



RONALD REAGAN STATE BUILDING

300 SOUTH SPRING STREET
LOS ANGELES, CA 90013

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

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01 Executive Summary

The Offering
Investment Highlights
Property Overview
Location Overview
Recent Developments
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

Los Angeles County Area Overview

04 Market Analysis

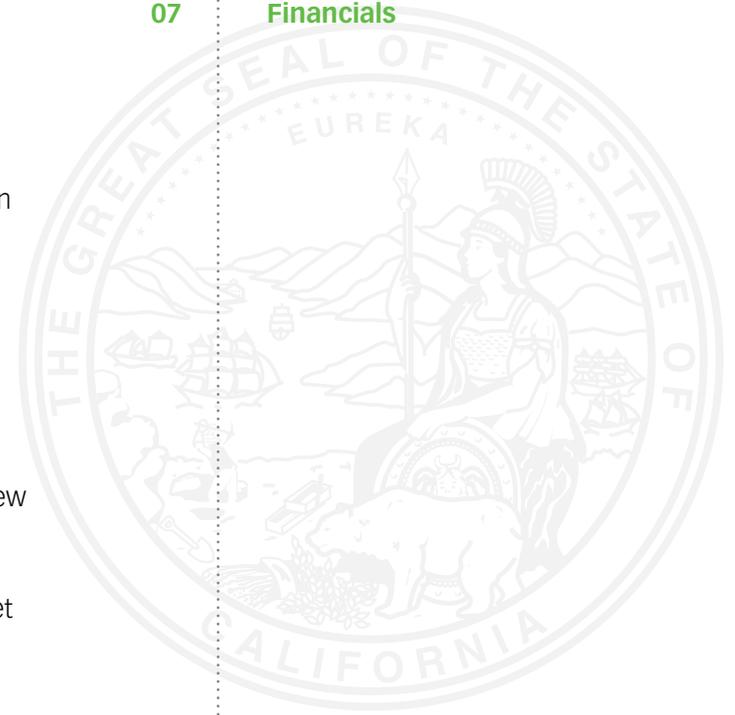
Los Angeles County Office Market

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



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 Ronald Reagan State Building, located at 300 South Spring Street in the central business district of Los Angeles, California (the "Property"). The Property consists of two Class A office towers connected by a central atrium containing 739,158 rentable square feet over a three-level subterranean garage/basement that can accommodate approximately 380 cars. Ronald Reagan is LEED® Registered with the certification goal of Silver, and final approval is currently pending. The Property was constructed in 1989 and consists of two high-rise office towers, a 14-story north tower, and a 16-story south tower, over two levels of subterranean parking garage with a lower level

for thermal storage below the B2 parking level. The towers are connected via a four-story atrium/lobby area which includes water feature, art mural, and sculptures. A 271-seat auditorium, meeting rooms, bank, childcare, and snack shop is also available on the ground floor atrium area.

The property is 100% leased, of which 99.8% 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 office 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 rare opportunity to acquire a high quality Class A office property provides an investor a stable, long-term income stream from an investment grade tenant.

Offering Summary

Property Name:	Ronald Reagan State Building
Address:	300 South Spring Street Los Angeles, CA 90013
Rentable Square Footage:	± 739,158
Number of Buildings:	2 (interconnected)
Year Built:	1989
Number of Stories:	16-stories (south tower) 14-story (north tower) 4 story (connecting atrium)
Parking:	± 380 stalls (0.51 per 1,000 sf)
LEED Certification:	LEED Registered (with certification goal of Silver)
State of California Lease Term:	20 years firm





Investment Highlights

- **Long Term Credit Tenancy**

The Property is 100% leased, of which 99.8% 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 & Pooors. The lease will commence at the close of escrow.

- **Trophy Office Building**

The Ronald Reagan State Building represented a new breed of civic buildings when it opened in 1990 and includes an open citadel of civic pride. Its size and placement, as well as its function as a government building presents a sense of civic grandeur. The Ronald Reagan State Building is open, understated and responsive to the everyday concerns of both inhabitants and visitors. Both monumental and accessible, the building is a responsible focal point in downtown Los Angeles.

- **Core Location and Amenity Base**

Ronald Reagan's central location in the region provides access to an exceptionally deep labor pool with over 8 million people residing within a 20-mile radius of the Property. The Property is located in close proximity to Downtown's preferred amenities and provides an owner the opportunity to further tie-in the Property to the heart of the Downtown market. The Property's central location offers access to exceptional dining, banking, lodging, club, and retail

amenities and is within minutes from major cultural attractions including Staples Center, LA Live and Disney Concert Hall.

- **Downtown Renaissance**

The transformation of Downtown Los Angeles into a vibrant 24-hour urban community is happening at a rapid pace since the passage of the Adaptive Reuse Ordinance in 1999 and continues to attract businesses and residents to the heart of the City along with destination dining and entertainment venues. Over \$7.5 billion of public and private capital is being spent on the largest concentration of new residential developments in Los Angeles as well as major new entertainment, retail, cultural and civic projects. The Renaissance continues with the development of catalytic projects such as Staples Center, Disney Concert Hall, LA Live!, Southern California Institute of Architecture, Fashion Institute of Design & Merchandising, and Cathedral of Our Lady of the Angels to name a few.

Property Overview

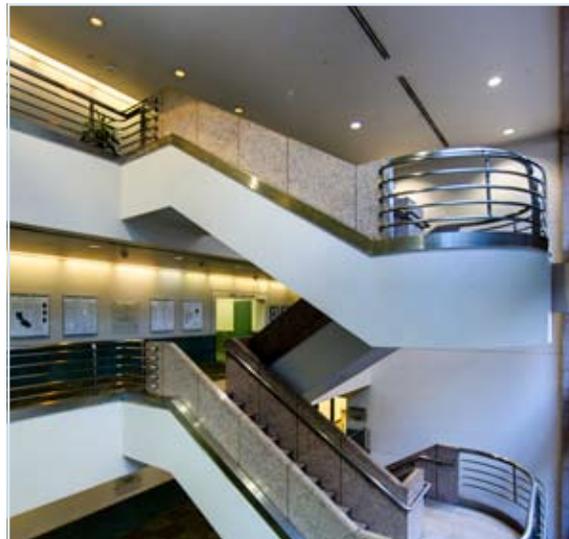
The Ronald Reagan State Building, named in honor of our 40th President and California's 33rd Governor, Ronald Wilson Reagan, was constructed in 1989 and is the result of a successful partnership between the California Department of General Services and the Los Angeles State Building Authority. The 16-story south tower and 14-story north tower holds the governor and lieutenant governor's Los Angeles offices, California Highway Patrol, the Dept. of Insurance and General Services, among others and building features consist of pre-cast concrete panels with granite cladding and exposed pre-cast concrete finish.

Location Overview

The Downtown office market is the regional hub of Southern California and the Central Business District of Downtown Los Angeles ("CBD") is the most established office market featuring on average the nicest product in the Southern California region, encompassing over 31 million SF of office space. Downtown Los Angeles has become the commercial, financial, and cultural center of Southern California over the last 10 years due to the development and expansion of the extensive transportation infrastructure, large concentration of new home development, and the addition of numerous cultural amenities that are transforming the downtown area into a vibrant 24-hour urban environment. Today, Downtown Los Angeles' influence is well beyond its city limits as a gateway to Asia, Latin America and numerous financial markets around the world. As a result

of the strategic role Los Angeles serves in the international business community, Downtown Los Angeles has become the location of choice for over 13,000 businesses.

In addition, the Ronald Reagan State Building offers convenient access to one of the most comprehensive multi-modal transportation systems in Western US, featuring an extensive network of freeways, including the Harbor (110), Santa Monica (10), and Golden State (5) freeways; commuter trains, including Metrolink, Amtrak, and Metro Red, Blue, and Gold Lines (collectively serving more than 260,000 passengers each day); and RTD and DASH bus lines. In the past ten years, the majority of infrastructure dollars spent in Los Angeles have been directed toward increasing access to Downtown Los Angeles, the center of the transportation network.



Recent Developments

The transformation of Downtown Los Angeles into a vibrant 24-hour urban community is happening at a rapid pace since the passage of the Adaptive Reuse Ordinance in 1999 and continues to attract businesses and residents to the heart of the City along with destination dining and entertainment venues. Over \$7.5 billion of public and private capital is being spent on the largest concentration of new residential developments in Los Angeles as well as major new entertainment, retail, cultural and civic projects. More than 10,600 new residential units have opened in Downtown since 1999 and more than 7,700 additional residential units are under construction, with an additional 15,000 in the development pipeline. This new residential development will allow more people to live and work in Downtown as currently only 5% of the workforce population in Downtown Los Angeles lives in the CBD. In stark contrast, the Denver, Seattle, San Francisco, and San Diego CBDs range between 13% and 27% of the workforce that live and work in the respective CBDs. The Renaissance continues with the development of catalytic projects such as Staples Center, Disney Concert Hall, LA Live!, Los Angeles Center Studios, Standard Hotel, Southern California Institute of Architecture, Fashion Institute of Design & Merchandising, Loyola Law School, and Cathedral of Our Lady of the Angels.

The Opportunity

The Ronald Reagan State Building offers investors the rare opportunity to acquire a 100% leased, institutional quality office asset of which 99.8% is leased for 20 years to an investment grade credit tenant – the State of California. The Property features distinctive architecture and high quality interior and exterior finishes that have been very well maintained. 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 newer construction, LEED certification candidacy, on-site parking and other amenities further enhance the asset's investment appeal. The opportunity to acquire the property in a revitalized core downtown location with strong barriers to entry 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:

300 South Spring Street
Los Angeles, CA 90013

LEED® Certification:

LEED Registered (with certification goal of Silver)

Year Built:

1989

Number of Structures:

Two high-rise office towers, a 14 – story North Tower and a 16 – Story South Tower

Parcel Numbers:

5149-020-941, 5149-020-916

Site Area:

± 122,810 square feet, ± 2.819 Acres

Zoning:

OPF-4D

Floors:

North Tower 14 – story, South Tower 16 – Story

Site Location:

The Property is located on Spring Street in the City of Los Angeles, California. The site is generally bounded by 3rd Street to the north, Spring Street to the west, Main Street to the east, and 4th Street to the south.

