



April 14, 2010

CB Richard Ellis  
990 W. 190<sup>th</sup> St.  
Torrance, CA 90502  
Attn: Kevin Shannon  
Bob Gilley  
Randy Getz

**Re: Attorney General Building**

Gentlemen:

This letter outlines the principal terms upon which Pacific Office Properties Trust, Inc., a public REIT founded by partners of The Shidler Group, whose address is 10188 Telesis Court, Suite 222, San Diego, California, 92121, and/or its affiliates ("Buyer") is prepared to enter into a Purchase Agreement (the "Purchase Contract") to purchase from the owner of record (the "Seller"), the real property and improvements known as the Attorney General Building, located at 1300 I Street, Sacramento, CA containing approximately 376,866 net rentable square feet (the "Property").

This letter sets forth the terms and conditions under which this transaction shall occur.

**Purchase Price and Method of Payment**

The purchase price for the Property shall be \$139,000,000 (the "Purchase Price"), inclusive of any deposit, and subject to prorations. The Purchase Price shall be payable as follows:

- (i) Buyer shall deposit \$1,000,000 in escrow with an escrow company agreed upon by Buyer and Seller ("Escrow Holder") within two (2) business days following Seller's execution and delivery of this letter of intent;

- (ii) Buyer shall deposit with Escrow Holder no later than one business day prior to Closing, the amount of the balance of the Purchase Price as adjusted by the appropriate costs and prorations.

### **Due Diligence Investigations**

Without limitation upon the terms of the Purchase Contract (as hereinafter defined), promptly following mutual execution of this letter, Seller shall permit Buyer to commence Buyer's due diligence with respect to the Property. Buyer shall complete all inspections and investigations thirty (30) days following receipt by Buyer of all documents and information pertaining to the Property as set forth on Exhibit A attached hereto and made a part hereof by reference (the "Due Diligence Period") Seller covenants to provide in a timely manner all necessary information reasonably requested by Buyer.

### **Time of Closing**

Escrow shall close thirty days following completion of the Due Diligence Period ("Closing").

### **Management and Leasing**

Pending close of escrow, Seller agrees to cooperate with Buyer in conducting property management and leasing activities for the Property. For the period commencing with the parties' execution of this Letter of Intent until Buyer completes its due diligence, Seller agrees to inform Buyer of any proposed new leases, lease amendments or significant change in status of existing tenancies, and Seller shall have the right to reasonably approve or disapprove such new leases, lease amendments or significant changes in status of existing tenancies. After completion of Buyer's due diligence, Buyer shall have the right to approve of such matters in its sole and absolute discretion. Seller shall not place or allow to be placed on the Property any new encumbrances or liens of any kind which cannot be discharged promptly at Closing. As a condition of Closing, Seller will obtain (i) estoppel certificates consistent with Seller's lease representations and otherwise reasonably acceptable to Buyer from all tenants of the Property, and, (ii) if requested, subordination and attornment agreements. Seller will cause any existing management agreements to be terminated at Closing.

### **Brokerage**

Seller shall be responsible for any brokerage fees owing as a result of the proposed transaction, in accordance with separate commission agreements which have been entered into between Seller and CB Richard Ellis. Buyer and Seller hereby acknowledge that no other brokers have been involved and agree to indemnify each other against claims for other fees.

### **Exclusivity**

Seller hereby agrees not to entertain or accept any other offers to purchase the Property, or any part thereof, so long as Buyer is negotiating a Purchase Contract in good faith. Seller acknowledges that Buyer has incurred and will incur substantial expense in performing its preliminary underwriting and investigation concerning the Property and that adequate consideration exists for the agreement of Seller as provided in the preceding sentence.

### **Publicity**

Except as agreed to by Buyer and Seller, no advertisement, press release, or other similar publicity concerning the transaction contemplated by this letter of intent will be made or disseminated by or at the request of either party.

### **Documentation**

Immediately upon acceptance of this letter of intent, Buyer shall prepare for review and execution by Seller a Purchase and Sale of Real Property Agreement (the "Purchase Contract"), reflecting the terms and conditions of this letter and containing such additional covenants, representations, indemnifications, and conditions as the parties may agree. Buyer and Seller shall reasonably cooperate in preparing and executing such other collateral documentation and agreements as may be necessary to implement the proposed transaction as intended herein. Buyer anticipates signing the Purchase Contract within six (6) days of mutual execution of this letter of intent.

### **Expression of Intent**

With the exception of the paragraphs hereof captioned "Brokerage" and "Exclusivity" (which are intended to be binding on Buyer and Seller), no obligation is intended to be created by this letter of intent or by any written or oral statements, negotiations, or promises between the parties, directly or through any representatives, with the exception of statements and promises expressly set forth in a subsequent formal written contract executed and delivered by both Buyer and Seller. Moreover, this letter will not give rise to any other rights (including the right to continue negotiations) based on any legal or equitable theory, it being intended that only a subsequent formal, written contract, executed and delivered by both Buyer and Seller, will bind Buyer or Seller as to any matter which is the subject of this letter (other than the paragraphs

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hereof captioned "Brokerage" and "Exclusivity"). Any costs incurred or actions taken by either Buyer or Seller in the absence of such an executed and delivered contract will be at such party's sole risk and cost.

