



April 14, 2010

Kevin Shannon
Vice Chairman

Robert Gilley
Executive Vice President

Randy Getz
Executive Vice President

CB Richard Ellis
990 W. 190th St.
Torrance, CA 90502

Re: Bid to Purchase Certain Buildings in the Golden State Portfolio

Dear Gentlemen:

This non-binding letter of intent proposes the terms and conditions under which SKS Investments, LLC or its assignee (collectively referred to herein as “Purchaser”) is willing to proceed with negotiations to purchase the unencumbered fee simple interest in the Project (as defined below) from the State of California (“Seller”) subject to the execution of definitive purchase and sale agreement (the “Purchase Contract). The following paragraphs summarize the proposed terms and conditions.

1. **Project:** The project consists of a subset of properties within the portfolio being marketed as the Golden State Portfolio. These properties are:
 - a) The San Francisco Civic Center – which consists of two interconnected office buildings located at 350 McAllister Avenue and 455 Golden Gate Avenue in San Francisco, CA, and total approximately 912,387 RSF with 65 below-grade parking spaces;
 - b) The Elihu Harris Building – which consists of an office building located at 1515 Clay Street in Oakland, CA totaling approximately 700,589 RSF with 392 below-grade parking spaces;
 - c) The Ronald Reagan State Building – which consists of two interconnected office buildings located at 300 South Spring Street in Los Angeles, CA, and total approximately 739,158 RSF with 380 below-grade parking spaces;
 - d) The Attorney General Building – which consists of an office building located at 1300 I Street in Sacramento, CA, totaling approximately 376,866 RSF with 593 on-site parking spaces; and
 - e) The Capitol Area East End Complex – which consists of five office buildings located at 1430 N Street, 1500/1501/1615 and 1616 Capitol Avenue in Sacramento, CA, totaling approximately 1,474,705 RSF with a parking garage located at 1214 17th Street and additional underground parking totaling 1,611 parking spaces.

The properties as described above (the “Improvements”) are located on multiple parcels, and include the tangible and intangible personal property thereon and/or related thereto (the “Personal Property”). The Real Property, the Improvements, and the Personal Property are collectively referred to as the “Project”.

2. **Purchase Price:** The purchase price shall be One Billion, Two Hundred and Twenty Eight Million, and 00/100, (\$1,228,000,000.00; the “Purchase Price”). The Purchase Price is allocated between the subject properties as detailed in the table below:

Property Name	Allocated Purchase Price
San Francisco Civic Center	\$293,900,000
Elihu Harris Building	\$168,200,000
Ronald Reagan State Building	\$162,600,000
Attorney General Building	\$129,400,000
Capitol Area East End Complex	\$473,900,000
Total Purchase Price	\$1,228,000,000

The Purchase Price shall be payable in cash at the close of escrow.

3. **Failure to Close Escrow:** If escrow fails to close for any reason whatsoever, other than the sole default of Purchaser, the Earnest Money Deposit shall be immediately returned to Purchaser. Should escrow fail to close solely because of the default of Purchaser, the Earnest Deposit shall be paid to Seller as liquidated damages.
4. **Closing:** The closing of the purchase and sale of the Project shall occur on the later of the **Forty-Five (45)** day after the expiration of the Contingency Period, or such other date as Purchaser and Seller may mutually agree in writing.
5. **Contingency Period; Inspections:** Within **three (3)** business days after the execution of the Purchase Contract, Seller shall deliver to Purchaser, *if not already provided*, a preliminary title report with underlying exception documents and a current ALTA survey and copies of such other documents and information in Seller’s possession or reasonably available to Seller relating to the Project listed on Exhibit A attached hereto (**collectively, the “Seller Deliverables”**). Purchaser shall have until 5 p.m. local time on the day that is **Forty-Five (45)** days after the effective date of the Purchase Contract (the “Contingency Period”) to inspect the title and the physical, environmental, geological, structural, engineering, economic, and legal (including compliance with zoning, land use, and other governmental regulations, laws, permits, and approvals applicable to the Project) condition of the Project. Such inspections shall include, without limitation, the right to conduct an environmental audit and such other studies regarding the environmental condition of the Project as Purchaser determines (in its sole discretion) are prudent. Purchaser shall obtain Seller’s prior written consent (not to be unreasonably withheld) prior to conducting any invasive soils and groundwater tests. Upon prior notice and during regular business hours, Seller shall make all books and records regarding the Project available to Purchaser at a location to be mutually agreed, and provide Purchaser and its consultants with access to the Project, so that Purchaser and its consultants may conduct such investigations and testing of the physical condition of the Project as Purchaser, in its sole and absolute discretion, deems necessary. Purchaser shall cooperate with Seller to minimize

disruption. Purchaser, at its sole cost, shall restore promptly any and all physical damage or injury caused by its inspections and shall return the Project to the condition existing prior to Purchaser's inspections; it being understood, however, that Purchaser shall not be responsible for damage due to the mere discovery of a pre-existing condition.

If, during the Contingency Period, Purchaser elects, in its sole and absolute discretion, to purchase the Project, Purchaser shall give Seller notice of such election prior to the expiration of the Contingency Period. If Purchaser fails to deliver such election notice to Seller before the expiration of the Contingency Period, then the Purchase Contract shall automatically terminate and neither party shall have any further obligation to the other, except as expressly provided to the contrary in the Purchase Contract.

