



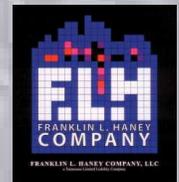
California Department of General Services



Sale Lease-Back
of the Golden
State Portfolio



ProposalBy:





California Sale Lease-Back of State Owned Office Buildings

Table of Contents

| | |
|-------------------------------------|---------|
| Cover Letter | 3 |
| Portfolio Details | 4 |
| Company History and Experience.... | 5 |
| Team Bios | 6 - 7 |
| Description of Proposal..... | 8 - 9 |
| Purchase Options | 10 - 13 |
| Entire Portfolio | 10 |
| Attorney General Building..... | 11 |
| EMA..... | 11 |
| Cap. Area East End Complex..... | 11 |
| Department of Justice Building..... | 11 |
| Franchise Tax Board..... | 12 |
| Elihu Harris Building..... | 12 |
| Judge Rattigan Building | 12 |
| Junipero Serra Building | 12 |
| Public Utilities Building..... | 13 |
| Ronald Reagan State Building..... | 13 |
| San Francisco Civic Center..... | 13 |
| Schedule | 14 |
| Revenue and Expense Model..... | 15 |

note: images of properties courtesy of CBRE.



California Sale Lease-Back of State Owned Office Buildings

**FRANKLIN L. HANEY COMPANY, LLC
1250 MARYLAND AVE., S.W.
WASHINGTON, DC 20024**

April 13, 2010

CB Richard Ellis, as
Exclusive Advisor to
The State of California
Department of General Services
990 W. 190th St., Suite 100
Torrance, CA 90502
Attn: Kevin Shannon, Vice Chairman

Re: Golden State Portfolio Sale and Leaseback Proposal

Dear Mr. Shannon:

The Franklin L. Haney Company, LLC (The Haney Company) is pleased to present our proposal to purchase the entire Golden State Portfolio with a lease back to the State of California (State). The Haney Company provides development and financing services solely for the Haney family's portfolio. Since the 1970's, The Haney Company has concentrated on financing and developing federal and state buildings as well as infrastructure projects based on lease financing. We have a long history of successful partnerships with state and federal agencies in purchase and lease back structures. Similar to other experiences across the United States, we look at the Golden State Portfolio as an opportunity to develop another positive long term partnership with a state tenant.

Our proposal is to purchase the entire Golden State Portfolio. However, we are also willing to purchase individual buildings consistent with the prices enclosed. In terms of price, it is our understanding that the State prefers to use a 20 year lease and not to utilize tax exempt certificates of participation (COPs). Based on this structure, the initial purchase price offer would be approximately \$1.673 billion. However, based on our experience, we have also provided a menu of five other sale structures. The two variables in these sale structures are lease term (we used a 20, 25, and 30 year term) and whether taxable or tax-exempt bonds are utilized. Further, two of our proposals provide the State with an abatement of base rent (but not operating and maintenance costs) for the first two years of the lease term in order to accommodate the State's short term financial crisis.

As the buyer, however, we have no preference as to the selected structure. However, we wanted to provide the State with as much information as possible as to how different financing structures impact purchase price since the range varies drastically from \$1.673 billion to \$2.687 billion depending on lease structure.

We look forward to closing and working with you on this exciting investment.

FRANKLIN L. HANEY COMPANY, LLC

By: Franklin L. Haney



California Sale Lease-Back of State Owned Office Buildings

Portfolio Details

| | Property Name | Address | Rentable Area (SF) | # of Floors | Year Built | LEED Certification | Projected Year 1 NOI | |
|--------------------------|---------------|--|---|------------------|------------|----------------------------|---|--------------|
| SF / BAY AREA | 1 | Public Utilities Commission Building | 505 Van Ness Avenue San Francisco | 270,768 | 5 | 1984 | LEED Silver | \$6,098,050 |
| | 2 | San Francisco Civic Center (Earl Warren & Hiram Johnson Buildings) | 350 McAllister Avenue & 455 Golden Gate Avenue San Francisco | 912,387 | 6 & 14 | 1922 & 1999 | LEED Gold (1 bldg) | \$22,040,256 |
| | 3 | Elihu Harris Building | 1515 Clay Street Oakland | 700,589 | 24 | 1998 | LEED Certified | \$12,613,763 |
| | 4 | Judge Rattigan Building | 50 D Street Santa Rosa | 92,368 | 4 | 1983 | Registered | \$1,040,445 |
| SUBTOTAL | | | 1,976,112 | | | | | |
| LOS ANGELES | 5 | Junipero Serra State Building | 320 West 4th Street Los Angeles | 431,856 | 10 | 1914, 1999 (Renovated) | Registered (w/ certification goal of "Silver") | \$6,799,418 |
| | 6 | Ronald Reagan State Building | 300 South Spring Street Los Angeles | 739,158 | 14 & 16 | 1989 | Registered (w/ certification goal of "Silver") | \$12,195,530 |
| SUBTOTAL | | | 1,171,014 | | | | | |
| SACRAMENTO | 7 | Attorney General Building | 1300 I Street Sacramento | 376,866 | 17 | 1995 | LEED Gold | \$9,708,584 |
| | 8 | Capitol Area East End Complex | 1430 N Street; 1500, 1501, 1615, and 1616 Capitol Avenue Sacramento | 1,474,705 | 6 and 7 | 2002 & 2003 | LEED Platinum (1 bldg), LEED Gold (4 bldgs) | \$35,543,577 |
| | 9 | Department of Justice Building | 4949 Broadway Sacramento | 381,718 | 2 | 1982 | Registered | \$4,936,426 |
| | 10 | Franchise Tax Board Complex | 9645 Butterfield Way Sacramento | 1,814,056 | 1 to 4 | 1984, 1993, 2003 & 2005 | LEED Gold (4 bldgs), LEED Silver (2 bldgs) | \$34,310,182 |
| | 11 | Cal EMA | 3650 Schriever Avenue Rancho Cordova | 116,687 | 1 and 2 | 2002 | Registered | \$2,921,246 |
| SUBTOTAL | | | 4,164,032 | | | | | |
| PORTFOLIO DETAILS | | | GRAND TOTAL | 7,311,158 | | | \$148,207,477 | |

