

Final Presentation:

The Golden State Portfolio

May 23, 2010

STRICTLY CONFIDENTIAL

Agenda

1. Introductions
2. Summary Description of Offer & Structure
3. Advantages of Offer & Structure
4. Execution
 - A. Capabilities
 - B. Timeline
5. Conclusion
6. Q&A

Introductions

Firm	Contact	Title
 National Financial Realty	Vincent Pellerito Frank McMahon	Chief Executive Officer Advisor
 Bank of America Merrill Lynch	Cary Thompson Dan Gangwish Jamie Patterson	Vice Chairman Managing Director Director
 Wells Fargo Securities	Peter Hill	Managing Director / Head of Public Finance
 Wedbush Securities	Peter Evans	Senior Vice President
 California Municipal Finance Authority	John Stoecker	Financial Advisor
 Orrick, Herrington & Sutcliffe	Greg Harrington	Partner
 Paul, Hastings, Janofsky & Walker	Patrick Ramsey	Partner

Team Overview



Summary Description of Offer & Structure

- Total economic value to State of \$2,475,600,000 consisting of \$2,150,000,000 in cash at closing and \$325,600,000 in avoided costs due to our proposed structure
- Use of California joint powers authority (“JPA”) or 501(3)(c) corporation as Lessor
- State leases land or “Sites” to Lessor for 50 years
- Lessor purchases the Portfolio Buildings from the State for \$2,150,000,000 in cash
- Lessor enters into an asset management contract with NFR to provide institutional quality property management services
- Lessor leases Sites and Buildings to the State under a 20 year lease with renewal options
- Lessor issues tax-exempt bonds underwritten by Bank of America Merrill Lynch, Wells Fargo Securities and Wedbush Securities
- At no cost to the State, ownership of the Portfolio reverts back to the State at the expiration of the Ground Lease, free and clear of any debt

Advantages of Offer and Structure

- Attractive financial terms to State
 - \$2,150,000,000 in cash proceeds
 - Fixed income investors have reasonable return expectations resulting in higher proceeds to the State
 - Our proposal satisfies multiple objectives of the State
 - 20 to 50-year lease commitment
 - Ability to be long-term owner of portfolio assets
- Operating lease under FASB/GAAP
- Transfer of operating and management risk
- High certainty of closing
 - Tested structure
 - Established underwriters and financing market
 - Strong track record of team

Execution Capabilities

- Experienced Team
- Underwriter Strength
 - Bank of America Merrill Lynch
 - #1 underwriter of debt in U.S.
 - Completed 22 deals in State of California over \$1 Billion = \$55 Billion
 - Wells Fargo
 - Largest commercial real estate lender in U.S.
 - Headquartered in California
 - Wedbush Securities
 - Largest California-based independent investment bank
- Legal Expertise
 - Orrick, Herrington & Sutcliffe
 - #1 Bond counsel in US

Execution Timeline

Items Completed to Date

- Comprehensive analysis of structuring alternatives
- Evaluation of financing plan
- Review by rating agencies
- Formulation of detailed financing strategy
- Investor meetings/discussions

Milestone / Tasks

- All hands team meeting
- Develop with State week by week timetable
- Drafting of financing documents
- Formal presentation to rating agencies
- Underwriters' formal marketing to investors
- Closing of tax-exempt bond offering/sale of buildings
- State receives \$2,150,000,000 in proceeds

Conclusion

- Proposal satisfies multiple objectives of State
- Economic/operational goals achieved
- Certainty of execution
- Longstanding relationships and commitment to the State by team firms
- Team is prepared to dedicate significant resources and begin working with the State immediately

Appendix

Appendix

Bank of America Merrill Lynch

Firm Description

- Bank of America Corporation (“BAC” or “the Bank”) is one of the world’s largest financial services companies. The Bank is a publicly owned corporation, whose equity is listed on the stock exchanges in New York (NYSE: “BAC”), London and Tokyo. As illustrated below, the Bank’s services include (i) retail banking through Bank of America, (ii) retail brokerage through Merrill Lynch, and (iii) municipal and corporate investment banking, credit facilities, and cash management services through Bank of America Merrill Lynch (“BAML”).



