



FRANCHISE TAX BOARD OFFICE COMPLEX

9645 BUTTERFIELD WAY
SACRAMENTO, CA 95827

GOLDEN STATE PORTFOLIO OFFERING MEMORANDUM

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

Capital Markets | Institutional Group





TABLE OF CONTENTS

Kevin Shannon

Vice Chairman
310-516-2480
kevin.shannon@cbre.com
Lic. 00836549

Robert Gilley

Executive Vice President
415-772-0187
bob.gilley@cbre.com
Lic. 01084869

Randy Getz

Executive Vice President
916-446-8287
randy.getz@cbre.com
Lic. 00828903

For debt financing
information, contact:

Ken White

Senior Vice President
310-516-2408
ken.white@cbre.com
Lic. 01788506

CB Richard Ellis, Inc.
Broker Lic. 00409987

01 Executive Summary

The Offering
Investment Highlights
Property Overview
Location Overview
The Opportunity
LEED® Certified
Marketing Process

02 Property Summary

General Property/Site Information
Construction Detail
Interior Detail
Mechanical Detail
Site Plan
Representative Floor Plans

03 Area Overview

Sacramento Regional Overview

04 Market Analysis

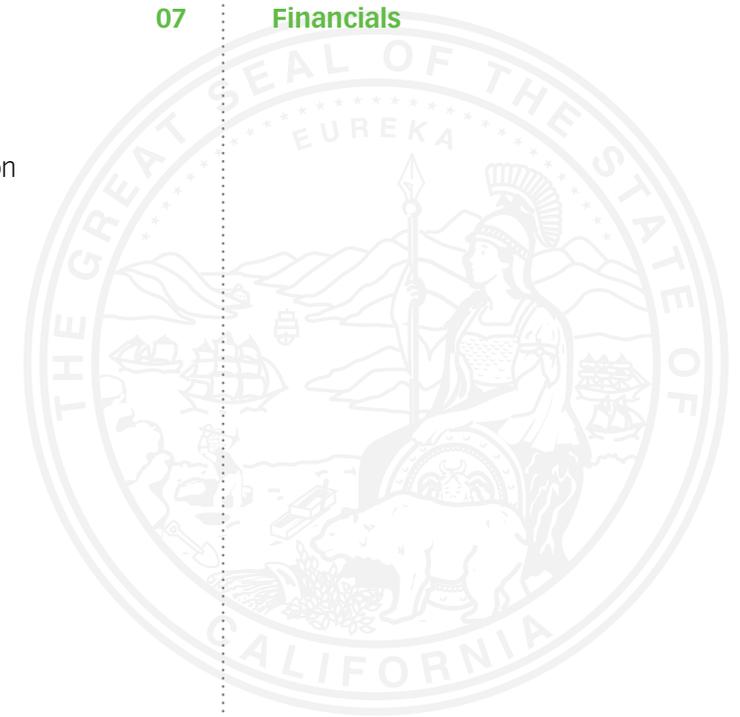
Sacramento Office Market

05 State of California Overview

Economy
Tourism & Entertainment
Geography

06 Lease Abstract

07 Financials



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

www.cbre.com/goldenstateportfolio



FRANCHISE TAX BOARD



EXECUTIVE OFFICE



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 Franchise Tax Board office complex at 9645 Butterfield Way in Sacramento, California. The ± 1.8 million square foot campus has freeway visibility in Sacramento’s largest office submarket, the Highway 50 Corridor. The complex is made up of seven buildings constructed over a 21-year period between 1984 and 2005. Each building has achieved LEED® certification to the Gold or Silver level. The site measures ± 86.4 acres and includes parking accommodations for 3,792 vehicles. This number does not include the 256 additional spaces located in Regional Transit’s parking lot adjacent to the campus.

The property is 100% leased, of which 99.9% 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. The Franchise Tax Board, responsible for administering and enforcing California’s revenue and taxation laws, occupies most of the space; its data center holds the records for every California taxpayer. In addition, the complex houses employees from the Board of Equalization, Department of Managed Health Care, Child Protective Services, and the Department of Rehabilitation.

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

Offering Summary

Property Name:	Franchise Tax Board Office Complex
Address:	9645 Butterfield Way Sacramento, CA 95827
Rentable Square Footage:	± 1,814,056
Number of Buildings:	Seven
Year Built:	1984-2005
Number of Stories:	One to four
Parking:	± 3,792 (2.09 per 1,000 rsf)
LEED Certification:	LEED Gold (4 bldgs), Silver (2 bldgs)
State of California Lease Term:	20 years firm



Investment Highlights

- **Long Term Credit Tenancy**

The Property is 100% leased, of which 99.9% 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.

- **Iconic Office Property**

One of the most prominent office properties in the Highway 50 Corridor, the FTB campus is notable for its sheer size. At ±1.8 million square feet and more than 86 acres, the property is one of the largest office complexes in northern California. From the south end of the site near Highway 50 to the public California Town Center at the north end is approximately ¼ mile. The primary buildings are distinct, but are linked by glass-enclosed corridors that allow employees to move about the complex without exposure to the elements.

- **Exceptional Highway 50 Location**

The Highway 50 Corridor extends approximately 10 miles from the Sacramento city limit on the west to the Folsom city limit on the east. The subject is located near the west end of the submarket, only about 10 minutes from the Sacramento CBD. Its location provides easy access to freeways and public transportation, and is convenient to many of the residential neighborhoods from which employees

travel every day. And unlike downtown offices, employees who commute to work enjoy free parking.

- **On-Site Parking and Amenities**

The massive parking lot holds just under 3,800 cars, and the Regional Transit parking lot has room for an additional 256. Light rail stops at the Butterfield station located adjacent to the FTB campus, providing unmatched convenience and access to public transit. The public building, named California Town Center, contains a cafeteria, a day care center, and a bank. Two additional daycare facilities are located elsewhere on the campus, as are two more cafeterias in the Sacramento and San Francisco buildings.

- **High Value Opportunity**

This sale/leaseback opportunity provides an investor the ability to purchase a Class A office property leased on a long-term basis in a strategically located suburban setting. The Subject's submarket is largely built-out, thus providing high barriers to entry for anyone seeking to develop a large floor plate complex to appeal to companies with high employee head-counts.





Property Overview

The Franchise Tax Board complex is one of the largest business campuses in northern California. Its roughly 1.8 million square feet of space sits on a ± 86-acre campus along the north side of U.S. Highway 50 in Sacramento County, just east of the Sacramento city limits. The oldest of the buildings was constructed in 1984, and the newest were completed and placed into service in 2005.

Building Rentable	Sq. Ft.	Stories	Construction
California Town Center	48,290	1	2005
Sacramento	477,275	4	2005
San Francisco	360,158	3	2005
Los Angeles	463,006	2	1984
San Diego	407,683	2	1993
Warehouse	45,596	1	2002-2003
Central Plant	12,048	1	2002-2003
Total	1,814,056		

California Town Center contains the main lobby and public areas that include a cafeteria, coffee shop, a daycare center, an auditorium/theater, and a bank. The Los Angeles and San Diego buildings also have daycare centers. There is a courtyard with seating between the Sacramento and San Francisco buildings. Moving between structures is facilitated by glassed-in corridors that connect the four office buildings and California Town Center.