image courtesy of CBRE.



California Sale Lease-Back of State Owned Office Buildings

FLH Company Background and Experience

The Franklin L. Haney Company LLC (The Haney Company) is a national commercial real estate firm with a broad based development and financing history. With a 40-year legacy of highly successful build-to-suit projects, The Haney Company has acquired and/or developed a portfolio of over \$10 billion in value. The Haney Company continues to lead the way in providing solutions in the acquisition, disposition, and leasing of various types of properties. The Haney Company was founded in 1967 and met with success early with the completion of multi-unit housing, parking facilities, luxury hotels and office buildings. The Haney Company remains family owned and acquires and develops projects exclusively for the Haney family members.

In the 1970's, The Haney Company developed public-private partnerships with Federal and State governments on such projects as the 523,000 square foot Internal Revenue Service Building in Memphis, TN and the 700,000 square foot Social Security Payment Center in Birmingham, AL. Other examples of commercial real estate developments during this period included the Palm Beach County Governmental Complex in Palm Beach, FL., and the 150,000 square foot Tennessee Valley Authority computer center in Chattanooga, TN. The Haney family continued to broaden its asset base with the purchase of the 2,000-acre Dawson Ridge Development in Castle Rock, CO currently slated for residential housing and commercial development by The Haney Company.

In the 1990's, The Haney Company co-developed with Republic Properties Corporation Portals Phase I and II, a 1 million square foot office complex in Washington, DC, which is currently the headquarters of the Federal Communications Commission (FCC). The total Portals development includes over 2.5 million square feet of office space and a luxury Mandarin Oriental Hotel with a total development cost of over \$850 million. Similar developments during this period included the purchase and refinancing of the Dulles-Greenway Toll Road in Northern Virginia, a six-lane privately owned toll road that stretches 22 miles between Dulles International

Airport and Leesburg, Va.. At the time this was the only privately held toll road in the country. The Haney Company structured and completed three innovative long term securitized financings of the Greenway starting in 1999 through 2006 totaling over \$1.3 billion.

While The Haney Company has extensive experience as a developer, our true strength and focus is in structuring debt and equity. We have arranged both private and public financing ranging from \$4.85 million for design and construction of the GSA Building in Florida to over a billion for the Dulles Greenway project in Virginia. Today, with a combined development portfolio of \$10 billion that includes a range of project values from \$1 million to \$500 million, and a total of over 15 million square feet throughout the country, the Haney family has a unique and stable platform for future growth. The Haney Company now looks forward to expanding its interests in California by doing what the company does best: innovative financing, imaginative acquisitions, and creative planning for a better tomorrow.

As evident from our Company's background, The Haney Company has been doing these types of transactions for over 40 years. Our structure is based on long term ownership of properties. All of the projects of The Haney Company are acquired and/or developed for ownership by the Haney family for the long term. We hire the absolute top tier third party operators as an extension of our core staff to insure that all of our properties are being run with the highest level of quality and efficiency. We look forward to being the State's long term landlord.



California Sale Lease-Back of State Owned Office Buildings

Lead Team Members

Franklin L. Haney

Founder and Chairman

Franklin L. Haney founded the Franklin L. Haney Company as a sole proprietorship in 1967 and continues to oversee all aspects of The Haney Company.

Franklin L. Haney, Jr.

President

Frank Haney is responsible for securing and structuring new projects as well as restructuring the financing of existing projects owned by the Franklin L. Haney Company, LLC and its family owned affiliates. He is an expert in large-scale, complex development projects and has led many of the firm's transactions such as the Portals office complex in Washington, DC and Dulles Greenway Tollroad in Loudoun County, VA. Frank's specific expertise lies in locating new projects for the company throughout the United States, working with the local governments on the projects and developing the business and financial structure to complete the projects. Frank is also highly experienced in structured finance and has secured more than \$1 billion in financing for the projects listed below.

