KBS
REALTY ADVISORS

VIA EMAIL

April 14, 2010

Mr. Bob Gilley
Mr. Kevin Shannon
CBRE
101 California Street
Suite 4900
San Francisco, CA 94111

RE: ***State of California Building Sales***
Elihu Harris and the Attorney General Buildings
Oakland and Sacramento,California

Dear Mssrs. Gilley and Shannon:

Over the past ten years, KBS Realty Advisors has successfully acquired over $6 billion of real estate and mortgage loans throughout the United States with major selling institutions such as Travelers, Equitable, John Hancock, Prudential, Metropolitan, Aetna, Bank of Montreal, Brazos and many others. KBS Realty Advisors is a registered investment advisor and represents full discretion capital that would allow for a quick closing on this transaction.

KBS Realty Advisors ("Buyer") is pleased to submit this letter of interest to CBRE ("Broker") on behalf of the State of California ("Seller"), to purchase the real property and related rights and interests (i.e. leasehold, personal property, contract, etc.). The property and related rights and interests will collectively be referred to as the "Asset(s)." Any purchase of the Assets by Buyer will be pursuant to a formal written purchase agreement ("Purchase Agreement") which would, among other things, contain the following terms and conditions:

1. Purchase Price.

a. Total Purchase Price. The purchase prices for the Assets will be as follow;

Elihu Harris Building:	$160,000,000.00
Attorney General Building:	$119,000,000.00

These prices are subject to adjustment as provided for below (the "Purchase Prices").

b. Adjustments. The Purchase Price will be reduced to reflect (i) delinquent taxes and assessments for the Assets if not satisfied and removed prior to Close of Escrow, (ii) prorations of costs and rental income for the Assets, (iii) mechanic's liens encumbering the Assets if not satisfied and removed prior to Close of Escrow; and (iv) any other adjustments the parties deem reasonably necessary given the particular circumstances of the Assets. Seller will be responsible for using its best efforts to satisfy and remove prior to Close of Escrow any delinquent real property taxes and any mechanic's liens encumbering the Assets.

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2. Good Faith Deposit. Within three (3) business days after execution of the Purchase Agreement, Buyer will deposit with the escrow holder $5,000,000 (FIVE MILLION DOLLARS) *per building*, as a good faith deposit (the "Deposit"). All interest earned on the Deposit will be for Buyer's benefit. The Deposit will be applicable to Buyer's satisfaction of the Purchase Price.

3. Contingency. Buyer will have until thirty (30) days following the opening of escrow (the "Contingency Period") to determine, in its sole and absolute discretion, whether the Assets and all matters pertaining to the Assets are satisfactory for Buyer's purchase of the Assets, which approval may only be designated by delivering to Seller and Escrow Holder written notice of such approval ("Asset Approval Notice"). If Buyer does not deliver the Asset Approval Notice to Seller prior to the expiration of the Contingency Period, or elects prior to expiration of the Contingency Period to terminate the Purchase Agreement, the Deposit (including any earned interest) will be immediately returned to Buyer. Moreover, if after providing the Asset Approval Notice the transaction fails to close for any reason other than Buyer's breach of the Purchase Agreement, the Deposit (including any earned interest) will be immediately returned to Buyer. If after delivering the Asset Approval Notice, the transaction fails to close due to Buyer's breach of the Purchase Agreement, Seller, as its sole and exclusive remedy for the breach, will retain the Deposit (including any earned interest) as liquidated damages.

4. Opening of Escrow. Upon execution of the Purchase Agreement for the Assets, Buyer and Seller will open escrow ("Escrow") with Lawyers Title Company, Newport Beach, California, attn: Joy Eaton ("Escrow Holder").

5. Close of Escrow. Escrow will close by no later than the thirtieth (30th) day after the expiration of the Contingency Period ("Close of Escrow"). Buyer will have the one time right to extend the Close of Escrow up to the sixtieth (60th) day after the expiration of the Contingency Period with written notice to the Seller. Said notice will be delivered no later than the Twentieth (20th) day following the expiration of the Contingency Period.

