

Golden State Asset Acquisition Group

April 14, 2010

CB Richard Ellis
1840 Century Park East, Suite 700
Los Angeles, CA 90067-2108
Attn: Mr. Kevin Shannon

RE: Letter of Intent to Purchase the Golden State Portfolio

Dear Mr. Shannon:

This letter of intent (the “**Letter of Intent**”) is submitted by the Golden State Asset Acquisition Group in order to set forth the basic business terms upon which the California Municipal Finance Authority (“**CMFA**”) and its designees (the “**Buyer**”) is prepared to purchase and acquire from the State of California (the “**State**”) and other public entities that hold fee title on the State’s behalf (collectively, the “**Seller**”) fee simple interest in those certain 11 properties that comprise the Golden State Portfolio, totaling 7.3 million square feet, together with all improvements thereon and personal property, including all of Seller’s right, title, and interest in all leases, licenses, trade names, permits, license agreements, easements, parking areas, and rents (the land and improvements are collectively referred to herein as the “**Properties**”). This Letter of Intent is subject to a definitive agreement executed between Buyer and Seller (the “**Purchase and Sale Agreement**”). Buyer intends only to be bound by the execution of such an agreement and not by this Letter of Intent.

1. Purchase Price: \$2,075,000,000 cash payable in immediately available funds at closing (the “**Purchase Price**”), which amount is based on the acquisition by Buyer of all Properties in the portfolio. The allocation of the Purchase Price is as follows:

Public Utilities Commission Building	\$90,000,000
San Francisco Civic Center	\$320,000,000
Elihu Harris Building	\$175,000,000
Judge Rattigan Building	\$15,000,000
Junipero Serra State Building	\$90,000,000
Ronald Reagan State Building	\$165,000,000
Attorney General Building	\$140,000,000
Capitol Area East End Complex	\$510,000,000
Department of Justice Building	\$60,000,000
Franchise Tax Board Complex	\$470,000,000
California Emergency Management Agency Building	\$40,000,000

2. Structure: Buyer will acquire the Properties using the proceeds of tax-exempt bonds and/or Build America Bonds (the “**Bonds**”) issued by CMFA. The proposed structure has been reviewed and approved by Squire, Sanders & Dempsey, L.L.P., as counsel to CMFA, Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel, and Goodwin Procter LLP, as special counsel.

AEW Capital Management, L.P. (“**AEW**”) will serve as the asset manager. AEW has toured the Properties, undertaken a review of the operating budgets, and modeled the maintenance reserves based on the information provided on the CBRE Marketplace website. CMFA, or its designee, will hold title to the Properties. It is anticipated that the Properties will be exempt from property taxes and/or assessments. As such, it is intended that Seller shall be provided with the annual credit against its rent as described in the Leases.

3. Residual Value/Surplus Cash Flow: After the Bonds have been retired and other necessary maintenance and operation costs have been provided for, it is intended that the residual cash flow from the Properties will be directed to the local public agencies in which the Properties are located (i.e., Los Angeles, Santa Rosa, Oakland, Sacramento, Rancho Cordova, and San Francisco (the “**Host Communities**”). Further, at the end of the term of the Leases (as defined below) or any option terms thereof, all excess proceeds from a sale of the Properties, subject to Seller’s right of first offer and right of first refusal set forth in the Leases, are intended to be directed to the respective Host Communities.
4. Diligence: Buyer understands that, if invited as a potential buyer, Buyer will have the opportunity to undertake review of those documents and matters that Buyer deems relevant to the purchase of the Properties, including, without limitation, the draft Purchase and Sale Agreement, the draft lease agreements between Buyer and Seller (the “**Leases**”), and all third-party reports, which may include third-party property conditions reports, buildings plans and specifications, and environmental reports.
5. Reports: Within two (2) business days of notification that Buyer has been invited to participate in additional offer rounds, Seller shall deliver copies of, or post on CBRE Marketplace, all environmental and engineering reports, architectural plans, specifications, the 2010 budgets and capital plan, along with capital expenditures made to-date, title information, and surveys of the Properties in Seller’s possession. Seller will provide to Buyer all such material in its actual possession; provided that it is understood that (a) Seller makes no warranty or representation with respect to the truth or accuracy of such reports or studies, (b) any third party who has issued such reports shall have no liability to Buyer with respect to any matter contained therein, and (c) Seller shall use commercially reasonable efforts to provide reliance letters from its consultants for any due diligence materials received by Seller. Notwithstanding the foregoing, Seller shall have no obligation to turn over any confidential or proprietary information.
6. Financing Capability: On April 7, 2010, the Board of Directors of CMFA adopted a resolution expressing its intent to issue the Bonds to acquire the Properties and to appoint Stone & Youngberg LLC (“**S&Y**”) to lead the underwriting of and sales efforts for the Bonds. S&Y is a dominant underwriter of California municipal bonds. S&Y is also well known by the State having participated in approximately \$72.8 billion of municipal debt issued by the State or its subdivisions over the past 5 years. Over the past two years and in the midst of the credit crisis, the State’s General Obligation and Revenue

Bond programs have issued nearly \$40 billion in tax-exempt bonds and over \$11 billion in taxable Build America Bonds. In the due diligence process in structuring this financing structure, the Golden State Acquisition Group is highly confident of the marketability of the securities to suitable investors.

7. Closing Date: The Closing will occur sixty (60) days after the selection by Seller of Buyer (the “Closing”).
8. Conditions Precedent: A mutually acceptable Purchase and Sale Agreement containing customary conditions precedent and mutually acceptable Leases between Buyer and Seller for the lease of the Properties, containing a 20-year lease term, six (6) five (5)-year options, and a right of first refusal for the benefit of Seller.
9. Conveyance of the Properties: The Properties shall be conveyed to Buyer at Closing with no exceptions shown on the title policies, except as approved by Buyer.
10. Closing Costs: Buyer and Seller each shall be responsible for the fees and expenses of their respective legal counsel incurred in connection with the transaction. Buyer shall arrange for title insurance with an insurer of its choice and will be responsible for costs associated with the ALTA portion, any endorsements it requires, updated survey expenses and recording fees. Buyer and Seller will each pay half of the total escrow fees. Transfer taxes and the CLTA portion of title insurance costs will be paid as is customary for each of the cities and counties within the portfolio.
11. Brokerage: At Closing, Seller shall be responsible for any brokerage or consulting fee due to CB Richard Ellis with respect to the proposed transaction.
12. Expiration: This letter shall terminate and be of no further force and effect if Buyer has not been invited to participate in additional offer rounds on or before 5:00 p.m. on May 6, 2010.

We look forward to hearing from you on this matter. If you have any questions about this bid, please feel free to contact me at 415-445-2323 or ssollers@syllc.com or Ramiro Albarran at (212) 497-7111 or ralbarran@syllc.com. Please also feel free to call Tom Mullahey of AEW Capital Management, L.P., at (213) 312-2610 or tmullahey@aew.com.

Sincerely,


Scott C. Sollers
Authorized Representative
Golden State Asset Acquisition Group