Location Overview

With downtown Sacramento only 10 minutes away via Highway 50, the Franchise Tax Board campus offers the convenience of CBD proximity combined with the ease of access and abundant free parking of a suburban location. Regional Transit’s Butterfield Station was located specifically to service the FTB campus, so access to public transportation is nonpareil. Another advantage of this suburban location is proximity and ease of access from most of the residential communities in the Sacramento area. Commuters can access Highway 50 via Highway 99 or Interstate 5, as well as major regional arterials such as Howe Avenue, Watt Avenue, and Sunrise Boulevard.



The Opportunity

The Franchise Tax Board office campus offers investors the rare opportunity to acquire an institutional quality office asset that is leased for 20 years to an investment grade credit tenant – the State of California. The Property features distinctive architecture and a high-profile location in the region’s largest office submarket. The combination of a long term lease to a credit tenant and rent escalations during the term will provide healthy yields throughout the investment horizon. The Property’s construction quality, LEED certification, on-site parking, and other amenities further enhance its investment appeal. The opportunity to acquire the property at a discount to replacement cost in a well-established suburban location with little remaining land for development solidifies the Property’s risk-adjusted investment potential.

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:
- 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
 - 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:
- Offered Price;
 - Buyer's Financial Capabilities including potential need for debt as a condition of close;
 - Buyer Due Diligence and Closing Timing;
 - Buyer's Terms and Conditions;
 - Buyer's past performance; and
 - 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:

9645 Butterfield Way
Sacramento, CA 95827

LEED® Certification:



California Town Center: LEED Gold
Sacramento: LEED Silver
San Francisco: LEED Gold
Los Angeles: LEED Silver
San Diego: LEED Gold
Central Plant: LEED Gold

Year Built:

1984-2005

Number of Structures

Seven

Building	NRA	Stories	Construction
California Town Center	48,290	1	2005
Sacramento	477,275	4	2005
San Francisco	360,158	3	2005
Los Angeles	463,006	2	1984
San Diego	407,683	2	1993
Warehouse	45,596	1	2002-2003
Central Plant	12,048	1	2002-2003
Total	1,814,056		

Parcel Numbers:

068-0011-039-0000, 068-0011-105-0000, 068-0580-004-0000, 068-0580-005-0000, 068-0580-006-0000, 068-0580-007-0000, 068-0580-009-0000

Site Area:

±86.431 acres, ±3,764,946 square feet

Zoning:

MP (Office Park Industrial)

Site Location:

The Property is located at 9645 Butterfield Way in Sacramento, California. Adjacent developments consist of residential tracts north of Folsom Boulevard, office properties west of Mayhew Road, and a drive-in movie theatre and industrial properties to the east. Highway 50 is adjacent to and south of the property.

Site Access:

Property access is from Folsom Boulevard and Mayhew Road, both of which are public local two-way streets. The primary entry is a two-way access drive from Folsom Boulevard at Butterfield Way north of the property that enters the north, west, south, and regional transit parking areas. A second access point from Mayhew Road east of the property provides access to the west parking areas. Folsom Boulevard is a local street and provides direct access to Bradshaw Road and the regional road system. The Bradshaw Road highway interchange at State Highway 50 is east of the property.

Signage:

Building signage consists of surface-mounted metal address numerals and building names at the elevations of all buildings.



The 'LEED Certification Mark' is a registered trademark owned by the U.S. Green Building Council and is used by permission.



Elevators:

The Sacramento and San Francisco Buildings are served by 10 passenger traction elevators and two hydraulic service elevators. The Los Angeles and San Diego Buildings are served by eight passenger, one service, and one freight hydraulic elevators.

Elev. No.	Type	Capacity	Floors Served
Los Angeles			
1 – 2	Passenger, Hydraulic	3,000 lbs	1-2
3	Service, Hydraulic	4,000 lbs	1-2
San Diego			
1	Freight, Hydraulic	5,000 lbs	1-2
2 – 6	Passenger, Hydraulic	3,000 lbs	1-2

Elev. No.	Type	Capacity	Floors Served
-----------	------	----------	---------------

San Francisco

1 – 4	Passenger, Traction	3,500 lbs	1-3
5	Service, Hydraulic	4,500 lbs	1-roof

Sacramento

1 – 6	Passenger, Traction	3,500 lbs	1-4
7	Service, Hydraulic	4,500 lbs	1-roof

The Los Angeles and San Diego Building elevators were manufactured by Dover Elevator. The San Francisco and Sacramento Building elevators were manufactured by ThyssenKrup Elevator. The traction elevators have solid state power and computerized controls. Passenger elevator car

interior finishes consist of laminate walls, carpet or VCT flooring, polished stainless steel returns and door, and incandescent lighting in stainless steel ceiling panels or luminous ceiling with fluorescent lighting.

Parking:

On-site asphalt-paved surface parking wraps around the entire building complex and is accessed from Folsom Boulevard at Butterfield Way and at Mayhew Road. All drive lanes are two-way, and parking spaces are perpendicular to the drive lanes. There are ±3,792 on-site parking spaces at the property, which includes 68 disabled-accessible parking stalls, 12 of which are van-accessible. The parking ratio for the complex is ± 2.09 spaces per 1,000 rentable square feet.

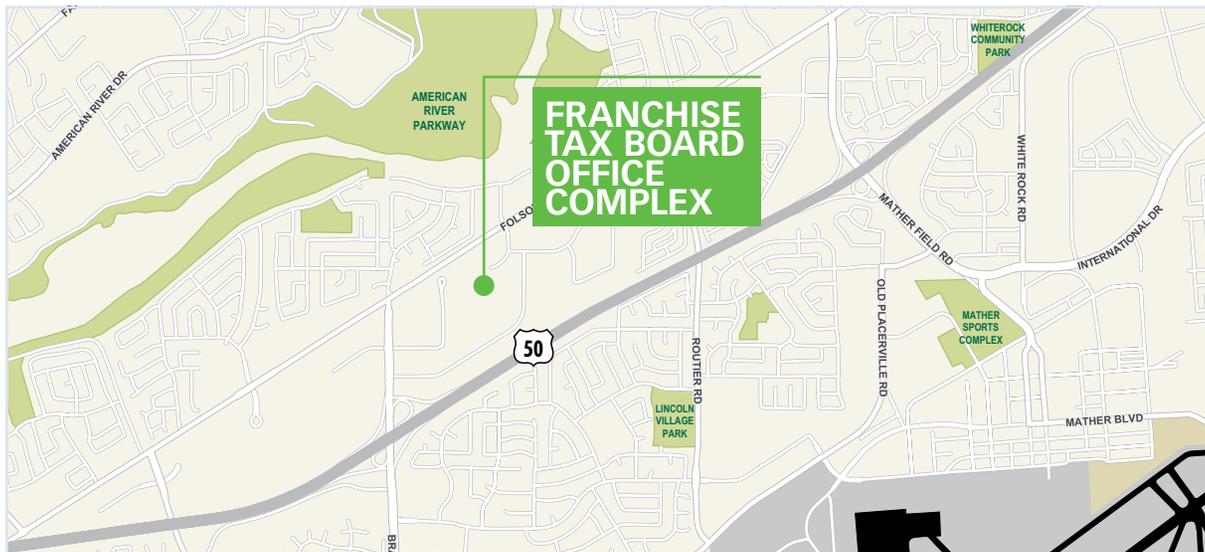
Wrought-iron security fencing is provided at the parking area perimeters.

Paving, Curbs and Sidewalks:

Paving: The entry drives and the surface parking areas are asphaltic concrete pavement of an unknown thickness.

Curbs: The sidewalk curbs are concrete and integral with the street gutter. On-site perimeter edges of pavement and landscape have cast concrete curbs.

