



THE ATTORNEY GENERAL BUILDING

1300 I STREET
SACRAMENTO, CA 95814

GOLDEN STATE PORTFOLIO OFFERING MEMORANDUM

11 office properties • 7.3 million square feet
20 year sale/leaseback portfolio
3 California core metro markets





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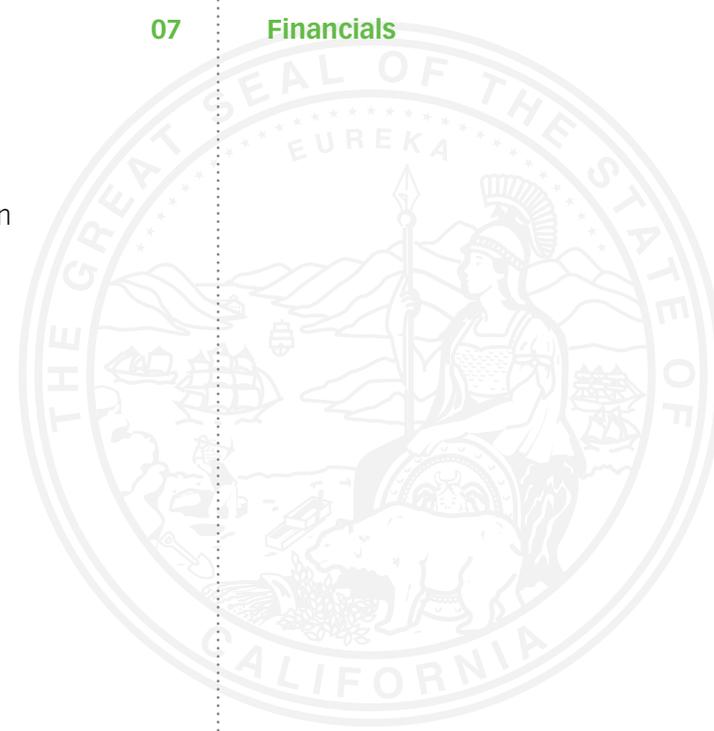
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For more information about the Golden State Portfolio,
please visit the website:

www.cbre.com/goldenstateportfolio

VISITORS
ENTRANCE

EXIT ONLY

ALL VISITORS
MUST CHECK IN



EMERGENCY
ALL VISITORS MUST CHECK IN
AT THE SECURITY CHECK POINT IN
THE LOBBY ENTRANCE OF THE
COURT HOUSE



ONE
WAY

VISITORS
ENTRANCE

ALL VISITORS
MUST CHECK IN

ALL VISITORS
MUST CHECK IN





EXECUTIVE SUMMARY

The Offering

CB Richard Ellis, as exclusive advisor to the State of California, is privileged to present the opportunity to acquire a 100% fee simple interest in the class A office property known as the Attorney General Building at 1300 I Street in downtown Sacramento, California (the "Property"). The Property consists of a LEED® Gold certified class A office property containing 376,866 rentable square feet over a five-level parking garage that can accommodate approximately 593 cars. The Property was constructed in 1995 and consists of a 17-story office building with a concrete-framed structure from the foundation through the sixth level, and steel frame construction above.

The property is 100% leased, of which 99.6% is leased to the State of California for a term of 20 years firm, and may be acquired separately or as part of an 11-property sale/leaseback portfolio (the "Golden State Portfolio") comprising approximately 7.3 million square feet located in the San Francisco Bay Area, Los Angeles and Sacramento.

This is rare opportunity to acquire an excellent Class A office property that is leased on a long-term basis to a credit tenant, providing investors a stable income stream in a substantially built-out submarket with high barriers to entry.

Offering Summary

Property Name:	The Attorney General Building
Address:	1300 I Street Sacramento, CA 95814
Rentable Square Footage:	± 376,866
Number of Buildings:	1
Year Built:	1995
Number of Stories:	17
Parking:	± 593 stalls (1.57 per 1,000 rsf)
LEED Certification:	LEED Gold
State of California Lease Term:	20 years firm



Investment Highlights

- **Long Term Credit Tenancy**

The Property is 100% leased, of which 99.6% is leased to the State of California for 20 years firm, providing an investor with stable and secure cash flows and built-in rent escalations that enhance yields during the lease term. The State of California has an investment grade credit rating of "A-" by Standard & Poor's. The lease will commence at the close of escrow.

- **Trophy Office Building**

The 17-story Attorney General Building is one of downtown Sacramento's premier class A landmark properties by virtue of its size, location, and importance. It is within walking distance of the Capitol, the Federal Courthouse, the Sacramento County Courthouse, and Sacramento City Hall.

- **Exceptional Downtown Sacramento Location**

The Property is situated on I Street, a one-way (westbound) primary feeder that leads directly to an on-ramp for Interstate 5. Its location is ideal given its function, as the property is within walking distance of the Federal and County courthouses, Sacramento City Hall, and the Capitol. Public transportation is provided by the Capital Shuttle, and there is a RT light rail station three blocks away at 12th and K Streets. The property's location also provides quick and easy freeway access, as driving west on I Street leads directly to on-ramps for north- and south-bound Interstate 5. From there, Sacramento International Airport is 10 minutes away, and connections to Interstate 80 and U.S. Highway 50 are less than five minutes away.

- **On-Site Parking and Amenities**

The Property's parking garage occupies floors 2-6 and accommodates approximately 593 cars. The Property also features a cafeteria and dining area on the first floor, and six balconies can be accessed from adjacent tenant spaces at the 15th floor. There is a rooftop helicopter pad that is not presently utilized.

- **Revitalized Downtown**

Over the last decade new office buildings like the subject have increased Downtown's daytime population, while numerous successful residential development have increased its 24/7 population. New restaurants, art galleries and other retail openings have become commonplace downtown, and nearby dining opportunities are numerous and, in many cases, of extraordinary quality. Every month the center of the city fills with people who travel downtown for Second Saturday, an open house event organized in the late '90s by the downtown area's art galleries. For many Sacramento residents, Second Saturday provides a rationale for coming downtown to enjoy the outstanding food, wine, and entertainment that have turned the Central City's nightlife into such a rich and varied experience.

- **High Value Opportunity**

This sale/leaseback opportunity provides an investor the ability to purchase a Class A trophy asset in a revitalized core downtown location with significant barriers to entry.





Property Overview

1300 I Street, aka the Attorney General Building, is a 17-story class A office structure located in the heart of Sacramento's Central Business District. The 376,866 rentable square foot property was placed into service in 1995 and utilizes modern technologies for its climate controls, life safety, elevator, security and other functions. Building materials used in the public areas include polished stone and other finishes that one would expect to find in an important government edifice of contemporary construction.

The contiguous parking structure contains space for 593 cars, a ratio of 1.57 per 1,000 rentable square feet. This ratio is typical for office buildings in the CBD. A recessed loading dock and service area in the alley at the rear of the building is secured by three sectional roll up doors, providing access to a space that has both dock-high and grade level loading provisions.

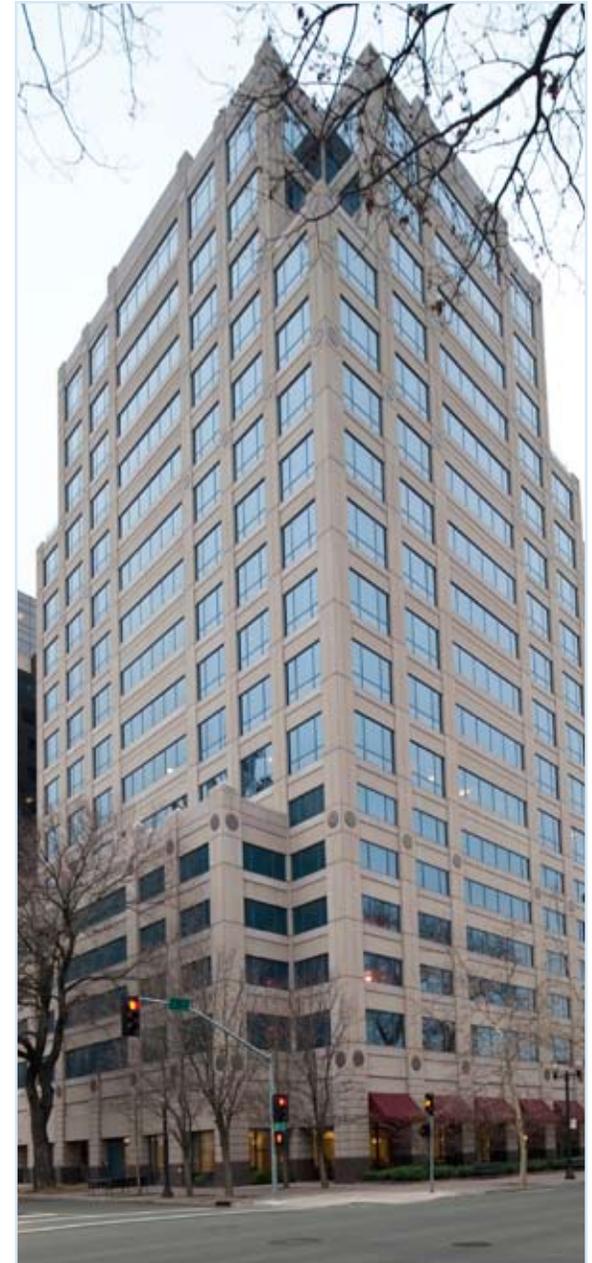
Office buildings in proximity to the Capitol are understandably in demand by lobbyists, law firms, public relations companies and other firms that interact frequently with the Legislature. Most office properties in the CBD count among their tenants firms that have business with the Legislature or other state agencies. The location of the Attorney General Building, a few blocks northwest of the Capitol, creates superior access to the Federal and County courthouses, crucial to attorneys involved with law enforcement functions and proceedings on a daily basis.

Location Overview

Sacramento, the capital of California, is located in the north-central part of the state, approximately 85 miles northeast of San Francisco. In addition to its own special attractions, Sacramento is conveniently located two hours or less from the cultural and recreational activities that are found in abundance in both the Bay Area and in the Sierra Nevada Mountains. Lake Tahoe offers skiing in the winter; boating, swimming, golf, camping, and hiking in the summer. And year-round, the hotels and resorts offer gaming, fine dining, and entertainment. The Bay Area features world class dining, art, museums, and a multitude of performance and cultural opportunities.

Sacramento boasts a highly-developed transportation system, consisting of interstate freeways, an international airport, a transcontinental railway system - even a deep water port. Its location at the juncture of I-5 and I-80 makes possible one-day freight delivery anywhere within California and as far east as Salt Lake City.

Regional Transit (or RT) is the primary system of public transit in the Sacramento Region. The RT system is composed of an electricity-driven light rail system, and a complementary system of 256 buses, all powered by compressed natural gas. Currently there are slightly more than 37 miles of light rail track, and there are plans underway to extend these lines northeast to Placer County. Long-range plans call for extending these lines even farther to Elk Grove in the south, through North Natomas, and eventually to Sacramento International Airport. Ridership has grown steadily over the last decade, and presently the system is serving more than 32,000,000 passengers annually.