Site Access:

Access to the parking garage is from Main Street, a public local two-way street. The access point provides vehicular ingress and egress to the subterranean parking garage, and is controlled by a card reader and overhead gates.

Signage:

Building signage consists of individual metal lettering that is surface-mounted to the storefront providing building address at the street name at the Main Street entrance.



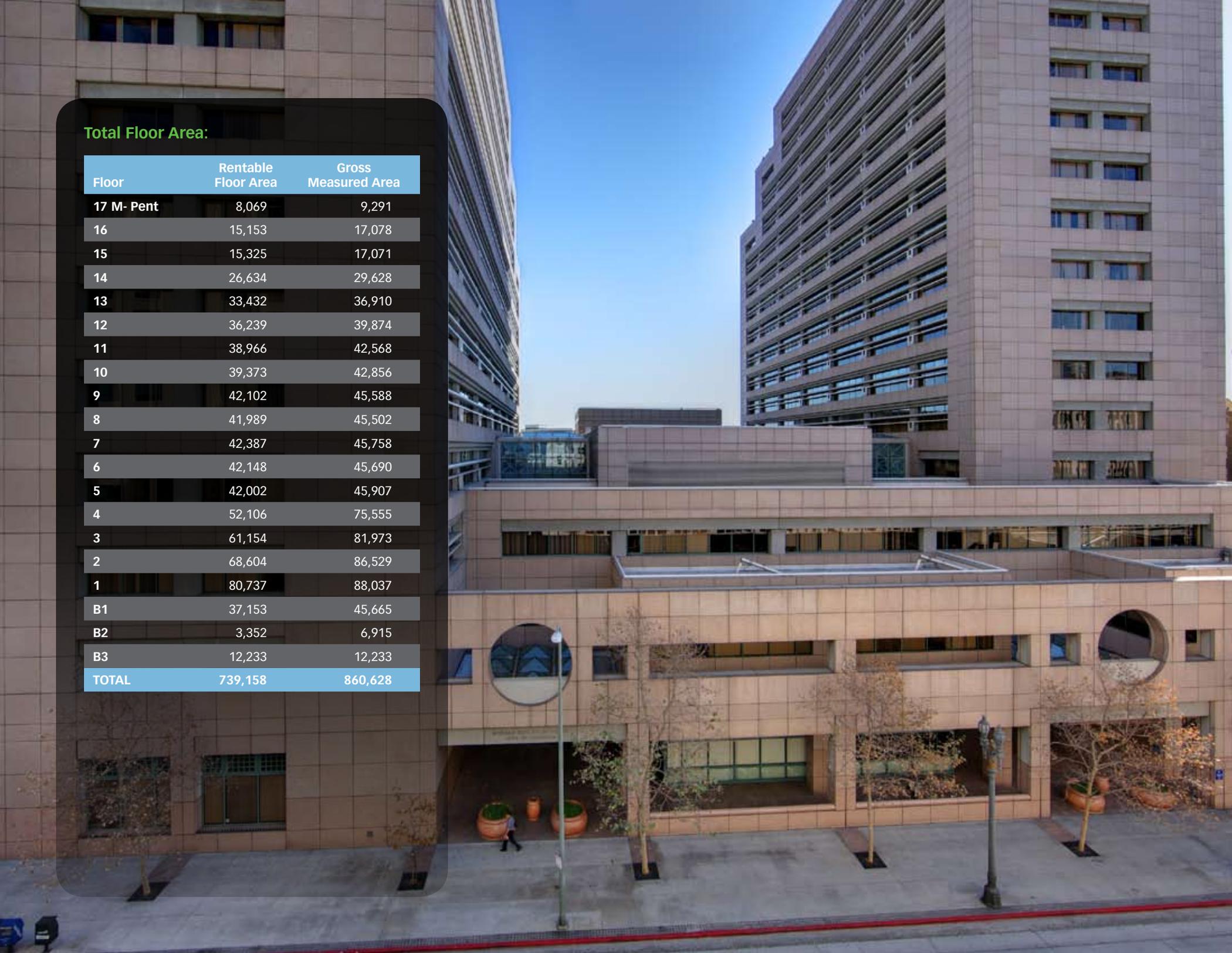
Elevators:

The building is served by 15 passenger and two service traction elevators for the towers. Hydraulic elevators serve the parking levels, kitchen service, and Judges access. The elevators were manufactured by Dover.

Elev. No.	Type	Capacity (pounds)	Floors Served
1-3	Passenger, Traction	3,500	1-5, South
4-8	Passenger, Traction	3,500	1,2, 6-16 South
9	Service, Traction	4,000	P2-16 South
10-12	Passenger, Traction	3,500	1-5, North
13-16	Passenger, Traction	3,500	1,2, 6-14 North
17	Service, Traction	4,000	P1-14
18	Passenger, Hydraulic	3,000	P2-1
19	Passenger, Hydraulic	3,000	P1-2, Judges
20	Service, Hydraulic	4,000	P1-2, kitchen

Total Floor Area:

Floor	Rentable Floor Area	Gross Measured Area
17 M- Pent	8,069	9,291
16	15,153	17,078
15	15,325	17,071
14	26,634	29,628
13	33,432	36,910
12	36,239	39,874
11	38,966	42,568
10	39,373	42,856
9	42,102	45,588
8	41,989	45,502
7	42,387	45,758
6	42,148	45,690
5	42,002	45,907
4	52,106	75,555
3	61,154	81,973
2	68,604	86,529
1	80,737	88,037
B1	37,153	45,665
B2	3,352	6,915
B3	12,233	12,233
TOTAL	739,158	860,628



Parking:

Two subterranean parking levels are provided for vehicle parking and access to the loading dock area. Parking spaces consist of compact and standard spaces that include tandem spaces. All drive lanes are two-way and parking spaces are perpendicular to the drive lanes.

A separate parking garage is not provided; however, there is a public parking garage that is available for use across Spring Street.

There are a total of 380 parking spaces at the property. There are also five service truck spaces at the loading dock. Based on 739,158 square

feet useable office space the parking ratio for this building is approximately 0.51 spaces per 1,000 square feet of building area.

Paving, Curbs and Sidewalks:

Paving: Concrete paving is utilized at the vehicle entry drive and perimeter sidewalks with select areas having stone paving accents. Entry court paving is surfaced with thermal-finished granite paving, with slate medallion accents.

Curbs: Concrete curbs are limited to the borders of the public sidewalks along the streets.

Sidewalks: Public sidewalks along Third Street and Main Street are broom-finished concrete. On-site walkways are finished with granite and slate paving.

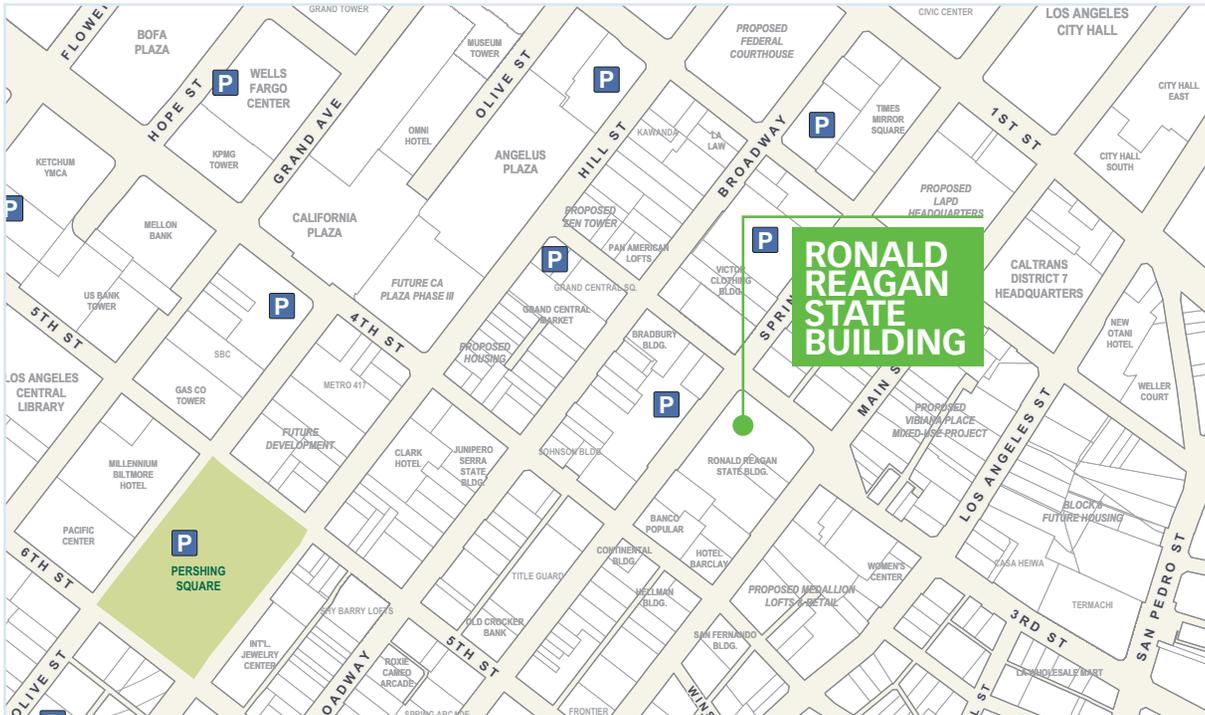
Structure:

Vertical Load System: The elevated floors and roof deck typically consist of lightweight concrete fill over metal decking, and reinforced with welded-wire, fabric-steel reinforcement. The deck spans to steel wide-flange beams and girders that are supported on steel wide-flange columns. The columns deliver the vertical loads to the spread footing foundations. The upper parking level consists of a 12" reinforced-concrete flat slab, with drop panels, and is supported by reinforced-concrete beams (in isolated locations), reinforced-concrete columns and reinforced-concrete bearing walls.