Purchaser understands that a substantial majority of the Project will be leased by the State of California subject to yet-to-be finalized leases, drafts of which have been released and available for review by Purchaser. This letter of intent pre-supposes these leases are negotiated and executed in a form satisfactory to Purchaser in its sole and absolute discretion prior to the expiration of the Contingency Period.

7. **Title:** On the closing date, Seller shall cause the Title Company to issue to Purchaser an ALTA extended coverage owner's policy of title insurance in the amount of the Purchase Price, with such endorsements as Purchaser reasonably requests, insuring that marketable fee simple title to the Project is vested in Purchaser (or Purchaser's assignee), free and clear of all debt, assessments (including future obligations), and any other encumbrances, subject to only such title exceptions as may be approved by Purchaser, and insuring Purchaser in the amount of the Purchase Price. Seller shall, at Seller's sole cost, remove any and all monetary or other liens, mortgages, charges, and encumbrances of any nature affecting the Project that are not approved or assumed by Purchaser.
8. **Closing Costs:** Closing costs and title insurance premiums shall be paid as follows: (a) Purchaser shall pay for the title insurance premium and escrow fees; (b) Seller shall pay the City & County transfer taxes and the cost of the ALTA survey; and (c) other closing costs shall be shared by the Purchaser and Seller 50/50. Each of the parties shall pay its own attorneys fees. All taxes, income and expenses of the Project shall be prorated and adjusted as of midnight of the day before the date of Closing. All other costs shall be allocated as is customary in the respective cities where the properties are located.
9. **Brokerage:** Purchaser and Seller acknowledge that the Purchaser will pay any brokerage fees for any broker representing Purchaser in this transaction. To the extent Seller has a broker representing its interest herein, Seller shall be responsible for any commission payable to that broker.
10. **Representations and Warranties:** The Purchase Contract shall contain customary representations and warranties regarding Seller and the Project.
11. **Assignments:** Prior to closing, Purchaser shall have the right to assign its rights under the Purchase Contract to one or more entities wholly controlled by Purchaser
12. **Purchase Contract:** Seller shall deliver to Purchaser a draft of the Purchase Contract within **five (5)** days of the execution of this letter of intent and the parties shall use their best efforts to negotiate, enter into, and execute the Purchase Contract in a form mutually acceptable to the both of them. However, while this letter reflects the principal terms of the parties' preliminary understandings with respect to the possible acquisition, no party (or any of its affiliates or representatives) will have any legal obligation, whether arising out of this letter or otherwise, to any other party or any other person

or entity by reason of this letter or any other matter contemplated hereby or giving rise hereto except for the obligations set forth in the last sentence of this Paragraph 12 and in Paragraph 13 below, unless and until the parties to this letter execute the Purchase Contract and then only to the extent set forth in the Purchase Contract.

By the execution of this letter of intent and during the period starting on the acceptance of this letter and ending on the earlier of (a) **ninety 90** days after Seller's acceptance of this letter of intent, or (b) the earlier of the close of escrow or termination of the Purchase Contract, Seller agrees (i) not to directly or indirectly market the sale of the Project or any interest therein or further encumber the Project and (ii) not to lease the Project without giving prior written notice to Purchaser.

- 13. Confidentiality:** Except as may be required by law, Purchaser and Seller agree that they shall not divulge the existence of this letter of intent or the terms contained herein to any prospective purchaser or other third party, without the prior written consent of the other party, except for the lenders, investment partners and legal or other confidential advisors of Purchaser and Seller. Purchaser shall instruct Purchaser's agents not to disclose any such information. No publicity or press release to the general public with respect to this transaction shall be made by either party without the prior written consent of the other party.
- 14. Miscellaneous:** This letter of intent shall be governed by the laws of the State of California, without regard to principles of conflicts of law. This letter of intent may be executed and delivered by the exchange of facsimile copies or counterparts of the signature page, which facsimile copies or counterparts shall be binding upon the parties.

If you agree that the foregoing represents an accurate statement of the parties mutual intent, please cause Seller to sign and return a copy of this letter to the undersigned no later than 5 p.m. Pacific Time on **April 23rd, 2010.**

Very Truly Yours

SKS Investments, LLC



Julie Stein
Managing Partner
(415) 421-8200
jstein@sksinvestments.com

Agreed and Accepted
SELLER

By:
Its:
Date:

EXHIBIT A

LIST OF DOCUMENTS/INFORMATION

As applicable and available if not already provided:

1. The original or copies of the as-built and/or as-approved working architectural and engineering plans and specifications for buildings at the subject properties.
2. The ALTA survey of the Properties and Preliminary Title Reports.
3. Any soils and/or environmental reports on the Properties in Seller's Possession.
4. A copy of any development agreement(s), parking agreement(s), or other relevant property agreement(s) between Seller and the City, other Governmental agencies or entities.
5. A copy of any conditions, covenants and restrictions recorded against the Properties.
6. Copies of all permits or notices issued for the Building(s) or properties.
7. Copies of all leases and assignable service contracts.
8. Property management reports for 2008 and 2009 and 2010 year-to-date.
9. Information regarding the priority of the subject leases relative to other State of California payment obligations.
10. Information regarding the State of California's ability (legislatively or otherwise) to modify the leases in the future, including lease termination.
11. Such additional documents as Buyers may reasonably request concerning the Property or the Building.