Sidewalks: Public sidewalks along Folsom Boulevard, Butterfield Way, and Mayhew Road are broom finish concrete. On-site walkways also have a broom finish concrete.





Site Lighting:

Exterior surface parking lighting consists primarily of pole-mounted shoebox style HID-type fixtures. There are bollard type lights at walkways and building soffits have recessed down lights.

Emergency lighting is provided by fixtures served by the emergency power system; emergency lighting is provided at each stair landing. Parking lot lighting is metal-halide fixtures.

Lighting control is provided through the Alerton control system.

Structure:

San Francisco and Sacramento Buildings

Vertical Load System: The San Francisco building consists of a three-story, steel-framed structure, and the Sacramento building consists of a four-story, steel-framed structure. The superstructure for both buildings typically consists of cellular deck fill on a corrugated steel deck at the roof and elevated floors which span to steel wide-flange beams and columns. Above the auditorium in the Sacramento building, long-span steel trusses support the second floor deck. The steel columns deliver the vertical loads to the foundation.

Lateral Load System: The lateral force-resisting system for both buildings typically consists of a combination of steel eccentrically-braced frames and steel moment-resisting frames. The braced frames are in both chevron and inverted-chevron configurations, and utilize diagonal tube steel braces. The moment frame connections utilize the

modern detailing provisions for reduced beam sections ("dogbone") at the column. The braced frames and moment frames combine to resist the lateral loads and deliver the loads to the foundation.

Los Angeles Building

Vertical Load System: The superstructure consists of a two-story steel-framed structure. The roof consists of plywood sheathing and 2x sub-purlins, which span to 20"-deep, open-web steel joists supported on steel wide-flange girders. The elevated floor has a cellular concrete fill on a corrugated steel deck that spans to steel wide-flange beams. Roof and elevated floor beams are supported on both steel tube and wide-flange columns, which deliver vertical loads to the foundation.

Lateral Load System: The lateral force-resisting system consists of the plywood-sheathed roof diaphragm and concrete second floor diaphragm, which deliver lateral loads from exterior wind pressure and seismic inertial loads to steel concentric brace-frames located at the perimeter and interior of the building. The diagonal braces typically consist of wide-flange beams. The brace-frames deliver the lateral loads to the foundation.

San Diego Building

Vertical Load System: The building consists of two structures; a two-story, steel-framed structure, and a one-story concrete tilt-up panel structure. The roof of the steel-framed structure consists of a corrugated steel deck, which spans to steel wide-flange beams. The elevated floor consists of reinforced concrete fill on a corrugated steel deck which spans to steel wide-flange beams. The roof and elevated floor framing are supported on tube-steel columns, which deliver vertical loads to the foundation. The roof of the tilt-up structure consists of plywood sheathing and 2x sub-purlins which span to wood glu-laminated beam purlins and steel wide-flange beams. The roof framing is supported on tube-steel columns at the interior and the perimeter tilt-up panel walls.

Lateral Load System: The two structures are separated at the second floor by an isolation joint. The lateral force-resisting system of the steel-framed building consists of the steel deck roof diaphragm and the concrete second floor diaphragm, which deliver lateral loads to the steel concentric brace frames; the diagonal braces typically consist of tube-steel sections. The brace frames deliver lateral loads to the foundation. The lateral force-resisting system of the tilt-up panel building consist of the plywood-sheathed roof diaphragm that delivers lateral loads to the perimeter tilt-up concrete walls. The concrete walls deliver lateral loads to the foundation.

California Town Center Building

Vertical Load System: The building consists of a one-story, steel-framed structure. The roof consists of a corrugated steel deck which spans to steel wide-flange beams and girders. The roof framing is supported on steel wide-flange columns which deliver the vertical loads to the foundation.

Lateral Load System: The lateral force-resisting system consists of steel concentric brace frames. The diagonal braces typically consist of tube-steel sections. The brace frames deliver lateral loads to the foundation.

Central Plant Building

Vertical Load System: The building consists of a one-story, steel-framed structure. The roof consists of a corrugated steel deck which spans to steel wide-flange beams. The roof beams are supported on steel wide-flange columns which deliver the vertical loads to the foundation.



Lateral Load System: The lateral force-resisting system consists of the steel deck roof diaphragm which delivers lateral loads to perimeter and interior steel concentric brace frames. The diagonal braces typically consist of tube-steel sections. The brace frames deliver lateral loads to the foundation.

Warehouse Building

Vertical Load System: The superstructure consists of a one-story steel structure with infill walls. The roof assembly consists of plywood sheathing supported on 2x and 3x wood sub-purlins and wood glu-laminated beam purlins and girders. The girders span to interior tube-steel columns which deliver vertical loads to the foundation. The infill walls along the building perimeter consist of 8"-thick reinforced concrete masonry unit (CMU) walls with solid grout.

Lateral Load System: The lateral force-resisting system consists of the plywood-sheathed roof diaphragm which delivers lateral loads to steel concentric brace frames. The diagonal braces consist of tube-steel sections. The brace frames deliver lateral loads to the foundation.

Roof:

The roofing at all buildings consists of a multi-ply, built-up membrane with a mineral surfaced cap sheet. All roofs except the San Diego building have a reflective coating.

The systems have been installed over rigid insulation on a steel deck or on plywood decking in the case of the San Diego building warehouse

and at the central warehouse. Sight screens are painted perforated metal on metal stud framing at the California Town Center building.

Skylights:

Skylights are provided at all the roofs, except at the Central Plant building.

Exterior Finishes and Components:

Exterior walls at the California Town Center, Sacramento, and San Francisco buildings consist of brick masonry with accent sections of aluminum panels with a factory finish. The punched window openings are provided with perforated metal shades or overhangs consisting of sheet metal depending on the orientation. Exterior walls consist of a cement plaster finish over sheathing, on metal stud framing at the Los Angeles and San Diego buildings. The warehouse portion of the San Diego building is constructed of a cement plaster finish matching the remainder of the building over the tilt-up concrete panels based on the building construction drawings. The Warehouse building exterior consists of split-face concrete block and galvanized sheet metal panels with a factory finish. The exterior walls at the Central Plant building consist of vertical galvanized sheet metal and aluminum panels, both with a factory finish. Exterior windows at all buildings have factory finished aluminum frames and tinted dual-pane glazing. Glass is held in place with extruded rubber glazing gaskets at the head, jamb, and sill. Main and secondary storefront type entries have similar materials.



Exterior Doors and Frames:

Main and secondary entry doors consist of clear anodized finish aluminum frames with tinted, single-pane, tempered glazing. Service doors are typically hollow metal doors with a painted finish. The loading dock has a 9' x 9' manually operated, overhead sectional metal door with a paint finish.

The building has conventional 3' wide entry doors with low profile thresholds and push/pull hardware. The main entry doors have automatic openers.

Office Area:

Office areas are typically provided with wall-to-wall carpeting, painted gypsum board walls, and lay-in acoustical panel ceilings in a metal grid suspension system. Lighting varies from fluorescent T8 lights, pendent hung fluorescent fixtures, and recessed fluorescent fixtures. Vinyl flooring is provided at the break areas. Conference areas are located throughout the office spaces, along with storage areas. These areas are provided with either carpet or vinyl composite tile flooring, painted gypsum board walls, and lay-in acoustic panel ceilings. The warehouse area located in the San Diego building is provided with concrete slab-on-grade flooring, painted walls, and an exposed ceiling with foil-back insulation stapled to the underside of the ceiling deck.

