



JOHN A. MEYER
Vice Chancellor

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April 14, 2010

Via Federal Express and E-Mail

Mr. Kevin Shannon
Vice Chairman
CB Richard Ellis, Inc.
990 W. 190th Street, Ste. 100
Torrance, CA 90502

RE: 4949 Broadway, Sacramento, CA 95820 ("Property") – Initial Offer

Dear Mr. Shannon:

We would like to submit the following "Initial Offer" by The Regents of the University of California ("Buyer") to purchase the above-referenced Property from the State of California ("Seller") and lease back the Property to the State based upon the terms set forth in the attached Modified Lease Abstract. The Property is an approximately 381,000 square foot building located on approximately 23.85 acres of land in Sacramento, adjacent to the Buyer's UC Davis Medical Center Campus. The general terms and conditions applicable to this purchase proposal are as follows:

1. Purchase Price. The Purchase Price for the Property shall be Sixty-Three Million Dollars (\$63,000,000). The Purchase Price shall be payable as follows:
 - a) Deposit. Buyer shall deposit Five Hundred Thousand Dollars (\$500,000) ("Deposit") into escrow within five (5) days of execution of the Purchase and Sale Agreement ("Agreement"). If upon satisfaction or removal of all of Buyer's conditions precedent to purchase set forth in paragraph 5, below, Buyer fails to perform as provided herein, Seller would receive the Deposit as liquidated damages.
 - b) Balance of Purchase Price. The balance of the Purchase Price shall be deposited in Escrow at least two (2) business days prior to the Close of Escrow or such earlier date as may be required by the Escrow Company under applicable law. The balance of the Purchase Price shall be paid to Seller at Close of Escrow, as defined in paragraph 2, below. The Purchase Price and the Deposit shall be paid in immediately available federal funds of the United States.

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2. Close of Escrow. Close of Escrow shall be evidenced by the recordation of a grant deed to the Property, delivery of a bill of sale and assignment of rights and permits in favor of Buyer, and the recordation of a memorandum of lease memorializing the leaseback of the Property from Buyer to Seller. Close of Escrow shall occur thirty (30) days following the removal of all of the Buyer's conditions precedent to closing set forth in paragraph 5, below.
3. Escrow Company. Escrow shall be through First American Title Insurance Company, which company shall provide title insurance as provided in paragraph 10, below.
4. Leaseback of Property to Seller. Buyer is prepared to lease back the Property to Seller under the terms and conditions outlined in the modified lease abstract ("Modified Lease Abstract"), which is attached hereto as Exhibit A and incorporated herein by this reference.
5. Conditions Precedent. Buyer's obligation to perform would be subject to each of the following conditions precedent to Close of Escrow for the benefit of Buyer and which shall be subject to removal or satisfaction by Buyer on or before the end of the due diligence period, as set forth below.
 - a) Buyer obtaining an appraisal of the Property by an MAI appraiser for an amount not less than the Purchase Price, which appraisal shall be subject to Buyer's approval.
 - b) Buyer's acceptance of the condition of the Property based upon Buyer's independent physical inspection and assessment of the condition of the Property which may include, but is not limited to:
 - i. Phase I and Phase II Environmental Assessment of the Property;
 - ii. Physical assessment of the roof;
 - iii. Physical assessment of the mechanical, electrical and plumbing systems of the Property;
 - iv. Structural evaluation of the Property;
 - v. Physical assessment of the elevator systems of the Property;
 - vi. Affirmation of the disclosed square footage calculations for the Property.
 - c) Buyer's review of documentation, reports and records concerning the Property and its operation.
 - d) Buyer's review and approval of title, with Buyer to specify those title exceptions which are acceptable and those which must be removed by Seller at Seller's expense prior to Close of Escrow within the later of (i) 30 days of receipt of the ALTA survey and preliminary title report, or (ii) 30 days of execution and delivery of the Agreement.

- e) Buyer's review and approval of the proposed lease agreement for the leaseback of the Property to the Seller.
- f) Approval of the transaction by Buyer's Board of Regents.