If this letter accurately sets forth the terms and conditions of an acceptable transaction, please so indicate by executing a copy where indicated below, and returning a fully executed copy to me within seven (7) days from the date of this letter. I am available on short notice should any questions or comments arise. I look forward to your affirmative response at your earliest convenience.

Sincerely,

PACIFIC OFFICE PROPERTIES TRUST,  
INC.



Russell Beecher  
Director, Acquisitions

Date: \_\_\_\_\_

**ACCEPTED AND APPROVED:**

Owner of Record

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

Its: \_\_\_\_\_

Date: \_\_\_\_\_

## Exhibit A

### **DUE DILIGENCE AND CLOSING TERMS**

Regarding the letter of intent to which this Exhibit A is attached, concerning real property owned by Seller, the following terms and conditions apply to the subject proposed transaction and shall be incorporated into the Purchase Contract to be executed as called for therein:

#### Due Diligence Inspections

The following due diligence inspection items are subject to Buyer's review and approval in its sole discretion. If Buyer does not approve the due diligence items, then escrow shall terminate and Buyer shall receive back its deposit plus any accrued interest.

1. Inspection of Leases, Loans and Contracts. Seller shall provide to Buyer copies of all existing leases, lease abstracts, rent rolls, rental agreements, amendments, side agreements and letters of understanding related to the Property. Further, Seller shall provide copies of existing loan documentation and any service, management or leasing contracts and agreements related to the Property. Also included should be any financial information related to tenants, together with any information about purchase options, rights of first refusal, or lease extensions or termination options and other rights of tenants. Following reasonable notice to Seller, Buyer shall have the right to contact tenants of the Property.
2. Inspection of Title, Survey, Use and Zoning Matters. Seller shall provide Buyer copies of preliminary title reports, all underlying documents, ALTA surveys, a current ADA compliance survey prepared by a licensed architect, easements and other encumbrances, CC&R's, assessment district information, and any governmental correspondence or other documentation and notices related to use, zoning, building code or any other regulatory matters. Buyer shall be responsible for updating preliminary title reports. Seller shall be responsible for updating existing ALTA surveys prepared more than six (6) months prior to the date hereof. In each instance in which there is no existing ALTA survey suitable for updating, Seller shall provide such ALTA survey. Buyer shall be responsible for completing its own investigation with appropriate governmental agencies and departments.
3. Inspection of Improvements. Seller shall provide to Buyer access to the Property for purposes of engineering and maintenance inspections. Buyer agrees to cooperate with Seller in minimizing potential disruption to tenants. Seller shall provide to Buyer construction plans and specifications; site plans, and all associated drawings, modifications, and add-ons for the Property, copies of permits and soils reports, hazardous materials permits, fire sprinkler ratings, electrical ratings, and a seismic compliance report with an aggregate probable maximum loss (PML) estimate prepared by a licensed structural engineer.
4. Inspection of Hazardous Materials and Environmental Matters. Seller shall provide Buyer with current Phase 1 environmental inspection reports for review by Buyer's contractor, as well as any other existing environmental reports applicable to the Property. Seller shall also

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pay for the costs of any additional testing or studies. The Phase I environmental report must establish that the Property is in compliance with the requirements of any federal, state, county, regional or local authority as to any environmental matters within the jurisdiction of such authority and that the Property is not affected by any chemical material or substance, exposure to which is prohibited, limited or regulated by any federal, state, county, regional or local authority, or which, even if not so regulated, is known to pose a hazard to the health and safety of the occupants of the Property or of property adjacent to the Property. If the Phase I environmental report does not conclusively establish the foregoing, Buyer will require additional evidence satisfactory to it which conclusively establishes the foregoing prior to the Closing. Buyer also reserves the right to conduct its own investigation of the Property, including further testing and reports suggested by the Phase I Environmental Report. Buyer shall be under no obligation to close the purchase if Buyer, in its sole discretion, believes that any risks associated with hazardous materials or other environmental matters have not been satisfactorily mitigated by Seller prior to Closing.

5. Inspection of Historical Income, Expense and Capital Expenditure Data. Seller shall make available to Buyer historical operating information related to the Property, specifically including three years of records, confirming collected income, operating expenses, capital expenditures, commissions and fees, together with related correspondence, notices, existing audits, tax filings, contracts and associated books and records.
6. Collateral Materials. Seller shall provide to Buyer copies of property tax bills (2 years), utility bills, service contracts, aerial photos, appraisals, police incident reports, and any other material in possession of the Seller that may be helpful to Buyer in its evaluation of the Property.
7. Certificate of Property Manager. Seller shall provide to Buyer, prior to the expiration of the due diligence period, a certificate from Seller's Property Manager addressing the matters which are the subject of Seller's representations and warranties; such certificates shall be updated at Closing.

#### Conduct of Escrow, Prorations and Costs

Deposits called for in this transaction shall be in the form of cash, certificates of deposit or letters of credit issued by major national banks. For loans, bonds and other financial obligations being paid off at closing, all shall be paid off at no cost to Buyer; Buyer and Seller shall each be responsible for their respective legal fees and costs associated with negotiations, and shall each bear one half of the escrow fee. Each party will be responsible for the fees of its legal counsel. Seller shall pay from closing proceeds all documentary transfer taxes, CLTA standard coverage title insurance, recording charges, mortgage taxes, and other normal closing costs. Rents, real property taxes, and other items which are normally prorated shall be prorated and paid through escrow; security deposits shall be credited to Buyer.

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