Recent Developments

For the last decade, downtown Sacramento has been experiencing a dramatic revitalization of its urban living environment. New residential developments have increased the number of people living downtown, and that demographic shift has been accompanied by an even more rapid growth in dining, entertainment, and cultural venues. Some of the new downtown restaurants are remarkable for their quality, and as new art galleries and other interesting retail establishments have opened, the energy and excitement have been obvious. For example, an event called “Second Saturday” was started about 15 years ago as an open house by a handful of art galleries, and has now evolved into a monthly event that draws literally thousands of people downtown. Historic buildings are being turned into modern hotels, mixed-use developments, theaters, and

restaurants. In a relatively short time, Sacramento has gone from being a sleepy little town by the Sacramento and American Rivers to a place that even big-city dwellers find of considerable interest.

The Opportunity

The Attorney General Building offers investors an opportunity to acquire institutional - quality real estate that is leased for 20 years to an investment-grade tenant – the State of California. The Property features an irreplaceable location within walking distance of every government building downtown that is related to the law and law enforcement. It is one of downtown Sacramento’s landmark office structures, offering employees who work there unparalleled convenience, and the asset’s owners title to one of Sacramento’s truly iconic office properties.

LEED Certified

The LEED® (Leadership in Energy and Environmental Design) Green Building Rating System is the nationally accepted benchmark for the design, construction, and operation of high performance green buildings. Developed by the U.S. Green Building Council, LEED provides building owners and operators a concise framework for identifying and implementing practical and measurable green building design, construction, operating and maintenance solutions.

Befitting California’s legacy as the nation’s leader in “green” legislation and technology, 92% of the Golden State Portfolio is LEED certified (including two pending buildings). The benefits of LEED are many and have the potential to provide superior investment performance.

Studies have shown that LEED projects:

- Obtain higher rents
- Offer productivity gains with fewer employee sick days
- Provide employers with a recruitment tool for new employees and a strong retention rate for existing employees
- “Green” buildings generally have lower operating costs and enjoy a more favorable public image



Marketing Process/Key Dates

2/26/10 – 4/14/10 Offering Period

2/26/10 – 10:00 AM Initial Flyer/Brochure release and Website Launch

3/2/10 – 4/14/10 Potential buyers that sign the registration agreement will:

- a) Obtain access to the electronic marketplace for the buyer selected property or properties to review the offering memorandum(s), BOMA studies, preliminary title report(s), 3rd party leases and ALTA survey(s) for the applicable property or properties; and
- b) Be invited to property tours that will be conducted on announced dates.

4/14/10 The deadline for potential buyers' initial offer submittal

4/19/10 – 4/23/10 State evaluation of all initial offers*

4/23/10 – 5/6/10 At the State's discretion, potential buyers within the competitive range will be invited to participate in additional offer rounds.

4/23/10 – 5/20/10 Potential buyers within the competitive range will be invited to participate in a Best and Final round. During the Best and Final round, invited potential buyers will be provided a copy of the respective draft purchase and sale agreement for review and comment, proposed draft lease agreement(s) and confidential due diligence information which includes 3rd party property condition reports and building plans and specifications. The State may conduct buyer qualification interviews. Comments on the purchase and sale agreement must be provided with the offer.

5/24/10 – 5/28/10 State evaluation of all best and final offers*

5/28/10 Anticipated date of the selection of the buyer(s)

Buyer(s) selection will be based on the following criteria:

- a) Offered Price;
- b) Buyer's Financial Capabilities including potential need for debt as a condition of close;
- c) Buyer Due Diligence and Closing Timing;
- d) Buyer's Terms and Conditions;
- e) Buyer's past performance; and
- f) Aggregate Proceeds Analysis (Individual Sales, Partial Portfolio, Portfolio)

* Buyers that tender offers on multiple assets are required to specify their pricing for each asset or the offer will be rejected. Any property complex that consists of more than one building, e.g. the Capitol Area East End Complex, the Franchise Tax Board Complex, the San Francisco Civic Center, and the California Emergency Management Agency shall be considered a single asset for the purposes of this paragraph.

PROPERTY SUMMARY

Property:

1300 I Street
Sacramento, CA 95814

LEED® Certification:

LEED Gold



Year Built:

1995

Number of Structures:

One, 17-story office building

Parcel Number:

006-0054-026-0000

Net Rentable Area:

376,866 square feet, including garage

Site Area:

± 1.18 acres, ± 51,373 square feet

Zoning:

The property is zoned C-3-SPD – Central Business District Zone within the Special Planning District.

Floors:

Seventeen

Site Location:

The Property is located at 1300 I Street in the City of Sacramento, California.

Site Access:

Access to the parking garage is from 14th Street to the east. Two-way interior drive aisles provide direct access to the perpendicular parking stalls. Access from the garage is secured by swing arm gates, which are controlled by a garage operator housed in a kiosk at the exit. The garage entries are closed off after hours by three overhead coiling grill doors. Access to the ground-level loading dock and utility rooms is from the I Street alley to the south. A card key access control system is provided for exterior and most interior doors.

Signage:

Building signage consists of a surface-mounted metal plaque at the street facing building elevation.

Elevators:

The building is served by five passenger elevators and one service traction elevator for the tower and two traction elevators for the parking levels. One Carrier air-cooled package unit with a capacity of 10 tons is provided for the main elevator equipment room. Two elevators serve the garage and ground floor levels only. The garage elevators open directly into the garage with no intermediate lobby. The elevators were manufactured by Dover Elevator and have solid state power and computerized controls. Passenger elevator car interior finishes consist of wood walls, stone flooring, polished stainless steel returns and door, and incandescent lighting in stainless steel ceiling panels. The door is center-opening and has an array re-opening device.

Elev. No.	Type	Capacity	Floors Served
1-5	Passenger, traction	3,000 lbs	1, 7-17
6	Service, traction	6,000 lbs	1, 7-18
7-8	Passenger, traction	3,000 lbs	1-7

Parking:

There are ± 593 on-site parking spaces. The parking ratio for this building is ± 1.57 spaces per 1,000 rentable square feet.

Total Floor Area:

Floor	Rentable Floor Area	Gross Measured Area
P	790	790
P-1	5,387	6,370
M	3,786	4,036
17	29,186	30,852
16	29,132	30,798
15	29,310	30,976
14	30,521	32,169
13	34,814	36,480
12	30,615	32,167
11	30,801	32,175
10	30,807	32,185
9	30,784	32,158
8	30,792	32,168
7	30,759	32,125
6	Garage	1,264*
5	Garage	1,264*
4	Garage	1,264*
3	Garage	1,264*
2	Garage	1,264*
1	29,382	30,808
TOTAL	376,866	405,450

* MVP area

Paving, Curbs and Sidewalks:

Paving: The garage entry drives are concrete. Hardscape at the building entry arcade is scored concrete with a salt finish to match the adjacent public sidewalk.

Curbs: The sidewalk curbs are concrete.

Sidewalks: Public sidewalks along 13th, 14th, and I Streets are salt finish concrete.

Site Lighting:

The public concrete sidewalk around the building has street trees and pole-mounted site lighting fixtures. The building entry lobby and elevator lobby have wall sconce and recessed can-type incandescent lighting fixtures, while the upper level elevator lobbies have suspended acoustical ceiling tiles with fluorescent lighting fixtures. Lighting at the garage consists of sodium halide HID-type fixtures.

Structure:

Vertical Load System: The superstructure, constructed circa 1994, consists of a 17-story structure consisting of a steel-framing system above the 6th floor and a concrete-framing system from the 6th floor to the foundation. The roof and the 7th through 17th floor decks consist of an alternating combination of 3"-deep cellular deck and a 3"-thick normal weight concrete composite deck reinforced with steel welded wire fabric. The decks span to steel wide-flange beams and columns. The steel columns are supported on reinforced concrete columns above the 6th floor. The 2nd through 6th floor decks consist of a 5"-thick post-tensioned concrete slab supported on post-tensioned concrete beams. The beams are supported on concrete columns, which deliver the vertical loads to the foundations.

Lateral Load System: The lateral force-resisting system of the upper floors consists of the elevated cellular and concrete deck diaphragms that deliver lateral loads from wind pressure and seismic inertial forces to perimeter steel wide-flange moment-resisting frames. The steel moment frame connections contain pre-Northridge-type connection details.

At the 6th floor and lower, the steel moment frames transfer the lateral loads to reinforced concrete moment-resisting frames. The post-tensioned concrete decks at the lower floors transfer lateral loads to the concrete moment-resisting frames, which in turn deliver the lateral loads to the foundation.



Roof:

The roofs are original and consist of a Carlisle EPDM membrane over rigid insulation and concrete-filled metal deck. Concrete 2'x2' pavers are provided above the membrane at the main roof perimeters and walkways and at the Level 15 balconies. The EPDM membrane extends up the side of the parapet walls and is secured with a termination bar and sealant. At the mechanical penthouse, the membrane terminates at a sheet metal reglet counterflashing detail. Drainage at the roofs and balconies is surface flow to interior drains and overflows. The rooftop mechanical penthouse is a two-story steel braced frame structure with 6"x18 GA metal studs at 16" on center, 1/2" gypsum board sheathing, and a cement plaster (stucco) exterior finish.

The building has rooftop and Level 15 balcony davit bases and arms for use with a powered platform type exterior building maintenance system. The powered maintenance platform at the main roof is manufactured by Swingstage and is rated for 500 pounds.

Exterior Finishes and Components:

Walls consist of a combination of precast concrete wall panels and aluminum and glass curtain walls. The six-inch-thick precast concrete exterior wall panels have sandblast finish, architectural reveals and urethane sealant over backer-rod at joints. Polished granite medallions are affixed to the precast walls for accent at certain locations and similar polished granite tiles are installed at entry elevations. Openings at the main entry arcade have fabric and metal awnings. The curtain walls consist of 1" insulated reflective glass set in Kynar finished aluminum frames with extruded rubber glazing gaskets. Spandrel glazing is 1/4" reflective glass. Main and secondary storefront type entries have similar materials with tempered glazing where required. Curtain wall louvers and vents are aluminum with a Kynar finish. Openings at the garage levels typically have perforated metal screens with a paint finish.

Exterior Doors and Frames:

Main and secondary entry doors consist of Kynar finish aluminum frames with tinted, single-pane, tempered glazing. Service doors are typically hollow metal doors with a painted finish. The loading dock is secured by three manually operated overhead coiling sectional metal doors ranging in size from 17' x 18' to 27' x 19'.

Office Area:

Office areas generally have wall-to-wall carpeting, painted gypsum board walls, and lay-in acoustical tile ceiling set in a suspended metal grid system with T-8 fluorescent light fixtures. VCT is installed at break and supply areas. Interior doors are wood with lever-type hardware in painted metal frames. Exterior windows typically have horizontal metal mini-blinds.

