

## **Attachment A Terms and Conditions**

### **Specified Properties**

- (1) The Attorney General Building located at 1300 I Street in the City of Sacramento.
- (2) The California Emergency Management Agency Building located at 3650 Schriever Avenue in the City of Rancho Cordova (CDP Mather).
- (3) The Capitol Area East End Complex, located in the City of Sacramento, at all of the following locations:
  - (A) Block 225 located at 1430 N Street in the City of Sacramento.
  - (B) Block 171 located at 1501 Capitol Avenue in the City of Sacramento.
  - (C) Block 172 located at 1500 Capitol Avenue in the City of Sacramento.
  - (D) Block 173 located at 1615 Capitol Avenue in the City of Sacramento.
  - (E) Block 174 located at 1616 Capitol Avenue in the City of Sacramento.
  - (F) The parking facility located at 1214 17th Street in the City of Sacramento.
- (4) The Elihu M. Harris Building located at 1515 Clay Street in the City of Oakland.
- (5) The Franchise Tax Board Complex located at 9645 Butterfield Way in the County of Sacramento.
- (6) The San Francisco Civic Center, also known as the Earl Warren / Hiram Johnson Building, at both of the following locations:
  - (A) 350 McAllister Street in the City and County of San Francisco.
  - (B) 455 Golden Gate Avenue in the City and County of San Francisco.
- (7) The New Junipero Serra State Building located at 320 West 4th Street in the City of Los Angeles.
- (8) The Department of Justice Building located at 4949 Broadway in the City of Sacramento.
- (9) The Public Utilities Commission Building, also known as the Governor Edmund G. "Pat" Brown Building, located at 505 Van Ness Avenue in the City and County of San Francisco.
- (10) The Judge Joseph A. Rattigan Building located at 50 D Street in the City of Santa Rosa.
- (11) The Ronald Reagan State Building located at 300 South Spring Street in the City of Los Angeles.

## **Buyer Profile: California First, LLC**

The Manager and General Partner of California First, LLC are Hines and ACRE, LLC. The managing partner will be Hines.

**Hines** (headquartered in Houston, Texas) is a privately owned, international real estate firm that has provided the highest level of quality, service and value to its clients and investors for more than 50 years. Founded by Gerald D. Hines in 1957 the firm has developed or acquired more than 980 projects with 330 million square feet in 17 countries and 245 cities globally. With a presence in more than 100 cities around the globe and investor relationships with many of the world's largest financial institutions, Hines has the breadth of experience, the network of expertise and the financial strength to assume complex and challenging investment, development and management projects. The company has offices in 17 countries, with regional offices in Atlanta, Chicago, Houston (U.S. headquarters), London (European headquarters), New York and San Francisco, as well as 63 other U.S. cities. The Hines portfolio of projects underway, completed, acquired and managed for third parties consists of more than 1,100 properties including skyscrapers, corporate headquarters, mixed-use centers, industrial parks, medical facilities, and master-planned resort and residential communities. Currently, the firm controls assets valued at approximately \$22.9 billion.

**ACRE, LLC** (headquartered in Irvine, CA and New York, NY) is an international private equity firm with operations in the United States and India. The ACRE team has collectively executed more than \$10 billion in transactions and has raised over \$3.5 billion in investment funds. ACRE is managed by an experienced team of real estate professionals with significant experience and expertise in acquisitions, dispositions, capital markets and financing, market research, asset management, and investor relations.

Additional equity investors include:

PRP  
Belgravia Capital  
Woodmont Capital Partners  
Steadfast Companies  
CityView  
AE Capital Advisers  
Capital Pacific Holdings, Inc.  
The Linc Group  
GreenSpace Developments

## **Terms and Conditions of the Sale**

- **Buyer:** California First, LLC.
- **Purchase Price:** \$2.330 billion.
- **Financing:** 60% Debt (JP Morgan); 40% Equity (Private).
- **Properties:** Portfolio sale.
- **Earnest Money Deposit:** \$55 million.
- **Title, Escrow and Closing Costs:** Paid for by buyer.
- **Conditions:** All cash at close of escrow.
- **Escrow:** Estimated to close on or before December 31, 2010.
- State will redeem and/or defease approximately \$1.09 billion in existing lease revenue bonds encumbering the properties which will result in elimination of \$118.1 million in 2010-11 annual debt service obligations associated with this secured property debt.
- Sale will generate approximately \$1.229 billion in net cash proceeds, after redemption and/or defeasance of the lease-revenue bonds encumbering the properties and subtracting transaction costs.
- Shed responsibility for most currently-accumulated deferred maintenance, future capital replacement obligations and renovations for these same properties.
- Transfer approximately \$58 million in 2010-11 annual property operating expenses to the buyer.

## **Terms and Conditions of the Leases**

- Leases will be executed for each of the eleven property locations.
- Each lease has an original term of 20 years.
- Each lease contains six renewal options to extend the lease term for five years each.
- Rental rates reflect current market rents.
- The total initial annual rent is approximately \$226<sup>[1]</sup> million compared to 2010-11 budgeted costs, excluding utilities of \$174 million.
- The State continues to be responsible for paying natural gas and electric utility service.
- Lessor is responsible for maintenance and repairs and capital replacements.<sup>[2]</sup>
- Lessor, with the exception of natural gas and electrical service, will provide the full range of services, utilities and supplies such as sewer, trash disposal, water, elevator service, janitorial services, security services<sup>[3]</sup> and property management similar to those provided by office buildings of comparable quality in the same market area.<sup>[2]</sup>
- Annual rent is subject to a 10% fixed increase on the fifth anniversary of the commencement date and on each fifth anniversary thereafter during the initial lease term and any extensions thereof.
- Beginning on the first anniversary of the lease term, and on each anniversary thereafter, the operating expense portion of the rent (excluding real estate taxes, utilities and capital repairs and replacements) will increase or decrease commensurate with the increase or decrease in the Consumer's Price Index, U.S. Bureau of Labor Statistics, U. S. City Average, All Items Series A (1982-1984=100), "Urban Wage Earners and Clerical Workers."
- Beginning on the first anniversary date and on each anniversary thereafter, the real estate taxes and assessments portion of the rent will increase or decrease by the actual increase or decrease in real estate taxes and assessments with an annual cap of 2%.<sup>[1]</sup>
- Lessor, at Lessor's expense, shall repaint all interior painted surfaces upon or after the sixtieth (60<sup>th</sup>) month of the Lease Term and every sixty (60) months thereafter.
- Lessor, at Lessor's expense, shall replace all carpet and floor covering upon or after the one hundred twentieth (120<sup>th</sup>) month of the Lease Term and every one hundred twenty (120) months thereafter.
- State may sublease the premises or any part thereof to private tenants.
- State shall have a right of first refusal to purchase Lessor's interest in the property during the lease term or any extended term.

### Footnotes:

1. Assumes the Purchaser will be required to pay real estate taxes. In the event the properties are considered exempt from real estate taxes, the rent will be abated approximately ±\$26 million per year.
2. In order to respond to statewide emergencies, CAL-EMA is responsible for maintenance and repair and capital replacements and all services.
3. Security services are to be provided by the Lessor at the Junipero Serra, Elihu Harris and the Capitol Area East End buildings.