Lateral Load System: The lateral force-resisting system consists of the elevated concrete deck diaphragms that deliver the lateral loads to steel wide-flange, moment-resisting frames distributed throughout the structure.

Roof:

The roof and consists of a multi-ply, built-up membrane with a light colored acrylic roof coating. Protection panels have been provided at high traffic areas and where window washing equipment paths occurs. Each tower has a concrete helipad at the roof that has exposed concrete with a medium textured finish and painted helipad markings.



Skylights:

Skylights are provided at the lower roofs between the towers that occur over the atrium space.

The skylights consist of consecutive hip-framed aluminum units that include integral guttering and laminated single-pane glazing. The glazing includes a frit screen pattern to improve on the heat gain.

Exterior Doors and Frames:

Primary storefront entrance doors are finished with polished stainless-steel frames that have clear tempered single-pane glazing. Secondary storefront doors have a painted factory finish. Service doors consist of painted hollow-metal doors and frames. Overhead coiling grilles are provided at the drive ramp entrance from Main Street.

Office Area:

Office spaces are provided with commercial-grade carpet, painted gypsum board or acoustical ceiling tile set in metal grid, and painted gypsum board walls. Corridors are provided with carpet tile and painted gypsum board walls and ceilings. Vinyl composition tile is installed at some of the break rooms. Painted-metal doors and frames are typically utilized. Some of the office spaces are provided with stained wood doors. Single-user restrooms are provided at some of the office spaces. Finishes include ceramic-tile flooring, painted gypsum board and ceramic-tile walls, and painted gypsum board ceiling.

Interior Lighting:

Lighting in the office areas is generally fluorescent 2'x2' or 2'x4' 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 provided by low-bay, high-pressure sodium fixtures.

Lighting control is provided through the Honeywell control system.

Loading Docks:

The building has six service truck spaces at the loading dock that is located at the B1 parking level. The truck high dock is provisioned with two dock levelers.



HVAC/Heating System:

Heating and cooling are provided by a variable air volume (VAV) system. Conditioned air is provided by two built-up, air-handling systems in the penthouse of each tower that serve the office areas. Seven package air-handling units located on the fourth floor serve special areas including the Law Library, dining room, kitchen, auditorium, and atrium. VAV boxes control the flow of air to the various spaces. VAV boxes with hot water reheat coils serve the perimeter zones.

Each main air-handling system consists of two vane-axial supply fans, chilled water cooling coil, filter bank with pleated filters, and two vane-axial 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 a chilled water thermal storage system that has four tanks and utilizes an empty tank strategy. The storage system is recharged by two York 600 ton centrifugal chillers that utilize refrigerant HCFC-123 and one York 800 ton centrifugal chiller that utilizes refrigerant HCFC-134a. The large chiller operates at lower temperatures in a cascade system to provide a larger temperature differential to maximize the effectiveness of the thermal storage system. Three heat exchangers are provided to separate the tank loop from the building loop due to pressure and operational differences. Heat is rejected through two Evapco, stainless steel induced draft cooling towers. The chillers provide coverage of about 288 square feet per ton, based on 575,000 square feet.

Heating hot water is provided by seven Raypak vertical forced draft, natural gas boilers with input capacity of 1,999,000 BTUH. These units also provide domestic hot water through a number of heat exchangers, and it is not clear if the new system was designed to do this efficiently.

Chilled water fan-coil units are provided for elevator equipment rooms and other special loads in the building.

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

Energy Management System:

The building is provided with a Honeywell direct digital control system with the front-end computer located in the management 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 two screw air compressors located in the equipment room.

Plumbing System:

Water Service: The building is provided with one domestic water service. A backflow preventer was noted for the service. The domestic water system is supported by a triplex booster pump package. Floors 1 through 5 are served directly from city pressure, with the pumps serving a low rise zone, Floors 6 through 14, and a high-rise zone at Floors 15 through 17 in the south tower.

Domestic Water Piping: Domestic water tubing is copper. Galvanized-steel pipe is provided from the service entry to the booster pumps.

Water Heaters: Domestic hot water for the toilet rooms is provided by two hot water heat exchangers using the heating hot water loop, one serving Floors 1 through 5 and one serving Floors 6 through 14. Floors 15 through 17 of the south tower are served by two 120 gallon electric water heaters in the penthouse.



Plumbing Waste & Vent Lines: Sanitary waste piping consists of cast-iron pipe, which discharges to the municipal sanitary sewer system. Three sanitary sumps are provided on Level P2, which serves loads on Level P1. Each sump is provided with duplex pumps. Main roof drains are internal, cast iron, and connect to the storm drainage system. One storm sump is provided that receives drainage from an under-slab and foundation drainage system, and is provided with duplex pumps.

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 hot water boilers and kitchen equipment, with an earthquake valve on the service.

Electrical System:

Description of Service: The building is provided with a 277/480-volt, 3-phase, 4-wire service with three main switchboards with capacities of 5,000 amperes each. This provides a capacity of 19.5 watts per square foot, ample for an office use. The switchboards are served from an on-site utility vault.

Electrical Distribution: Each office floor is provided with one main electric room. Each electric room contains one 277-volt lighting panel and 120-volt power panels. Transformers are provided every three floors. Each office floor is also provided with a secondary electric room that contains additional 120-volt power panels.

Emergency Power: Emergency and standby power is provided by two Caterpillar 900 kW diesel generators with special switchgear for parallel operation. These provide power for emergency/egress lighting, smoke control equipment and one elevator in each bank, as well as special tenant loads. The generator is operated monthly by the on-site personnel. Annual service is provided by an outside contractor.

Type of Lighting: Lighting in the office areas is generally fluorescent 2'x2' or 2'x4' 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 provided by low-bay, high-pressure sodium fixtures.

Lighting control is provided through the Honeywell control system.





Fire/Life Safety System:

The building is a Type I construction, fully fire sprinklered. Fire stairs have two-hour fire resistive construction, door are 90-minute rated. Corridor walls are one-hour rated, door are 20-minute.

Stairwell pressurization is provided. Atrium smoke control is provided through the air-handling unit that serves the atrium.

The building is fully sprinklered with an automatic wet-pipe system served by one fire water service with backflow preventer noted. The fire sprinkler system is supported by an on-site water tank, one main diesel fire pump and jockey electric fire pump. The main fire pump is rated at 1,500 gallons per minute. The building is provided with one combination standpipe/riser for each tower with fire department hose connections and fire sprinkler zone valves at each floor and one standpipe for each tower. The design criteria was noted to be 0.10 gallons per minute per square foot over the most remote 1,500 square feet for the office areas and 0.15 gallons per minute per square foot over the most remote 1,500 square feet for the parking levels.

Utilities:

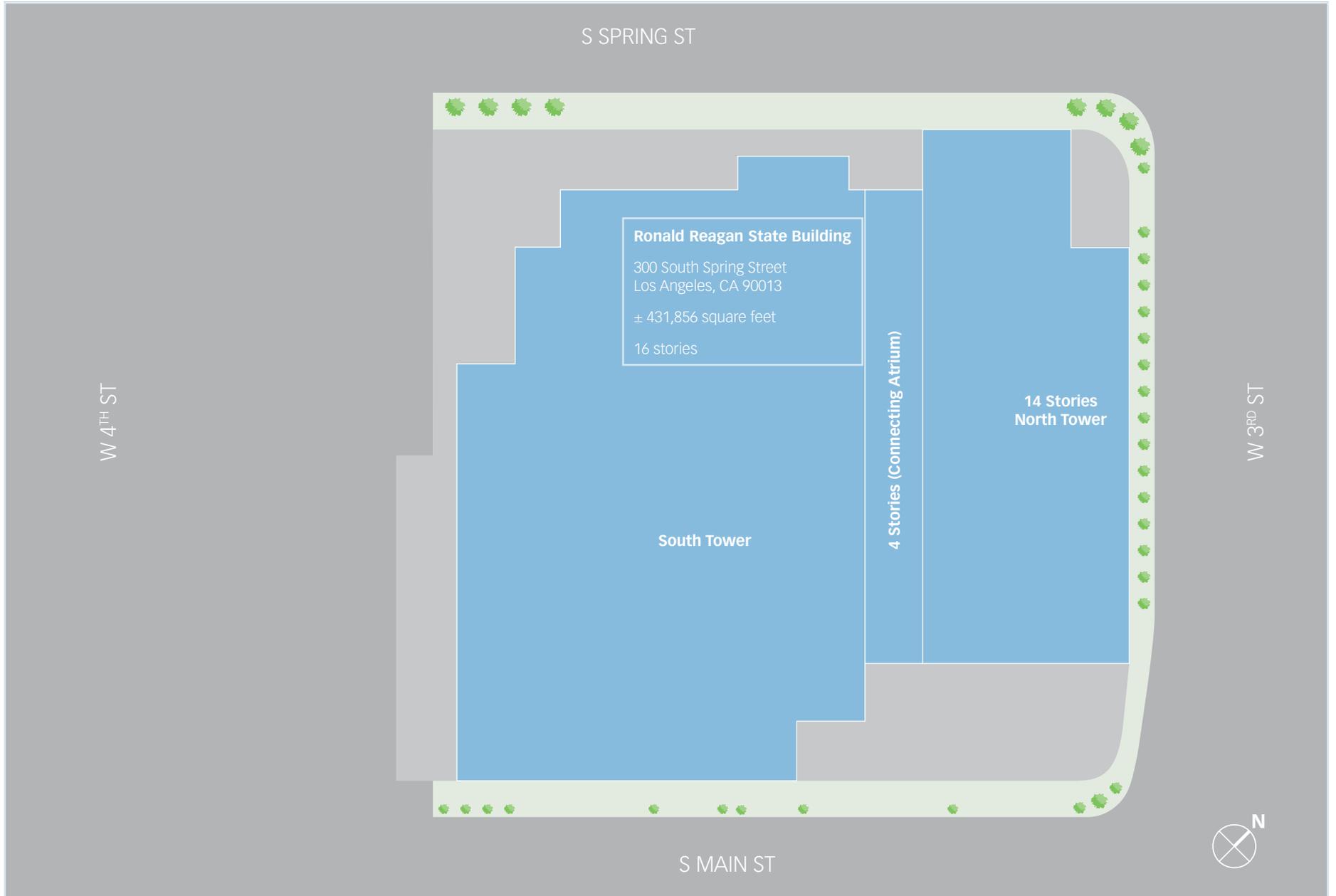
Water: Los Angeles Department of Water & Power)

