STOCKBRIDGE

Proposal to Acquire the Golden State Portfolio

May 2010

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Proposed Transaction

Proposed Transaction

- Stockbridge Capital Group, LLC ("Stockbridge") has proposed to acquire the Golden State Portfolio for a purchase price of **$2.015 billion** net to the State of California in cash

- Stockbridge has partnered with J.P. Morgan to provide traditional real estate debt financing alongside Stockbridge's substantial commitment of equity capital

Proposed Transaction

- Stockbridge projects that the total transaction value, including transaction-related expenses and a cash reserve for deferred maintenance costs, will total approximately $2.065 billion

Proposed Uses of Funds *($ in millions)*	
Portfolio Purchase Price (net to the State of CA):	$ 2,015
Buyer Transaction Expenses:	$ 25
Deferred Maintenance Costs:	$ 25
PROJECTED TOTAL	**$ 2,065**

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Proposed Transaction

- Stockbridge intends to finance this transaction in the traditional manner for real estate assets, including a substantial commitment of equity capital and taxable debt financing from J.P. Morgan

Proposed Uses of Funds *($ in millions)*	
Portfolio Purchase Price (net to the State of CA):	$ 2,015
Buyer Transaction Expenses:	$ 25
Deferred Maintenance Costs:	$ 25
PROJECTED TOTAL	**$ 2,065**

Sources of Funds *($ in millions)*	
Equity (36%):	$ 745
Debt Financing (64%):	$ 1,320
TOTAL	**$ 2,065**

STOCKBRIDGE

Commitment of Time and Resources

- Stockbridge has dedicated extensive time and resources to its evaluation of the Golden State Portfolio and the acquisition proposal it has put forward
  - ✓ Completed in-depth tours of all properties with two to six professionals present at each property
  - ✓ Conducted detailed interviews with building managers and chief engineers
  - ✓ Reviewed property condition reports and consulted with construction management professionals regarding deferred maintenance estimates
  - ✓ Reviewed Phase I Environmental Site Assessments and considered known environmental issues
  - ✓ Retained legal counsel to review all major transaction documents
  - ✓ Completed comprehensive financial due diligence, including detailed underwriting and sensitivity analyses

Next Steps

- Stockbridge is prepared to devote all necessary resources, including incurring significant additional expenses, to complete the acquisition of the Golden State Portfolio promptly and efficiently
  - Finalize transaction documents
  - Complete due diligence, including obtaining additional professional reports as necessary
  - Request and obtain property appraisals required by lenders
  - Interface with building managers and engineers to ensure seamless transfer of property
  - Fund and close transaction

Timeline

- Stockbridge proposes to complete the acquisition of the Golden State Portfolio within 75 days of its selection as buyer

Selection Date:	– State review period begins – Stockbridge commences due diligence – J.P. Morgan commences arrangements for debt financing – Parties commence negotiations on transaction documents
30 days from Selection Date:	– State review period ends – Stockbridge Investment Committee approval obtained – J.P. Morgan delivers preliminary debt financing commitment – Purchase and Sale agreement signed – Stockbridge places transaction deposit in escrow
60 days from Selection Date:	– J.P. Morgan completes debt financing arrangements and delivers firm financing commitment – Stockbridge due diligence period ends and due diligence closing contingency is released
75 days from Selection Date:	– Transaction is funded and closed – Title and other documents are recorded

Additional Benefits to California

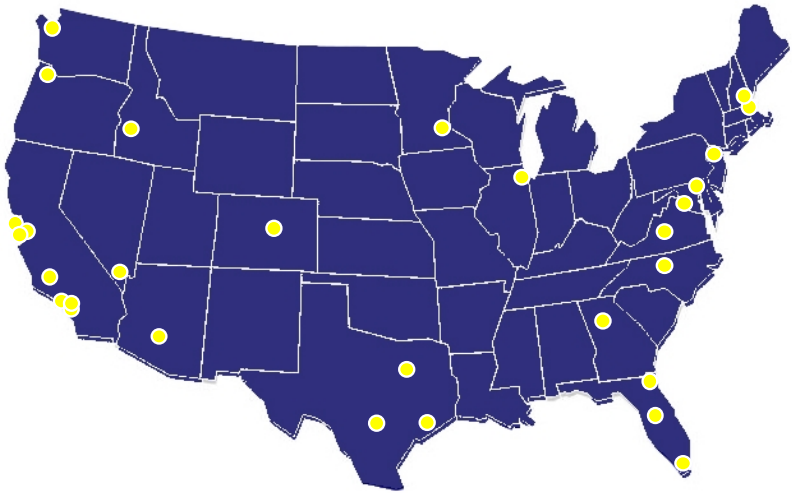
- In addition to a favorable cash purchase price, Stockbridge believes its acquisition of the Golden State Portfolio offers significant ancillary benefits to the State of California, including:
  - In-state purchaser, with a demonstrated, long-term commitment to California
  - Traditional transaction structure, including substantial equity commitment and taxable debt financing
  - Buyer with superior industry reputation and favorable relations with key California constituencies, including labor and community groups
  - Buyer who expects to rely substantially on unionized labor and retain significant number of state employees
  - Ownership of State's critical buildings by real estate experts with fundamental, rather than purely financial, focus on this asset class