Relevant Experience

- The Portals Office Complex, Washington, D.C.
- The Dulles-Greenway Toll Road, Loudoun County, VA
- The Chattanooga TVA Computer Center, Chattanooga, TN
- The Social Security Payment Center, Birmingham, AL
- The TVA Chestnut Street Tower Buildings, Chattanooga, TN

Mary Alice Haney

Mary Alice Haney has been a resident of California for fifteen years. She received her MFA in Los Angeles and has worked as the West Coast representative for several global magazines including GQ, Allure and Marie Claire. While West Coast editor of these publications she served as a liaison between celebrities, politicians and the PR and media worlds. She currently works as executive VP of media and business relations for The Haney Company. Mary Alice is a liaison between The Haney Company and the political and business community and has been actively investigating business development opportunities on the West Coast for the company. She is heavily involved in the environmental community and is on the Leadership Council for the National Resources Defense Fund and currently resides in Pacific Palisades, California.

Larry Blust, Esq.

Attorney

Larry Blust is a partner in Barnes & Thornburg LLP and head of its business, tax, and real estate departments in its Chicago office. In addition to the Chicago office, Barnes & Thornburg has offices in Washington D.C., Minneapolis, Atlanta, Michigan, Ohio, Delaware and Indiana. With over 450 attorneys, it is among the 100 largest law firms in the U.S.

Larry has represented The Haney Company and the Haney family in their various development projects and investments since 1994. He is a recognized specialist in real estate development and finance, mergers and acquisitions, securities and infrastructure financing, and taxation.

Larry brings extensive experience in real estate development. From 1989 to 1996, he represented D.C.-based developer Western Development Company and its subsidiary Western Urban Development, which he took public as the Mills Corporation. While working with Western Development Company, he worked on its office and shopping center projects such as Washington Harbor, a multiuse, water-oriented complex in D.C.; Market Square, a multiuse residential



California Sale Lease-Back of State Owned Office Buildings

and commercial project on Pennsylvania Avenue; and Potomac Mills, Sawgrass Mills and Ontario Mills, each a 2,000,000-square-foot shopping complex in Virginia, Florida and California respectfully. Larry is a recognized expert in innovative financing techniques and has worked extensively with various investment bankers on innovative financing techniques and transactions. Larry has worked on numerous projects in California including Post Place in San Francisco and Tribal Resort and Casino projects in Palm Springs and San Diego. He may draw on the attorneys in the Chicago, Atlanta, Indianapolis, and Minneapolis offices of Barnes & Thornburg LLP as needed for this project.

Relevant Experience

- Ontario Mills
Ontario, CA
- Cabazon Fantasy Springs Casino and Resort
Indio, CA
- Spotlight 29/ Trump 29 Casino
Twenty Nine Palms, CA
- The Portals Office Complex,
Washington, D.C.
- The Dulles-Greenway Toll Road,
Loudoun County, VA
- Washington Harbor,
Washington, D.C.
- Market Square
Washington, D.C.
- Potomac Mills
Woodbridge, VA
- Sawgrass Mills
Sunrise, FL

Jeff Dorso, Esq.

Attorney

Based in Sacramento, Jeffrey K. Dorso is a partner and the chair of Diepenbrock Harrison's Land Use and Environmental Law Department. Jeff's practice spans

all of California and focuses on large scale complex real estate development and natural resource projects. These projects, often in-fill developments, include public/private partnerships, financing, due diligence, hazardous materials, entitlements, and environmental review under the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). Some recent representative projects include the development, financing, and entitlement of the Sacramento Railyards (one of the largest urban infill projects in the country with over 2,000,000 sq./ft of office space and 12,000 residential units on 61 city blocks), negotiating the development for riverfront property within the Bridge District in West Sacramento (The Bridge District was allocated over \$24,000,000 in Proposition 1C funds), and the successful development of Granite Regional Park, a regional public/private partnership with over 2,000,000 sq./ft. of office. Jeff is admitted to practice before all California courts and the United States District Court for the Eastern District of California.

Joel Erb, Esq.

Attorney

Joel Patrick Erb is a partner in Diepenbrock Harrison's Real Estate and Business Law Department. Joel has extensive experience representing clients with, and providing solutions and resolutions to, complex real property projects and transactions. Representative projects include the multi-party acquisition/partial sale, financing and development of the historic Sacramento Railyards, site acquisition, development and leasing of the Oxbow Public Market in Napa, and the leasing of the renowned Ferry Building in San Francisco. Joel's practice includes all legal aspects of real estate transactions, including drafting and negotiating real estate leases, sales agreements, loan documents, title policies and other related documentation. His practice covers all aspects of the real estate industry, including office, industrial, and retail properties, with a particular focus on infill redevelopment. He received his law degree from the University of California, Berkeley's Boalt Hall School of Law following his participation in the prestigious Boalt-Harvard Law School exchange program. Joel is admitted to practice in both California and New York.



