

STOCKBRIDGE

REAL ESTATE FUNDS

April 14, 2010

Mr. Kevin Shannon, Vice Chairman
Mr. Robert Gilley, Executive Vice President
Mr. Randy Getz, Executive Vice President
CB Richard Ellis
990 West 190th Street
Torrance, CA 90502

Re: Golden State Portfolio

Gentlemen:

Stockbridge Capital Group, LLC ("Stockbridge") is pleased to offer to acquire the Golden State Portfolio (the "Portfolio"), comprised of 11 office properties and 7.3 million square feet of rentable space to be leased by the State of California, for an all-cash purchase price of **\$2,100,000,000**. Since we are not proposing to acquire individual properties or sub-sections of the Portfolio, but instead are interested in purchasing the Portfolio as a whole, we are not providing a property-by-property breakdown of our purchase price. Nevertheless, if you need a property-by-property breakdown of our purchase price for your purposes, please assume that we would apply a constant cap rate to the NOI of each property.

We have not yet been given access to the kind of detailed information necessary to conduct comprehensive due diligence on the Portfolio. Additionally, we have not yet been given an opportunity to negotiate the terms of a definitive purchase and sale agreement. Accordingly, at this stage our proposal is non-binding and may be amended or withdrawn in our discretion. We look forward to commencing due diligence as promptly as possible if we are invited to proceed and to concluding this effort on a timely basis. We also look forward to working with you and the State to negotiate the terms of a mutually agreeable contract of sale. We would also like to discuss with you a strategy for structuring and executing the transaction which we believe could potentially generate additional cash proceeds for the State while also being beneficial to us as the buyer.

It is our hope that assets with the importance of those in this Portfolio can remain with an investment group such as Stockbridge whose home office and primary operations are based in California. Additionally, we believe Stockbridge's unblemished record of closing major property transactions on a timely basis and consistently with our original bid should give you and the State confidence in moving forward with us. As you may recall, for example, in a prior transaction where your firm represented the seller, Stockbridge closed on the purchase of the asset even though another party surfaced who claimed to own the same property being offered for sale by your client and who also threatened to file a lis pendens. Stockbridge and its operating partners also have a track record of working closely and effectively with various State and local governmental authorities in California on the entitlement of a number of the most important development properties in California, such as Treasure Island in San Francisco. If selected, we also would look forward to having the opportunity to work closely with the State of California on an on-going basis as stewards of the great properties represented in this Portfolio.

Sincerely,


Terrence E. Fancher
Executive Managing Director


Stephen J. Pilch
Managing Director and
Chief Operating Officer

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