Stockbridge Overview

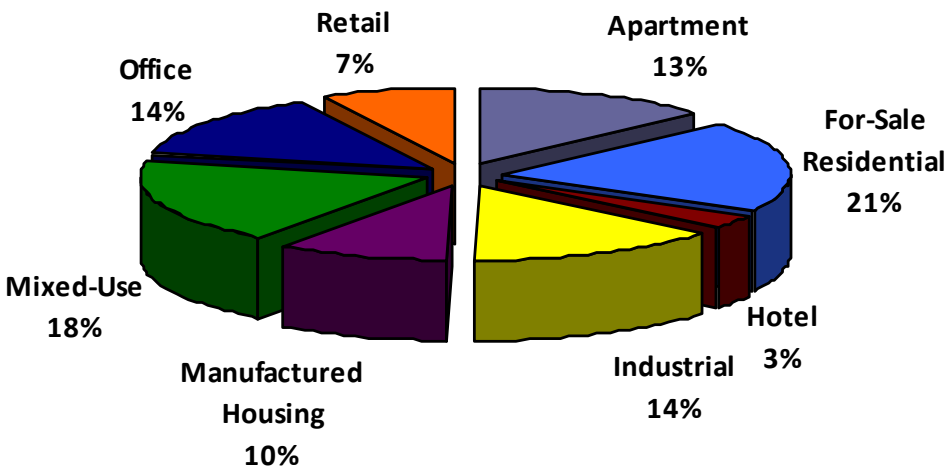
Introduction to Stockbridge

- Largest "real estate only" investment manager headquartered in San Francisco and second-largest in California
- $5.0 billion in institutional real estate assets under management
- Offices in San Francisco (HQ), Los Angeles, New York and Chicago

Major Market Investments



Asset Diversification [1]

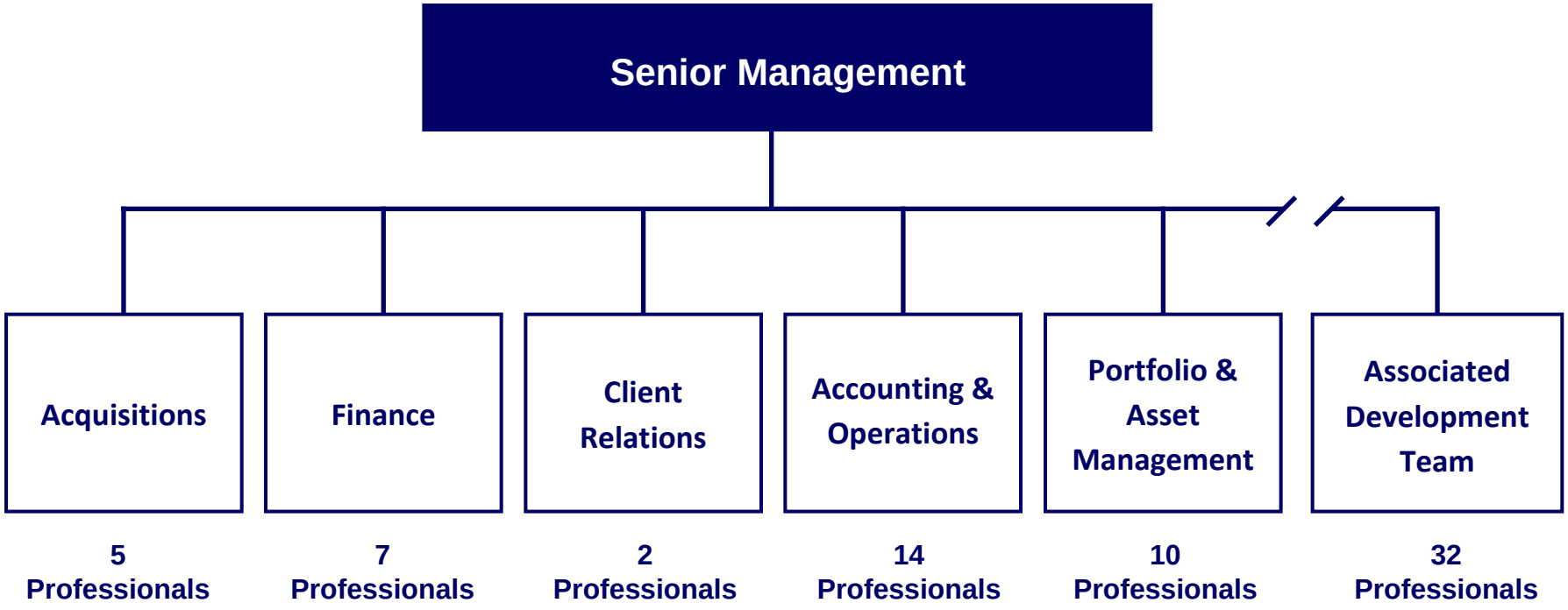


[1] Assets under management and asset diversification is as of March 31, 2010. Land is allocated based on its intended use.