- ✓ Retail banking and related services
- ✓ Serves more than 59 million individuals and small businesses
- ✓ Over 6,100 banking centers and 18,700 ATMs nationwide
- ✓ Deposits in excess of \$883 billion



- ✓ Municipal banking and underwriting
- ✓ Corporate finance and M&A
- ✓ Letters and lines of credit through Bank of America, N.A. (Aa3/A+/A+)
- ✓ Private placement capabilities
- ✓ Cash management services



- ✓ Retail brokerage and financial advisory services
- ✓ 17,500 financial advisors in 670 offices nationwide
- ✓ \$1.3 trillion in assets under management for 5.8 million accounts
- ✓ Over \$145 billion of municipal assets

- BAML’s Public Finance Group offers comprehensive municipal banking and underwriting services through the broker-dealer Merrill Lynch, Pierce, Fenner & Smith Incorporated, which is a wholly owned subsidiary of the Bank. BAML consolidates the services historically offered by Merrill Lynch and Banc of America Securities into a single broker-dealer, and offers comprehensive municipal finance services through a fully integrated division that incorporates all banking, underwriting, sales, marketing and trading functions into a single profit center, ensuring that our internal incentives are aligned toward delivering superior execution for our clients irrespective of credit, structure or market conditions.

Appendix

Bank of America Merrill Lynch (Cont'd)

Overview of Municipal Markets Group

- BAML's public finance practice is an industry leader, having assisted numerous municipalities nationwide with the structuring, marketing and placement of virtually every type of debt instrument. BAML's Municipal Markets Group is dedicated fully to providing municipal finance investment banking services both nationally and in California. Since January 1, 2008, BAML is the leading underwriter of municipal financings nationwide and over this timeframe, BAML has senior managed 1,237 financings for over \$119.8 billion

Merrill Lynch's Municipal Markets Group

- 15 offices in nine states and Puerto Rico
- 162 public finance banking professionals
- 67 underwriting, sales, marketing and trading personnel

- BAML maintains 15 offices nationwide with 229 investment banking, underwriting, sales and trading professionals, including two offices in California. Our San Francisco office maintains twelve investment banking and four retail marketing and trading professionals, and our Los Angeles office maintains twelve investment banking and five retail marketing and trading professionals

Municipal Sales Organization

- Our national marketing network is composed of 339 institutional sales people in 30 offices nationwide who offer a variety of products to large investors. This includes a specialized municipal institutional sales force of 22 professionals within our Marketing and Sales Division. The average length of experience of our tax-exempt sales force is 19 years, which translates into long and meaningful relationships with all of the major institutional accounts. The depth and breadth of our institutional sales coverage allows us to access the top-tier accounts which represent 75% of institutional buying, as well as the second and third-tier accounts which can provide essential distribution points. Greenwich Associates in 2007 ranked Merrill Lynch as a leading institutional firm, providing "the best bids in weak markets, best offers in strong markets, best knowledge of accounts, strategies and positions, and best municipal bond research." Institutional Investor Magazine has BAML the number one ranked trading firm of municipal securities. In addition, according to the McLagan Survey of the 200 largest institutional investors, BAML offers access to:
 - #1 Global Institutional Sales Force
 - #1 Ranked Domestic Institutional Sales Force
 - \$1.2 Trillion of Assets Under Management
- In California, our retail brokerage presence includes 1,858 Financial Advisors in 173 Merrill Lynch offices and over \$194 billion in assets, as summarized in the table above. Moreover, our Merrill Lynch distribution channel maintains the top ranking in retail market share in nearly every region of the country, and is one of the top two firms for retail distribution in California, according to the 2007 McLagan Survey. In fact, Merrill Lynch is responsible for approximately 25% of all municipal bond sales to retail investors nationally and 20% in the State of California

