



LETTER OF INTENT

April 14, 2010

Via Email

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

Mr. Shannon:

This Letter of Intent summarizes the key terms and conditions on which Arch Street Capital Advisors, LLC, acting on behalf of one of its clients (the "Buyer") would consider entering into a Purchase Agreement to purchase the below referenced assets (the "Properties") from the State of California (the "Seller"), a client of CB Richard Ellis.

- Properties:** The Public Utilities Commission ("PUC") Building, located at 505 Van Ness Avenue in San Francisco, CA, is a 5-story office building completed in 1984 comprising approximately 270,768 rentable square feet, 235 parking stalls on a 1.94 acre site. The Cal EMA building, located at 3650 Schriever Avenue in Rancho Cordova, CA is consists of two connected 2-story office buildings (and a third building that serves as a utility plant) comprising approximately 116,687 rentable square feet, 512 parking stalls on a 13.47 acre site. The Properties are both 100% leased to the California Department of General Services and 100% occupied by the agencies of the State of California. The Properties are to be leased for a term of 20 years upon sale.
- Purchase Price:** One Hundred Eight Million Three Hundred Thousand Dollars (**\$108,300,000**) to be paid at Closing. The purchase price for the PUC Building shall be Seventy Three Million Nine Hundred Thousand Dollars (\$73,900,000). The purchase price for the Cal EMA building shall be Thirty Four Million Four Hundred Thousand Dollars (\$34,400,000). The Seller shall be responsible for payment of all applicable city, district and state real estate transfer taxes as required by statute or local ordinance.
- Financing Contingency:** The Properties will be acquired unencumbered by debt financing. The Buyer will require financing to close the transaction and has the right to terminate the transaction if a satisfactory Commitment Letter from a lender, in the Buyer's sole discretion, can not be obtained within 30 days from execution of the Purchase Agreement. To the extent a Commitment Letter is obtained, Buyer has a right to terminate the transaction if the lender exercises a Material Adverse Condition provision.
- Purchase Agreement:** The parties will use commercially reasonable efforts to enter into a final, binding purchase agreement (the "Purchase Agreement") within (10) days after the execution of this Letter of Intent. The Purchase Agreement will be drafted by the Seller. The Purchase Agreement will contain representations and warranties of Seller, to Seller's best knowledge, regarding the condition of the Real Property, including without limitation, environmental conditions, plus covenants, indemnities, confidentiality and other provisions customary for a transaction of this nature. The Purchase Agreement will provide that the

Buyer will not assume any liability or indebtedness of any kind save those that are specifically stated therein.

- Escrow Payment:** Within three (3) business days after execution of the Purchase Agreement Buyer will deposit \$2,500,000, to be held in escrow (the "Escrow Payment") with a title company selected by Buyer (the "Title Company"). The Escrow Payment will be refundable until expiration of the Review Period (as defined herein) and will be non refundable after the Review Period except in the event of casualty, condemnation, failure of conditions precedent, Financing Contingency or Seller's default.
- Review Period:** Buyer shall have (30) days from the later of (i) execution of the Purchase Agreement (ii) Buyer's receipt of all Due Diligence items as outlined below. Buyer may terminate the Purchase Agreement for any reason or no reason and receive back the Escrow Payment prior to the expiration of the Review Period.
- Due Diligence:** Buyer to receive from Seller all normal and customary information pertaining to the Properties to evaluate the investment. Seller will cooperate with Buyer and Buyer's representatives in their due diligence efforts and provide access to the Properties for the purpose of conducting inspections and access to all agreements, contracts, leases, permits, environmental and engineering reports, and other documentation concerning the Properties, as indicated on the attached due diligence list (the "Due Diligence List").
- Closing Date:** Closing shall occur 30 days after completion of the Review Period, provided, however that Buyer shall have the right in its sole discretion to extend the Closing Date by an additional 30 days if necessary to finalize the Financing.
- Title/Survey:** Seller shall pay the following fees and premiums: Title Examination, Title Commitment and Title Insurance Policy Basic Premium. Seller shall deliver to Purchaser a commitment for such owner's policy and an existing ALTA survey or equivalent survey of the Real Property within three (3) days after the execution of the Purchase Agreement. Buyer shall pay fees and Premiums for: Extended Coverage and Endorsements.
- Conditions Precedent:** Buyer's obligation to close on the purchase of the Properties shall be subject to, among other items to be specified in the Purchase Agreement, the following conditions precedent:
- Buyer to holdback funds from the purchase price to secure Seller's obligations for completion of any work being performed on the properties prior to closing.
- Leases/Contracts:** Seller will at Seller's sole cost, deliver the Properties free and clear of any and all equipment leases, management agreements, and service or maintenance contracts that Buyer does not elect to assume.
- Management:** Buyer is inclined to engage CB Richard Ellis ("CBRE") as the property manager for the Properties. Arch Street has worked with CBRE under many different capacities, and has engaged them in the past to manage previous property holdings.
- Costs/Prorations:** Seller and Buyer will each pay the costs of their respective brokers, if any. Seller will pay any fees to remove any liens or encumbrances of record that Buyer does not elect to assume, all personal property tax, all transfer, stamp