California Sale Lease-Back of State Owned Office Buildings

Description of Proposals

As set forth in the tables on the following pages, in addition to a basic 20 year taxable sale and lease-back proposal, which yields a price of approximately \$1.673 billion for the entire portfolio, we have provided the State with five other alternatives for the entire portfolio and for each of the individual properties. While these alternatives may not address other state concerns, they result in a higher purchase price. As previously stated, The Haney Company has no preference as to structure.

Each of our proposals assume the same basic structure, a sale to a special purpose entity or entities established by The Haney Company, with the buildings leased back to the State for one of the three minimum lease periods at the rental terms stated in the materials. The entire purchase price would be paid in cash on closing with a portion of the purchase price used to pay or defease the existing debt on the properties. In two of the proposals the State would also benefit from rent abatement for the first two years. In each proposal, options on a five year basis with a 10% rent increase on the start of each period as you propose would be provided for at the end of the minimum term so that the State would be assured of the ability to occupy the buildings for a total of 50 years if it exercises all renewal rights. For each of the three minimum lease periods, an option to allow the State to benefit by lower tax exempt financing rates is offered if the State will agree to a few additional restrictions on subleasing as described below.

Alternative Maturities

With long term fixed rate lease financing, a longer term lease to a credit tenant will to some extent increase the value of the property to the landlord. For this reason, we have proposed a 30 year term as an alternative to the 20 year minimum lease term you proposed. By agreeing to be obligated to a 30 year lease, we can increase the sale price from \$1.673 billion in the taxable financing assumption to \$2.091 billion. In the 30-year tax exempt assumption, the price increases from \$2.005 billion to \$2.687 billion.

We also provided a third alternative which has proven attractive to some other states and municipalities in

regard to leases we have proposed or entered into in what for most states is viewed as a temporary period of reduced state and local tax revenues for the next year or two until the economy fully recovers. To aid the State in this economic climate, we have proposed an alternative 25 year term with a total abatement of base rent for the first two years. This would allow the State to reduce its cash flow needs (referred to in our tables as “Yearly Cash Flow”) by an aggregate for the entire portfolio of \$294.2 million for the first two years of the lease term based on the net income assumptions in your model. In order to partially offset the effect on the purchase price on closing of less revenue, we propose extending the minimum lease term to 25 years. While the purchase payment for the entire portfolio would be reduced by \$19.9 million from the 20 year term taxable financing proposal, this is more than offset by the projected \$294.2 million decrease in cash requirements for the first two years. The purchase payment for the entire portfolio would actually increase by \$102.6 million from the 20 year tax-exempt financing proposal in addition to the projected \$294.2 million decrease in cash requirements for the first two years. However, if the State chooses this 25 year lease option, but does not want the 2 year base rent abatement, this would add \$251.5 million (for a total purchase price of \$1.904 billion) in the taxable financing assumption, and additional \$258.9 million (for a total purchase price of \$2.366 billion) for the tax-exempt financing assumption.

Tax Exempt Financing Alternative

Due to the useful life of the buildings for tax purposes, the minimum length of the lease back, the renewal options, the lease terms on operating and maintenance and the absence of any option to purchase the properties at the end of the lease term, the State should be deemed, for tax purposes only, to be the owner of the buildings during the lease period. The State lease payments thus should be viewed for tax purposes as installment purchase payments for the repurchase of the buildings. In such a case, certificates of participation (“COPs”) in State lease payments could be sold as tax exempt debt if the State agrees to certain minimal restrictions on use of the buildings described below. The Haney Company is willing to give the State the benefit of lower debt service costs realized as a result. On



California Sale Lease-Back of State Owned Office Buildings

the entire portfolio this increases the purchase price by \$332.0, \$454.4 and \$596.0 million respectively in the 20 year, 25 year and 30 year proposals.

It is important to emphasize that the use of tax-exempt COPs will not create or increase State debt. COPs are simply a way to sell, tax-exempt, an interest in the payments the State would be obligated to make in any event as base rent. This approach thus would not impact the State's debt or its credit rating.