STOCKBRIDGE

Organization

- Full complement of acquisitions/dispositions, portfolio management, asset management, finance, capital and client relations expertise



STOCKBRIDGE

Business Platform

- Full range of real estate investment products for institutional clients, including commingled funds, separate accounts and investment advisory services
- Three real estate opportunity funds, representing over $2.6 billion in committed capital
- Separate account relationships with public and private pension funds covering all major asset types
- Advisor to institutional property owners in troubled situations
- Clients / investors include five of the nation's six largest public funds

Client / Investor Relationships

STOCKBRIDGE

Competitive Advantages

- **Seasoned professionals** with 25 years average industry experience, who have collectively invested over $50 billion in over 500 real estate and capital markets transactions

- **Vast network of industry relationships** with lenders, operating partners, developers and brokers active in every major U.S. market

- **Superior industry reputation**, including unblemished record for ***closing*** major transactions for which the firm has contracted

- **Favorable relations with key constituencies**, including labor and community groups

- **Independently owned** investment manager unaffiliated with any sponsoring entity whose interests may compete with our clients

Commitment to California

- 50 real estate assets, valued at $2.4 billion, in major California markets
- Three of California's largest and most important development projects:
  - *Treasure Island (San Francisco)*
  - *Hollywood Park (Inglewood / LA)*
  - *Bay Meadows (San Mateo)*
- Contributed headquarters for California Institute for Regenerative Medicine, the state's stem cell research agency, on a rent-free basis for ten years
- Ongoing investments in California's future, including over 14,000 homes entitled or planned

STOCKBRIDGE

Stockbridge Professional Biographies

Terry Fancher
Executive Managing Director

- Founding principal of Stockbridge and head of Stockbridge's opportunity fund business
- 26 years of real estate industry experience
- From 1994 to 2000, Managing Director in charge of PaineWebber's Real Estate Investment Banking Group and also responsible for PaineWebber's principal investment activities in real estate
- From 1989 to 1994, Managing Director in charge of Real Estate Group at Kidder, Peabody & Co.
- Past member of the Board of Governors of NAREIT
- A.B. in Economics from Harvard College, M.B.A. from Harvard Business School and J.D. from Harvard Law School

Kevin Cox
Managing Director

- 25 years of real estate industry experience
- Focuses on Stockbridge's acquisition, underwriting and transaction management activities
- Extensive experience in the origination, underwriting, structuring and closing of commercial real estate debt and equity portfolios
- Previous experience at AT&T in the Treasurer's Office and at Resource Management Corporation, AT&T's real estate subsidiary
- B.A. in Political Science from College of the Holy Cross and M.B.A. from Boston College School of Management

Darren Drake
Managing Director

- 18 years of real estate industry experience
- Focuses on acquisitions, including due diligence and transaction management
- Experienced in underwriting and structuring real estate debt and equity transactions, including public offerings by REITs
- Previous experience as consultant for Kenneth Leventhal & Company, concentrating on real estate valuation and due diligence
- B.S. in Finance and Entrepreneurial Studies from Babson College

Stockbridge Professional Biographies

Stephen Pilch
Managing Director and Chief Operating Officer

- 27 years of real estate industry experience
- Focuses on portfolio and asset management for Stockbridge's opportunity funds and additionally responsible for the oversight of Stockbridge's operations
- Previously served as Chief Operating Officer at Divco West Properties, where he was responsible for asset management, property management, construction management, leasing and marketing
- Prior experience as a Senior Vice President at Cornerstone Properties and Managing Director at Aetna Life & Casualty
- B.S. in Finance from Fairfield University and M.B.A. in Finance from Fordham University

Jim Ratner
Managing Director

- 16 years of real estate industry experience
- Focuses on acquisitions, portfolio management, fundraising and firm administration
- Formerly worked with Stockbridge professionals as Managing Director at PaineWebber
- Previously served as CFO of American Financial Realty Trust, a publicly-traded REIT specializing in properties leased to financial institutions
- B.A. and B.S.E. from University of Pennsylvania, M.B.A. from University of Michigan Business School and J.D. from University of Michigan Law School

Charlene Kiley
Vice President and Executive Controller

- 13 years of real estate industry experience
- Oversees Stockbridge's financial reporting, risk management, accounting and cash flow management activities
- Prior experience as a senior accountant for Lazard Frères Real Estate Investors
- B.S. in Accounting from Manhattan College

Stockbridge Professional Biographies

Kristin Renaudin
Vice President

- 12 years of real estate industry experience
- Responsible for directing Stockbridge's finance activities, including acquisition, development and investment underwriting, portfolio analysis and capital markets transactions
- Active in fundraising and client relations
- B.A. in Economics and Biological Anthropology & Anatomy from Duke University

Benjamin Elder
Vice President

- Nine years of real estate industry experience.
- Oversees the finance activities for Stockbridge's opportunity funds, including acquisition, development and investment underwriting, portfolio analysis and capital markets transactions
- Previously worked as a Senior Associate in the Real Estate Asset Advisory practice of PricewaterhouseCoopers, LLP
- B.A. in International Relations from Colgate University.

Andreas Papageorge
Analyst

- Four years of real estate industry experience
- Focuses on financial analysis and due diligence for existing and prospective investments
- Previously worked for Merrill Lynch's Real Estate Investment Banking Group
- B.S. in Finance and Business Management from Georgetown University

Wilson Meany Sullivan Professional Biographies

Chris Meany
Principal and Co-Founder

- 25 years of experience with infill mixed-use development projects
- Concentrates on project strategy, entitlements, government negotiations, design, marketing and development
- Led mixed-use redevelopment of San Francisco's landmarked Ferry Building, which received the 2003 National Preservation Award by the National Trust for Historic Preservation
- Before forming Wilson Meany Sullivan, served as Managing Member of Wilson Meany, a firm that he founded with Bill Wilson in 1996
- B.A. in Economics from Georgetown University