Sewer: Los Angeles Department of Water & Power

Electricity: Los Angeles Department of Water & Power

Gas: The Gas Company

Site Plan



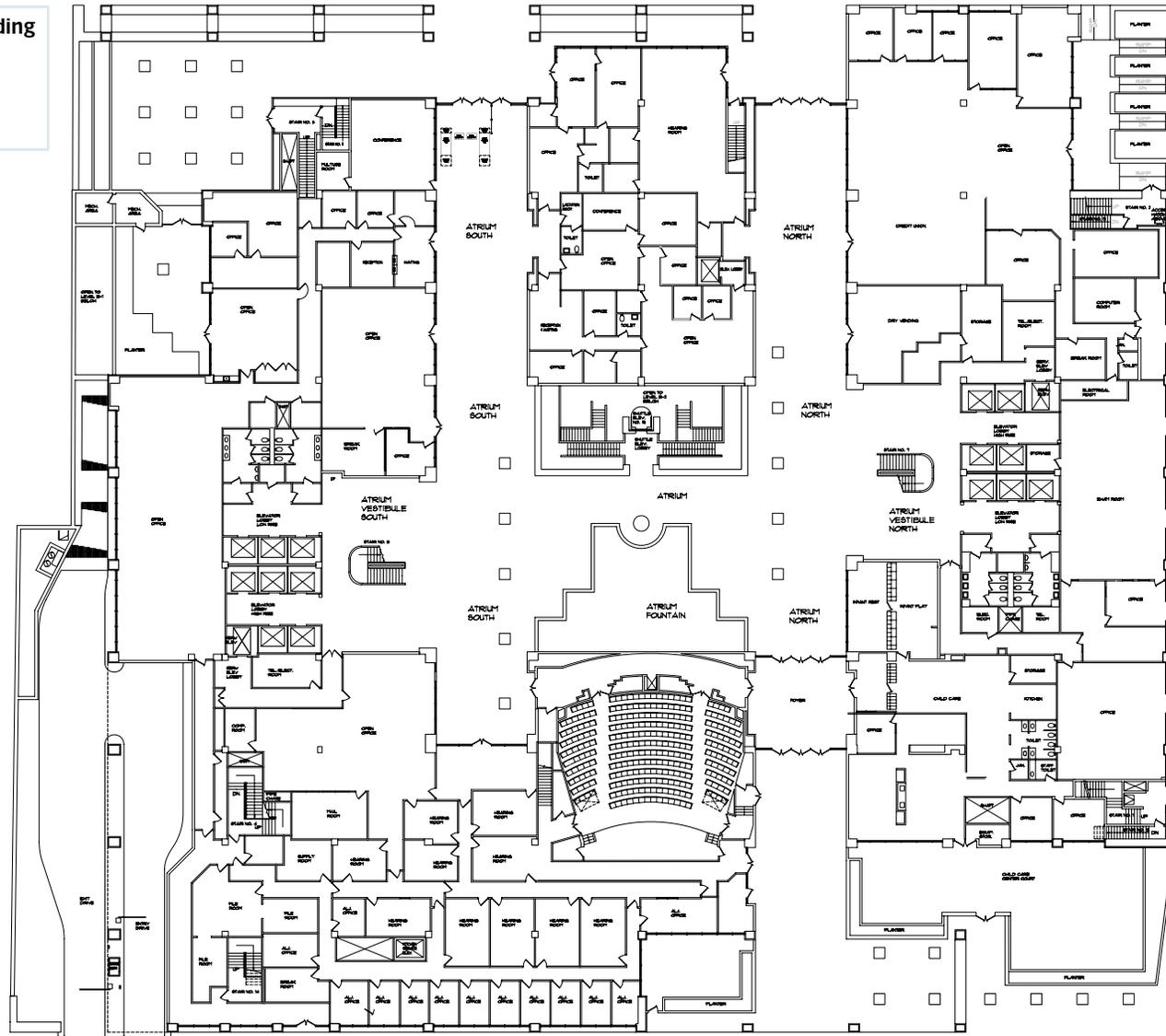


Representative Floor Plans

Ronald Reagan State Building

300 South Spring Street
Los Angeles, CA 90013

Floor 1

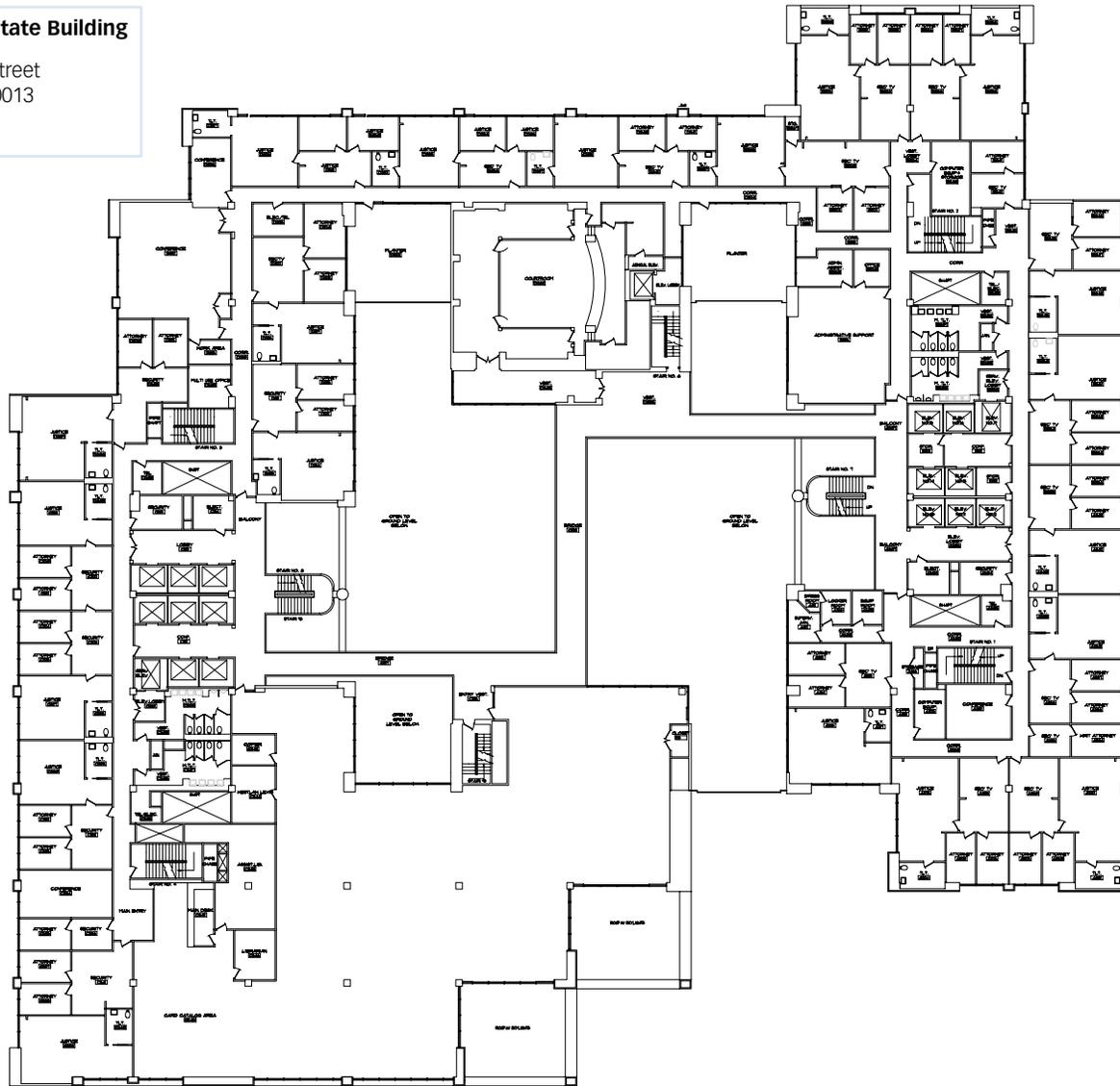


Representative Floor Plans

Ronald Reagan State Building

300 South Spring Street
Los Angeles, CA 90013

Floor 3

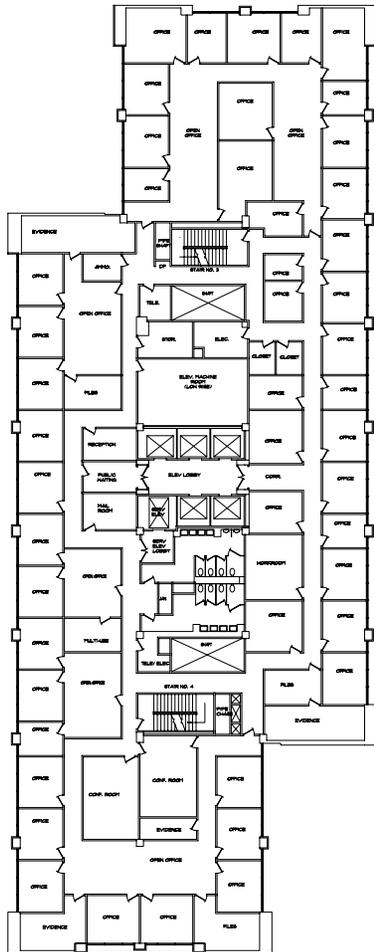


Representative Floor Plans

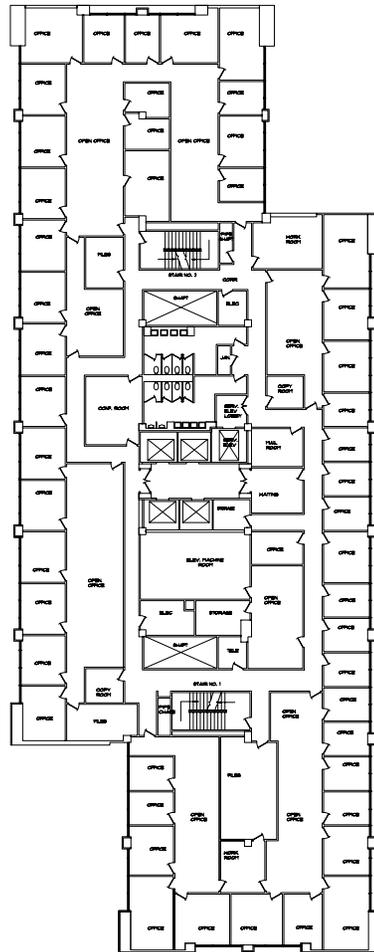
Ronald Reagan State Building

300 South Spring Street
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Floor 6



South Tower

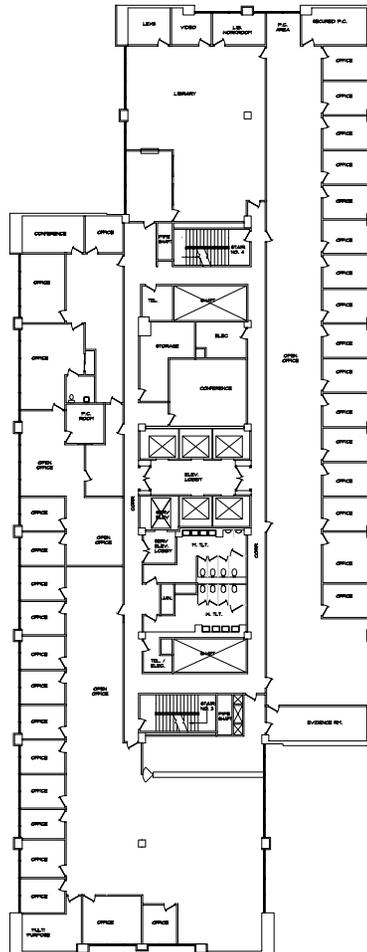


North Tower

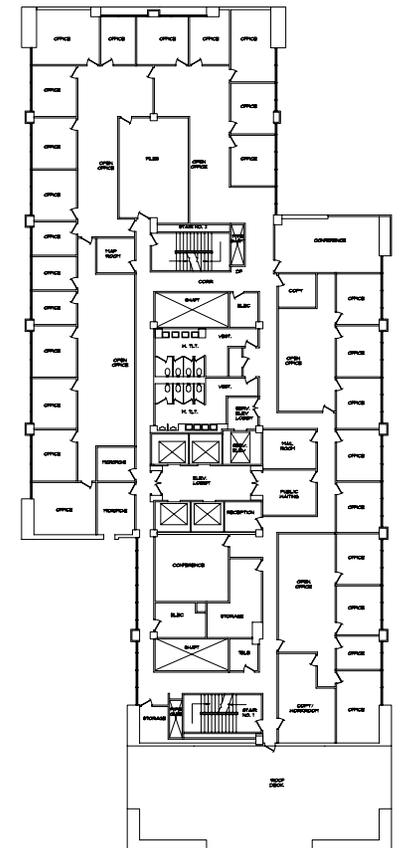
Ronald Reagan State Building

300 South Spring Street
Los Angeles, CA 90013

Floor 12



South Tower



North Tower



**RONALD
REAGAN
STATE
BUILDING**



LOS ANGELES COUNTY AREA OVERVIEW

Established in 1850, Los Angeles County is one of California's original 27 counties. It originally occupied 4,340 square miles along the coast between Santa Barbara and San Diego, but within a year was expanded to take in 34,520 square miles, covering an area that sprawled east to the Colorado River. During subsequent years, the county was pared, piece-by-piece, to its present size of 4,082 square miles—an area still larger than the states of Delaware and Rhode Island combined. The last major detachment occurred in 1889, with the creation of Orange County. It is now bordered to the southeast by Orange County, to the east by San Bernardino County, to the north by Kern County, to the northwest by Ventura County, and to the south by the Pacific Ocean. The county includes the islands of San Clemente and Santa Catalina.

Altitudes vary from nine feet below sea level in Wilmington to 10,080 feet above sea level at Mt. San Antonio, and there are 72 miles of beaches, accounting for nearly 9 percent of California's 840-mile coastline. Roads are extensive, with 528 miles of roadway on 25 interstates and 382 miles on other highways. The average daily high temperature at the Civic Center, located Downtown, is 68 degrees in January and 85 degrees in August; lows range from averages of 49 degrees in January and 66 degrees in August. Areas near the beach are markedly cooler, while the valleys to the north and east are often, in summer, 20 degrees warmer. Annual precipitation is 14.77 inches. According to the Los Angeles Economic Development Commission, Los Angeles County, if measured separately, would