There is a ground floor cafeteria, kitchen, and a dining area with commercial grade carpet at the dining area, VCT flooring at service areas, ceramic tile and painted gypsum walls, and suspended acoustical ceiling tiles with fluorescent lighting fixtures.



Interior Lighting:

Lighting in the office areas is generally fluorescent suspended 2' x 2' recessed fixtures that use T-8 lamps with electronic ballasts. Exit lights are illuminated fixtures located at exits and indicate the path of egress. Emergency lighting is provided by fixtures served by the emergency power system. Parking level lighting is low-bay metal halide fixtures. Lighting control is provided through occupancy sensors in each space.

Interior Doors:

Interior doors are wood with lever-type hardware in painted metal frames.

Loading Docks:

The recessed loading dock and service area at the back of the building on the I Street Alley is secured by three manually operated overhead coiling sectional metal doors ranging in size from 17' x 18' to 27' x 19'. All three doors provide access to a single interior space which has both at-grade and dock-high loading provisions. The dock-high loading dock is 4' high and has rubber bumpers, a dock leveler, and a side lift. Another 8' x 10' sectional metal door provides access to a trash room.

HVAC/Heating System:

Heating and cooling are provided by a variable air volume distribution system. Conditioned air is provided by two built-up air handling systems in the penthouse that serve Floors 7 through 17. Two package air handling units serve the first floor. VAV boxes control the flow of air to the various spaces. VAV boxes with hot water reheat coils serve the perimeter zones.

Each air handling system consists of two supply fans, chilled water cooling coil, filter bank with pleated filters, and one or two relief fans. Variable speed drives have been installed for the fans to control the amount of air supplied to match the demand.

Cooling is provided by two York 350 ton centrifugal chillers that utilize refrigerant HCFC-123. The chilled water system is piped as a primary/secondary loop, with variable speed drives provided for the secondary pumps. Heat is rejected through two BAC induced draft cooling towers. These units provide coverage of about 464 square feet per ton.

Hot water is provided by two Rite Engineering atmospheric natural draft, natural gas boilers with input capacity of 3,000,000 BTUH.

One 10-ton capacity Carrier air-cooled package unit is provided for the main elevator equipment room.

A standard chemical treatment system is provided for the cooling towers, and chilled water and heating hot water loops.

Toilet rooms are served by two exhaust fans. The air handling systems are provided with dampers and controls to utilize an outside air economizer cycle when temperatures are appropriate. These can also be controlled to provide the required ventilation air to the building. The kitchen hood for the cafeteria is served by a dedicated exhaust and make-up air equipment.

The garage has open ventilation with painted metal screens or aluminum and glass windows matching the office floors above.





Energy Management System:

The building is provided with an Alerton direct digital control system with the front end computer located in the engineer's office. This system provides start/stop and temperature control for the main equipment. Pneumatic controls are provided for the VAV boxes, with compressed air provided by one duplex air compressor located in the equipment room.



Plumbing System:

Water Service: The building is provided with one domestic water service and one irrigation water service. Backflow preventers were noted for the services. The domestic water system is supported by a California Hydronics triplex booster pump package.

Domestic Water Piping: Domestic water tubing is copper of an unknown type.

Water Heaters: Domestic hot water for the toilet rooms is provided by two electric water heaters, with additional electric water heaters for the kitchen and first floor toilet rooms.

Plumbing Waste & Vent Lines: Where observed, sanitary waste piping consists of cast iron pipe which discharges to the municipal sanitary sewer system. Main roof drains are internal, cast iron, and connect to the storm drainage system.

Fixtures: Restroom facilities typically have wall-mounted water closets and wall-mounted urinals and lavatory sinks.

Natural Gas: The building has one natural gas service for the heating of hot water boilers, with an earthquake valve on the service.

Electrical System:

Description of Service: The building is provided with a 21,000-volt, 3-phase, 3-wire electrical service with capacity of 100 amperes, providing capacity of 16.1 watts per square foot. The high voltage system serves two unit substations, one in the penthouse and one in the main electric room. The unit substations have 2500 kVA transformers that each support a 277/480-volt, 3-phase, 4-wire switchboard with capacity of 3500 amperes.

Electrical Distribution: Each office floor is provided with one electric room. Each electric room contains one 277-volt lighting panel, 75 kVA transformer and 120-volt power panels.

Emergency Power: Emergency and standby power is provided by one Kohler 750 kW diesel generator. This provides power for emergency/ egress lighting, smoke control equipment and one elevator in each bank. The generator is operated monthly by the on-site personnel. Annual service is provided by an outside contractor. The building is provided with a lightning protection system with lightning rods, bonding to metallic equipment on the roof and a separate grounding system.





Fire/Life Safety System:

The building is fully sprinklered, and the low-rise concrete construction is considered fire-resistive. The primary steel framing system has a spray fireproofing. The construction is considered one building with no designated area separation walls. Vertical shaft enclosures (elevator, HVAC) are typically two-hour rated with shaftboard. Elevator lobbies have rated enclosure doors with electric hold-open devices. The stairway enclosures are typically 2-hour rated gypsum wallboard walls and hollow metal door frames and doors are labeled 1-1/2-hour fire resistive rated with smoke-tight seals. Corridor walls extend to the underside of structure and are one-hour rated. Solid core wood corridor doors and frames are labeled.

The building is fully sprinklered with an automatic wet-pipe system served by one fire water service with backflow preventer. Each floor is served as a separate zone. The system is supported by an on-site storage tank, one diesel main fire pump, and one electric main fire pump. An Edwards multiplex fire alarm panel monitors flow and tamper switches in the sprinkler system, smoke detectors, and manual pull stations. The fire alarm panel activates audio/visual alarms in common areas and tenant areas and an exterior wall-mounted bell. Handheld fire extinguishers are located throughout the building, and were last inspected June 2009. Stair pressurization fans are provided. The main HVAC systems will also operate in smoke control mode under control of the fire alarm panel.

An Edwards multiplex fire alarm panel monitors flow and tamper switches in the sprinkler system, smoke detectors at elevator lobbies, in common and tenant areas, and in the air distribution system, and manual pull stations at exits. The fire alarm panel activates audio/visual alarms located throughout the building and an exterior wall-mounted bell.

The fire alarm panels are located in the Fire Control Room (FCC) in an exterior room on 14th Street. The FCC also contains a graphic annunciator panel, HVAC display/smoke control panel, elevator display/control panel and generator annunciator. A complete emergency communications system is provided with paging, two-way communications, and sound-powered telephones. The fire alarm system is monitored off-site.

Stairwell pressurization fans are provided. The main HVAC equipment operates in a smoke control mode through the fire alarm panel.

Fire hydrants are located at the public right-of-way along the surrounding streets.

Utilities:

- Water:** City of Sacramento
Department of Utilities
- Sanitary/Sewer:** City of Sacramento
Department of Utilities
- Electric:** Sacramento Metropolitan
Utility District (SMUD)
- Gas:** Pacific Gas and Electric (PG&E)
- Telephone:** AT&T