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.

Interior Doors:

The stairway enclosures are typically two-hour rated gypsum wallboard walls and door frames and doors are labeled 1½-hour fire resistive rated with smoke-tight seals.

Certain stairway doors are locked from the stairway side and unlock automatically during a fire alarm.

Loading Docks:

Rear service loading areas for deliveries are provided at all buildings and concrete drive aprons are provided at all of the delivery dock areas. The buildings have multiple overhead metal roll-up doors at the service loading dock areas at all buildings.

HVAC/Heating System:

Heating and cooling are provided by variable air volume (VAV) distribution systems with different equipment for each building. VAV boxes control the flow of air to the various spaces. VAV boxes with hot water reheat coils serve the perimeter zones. Special tenant areas in the Los Angeles,

San Francisco and San Diego buildings, including the IDF rooms, are served by chilled water fan-coil units. Special tenant areas in the San Diego building are served by air-cooled split systems.

At the Los Angeles building, conditioned air is provided by 18 Carrier air-handling units located in mechanical rooms. Each air-handling unit has supply fan, chilled water coil, and filter bank with pleated and bag filters. Each air-handling unit serves a portion of one floor. This building utilizes Carrier Moduline VAV boxes that are prone to problems, and a number of spare units are on hand for replacements as required. Variable speed drives have been installed for the fans to control the amount of air supplied to match the demand.

At the San Diego building, conditioned air is provided by 25 Temptrol packaged air-handling units on the roof, with each unit supplying part of one floor. Each air-handling unit consists of one supply fan, chilled water cooling coil, heating hot water coil for morning warm-up, filter bank with pleated and bag filters, and one return/relief fan. Variable speed drives have been installed for the fans to control the amount of air supplied to match the demand.



At the California Town Center building, conditioned air is provided by six Temptrol packaged air-handling units on the roof, with each unit supplying part of the building. Each air-handling unit consists of one supply fan, chilled water cooling coil, heating hot water coil for morning warm-up, filter bank with pleated and bag filters, and one return/relief fan. Variable speed drives have been installed for the fans to control the amount of air supplied to match the demand.

At the Sacramento and San Francisco buildings, conditioned air is provided by four built-up air-handling systems at each building, with each system serving a portion of all floors in the building. Each system consists of two supply fans, chilled water coil, heating hot water coil for morning warm-up, filter bank with pleated and bag filters and potassium permanganate absorbent, and two return/relief fans. Variable speed drives have been installed for the fans to control the amount of air supplied to match the demand.

The warehouse building is served by one Carrier 7.5-ton package unit for the office area and two Carrier 35-ton package units for the storage area.

Toilet rooms are served by exhaust fans on the roof. The air-handling systems are provided with automatic 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 hoods for the cafeterias are served by special exhaust and make-up air equipment.

Cooling is via two Carrier 775 ton centrifugal chillers that utilize refrigerant HFC-134a. 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 ± 394 square feet per ton. Heating hot water is via two Bryan forced draft, natural gas boilers with input capacity of 8,500,000 BTUH.

There is a separate cooling loop supported by one BAC closed circuit fluid cooler with a 360-ton capacity; this is provided for the water-source heat pumps at the retail areas and the auditorium, as well as cooling only units for equipment rooms and special tenant areas.

A non-chemical treatment system has been installed for the condenser water system and cooling loop.

Energy Management System:

The overall complex Alerton direct digital control system has the front end computer located in the facilities office in the Los Angeles building. This system provides start/stop and temperature control for the main equipment and economizer dampers, as well as control for the VAV boxes and fan-coil units. A few VAV boxes in the San Diego building are still provided with pneumatic controls served by one duplex air compressor.

Plumbing System:

Water Service: The site has two domestic water services, one on the north side and one

on the west side, serving a loop for all buildings. Backflow preventers were noted for the services. The domestic water loop is supported by a triplex booster pump package located in the central plant. One irrigation service is provided on the north side with backflow preventer. Irrigation connections with backflow preventers were noted at the two older buildings.

Water Heaters: Domestic hot water for the toilet rooms and kitchens is provided by multiple systems that generally consist of two PVI forced draft, natural gas storage water heaters. These heaters are of various sizes, from 100 to 400 gallons and have input capacities of 275,000 BTUH to 1,000,000 BTUH. The four systems for the San Francisco and Sacramento buildings are provided with solar panels to supplement the water heaters.



Plumbing Waste & Vent Lines: 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 site has one natural gas service for the heating hot water boilers and domestic hot water heaters. This serves a loop with separate connections for each building with earthquake valves noted at each connection.

Electrical System:

Description of Service: The complex is provided with a 12,470-volt, 3-phase, 3-wire service in the central plant from an adjacent utility substation. The system has a capacity of 1,200 amperes, and provision is made to have a parallel service installed in the future. A tie-breaker is provided to allow either section of the high voltage distribution board to be served from either feed if the second feed is installed. The high-voltage system serves unit substations in the Central Plant, Los Angeles, and San Diego buildings, with exterior pad-mounted transformers for the California Town Center, Sacramento, and San Diego buildings. These serve 277/480-volt, 3-phase, 4-wire main switchboards with total capacity of 8,000 amperes for the Central Plant building, 8,000 amperes for the Los Angeles building, 8,000 amperes for the San Diego building, 6,000 amperes for the Sacramento building, 6,000

amperes for the San Francisco building, and 1,200 amperes for the California Town Center building. This service generally provides a capacity of 13.1 watts per square foot, typical for an office use. The Warehouse building has an independent service with a capacity of 600 amperes.

Electrical Distribution: Each floor of each building is provided with multiple electric rooms. Each electric room generally contains one 277 volt lighting panel, transformer and 120-volt power panels. Some of the secondary electric rooms are only provided with 120-volt power panels.

Emergency Power: Emergency and standby power is provided by five Onan diesel generators with capacities of 1,000 to 1,500 amperes. These provide power for emergency/egress lighting, fire alarm systems and elevators. The generators also support critical tenant equipment in all buildings. The central plant generator can support either of the small chillers to provide chilled water for cooling of critical equipment areas. The generators are operated monthly by the on-site personnel. Annual service is provided by an outside contractor.

Lighting control is provided through the Alerton control system.

Fire/Life Safety System:

San Francisco/Sacramento: The buildings are classified as Type I, fire resistive, fully-sprinklered construction with a B (office) and H2 (bulk storage) occupancy.

California Town Center: The building is classified as Type II, one-hour, fully-sprinklered construction with Type A2.1 (dining room), A3 (assembly training room, conference room, pre function), E3 (child care), S2 (storage), and S3 (loading) occupancy.

Los Angeles: The building is classified as Type V-N, fully sprinklered construction with a B (office), E3 (daycare), and A2-1 (cafeteria) occupancy.

San Diego: The building is classified as Type V-N construction with occupancies assumed to be S2 (warehouse) and B (office).

Warehouse: The building is classified as Type V-N construction with S2 (warehouse) and S3 (equipment storage) occupancy.







Central Plant: The building is classified as Type V-N construction with S2 (warehouse), H7 (chiller), and F2 (cooling tower yard) occupancy.

