

CHAPMAN SHEPARD GROUP

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MEZZANINE FINANCING PROVIDES CREATIVE SOLUTION FOR DEVELOPMENT OF SAN FRANCISCO RESIDENTIAL TOWERS

A high-resolution digital rendering of Symphony Towers is available via e-mail at dnshaw@e-agency.com.

<http://www.chapmanshepard.com>

SAN RAFAEL, Calif., June 21, 2005 -- When Novato-based developer Paul Thompson had the idea of developing two residential towers on Van Ness Avenue near San Francisco's Davies Hall, he had no concerns about being able to successfully develop and market the project. "It seemed like a perfect site for competitively priced residential units," he says.

Thompson did, however, have a concern about the financing. Because the project's success was contingent on obtaining the right financing, he knew he had to rely on outside help to find the appropriate lender. His choice was San Rafael-based commercial mortgage brokerage Chapman Shepard Group.

Thompson, the managing member of Van Ness Towers, LLC and the owner of West Bay Builders, had 15 years of experience developing residential and commercial projects so he knew how to manage the development process. The

711 GRAND AVENUE, SUITE 270 SAN RAFAEL, CA 94901
P 415-453-7771 F 415-453-7717
INFO@CHAPMANSHEPARD.COM

big difference was that this project -- called Symphony Towers -- would be substantially larger than anything he had done in the past.

"If we had a long track record of similar projects, we knew that lenders would be more interested in financing this development," adds Thompson. "But Symphony Towers would take us into another level of development. And we knew that most lenders would be less excited about funding the largest project we've ever undertaken."

Elizabeth Shepard, a founding partner of Chapman Shepard Group explains, "We've arranged financing for a wide range of projects. But we particularly like working on the larger, more challenging projects."

Diligence is the key to finding the right lender for the project, according to Shepard. "You go into a project such as this knowing that you'll have to approach a number of qualified capital sources before you have the right fit between the lender and the developer," she says. "You then have to work on structuring the terms so everyone wins."

"The role of the broker changes in response to the market," explains Shepard. "When there's a shortage of capital, the broker's role is to find money. But today there is ample equity in the marketplace. With this, our job is to structure the most favorable deal possible."

The definition of terms, fees and repayment can mean the difference between favorable financing or onerous and costly access to capital, Shepard points out. "Through long-term lender relationships -- and a careful analysis of alternatives - - we were able to provide Van Ness Towers with a financing package that met their needs and, at the same time, saved them a significant amount of money," she notes.

Chapman Shepard Group identified Cathay Bank of Los Angeles as a lender with an interest in this type of project. Shepard reports, "They liked the idea, the location and the market that Thompson is focusing on. It's a good match."

For Thompson, a traditional financing approach would have required the commitment of his firm's capital assets to fully finance the project. Doing so could have limited the possibility of looking at other project opportunities.

To deal with that, Chapman Shepard Group used "mezzanine" financing to cover the project's equity financing requirements. According to Shepard, the firm has access to what is probably the best and most attractive mezzanine capital in the Bay Area. As a result, Thompson was only required to provide a limited amount of cash to fund the development.

The package Chapman Shepard Group put together for the Symphony Towers project totaled \$41,165,000 in construction and mezzanine financing.

The two-tower project includes a total of 130 condominium units to be developed by Van Ness Towers LLC, a partnership comprised of a group of highly experienced real estate developers. One tower, with 13 stories, will face Van Ness Avenue. The second tower, nine stories high, will be on Turk Street. Project amenities include high-quality finishes, a courtyard garden and rooftop terrace with magnificent views.

"The units will be what the market considers to be moderately priced for San Francisco real estate," Thompson says. "The pricing hasn't been finalized but we expect the units to sell between \$400,000 and \$600,000. The total cost of the project has been set at \$48,000,000."

"With mezzanine financing, we have the resources to look for our next project," Thompson says. "Otherwise we would have had to wait until Symphony Towers was well along before we could look at other possibilities."

Commenting on the financing process, Thompson observes, "We didn't have the time or the expertise to approach a long list of potential lenders. The arrangement with Chapman Shepard Group worked out very well for us."

"Without this financing package, the project simply would not have gone ahead," concludes Thompson.

Demolition on the site is now complete and mass excavation is underway. The first units at Symphony Towers are planned to be available for sale in late 2007.

Symphony Towers Project Overview:

Owner: Van Ness Towers LLC: Novato, CA
General Contractor: West Bay Builders, Inc., Novato, CA
<http://www.westbaybuilders.com>
Architect: Christiani Johnson Architects, San Francisco, CA
<http://www.cjarchs.com>
Condominium Units: 130 (63 studio; 58 one-bedroom; 9 two-bedroom)

ABOUT CHAPMAN SHEPARD GROUP

Based in San Rafael, Chapman Shepard Group operates as a commercial mortgage brokerage providing financing solutions for a range of borrowers and product types. The company was founded in 1983 and specializes in structuring extremely competitive construction and mezzanine financing programs. For more information about the company call (415) 453-7771 or send an email to info@chapmanshepard.com, or visit <http://www.chapmanshepard.com>.

MEDIA CONTACT:

Dianne Newton-Shaw
e-agency
dnshaw@e-agency.com
510.496.2352

or

Miriam Schaffer
e-agency
mschaffer@e-agency.com
510.496.2354