Tom Sullivan
Principal and Co-Founder

- 22 years of experience in commercial real estate development and investment
- Focuses on the structuring, financing and execution of acquisition opportunities
- Before forming Wilson Meany Sullivan, President of Wilson/Equity Office, a joint venture with Equity Office Properties Trust
- B.S. from the University of Illinois at Urbana-Champaign and M.B.A. from University of California at Berkeley

Elizabeth Billante
Vice President

- 20 years of real estate industry experience
- Focuses on asset management, with particular expertise in the office sector
- Previously served as a Vice President of National Leasing for Equity Office Properties Trust
- Prior experience as a Vice President in Real Estate Services and Facilities for Allied Riser Communications
- B.A. in History from Georgetown University

Wilson Meany Sullivan Professional Biographies

Chuck Noll
Director of Construction Management

- 20+ years of experience in commercial real estate and construction
- Focuses on office development
- Previously served as a Vice President of Development Services with DivcoWest Group focused on office projects
- Prior experience as a Construction Manager with Hines, where he managed life sciences and mixed-use site development projects in South San Francisco
- B.S. in Industrial Technology from California Polytechnic State University and M.B.A. from Santa Clara University

Paul Richards
Director of Property Management

- 30+ years of experience in commercial real estate, property management, development and leasing
- Focuses on client services, agency leasing and new business development
- Previously served as Senior Vice President of Property Management with Shorenstein Realty Services
- Formerly held executive and senior management positions with Rockefeller Center Development, Lincoln Property Company, Tishman West, Transwestern/Voit and CB Richard Ellis
- Holds the Real Property Administrator professional designation from the Building Owners and Managers Institute (BOMI); a Certified Property Manager professional designation from the Institute of Real Estate Management; and areal estate broker license in the state of California
- Former director and past president of Building Owners and Managers Association (BOMA) of San Francisco and The San Francisco Institute of Real Estate Management

Worthe Real Estate Group Professional Biographies

Jeff Worthe
President

- 20 years of experience in commercial real estate acquisition, development, management and leasing
- Responsible for the development or redevelopment of 2.1 million square feet of Class "A" office properties in California
- Currently oversees ownership, management and leasing of over 3.0 million square feet to major tenants including The Walt Disney Company, Warner Bros., Yahoo!, Viacom and the State of California
- Member of the Board of Trustees and Chair of the Real Estate Committee for the Children's Hospital of Los Angeles
- Founding member of the Board of Directors of the Ziman Center for Real Estate at UCLA
- B.A. in Economics from the University of California at Santa Barbara

J.P. Morgan Overview

Recognition for serving our clients

THE WALL STREET JOURNAL.

Who's No. 1

Leading stock-and-bond underwriters, by volume, first-quarter 2010.

Market Sector	No. 1 Ranked Manager	First-qtr market share (%)	Change from prev. qtr. (pct. pts.)
Stocks and Bonds			
Global Debt, Equity & Equity-linked[1]	**J.P. Morgan**	**7.3**	**-0.1**
Global Fees[2]	**J.P. Morgan**	**7.8**	**0.9**
U.S. Debt, Equity & Equity-linked1	Bank of America Merrill Lynch	12.9	7.3
U.S. Fees[2]	**J.P. Morgan**	**12.6**	**3.3**
Stocks			
Global Equity & Equity-linked[1]	**J.P. Morgan**	**8.5**	**2.0**
Global Common Stock	Goldman Sachs	8.1	-1.5
Global Initial Public Offerings	Bank of America Merrill Lynch	8.5	0.7
Global Equity & Equity-linked1 U.S. Issuers	**J.P. Morgan**	**20.0**	**14.3**
Global Common Stock - U.S. Issuers	**J.P. Morgan**	**20.5**	**15.1**
Global Initial Public Offerings U.S. Issuers	**J.P. Morgan**	**19.5**	**9.4**
Global Equity-linked1 - U.S. Issuers	Deutsche Bank	41.1	34.1
Global Convertibles - U.S. Issuers	**J.P. Morgan**	**29.6**	**21.2**
Bonds[3]			
Global Debt	Deutsche Bank	7.3	0.8
Global High Yield Corporate Debt	**J.P. Morgan**	**11.4**	**0.1**
Global Investment Grade Debt	**J.P. Morgan**	**8.2**	**0.1**
Global Asset-backed Securities	Bank of America Merrill Lynch	19.4	7.0
U.S. Debt	Bank of America Merrill Lynch	12.3	0.4
U.S. Investment Grade Debt	**J.P. Morgan**	**15.2**	**-0.4**
U.S. High Yield Corporate Debt	**J.P. Morgan**	**14.5**	**-0.2**
U.S. Federal Credit Agency Debt	UBS	14.3	7.4
U.S. Financial Institutions	**J.P. Morgan**	**16.9**	**1.8**
U.S. Mortgage-backed Securities	Bank of America Merrill Lynch	26.2	5.5
U.S. Asset-backed Securities	Bank of America Merrill Lynch	22.5	4.6
Syndicated Loans			
Global Syndicated Loans	**J.P. Morgan**	**8.7**	**-1.5**
Global Leveraged Loans	Bank of America Merrill Lynch	14.8	-1.8
U.S. Syndicated Loans	**J.P. Morgan**	**21.2**	**-2.4**
U.S. Leveraged Loans	Bank of America Merrill Lynch	19.8	-1.5

[1]Equity-linked includes convertible bonds and warrants
[2]When fees are not disclosed Dealogic uses proprietary analytics to calculate them
[3]Includes government guaranteed debt issuance
Source: Dealogic

