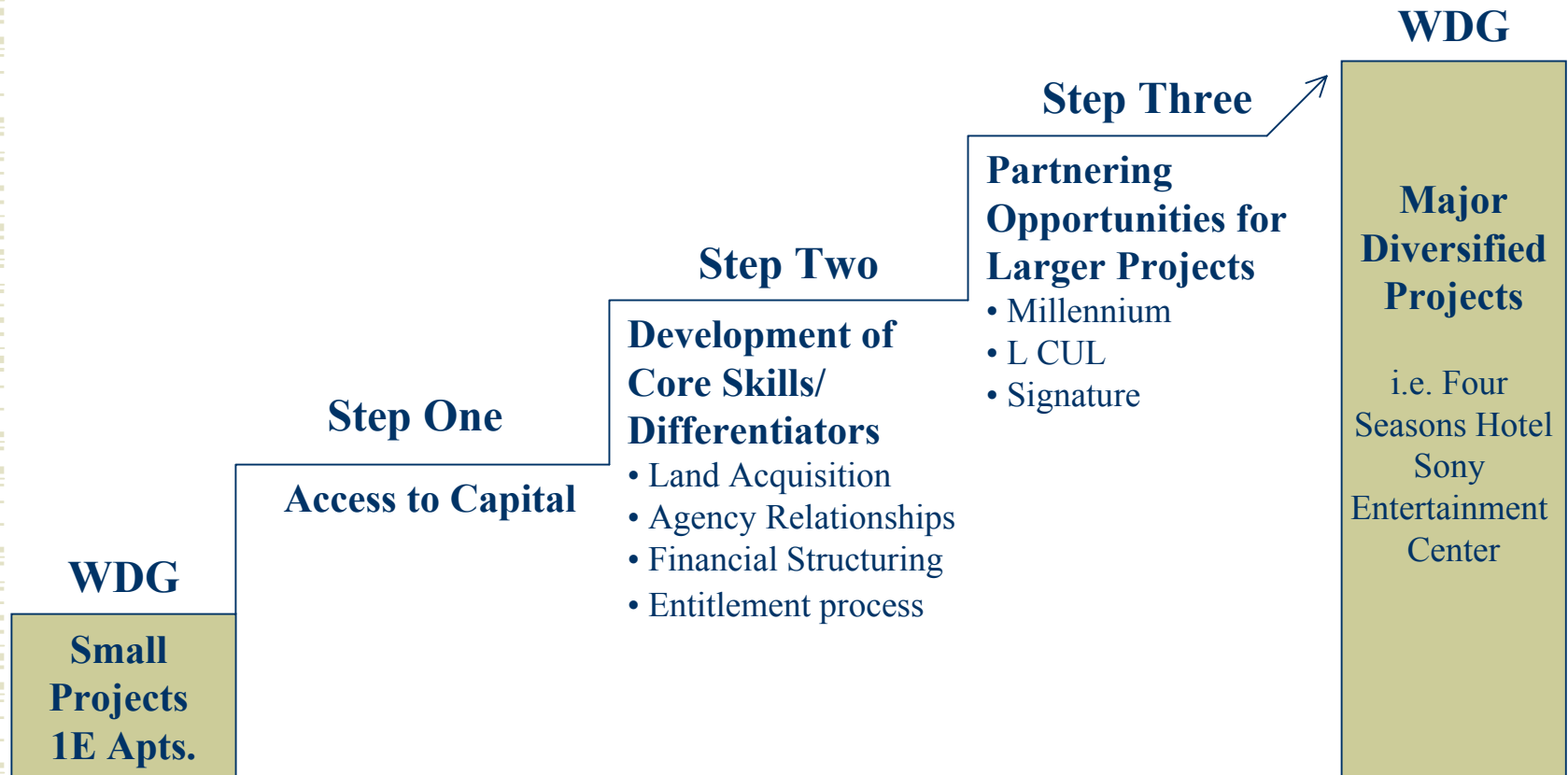
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Objectives of Williams Pacific Ventures II

- ◆ Leverage WPV urban real estate, investment and partnering experience
- ◆ Exploit the opportunity for urban infill and urban niche real estate development
- ◆ Bridge gap between smaller, quality urban real estate developers and institutional financial sources
- ◆ Provide strong investment returns through value-added expertise in deal sourcing, structuring, joint venture creation and risk mitigation
- ◆ Provide market returns (while secondarily supporting a social purpose)

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Development Stages of Smaller to Mid Size Urban Developers



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WPV II is the right team to execute this attractive strategy:

1. Have extensive relations with small to midsize developers, larger developer partners and redevelopment agencies
2. Have inventory of projects
3. Have experience in developing/investing in primary real estate products
4. Have assessment teams, including market consultants, architects, and builders, capable of quickly understanding project viability
5. Experienced in exploiting development leverage points regarding land acquisition, tax increments, entitlement process, financing structures, etc.
6. Understand institutional investment requirements (reporting/accountability, governance/control, required returns, exit strategies)
7. Have infrastructure in targeted real estate markets

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Profile of Projects by Year (Required 5-15 MM in Equity)