Site Plan



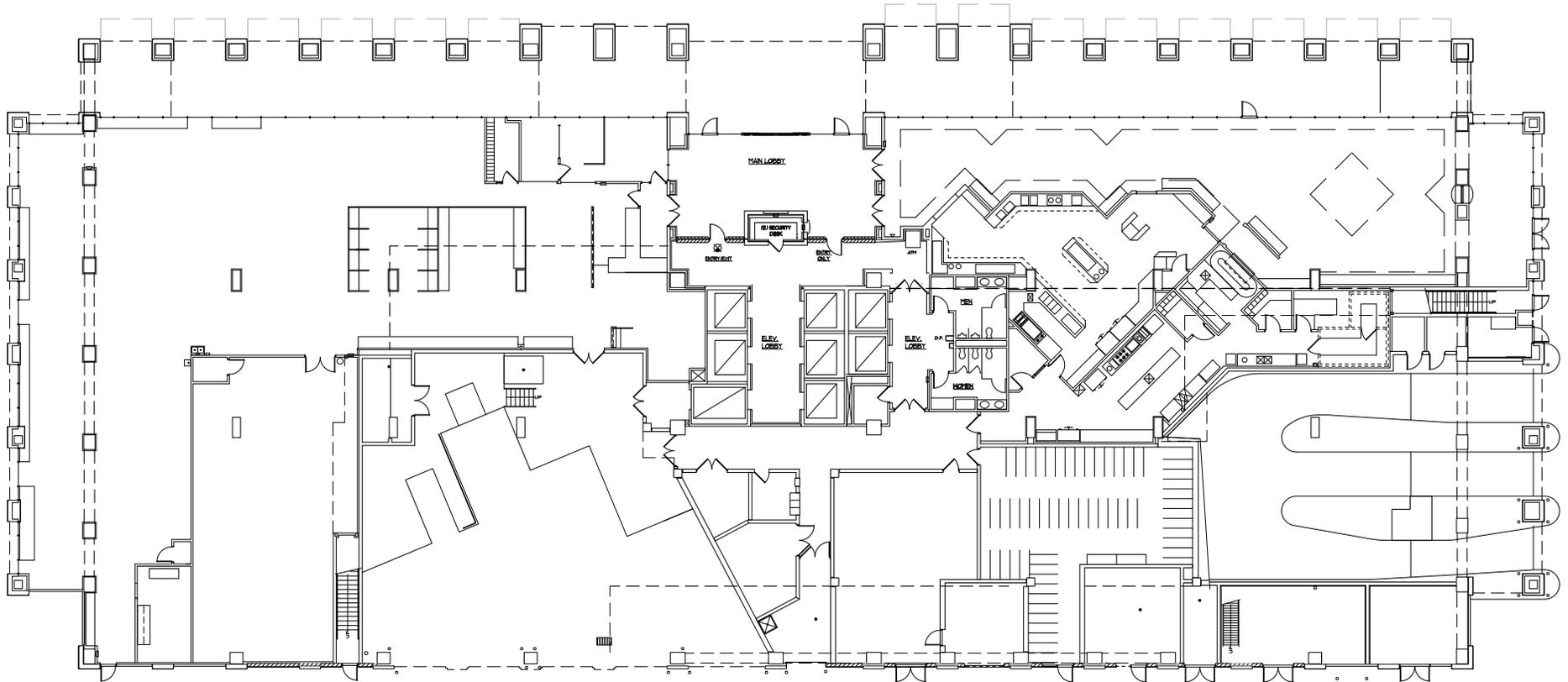


Representative Floor Plans

The Attorney General Building

1300 I Street
Sacramento, CA 95814

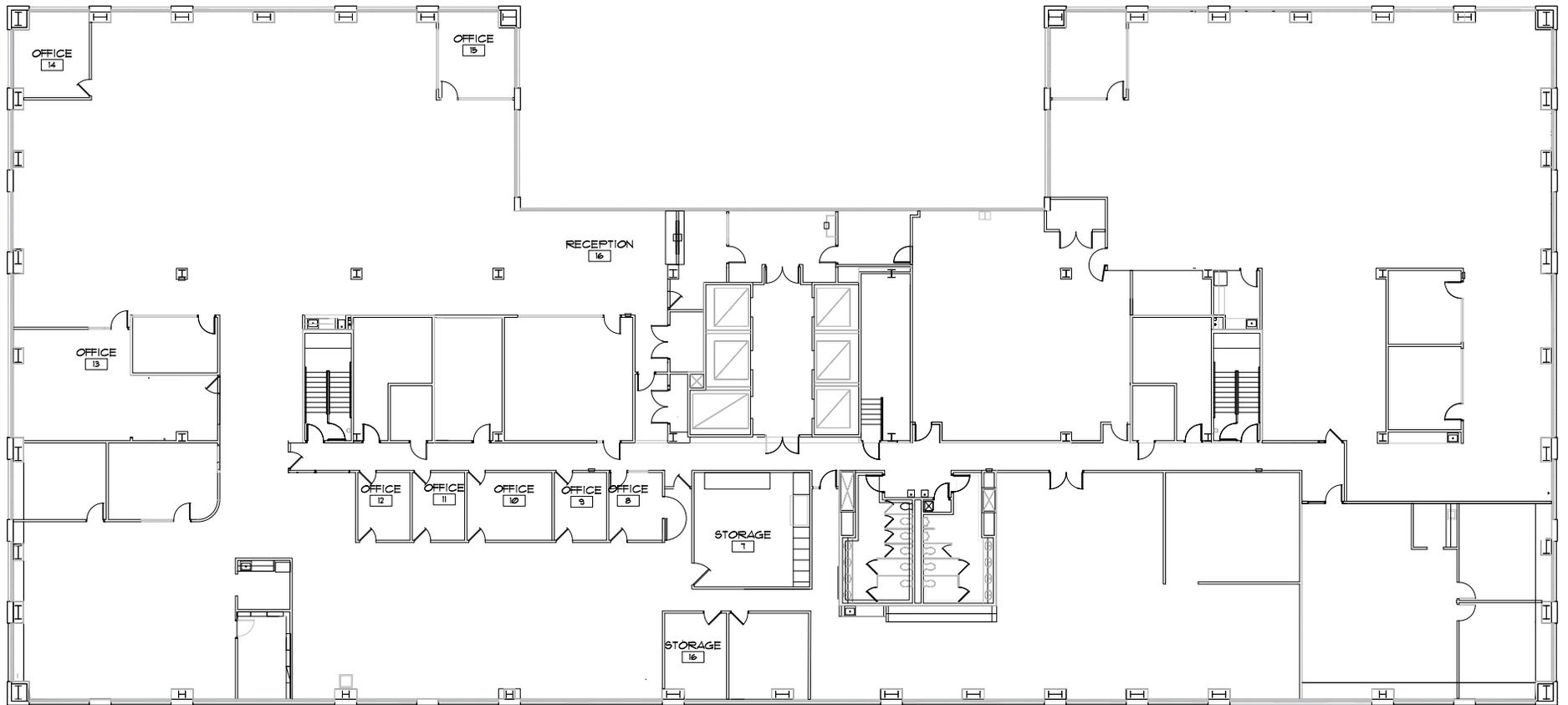
Floor 1



The Attorney General Building

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Floor 7

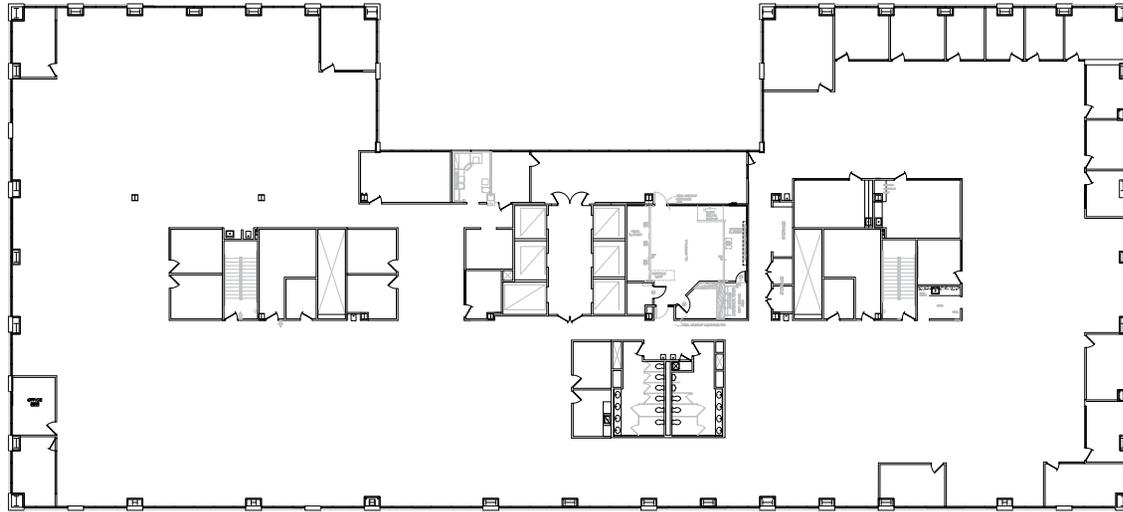




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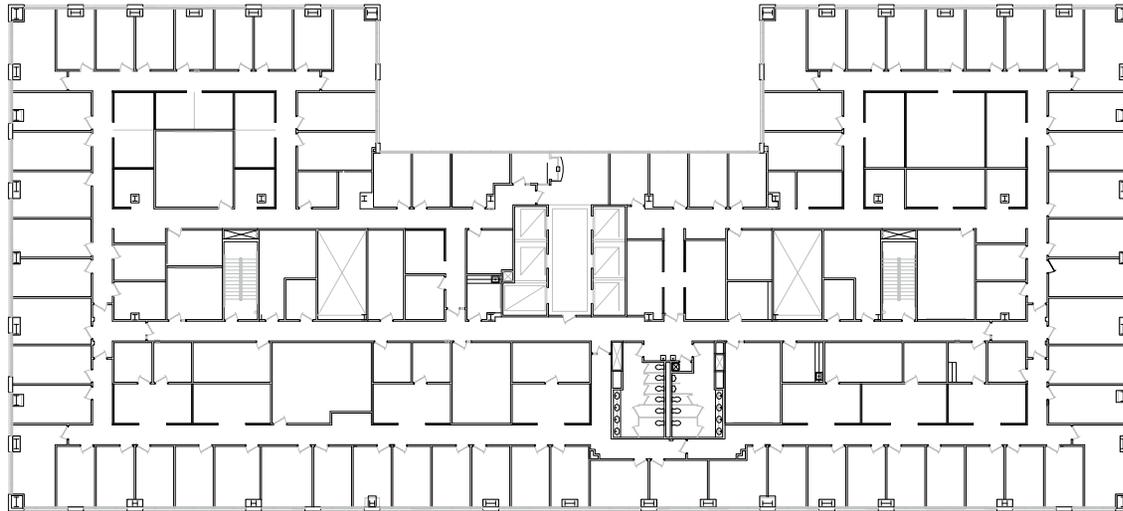
Floor 8

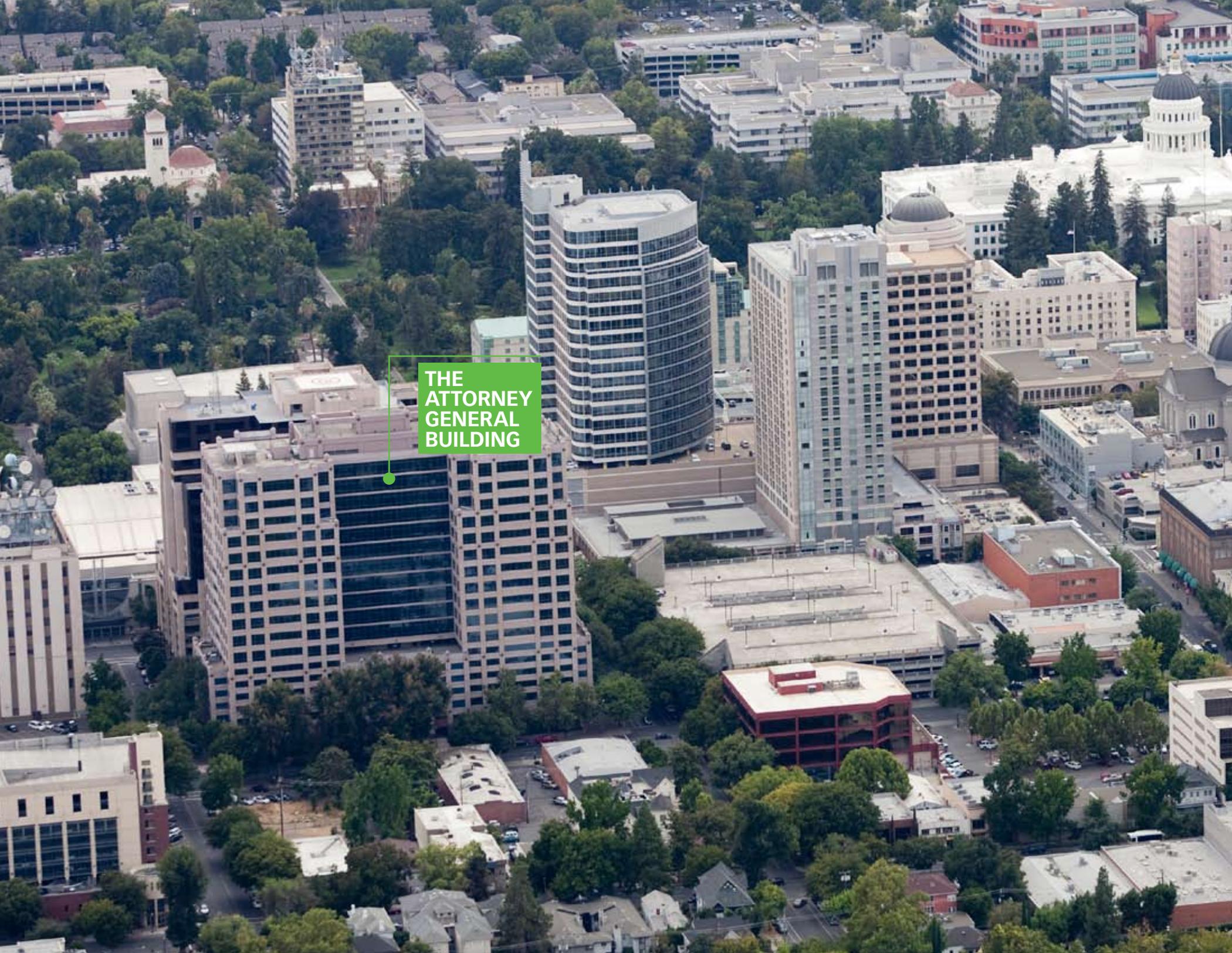


The Attorney General Building

1300 I Street
Sacramento, CA 95814

Floor 14





**THE
ATTORNEY
GENERAL
BUILDING**



SACRAMENTO REGIONAL OVERVIEW

Sacramento, the capital of California, is located in the north-central part of the state, approximately 85 miles northeast of San Francisco. The official Sacramento MSA (Metropolitan Statistical Area) includes the counties of Sacramento, Placer, and El Dorado. Unofficially, the greater Sacramento metroplex also encompasses the counties of Yolo, Sutter, and Yuba. For the last two decades the Sacramento region has been characterized by rapid growth in population, jobs, residential and commercial construction, and household incomes. The greater Sacramento area has established itself as an attractive business location for new, expanding, and relocating enterprises in California. It is regularly mentioned in lists of the country’s most desirable places to live, and has enjoyed a national reputation for its stable, recession-resistant economy and steady, well-managed growth. Although the soft economy and recent housing downturn have created an uncharacteristic level of unemployment, Sacramento’s economy rests on a large foundation of stable, government employment which ensures that any economic hiccups are likely to be temporary.