rank as the world's nineteenth largest economy, situated between Russia and Switzerland. Los Angeles County, at 10,393,185, has the largest population of any county in the nation and is only exceeded by eight states (California, Texas, New York, Florida, Illinois, Pennsylvania, Ohio, and Michigan). Twenty-eight percent of California residents live in the county. There are 88 cities within the county, although many residents live in unincorporated areas.

Diversified Economy

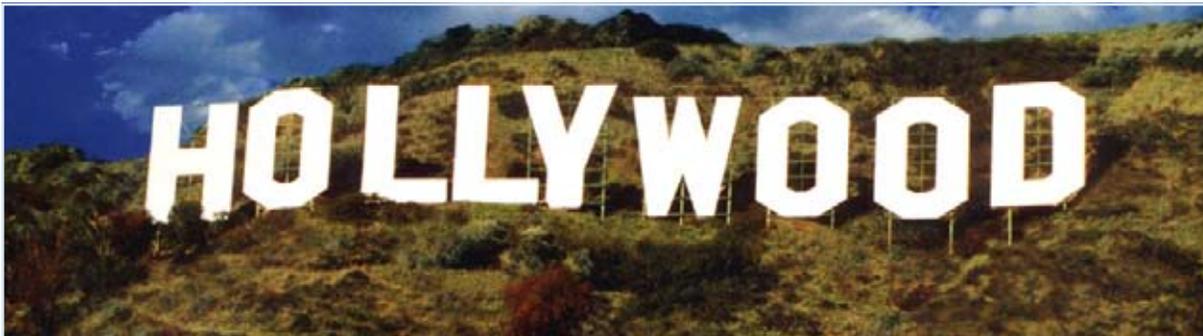
Though it once relied heavily on aerospace, entertainment and tourism, the economy of Los Angeles County is now among the most diversified in the world, with sixteen base industries propelling and piloting the fortunes and efforts of county residents.

LA County's 16 Base Industries (Ranked by Employment)

- Business and professional management services (Includes business services except computer software development, legal services, engineering, and accounting services)
- Tourism
- Health services/bio-med (Includes drug, medical instruments manufacturing, and bio-medical research)
- Direct International Trade (Includes activities related to moving commodities in and out of the customs district, but does not include any manufacturing activities)
- Wholesale Trade (exc. apparel, autos, toys)
- Technology (Includes computer manufacturing, communications equipment, electronic components, aircraft and parts, missiles and space vehicles, search and navigation equipment, measuring and controlling instruments, and computer software development)
- Motion Picture/TV Production
- Financial Services (money management and other financial services)
- Apparel design/manufacture/wholesale
- Fabricated Metal Products
- Agriculture/Food Products Manufacture
- Furniture Manufacture & Wholesale
- Auto Parts Manufacture & Wholesale
- Jewelry Manufacture & Wholesale
- Petroleum Production & Refining
- Toy Manufacture & Wholesale

The diversity of the county economy is mirrored by the array of Fortune 1000 companies that choose to locate in Los Angeles County.