	Year 1	Year 2	Year 3
Residential	4	3	2
Office	2	3	1
Mixed-use	2	1	2
Totals	8	7	5

California ¹	6	4	2
Chicago ²	1	2	1
New York ³	1	1	2
Totals	8	7	5

1 Plus Seattle

2 Plus Detroit and Indianapolis

3 Plus Boston and Washington D.C.

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Composite Backgrounds

General Partners

Special Limited Partners

	<u>B. L. Williams</u>	<u>S. L. Hicks</u>	<u>P. Bynoe</u>	<u>C. Collins</u>
Education	Harvard AB, JD, MBA	U.C. Davis AB Stanford Sloan, MS	Harvard AB, JD, MBA	Williams AB Harvard JD
Work Experience	McKinsey Bechtel Group WPV I AMA	Investment Banking Partner Paine Webber Private Investing WPV I	McKinsey Real Estate Telecommunications Law Practice	Law Practice Government Real Estate Development (WDG)
Real Estate/ Investment Experience	22 years	10 years investment 16 years financing	22 years	21 years

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Key Roles

General Partners

Decision Makers	<u>B. L. Williams</u> (San Francisco)	<u>S. L. Hicks</u> (San Francisco)	<u>TBD</u> (Chicago based)	<u>TBD</u> (N.Y. based)
Investors	<ul style="list-style-type: none"> • Development • Financing • Investment Partnering • Investor Relations 	<ul style="list-style-type: none"> • Development • Financing • Investment • Asset Management 	<ul style="list-style-type: none"> • Deal Flow 	<ul style="list-style-type: none"> • Deal Flow

Special Limited Partners

<ul style="list-style-type: none"> • Value Added Skills • Co-investment Rights 	<u>C. Collins</u> (San Francisco)	<u>E. Schmidt</u> (Indianapolis)	<u>A. Grisham</u> (San Francisco)	<u>P. Bynoe</u> (Chicago)
	<ul style="list-style-type: none"> • Deal Flow • Value-added Services 	<ul style="list-style-type: none"> • Legal • Deal Flow 	<ul style="list-style-type: none"> • Financing • Deal Flow 	<ul style="list-style-type: none"> • Deal Flow • Value-added Services

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- ◆ Kofi Bonner AD Former Chief of Econ. Development - SF
- ◆ William Bradford AD Prof. Finance/Econ. Dev. UW, GSB
- ◆ Peter Bynoe SLP Law Partner, Rudnick and Wolfe
- ◆ Charles Collins SLP Chairman, President WDG Ventures
- ◆ Jerome Engel AD Dir. Center for Entrepreneurship, UCB
- ◆ John French AD Vice Chairman, COO Spieker Properties
- ◆ Earle Goode AD Former President GTE Information Services
- ◆ Arnold Grisham SLP Former EVP Wells Fargo; M/D Korn Ferry
- ◆ John Larson AD Current VC; Former McKinsey Partner
- ◆ Tom Lee AD Retired Chairman, Newhall Land & Farming
- ◆ Ed Schmidt SLP Retired General Counsel, USA Group

AD Advisory Director

SLP Special Limited Partner

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Potential Leads

	Primary	Key	Other Possibilities
<u>Banks</u>	<ul style="list-style-type: none"> ◆ Union Bank of California ◆ Wells Fargo 	<ul style="list-style-type: none"> ◆ US Bank Corp ◆ Washington Mutual ◆ Bank One ◆ Chase 	<ul style="list-style-type: none"> ◆ Fleet ◆ Bank of America ◆ Merrill Lynch ◆ Citigroup
<u>Foundations</u>		<ul style="list-style-type: none"> ◆ Rockefeller ◆ MacArthur Foundation 	
<u>Insurance Companies</u>		<ul style="list-style-type: none"> ◆ Allstate ◆ TIAA CREF 	
<u>Universities</u>	<ul style="list-style-type: none"> ◆ Yale 	<ul style="list-style-type: none"> ◆ Stanford ◆ Duke 	<ul style="list-style-type: none"> ◆ Harvard
<u>Companies</u>	<ul style="list-style-type: none"> ◆ Fannie Mae 	<ul style="list-style-type: none"> ◆ Delta ◆ Coca Cola ◆ Chevron/Texaco 	<ul style="list-style-type: none"> ◆ Phillip Morris
<u>Pension Funds</u>		<ul style="list-style-type: none"> ◆ CalPERS ◆ CalSTRS 	