12 Quality Leader distinctions
Greenwich Associates, March 2010

Commodity Derivatives House of the Year
Credit Derivatives House of the Year
Derivatives Research House of the Year
Risk, January 2010

Seven awards, including: Global Equity House, Commodity Derivatives House, Global Loan House, Leveraged Loan House, Emerging Market Bond House, Financial Bond House and High Yield Bond House
International Financing Review, December 2009

Best Investment Bank
Latin Finance, January 2010

#1 Latin America Equity Research House
#2 U.S. Equity Research House
#2 U.S. Fixed Income Research House
Institutional Investor, December 2009

European Investment Bank of the Year
Financial News, December 2009

Best Foreign Investment Bank in China, Hong Kong, Singapore and Taiwan
The Asset, December 2009

75 Best in Class awards
Top rankings in 9 segments
Global Custodian, Prime Brokerage Survey, 2009

We offer clients unrivaled scale

Advisory/M&A[1]

- # 4 in Global M&A announced number of deals
- # 3 in U.S. M&A announced dollar volume
- #2 in European M&A announced number of deals
- Advised on 56 transactions globally
- Advisor on over $120 billion of M&A transactions

Commodities

- Commodity Derivatives House of the Year (*Risk*, 2009)
- Commodity Derivatives House of the Year (*IFR,* 2009)
- Commodities House of the Year (*Structured Products,* 2009)
- Most Innovative in Commodities *(The Banker*, 2009)
- Innovation of the Year (*Energy Risk,* 2009)

Debt Markets

- # 1 Global Debt
- # 1 Global Loan Syndications
- # 1 Global Investment Grade Corp. Bonds
- # 1 Global Long-Term Debt
- High Yield Bond House of the Year (*IFR;* 2009)

Prime Services

- Best in Class (*Global Custodian* OTC Derivatives Prime Brokerage Survey, 2009)
- Best Sell-Side Clearing Firm (*Waters* Rankings, 2009)
- #1 Prime Broker in North America (*EurekaHedge* survey, 2009)
- Second largest prime broker in the Americas (*Hedge Fund Intelligence,* 2009)

Emerging Markets

- Emerging Market Bond House of the Year (*IFR,* 2009)
- Best Investment Bank (*Latin Finance,* 2009)
- Best Global Emerging Markets Investment Bank (*Euromoney;* 2009)
- Best Global Emerging Markets Equity House (*Euromoney;* 2009)

Rates, FX and TECM

- Long and outstanding technological innovation (*Profit & Loss* Digital FX Awards; 2009)
- Superb trading technology - MorganDirect (*Profit & Loss* Digital FX Awards; 2009)
- Best Pricing in Major Currencies (*FXall,* 2009)

Equity and Equity-linked Capital Markets

- # 1 Equity and Equity-related
- # 1 Global Common Stock
- Most Innovative in Equity-linked (*The Banker*; 2009)
- Best Global Equity Bank (*Global Finance;* 2009)
- Lead left bookrunner on the largest IPO ever completed in the U.S. (Visa)

Research

- # 1 Global Research House (combination of major *I.I.* Equity & Fixed Income Polls, 2009)
- # 1 Equity Research House (combination of major *I.I.* Equity Research Polls, 2009)
- Global Equity Research spans 6 continents, 287 senior analysts and approximately 2,973 companies worldwide

Derivatives

- Top Overall Derivatives Provider and Top in Derivatives Pricing (*Treasury & Risk* Financial Risk Management Survey; 2010)
- Derivatives House of the Year, Credit Derivatives House of the Year, Derivatives Research House of the Year (*Risk;* 2009)

Securitized Products

- # 1 in total Public Term U.S. ABS
- # 1 in U.S. Public Credit Card ABS
- # 1 in U.S. Public Auto ABS
- 45 total term ABS transactions led in 2009

League table data FY09, Source: Thomson Reuters, unless otherwise noted

[1] Source: Dealogic, Q110

Helping clients raise capital in 2009

- Loaned $204 bn to 295 issuers globally
  - Average loan size of $691 mm, more than double the market average
  - Loans used to fund payrolls, restructure balance sheets, finance growth and create jobs
- Provided urgent financing for municipalities

CEMEX	Teck	HSBC
Lead left bookrunner and stabilization agent on CEMEX's $1.87 bn follow-on offering, a landmark transaction for a Mexican corporate in the international capital markets.	Lead left bookrunner on Teck Resources' $4.4 bn high yield debt offering, the largest high yield offering to-date, four months after re-opening the high yield market.	Joint global coordinator and joint bookrunner on HSBC's $19.5 bn rights offering, the largest ever equity offering in Hong Kong and the second largest non-government backed rights globally.

THE GREAT SEAL OF THE STATE OF CALIFORNIA	Ford	BR PETROBRAS
Senior managing bookrunner for $8.8 bn of tax-exempt, short term revenue anticipation notes for California as part of its cash flow borrowing plan to address timing differences between State revenue receipts and expenditures.	Helped Ford strategically manage its capital structure by advising on the sale of half its 26% stake in Mazda and its $9.9 bn debt reduction initiative. Also raised $1.6 bn through an equity follow-on and $2.9 bn through senior convertible notes.	Advised Petrobras in all three bond offerings done in 2009, for total funds raised of $6.75 bn, including Petrobras' largest single bond offering ever.

