



Vincent E. Pellerito
Chief Executive Officer

May 24, 2010

Mr. Kevin Shannon
Vice Chairman
Mr. Ken White
Senior Vice President
Mr. Randy Pereira
Senior Vice President
CB Richard Ellis
990 W. 190th Street
Torrance, CA 90502

Re: **Department of General Services (“DGS”) Requested Clarifications**

Gentlemen:

Following our conversation last night, National Financial Realty and its team are fully committed to accommodating the requests made by DGS to modify our May 21, 2010 “Best and Final” offer (“Offer”) in order to solidify our position as the selected team. Specially, we are prepared to offer DGS the following:

1. Ground Lease Term- The ground lease term shall be forty years as requested, to the extent permissible for legal and accounting purposes.
2. Sharing of Proceeds- Our team understands and appreciates the value ascribed by the DGS and the State to a financing plan that mitigates financial risk, and also is consistent with our Offer.

To this end, our team is prepared enter into a "spread lock" wherein we stipulate maximum credit spreads for each maturity over an agreed-upon index such as MMA or MMD (if tax-exempt) or US Treasuries (if taxable).

The spread lock will be subject to typical conditions precedent at the time of bond pricing, such as the (i) CMFA is legally able to issue the bonds; (ii) bonds would carry clean legal and tax opinions; (iii) lease obligations of the State constitute legal, valid, binding and enforceable obligations as set forth in the Lease; (iv) team as defined has a written mandate to effect the bond issue; (v) economics paid to our team for the bond issue have been agreed upon by the DGS (and by the State more broadly, if DGS is not so authorized); (vi) the bonds carry Investment Grade ratings by the three nationally

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recognized ratings agencies; and (vii) team has conducted our due diligence consistent with our prior discussions.

In such event, our team is prepared to share all upside, if any, of lower actual spreads than those indicated in the spread lock.

3. Property Reserve Account- To the extent permissible for legal and accounting purposes, on an annual basis, any amounts in excess of amounts necessary to pay OM expenses, to pay debt service and to fund reasonable reserves, will be applied in a manner that accrues to the benefit of the state (through rent reduction, building improvements or such other manner acceptable to the State).
4. CMFA as Buyer- CMFA, or an affiliate of CMFA, under any and all circumstances will be and remain the purchaser/lessor.

We are confident that the above satisfies your requests and look forward to any further input you may have in order to finalize this structure and our selection.

Very truly yours,



CC: Bank of America Merrill Lynch Investment Banking
Wells Fargo Securities
Wedbush Securities
Orrick, Herrington & Sutcliffe, LLP
Paul, Hastings, Janofsky & Walker, LLP
California Municipal Finance Authority