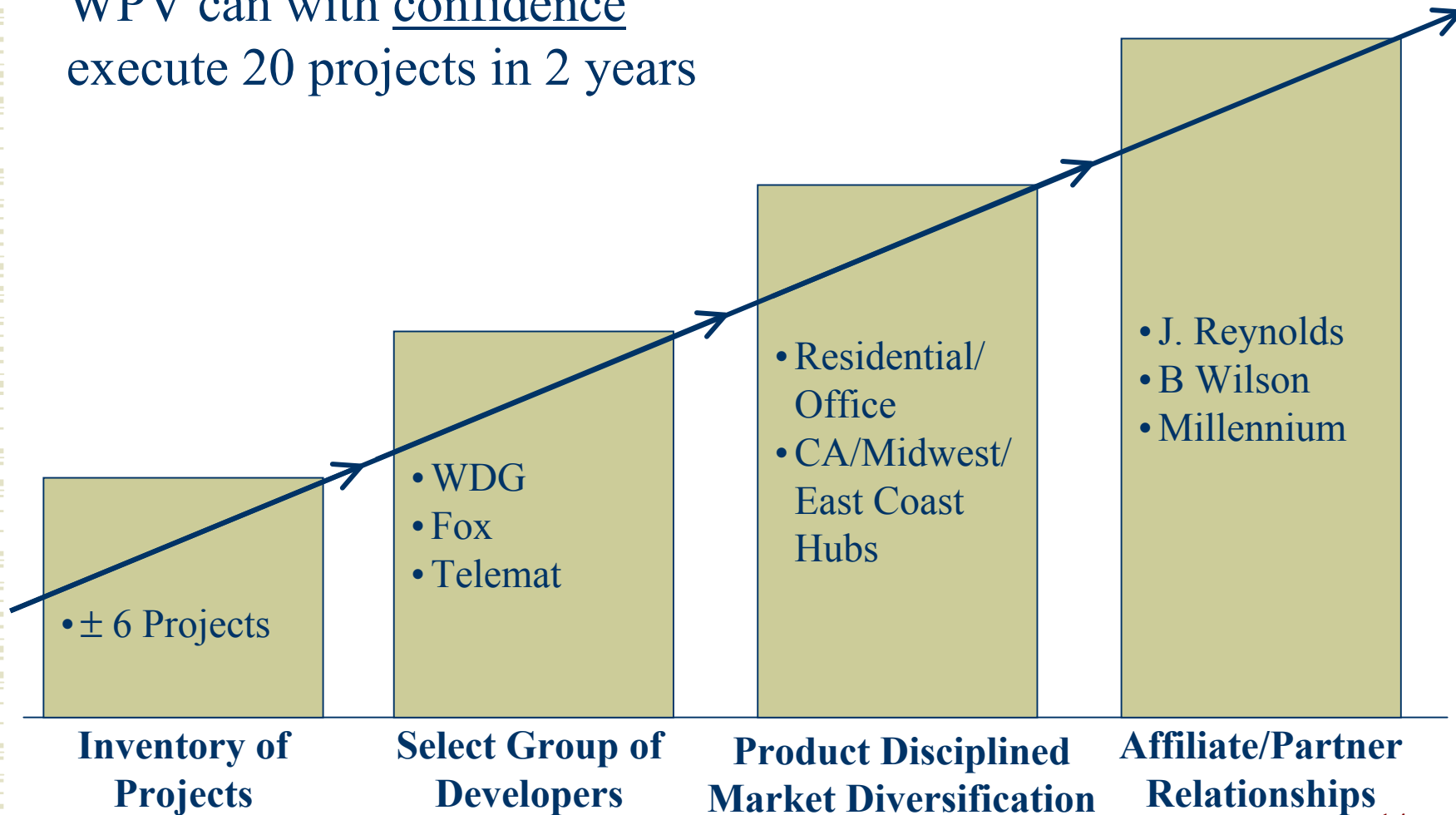
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Overview

- ◆ Raise \pm \$200 million fund to invest in \pm 20 projects of urban developers;
- ◆ Provide risk capital and mezzanine equity or participating debt for projects
 - \$20-65 million in cost
 - Residential, retail, commercial, mixed use, industrial;
- ◆ Provide value-added services – project identification, analysis, strategic financing, partner opportunities, operational support;
- ◆ Achieve opportunistic returns through fee participation, project selection, technology opportunity nexus;
- ◆ Leverage WPV's knowledge of developers, inventory of projects, major developer partnerships, financial expertise, operational infrastructure
- ◆ Produce net returns to investors of \pm 18% to 20%

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WPV can with confidence
execute 20 projects in 2 years



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WPV is targeting the real estate market of Q4 2004 based on land acquisitions starting in Q2 2002

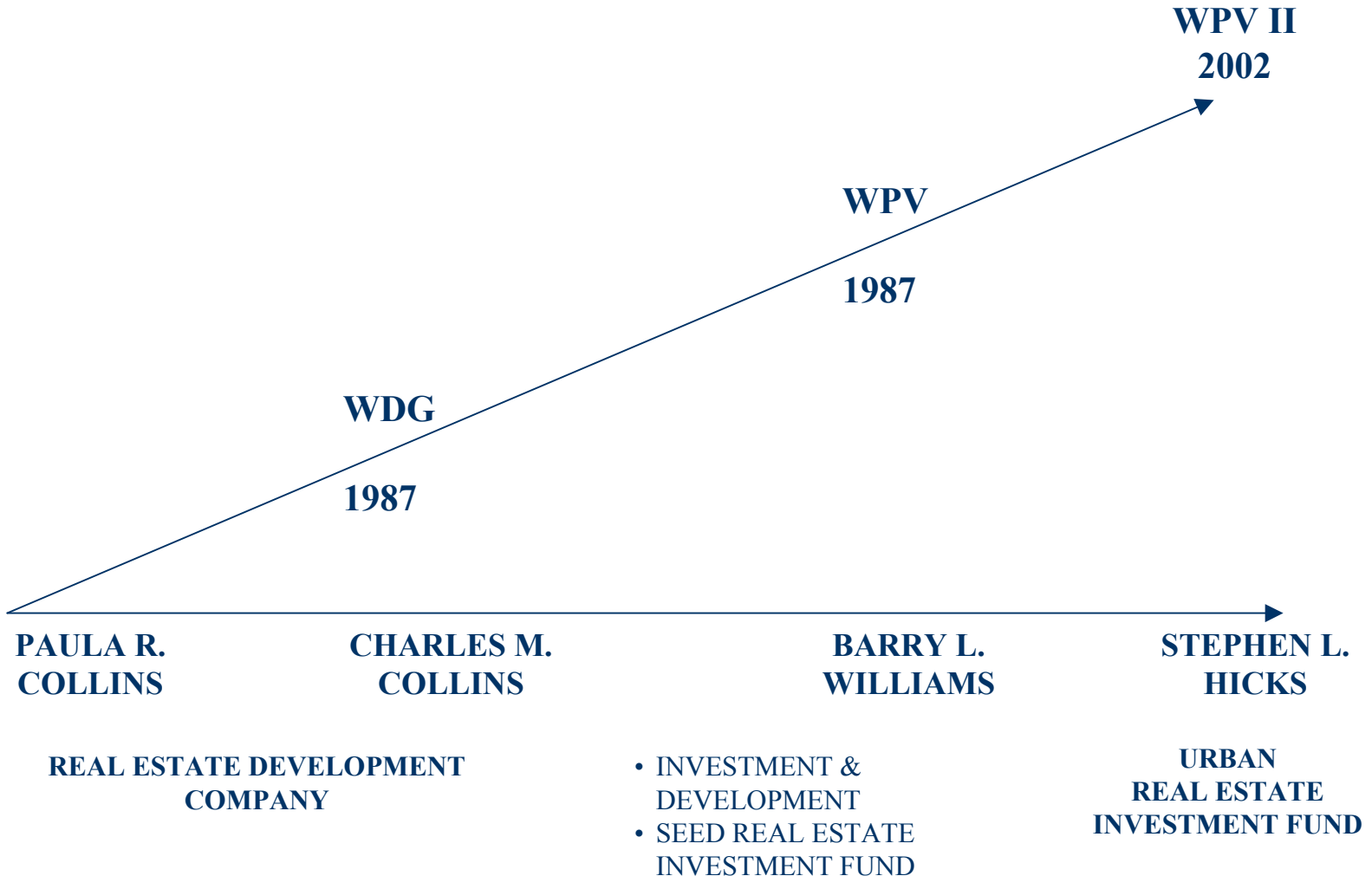
	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q4 2003	Q4 2004
First Closing	⊗					
Initial Land Deals		● →				
Second Closing		⊗				
Remaining First YR Project Land Deals			● →			
Entitlement Process 1 st YR Deals				● →		
Acquired Land for 2 nd YR Projects				● →		
Market of First YR Deals						⊗

