



**LIFE Foundation Sale/Leaseback Acquisition Proposal
For Selected Properties In The
Golden State Portfolio
For The Benefit Of the State And People Of California**

April 14, 2010

The Low Income Family Enrichment Corporation (the “Life Foundation” or “LIFE”) is pleased to submit sale/leaseback acquisition offers for the following Golden State Portfolio properties:

- Public Utilities Building, 505 Van Ness Avenue, San Francisco, CA
- AG Building, 1300 I Street, Sacramento, CA
- Junipero Serra State Building, 320 West Fourth Street, Los Angeles, CA
- Department of Justice Building, 4949 Broadway, Sacramento, CA
- Judge Rattigan Building, 50 D Street, Santa Rosa, CA

The Life Foundation’s offer price is for each building separately as a stand-alone transaction and is being incorporated in this summary proposal for convenience.

The Life Foundation is a not for profit 501c3 California Public Benefit Corporation organized in August 2005 to optimize the benefits from government real estate activity for the agencies, its employees and the people they serve. Accordingly, as a not for profit entity, we are uniquely organized and qualified to provide the State of California (the “State”) with the highest long term value for the proposed properties. The incorporated offers have been developed in conjunction with Merchant Capital, LLC, our investment-banking partner. The proposed offers are based on property information and other data incorporated in the CBRE Offering Memorandum and were developed to be compliant with the proposal guidelines. To the extent the State desires to maximize sale proceeds, the Life Foundation has identified an alternative structure that will enable LIFE to offer a materially higher price for each property.

Summary of LIFE Foundation Offers

<u>Property</u>	<u>Base Offer</u>	<u>Alternative Offer</u>
1) Public Utilities Building	\$67,250,000	\$81,750,000
2) AG Building	\$115,000,000	\$137,000,000
3) Junipero Serra Building	\$75,250,000	\$92,000,000
4) Department of Justice Building	\$53,350,000	\$64,750,000
5) Judge Rattigan Building	\$10,000,000	\$12,000,000

Note: The Alternative Offer is based on the LIFE Foundation paying the State the discounted value of future property tax abatements as opposed to the State receiving a rent credit for such abatements over the initial twenty-year lease term. The Life Foundation has a successful track record with the California BOE in eliminating property taxes on buildings it leases to public entities.

Financial Capabilities/Debt Requirements- The Life Foundation will fund the acquisition of one or more of the properties using equity and tax-exempt bond financing. Due to the LIFE Foundation’s 501c3 status it has access to the lowest cost of capital,

which it will utilize to maximize proceeds from the sale to the State. The bonds will be issued through public authorities located in the host cities of the acquired buildings. The bonds will be secured by an assignment of the lease and a first mortgage on the real estate. LIFE and Merchant Capital have successfully utilized this structure in the past and are highly confident that the transaction can be consummated in a timely manner.

Due Diligence Period/Closing – Based on final award on May 28, 2010, LIFE expects to be able to close on the properties within 90 days of the award date.

Terms and Conditions- The LIFE proposal is based on the general lease terms outlined in the CBRE Offering Memorandum for the proposed properties. Specifically, the offer(s) assume that the lease(s) are not subject to annual appropriation and will be subject to final due diligence on the properties during the final selection process. The offer is subject to the final form of the lease and is based upon interest rates in the tax-exempt market as of April 14, 2010.

Additional Benefits- The LIFE Foundation offer will provide the following benefits to the State in addition to maximizing sale proceeds:

- As a not for profit public benefit corporation, the Life Foundation will rebate any excess annual cash flow either back to the State or back into the building(s) for the long-term benefit of the State for the lease term and any extensions thereof.
- As an alternative, we are open to using any excess cash flow to fund charitable endeavors that compliment State objectives and lessen the burden of government for the State (Dr. Edward Ritvo, one of the leading authorities on autism in the world, is on the Life Foundation's Board of Directors).
- Subject to the States requirement for accounting treatment of the lease, the provision of four 5-year renewal options at a significant discount from the rent in year 20. This reduction can save the State more than \$100 Million over the renewal terms- or as much as it desires. These options will be tailored to ensure compliance with FASB 13 operating lease parameters to the degree desired by the State. This can minimize the current sale/leasebacks negative impacts on future State budgets and, to a great degree, mitigate concerns about the State mortgaging the future.
- Subject to the States requirement for accounting treatment of the lease, the provision of the right of first refusal to purchase the property at a significant discount from future offers from third parties. As bargain purchase options are contrary to FASB 13 proscriptions, we can work with the State to tailor these options to optimize them for the State.
- The provision of an immediate \$500,000 capital replacement reserve for each building (in addition to the annual reserve payments).