6. Asset Information. To assist Buyer in its due diligence, within five (5) days of execution of this letter, Seller will deliver to Buyer the following items regarding the Assets:

   a. Financial records for the Assets including:
      - Current Rent Roll including rent steps, CPI increases and base year expense stops
      - Operating Statements (Current/year-to-date and last three (3) calendar years)
      - Aged Receivable Reports
      - Retail Sales, if applicable (Current/year-to-date and last three (3) calendar years)

   b. All existing leases, lease abstracts and files, most recent tenant financial statements in accordance with lease requirement, as well as landlord and tenant correspondence.

c. All pending leases, lease proposals and letters of intent under negotiation between landlord and prospective tenants.

d. All current and former title insurance policies and title documents.

e. Copies of all other insurance policies (other than title insurance policies).

f. Copies of all existing environmental reports, soils studies, engineering reports and other reports.

g. All contracts and agreements affecting the Asset, including, without limitation, those pertaining to service, labor, construction, management, and maintenance.

h. Copies of the most recent property tax bills.

i. All existing plans, surveys, drawings and specifications.

j. All licenses, permits and maps (tentative and final) relating to the Asset and pending applications to governmental entities.

k. Copies of all documents regarding litigation, liens or threatened claims.

l. All building and occupancy permits, including certificates of occupancy.

m. All building reports, engineering data, architectural studies, grading plans and topographical maps.

n. A list of any personal property existing which Seller has an interest.

o. All other documents in Seller's possession or control pertaining to the Assets.

p. All of the information listed in the attached Exhibit A, which is the information that Buyer's accountants will require, and the questions to which Buyer's accountants will require answers, in order to perform its 3.14 audit required by the Securities and Exchange Commission. Additionally, Seller covenants to cooperate with Buyer and to make available to Buyer (at no cost or expense to Seller) all such information needed to answer questions and to evaluate all such information needed for completion of such 3.14 audit.

q. Title Review. An ALTA Preliminary Report and legible copies of all documents reflected in the report will be ordered for the real property from Lawyers Title Insurance Corporation, Los Angeles, California, Attn: Bill Shebesta and delivered to Buyer as soon as possible. An ALTA survey satisfactory for the issuance of ALTA extended coverage will be obtained as soon as possible.

7. Environmental Audits. Seller will transfer all of its right, title and interest under any environmental audit that Seller (or a predecessor to Seller) has obtained with respect to the Assets. Buyer may obtain as part of its due diligence, a Phase I environmental audit (and where approved by Seller, a Phase II environmental audit) with regard to the Assets. The cost of any environmental audits performed by Buyer will be paid by Buyer.

8. Balance of Purchase Price. The balance of the Purchase Price will be paid to Seller in cash and will be deposited in escrow prior to the Close of Escrow.

9. Representations and Warranties. Seller and Buyer will give customary representations and warranties for this type of transaction.

10. Seller Covenants.

    a. Estoppel Certificates. Seller will use its reasonable efforts to deliver to Buyer signed tenant estoppel certificates (in a form acceptable to Buyer) for each tenant of the Asset prior to expiration of the Contingency Period.

    b. Operation. Until the Close of Escrow, Seller will manage, maintain and operate the Assets in the same manner as prior to entering into the Purchase Agreement. Without the prior written consent of Buyer (which will not be unreasonably withheld) Seller will not enter into, modify or cancel any agreements which affect the Assets.

    c. Cooperation. From and after the Close of Escrow, Seller will cooperate with Buyer's reasonable requests in connection with any litigation involving any of the Assets. However, Seller will not be required to institute a lawsuit or expend sums of money unless Buyer agrees to reimburse Seller for such expenditures.

    d. Insurance. All insurance policies carried by Seller with respect to Assets will remain in effect until Close of Escrow.

    e. No Further Encumbrance. Seller will not alienate, lien, encumber or otherwise transfer all or any Assets.

11. Conditions to Buyer's Obligation to Close. The obligation of Buyer to close Escrow will be subject to the satisfaction of or Buyer's waiver of the following conditions:

    a. The Asset Approval Notice will have been delivered to Seller and Escrow Holder.

    b. Seller will have delivered to Escrow Holder all documents required to be delivered to Escrow Holder including those necessary to convey all Assets and related rights to Buyer.

    c. Seller will have performed, satisfied and complied with all covenants, agreements and conditions required by the Purchase Agreement.

    d. Seller's representations and warranties will be true and correct as of the date of the Purchase Agreement and as of Close of Escrow.

e. The title company will have committed to issue concurrent with the Closing, title insurance coverage in the form and in the amounts previously approved by Buyer.

f. There will have been no material adverse changes in the condition of the Assets (including, but not limited to, the condition of title) since the opening of escrow.

g. Buyer will have received an executed estoppel certificate from State of California.

12. Costs and Expenses. Buyer will pay: (i) one-half (1/2) of all escrow costs and recording fees, and (ii) all title insurance costs in excess of the Standard Owner's Policy including endorsements and ALTA Insurance coverage, and (iii) the cost of the updated ALTA survey. Seller will pay: (i) one-half (1/2) of all escrow costs and recording fees, (ii) all title insurance costs relating to the Standard Owner's Policy, (iii) all documentary transfer taxes, and (iv) all brokerage fees in connection with the sale of the Assets. The parties will each pay their own legal fees and expenses in connection with the preparation and negotiation of the Purchase Agreement.