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Strengths:

- ◆ Experienced and committed investment team
- ◆ GP's with strong real estate development, investing management, and financial services management experience
- ◆ Access to world class strategic advisory board represented by industry, academia, and capital markets
- ◆ Substantial GP corporate governance experience; multiple corporate directorships
- ◆ Strong deal flow given industry, advisory board, fund partner relationships
 - Initial inventory of projects
- ◆ Team has invested together in private equity deals for two years
- ◆ Value added investment strategy

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Factors Limiting Urban Real Estate Development:

- ◆ Inefficient parcel configuration/size
- ◆ Complicated/time consuming entitlement processes
- ◆ Parking requirements
- ◆ Environmental issues
- ◆ Redevelopment requirements
- ◆ Minority/local participation
- ◆ Community offsets
- ◆ Mandatory interfaces with community groups

WPV is experienced in working through the major challenges associated with urban real estate

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Urban Investments

Type of Developer

- ◆ Established developers looking for projects in cities
- ◆ Minority/emerging developers seeking projects in cities
- ◆ Minority/emerging developers seeking JV's on projects
- ◆ Developers looking for redevelopment projects in cities

Type of Projects

- ◆ Residential
- ◆ Mid-sized Hotels
- ◆ Retail Strips
- ◆ Office Buildings
- ◆ Mixed-use developments
- ◆ Medical office buildings
- ◆ Industrial

Project Characteristics

- ◆ In-fill locations
- ◆ Highly dependent on entitlement/planning process
- ◆ Inclined towards financial leverage/tax entitlements
- ◆ \$25-50 MM in size (total project costs)
- ◆ Critical sub-contracting relationships