Sacramento’s Economy: Population and Employment

Population

The population of the Sacramento MSA has surpassed two million people, and by the middle of this decade should be approaching 2.5 million. Since 1980 Sacramento’s population has been growing faster than that of the state as a whole, as shown in the following table, and is projected to continue to do so.

	1980	1990	2000	2009 Estimated	2014 Projected
Sacramento Population	1,235,267	1,603,745	1,936,006	2,143,806	2,366,541
Growth %	-	29.8%	20.7%	10.7%	10.4%
California Population	23,667,910	29,760,021	33,871,648	37,075,982	40,145,714
Growth %	-	25.7%	13.8%	9.5%	8.3%

U.S. Census data

Employment

Following two decades of unprecedented growth, the Sacramento Region is feeling the effects of the recession and has seen a significant increase in unemployment over the last 18 months. The change is due in large part to the housing bubble and loss of many housing-related construction and supply jobs. Nonetheless, Sacramento's large base of government jobs creates a measure of economic stability, and Sacramento's 12.2% unemployment rate is slightly below California's reported 12.4% rate in December 2009.

Sacramento has historically shown itself to be recession-resistant, and as the recovery begins it is likely that Sacramento will resume its customary pattern of growth.

Some of the reasons for the local economy's resilience include:

- Sacramento is the center of State Government which administers to California's general population which, as a group, is projected to increase by more than three million people between 2009 and 2014.
- The Region continues to develop a high-technology complex which is attracting new firms, many of which are migrating from the Bay Area.
- The Region is a major node of distribution, serving the West, Rocky Mountain, and Midwest markets. Both I-80 (east/west) and I-5 (north/south) run through Sacramento.

- Sacramento is a regional retail and service center for surrounding counties, many of which have experienced rapid growth of their own over the last two decades.
- Sacramento historically has provided a low-cost housing alternative to major metropolitan areas such as Los Angeles, San Diego, and the Bay Area. There has been substantial migration within California to the Sacramento region, and with housing values at their lowest point since 2001, this trend is likely to continue.
- The overall quality of life, including affordable real estate and housing, makes it easier for companies to attract and retain employees in Sacramento.

State Government continues to be a dominant industry, employing 106,800 people, including those employed at California State University and the University of California at Davis. Overall, government entities-Federal, State, and local -have 234,200 people on their payrolls and account for roughly 28.1% of Sacramento's total employment. The relative stability of government jobs tends to offset cutbacks that occur in some industrial and service sectors during general economic slowdowns.

The region's strong underlying fundamentals tend to dampen volatility in the local economy and help make Sacramento a good place to live and to do business.

Some of these fundamental strengths include:

- A diverse economy built on a solid, permanent foundation of government employment;
- A large, well-educated labor pool;
- Good transportation, communication, and educational infrastructure;
- Reasonable commercial rents and other costs of doing business;
- Affordable housing;
- Available land for development, and
- Access to a wide variety of recreational opportunities.

In the years ahead, California's employment growth will occur primarily in the Services, Trade, and Government sectors. Much of Sacramento's job and employment growth will be driven by migration from other metropolitan centers within California. Sacramento offers an affordable housing market and attractive quality of life, factors which continue to attract people from other parts of California and from around the country.



Historic Captain
Spirit of
Sacramento

Living in Sacramento

Seismicity

The Sacramento area is noted for its geologic stability, a feature which has become increasingly important and attractive to companies for which business continuity is a major consideration. Because of the vulnerability of their computer operations, seismic stability was a key factor for companies such as Intel, Hewlett Packard, and NEC deciding to locate major operations in the Sacramento region.

Transportation

The Sacramento area boasts a highly developed transportation system, consisting of interstate freeways, an international airport, a transcontinental railway system, and, surprisingly, even a deep water port. Sacramento's location at the juncture of I-5 and I-80 makes possible one-day freight delivery anywhere within California and as far east as Salt Lake City.

Highways

The Sacramento region is well served by a network of more than 800 miles of state-maintained roads, highways, and interstate freeways. Its location at the key intersection of Interstates 5 and 80 makes Sacramento a natural hub for distribution of shipped goods throughout the western United States.

Airports

The Sacramento County Department of Airports operates three airports – Sacramento International, Sacramento Executive, a private sector and corporate fixed operating base, and Mather Airport. Sacramento International is located 10 minutes northwest of downtown, and is served by 12 major carriers offering direct or connecting flights to every major U.S. city and points abroad. Mather Airport, located on the site of the former Mather Air Force Base, has been converted to a cargo hub, and is served by all of the major cargo carriers.

Rail Service

Sacramento and railroads just go together, and have throughout history. The Central Pacific Railroad was started in Sacramento in 1861 by Leland Stanford, Charles Crocker, Mark Hopkins and Collis Huntington. Sacramento is served primarily by the Union Pacific Railroad, which in 1996 merged with the Southern Pacific Railroad. The merger created access to the Burlington Northern Santa Fe lines. Union Pacific's major freight classification facility is located in Roseville, approximately 20 miles northeast of Sacramento.

Public Transit

Regional Transit (or RT) is the primary system of public transit in the Sacramento Region. The RT system is composed of an electricity-driven light rail system, and a complementary system of 256 buses, all powered by compressed natural gas. Currently there are slightly more than 37 miles of light rail track, and there are plans underway to extend these lines northeast to Placer County. Long-range plans call for extending these lines even farther to Elk Grove in the south, through North Natomas, and eventually to Sacramento International Airport. Ridership has grown steadily over the last decade, and presently the system is serving more than 32,000,000 passengers annually.



Sacramento Real Estate Market

The Sacramento regional office market consists of 52.6 million square feet of space. In addition to the Central Business District, 16 distinct suburban submarkets supply office facilities to private companies and government agencies that do not require immediate or frequent access to the companies, law firms, consultants, and government agencies or government-related entities that tenant much of the CBD. Much of the office space downtown is located in high rise office buildings with limited parking, an economic consequence of the relatively high cost of land in the CBD.

By contrast, the Highway 50 Corridor submarket, with 11.9 million square feet of office space, is characterized by mid-rise construction and large floor plates, a configuration preferred by banks, financial services firms, high-tech companies, and government users. These tenants also appreciate the absence of monthly parking fees and the ease of ingress and egress associated with surface parking.

California's growth and Sacramento's strategic importance as the state capital, have attracted investment and ownership by some of the country's leading office property owners. Some of the well-known companies that have already invested in Sacramento's office market include Hines, CIM Group, Sterling Equities, USAA Real Estate Company, UrbanAmerica, LP, Capital & Counties USA, Inc., Westfield Group, Deloitte Development LLC, J.P.Morgan Asset Management, Government Properties Income Trust, Bentley Forbes, RREEF America, L.L.C, TA Associates Realty, and many others.

Since 2003, nearly 10 million square feet of new office space has been constructed in the greater Sacramento market. Until 2008, growth in population and jobs kept the vacancy rate from ever exceeding 15%. As the economy began to soften in late 2007,

construction outpaced demand, and vacancy began to climb. At present, overall vacancy is at about 21% and is expected to stay at this level through 2010. CBD vacancy is much lower, only 9% if government-owned buildings are included (CoStar data) and 13.7% if government buildings are excluded (CBRE data). New speculative construction has ceased, so vacancy is not expected to climb much above current levels.

Rents have seen some softening lately. Asking rent for class A space throughout the region peaked at \$30.31 in late 2007, and now averages \$26.89. In the CBD the roll-off in rents has been less pronounced, having fallen from a peak average of \$35.64 in late 2007 to \$34.37 in January 2010, a decrease of only 3.7%. These are averages, meaning that some properties are still achieving rents in excess of these numbers.

Some of the larger recent lease transactions, both downtown and along the Highway 50 Corridor, include:

Address	Tenant	Sq. Ft.
400 R Street	CalPERS	120,000
621 Capitol Mall	Judicial Council of California	60,924
980 9th Street	California Department of Managed Care	52,261
400 Capitol Mall	Kronick, Moskovitz et al.	41,484
621 Capitol Mall	State Board of Equalization	80,000
10911 White Rock Road	Apple, Inc.	35,271
500 Capitol Mall	Hanson Bridgett	35,000
980 9th Street	SSB Realty, LLC	34,562
10000 Goethe Rd.	State of California	117,988
11010 White Rock Road	First American Title Co.	54,337
10470 Old Placerville Road	Sutter Health	87,000
3075 Prospect Park Dr.	County of Sacramento	54,677
11000 White Rock Road	Wachovia Bank	53,742





In the short term, it is likely that vacancy will hold steady, or perhaps increase slightly, before increasing employment starts to drive new leasing activity next year. Despite the recession, however, California will continue to experience net population growth for the foreseeable future, and, in Sacramento at least, that means there will continue to be growth in government employment and commensurate demand for office space.







MARKET ANALYSIS

1300 I Street, aka the Attorney General Building, is a 17-story Class A office structure located in the heart of Sacramento's Central Business District. It is within walking distance of the Capitol, the Federal Courthouse, the Sacramento County Courthouse, and Sacramento City Hall.

The State of California will have an initial annual leaseback rent of \$34.13/sf modified gross (\$2.84/sf monthly) for the property for twenty years. This figure is significantly lower than class A rents for comparable CBD assets, especially when one takes into account the 20 year primary term of the Tenant's lease, the creditworthiness of its prospective income stream, and the mission-critical nature of the building. Replication of the subject would be infeasible given today's market rents, let alone rents which are below market for comparable land and improvements.

The 376,866 rentable square foot property was placed into service in 1995 and utilizes modern technologies for its climate controls, life safety, elevator, security and other functions. Building materials used in the public areas include polished stone and other finishes that one would expect to find in an important government edifice of contemporary construction.

The contiguous parking structure contains space for 593 cars, a ratio of 1.57 per 1,000 square feet. This ratio is typical for office buildings in the CBD. A recessed loading dock and service area in the alley at the rear of the building is secured by three sectional roll up doors, providing access to a space that has both dock-high and grade level loading provisions.