The buildings are fully sprinklered with an automatic wet-pipe system served by one fire water loop that also serves fire hydrants on site. Two fire water services are provided for the loop, with backflow preventers noted for each service. The fire sprinkler system is supported by main and jockey electric fire pumps located in the central plant. The main fire pump is rated at 1,000 gallons per minute. The Los Angeles and San Diego Buildings are provided with two connections to the loop serving 12 zones with each zone being a portion of one floor. The Sacramento and San Diego Buildings are provided with two connections to the loop with two risers at each connection and separate zones for each floor. The design criteria vary depending on the use of the space, with 0.10 gallons per minute per square foot over the most remote 1,500 square feet for the office areas and up to 0.22 gallons per minute per square foot over the most remote 2,000 square feet for the San Diego warehouse area.

The Warehouse Building is provided with a separate fire water service with backflow preventer. The warehouse fire sprinkler system is supported by a diesel main fire pump rated at 1,500 gallons per minute. A design criterion for the warehouse area is 0.592 gallons per minute per square foot over the most remote 2,000 square feet supporting 24'-high storage.

Notifier addressable fire alarm panels are provided in each building and are all interconnected. These monitor flow and tamper switches in the sprinkler system, smoke detectors at the elevator lobbies, in common and tenant areas, in the air distribution system, and manual pull stations at exits. The fire alarm panels activate audio/visual alarms located throughout the buildings and exterior wall-mounted bells.

The fire alarm panels report to a main panel in the main security office. No outside monitoring is provided as the security office is continually manned. A secondary monitoring station is provided in the Central Plant building.

Handheld fire extinguishers are located throughout the building. Spacing of these extinguishers appeared to be adequate.

Fire hydrants are located at the public right-of-way along the surrounding streets and throughout the site, and are serviced by the site fire water loop.

Utilities:

- Water:** California American Water District
- Sanitary/Sewer:** Sacramento County
- Electric:** Sacramento Metropolitan Utility District (SMUD)
- Gas:** Pacific Gas and Electric (PG&E)
- Telephone:** AT&T