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Operating Mode

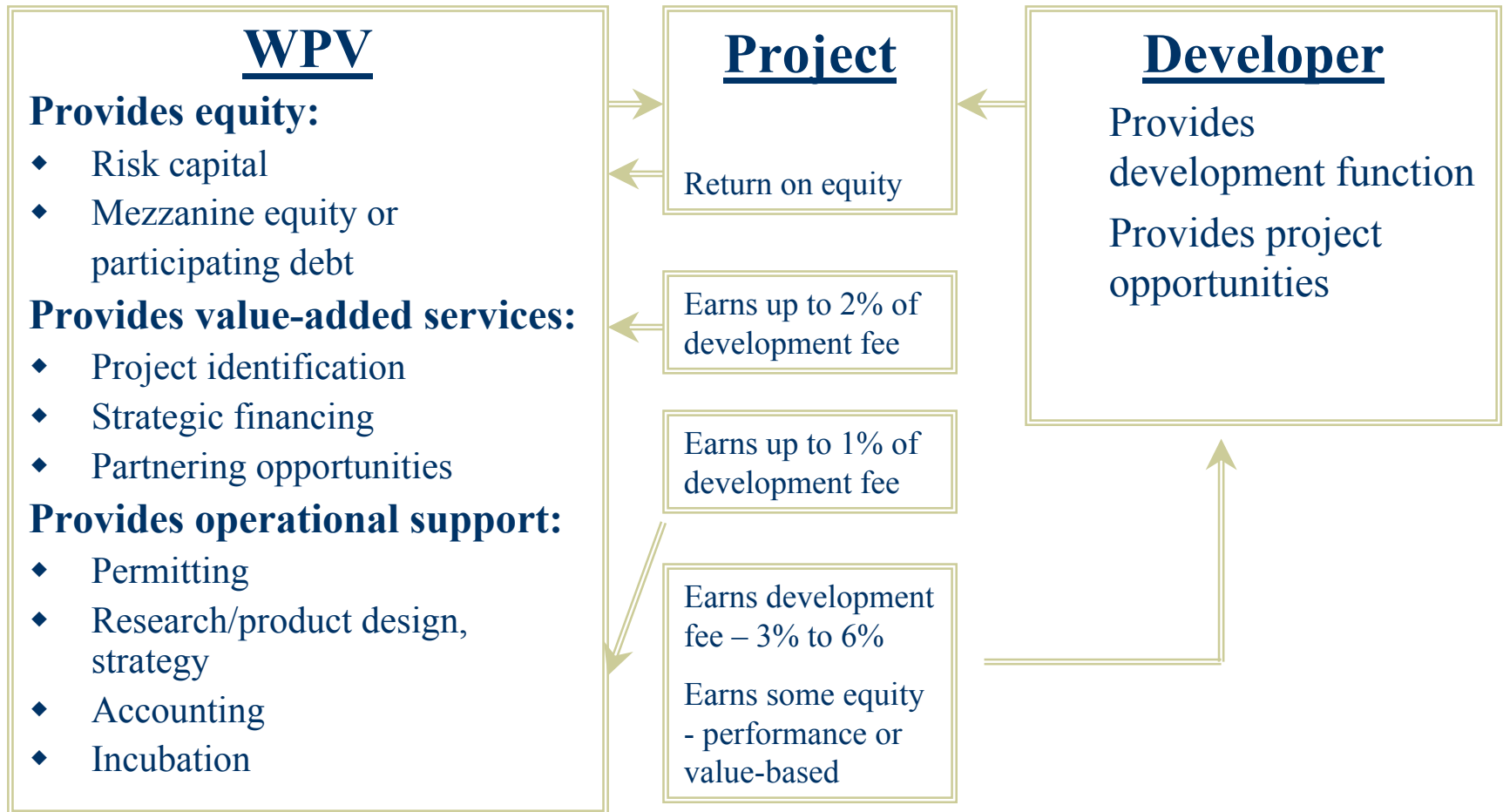
- ◆ Commit to providing equity in tranches directly to an urban real estate project undertaken by an experienced urban real estate developer
- ◆ Select projects based on investment risk/returns, entitlement process, tenant possibilities and exit strategy
- ◆ Negotiate development budget and contract for development support services
- ◆ Negotiate exit strategies up front and investment reporting requirements
- ◆ Tie investment funding to milestones such as completion of project feasibility, of entitlement process and construction financing

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Investment Philosophy:

- ◆ Treat investor capital as our own
- ◆ Select investment opportunities only within our sphere of competitive advantage
- ◆ Deploy investment capital in high growth/high return areas to achieve substantial returns for our investors
- ◆ Create a portfolio of approximately 20 investments that produces at least market rate risk-adjusted returns
- ◆ Achieve a workable risk profile by not investing more than 10-15% of the total fund in one opportunity
- ◆ Fund enabling investments in conjunction with strategic partners and other equity/debt providers

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Value-Added Strategy:

- ◆ Identify attractive development sites
- ◆ Identify emerging urban developers
- ◆ Provide analytics for project evaluation
- ◆ Partner emerging developers with experienced developers
- ◆ Facilitate use of/relationships with sound key subcontractors
- ◆ Structure attractive development deals
- ◆ Provide/structure attractive financing
- ◆ Assist in identification of tax increments and other credits
- ◆ Provide accounting/back office support
- ◆ Provide control/reporting systems
- ◆ Develop liquidation strategies and assist in implementation

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WPV II will focus on . . .

- ◆ California (plus Pacific Northwest); Illinois (plus Indianapolis, Detroit, Cleveland); and New York (plus Boston, Washington, D.C.)
 - Based on market attractiveness and WPV II infrastructure
- ◆ Residential and office projects, as well as opportunistic positioning of other product types
- ◆ Selective number of development projects in urban areas where WPV II has experience and infrastructure

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WPV II Evaluation of Markets

<u>Market</u>	<u>High Market Attractiveness</u>	<u>Strong WPVII Contacts</u>	<u>WPVII Infrastructure</u>	<u>Scoring</u>
◆California	*	*	*	Primary
◆Portland/Vancouver				To Be Explored
◆Seattle	*	*	*	Secondary
◆Denver	*	*	+	To Be Explored
◆Dallas	*	+	+	To Be Explored
◆Chicago	*	*	*	Primary
◆Detroit	*	*	+	Secondary
◆Indianapolis	*	*	*	Primary
◆Boston	*	*	+	Primary
◆New York	*	*	*	Primary
◆Washington D.C.	*	+	+	Secondary
◆Atlanta	*	+		To Be Explored

* Strong + Developing

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Geographic/Product Distribution

	<u>SF</u>			<u>LA</u>		<u>NY</u>		<u>CHI</u>		<u>SAC</u>		<u>OAK</u>		<u>SEA</u>	
<u>Developers</u>	(A)	(B)	(C)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(A)		
<u>Projects (20)</u>	1 2 3	4	5	6 7	8	9 10	11	12 13 14	15	16	17 18	19 20			
<u>Apartments/ Condos (9)</u>	★		★	★		★		★	★	★		★		★	
<u>Office (6)</u>	★	★		★		★						★		★	
<u>Mixed Use (3)</u>	★				★		★								
<u>Retail (2)</u>									★		★				

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Typical WPV II Network San Francisco Knowledge Network

Local Developers

WDG
R. Willis
R. Luster

Key Relationships

Millennium Partners
Cattellus
Signature
Spieler Partners

Key Real Estate Contacts

Al Schreck
Toby Rosenblatt
Ted Lee
Paul Sack
Sid Unobskey

Key Builders

NIBBI
WEBCOR

Sources of Local Projects

S.F. Redevelopment
Port of San Francisco
Mayor's Office
Healthcare Systems
Corporate Connections

