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VIA E-MAIL – kevin.shannon@cbre.com

May 21, 2010

Mr. Kevin Shannon
CB Richard Ellis
990 W. 190th street, Suite 100
Torrance, CA 90502

Re: Letter of Intent for the Purchase of the Golden State Portfolio

Dear Mr. Shannon:

Please accept this letter as our offer to purchase the above referenced Properties, subject to customary due diligence and completion of mutually agreeable documentation.

1. Purchaser/Landlord. One or more special purpose affiliates of The Herrick Company, Inc. The Herrick Company, Inc. has been actively involved in commercial real estate, including property development, property management and real estate leasing and finance, for more than 40 years. Since its formation, The Herrick Company, Inc. has completed transactions valued in excess of \$5 billion throughout the United States. Information can be found at “TheHerrickCompany.com” website.
2. Seller/Tenant. The State of California.
3. Properties. The Properties to be purchased are 11 properties totaling 7,311,158 square feet located in the San Francisco, Los Angeles and Sacramento California areas, as described in the CBRE Marketplace Website as the “Golden State Portfolio.”
4. Purchase Price. Purchaser will acquire the Properties either as a portfolio or individually. The Purchase Price for the entire portfolio is \$2.0 Billion See attached breakdown for the Purchase Price allocable to each of the Properties (Exhibit A).
5. Due Diligence. Purchaser shall have thirty (30) days from the receipt of all due diligence materials to conduct its due diligence studies and investigate all matters relevant to its acquisition, including without limitation, the lease and related documentation, title and survey, plans and specifications, and the results of any environmental and engineering inspections, review and verification of operating expenses and capital cost assumptions and any studies that Purchaser may elect to conduct. Purchaser will conduct its due diligence during the 30 day

legislative notice period. Seller will cooperate with Purchaser in providing all diligence materials reasonably requested in a timely and accurate manner.

6. Closing Costs. Purchaser shall be responsible for all transaction costs including but not limited to the payment of all recording fees, title policies, lender fees and costs, escrow fees and appraisal costs. Seller will be responsible for paying CB Richard Ellis a brokerage fee per a separate agreement, all expenses related to any due diligence reports that seller has completed to date, and any legal fees, accountant fees, consultant or advisor fees incurred by Seller.

7. Leases.

- A. 20 year base lease term with rent to be paid monthly in arrears. Total gross annual rent for year 1 (Base Year) = \$225,389,042, which includes \$26,178,023 of property tax expense and \$55,588,921 of operating expenses, per CBRE financial model in offering memorandum. Tenant will represent that the Base Year real estate taxes and operating expenses accurately reflect prior year expenses to be used as Base Year expense calculation. In addition the properties will generate parking revenue of \$5,951,880. The NOI is represented to be \$149,573,978.
- B. Rent escalations – 10% every five years for rent and parking revenue. An increase equal to the applicable CPI index on all other operating expenses. Property tax escalations will be based on actual percentage increase, not to exceed 2% per annum, but will be based on actual increases over the Base Year in the event of a change in law (Prop.13).
- C. The lease shall be a full service lease with the Tenant being responsible for the payment of gas and electricity expense. Landlord shall provide a full range of services to the premises. Landlord will also be responsible for painting the interior of the buildings every five years and replacing carpeting every ten years, based on an allowance to be agreed to.
- D. Service Contracts – All service contracts for janitorial, housekeeping, food service, laundry and security guards will be at Landlord's sole discretion.
- E. Building Standards – All buildings will be operated in a similar condition as they are today.
- F. Title – Tenant agrees that Landlord may create a remainder interest in the land. The remainder interest is created by two deeds, one to the remainderman granting the remainder interest in the land, subject to the estate for years held by the lessor and the second to the lessor granting the estate for years interest in the land and fee title to the improvements. Such structure will not affect operating lease status.
- G. Renewal Option – Tenant shall have the option to extend the term of the lease for six (6) additional terms of 5 years each with 10% rental increases

every 5 years. Tenant must exercise renewal option 36 months prior to the end of the base lease term and each renewal term. Tenant must renew the entire portfolio or none of the portfolio.

- H. Sub-Lease Option – Tenant shall have the option to Sub Lease the premises subject to Landlord’s consent, so long as Tenant remains primarily liable for all obligations under the lease.
- I. Right of First Refusal – At any time that is 3 years or more prior to the then scheduled lease termination date, if Purchaser receives a bona fide offer from an unaffiliated third party to purchase Purchaser’s interest in Properties, the Seller shall have up to sixty (60) days from receipt of Purchaser’s written notice of such offer to respond in writing advising Purchaser of Seller’s election to acquire the Purchaser’s interest in the Properties under the same terms and conditions as those set forth in such third party offer. In the event the Tenant does not respond within thirty (30) days, the Right of First Refusal shall be deemed waived.
- J. Right of First Offer – Tenant may make an offer to purchase the property during the lease term or any renewal term to acquire all (but not less than all) of Landlord’s interest in the property by giving written notice of proposed terms. Landlord may freely reject such offer and deemed to have done so unless Landlord affirmatively accepts the purchase offer.
- K. Environmental – Tenant must indemnify Landlord for all past, present and future environmental conditions. Landlord will only be responsible for environmental conditions or concerns caused by Landlord.

8. Closing Date. Fifteen (15) days after the completion of the due diligence.

Regarding the proposed buyer interviews on Sunday May 23, 2010, we would be available any time to discuss.

If the above offer is acceptable, please contact the undersigned so we might proceed with negotiation of a definitive purchase agreement.

Very truly yours,

THE HERRICK COMPANY, INC.


Norton Herrick
Chairman/CEO

Cc: J. Surace
R. Getz
K. White

Exhibit A

<u>Property</u>	<u>Purchase Price</u>
Public Utilities Commission	\$82,290,720
San Francisco Civic Center	297,424,347
Elihu Harris Building	170,217,633
Judge Rattigan Building	14,040,385
Junipero Serra State Building	91,755,398
Ronald Reagan Building	164,573,748
Attorney General Building	131,013,417
Capital Area East Complex	479,646,206
Department of Justice Building	66,615,074
Franchise Tax Board Complex	463,002,039
Cal EMA	39,421,034
Total	\$2,000,000,000

When the big companies look for
buyers with expertise and speed for their major
Real Estate properties, they look to us.



RECENT 2008 TRANSACTIONS

Is pleased to
announce the
purchase for
\$160,000,000*
of 38 motel properties
leased to
MOTEL 6
and guaranteed by
ACCOR

Nationwide

Is pleased to
announce the
purchase for
\$130,000,000* of 28
retail bank branches
leased to
**OLD
NATIONAL
BANK**

Indiana & Kentucky

Is pleased to
announce the
purchase for
\$100,000,000*
of 40 retail stores
leased to
**CVS
CORPORATION**

Nationwide

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*Dollar Amounts are Approximate.