J.P. Morgan Priced a Benchmark Taxable Transaction for the State of California, Which Included $5.228 billion of BABs

Transaction overview

Highlights

- On April 15, 2009, the State of California (A2/A/A) announced a benchmark size bond offering of intermediate and long-dated taxable bonds, including Build America Bonds with J.P. Morgan as senior joint bookrunner
  - Over 1 week the book upsized to over $6.8 billion
- This transaction was marketed following the issuance of $6.5 billion of tax-exempt debt, offered in late March
- As the first Build America Bonds deal of its size publicly priced and third largest U.S. non-financial debt issuance in 2009, the State's transaction has been viewed as a benchmark for future issuances

Strategy

- J.P. Morgan worked with the State to structure a "taxable friendly" transaction that would increase demand from corporate investors including: bullet maturities, large tranches, non callable bonds
- J.P. Morgan, together with the State, led a marketing effort that included an internet roadshow and several mini-group conference calls with institutional investors
  - This effort reached a wide array of investors, including many who had not previously invested in the State's credit or municipal bonds
- The State received $16.6 billion of orders for the bonds. Due to this strong investor demand, the State was able to lower the spread by 22.5 bps during the course of the offering
- J.P. Morgan incorporated an Extraordinary Make Whole Call at a higher spread to treasuries to protect the State in the event that the 35% subsidy is reduced or eliminated in the future at no additional cost

Results

- Pricing inside of expectations, the 25Y and 30Y bullet maturities priced at an attractive 365 bps over 30Y UST (7.434% taxable, 4.82% net BAB rate)
  - *This transaction saved the State approximately 0.82% relative to the traditional tax-exempt equivalent resulting in total interest cost savings to the State of approximately $1.15 billion over the life of the bonds*[1]

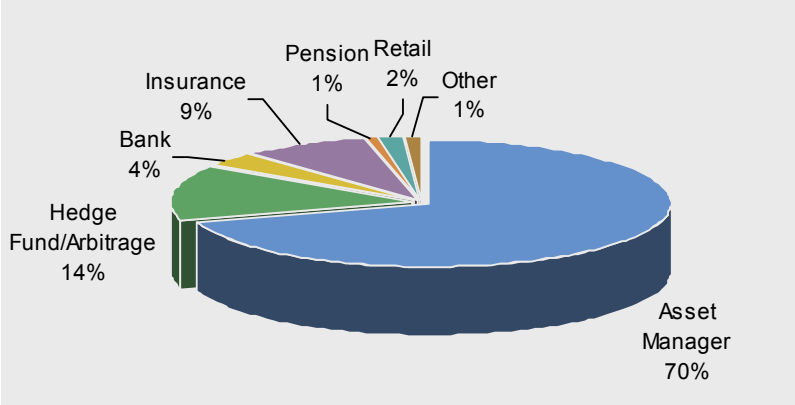
[1] Calculation based on net cost of 4.83% on the Build America Bonds, as compared with an indicative yield-to-maturity of 5.65% on the State's equivalent tax-exempt bonds in the secondary market (Reflects indicative secondary market price as of April 22, 2009 for the April 2038, 6.00% tax-exempt coupon). Total present value savings of approximately $624 million (4.83% discount rate).

Summary terms of offering

Issuer	State of California					
Tranche	4 Year*	5 Year	6 Year	7 Year	25 Year	30 Year
Par Amont ($ million)	$505	$500	$500	$350	$2,000	$3,000
Ratings	A2 / A / A					
Size	$6,855,000,000					
Maturity dates	April 1: 2014, 2015, 2016, 2034, 2039					
Coupon	5.65%	5.25%	5.45%	5.95%	7.50%	7.55%
Reoffer spread	365 bps	325 bps	345 bps	340 bps	365 bps	365 bps
Reoffer price	100.427 5.526%	100.529 5.126%	100.618 5.326%	100.506 5.859%	100.735 7.434%	101.376 7.434%
Make-Whole	T + 50 bps					
Extraordinary Make Whole	T + 100 bps					
Structure and Net Yield	Combo** 4.757%	Taxable 5.126%	Taxable 5.326%	Taxable 5.859%	BABs 4.824%	BABs 4.820%
Pricing Date	April 22,2009					
Bookrunners	J.P. Morgan, Goldman Sachs, Barclays, Morgan Stanley					

*Mandatory put bond due 04/01/2013 with legal maturity of 04/01/2039
** Assumes blended rate of $228mm in BABs and $277mm taxable

Distribution by investor type (% total combined allocations)



J.P.Morgan

J.P. Morgan purchased the $1.5 billion Interim Revenue Anticipation Notes for the State of California

Transaction Summary

$1,500,000,000
STATE OF CALIFORNIA
2009 INTERIM REVENUE ANTICIPATION NOTES

- On August 27, 2009, J.P. Morgan served as sole purchaser of $1.5 billion Interim Revenue Anticipate Notes ("RANs") for the State of California
- The State of California fiscal crisis, resulting from plummeting general fund revenues due to the national recession, forced state officials, on July 2, 2009, to issue IOUs to pay individuals receiving tax refunds, vendors, and local government in order to preserve cash to make "priority payments" due later in July 2009
- J.P. Morgan offered to lend the State up to $4 billion, but the State's cash flow needs required only $1.5 billion of interim assistance, which allowed California to fully redeem all the state IOUs early and meet its financial obligations until a publicly offered cash-flow borrowing could be executed
- On September 23, 2009, J.P. Morgan led California's $8.8 billion Revenue Anticipation Notes public offering, which will address timing differences between State revenue receipts and expenditures over the course of the fiscal year and repaid the $1.5 billion 2009 Interim RAN

J.P. Morgan is a strong supporter of the State's financing needs…..