The due diligence period will begin upon mutual execution of the Agreement and will end sixty (60) days thereafter.

Buyer's ability to complete due diligence on the preceding schedule assumes Seller's timely delivery or provision of access to all reports, plans, documents, records, operating statements and other due diligence materials as may be reasonably required to evaluate the Property including, but not limited to, reports concerning the presence of hazardous materials, asbestos or lead-based paint (collectively "Documents").

6. Inspections and Reports. Buyer shall have the right to inspect the Property as to its physical, environmental and seismic condition, code compliance, and suitability for Buyer's purposes. Buyer will restore any portion of the Property altered or damaged as a result of Buyer's investigation and Buyer shall indemnify Seller in said respect. All of the inspections and reports prepared for Buyer pursuant to paragraph 5, above, shall be at Buyer's sole expense. Seller shall, upon Acknowledgment of this letter, provide copies of or timely and reasonable access to, the Property and Documents.
7. Escrow and Title Costs. Escrow costs shall be shared equally as is customary in Sacramento County. Seller, at its own cost, shall provide an ALTA Owner's policy of title insurance to Buyer. Buyer will pay the incremental cost of an ALTA Owner's Extended Coverage policy of title insurance with special endorsements, and a current ALTA survey.
8. Transfer Tax. Buyer is exempt from documentary transfer taxes and shall receive a credit from Seller equal to 100% of the Sacramento County and City of Sacramento documentary transfer taxes Seller would have otherwise paid.
9. Real Estate Commission. Seller is represented by CB Richard Ellis, Inc. ("Broker") and is solely responsible for any commission due to Broker related to the sale and leaseback of the Property. Buyer is not represented by a real estate broker related to its purchase and leaseback of the Property to Seller.
10. Transfer of Title and Title Insurance. Transfer of title to the Property shall be by grant deed and the Property shall be insurable under an ALTA Extended Coverage Owner's policy with reasonable endorsements as required in amount not less than the Purchase Price issued by First American Title Insurance Company. The only exceptions to the policy of title insurance shall be liens for taxes not yet due and payable, if any, and utility easements in locations approved by Buyer.

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11. Customary Conditions. The Agreement between the parties shall contain such other conditions as are customary in transactions of this type including but not limited to: (i) assignment of leases and such other contracts and agreements as Buyer shall elect to have assigned, (ii) warranties and representations concerning the legal, financial and physical condition of the Property, and (iii) the appropriate proration of advance payments and crediting of deposits as may be applicable.

This letter does not constitute a formal and binding offer and it does not create any legal rights or obligations between the parties or any obligation to proceed with negotiations. It is intended that any and all legal rights and obligations between the Seller and the Buyer will come into existence only when the Agreement is approved by Buyer's Board of Regents and executed and delivered by both parties.

If you concur with the terms outlined above as a basis for negotiating a purchase and sale agreement, please acknowledge that the University will move on to the Best and Final Offer Round as outlined in the Golden State Portfolio Offering Memorandum and return it to my attention by 5:00 p.m. PST, May 6, 2010.

Please do not hesitate to contact me at (530) 754-8573 or mghayakawa@ucdavis.edu if you have any questions regarding the proposed terms outlined in this letter.

Sincerely,



Mary Goodell Hayakawa
Executive Director, Real Estate Services

w/Enclosure

We acknowledge the business terms contained in this letter and agree that the University shall move on to the Best and Final Offer Round as outlined in the Golden State Portfolio Offering Memorandum.

THE STATE OF CALIFORNIA

By: _____

Its: _____

Dated: _____

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cc: Vice Chancellor, Human Health Sciences and Dean, School of Medicine Pomeroy (w/encls.)
Vice Chancellor Meyer, Administrative and Resource Management (w/encls.)
Chief Executive Officer Rice, UC Davis Health Systems (w/encls.)
Chief Financial Officer McGowan, UC Davis Health Systems (w/encls.)
Director Arrivas, UC Davis Health Systems (w/encls.)
Executive Director Boyd, UC Davis Health System (w/encls.)
Senior Real Estate Officer Mein, University of California Office of the President (w/encls.)