



April 14, 2010

Mr. Kevin Shannon  
Vice Chairman  
CB Richard Ellis  
990 West 190<sup>th</sup> Street  
Suite 100  
Torrance, CA 90502

**RE: Golden State Portfolio – Ronald Reagan Building**

Dear Kevin,

KBS Capital Advisors ("Buyer") is pleased to submit this letter of interest to CB Richard Ellis ("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 total purchase price for all of the Assets will be One Hundred Seventy Million Dollars (\$170,000,000) subject to adjustment as provided for below (the "Purchase Price").
  - 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.
2. Good Faith Deposit. Within three (3) business days after execution of the Purchase Agreement, Buyer will deposit with the Escrow Holder (designated in Paragraph 4) One Million Dollars (\$1,000,000) as a good faith deposit (the "Deposit"). If Buyer delivers the Asset Approval Notice described below, an additional deposit of Four Million Dollars (\$4,000,000) will be delivered to Escrow Holder upon the expiration of the Contingency Period (defined below) and will be deemed part of the entire 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, 4100 Newport Place Drive, Suite 120, Newport Beach, California 92660, Attention: Joy Eaton at 949-724-3145 (Phone); 949-271-5762 (Fax) ("Escrow Holder").
5. Close of Escrow. Escrow will close by no later than Thirty (30) days after the expiration of the Contingency Period ("Close of Escrow"). However, Buyer may extend the Close of Escrow an additional Thirty (30) days by: (i) providing written notice of the extension to Seller and Escrow Holder three (3) business days prior to the existing scheduled Close of Escrow, and (ii) increasing the Deposit by One Million Dollars (\$1,000,000).
6. Asset Information. To assist Buyer in its due diligence, within three (3) days of execution of this letter, Seller will deliver to Buyer, or make available for review and copying, the following items regarding the Assets:
  - a. Financial records 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 requirements, and 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, including, without limitation, those pertaining to service, labor, construction, management, and maintenance.
  - h. Copies of the most recent property tax bills.

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- i. All existing plans, surveys, drawings and specifications.
  - j. All licenses, permits and maps (tentative and final) 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.
7. 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 Company, 801 Figueroa Street, Suite 870, Los Angeles, California 90017, Attention: Anthony Behrstock at 213-330-2333 (Phone); 213-330-3113 (Fax), and delivered to Buyer as soon as possible. Buyer will be permitted to obtain an ALTA survey satisfactory for the issuance of ALTA extended coverage.
8. Environmental Audits. 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.
9. 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.
10. Representations and Warranties. Seller and Buyer will give customary representations and warranties for this type of transaction.
11. 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 Assets 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, Seller will not enter into, modify or cancel any agreements which affect the Assets.

- c. Insurance. All insurance policies carried by Seller with respect to the Assets will remain in effect until Close of Escrow.
  - d. No Further Encumbrance. Seller will not alienate, lien, encumber or otherwise transfer all or any Assets.
12. 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 tenants leasing a minimum of \_\_\_\_\_ percent (\_\_\_\_%) of the occupied square footage of the Assets, including mutually agreed upon major tenants.
13. Costs and Expenses. Buyer will pay: (i) one-half (1/2) of all Escrow costs and recording fees, (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.
14. Documents to be Executed. Each of the parties agree to execute and deliver to Escrow Holder those documents reasonably necessary to consummate the intended transaction and convey the Assets and related rights and interests to Buyer.
15. 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

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Escrow. If Buyer's assignee or nominee has satisfied all of Buyer's obligations under the Purchase Agreement as of the date of Close of Escrow, Buyer shall automatically be released from any further obligations or responsibilities under the Purchase Agreement upon Close of Escrow.

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 email at [caust@kbsrealty.com](mailto:caust@kbsrealty.com) by no later than 5:00 P.M. (P.T.) on April 19, 2010. Thank you.

Sincerely,



Christopher A. Aust  
Senior Vice President

ACCEPTED AND AGREED:

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Title)