

Downtown Properties
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April 14, 2010

Mr. Kevin Shannon
Mr. Bob Gilley
Mr. Randy Getz
CB Richard Ellis
990 W. 190th St.
Torrance, CA 90502

Re: Golden State Portfolio
Los Angeles and San Francisco, California

Gentlemen:

This letter will summarize the basic business terms upon which Downtown Properties and/or its assignees (“Buyer”) proposes to purchase a portion of the “Golden State Portfolio”, including the buildings commonly known as:

350 McAllister Avenue/455 Golden Gate Avenue, San Francisco, California
505 Van Ness Avenue, San Francisco, California
320 W. 4th Street, Los Angeles, California
300 S. Spring Street, Los Angeles, California

(together, the “Properties” and individually, each a “Property”) from the State of California (“Seller”).

1. Purchase Price. The purchase price (the “Purchase Price”) for the Properties shall be \$616,120,000.00 and is allocated by each Property as detailed below:

350 McAllister Avenue/455 Golden Gate Avenue, San Francisco, California Allocated Purchase Price:	\$288,108,000.00
505 Van Ness Avenue, San Francisco, California Allocated Purchase Price:	\$79,713,000.00
320 W. 4 th Street, Los Angeles, California Allocated Purchase Price:	\$88,881,000.00
300 S. Spring Street, Los Angeles, California Allocated Purchase Price:	\$159,418,000.00

Mr. Kevin Shannon
Mr. Bob Gilley
Mr. Randy Getz
April 14, 2010
Page 2 of 3

The Purchase Price for each Property will be payable in cash and new financing as follows:

a. Two Hundred Fifty Thousand Dollars (\$250,000.00) earnest money deposit (the "Property Deposit") will be deposited in cash by Buyer with the title company acting as the escrow holder, within three (3) business days after the execution of the definitive purchase and sale agreement (the "Agreement") for each Property. Upon expiration of the Due Diligence Period (as defined below), Buyer shall deposit an additional Seven Hundred Fifty Thousand Dollars (\$750,000.00) for each Property, for a total Property Deposit of One Million Dollars (\$1,000,000.00) for each Property.

b. The balance of the Purchase Price will be paid at the close of escrow in cash comprised of Buyer's funds and new financing with terms acceptable to Buyer for each Property.

c. The Property Deposit for each Property will serve as liquidated damages for a Property if Buyer breaches its obligation to purchase an such individual Property. The Property Deposit will be promptly refunded to Buyer if Buyer elects during the Due Diligence Period to terminate the Purchase Agreement for any Property for any reason in its sole discretion, or if the financing is not obtained subsequent to the Due Diligence Period.

2. Due Diligence Period. Buyer will have a period of 30 days after the execution of the Agreement (the "Due Diligence Period") in which to inspect the condition of the Properties (including, but not limited to, title, environmental, structural, mechanical and other systems and all zoning, permit and governmental approval matters) and all documents and materials regarding the Properties. Terms of the Seller's lease for each Property shall be negotiated during the Due Diligence Period.

3. Closing. The closing will occur the later of (i) 45 days after the expiration of the Due Diligence Period, or (ii) the first available date that the new financing Buyer seeks for each Property, which is a contingency of the purchase, is able to close and fund.

4. Representations and Warranties. The Agreement will contain such representations, warranties and covenants by Seller and Buyer as they shall mutually agree in the Agreement.

5. Title. The title company will be Stewart Title. At closing, the title company will issue to Buyer, at Seller's cost, an ALTA owner's policy. Any extended coverage or title endorsements desired by Buyer will be at Buyer's cost.

6. Brokers. Buyer and Seller shall each represent to the other as to the involvement of any brokers which would result in brokerage commissions or finder's fees being owed as a result of this proposed transaction. At closing, Seller will pay CB Richard Ellis a commission pursuant to

Mr. Kevin Shannon
Mr. Bob Gilley
Mr. Randy Getz
April 14, 2010
Page 3 of 3

a separate written agreement. Neither party shall have any obligation to pay any brokerage commission unless and until the transaction closes.

7. Closing Costs. Closing costs will be allocated between Buyer and Seller in the manner customary for the city and county in which the Properties are located.

8. Exclusivity. From the date of Seller's acceptance of this offer letter to the earlier of the end of the Due Diligence Period or the Closing, Seller will not solicit or accept offers or engage in negotiations with any other parties regarding the sale of the Properties.

Except for paragraph 8 which is binding, this letter is not a binding agreement, but a summary of the general business terms upon which Buyer proposes to purchase the Properties from Seller. Except for paragraph 8, neither Buyer nor Seller shall have any obligations to each other or with respect to the Properties unless and until the definitive Agreement is executed by Buyer and Seller.

If the foregoing generally describes the basic business terms upon which Seller is willing to sell the Properties, please have the Seller's authorized representative sign where indicated below and return this letter to me. We look forward to successfully completing this transaction.

Very truly yours,

Downtown Properties

By:



Eric M. Bender

Accepted and agreed:

SELLER:

_____ a _____

By: _____

Its: _____

Dated: April ____, 2010