Key Architects

M. Willis
J. De Casada

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Alternative Exit Strategies:

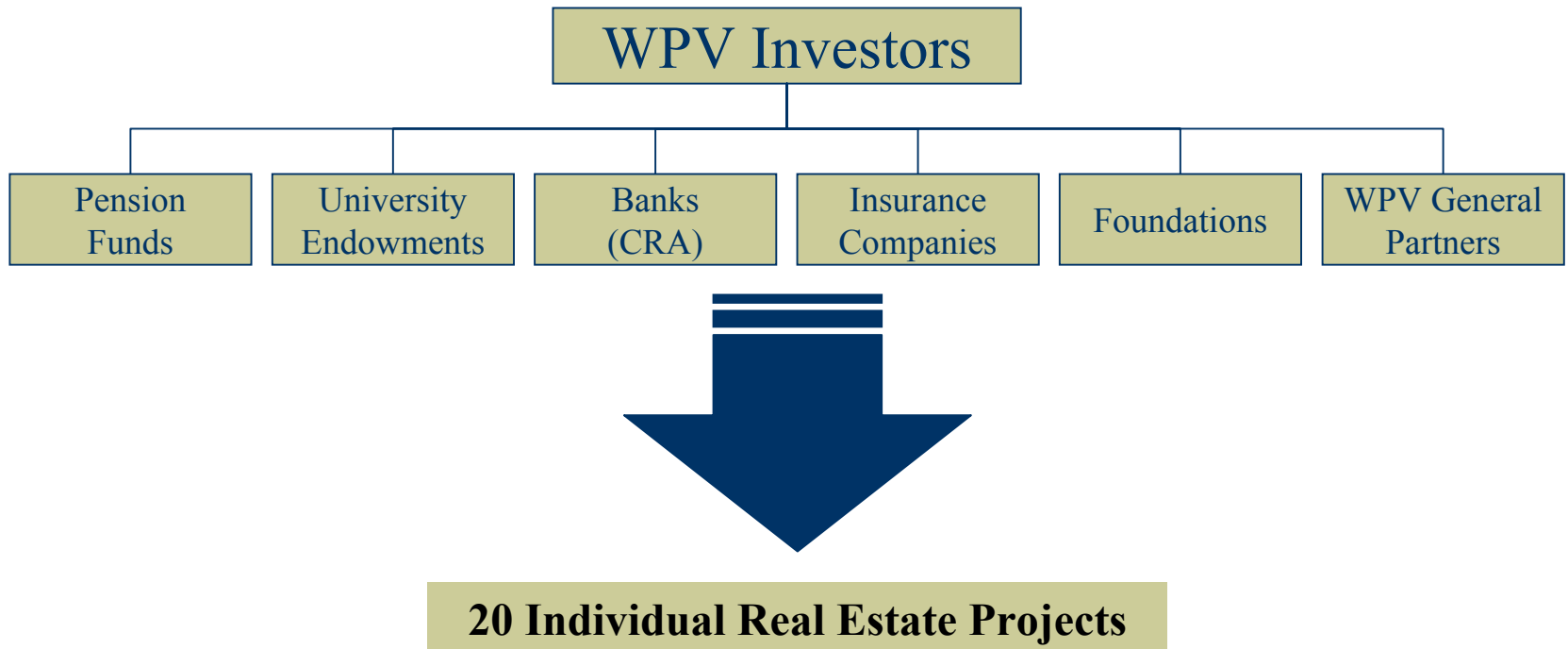
- ◆ Sell to long-term institutional investors
- ◆ Sell to local developers
- ◆ Syndicate to long-term investors
- ◆ Sell to occupants

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Structure:

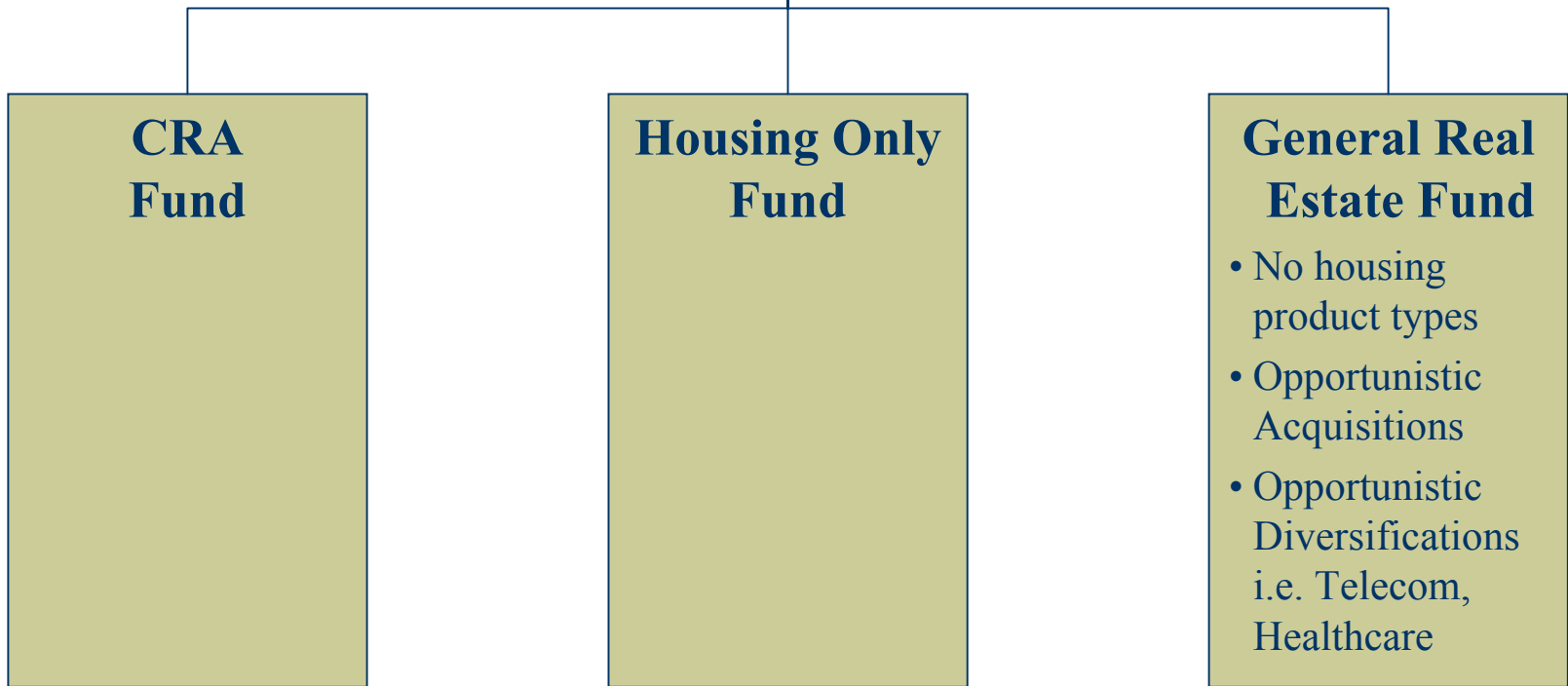
- ◆ Traditional GP managed fund, 20% carry with management fee and LP preference
- ◆ Substantial GP capital at risk: \pm 1% to 2% of committed capital
- ◆ Four GP's plus special SLP's with industry experience
- ◆ Fund would be LP in individual real estate development projects