The use of tax-exempt financing would require the State to agree to the restrictions required to avoid private business use of the buildings during the minimum lease term. Basically this means that the State could not sublease to or allow the use of its space by any subtenant other than another state or local government entity or an organization qualifying as a 501(c)(3) charitable exempt user under the Internal Revenue Code during the minimum term without providing funds upon any such non-qualifying lease sufficient to pay all or a portion of the financing beyond the 10% private use exception. We understand that the future ability to sublease to private users is very important to you. The 10% exception to the private use rule would allow the sublease of substantial space immediately to a private user. More importantly, if private use is only anticipated later in the lease term, the amount of private use this exception would allow may be much greater due to the way the exception is computed over the entire lease term. Given the 10% exception and the State's projection of a future need for additional space rather than less space in these three locations, this should not be a concern and the additional restrictions would certainly be justified by the increased purchase price. Moreover, should the State foresee a need to sublease more than the 10% in the aggregate of a portion of one or more of the buildings to a private user sometime during the minimum term, we can structure the ability to do so by requiring the sub-lessee tenant to redeem or defease existing tax-exempt debt on that space by issuing taxable debt to cover the cost.

investment in these buildings with flexibility depending on the State's willingness to commit to minimum lease terms and to the restrictions required for tax-exempt financing. Other variations on these proposals are obviously possible. Since The Haney Company specializes in these types of proposals and the Haney family will retain ownership, we can offer other alternatives if the State wishes to explore other terms.

Note: All net proceeds to the State regardless of option will decrease or increase based on deferred maintenance, issuance costs, interest rate changes and other undisclosed expenditures from now till closing but can be defined within our Best and Final Offer.

Summary

We believe that the six options we have proposed provide the State with the ability to maximize its previous



California Sale Lease-Back of State Owned Office Buildings

Purchase Options for Entire Portfolio

The Haney Company is interested in purchasing the entire Golden State Portfolio with State option for sale price listed below based on different financing options we previously listed on pages 8-9.

| Purchase Options for Entire Portfolio | | | |
|--|--|---|--|
| | <u>Option 1</u> 20-Year Lease (Straight Term) | <u>Option 2</u> 25-Year Lease (2-Year Abatement) | <u>Option 3</u> 30-Year Lease (Straight Term) |
| <u>Tax-Exempt COP's</u> | | | |
| Sales Proceeds | 2,004,530,040 | 2,107,089,641 | 2,687,129,215 |
| Yearly Cash Flow | 0 | 294,224,234 | 0 |
| Total Proceeds | 2,004,530,040 | 2,401,313,875 | 2,687,129,215 |
| <u>Taxable</u> | | | |
| Sales Proceeds | 1,672,514,728 | 1,652,660,015 | 2,091,120,972 |
| Yearly Cash Flow | 0 | 294,224,234 | 0 |
| Total Proceeds | 1,672,514,728 | 1,946,884,249 | 2,091,120,972 |
| Difference Btw Taxable and Tax-Exempt | (332,015,312) | (454,429,626) | (596,008,243) |



California Sale Lease-Back of State Owned Office Buildings

Purchase Options for Individual Properties

The following is an itemized list of the eleven properties that are included in the Golden State Portfolio. The sum of the total proceeds equals The Haney Company purchase options for the entire portfolio, but as stated we will also entertain buying individual assets per the purchase prices listed below.

| Individual Building Purchase Options | | | |
|---|------------------------|---------------------------|------------------------|
| | Option 1 | Option 2 | Option 3 |
| | 20-Year Lease | 25-Year Lease | 30-Year Lease |
| | (Straight Term) | (2-Year Abatement) | (Straight Term) |
| Attorney General Building | | | |
| Tax-Exempt COP's | | | |
| Sales Proceeds | 129,639,338 | 135,422,903 | 172,436,887 |
| Yearly Cash Flow | 0 | 19,302,412 | 0 |
| Total Proceeds | 129,639,338 | 154,725,315 | 172,436,887 |
| Taxable | | | |
| Sales Proceeds | 108,319,255 | 106,413,447 | 134,574,335 |
| Yearly Cash Flow | 0 | 19,302,412 | 0 |
| Total Proceeds | 108,319,255 | 125,715,859 | 134,574,335 |
| Cal EMA | | | |
| Tax-Exempt COP's | | | |
| Sales Proceeds | 39,007,537 | 40,562,130 | 51,473,859 |
| Yearly Cash Flow | 0 | 5,842,490 | 0 |
| Total Proceeds | 39,007,537 | 46,404,620 | 51,473,859 |
| Taxable | | | |
| Sales Proceeds | 32,636,457 | 31,937,331 | 40,292,440 |
| Yearly Cash Flow | 0 | 5,842,490 | 0 |
| Total Proceeds | 32,636,457 | 37,779,821 | 40,292,440 |
| Capital Area East End Complex | | | |
| Tax-Exempt COP's | | | |
| Sales Proceeds | 476,565,621 | 498,808,086 | 635,439,672 |
| Yearly Cash Flow | 0 | 70,638,106 | 0 |
| Total Proceeds | 476,565,621 | 569,446,192 | 635,439,672 |
| Taxable | | | |
| Sales Proceeds | 398,016,062 | 391,729,764 | 495,470,264 |
| Yearly Cash Flow | 0 | 70,638,106 | 0 |
| Total Proceeds | 398,016,062 | 462,367,871 | 495,470,264 |
| Department of Justice Building | | | |
| Tax-Exempt COP's | | | |
| Sales Proceeds | 67,948,732 | 72,148,836 | 92,311,983 |
| Yearly Cash Flow | 0 | 9,756,619 | 0 |
| Total Proceeds | 67,948,732 | 81,905,455 | 92,311,983 |
| Taxable | | | |
| Sales Proceeds | 56,557,402 | 56,407,412 | 71,486,296 |
| Yearly Cash Flow | 0 | 9,756,619 | 0 |
| Total Proceeds | 56,557,402 | 66,164,031 | 71,486,296 |