or similar taxes or fees and one-half of all escrow fees. Buyer shall pay for the cost of the surveys, recordation tax and fees. Each party shall pay its own legal fees. All income and expenses of the Property shall be pro-rated as of 11:59 p.m. on the day prior to Closing.

Board Approval: The Purchase Agreement will be subject to the final approval of the Board of Directors of Buyer and Seller

Entire Agreement: This Letter of Intent constitutes the entire agreement between the parties and supersedes all prior oral or written agreements, understandings, representations and warranties and courses of conduct and dealing between the parties on the subject matter hereof. Except as otherwise provided herein, this Letter of Intent may not be amended or modified except as agreed to in writing by the parties.

Governing Law: This Letter of Intent will be governed by and construed under the local laws of the State of New York without regard to conflicts of laws principles.

Counterparts: This Letter of Intent may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Letter of Intent and all of which when taken together, will be deemed to constitute one and the same agreement.

Exclusivity: In consideration of the time, effort and expense which Buyer will be committing to this undertaking, between the date of execution of this Letter of Intent and up to the execution of the Purchase Agreement or the termination of this Letter of Intent, Seller, its affiliates and/or representatives will not, directly or indirectly through any representative, shareholder, employee or otherwise, solicit, initiate or entertain offers from, negotiate with or in any manner encourage, discuss, accept or consider any proposal from another person or entity regarding the sale, financing or leasing of the Property.

Confidentiality: Neither party shall disclose the existence or terms of this Letter of Intent to any third party other than prospective lenders, accountants, investors, attorneys, consultants and other experts working on behalf of Buyer (collectively, "Buyer's Consultants"). Buyer shall use commercially reasonable efforts to ensure that Buyer's consultants do not disclose the existence or terms of this Letter of Intent.

Seller and Buyer acknowledge that this Letter of Intent is not an offer and the sections and provisions of this Letter of Intent (other than the sections labeled "Entire Agreement," "Governing Law," "Counterparts," "Exclusivity" and "Confidentiality") are non-binding and do not constitute and will not give rise to any legally binding obligation on the part of any of the parties. Moreover, except as expressly provided in the sections labeled "Entire Agreement," "Governing Law," "Counterparts," "Exclusivity" and "Confidentiality" of this Letter of Intent (or as expressly provided in any binding written agreement that the parties may enter into in the future), no past or future action, course of conduct, or failure to act relating to the transaction contemplated hereby, will give rise to or serve as a basis for any obligation or other liability on the part of the parties.

If the general terms and conditions outlined in this letter are acceptable to you, please sign below and return to the undersigned via email or facsimile at (203) 661-1828 by 5:00 PM EST on May 6, 2010. This Letter of Intent may be executed by facsimile in multiple counterparts.

Agreed and Approved:

ARCH STREET CAPITAL
ADVISORS, L.L.C

x 
Michael A. Lunder

Date: April 14, 2010

SELLING
ENTITY: _____

x _____
Approved Signatory:
Title:

Date: _____