BAML Institutional and Retail Presence

	California	U.S.
Institutional Offices	1	30
Institutional Municipal Sales Reps.	—	22
Retail Offices	173	1,354
Retail Municipal Sales Reps.	1,858	13,976

Appendix

BAML Unique Bridging / Direct Purchase Experience

Case Study: Direct Support of State of California

2003 Direct Purchase

- In 2003, when the State of was on the brink of a severe cash crisis, the Bank arranged the \$1.9 billion letter of credit that enabled the State's RANs
- The Bank directly purchased \$460 million of unenhanced RANs which were placed on our balance sheet
- We also provided a \$1.5 billion take-out guarantee of the forward purchase commitment of refunding Revenue Anticipation Warrants (RA\ Vs") to be purchased in the event the State was unable to repay the RA\Ns at maturity

2005 Direct Purchase

- In 2005, BAML served the State as sole manager on a \$428 million stipulated judgment relating to a 1986 levee breach. Highlights include:
 - Purchased the Judgment directly from the plaintiffs to avoid delays associated with a traditional bond financing and related legal / legislative efforts
 - Devised flexible structure to meet the State's financing goals, including a level principal 10-year amortization, a variable rate cost of funds, and subject to appropriation
 - Created a trust and subsequently reoffered the Judgment COPs to qualified institutional investors, taking full responsibility for preparing disclosure materials and securing ratings, minimizing the burden to the State and expediting the transaction
 - Additional experience includes structuring a California City judgment financing as a cash-flow borrowing to preserve tax-exemption, and pricing and closing a California County judgment over a 5-day period to expedite financing given significant timing constraints

Appendix

BAML Unique Bridging / Direct Purchase Experience (Cont'd)

Case Study: Additional Direct Purchase Experience in California

Jack Murphy Stadium-1996.

- In 1996, BAML purchased the City of San Diego's Jack Murphy Stadium Lease Revenue Bonds in a competitive sale. Between pricing and closing, litigation was filed that challenged certain elements of the lease agreement with the Chargers
- Following the litigation filing, there was significant investor confusion resulting in the bonds becoming, as a practical matter, unsalable. BAML never wavered on its commitment to complete the transaction, notwithstanding having to inventory the majority of the bonds while the lawsuit was pending. After the case was resolved a few months later, BAML successfully placed the securities with investors

Ball Park Refunding-2007

- In early 2007, BANA served as sole purchaser for the refunding of the City of San Diego's 2002 Ballpark Lease Revenue Bonds. At the time of the original sale, the 2002 Bonds were sold with high interest rates due to questions about the tax status of the 2002 Bonds
- After it was determined that the 2002 Bonds were tax-exempt, the City expected to refund them for debt service savings, but could not enter the public capital markets. BANA developed a tailored and innovative structure that enabled the City to realize significant savings today and also provided the City with the potential to capture future savings following its reentry into the capital markets. This unique financing structure was tailored to address the City's particular circumstances

Appendix

Wells Fargo's Real Estate Platform and Capabilities

Market Leading Real Estate Investment Banking, Brokerage and Lending Platform



The merger of Wells Fargo with Wachovia creates the industry's leading real estate platform:

- **Largest Commercial Real Estate Lender in the U.S.**
 - Over \$125 billion outstanding
 - Industry commitment throughout cycles
 - Serves real estate owners, developers, investors and public/private REITs
 - Over \$5.6 billion in commercial mortgage loans secured by owner-occupied real estate
- **Leading Real Estate Investment Banking Platform**
 - # 1 M&A advisor to REITs
 - # 2 Lead manager of REIT public equity
 - # 1 Lead manager of REIT investment-grade debt and preferred stock
- **Eastdil Secured #1 Commercial Real Estate Brokerage in the U.S. (by dollar volume)**
 - Established in 1967 and wholly-owned by Wells Fargo since 1999
 - \$328 billion in closed transactions since 2006
 - Property Sales, Loan Sales, Mortgage Debt Placement, Private Equity Raises
- **Largest CMBS Master Servicer**
 - Over \$420 billion serviced since 2000 as measured by original balance
 - Wells Fargo's servicing platform accounts for 44% of the CMBS universe measured by original balance
- **Dedicated focus on single-tenant and owner-occupied corporate real estate** through Wells Fargo Securities' Asset-Backed Finance - Corporate Real Estate group and Eastdil Secured's Corporate Real Estate Services group