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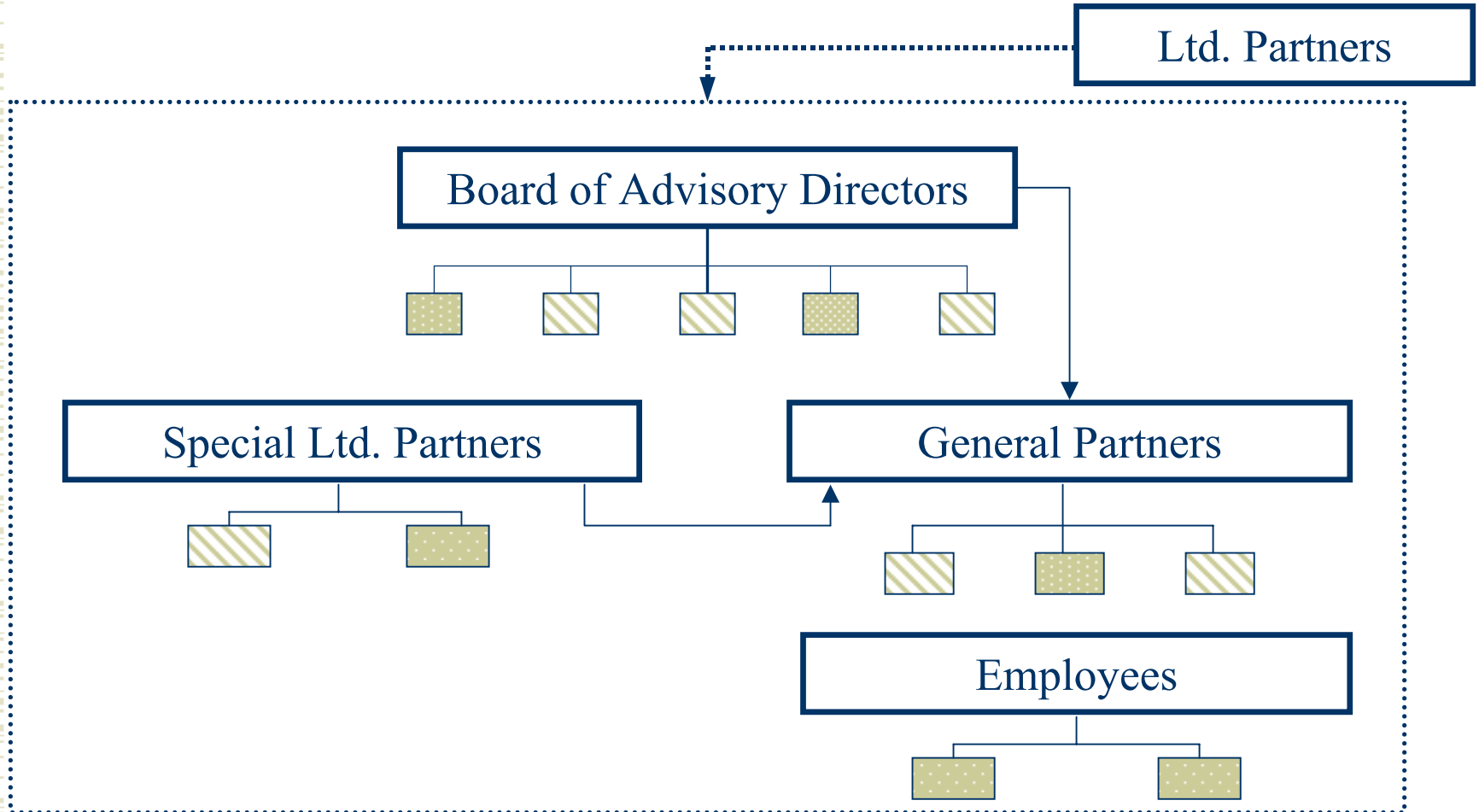