2008 Rank	Name	Location
67	Walt Disney	Burbank
76	Northrop Grumman	Los Angeles
104	Countrywide Financial	Calabasas
123	Occidental Petroleum	Los Angeles
143	DirectTV Group	El Segundo
173	Amgen	Thousand Oaks
179	Health Net	Woodland Hills
205	Edison International	Rosemead
308	Jacobs Engineering Group	Pasadena
340	KB Home	Los Angeles
345	Reliance Steel & Aluminum	Los Angeles
354	Dole Food	Westlake Village
382	Avery Dennison	Pasadena
404	CB Richard Ellis	El Segundo
413	Mattel	El Segundo
454	DaVita	El Segundo
535	AECOM Technology	Los Angeles
539	Live Nation	Beverly Hills
644	Mercury General	Los Angeles
653	Unified Western Grocers	Commerce
670	Ryland Group	Calabasas
775	Watson Pharmaceuticals	Corona
778	Molina Healthcare	Long Beach
893	IndyMac Bancorp	Pasadena
960	Guess	Los Angeles





International Trade

According to the US Department of Commerce, value of two way trade through Los Angeles customs district (LAX, ONT, and Ports of Los Angeles and Long Beach) was \$357 Billion in 2008, a 2.3% increase over 2007. By the end of this decade, the value of goods that pass through this district will, according to the Los Angeles Economic Development Commission, increase to over \$400 billion and by 2020, LAEDC forecasts put the value at over \$660 billion.



The World Ports of Los Angeles and Long Beach – Economic Powerhouse

The World Ports of Los Angeles and Long Beach, also known as the San Pedro Bay Ports, constitute the third largest port complex in the world, with about one-quarter of all U.S. waterborne international trade depending on them to reach market. The Port of Los Angeles is ranked # 1 (since 2000) in the U.S. and the Port on Long Beach right behind at # 2 as the busiest container ports in the country. Together, the ports help generate more than 500,000 trade-related jobs in the region; by 2020, that figure will jump to 1 million. These jobs are on the docks, in the shipping industry, in land and rail transportation, importing and exporting, manufacturing, distribution and sales, in addition to construction of terminals and port improvements. The importance and activity of the ports continues to grow and outperform all sea ports nationally.

- The Ports handled a combined 14.3 Million containers (TEUs) in 2008 and roughly 250 Million metric tons.
- Total cargo valued at more than \$323 Billion for 2008.
- The Ports are indirectly responsible for nearly 4.7 Million jobs throughout the U.S.

\$2 Billion Proposed Long Beach Port Modernization

The Long Beach Board of Harbor Commissioners recently approved a \$750 million port terminal renovation to transform two aging Port of Long Beach shipping terminals into one of the “greenest” terminals in the world. With a significant addition of railroad tracks and built-in environmental technology, the new terminal will double the cargo-moving capacity of the two existing facilities while cutting in half air pollution from operations. Construction for the project is scheduled to commence near the end of 2009 and will take 10 years to complete. The project will generate as many as 1,000 construction jobs a year, as well as 14,000 jobs in the goods-movement industry region wide. A major feature of the project will be to add 65,000 feet of railroad track, which will allow nearly one-third of all the cargo at Middle Harbor to be moved by train, taking trucks off the road. The project would create a single 345-acre facility by merging the existing terminals and adding 51 acres of land by filling in slips. Also on the drawing boards are a \$650 million, 160-acre Pier S container terminal project and the \$1 billion replacement of the Gerald Desmond Bridge.





The Alameda Corridor

The port-supported Alameda Corridor, a 20-mile railroad express line that connects the Ports of Los Angeles and Long Beach to the transcontinental rail network east of Downtown Los Angeles, was completed in the spring of 2002. Able to accommodate up to 100 trains a day traveling at speeds up to 40 miles per hour, the corridor creates a faster, more efficient way to move cargo to cities throughout the United States and to overseas markets, helping the ports accommodate a projected increase in trade.

Aerospace

Military orders have given a huge boost to the industry. Southern California manufacturers and subcontractors are involved in the production of at least nine military aircraft and aerospace projects: the C-17 cargo plane, the F/A-18 navy fighter, the F-22 fighter, the F-35 Joint Strike Fighter, the Global Hawk unmanned aerial surveillance plane, the Joint Tactical Radio System, the Army's command system integration, national missile defense, and several reconnaissance and weather satellite programs. None of these projects will require major new assembly plants, but researchers and developers will be working full speed for the next several years.

Los Angeles International Airport (LAX)

Superior sea/air/land connections, modern facilities, and a convenient location, have led to LAX's designation as a world-class airport. LAX is the world's fifth busiest passenger airport (behind Atlanta Hartsfield, Chicago O'Hare, London Heathrow and Tokyo Haneda) and is the sixth busiest cargo airport. In 2008, nearly 59.8 million people traveled through LAX. LAX also handles more than 1.8 million tons of cargo annually with more than 2,100 flights daily.

LAX is ranked third in the U.S. for imports (\$32.3 Billion) and second in exports (\$36.5 Billion). A commerce leader, its ever-expanding air cargo system handled about 70% of the passengers, 75% of the air cargo, and 95% of the international passengers and cargo traffic in the five-county Southern California region in 2008. Approximately 408,000 jobs are directly or indirectly related to the airport. One in 20 jobs in Southern California is directly or indirectly attributable to LAX.

Biotech

Though the Los Angeles metro area has fewer biotech firms, fewer biotech-related IPOs, and less venture capital than the Bay Area and San Diego, research centers at UCLA, USC, UC Santa Barbara, and CalTech, as well as seven Ph.D.-granting graduate programs in the life sciences, make the Los Angeles metro area a natural choice for biotech firms. Therefore, it is not surprising the largest biotech firm in the United States, Amgen, has chosen Los Angeles as its home. The company has over 20,000 employees and nearly \$14.2 billion in yearly revenues. Amgen recently grew again with its acquisition of Immunex, a Seattle-based firm that devotes its efforts to nephrology, inflammatory disorders, cancer, metabolic diseases, and neurodegenerative disorders. Other biotech firms, such as Gilead Sciences, Inc., often find the area attractive for branch operations, since the area's 2,450 employed life scientists provide a huge pool of talent. Other major biotech-related firms with headquarters or branches located in the Los Angeles metro area include Allergan and Xoma.



Apparel And Textiles

Although inexpensive imports and a move toward the outsourcing of cut-and-sew operations to overseas contractors have caused, in the past several years, a slow decline in the manufacturing component of the Los Angeles apparel industry, the industry remains huge, employing about 100,000 persons. Because it is dominated by small firms (87.8% of the county's apparel firms have fewer than 50 employees), the competitive advantage of Los Angeles-based apparel industry is often an ability to produce new designs quickly and in small quantities; its advanced cutting and sewing technologies also help in manufacturing clothes with unusual precision. These features are valuable to specialty and leading-edge designers, for whom smaller, less risky inventories, as well as

superb quality of cut, are crucial to success. Major manufacturers in Los Angeles include Guess, K-Swiss, and Tarrant Apparel, and BCBG Max Azria.

More important than any advantages in manufacturing, however, are advantages in design. Ten college training programs in the area now churn out high-end design talent that is eager to make its mark in the industry. In addition, the metro area's sheer size and, especially, its "cosmopolitanism" make it the perfect place for fashion inspiration. The letters "LA" also hold in the fashion world a clout that is matched only by citybrands such as "Paris," "Milan," and "New York." As a result, even if the number of jobs in apparel manufacturing continues to fall, the value of the county's apparel industry is expected to grow.



Other Manufacturing

Although apparel and aerospace rank as the county's most notable manufacturing industries, the county is home to an extraordinary range and number of manufacturers. With 606,000 people designing and assembling everything from missile propulsion systems to fine ladies' undergarments, manufacturing employment in Los Angeles trails only Chicago. Its manufacturing output far outstrips that of other metro areas, such as Detroit, New York, and Cleveland, that are often considered the nation's manufacturing centers.

In part this was due to heavy immigration, which is what makes the area so attractive to manufacturers. Instead of sending factories overseas in search of cheap labor, Los Angeles based manufacturers can use local cheap labor that is already relocating from overseas. In this way, many Los Angeles manufacturers preserve the advantages of U.S.-based production—such as the rule of law, a stable political system, a body of statutes and case law that usually leaves property rights clearly defined, modern transportation systems-while still enjoying, partly, the low-cost labor they can get overseas.





MARKET ANALYSIS

Los Angeles County Office Market

The Greater Los Angeles County office market is one of the most diverse office market economies in the nation led by the entertainment, technology, banking, insurance, finance, entertainment, legal, technology, aerospace, international trade, apparel, manufacturing, and healthcare industries. Poised for a rebound and future economic growth over the next decade, population and job growth in the market are projected to outpace the rest of the nation. The population for the City of Los Angeles is projected to increase by over 2.5 million people by 2020 with Downtown Los Angeles the primary beneficiary of this growth due to the dynamic 24 hour environment emerging Downtown as well as being the center of mass transportation.

Since 1970, over 150 million square feet (“SF”), or approximately 80%, of the office base in Greater Los Angeles County has been built representing an average of over 4.2 million SF per year. In the recent past, the suburban markets have provided much of this new supply as compared to downtown Los Angeles. However, markets such as West Los Angeles, the San Fernando Valley, the Tri-Cities, and the South Bay have essentially become built-out. In fact, there are several buildings which were constructed on a speculative basis and delivered for occupancy in 2009 that remain vacant today. New construction will remain on hold for the foreseeable future due to the overall economic climate, substantial vacancy and limited tenant demand. The even more significant barriers to new construction are the lack of available land,

the cost of construction and the heightened risk for construction financing. Thus, the office supply should remain fixed for the foreseeable future.

With that said, nearly three quarters of million SF of office space is currently under construction in the West Los Angeles submarket. Both of these projects (The Red Building and Horizon at Playa Vista) which broke ground prior to the recession. With constraints on suburban development, and projected regional growth, Downtown Los Angeles is a solid investment with these constraints, population growth and all roads leading to and thru downtown which includes the hub for the county’s mass transit.

CURRENT CONSTRUCTION IN GREATER LOS ANGELES

Markets with Office Projects Under Construction	SF	Pre-Leased SF
West LA	707,983	0
LA County Totals	707,983	0

Vacancy in Greater Los Angeles County increased from 11.7% in 4Q08 to 15.2% in 4Q09. This represents a substantial increase which was primarily due to the recession where firms like Countrywide, Washington Mutual, IndyMac Bank, etc. gave large blocks of space back to the market. All Los Angeles County submarkets experienced increases in vacancy over the past 7 quarters but that trend appears to be stabilizing.