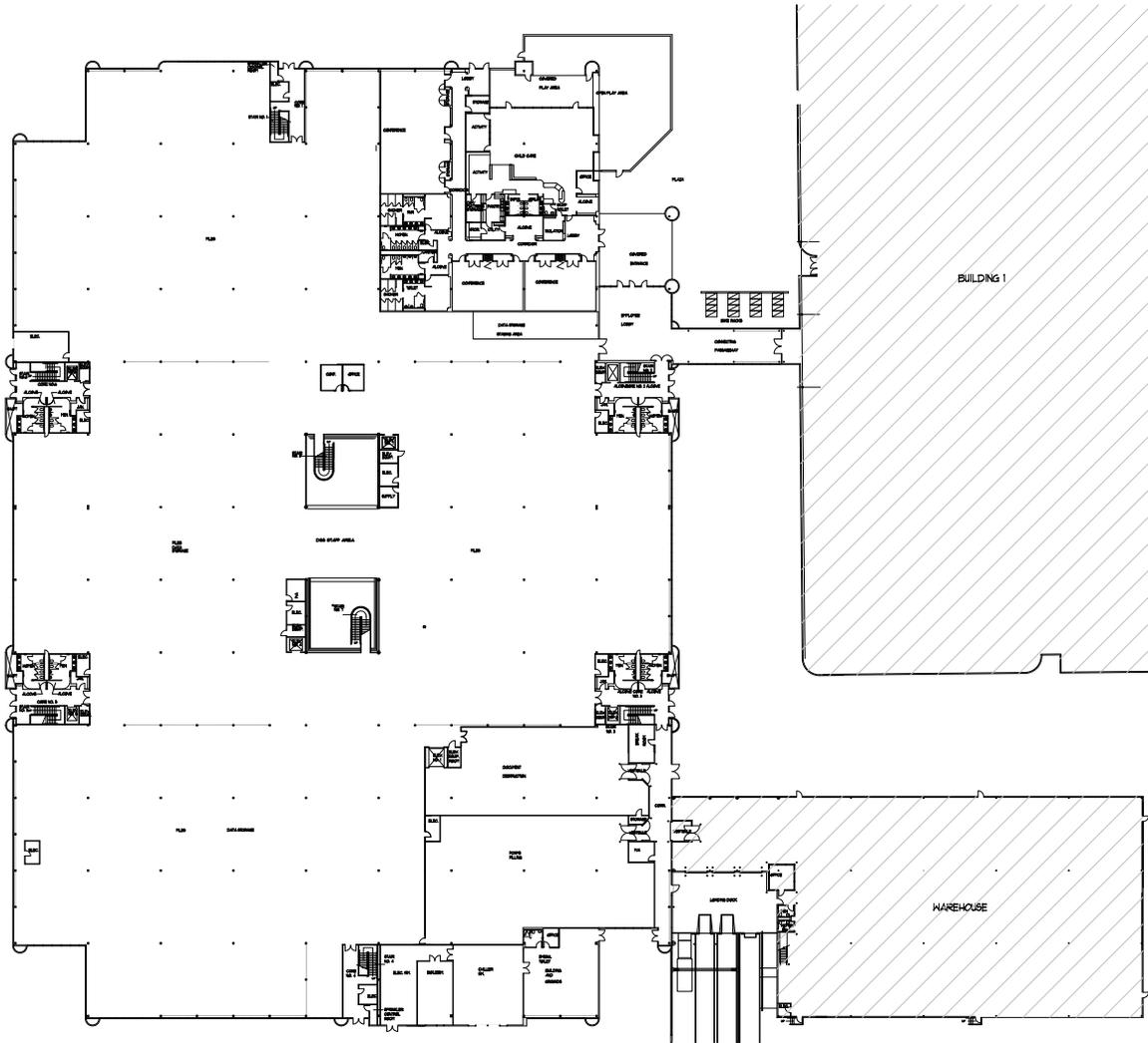
Site Plan



FTB - San Diego

9645 Butterfield Way
Sacramento, CA 95827

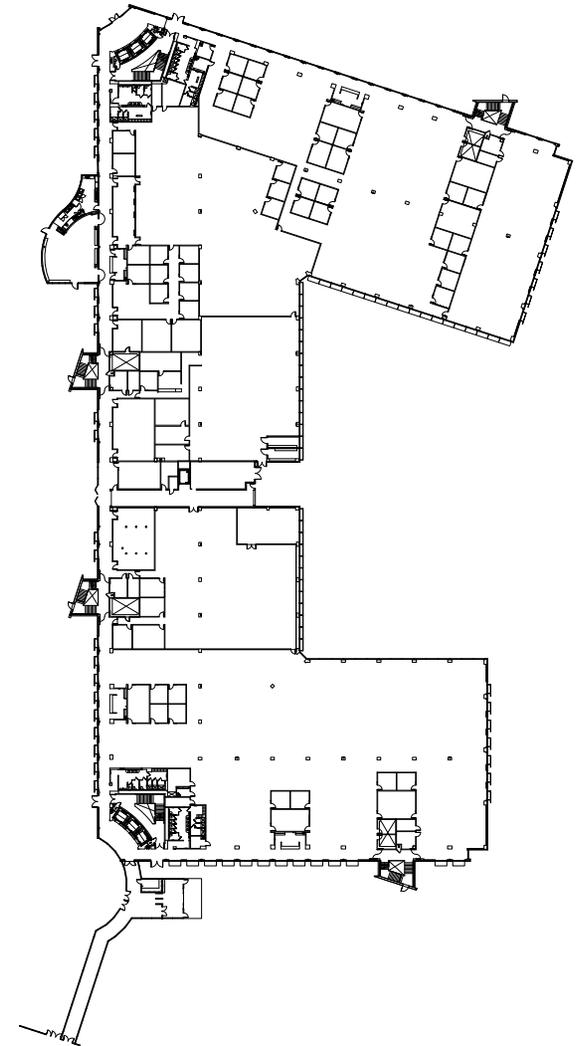
Floor 1



FTB - Sacramento

9645 Butterfield Way
Sacramento, CA 95827

Floor 1

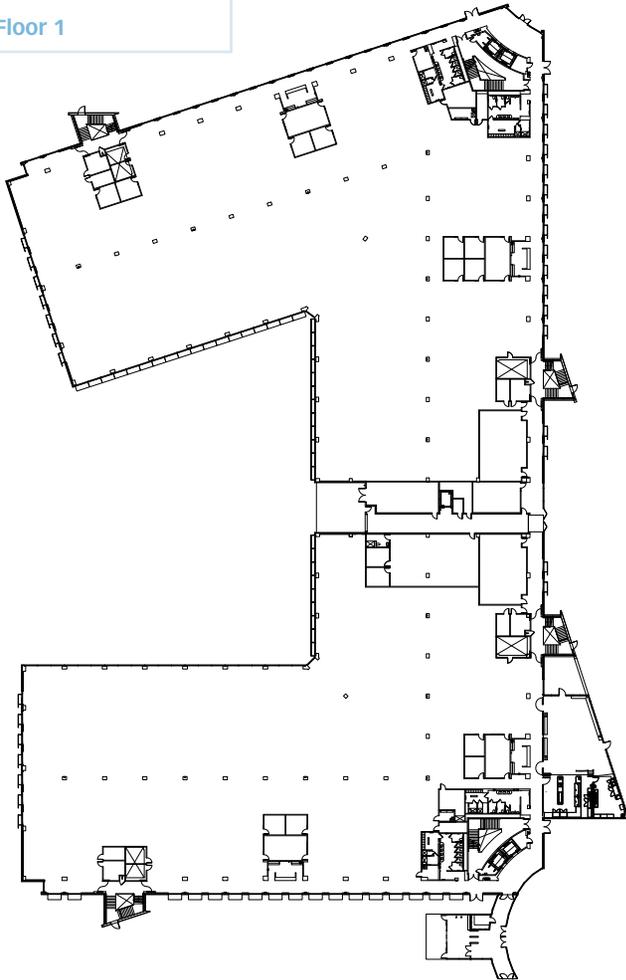




FTB - San Francisco

9645 Butterfield Way
Sacramento, CA 95827

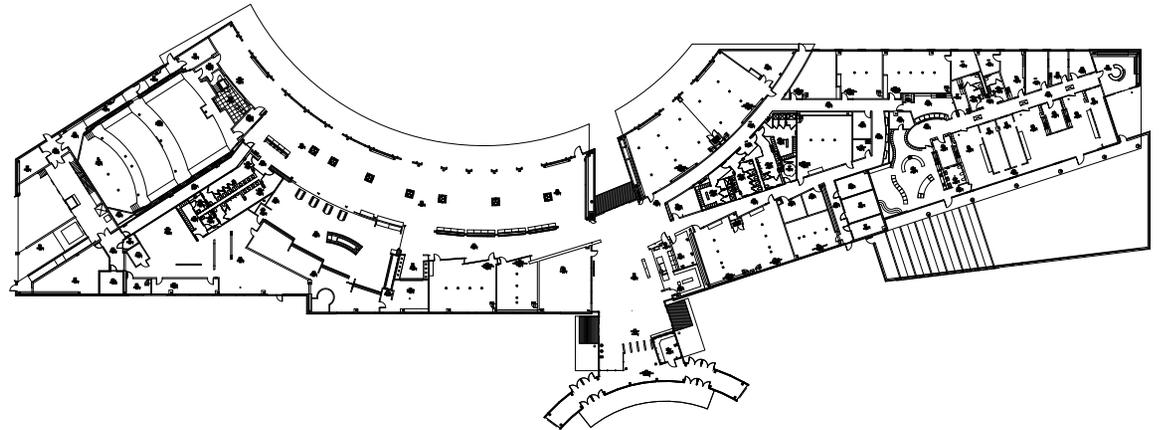
Floor 1



FTB - California Town Center

9645 Butterfield Way
Sacramento, CA 95827

Floor 1





**FRANCHISE
TAX BOARD
OFFICE
COMPLEX**



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

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

Franchise Tax Board

The Franchise Tax Board complex on Butterfield Way is one of the largest business campuses in northern California. Its roughly 1.8 million square feet of space sits on a ± 84-acre campus along the north side of U.S. Highway 50 in Sacramento County, just east of the Sacramento city limits. The oldest of the buildings was constructed in 1984, and the newest were completed and placed into service in 2005.

Building Rentable	Sq. Ft.	Stories	Construction
California Town Center	48,290	1	2005
Sacramento	477,275	4	2005
San Francisco	360,158	3	2005
Los Angeles	463,006	2	1984
San Diego	407,683	2	1993
Warehouse	45,596	1	2002-2003
Central Plant	12,048	1	2002-2003
Total	1,814,056		

The State of California will have an initial annual leaseback rent of \$27.67/sf modified gross (\$2.31/sf monthly) for the property for twenty years. This figure is slightly higher than class A rents for best-in-class Highway 50 Corridor buildings, but eminently supportable when one takes into account the lease, location/access to the light rail and freeway systems to go along with the mission-critical nature of the complex. The sheer enormity of this project (± 86 acres) and the substantially

built-out nature of the entire submarket suggest that it would be virtually impossible to replace the subject at all, let alone justify new construction predicated upon either today's market rents or the rents to be paid by the State herein.

The parking lot contains 3,792 spaces, not counting the 256 spaces at the Regional Transit station lot just north of the campus.

The California Town Center is a public area that includes a cafeteria, coffee shop, a daycare center, auditorium/theater, and bank. The Los Angeles and San Diego buildings also have daycare centers. There is a courtyard with seating between the Sacramento and San Francisco buildings. Moving between structures is facilitated by glassed-in corridors that connect the four office buildings and California Town Center.

In order to leave the public area and enter the rest of the campus, security clearance is required.

One reason for a high level of security is the large data center that is at the heart of California's revenue and taxation system. This is where every Californian's tax records are stored, and where all tax returns are processed. Even building management employees have only restricted access to this part of the complex.

With downtown Sacramento only 10 minutes away via Highway 50, the Franchise Tax Board campus offers the convenience of CBD proximity combined with the ease of access and abundant free parking of a suburban location. Regional Transit's Butterfield Station was located specifically to service the FTB campus, so access to public transportation is nonpareil. In terms of both its size and location, the property is unique in the Sacramento region, and certainly qualifies as one of the most impressive real estate assets in the Sacramento market.



Submarket Overview

The Highway 50 Corridor: is the region's largest office submarket with 11.9 million square feet, slightly larger than even Sacramento's downtown market, but with nothing taller than mid-rise buildings. As its name implies, the submarket stretches along U.S. Highway 50, extending approximately 10 miles from Watt Avenue on the west to the Folsom city limit on the east. It takes in the City of Rancho Cordova and portions of Sacramento County east of Watt Avenue, Rosemont, and Gold River. This area has always been considered one of Sacramento's most convenient and inviting office locations. Access is excellent, thanks to Highway 50 and the presence of numerous Regional Transit light rail stations along Folsom Boulevard, which roughly parallels the freeway from downtown to Folsom. The suburban location means free parking for tenants, and companies enjoy a much more affordable level of rent than they would Downtown.