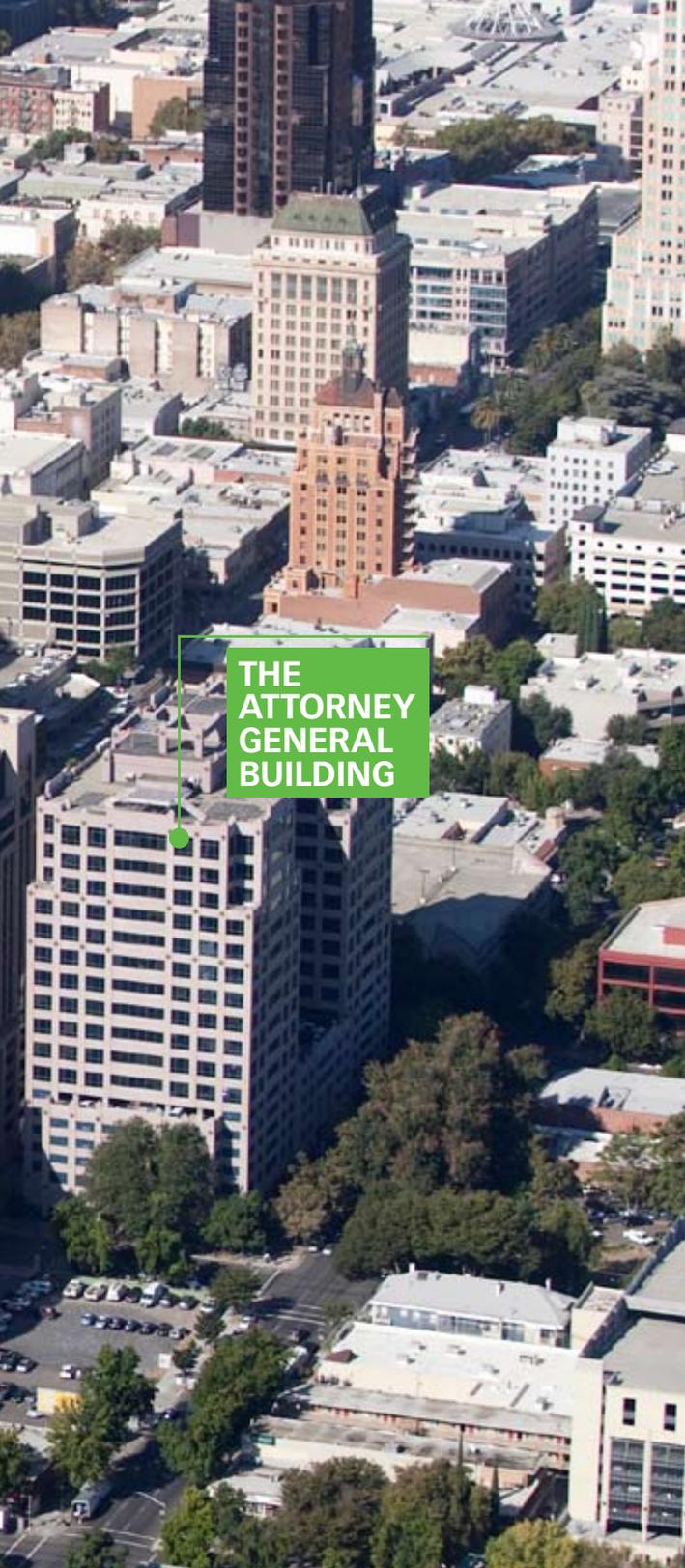
The property's location provides quick and easy freeway access, as driving west on I Street leads directly to on-ramps for north- and south-bound Interstate 5. From there, Sacramento International Airport is 10 minutes away, and connections to Interstate 80 and U.S. Highway 50 are less than five minutes away.

Office buildings in proximity to the Capitol are understandably in demand by lobbyists, law firms, public relations companies and other firms that interact frequently with the Legislature. Most office properties in the CBD count among their tenants many firms that have business with the Legislature or other state agencies. The location of the Attorney General Building, a few blocks northwest of the Capitol, creates superior access to the Federal and County courthouses, crucial to attorneys involved with law enforcement functions and proceedings on a daily basis.

Downtown Sacramento Office Market

Sacramento's Downtown office market consists of 11.2 million square feet, of which roughly 55% is class A space. This number does not include government-owned buildings which would bring the total to about 18 million square feet (CoStar data).

Over the last 10 years, nearly every Downtown office project undertaken, public or private, has been substantially leased by the time it was completed. The Capitol Area East End Complex, with 1.5 million square feet, is the largest office construction project in State history. Before it was half built, all space in it was fully subscribed, and a



THE
ATTORNEY
GENERAL
BUILDING

need for additional State space became apparent. At 10th and I Streets, the California Environmental Protection Agency Building was completed in late 2000, and its 935,000 square feet were fully and immediately occupied by that agency. The State of California Public Employees Retirement System constructed a 550,000 square foot annex to its 450,000 square foot headquarters between 3rd and 5th Streets on 'Q' Street, and has fully occupied that space. CalSTRS did the same with its new 400,000 square foot headquarters across the river in West Sacramento in 2009.

In addition to government buildings, 2 million square feet of private office space has been added to the CBD since 2000. As the State's need for additional space has outpaced its construction program, even private office projects often attract government tenants. The State occupies almost 100% of the iconic Ziggurat Building in West Sacramento, likewise 300 Capitol Mall, and has a significant presence in many other Sacramento

office buildings. For example, the new U.S. Bank Plaza at 621 Capitol Mall has leased nearly 61,000 square feet to the Judicial Council of California and 80,000 square feet to the State Board of Equalization. In Sacramento, government occupancy dampens the impact of economic downturns. While private sector growth is generally tied to profits and the overall economy, government's need for space is more directly tied to growth in population and the number of citizens government must serve.

Rents: CoStar shows the average asking rent for class A space downtown at \$34.37. Within the CBD, newer Class A space, such as 621 Capitol Mall, is leasing at rates ranging from \$36.00 to \$42.00 per square foot, serviced, depending on floor location. Similar rents are being asked at 500 Capitol Mall and the venerable Wells Fargo Center at 400 Capitol Mall.

Vacancy: CoStar shows Class A downtown vacancy at 9%, and 8% for all classes of space.

CoStar's database includes government buildings which are always fully occupied and do not offer space for lease. CBRE tracks non-government buildings larger than 10,000 square feet, and it reports vacancy for all classes of space at 13.7% in the fourth quarter of 2009.

Downtown Booming: In addition to two class A office towers delivered downtown in the last 18 months, literally dozens of redevelopment and renovation projects have resulted in the opening of new restaurants, art galleries, theaters, and residences in the downtown area. According to the Downtown Partnership Association numerous additional downtown revitalization projects are expected to be completed within the next five years. They include residential buildings, new retail shopping outlets and improved community event facilities and cultural attractions.

Downtown Sacramento Office Market Trends

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Space	9,178,000	9,251,000	9,420,000	9,826,000	9,826,000	10,511,000	10,371,000	10,212,000	10,576,000	11,191,000
Sq. Ft. Vacant	482,000	429,162	687,144	1,176,000	1,358,000	1,353,000	1,199,000	1,067,000	1,244,000	1,533,415
Vacancy Pct.	5.3%	4.6%	7.3%	12.0%	13.8%	12.9%	11.6%	10.4%	11.8%	13.7%
Total Occupied	8,696,000	8,821,838	8,732,856	8,650,000	8,468,000	9,158,000	9,172,000	9,145,000	9,332,000	9,657,585
Net Absorption	274,000	125,838	(88,982)	(82,856)	(182,000)	(10,292)	18,758	56,655	129,071	282,071



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BUILDING**



Big Sur

STATE OF CALIFORNIA OVERVIEW

The State of California is a critical economic engine for both the United States and the world. Exemplifying a diverse economy that accounts for approximately 13% of the total Gross Domestic Product (GDP) of the United States, California would rank among the top ten nations globally if it were an independent country with an estimated GDP of \$1.8 trillion in 2008. As the most populous state in the US with approximately 37 million residents, California is forecast to continue to enjoy future population growth above the national average in

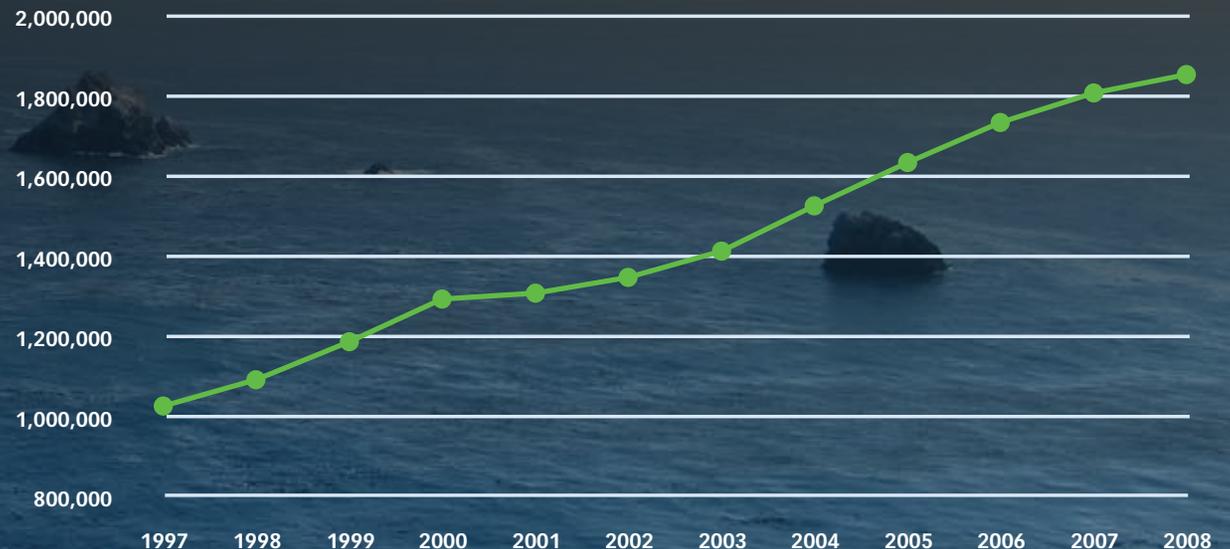
part due to its temperate climate, excellent quality of life, diverse population, world-renowned cities and its position as the gateway to the Pacific Rim. Additionally, California prides itself on striving to be the "greenest" and most eco-friendly states in the country. California's desirable quality of life, vast coast lines and massive valleys, diverse educated work force and uniquely entrepreneurial spirit position it to continue as the nation's most dominant economy.