OFFICE MARKET DETAIL – 4th QUARTER 2009

Submarket	NRA SF	YTD Total Net Absorption	Total Vacancy %	Average Asking Rate
Downtown Los Angeles	31,125,339	(528,348)	16.6%	\$2.89
Tri-Cities/Glendale	24,892,985	(289,388)	15.5%	\$2.64
Hollywood/Wilshire Corridor	18,676,777	(1,035,090)	14.0%	\$2.16
San Fernando Valley	24,313,419	(873,227)	16.9%	\$2.26
San Gabriel Valley	12,584,572	(824,813)	10.7%	\$2.00
South Bay	31,182,173	(690,312)	17.6%	\$2.10
West Los Angeles	46,620,245	(988,897)	14.5%	\$3.50
Los Angeles County	189,395,510	(5,230,075)	15.2%	\$2.60

Greater Los Angeles Rental Rates

The Ronald Reagan State Building is located 3 blocks east of the desirable Bunker Hill section of the Los Angeles CBD and is within the renaissance redevelopment area. Adjacent to many amenities within a one block radius, the Property enjoys excellent views and quality construction while incorporating almost one full city block.

The State of California will have an initial annual leaseback rent of \$26.26/sf modified gross (\$2.19/sf monthly) for the property for twenty years. Asking rates for the competitive set range from \$21.75/sf to \$28.71/sf modified gross. Given the high quality finishes, great location and distinctive building profile, rents for the Ronald Reagan State Building would be expected to reach the higher end of this range.

Average monthly gross “asking rates” in LA County remained unchanged from 3Q09 to 4Q09 at \$2.60 per SF. This is a significant drop from year end '07 and '08, when average rates were \$2.90 and \$2.82 per SF, respectively. Currently, increased availability is placing downward pressure on lease rates in most suburban markets, and this trend is expected to continue throughout 2010. Most submarkets have ample blocks of vacancy space on the market and several landlords are increasing their concession packages to try to lease vacant space as well as retain existing tenants. In 2010 we anticipate landlords becoming even more aggressive to stabilize their assets but rents should stabilize by the beginning of next year.

Monthly gross asking rates in Downtown Los Angeles have remained relatively stable compared

to the surrounding submarkets. Compared to the end of 2008, when asking rates in Downtown were averaging \$2.93 per SF, asking rates at the end of 2009 slightly dropped to \$2.89 per SF. Rents in West Los Angeles dropped the most, from \$4.20 per SF in 4Q08 to \$3.50 per SF in 4Q09 in general. Downtown Los Angeles and the Tri-Cities markets experienced the least amount of total negative absorption in 2009. At year end Downtown accounted for 500K of the 5M SF of negative absorption in LA County which is a positive sign for the city’s central business district.

The Downtown office market is the regional hub of Southern California and the Central Business District of Downtown Los Angeles (“CBD”) is the most established office market featuring on average the nicest product in the Southern California region, encompassing over 31 million SF of office space. Downtown Los Angeles has become the commercial, financial, and cultural center of Southern California over the last 10 years due to the development and expansion of the extensive transportation infrastructure, large concentration of new home development, and the addition of numerous cultural amenities that are transforming the downtown area into a vibrant 24-hour urban environment. Today, Downtown Los Angeles’ influence is well beyond its city limits as a gateway to Asia, Latin America and numerous financial markets around the world. As a result of the strategic role Los Angeles serves in the international business community, Downtown Los Angeles has become the location of choice for over 13,000 businesses.

Tenant Base Diversity

The commercial real estate market in Downtown Los Angeles gains its strength and stability from the diversity and balance of the industry groups which are located here. The traditional CBD user groups, such as government, legal and financial service, are continuing to prosper and grow along with new user groups such as insurance, entertainment, architectural/engineering, accounting, and communications industries which are relocating to Downtown Los Angeles. Downtown Los Angeles has also benefited from a large international business presence, with more than 100 domestic and international banks, finance and trading companies establishing regional headquarters in the CBD. In the United States, only New York City and Washington D.C. can claim a greater international business presence. Along with the domestic and international banking community, an elite core of investment banks and investment management companies are also based Downtown Los Angeles.

Consolidation of Ownership

Maguire Properties' acquisition of two properties in Downtown Los Angeles from Blackstone coupled with Brookfield's acquisition of three buildings from their purchase of Trizec Hahn has created an unprecedented concentration of ownership of the Class A office buildings in Downtown. The Downtown Los Angeles office market is now controlled by three primary landlords, Maguire Properties (8 buildings), Brookfield (3 buildings), and Thomas Properties (2 buildings) control 13 of the top 16 buildings. After acquiring several assets in 2007, Maguire Properties and Brookfield began to push rents parking rates creating a significant gap between institutional high rise product and older properties. The recent consolidation has delivered a positive impact on the Downtown market which has directly benefited Downtown property owners.

Downtown Los Angeles CBD Growth Trends

Downtown Los Angeles had been benefitting from the expansion of its existing tenants including the important law firm segment. Recent examples of law firms who have expanded include Burke Williams Sorenson, Bingham McCutcheon, Connolly Bove, Hamilton & Scripps, Jones Day, Luce Forward, Sidley & Austin, Sonnenschein Nath & Rosenthal, Nossaman Gunther Knox Elliott, LLP, Tucker Ellis, Quinn Emanuel and Wilson Elser over the past several quarters. In addition, The LA County Bar recently leased 40,000 SF as well and the University of Southern California continues to expand off campus and into the CBD. In addition to the recent activity of the downtown based law firms, several financial service firms have leased additional space including City National Bank, First Heritage Bank, Oaktree Capital, Sumitomo Mitsui Banking, Covington Capital, First Commercial Bank, Promerica Bank and The Capital Group.







Notwithstanding the organic growth, the most significant trend that had been developing over the past several years was the increasing velocity of businesses currently located outside the CBD migrating to Downtown Los Angeles. Currently, there are over 200,000 SF of tenants seriously considering the CBD as an alternative for their office location, including the following:

	Tenant	SF	Submarket
1	Kegel Tobin	11,000	Mid-Wilshire
3	Golin-Harris	40,000	Mid-Wilshire
4	HMBC	20,000	Mid-Wilshire
5	EDAW	13,000	Mid-Wilshire
6	Esquire Repo Sevices	10,000	Mid-Wilshire
7	EMAK	35,000	West Los Angeles
8	Greenberg Glusger	80,000	West Los Angeles
9	West Coast Univesity	45,000	West Los Angeles

Recent examples of this trend include ESPN and Herbalife, who collectively, now occupy 130,000 SF of office space at LA Live!. The migratory trend into Downtown Los Angeles is expected to continue in the future as downtown becomes more of a 24 hour city. The 24-hour urban environment in combination with the increased commute times around the region are also factors that contribute to the migratory trend in to Downtown.

Comparable Properties

The Downtown Los Angeles office market is defined as a collection of 60 office buildings comprising approximately 31 million SF of office space. These buildings are further segmented by size, design, age, and location. The following properties are comparable with the buildings under consideration.

	Building	Size	Direct Vacancy	FSG/SF
1	523 W 6th St	424,598	81,538	\$30.00
2	707 Wilshire Blvd	1,089,000	251,443	\$30.96
3	700 S Flower St	678,500	114,146	\$27.00
4	818 W 7th St (Historical)	373,973	55,684	\$27.96
5	600 Wilshire Blvd	296,457	94,431	\$27.96
6	660 S Figueroa St	278,657	73,266	\$30.00
7	601 W 5th St (Historical)	242,200	29,249	\$24.00
8	800 Wilshire Blvd	225,728	32,072	\$30.00
9	617 W 7th St (Historical)	218,016	60,400	\$30.00
10	811 W 7th St (Historical)	113,070	14,132	\$27.96
11	888 W 6th St	95,490	25,994	\$30.96



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

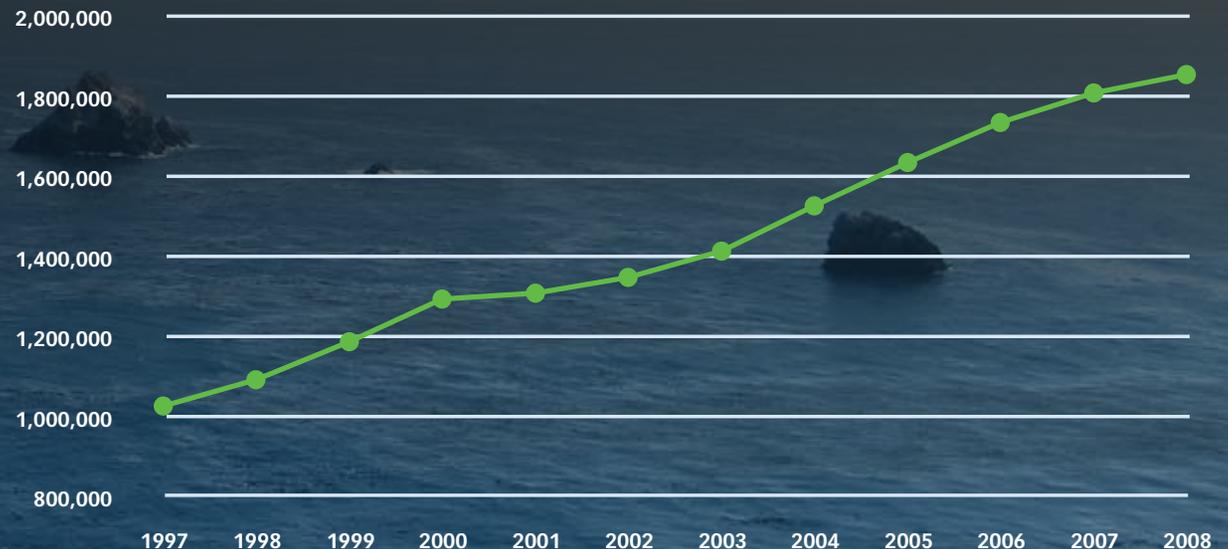
part due to its temperate climate, excellent quality of life, diverse population, world-renowned cities and its position as the gateway to the Pacific Rim. Additionally, California prides itself on striving to be the "greenest" and most eco-friendly states in the country. California's desirable quality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

