



April 12, 2010

Mr. Kevin Shannon  
Vice President  
CB Richard Ellis, Inc.  
990 W. 190th St, Suite 100  
Torrance, CA 90502

ARTHUR J. HALLERAN, JR.  
CHAIRMAN

Dear Mr. Shannon:

We are pleased to submit the following offer to purchase from, and leaseback to, the State of California the eleven specified properties comprising the Golden State Portfolio, totaling approximately 7.3 million square feet and located within the Los Angeles, Sacramento and San Francisco market areas.

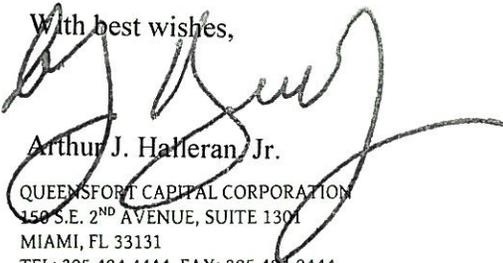
As presented in Exhibit 1 attached hereto, our purchase offer totals \$2.8 billion, payable 2.3 billion at closing with the remaining \$500 million paid to the State of California within three years of the closing. Our offer is conditioned upon the State of California executing a bondable lease on all eleven properties. In addition, with respect to the \$500 million deferred portion of the purchase price, the ownership entity will require certain approvals from the United States Citizenship and Immigration Service, which we are very confident can be obtained. In addition, we are offering two ten-year renewal options at 75% of fair market rental value, but not less than 15% of the acquisition cost of the portfolio.

Also attached is a description of QueensFort Capital Corporation, and the backgrounds of the principals involved who, over the past 40 years, have acquired more than \$7 billion of commercial real estate. With special note, these individuals have put together the most sophisticated sale-leaseback transactions in the last twenty years. As is evident from their resumes, they have completed some of the most innovative financings in the net lease area.

We are pleased to submit this offer, are prepared to execute it in accordance with the terms stated herein, and believe its unique structure and pricing are in the best financial interest of the State of California. We would be delighted to meet with you to discuss this proposal in more detail.

Thank you for your consideration.

With best wishes,

  
Arthur J. Halleran, Jr.

QUEENSFORT CAPITAL CORPORATION  
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MIAMI, FL 33131  
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E-MAIL: ARTHUR@QUEENSFORTCAPITAL.COM

## Exhibit 1

# Golden State Portfolio

## Sale Proceeds and Triple-Net Lease Payments

(1)	(2)	(3)	(4)
<u>Year</u>	<u>Date</u>	<u>Sale Proceeds To The State of California</u>	<u>Annual Lease Payment Constant on Cumulative Sale Proceeds as Presented in Column (3)</u>
Closing	Jun-10	\$2,300,000,000	
1	Jun-11	150,000,000 *	1.51%
2	Jun-12	150,000,000 *	1.81%
3	Jun-13	200,000,000 *	2.04%
4	Jun-14		2.04%
5	Jun-15		2.04%
6	Jun-16		13.16%
7	Jun-17		13.34%
8	Jun-18		13.52%
9	Jun-19		13.70%
10	Jun-20		13.88%
11	Jun-21		19.61%
12	Jun-22		19.79%
13	Jun-23		19.98%
14	Jun-24		20.16%
15	Jun-25		20.34%
16	Jun-26		22.06%
17	Jun-27		22.06%
18	Jun-28		22.06%
19	Jun-29		22.06%
20	Jun-30		22.06%
	<b>Totals</b>	<b><u>\$2,800,000,000</u></b> to the State of California	

\* Subject to USCIS approval.