- Largest state population of ±37 million
- One of the top 10 largest economies in the world
- \$1.8 trillion State GDP
- 3rd largest state by area
- Lowest in per capita energy usage
- 2nd in hydroelectric power potential
- 3rd in crude oil production
- Most major professional sports league franchises (19)

Economy

California's economy has long been an influential force within the United States and the world. With a gross domestic product of approximately 13% of the overall U.S. total, the largest of any state, the gross state product for California was approximately \$1.8 trillion at year-end 2008. California exported \$144 billion worth of goods in 2008, increasing from \$134 billion in 2007 and \$127 billion in 2006. Computers and electronic products are California's top exports, accounting for 42 percent of all the state's exports, according to California Chamber of Commerce trade statistics. California exported to 226 foreign markets in 2008, contributing to a positive annual rate growth of 15 percent. California enjoys the enviable position of being the United State's gateway to the Pacific Rim. California's trade and international commerce account for nearly ¼ of the State's GDP.

GDP of California from 1997-2008

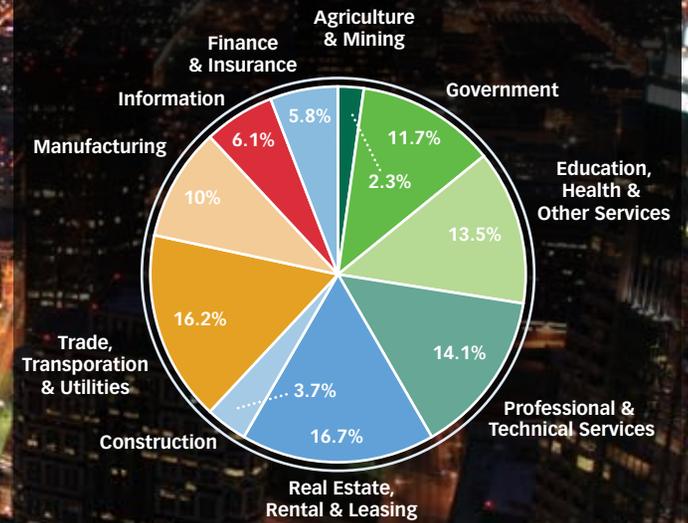




Downtown Los Angeles

According to the Bureau of Economic Analysis, the five largest job sectors in the State are real estate, rental and leasing; trade, transportation and utilities; professional and technical services; education, health and other services; and government. Additionally, California had a total personal income (TPI) of \$1.6B in 2008, a two percent increase from 2007, which ranks 1st in the United States.

GDP of California 2008



Tourism & Entertainment

California is one of the most visited states in the United States. Two of the top international ports of entry to the US were Los Angeles (ranked 3rd) and San Francisco (ranked 6th), accounting for approximately 14.5% of tourism through November 2009. According to the California Travel and Tourism Commission, approximately 14 million persons visited the state of California in the year 2008 and spent \$97.6 billion throughout the state. The State also has the largest market share of domestic travel of all 50 states, 11.3% in 2008.

Los Angeles has long been a favorite tourist city due to the glamour of Hollywood, fame of movie stars and the gorgeous Pacific beaches that charm many guests. Additionally, San Francisco has also held a soft spot in the hearts of tourists, as one of the most beautiful cities in the world. With its distinctive hills and streets, stunning bay views and the Golden Gate Bridge, San Francisco attracts travelers from all corners of the globe.

Tourists also travel to California for athletic events. The state hosted the 1960 Winter Olympics, the 1932 and 1984 Summer Olympics in Los Angeles, in addition to the 1994 FIFA World Cup. Additionally, California has nineteen major professional sports league franchises, far more than any other state. The San Francisco Bay Area has seven major league teams spread over three cities, San Francisco, Oakland and San Jose. The Greater Los Angeles Area is home to ten major league franchises, while Sacramento and San Diego add two major league teams to the State's total.





Pebble Beach



California Redwoods



Yosemite National Park

Geography

The State of California is located on the West Coast of the United States. California is bordered by Oregon to the north, Nevada to the northeast, Arizona to the southeast, the Mexican state of Baja California to the south, and the Pacific Ocean to the west. The Los-Angeles-Riverside-Orange MSA ranks as the second largest consolidated metropolitan area in the United States, and San Francisco-Oakland-San Jose MSA as the fourth. With eight of the nation's fifty most populous cities, California is home to the nation's second and sixth largest census statistical areas respectively.

California is the third-largest U.S. state by land area, after Alaska and Texas. The State's geography is vast and ranges from the Pacific coast to the Sierra Nevada mountain range in the east, to the Mojave desert in the southeast and the redwood, pine and fir forests of the northwest. Approximately 45% of California is covered by forests and contains more forestland than any other state except Alaska. The Central Valley, running approximately 400 miles from north to south, is one of the most productive agricultural areas in the world.



Torrey Pines Gliderport, San Diego

LEASE ABSTRACT

Tenant: State of California

Premises: Attorney General Building
1300 I Street
Sacramento, CA

Net Rentable Area: 375,336 square feet

Commencement Date: The Lease Term shall commence at close of escrow

Lease Term: Lease Term shall be twenty (20) years (240 months)

Rent: Rent shall be paid by the State in arrears on the last day of each month during the Lease Term as follows:

Years	SF	\$/Month	\$/SF/Month*	\$/Year	\$/SF/Year*
Years 1 to 5	375,366	\$1,067,692	\$2.84	\$12,812,298	\$34.13
Years 6 to 10	375,366	\$1,174,461	\$3.12	\$14,093,528	\$37.54
Years 11 to 15	375,366	\$1,291,907	\$3.44	\$15,502,881	\$41.30
Years 15 to 20	375,366	\$1,421,097	\$3.78	\$17,053,169	\$45.43

Note: Escalations in Base Rent detailed in the above Rent schedule are calculated on the basis of a 10% increase on the fifth (5th) anniversary of the commencement date and on each fifth (5th) anniversary thereafter.

*Rounded to two decimal places

Gas/Electricity: In addition to Rent, the State shall pay directly the cost of gas and electricity.

Parking: Five hundred ninety three (593) parking spaces. State shall have the exclusive right (but not the obligation) to use all parking at a charge of \$100 per stall per month, payable in arrears. The parking rate shall increase by ten percent (10%) on the fifth (5th) anniversary of the Commencement Date and on each fifth (5th) anniversary thereafter.

Services, Utilities and Supplies: Lessor, at Lessor's sole cost and expense, with the exception of payment for gas and electricity, shall provide the full range of services, utilities, and supplies to the entirety of the State's premises (including but not limited to): sewer, trash disposal, water, elevator service, janitorial services and property management services all of which shall be in similar levels and quantities as those provided under other Full Service leases in comparable quality office buildings in the same market area.



Repair and Maintenance and Capital Repairs and Replacements:

Lessor shall maintain the entire leased premises (including occupied space) and the building and property of which they are a part (to include site, landscape and parking areas and structures) in good repair and tenantable condition during the entire Lease Term. Such maintenance and repairs and replacements shall include but not be limited to: ongoing maintenance of designated special equipment, annual testing and maintenance of all fire extinguishers, replacing inoperative lighting, repairing floor covering as necessary and replacing all building system components (including roof) as and when required.

CPI Escalator Operating Expense:

On the first anniversary date of the Lease, and each twelve (12) months thereafter, the monthly Rent will automatically increase or decrease by one-twelfth ($1/12^{\text{th}}$) of an amount that will be determined by multiplying the base amount of \$2,218,294 by the percentage that the applicable CPI index for the preceding 12 months increased over or decreased under the same index, for the month of June, 2010, which shall be the base period.

Property Tax Expense Escalator:

On the first anniversary date of the Lease, and each twelve (12) months thereafter, the monthly Rent will automatically increase by one-twelfth ($1/12^{\text{th}}$) of an amount determined by multiplying the annual property tax expense for the preceding twelve (12) months by the actual percent increase capped at 2%. Initial property tax expense shall be based on the initial purchase price, and will not reflect future changes in value due to subsequent sales.

Painting and Carpet:

Lessor agrees at Lessor's sole cost and expense to repaint all interior painted surfaces upon or after the sixtieth (60^{th}) month of the Lease Term and every sixty (60) months thereafter. Further, Lessor shall replace all carpet and floor covering upon or after the one hundred twentieth (120^{th}) month of the Lease Term and every one hundred twenty (120) months thereafter.

Assignment and Subletting:

No assignment of Lease without prior written consent of the Lessor, which shall not be unreasonably withheld; State may sublet the premises, or any portion thereof.

Insurance:

Lessor shall furnish to the State a certificate of insurance as evidence of insurance as fully set forth in the Lease paragraph 33 and briefly to include: (1) Commercial General Liability of not less than \$1,000,000 combined per occurrence and \$10,000,000 General Aggregate with State as additional insured; (2) commercial property insurance for full replacement cost (max deductible \$100,000) to include business income coverage equal to 24 months Rent and with State as additional insured; (3) Automobile Liability with State as additional insured; (4) Workers Compensation Insurance with Waiver of Subrogation in favor of State; (5) Employee Dishonesty blanket insurance with limit of not less than \$1,000,000 and with State named as loss payee; and (6) for demolition and construction activities, Pollution Liability coverage of

not less than \$3,000,000 per occurrence and Builder's Risk/Installation Floater covering labor, materials and equipment.

Property Taxes:

The State, as part of its rent, shall pay any property taxes assessed against the leased premises as a result of the sale of same from the State to a subsequent purchaser. In the event that an obligation to pay property taxes does not exist, the State shall be provided with an annual credit against its Rent equal to the amount of the taxes not assessed.

Right of First Refusal:

At any time that is ninety (90) days or more prior to the then scheduled lease termination date, if Lessor receives bona fide offer from unaffiliated third party to purchase Lessor's interest in Property, State shall have up to thirty (30) days from receipt of Lessor's written notice of receipt of such offer to respond in writing advising Lessor of State's election to acquire Lessor's interest in Property under same terms and conditions as those set forth in such third party offer.

Option to Renew Lease:

State shall have the option to extend the term of this Lease for six (6) additional terms of five years each, on the same terms, conditions and covenants as are set forth in this Lease, with the exception of Basic Rent and CPI escalator operating expenses. State shall provide written notice of its intention to extend this Lease at least twenty four (24) months prior to the expiration of the then applicable term of its Lease. Rent during the then applicable renewal term shall be set on the basis of the same schedule of ten percent (10%) increases at the end of each five years that applied to the Initial Term, thus the monthly Rent during the applicable renewal term shall be equivalent to one hundred and ten percent (110%) of the monthly Rent payable during the immediately preceding year of the Lease. Further, the amount of the base amount for the CPI Escalator Operating expenses shall be equivalent to the amount applicable to the immediately preceding twelve month period (the last twelve months of the immediately preceding lease term) and increased or decreased by the percentage in the applicable CPI Index and the base period shall be the first twelve (12) months of the applicable renewal term. The parties shall enter into a brief lease amendment incorporating the applicable rent and the revised CPI escalator operating expense provision.

Onsite Management:

Lessor agrees to furnish the services of an onsite professional property management company at Lessor's sole cost and expense. Said duties shall be more particularly described in exhibits to the lease attached thereto.