- In addition to the foregoing, the Life Foundation has several structures that can provide additional capital and/or extremely significant savings to the State without compromising each facility for State employees or service recipients in any way. These structures involve enhancing the initial price through use of residual value and/or enhancing cash flow for the State throughout the lease and any renewals thereof. We are happy to explore the potential of these structures with the State as appropriate.

The Life Foundation, working closely with its investment banker, has developed a unique structure to optimize the sale proceeds and other benefits to the State over the term of the lease without sacrificing or mortgaging the State's future. These benefits are available due to LIFE's tax-exempt status and ability to forego market real estate investment returns.

USGBC-LEED CERTIFICATIONS

With respect to green elements of each facility, the Life Foundation (a member of the US Green Building Council) is committed to supporting the LEED certifications earned for each respective State facility. The Life Foundation is uniquely qualified to enhance environmental quality, create sustainable integrated structures to optimize systems that will save energy, protect the environment and promote increased productivity. We are well versed in high performance green characteristics including, but not limited to, indoor air quality, lighting quality, thermal comfort, acoustic comfort, energy efficiency, and environmental responsiveness and flexibility. The integration of the proposed buildings design, materials, and systems provide the foundation for the optimal healthy environment at each building and extensive preparations will be made to ensure continuous optimization of the green elements and the healthy environment throughout the life of the lease and any extensions thereof.

FINANCIAL CAPACITY

Merchant Capital and the Life Foundation have enjoyed a successful working relationship since 2005. During the past three years, Merchant Capital has underwritten or advised on nearly 318 bond transactions across the United States totaling approximately \$7.4 billion. Merchant Capital has reviewed the acquisition structure and confirmed the feasibility of the issuance of tax-exempt debt supported by an operating lease with the State of California to fund the purchase and agreed to provide underwriting services in connection with the financing. The Life Foundation has worked with Merchant Capital in connection with over \$20,000,000 in similar tax exempt financing supported by leases with government entities. As a leading underwriter of lease financing and real estate project finance, Merchant Capital has closed lease revenue bond transactions of up to \$300 million and is knowledgeable of the market requirements therefore. Professionals assigned to the project have over 30 years experience in the investment banking industry and are highly knowledgeable of the unique lease finance market requirements.

As senior manager Merchant Capital has served as investment banker to many of the leading US corporations, including, General Electric Corporation, Georgia Pacific Corporation, Cargill Corporation, I. E. DuPont, and General Motors. The firm has underwritten bond issues for governmental and non-profit clients up to \$500 Million.

FACILITY MANAGEMENT

Long-term oversight of the project will be conducted by the Life Foundation. Day to day facility management and operation will be conducted by CB Richard Ellis or other elite property management firm as determined by the Life Foundation in conjunction with the State.

PAST PERFORMANCE

The Life Foundation was specifically created to work with government agencies to harness the unimaginable potential of government leasing and development activities to not only significantly lower government facility costs but also generate significant support for charitable programs, programs that compliment government objectives, lessen budgetary pressure and make a real difference in the lives of those in need. To that end our structures harness the potential benefits from government real estate operations for taxpayers and those in need now and in the future. The Life Foundation and Merchant Capital successfully used the structure proposed herein in Monterey, CA, providing government agencies not only savings over the lease and renewal terms of in excess of \$60 Million, but also generating funds for grants for the public school autism programs, the local food bank, anti-gang programs and programs for youth at risk.

CONTACT INFORMATION

We look forward to demonstrating our abilities to the State and people of California. The Life Foundation has references from government tenants in California that receive many of the same benefits we have proposed. In fact, the State leased space in our 135,000 square-foot building in Monterey, Ca and is currently in discussions about taking space in the building. If you have any questions or require further information, please feel free to call Barnett Davis II, Esq. with any questions or comments at 310 721 3063 or via email at thelifefoundation@verizon.net.