Most of the submarket's space is located within Sacramento County's newest city, the City of Rancho Cordova, which incorporated in 2003.

A progressive and pro-business city council moved quickly to improve services while creating a positive image for the new municipality. Development fees from thousands of new homes funded improvements in services and infrastructure, making the submarket even more attractive for potential occupiers.

Rents: One of the attractions of this submarket is affordable rent coupled with free parking. Unlike downtown where land is at a premium, land values in this suburban market allow for larger footprints and floor plates, and allow developers to avoid the costs of parking structures. Large floor plate buildings, ideal for entities with high employee headcounts and the mission to accurately and swiftly process huge volumes of documents, such as State of California income tax returns, are optimally accommodated within this submarket. Physical expansion is more easily accomplished in an environment where one can grow horizontally, an ability which the State has made use of on this site several times since it first went into occupancy. Additionally, tenant and work-product security is made more feasible at a

location where substantial space can be created between visitors and the physical plant which the tenant wishes to protect.

Vacancy: Since 2003 the submarket has enjoyed a healthy balance of supply and demand, keeping rents affordable, but with occupancy typically averaging between 85%-90%. In 2009 the recession pushed vacancy to 20.57%, tipping the balance in favor of tenants. This vacancy rate is very close to the regional average vacancy of 21.39%. It is likely that vacancy could remain in this range until next year, as many companies have put expansion plans on hold until the recovery is on firmer footing.

The table below shows the history of market activity over the last nine years. Please note that the data do not track numerically from year to year as the CBRE research department adjusts the building inventory annually to add or remove buildings, as needed, from the survey.

Highway 50 Corridor Market History

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Space	9,843,000	10,407,000	10,476,000	10,636,000	10,689,000	10,915,000	11,269,000	11,417,000	11,921,000
New Construction	740,000	564,000	69,000	160,000	53,000	226,000	354,000	148,000	504,000
Sq.Ft. Vacant	931,000	1,273,000	1,384,000	1,498,000	1,385,133	1,283,000	1,135,000	1,437,000	2,452,000
Vacancy Pct.	9.5%	12.2%	13.2%	14.1%	13.0%	11.8%	10.1%	12.59%	20.57%
Total Occupied	8,912,000	9,134,000	9,092,000	9,138,000	9,303,867	9,632,000	10,134,000	9,980,000	9,469,000
Net Absorption	168,000	222,000	(42,000)	46,000	269,000	109,000	(73,000)	(183,004)	(427,000)





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

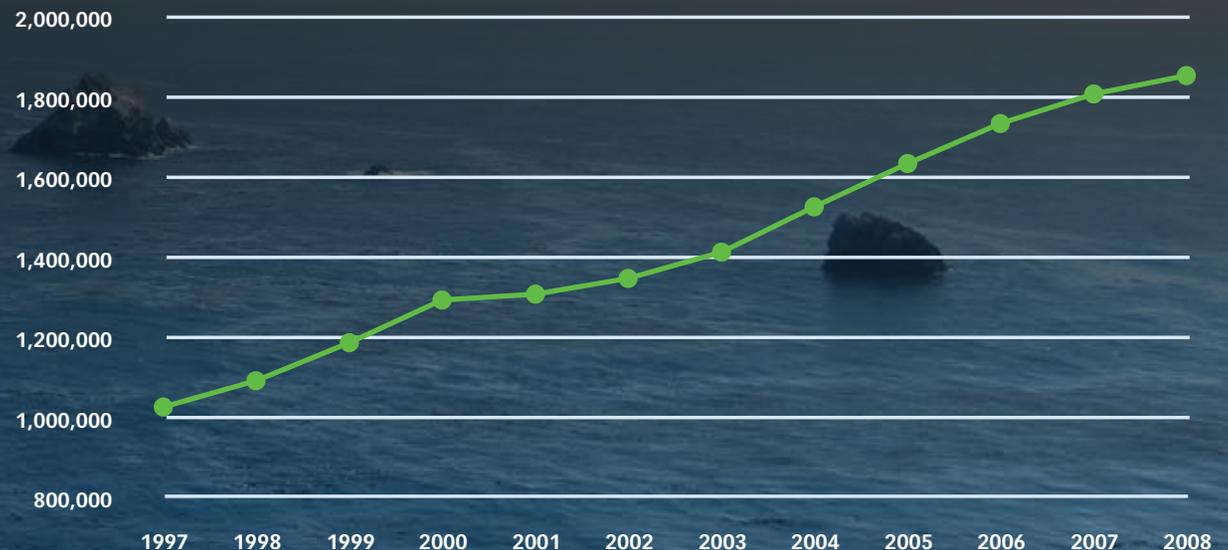
part due to its temperate climate, excellent quality of life, diverse population, world-renowned cities and its position as the gateway to the Pacific Rim. Additionally, California prides itself on striving to be the "greenest" and most eco-friendly states in the country. California's desirable quality 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

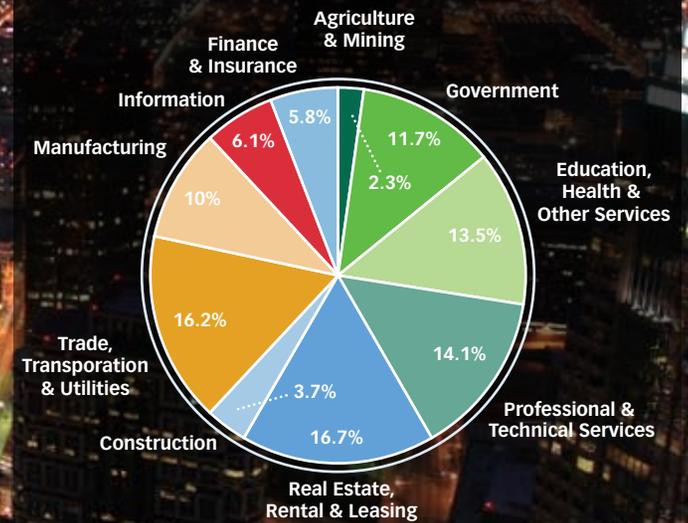




Downtown Los Angeles

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: Franchise Tax Board Office Complex
9645-9646 Butterfield Way
Sacramento, CA

Net Rentable Area: 1,812,556 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	1,812,556	\$4,179,167	\$2.31	\$50,150,000	\$27.67
Years 6 to 10	1,812,556	\$4,597,083	\$2.54	\$55,165,000	\$30.44
Years 11 to 15	1,812,556	\$5,056,792	\$2.80	\$60,681,500	\$33.48
Years 15 to 20	1,812,556	\$5,562,471	\$3.07	\$66,749,650	\$36.83

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: Three thousand seven hundred ninety two (3,792) parking spaces. State shall have the exclusive right to use all parking at no charge.

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 tenable 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 \$10,056,507 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	\$27.67	Modified Gross	1,812,556	99.92%
Property Management Office	\$27.67	Modified Gross	1,500	0.08%

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	\$50,150,000	\$27.67
July 2015	\$55,165,000	\$30.44
July 2020	\$60,681,500	\$33.48
July 2025	\$66,749,650	\$36.83

*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 \$10,056,507 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 3,792 parking spaces. Parking is free.

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:

\$192,000.