Operating Lease:

The Lease is intended to be treated as an Operating Lease on behalf of the State, under current FASB/GASB rules governing Operating Lease standards (i.e. FAS 13, FAS 66 and FAS 98). Bidders will be responsible for demonstrating that their purchase offers will comply with these standards.



FINANCIALS

Included in the following section is the Financial Analysis to assist investors in their underwriting:

- Cash Flow Assumptions
- Expense Detail
- Rent Roll
- Cash Flow Projections

Cash Flow Assumptions

For purposes of our analysis the cash flow period begins July 1, 2010 and has been prepared using ARGUS v14. A copy of the ARGUS file is available on the website.

Year One Rents:

	Annual	Type of Lease	Total RSF	% Total
State of California	\$34.13	Modified Gross	375,366	99.60%
Property Management Office	\$34.13	Gross	1,500	0.40%

Market Rent Growth:

3% - Fiscal Year Ending June Inflation

Expense Recoveries:

Modified Gross – Electricity and Gas are paid directly by the State of California. The State of California will also be responsible for the building security.

Lease Term:

20 years initial term with six (6), five (5) year options to renew

Rent Increase Over Term:

10% Every 5 Years on base rent

	Annual Rent	\$/SF/Year*
Current	\$12,812,298	\$34.13
July 2015	\$14,093,528	\$37.54
July 2020	\$15,502,881	\$41.30
July 2025	\$17,053,169	\$45.43

*Rounded to two decimal places

Capital Reserves:

\$0.15 PSF, per year

General Vacancy Loss:

0.0%

Consumer Price Index (CPI):

3%

Operating Expense Growth Rate:

3%

Property Tax Growth Rate:

2%

Property Tax Millage Rate:

1.1035%

Note: Buyer is responsible for adjusting property taxes bases upon offer price. All inflation is Fiscal Year ending in June.

Revenues

Expense Reimbursement Revenue:

State of California shall pay increases for operating expenses and property taxes annually. On the first anniversary date of the Lease, and each twelve (12) months thereafter, the monthly Rent will automatically increase or decrease by one-twelfth (1/12th) of an amount that will be determined by multiplying the base amount of \$2,218,294 by the percentage that the applicable CPI index for the preceding 12 months increased over or decreased under the same index, for the month of June, 2010, which shall be the base period.

Management Office pays no reimbursements.

Parking Revenue:

The structure provides for a total of 593 parking spaces. Current market rates are \$100 per space per month. It is assumed parking is 100% variable based on occupancy, and the parking rate shall increase by ten percent (10%) on the fifth (5th) anniversary of the Commencement Date and on each fifth (5th) anniversary thereafter.

Expenses

Note: Year One Operating Budgets have been developed by CB Richard Ellis' Asset Services based upon building inspections, operating cost history from similar assets managed in the subject markets, operating expense data published by industry associations and competitive bids from selected third party vendors and is conformed to the State of California detailed specifications in the lease.

Insurance Calculation:

Property Insurance (including earthquake coverage) = \$.26 per each \$100 of hard cost building value (building replacement hard cost value (less land)/100 then multiplied by .26)

Liability (Office) = \$.03 per building square feet

Umbrella = 60% of the Liability premium

This above quote is based on the CBRE large pool discount, includes earthquake coverage up to the first \$100 million within the pool, and requires CBRE Asset Services to manage the property.

Management Fee Expense:

\$84,000.

Please note that the Management Fee the Year One budget is based upon a portfolio sale and will vary on a one-off sale basis, and requires CBRE Asset Services to manage the property.

Refurbishment Allowances:

Landlord shall be responsible to repaint interior premises every five (5) years and carpet every ten (10) years for the State of California.





Rent Roll

as of 7/1/2010

Suite	Tenant Name	Square Feet	% of Property	Lease Term		Rental Rates					Recovery Type	Comments/Options
				Begin	End	Begin	Monthly	PSF	Annually	PSF		
100	State of California	375,366	99.60%	Jul-2010	Jun-2030	Current	\$1,067,692	\$2.84	\$12,812,298	\$34.13	See Abstract	Tenant has six (6) 5-year options to renew at 10% increases over prior rent.
						Jul-2015	\$1,174,461	\$3.12	\$14,093,528	\$37.54		
						Jul-2020	\$1,291,907	\$3.44	\$15,502,881	\$41.30		
						Jul-2025	\$1,421,097	\$3.78	\$17,053,169	\$45.43		
Mgt	Management Office	1,500	0.40%	Jul-2010	Jun-2030	Current	\$4,267	\$2.84	\$51,199	\$34.13	None	-
						Jul-2015	\$4,693	\$3.12	\$56,319	\$37.54		
						Jul-2020	\$5,163	\$3.44	\$61,951	\$41.30		
						Jul-2025	\$5,679	\$3.78	\$68,146	\$45.43		
Totals / Averages		376,866					\$1,071,958	\$2.84	\$12,863,497	\$34.13		
Occupied sq. ft.		376,866	100.0%									
Vacant sq. ft.		0	0.0%									
Total sq. ft.		376,866	100.0%									

Cash Flow Projections

Fiscal Year Ending - June 30

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Physical Occupancy		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Overall Economic Occupancy ^[1]		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Operating Expenses PSF Per Year		\$10.26	\$10.52	\$10.79	\$11.07	\$11.36	\$11.65	\$11.95	\$12.26	\$12.58	\$12.91	\$13.24
Revenues	FY 2011 \$/SF/YR ^[2]											
Scheduled Base Rent												
Gross Potential Rent	\$34.13	\$12,863,497	\$12,863,497	\$12,863,497	\$12,863,497	\$12,863,497	\$14,149,847	\$14,149,847	\$14,149,847	\$14,149,847	\$14,149,847	\$15,564,832
Absorption & Turnover Vacancy	0.00	0	0	0	0	0	0	0	0	0	0	0
Base Rent Abatements	0.00	0	0	0	0	0	0	0	0	0	0	0
Total Scheduled Base Rent	34.13	12,863,497	12,863,497	12,863,497	12,863,497	12,863,497	14,149,847	14,149,847	14,149,847	14,149,847	14,149,847	15,564,832
Expense Reimbursements	0.00	0	0	0	0	0	0	0	0	0	0	0
Parking Revenue	1.89	711,600	711,600	711,600	711,600	711,600	782,760	782,760	782,760	782,760	782,760	861,036
State of CA Expense Increases	0.00	0	99,116	200,878	305,358	412,630	522,773	635,863	751,985	871,220	993,654	1,119,378
Total Gross Revenue	36.02	13,575,097	13,674,213	13,775,975	13,880,455	13,987,727	15,455,380	15,568,470	15,684,592	15,803,827	15,926,261	17,545,246
General Vacancy Loss	0.00	0	0	0	0	0	0	0	0	0	0	0
Effective Gross Revenue	36.02	13,575,097	13,674,213	13,775,975	13,880,455	13,987,727	15,455,380	15,568,470	15,684,592	15,803,827	15,926,261	17,545,246
Operating Expenses												
Security	(0.10)	(37,951)	(39,090)	(40,262)	(41,470)	(42,714)	(43,996)	(45,315)	(46,675)	(48,075)	(49,517)	(51,003)
Cleaning	(2.00)	(753,342)	(775,942)	(799,221)	(823,197)	(847,893)	(873,330)	(899,530)	(926,516)	(954,311)	(982,940)	(1,012,429)
Repairs & Maintenance	(1.57)	(593,511)	(611,316)	(629,656)	(648,545)	(668,002)	(688,042)	(708,683)	(729,944)	(751,842)	(774,397)	(797,629)
Utilities	(0.03)	(11,856)	(12,212)	(12,578)	(12,955)	(13,344)	(13,744)	(14,157)	(14,581)	(15,019)	(15,469)	(15,933)
Management Fee	(0.22)	(84,000)	(86,520)	(89,116)	(91,789)	(94,543)	(97,379)	(100,300)	(103,309)	(106,409)	(109,601)	(112,889)
Onsite Office Expense	(0.19)	(70,199)	(72,305)	(74,474)	(76,708)	(79,010)	(81,380)	(83,821)	(86,336)	(88,926)	(91,594)	(94,342)
Admin (Excl Mgt Fee)	(0.44)	(165,044)	(169,995)	(175,095)	(180,348)	(185,758)	(191,331)	(197,071)	(202,983)	(209,073)	(215,345)	(221,805)
Lot & Landscaping	(0.04)	(15,736)	(16,208)	(16,694)	(17,195)	(17,711)	(18,242)	(18,790)	(19,353)	(19,934)	(20,532)	(21,148)
Parking	(0.01)	(5,400)	(5,562)	(5,729)	(5,901)	(6,078)	(6,260)	(6,448)	(6,641)	(6,841)	(7,046)	(7,257)
Real Estate Taxes	(4.37)	(1,648,219)	(1,681,183)	(1,714,807)	(1,749,103)	(1,784,085)	(1,819,767)	(1,856,162)	(1,893,286)	(1,931,151)	(1,969,774)	(2,009,170)
Insurance	(1.28)	(481,255)	(495,693)	(510,563)	(525,880)	(541,657)	(557,906)	(574,644)	(591,883)	(609,639)	(627,929)	(646,766)
Total Operating Expenses	(10.26)	(3,866,513)	(3,966,026)	(4,068,195)	(4,173,091)	(4,280,795)	(4,391,377)	(4,504,921)	(4,621,507)	(4,741,220)	(4,864,144)	(4,990,371)
Net Operating Income	25.76	9,708,584	9,708,187	9,707,780	9,707,364	9,706,932	11,064,003	11,063,549	11,063,085	11,062,607	11,062,117	12,554,875
Capital Costs												
Tenant Improvements	0.00	0	0	0	0	0	0	0	0	0	0	0
Leasing Commissions	0.00	0	0	0	0	0	0	0	0	0	0	0
Capital Reserves	(0.15)	(56,530)	(58,226)	(59,973)	(61,772)	(63,625)	(65,534)	(67,500)	(69,525)	(71,610)	(73,759)	(75,971)
State of CA - Paint & Carpet ^[3]	0.00	0	0	0	0	0	(750,732)	0	0	0	0	(1,501,464)
Total Capital Costs	(0.15)	(56,530)	(58,226)	(59,973)	(61,772)	(63,625)	(816,266)	(67,500)	(69,525)	(71,610)	(73,759)	(1,577,435)
Operating Cash Flow	\$25.61	\$9,652,054	\$9,649,961	\$9,647,807	\$9,645,592	\$9,643,307	\$10,247,737	\$10,996,049	\$10,993,560	\$10,990,997	\$10,988,358	\$10,977,440

[1] This figure takes into account vacancy/credit loss, absorption vacancy, turnover vacancy, and base rent abatements.

[2] Based on 376,866 square feet.

[3] State of California to have premises re-painted every 5 years (estimated to be \$2 PSF) and re-carpeted every 10 years (estimated to be \$2 PSF).





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