August 27, 2009 REUTERS

"JP Morgan Chase should get credit for being consistently supportive of state needs…They were the most accommodating of the Wall Street firms…Most of the commercial banks, because their reserves are so stretched, don't have the capacity to do that sort of thing."
– California State Treasurer, Bill Lockyer

J.P. Morgan Priced as Senior Manager $8.8 billion of State of California Revenue Anticipation Notes ("RANs")

Transaction overview

Highlights

- On September 23, 2009, the State of California sold its $8.8 billion Revenue Anticipation Notes to address timing differences between State revenue receipts and expenditures over the course of the fiscal year as well as repay the $1.5 billion Interim RAN offered by J.P. Morgan
- The transaction was marketed following recent rating agencies downgrades on the State's long-term GO ratings and the implementation of the 2009 Amended Budget Act that closed a $60 billion budget gap

Strategy

- J.P. Morgan worked with the State to structure a flexible offering to attract the broadest universe of investors, which included both May and June maturities
  - The duration of the June maturity leveraged retail demand and institutional accounts followed with interest in the May maturity
- Retail Strategy
  - Targeted radio and print advertising campaign, reaching major stations in New York, Florida, Texas, and throughout California
  - Offered a 2-Day Order Period to attracted sizable retail demand
  - 75% of the transaction was sold to retail buyers
- Institutional Strategy
  - Internet Roadshow highlighted the State's cash management program, budget process, and the security source on the RANs followed by small group investor calls with key institutional buyers

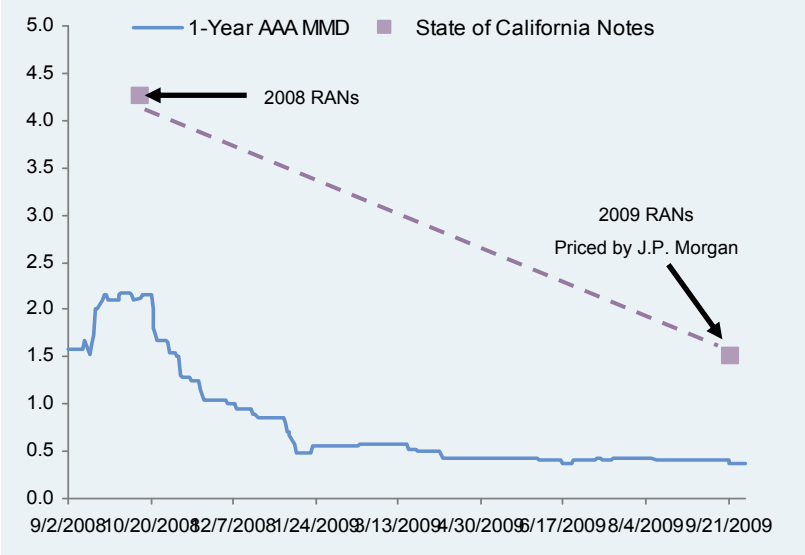
Results

- The offering was brought to market with pricing ranges of 1.25% to 1.50% on the May 2009 maturity and 1.50% to 1.75% on the June maturity during the Day 1 retail order period
  - Given overwhelming demand, the lower range of each maturity was established at the start of the Day 2 order period, which resulted in savings exceeding $15 million to California taxpayers
- The State was able to reduce its cost of borrowing by 25 basis points on 32% of the transaction by structuring the May maturity
- Overall, the transaction set a record with $6.64 billion of retail orders - the most retail sales of any municipal offering ever issued
- Final yields of 1.25% and 1.50% compared favorable to what the State achieved the previous year – 3.75% and 4.5% for May and June, respectively

Summary terms of offering

Issuer	**State of California**	
Series	A-1	A-2
	May 25, 2010	June 23, 2010
Par Amount ($ million)	$2,825,000,000	$5,975,000,000
Ratings	MIG 1 / SP-1 / F2	
Size	$8,800,000,000	
Coupon	3.00%	3.00%
Yield	1.25%	1.50%
Pricing Date	September 23, 2009	
Senior Manager / Bookrunner	J.P. Morgan	

Pricing Comparison



J.P.Morgan

J.P. Morgan has been the consistent market leader in the CMBS arena for the past decade in terms of origination, underwriting and distribution volumes

Perennial top 3 bookrunner for domestic CMBS issuance

FY 2009 Issuance

Rank	Manager	# of Deals	Issuance ($MM)
1	Barclays	2	$1,223.2
2	**J.P. Morgan**	**1**	**500.0**
3	Bank of America	1	460.0
4	Goldman Sachs	2	440.3
5	Calyon	1	250.0

FY 2008 Issuance

Rank	Manager	# of Deals	Issuance ($MM)
1	Bank of America	4	$4,289.1
2	**J.P. Morgan**	**2**	**1,782.8**
3	Merrill Lynch	2	1,281.3
4	Citigroup	1	1,076.9
5	Morgan Stanley	2	1,060.5

FY 2007 Issuance

Rank	Manager	# of Deals	Issuance ($MM)
1	Morgan Stanley	24	$34,232.7
2	Wachovia	10	30,663.4
3	**J.P. Morgan**	**9**	**26,549.7**
4	Merrill Lynch	10	20,604.3
5	Bank of America	10	19,425.5
8	**Bear Stearns**	**14**	**14,684.7**