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Commingled Fund

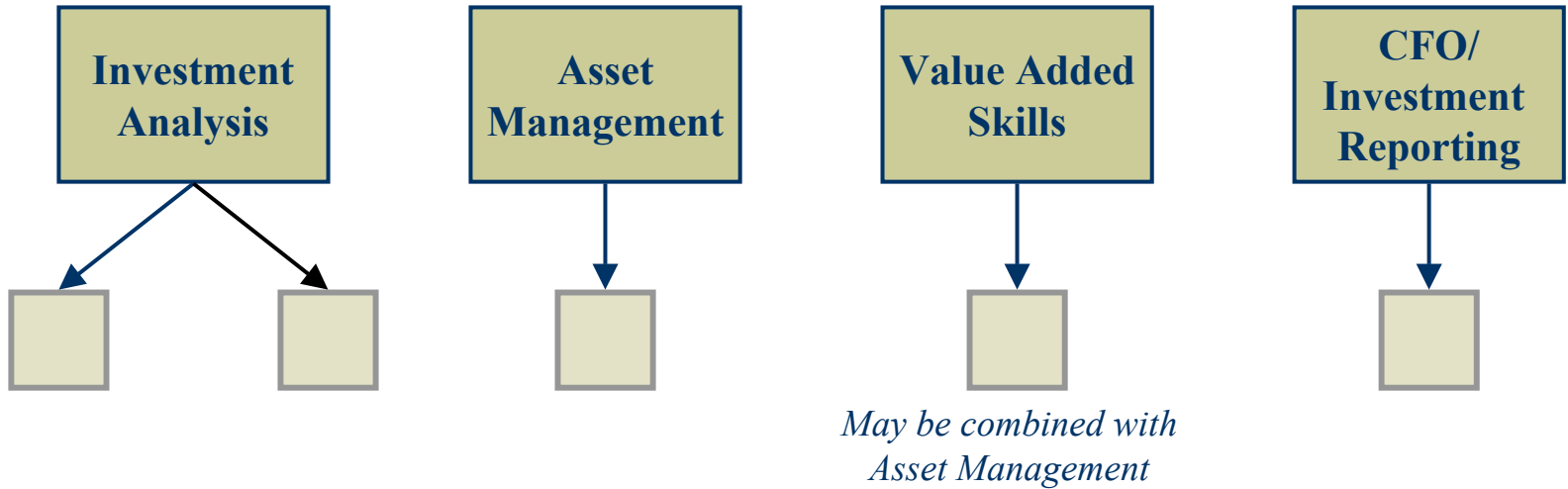


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Key Operating Roles



Candidates

- Jaime Williams
- Falona Heidelberg

- Jay Ward
- Wilbur Hobbs

- Vivian Guzman
- Keith Williams

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WPV II is the right team to execute this attractive strategy:

- ◆ Have history of working and investing together; have an inventory of projects; have a network for deal and partner sourcing
- ◆ Have the required experience and skills to identify good local developers, good urban projects and good project partnering opportunities
- ◆ Understand the competitive leverage points related to land acquisition, the entitlement process, tenant negotiations, structured financing and exit strategies

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STRATEGIC STRENGTHS

- ◆ EXPERIENCE WITH LOCAL HANDS-ON URBAN DEVELOPERS
- ◆ ACCESS TO INVENTORY OF ATTRACTIVE PROJECTS
- ◆ PORTFOLIO APPROACH/SCALE OF OPERATIONS
- ◆ EXPERIENCE WITH INVESTOR REQUIREMENTS/INTERFACES

VALUE PROPOSITION

- ◆ EQUITY FINANCING
- ◆ COMPREHENSIVE STRATEGIC SUPPORT
- ◆ ACCESS TO TENANT POSSIBILITIES
- ◆ PARTNERING OPPORTUNITIES
- ◆ FINANCING EXPERTISE
- ◆ EXPERIENCE WITH INVESTOR REQUIREMENTS/INTERFACES
- ◆ FOCUS ON RETURNS/EXIT STRATEGIES

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WPV II has the Right...

Right Concept

- ◆ Urban infill projects; projects that are highly replicable; projects based on attractive land acquisitions
- ◆ Focus on strong smaller developers who lack direct access to institutional capital and larger project opportunities

Right Time

- ◆ Experiencing continued housing demand plus seeing opportunistic land acquisitions/development opportunities (undervalued real estate)
- ◆ Fulfilling market need -- local real estate developers seeking access to capital, partnering opportunities, deal-structuring, relationships, and other value-added services

Right Team

- ◆ Experienced development team, with deal inventory and networks focused on investor returns

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Outstanding Questions

1. Legal/Investment Vehicle
2. Minimum Investment Levels
3. Investment Review Rights
4. Initial Inventory of Prospects
5. Actual Date and Amount of Initial Closing



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Appendix : Sample Properties

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Typical Projects

	<u>Project Cost</u>	<u>Estimated Project Value</u>	<u>Gross Square Ft.</u>	<u>Yield (NOI/TPC)</u>	<u>Amount of Equity</u>	<u>CAP Rate</u>
Residential	\$55,864,000	\$77,303,000	329,700		20%	7.5%
Office	\$58,999,000	\$74,826,000	245,235		20%	9.5%
Lofts	\$11,300,000	\$18,707,000	92,560		20%	8.75%
Office	\$58,375,000	\$70,500,000	172,000		20%	9.25%