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	1,812,556	99.92%	Jul-2010	Jun-2030	Current	\$4,179,167	\$2.31	\$50,150,000	\$27.67	See Abstract	Tenant has six (6) 5-year options to renew at 10% increases over prior rent.
						Jul-2015	\$4,597,083	\$2.54	\$55,165,000	\$30.44		
						Jul-2020	\$5,056,792	\$2.80	\$60,681,500	\$33.48		
						Jul-2025	\$5,562,471	\$3.07	\$66,749,650	\$36.83		
Mgt	Management Office	1,500	0.08%	Jul-2010	Jun-2030	Current	\$3,459	\$2.31	\$41,502	\$27.67	None	-
						Jul-2015	\$3,804	\$2.54	\$45,652	\$30.44		
						Jul-2020	\$4,185	\$2.80	\$50,217	\$33.48		
						Jul-2025	\$4,603	\$3.07	\$55,239	\$36.83		
Totals / Averages		1,814,056					\$4,182,625	\$2.31	\$50,191,502	\$27.67		
Occupied sq. ft.		1,814,056	100.0%									
Vacant sq. ft.		0	0.0%									
Total sq. ft.		1,814,056	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		\$8.75	\$8.99	\$9.22	\$9.47	\$9.72	\$9.97	\$10.24	\$10.51	\$10.78	\$11.07	\$11.36
Revenues	FY 2011 \$/SF/YR ^[2]											
Scheduled Base Rent												
Gross Potential Rent	\$27.67	\$50,191,502	\$50,191,502	\$50,191,502	\$50,191,502	\$50,191,502	\$55,210,652	\$55,210,652	\$55,210,652	\$55,210,652	\$55,210,652	\$60,731,717
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	27.67	50,191,502	50,191,502	50,191,502	50,191,502	50,191,502	55,210,652	55,210,652	55,210,652	55,210,652	55,210,652	60,731,717
Expense Reimbursements	0.00	0	0	0	0	0	0	0	0	0	0	0
Parking Revenue	0.00	0	0	0	0	0	0	0	0	0	0	0
State of CA Expense Increases	0.00	0	417,847	847,064	1,287,972	1,740,896	2,206,172	2,684,146	3,175,175	3,679,624	4,197,868	4,730,297
Total Gross Revenue	27.67	50,191,502	50,609,349	51,038,566	51,479,474	51,932,398	57,416,824	57,894,798	58,385,827	58,890,276	59,408,520	65,462,014
General Vacancy Loss	0.00	0	0	0	0	0	0	0	0	0	0	0
Effective Gross Revenue	27.67	50,191,502	50,609,349	51,038,566	51,479,474	51,932,398	57,416,824	57,894,798	58,385,827	58,890,276	59,408,520	65,462,014
Operating Expenses												
Security	(0.06)	(109,402)	(112,684)	(116,065)	(119,547)	(123,133)	(126,827)	(130,632)	(134,551)	(138,587)	(142,745)	(147,027)
Cleaning	(2.13)	(3,859,650)	(3,975,440)	(4,094,703)	(4,217,544)	(4,344,070)	(4,474,392)	(4,608,624)	(4,746,883)	(4,889,289)	(5,035,968)	(5,187,047)
Repairs & Maintenance	(1.57)	(2,840,945)	(2,926,173)	(3,013,959)	(3,104,377)	(3,197,509)	(3,293,434)	(3,392,237)	(3,494,004)	(3,598,824)	(3,706,789)	(3,817,993)
Utilities	(0.16)	(299,202)	(308,178)	(317,423)	(326,946)	(336,754)	(346,857)	(357,263)	(367,981)	(379,020)	(390,391)	(402,102)
Management Fee	(0.11)	(192,000)	(197,760)	(203,693)	(209,804)	(216,098)	(222,581)	(229,258)	(236,136)	(243,220)	(250,516)	(258,032)
Onsite Office Expense	(0.04)	(76,202)	(78,488)	(80,843)	(83,268)	(85,766)	(88,339)	(90,989)	(93,719)	(96,530)	(99,426)	(102,409)
Admin (Excl Mgt Fee)	(0.22)	(405,120)	(417,274)	(429,792)	(442,686)	(455,966)	(469,645)	(483,734)	(498,247)	(513,194)	(528,590)	(544,447)
Lot & Landscaping	(0.16)	(285,336)	(293,896)	(302,713)	(311,794)	(321,148)	(330,783)	(340,706)	(350,927)	(361,455)	(372,299)	(383,468)
Parking	(0.01)	(10,200)	(10,506)	(10,821)	(11,146)	(11,480)	(11,825)	(12,179)	(12,545)	(12,921)	(13,309)	(13,708)
Real Estate Taxes	(3.21)	(5,824,813)	(5,941,309)	(6,060,135)	(6,181,338)	(6,304,965)	(6,431,064)	(6,559,685)	(6,690,879)	(6,824,697)	(6,961,191)	(7,100,415)
Insurance	(1.09)	(1,978,450)	(2,037,804)	(2,098,938)	(2,161,906)	(2,226,763)	(2,293,566)	(2,362,373)	(2,433,244)	(2,506,241)	(2,581,429)	(2,658,871)
Total Operating Expenses	(8.75)	(15,881,320)	(16,299,512)	(16,729,085)	(17,170,356)	(17,623,652)	(18,089,313)	(18,567,680)	(19,059,116)	(19,563,978)	(20,082,653)	(20,615,519)
Net Operating Income	18.91	34,310,182	34,309,837	34,309,481	34,309,118	34,308,746	39,327,511	39,327,118	39,326,711	39,326,298	39,325,867	44,846,495
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)	(272,108)	(280,272)	(288,680)	(297,340)	(306,260)	(315,448)	(324,912)	(334,659)	(344,699)	(355,040)	(365,691)
State of CA - Paint & Carpet ^[3]	0.00	0	0	0	0	0	(3,625,112)	0	0	0	0	(7,250,224)
Total Capital Costs	(0.15)	(272,108)	(280,272)	(288,680)	(297,340)	(306,260)	(3,940,560)	(324,912)	(334,659)	(344,699)	(355,040)	(7,615,915)
Operating Cash Flow	\$18.76	\$34,038,074	\$34,029,565	\$34,020,801	\$34,011,778	\$34,002,486	\$35,386,951	\$39,002,206	\$38,992,052	\$38,981,599	\$38,970,827	\$37,230,580

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

[2] Based on 1,814,056 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).





FRANCHISE TAX BOARD OFFICE COMPLEX

9645 BUTTERFIELD WAY
SACRAMENTO, CA 95827

GOLDEN STATE PORTFOLIO OFFERING MEMORANDUM

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

INVESTMENT CONTACTS

Kevin Shannon

Vice Chairman
310-516-2480
kevin.shannon@cbre.com
Lic. 00836549

Robert Gilley

Executive Vice President
415-772-0187
bob.gilley@cbre.com
Lic. 01084869

Randy Getz

Executive Vice President
916-446-8287
randy.getz@cbre.com
Lic. 00828903

For debt financing
information, contact:

Ken White

Senior Vice President
310-516-2408
ken.white@cbre.com
Lic. 01788506

CB Richard Ellis, Inc.
Broker Lic. 00409987

©2010 CB Richard Ellis, Inc. The information above has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the property. The value of this transaction to you depends on tax and other factors which should be evaluated by your tax, financial and legal advisors. You and your advisors should conduct a careful, independent investigation of the property to determine to your satisfaction the suitability of the property for your needs.

This announcement does not constitute an offer to sell all or any part of the Golden State Portfolio in the United States or any other jurisdiction. Owner reserves the right to add or remove properties from the Portfolio and/or to remove the Portfolio in its entirety from the market at any time, in its sole discretion.