Source: Commercial Mortgage Alert & Thomson Reuters

FY 2006 Issuance

Rank	Manager	# of Deals	Issuance ($MM)
1	**J.P. Morgan**	**13**	**$24,430.4**
2	Morgan Stanley	28	24,378.7
3	Wachovia	8	22,106.5
4	Credit Suisse	11	16,684.8
5	Banc of America	21	15,021.1
7	**Bear Stearns**	**18**	**11,765.5**

FY 2005 Issuance

Rank	Manager	# of Deals	Issuance ($MM)
1	**J.P. Morgan**	**9**	**$21,849.0**
2	Morgan Stanley	19	20,836.2
3	Wachovia	11	19,108.3
4	Banc of America	16	18,179.2
5	Credit Suisse	13	17,240.6
9	**Bear Stearns**	**17**	**9,827.8**

- First CMBS lender to use balance sheet to principal a client's transaction post economic downturn
- TOP, PWR and LDP brands were established as market leaders in innovation
- J.P. Morgan uses its market and transaction expertise for the benefit of its clients in running securitizations as agent
  - Advises clients on structuring, rating agency process, deal marketing, legal considerations and selection of subordinate piece buyer

J.P. Morgan successfully completed a milestone $500mm CMBS transaction for IWEST, signaling a revival of the CMBS market

INLAND WESTERN
Retail Real Estate Trust, Inc.

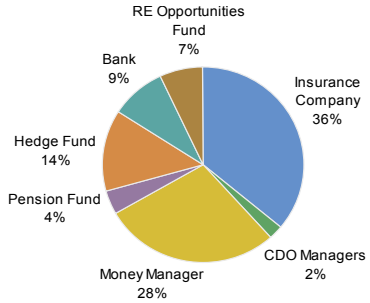
Overview

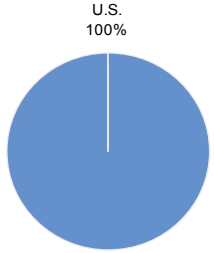
- On December 10, J.P. Morgan priced the JPMCC 2009-IWST transaction, a securitization of a $500 million fixed-rate, 10-year commercial mortgage loan (the "Mortgage Loan") secured by 55 anchored retail properties located in 23 states (the "Portfolio')
- The Mortgage Loan was originated on December 1, 2009 as part of a $625 million loan (the "Loan") that J.P. Morgan provided to Inland Western Real Estate Trust, Inc. ("IWEST") that includes a $125 million mezzanine loan
- The Mortgage Loan and the Loan represent 59% and 74% of the aggregate appraised value of the underlying properties, respectively
- Investor demand across the structure was robust, with each of the offered tranches, with the exception of BBB- class, pricing at the tightest end of initial price guidance
- Loan proceeds were used to retire $630 million of maturing mortgage debt that encumbered the Portfolio
- The deal is the first transaction between J.P. Morgan and IWEST, which built upon a longstanding relationship between Bear Stearns and the Inland Group of Companies and affiliate IWEST

Structure and pricing

Class	Balance	Ratings	Spread / Yield	WAL	LTV	TTM NOI Debt Yield	UW DSCR
A1	$58,354,000	AAA	S+150	5.62	45.8%	18.9%	1.99x
A2	$330,646,000	AAA	S+205	9.95	45.8%	18.9%	1.99x
B	$24,100,000	AA	S+360	9.95	48.7%	17.8%	1.88x
C	$42,900,000	A	S+420	9.95	53.7%	16.1%	1.70x
D	$44,000,000	BBB-	9.0%	9.95	58.9%	14.7%	1.55x
	$500,000,000		**6.0%**		**58.9%**	**14.7%**	**1.55x**

Orders by investor distribution

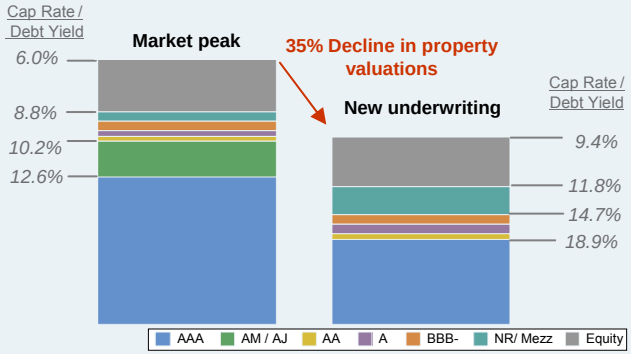




Significance for CMBS market

- The transaction represents a milestone in the revival of the CMBS market as it is the first full term (10-year), full leverage loan that was distributed in its entirety without reliance on the Federal Reserve's TALF program
- The 3rd new issue CMBS to be offered since the market closed in June 2008 and provides the best validation yet of the reemergence of the CMBS market as a viable/efficient source of financing for commercial property owners
- The first new issue deal rated by Realpoint, which recently was granted NSRO status and status as an Acceptable Rating Organization by The National Association of Insurance Commissioners (NAIC)

Capital structure comparison vs. generic 2007 conduit CMBS



J.P.Morgan

J.P. Morgan will commit significant senior level resources to the Golden State Portfolio transaction

Key Professionals

Jonathan Strain, Managing Director

Joseph Geoghan, Managing Director

Other Senior Team Members

Peter Baccile, Vice Chairman

Brian Baker, Managing Director

Thomas Doherty, Executive Director

Daniel Rood, Executive Director