

STOCKBRIDGE

REAL ESTATE FUNDS

May 11, 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”), on behalf of its affiliated Funds and Managed Accounts, 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, on the following terms and conditions:

Buyer: A newly formed Stockbridge special purpose vehicle.

Purchase Price: \$2,150,000,000. The purchase price shall be subject to receipt of debt financing at approximately 60% loan to value on customary terms and conditions.

Source of Equity: The equity required for the transaction will be provided by Stockbridge affiliated Funds and Managed Accounts.

Operating Lease: Stockbridge agrees that the leases to the State of California will be operating leases under applicable accounting rules. Stockbridge will have comments to the posted forms of lease, but believes these can be resolved without impact to its “Best and Final” pricing.

Year One Operating Budgets: Stockbridge has reconciled the most recent changes to the Year One Operating Budgets into its Best and Final Pricing.

Operating Expenses: Stockbridge has reconciled the most recent operating expense data and third party costs into its Best and Final Pricing.

Property Condition: Stockbridge has conducted property inspections and reviewed the Marx Okubo reports. The Best and Final Pricing reconciles all known property conditions.

Plans and Specifications: Stockbridge has reviewed and reconciled the Building, Floor, Site Plans and Specifications.

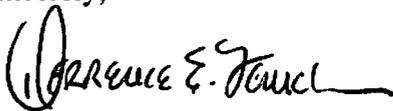
Earnest Money Deposit: Stockbridge will provide an earnest money deposit equal to 1% of the purchase price, or \$21,500,000. The deposit will be refundable until and subject to (i) expiration of the due diligence period, (ii) receipt of a financing commitment letter and (iii) satisfaction of customary closing conditions contained in a mutually agreeable contract of purchase and sale.

Time for Transaction: The due diligence period shall expire on June 30, 2010. The closing shall occur on August 15, 2010.

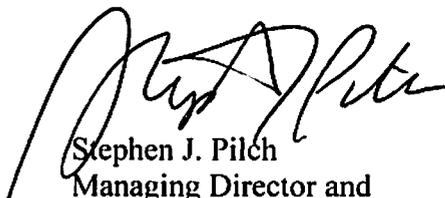
Allocation of Escrow and Transactional Costs Stockbridge agrees to the State of California proposed allocation of escrow and transactional costs.

Additional Information: 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.

Sincerely,



Terrence E. Fancher
Executive Managing Director



Stephen J. Pilch
Managing Director and
Chief Operating Officer