Appendix

Wells Fargo's Taxable BAB Experience – 2009 & 2010

**As of March 31, 2010,
almost \$91 billion of
Build America Bonds
have been issued**

**Wells Fargo has
served as senior or co-
manager on \$29.7 billion
of BABs, approximately
one third of total
issuance**

Recent and Upcoming Transactions



State of Wisconsin

\$225,825,000

Senior Manager



State Public Works
Board of California

\$54,215,000

Senior Manager



City of Riverside, CA

\$204,075,000

Senior Manager



American Municipal
Power, Inc.

\$650,000,000

Senior Manager



Miami-Dade
County, FL

\$251,975,000

Senior Manager



Florida State Board
of Education

\$204,145,000

Sole Manager



Calleguas MWD, CA

\$77,400,000

Sole



Florida Governmental
Utility Authority

\$120,000,000

Senior Manager



Mayo Clinic

\$130,000,000

Senior Manager

Appendix

Wedbush Securities / State Supported Lease Payment Experience

Case Study: California Regional Centers Acquisition of Commercial Real Estate



Harbor Regional Center - December 2009

- HRC utilizes a newly formed 501(c)(3) foundation and CMFA to issue \$25 million of tax-exempt lease revenue bonds to acquire two of the three commercial offices buildings (84,797 Sq. Ft.) it occupies as its HQ's facility. Lease revenue bonds secured by payments from the California Department of General Services. Bonds rated Baa1 by Moody's.



Kern Regional Center - May 2009

- KRC utilizes existing 501(c)(3) foundation and CMFA to issue \$13 million of tax-exempt lease revenue bonds to expand its HQ facility by 45,127 Sq.Ft.). Lease revenue bonds secured by payments from the California Department of General Services. Bonds rated Baa1 by Moody's.

Inland Regional Center - December 2007

- IRC utilizes existing 501(c)(3) foundation and a California JPA to issue \$77.5 million of tax-exempt lease revenue bonds to construct a new three-building, 200,000 Sq.Ft. campus as its new HQ's facility. Lease revenue bonds secured by payments from the California Department of General Services. Bonds rated Baa1 by Moody's.



Appendix

Wedbush Securities

Wedbush Securities is California's Largest Investment Banking Firm

WEDBUSH

Investment Banking

Private Capital

Equity Research

Principal Investments

Sales and Trading

Retail Brokerage

- **Headquartered in Los Angeles**
 - Founded in 1955, Privately held, employee-owned
 - Ranked #1 Liquidity provider in NASDAQ and NYSE Listed Securities
 - Over 1,000 employees and 36 offices across the country
 - Over \$2.5 billion in total assets and nearly \$250 million in equity capital
- **Public Finance Investment Banking**
 - Over \$41 billion in tax-exempt financings since 2004
 - Four California Offices: 27 bankers, sales and trading professionals
 - Co-Senior Manager \$301 million Series 2010A California State Public Works Board Lease Revenue Bonds
- **Corporate Finance**
 - Market making in 700+ NASD stocks
 - 41 senior equity research analysts, with 325+ companies under coverage
 - 55 Institutional Sales and Trading professionals
 - Extensive transaction experience, including public and private financings and M&A advisory
 - Wedbush Capital Partners' \$120 million Private Equity fund targets small to middle market private companies
 - Over 350 Retail/High Net Worth professionals in 36 offices; Correspondent network of 1,200+ professionals