California Sale Lease-Back of State Owned Office Buildings

| Individual Building Purchase Options | | | |
|---|------------------------|---------------------------|------------------------|
| | Option 1 | Option 2 | Option 3 |
| | 20-Year Lease | 25-Year Lease | 30-Year Lease |
| | (Straight Term) | (2-Year Abatement) | (Straight Term) |

Franchise Tax Board Office Complex

Tax-Exempt COP's

| | | | |
|------------------|-------------|-------------|-------------|
| Sales Proceeds | 458,166,394 | 479,408,721 | 611,193,995 |
| Yearly Cash Flow | 0 | 68,067,984 | 0 |

| | | | |
|-----------------------|--------------------|--------------------|--------------------|
| Total Proceeds | 458,166,394 | 547,476,705 | 611,193,995 |
|-----------------------|--------------------|--------------------|--------------------|

Taxable

| | | | |
|------------------|-------------|-------------|-------------|
| Sales Proceeds | 382,627,963 | 376,435,933 | 476,470,533 |
| Yearly Cash Flow | 0 | 68,067,984 | 0 |

| | | | |
|-----------------------|--------------------|--------------------|--------------------|
| Total Proceeds | 382,627,963 | 444,503,917 | 476,470,533 |
|-----------------------|--------------------|--------------------|--------------------|



Elihu Harris Building

Tax-Exempt COP's

| | | | |
|------------------|-------------|-------------|-------------|
| Sales Proceeds | 174,235,740 | 184,803,875 | 236,070,864 |
| Yearly Cash Flow | 0 | 25,014,195 | 0 |

| | | | |
|-----------------------|--------------------|--------------------|--------------------|
| Total Proceeds | 174,235,740 | 209,818,070 | 236,070,864 |
|-----------------------|--------------------|--------------------|--------------------|

Taxable

| | | | |
|------------------|-------------|-------------|-------------|
| Sales Proceeds | 145,091,106 | 144,586,555 | 182,999,946 |
| Yearly Cash Flow | 0 | 25,014,195 | 0 |

| | | | |
|-----------------------|--------------------|--------------------|--------------------|
| Total Proceeds | 145,091,106 | 169,600,749 | 182,999,946 |
|-----------------------|--------------------|--------------------|--------------------|



Judge Rattigan Building

Tax-Exempt COP's

| | | | |
|------------------|------------|------------|------------|
| Sales Proceeds | 14,663,350 | 15,726,747 | 20,160,724 |
| Yearly Cash Flow | 0 | 2,052,764 | 0 |

| | | | |
|-----------------------|-------------------|-------------------|-------------------|
| Total Proceeds | 14,663,350 | 17,779,511 | 20,160,724 |
|-----------------------|-------------------|-------------------|-------------------|

Taxable

| | | | |
|------------------|------------|------------|------------|
| Sales Proceeds | 12,177,792 | 12,261,201 | 15,545,269 |
| Yearly Cash Flow | 0 | 2,052,764 | 0 |

| | | | |
|-----------------------|-------------------|-------------------|-------------------|
| Total Proceeds | 12,177,792 | 14,313,965 | 15,545,269 |
|-----------------------|-------------------|-------------------|-------------------|



Junipero Serra Building

Tax-Exempt COP's

| | | | |
|------------------|------------|------------|-------------|
| Sales Proceeds | 92,931,318 | 98,254,507 | 125,526,821 |
| Yearly Cash Flow | 0 | 13,467,336 | 0 |

| | | | |
|-----------------------|-------------------|--------------------|--------------------|
| Total Proceeds | 92,931,318 | 111,721,843 | 125,526,821 |
|-----------------------|-------------------|--------------------|--------------------|

Taxable

| | | | |
|------------------|------------|------------|------------|
| Sales Proceeds | 77,432,530 | 76,924,054 | 97,413,098 |
| Yearly Cash Flow | 0 | 13,467,336 | 0 |

| | | | |
|-----------------------|-------------------|-------------------|-------------------|
| Total Proceeds | 77,432,530 | 90,391,390 | 97,413,098 |
|-----------------------|-------------------|-------------------|-------------------|





California Sale Lease-Back of State Owned Office Buildings

| Individual Building Purchase Options | | | |
|---|------------------------|---------------------------|------------------------|
| | Option 1 | Option 2 | Option 3 |
| | 20-Year Lease | 25-Year Lease | 30-Year Lease |
| | (Straight Term) | (2-Year Abatement) | (Straight Term) |