13. Documents to be Executed. Each of the parties agree to execute and deliver to Escrow Holder those documents necessary to consummate the intended transaction and convey the Assets and related rights and interests to Buyer.

14. Right to Assign. Buyer shall have the right to assign its rights and obligations under the Purchase Agreement or to nominate another person or entity to whom title to the Assets shall vest without the prior written consent of Seller. Buyer shall not be relieved of its obligations under the Purchase Agreement by such assignment or nomination until Close of Escrow. If Buyer's assignee or nominee has satisfied all of Buyer's obligations under the Purchase Agreement as of the Closing Date, Buyer shall automatically be released from any further obligations or responsibilities under the Purchase Agreement upon Close of Escrow.

15. Confidentiality. Buyer and Seller will keep the terms of the Purchase Agreement strictly confidential and will not disclose or permit their employees or agents to disclose the terms of the Purchase Agreement, including, without limitation, the Purchase Price for the Assets (except as reasonably necessary to Buyer's and Seller's attorneys, accountants, and representatives and others performing due diligence services).

16. Exclusivity. Upon the execution of this letter, Seller will have no further dealings or negotiations with any third parties concerning the purchase of the Assets unless and until there is a termination of the Purchase Agreement or the negotiations for the Purchase Agreement.

This letter is not binding. This letter is submitted in the interest of initiating negotiations for the preparation and execution of a formal binding written Purchase Agreement. Nothing contained in this letter is intended to constitute an offer or be binding on any party unless and until a Purchase Agreement is fully executed and exchanged by all parties.

If the above is acceptable to you, please indicate your interest by executing this letter below and returning it to me via facsimile at (415) 962-0188. Thank you.

Sincerely,

Peter F. Mette
Senior Vice President, Acquisitions
(415) –962-0187

ACCEPTED AND AGREED:

_____

By: _____

_____
(Print Name) (Title)

cc: J. Chiboucas
B. Milligan
S. Silva

Exhibit A

DOCUMENTS REQUIRED FOR 3-14 AUDIT (Please provide highlighted items ASAP)

Background Questions:

- Basis of Accounting: Cash, Tax, Accrual, Historical GAAP? Historical GAAP preferred.
- Have property financial statements been audited?
- Have audits been performed for the most recent full calendar year?
- If audited by what firm?

General

- Property operating statements for the most recent full calendar year and for the current year to date with break out in quarterly intervals, eg.: For a property purchased 4/15/08; we would need Quarter ended 3/31/07, 6/30/07, 9/30/07, 12/31/07, 3/31/08 and YTD 12/31/07 and YTD 12/31/08. Post closing we will need the income statement from the last full quarter provided to the closing date.

- Trial balances at the end of the most recent full calendar year and as of the current date.

- General ledger for the most recent full calendar year and for the current year to date (should include activity for entire year and all general ledger accounts).

- Bank statements and Bank Reconciliations – need as of prior year end month (eg 12/31/07 if in 2008); 2 months following prior year end month (eg 01/31/08 and 02/28/08); and most recent quarter end month.

Revenues

Access to the following for all revenues for the most recent full calendar year and for the current year to date:

- Lease agreements including any leases which have expired or were terminated in 2007 (latest full calendar year) and 2008 (current year). We may also request lease agreements going back for the last 5 years
- Rent rolls
- Billing invoices
- Straight lining of rent support for the last full calendar year and for the current year to date (if applicable)

Rent rolls at year end for the last five years.

Access to the following for certain revenues, if applicable, for the most recent full calendar year and for the current year to date:

- Schedule of parking revenues and related support (agreements, copy of receipts, etc.).
- Schedule of interest income and related support (confirmations, bank statements, etc.).

Expenses

Access to the following for all expenses for the most recent full calendar year and for the current year to date:

- Invoices
- Check copies

Access to the following for all certain expenses, if applicable, for the most recent full calendar year and for the current year to date:

- Property tax bills
- Insurance statements
- Insurance policies
- Management fee agreement
- Management fee calculation
- Agreements with Contractors
- Utility Bills

Note: Support should cover entire year and current year. Eg. If insurance policy is from July to June and we are in 2008; we would need July 2006 to June 2007; July 2007 to June 2008; and July 2008 to June 2009

Reimbursable Expenses

Access to the following for the most recent full calendar year and for the current year to date:

- CAM calculation to support monthly billings.
- Year-end CAM reconciliation.

Post-closing

- Final income statement for the current year from January 1, through the date of sale.
- Final trial balance as of the date of sale.
- Final general ledger for the current year from January 1, through the date of sale.

Please note that additional documentation may be required based on the findings of the 3-14 audit.