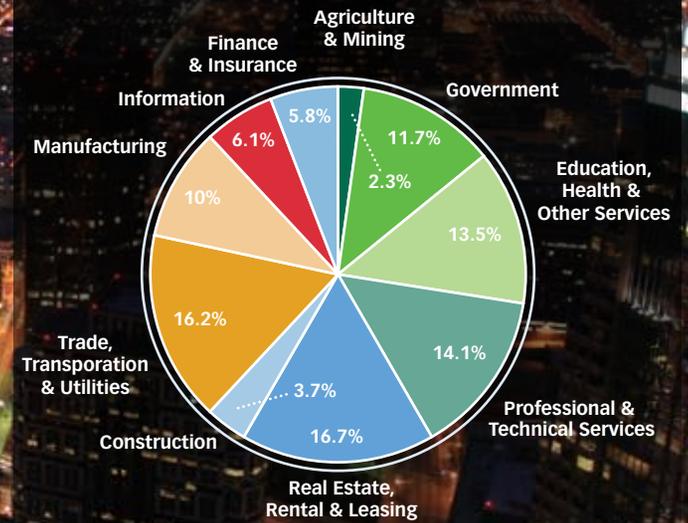




Downtown Los Angeles

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: Ronald Reagan State Building
300 South Spring Street
Los Angeles, CA

Net Rentable Area: 737,658 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	737,658	\$1,614,516	\$2.19	\$19,374,192	\$26.26
Years 6 to 10	737,658	\$1,775,968	\$2.41	\$21,311,611	\$28.89
Years 11 to 15	737,658	\$1,953,564	\$2.65	\$23,442,772	\$31.77
Years 15 to 20	737,658	\$2,148,921	\$2.91	\$25,787,050	\$34.95

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 hundred eighty (380) parking spaces. State shall have the exclusive right (but not the obligation) to use all parking at a charge of \$245 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, security 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 (1/12th) of an amount that will be determined by multiplying the base amount of \$6,103,030 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 (1/12th) 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 (60th) 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 (120th) 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	\$26.26	Modified Gross	737,658	99.80%
Property Management Office	\$26.26	Modified Gross	1,500	0.20%

Market Rent Growth:

3% - Fiscal Year Ending June Inflation

Expense Recoveries:

Modified Gross –Electricity and Gas are paid directly by the State of California.

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	\$19,374,192	\$26.26
July 2015	\$21,311,611	\$28.89
July 2020	\$23,442,772	\$31.77
July 2025	\$25,787,050	\$34.95

*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:

1.189738%

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 \$6,103,030 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 380 parking spaces. Current market rates are \$245 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:

\$186,000.

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	737,658	99.80%	Jul-2010	Jun-2030	Current	\$1,614,516	\$2.19	\$19,374,192	\$26.26	See Abstract	Tenant has six (6) 5-year options to renew at 10% increases over prior rent.
						Jul-2015	\$1,775,968	\$2.41	\$21,311,611	\$28.89		
						Jul-2020	\$1,953,564	\$2.65	\$23,442,772	\$31.77		
						Jul-2025	\$2,148,921	\$2.91	\$25,787,050	\$34.95		
Mgt	Management Office	1,500	0.20%	Jul-2010	Jun-2030	Current	\$3,283	\$2.19	\$39,397	\$26.26	None	-
						Jul-2015	\$3,611	\$2.41	\$43,337	\$28.89		
						Jul-2020	\$3,973	\$2.65	\$47,670	\$31.77		
						Jul-2025	\$4,370	\$2.91	\$52,437	\$34.95		
Totals / Averages		739,158					\$1,617,799	\$2.19	\$19,413,589	\$26.26		
Occupied sq. ft.		739,158	100.0%									
Vacant sq. ft.		0	0.0%									
Total sq. ft.		739,158	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		\$11.28	\$11.58	\$11.90	\$12.23	\$12.56	\$12.91	\$13.26	\$13.62	\$14.00	\$14.38	\$14.78
Revenues	FY 2011 \$/SF/YR ^[2]											
Scheduled Base Rent												
Gross Potential Rent	\$26.26	\$19,413,589	\$19,413,589	\$19,413,589	\$19,413,589	\$19,413,589	\$21,354,948	\$21,354,948	\$21,354,948	\$21,354,948	\$21,354,948	\$23,490,442
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	26.26	19,413,589	19,413,589	19,413,589	19,413,589	19,413,589	21,354,948	21,354,948	21,354,948	21,354,948	21,354,948	23,490,442
Expense Reimbursements	0.00	0	0	0	0	0	0	0	0	0	0	0
Parking Revenue	1.51	1,117,200	1,117,200	1,117,200	1,117,200	1,117,200	1,228,920	1,228,920	1,228,920	1,228,920	1,228,920	1,351,812
State of CA Expense Increases	0.00	0	227,273	460,919	701,120	948,063	1,201,942	1,462,955	1,731,305	2,007,205	2,290,871	2,582,524
Total Gross Revenue	27.78	20,530,789	20,758,062	20,991,708	21,231,909	21,478,852	23,785,810	24,046,823	24,315,173	24,591,073	24,874,739	27,424,778
General Vacancy Loss	0.00	0	0	0	0	0	0	0	0	0	0	0
Effective Gross Revenue	27.78	20,530,789	20,758,062	20,991,708	21,231,909	21,478,852	23,785,810	24,046,823	24,315,173	24,591,073	24,874,739	27,424,778
Operating Expenses												
Security	(0.89)	(656,456)	(676,150)	(696,434)	(717,327)	(738,847)	(761,012)	(783,843)	(807,358)	(831,579)	(856,526)	(882,222)
Cleaning	(2.29)	(1,695,900)	(1,746,777)	(1,799,180)	(1,853,156)	(1,908,750)	(1,966,013)	(2,024,993)	(2,085,743)	(2,148,315)	(2,212,765)	(2,279,148)
Repairs & Maintenance	(2.42)	(1,791,412)	(1,845,154)	(1,900,509)	(1,957,524)	(2,016,250)	(2,076,737)	(2,139,040)	(2,203,211)	(2,269,307)	(2,337,386)	(2,407,508)
Utilities	(0.14)	(106,560)	(109,757)	(113,050)	(116,441)	(119,934)	(123,532)	(127,238)	(131,055)	(134,987)	(139,037)	(143,208)
Management Fee	(0.25)	(186,000)	(191,580)	(197,327)	(203,247)	(209,345)	(215,625)	(222,094)	(228,757)	(235,619)	(242,688)	(249,968)
Onsite Office Expense	(0.11)	(79,922)	(82,320)	(84,789)	(87,333)	(89,953)	(92,652)	(95,431)	(98,294)	(101,243)	(104,280)	(107,408)
Admin (Excl Mgt Fee)	(0.46)	(342,696)	(352,977)	(363,566)	(374,473)	(385,707)	(397,279)	(409,197)	(421,473)	(434,117)	(447,141)	(460,555)
Lot & Landscaping	(0.05)	(37,436)	(38,559)	(39,716)	(40,907)	(42,135)	(43,399)	(44,701)	(46,042)	(47,423)	(48,845)	(50,311)
Parking	(0.03)	(24,000)	(24,720)	(25,462)	(26,225)	(27,012)	(27,823)	(28,657)	(29,517)	(30,402)	(31,315)	(32,254)
Real Estate Taxes	(3.02)	(2,232,229)	(2,276,874)	(2,322,411)	(2,368,859)	(2,416,236)	(2,464,561)	(2,513,852)	(2,564,129)	(2,615,412)	(2,667,720)	(2,721,075)
Insurance	(1.60)	(1,182,648)	(1,218,127)	(1,254,671)	(1,292,311)	(1,331,081)	(1,371,013)	(1,412,144)	(1,454,508)	(1,498,143)	(1,543,087)	(1,589,380)
Total Operating Expenses	(11.28)	(8,335,259)	(8,562,995)	(8,797,115)	(9,037,803)	(9,285,250)	(9,539,646)	(9,801,190)	(10,070,087)	(10,346,547)	(10,630,790)	(10,923,037)
Net Operating Income	16.50	12,195,530	12,195,067	12,194,593	12,194,106	12,193,602	14,246,164	14,245,633	14,245,086	14,244,526	14,243,949	16,501,741
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)	(110,874)	(114,200)	(117,626)	(121,155)	(124,789)	(128,533)	(132,389)	(136,361)	(140,451)	(144,665)	(149,005)
State of CA - Paint & Carpet ^[3]	0.00	0	0	0	0	0	(1,475,316)	0	0	0	0	(2,950,632)
Total Capital Costs	(0.15)	(110,874)	(114,200)	(117,626)	(121,155)	(124,789)	(1,603,849)	(132,389)	(136,361)	(140,451)	(144,665)	(3,099,637)
Operating Cash Flow	\$16.35	\$12,084,656	\$12,080,867	\$12,076,967	\$12,072,951	\$12,068,813	\$12,642,315	\$14,113,244	\$14,108,725	\$14,104,075	\$14,099,284	\$13,402,104

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

[2] Based on 739,158 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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