Public Utilities Building

Tax-Exempt COP's

| | | | |
|------------------|------------|------------|-------------|
| Sales Proceeds | 83,942,806 | 88,804,411 | 113,314,491 |
| Yearly Cash Flow | 0 | 12,113,651 | 0 |

| | | | |
|-----------------------|-------------------|--------------------|--------------------|
| Total Proceeds | 83,942,806 | 100,918,062 | 113,314,491 |
|-----------------------|-------------------|--------------------|--------------------|

Taxable

| | | | |
|------------------|------------|------------|------------|
| Sales Proceeds | 69,947,794 | 69,541,172 | 87,959,787 |
| Yearly Cash Flow | 0 | 12,113,651 | 0 |

| | | | |
|-----------------------|-------------------|-------------------|-------------------|
| Total Proceeds | 69,947,794 | 81,654,823 | 87,959,787 |
|-----------------------|-------------------|-------------------|-------------------|



Ronald Reagan State Building

Tax-Exempt COP's

| | | | |
|------------------|-------------|-------------|-------------|
| Sales Proceeds | 166,148,805 | 175,390,171 | 223,983,799 |
| Yearly Cash Flow | 0 | 24,165,986 | 0 |

| | | | |
|-----------------------|--------------------|--------------------|--------------------|
| Total Proceeds | 166,148,805 | 199,556,158 | 223,983,799 |
|-----------------------|--------------------|--------------------|--------------------|

Taxable

| | | | |
|------------------|-------------|-------------|-------------|
| Sales Proceeds | 138,488,859 | 137,378,191 | 173,943,966 |
| Yearly Cash Flow | 0 | 24,165,986 | 0 |

| | | | |
|-----------------------|--------------------|--------------------|--------------------|
| Total Proceeds | 138,488,859 | 161,544,178 | 173,943,966 |
|-----------------------|--------------------|--------------------|--------------------|



San Fransisco Civic Center

Tax-Exempt COP's

| | | | |
|------------------|-------------|-------------|-------------|
| Sales Proceeds | 301,280,399 | 317,759,252 | 405,216,119 |
| Yearly Cash Flow | 0 | 43,802,690 | 0 |

| | | | |
|-----------------------|--------------------|--------------------|--------------------|
| Total Proceeds | 301,280,399 | 361,561,942 | 405,216,119 |
|-----------------------|--------------------|--------------------|--------------------|

Taxable

| | | | |
|------------------|-------------|-------------|-------------|
| Sales Proceeds | 251,219,508 | 249,044,956 | 314,965,038 |
| Yearly Cash Flow | 0 | 43,802,690 | 0 |

| | | | |
|-----------------------|--------------------|--------------------|--------------------|
| Total Proceeds | 251,219,508 | 292,847,646 | 314,965,038 |
|-----------------------|--------------------|--------------------|--------------------|





California Sale Lease-Back of State Owned Office Buildings

Schedule

The Haney Company is prepared to meet or exceed the States timeframe (as shown below), and can close on the portfolio per the State's June or July, 2010 schedule:

| | |
|---------------------|---|
| 04/14/10 | The deadline for potential buyers' initial offer submittal |
| 04/19/10 – 04/23/10 | State evaluation of initial offers |
| 04/23/10 – 05/06/10 | At the State's discretion, potential buyers within the competitive range will be invited to participate in additional offer rounds. |
| 04/23/10 – 05/20/10 | 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. |
| 05/23/10 – 05/28/10 | State evaluation of all best and final offers |
| 06/15/10 – 07/30/10 | Closing |

California Sale Lease-Back of State Owned Office Buildings



| The Golden State Cash Flow Projections: Entire Portfolio (11 Office Buildings) | | | | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| 7,311,158 Total Square Feet | | | | | | | | | | | | |
| | FY 2011 \$/SF/YR | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Revenues | | | | | | | | | | | | |
| Scheduled Base Rent | | | | | | | | | | | | |
| Gross Potential Rent | 30.83 | 225,389,042 | 225,389,042 | 225,389,042 | 225,389,042 | 225,389,042 | 247,927,946 | 247,927,946 | 247,927,946 | 247,927,946 | 247,927,946 | 272,720,741 |
| Absorption & Turnover | 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 | 30.83 | 225,389,042 | 225,389,042 | 225,389,042 | 225,389,042 | 225,389,042 | 247,927,946 | 247,927,946 | 247,927,946 | 247,927,946 | 247,927,946 | 272,720,741 |
| Expense Reimbursements | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parkign Revenues | 0.81 | 5,951,880 | 5,951,880 | 5,951,880 | 5,951,880 | 5,951,880 | 6,547,068 | 6,547,068 | 6,547,068 | 6,547,068 | 6,547,068 | 7,201,775 |
| State of CA Expense Increase | 0.00 | 0 | 2,232,223 | 4,526,177 | 6,883,610 | 9,306,318 | 11,796,152 | 14,355,014 | 16,984,860 | 19,687,706 | 22,465,624 | 25,320,744 |
| Total Gross Revenues | 31.64 | 231,340,922 | 233,573,145 | 235,867,099 | 238,224,532 | 240,647,240 | 266,271,166 | 268,830,028 | 271,459,874 | 274,162,721 | 276,940,638 | 305,243,260 |
| General Vacancy Loss | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Effective Gross Revenue | 31.64 | 231,340,922 | 233,573,145 | 235,867,099 | 238,224,532 | 240,647,240 | 266,271,166 | 268,830,028 | 271,459,874 | 274,162,721 | 276,940,638 | 305,243,260 |
| Operating Expenses | | | | | | | | | | | | |
| Security | (0.75) | (5,501,684) | (5,666,735) | (5,836,737) | (6,011,839) | (6,192,194) | (6,377,960) | (6,569,298) | (6,766,377) | (6,969,369) | (7,178,450) | (7,393,803) |
| Cleaning | (2.43) | (17,782,205) | (18,315,671) | (18,865,141) | (19,431,096) | (20,014,028) | (20,614,449) | (21,232,883) | (21,869,869) | (22,525,965) | (23,201,744) | (23,897,797) |
| Repairs and Replacements | (2.11) | (15,394,476) | (15,856,310) | (16,332,000) | (16,821,960) | (17,326,618) | (17,846,417) | (18,381,809) | (18,933,264) | (19,501,262) | (20,086,299) | (20,688,888) |
| Utilities | (0.14) | (1,020,926) | (1,051,554) | (1,083,100) | (1,115,593) | (1,149,061) | (1,183,533) | (1,219,039) | (1,255,610) | (1,293,279) | (1,332,077) | (1,372,039) |
| Management Fees | (0.20) | (1,492,572) | (1,537,349) | (1,583,470) | (1,630,974) | (1,679,903) | (1,730,300) | (1,782,209) | (1,835,675) | (1,890,746) | (1,947,468) | (2,005,892) |
| Onsite Office Expenses | (0.13) | (976,940) | (1,006,248) | (1,036,436) | (1,067,529) | (1,099,555) | (1,132,541) | (1,166,517) | (1,201,513) | (1,237,558) | (1,274,685) | (1,312,926) |
| Admin (Excl. Mgt Fee) | (0.41) | (2,996,512) | (3,086,407) | (3,179,000) | (3,274,370) | (3,372,601) | (3,473,779) | (3,577,992) | (3,685,332) | (3,795,892) | (3,909,769) | (4,027,062) |
| Lot & Landscaping | (0.14) | (1,014,708) | (1,045,149) | (1,076,504) | (1,108,799) | (1,142,063) | (1,176,325) | (1,211,614) | (1,247,963) | (1,285,402) | (1,323,964) | (1,363,683) |
| Parking | (0.08) | (554,436) | (571,069) | (588,201) | (605,847) | (624,023) | (642,743) | (662,026) | (681,886) | (702,343) | (723,413) | (745,116) |
| Real Estate Taxes | (3.58) | (26,178,023) | (26,701,583) | (27,235,615) | (27,780,327) | (28,335,934) | (28,902,653) | (29,480,706) | (30,070,320) | (30,671,726) | (31,285,161) | (31,910,864) |
| Insurance | (1.40) | (10,220,965) | (10,527,594) | (10,843,422) | (11,168,724) | (11,503,786) | (11,848,900) | (12,204,367) | (12,570,498) | (12,947,613) | (13,336,041) | (13,736,122) |
| Total Operating Expenses | (11.37) | (83,133,447) | (85,365,670) | (87,659,624) | (90,017,057) | (92,439,765) | (94,929,599) | (97,488,461) | (100,118,307) | (102,821,153) | (105,599,071) | (108,454,191) |
| Net Operating Income | 20.27 | 148,207,475 | 148,207,475 | 148,207,475 | 148,207,475 | 148,207,475 | 171,341,567 | 171,341,567 | 171,341,567 | 171,341,567 | 171,341,567 | 196,789,069 |
| 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) | (1,079,171) | (1,111,546) | (1,144,892) | (1,179,239) | (1,214,616) | (1,251,055) | (1,288,586) | (1,327,244) | (1,367,061) | (1,408,073) | (1,450,315) |
| State of CA- Paint & Carpet | 0.00 | 0 | 0 | 0 | 0 | 0 | (14,358,942) | 0 | 0 | 0 | 0 | (28,717,884) |
| Total Capital Costs | (0.15) | (1,079,171) | (1,111,546) | (1,144,892) | (1,179,239) | (1,214,616) | (15,609,997) | (1,288,586) | (1,327,244) | (1,367,061) | (1,408,073) | (30,168,199) |
| Operating Cash Flow | 20.12 | 147,128,304 | 147,095,929 | 147,062,583 | 147,028,236 | 146,992,859 | 155,731,571 | 170,052,981 | 170,014,323 | 169,974,506 | 169,933,494 | 166,620,870 |