



McARTHUR ASSOCIATES

April 14, 2010

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

Re: Offer To Purchase 300 S Spring Street, Los Angeles, CA "Ronald Reagan State Building

Dear Mr. Shannon:

Enclosed is a letter of interest to purchase from and lease back to the State of California the above referenced property.

Please note the following:

- **Purchase price \$199 million**
- **Thirty (30) year firm NNN lease (or gross at their option)**
- **Annual Net rent \$14,044,002.00 (\$19/rsf/yr) fixed for 30 years**
- **Free Parking (included in the rent)**
- **NPV savings to the State of CA over 30 years exceeds \$27 million.**
- **Ownership of the Property reverts back to the State after 30 years**
- **Estimated property value after 30 years in excess of \$216 million**

I realize the enclosed terms and conditions fall outside the State's marketing program. However, when considering the above net present value benefits and the opportunity to regain ownership of such a prestigious and valuable property, I think the enclosed letter of interest truly represents the best opportunity for the State of California.

Please do not hesitate to contact me with any thoughts or questions you may have.

Sincerely

Charles McArthur

1726 N Vista Street
Los Angeles, CA 90046
Phone 323-321-4615
Fax 323-874-4757
cmcarthur@mcarthurassociates.com



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

Re: Offer To Purchase 300 S Spring Street, Los Angeles, CA "Ronald Reagan State Building

Dear Mr. Shannon:

The following Proposal outlines the terms and conditions under which McARTHUR ASSOCIATES, its affiliates, successors, or assignees ("Buyer") is prepared to purchase the above-referenced property from the State of California, its affiliates, successors or assignees, ("Seller"). This Proposal represents a framework under which Buyer is interested in purchasing this property. The parties agree that upon acceptance by the Seller, a Purchase Contract incorporating the terms and conditions provided herein will be delivered by Seller and executed by both parties and constitute a binding agreement.

Property

Approximately 2.819 acres (122,810 square feet) of land and 739,158 rentable square feet of improvements, commonly known as the Ronald Reagan State Building, 300 S Spring Street, Los Angeles, California 90013.
APN #5149-020-941; 5149-020-916

Purchase Price

The purchase price shall be *One Hundred, Ninety-Nine Million, Dollars (\$199,000,000.00)*, which shall be paid in cash upon close of Escrow.

The property shall be delivered free and clear of all negative easements and liens, unless previously approved in writing by Buyer.

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Property Lease

Prior to the close of Escrow, Buyer and Seller shall enter into a Triple Net lease for the Property for a term of Thirty (30) Years firm at an annual fixed rental of \$14,044,002.00 (\$19 per rentable square foot per year). **Said rental shall be without increases throughout the entire term of the lease, and shall include the parking garage (308 spaces).**

In the event Seller insists upon a gross lease, then a second agreement shall be entered into to accommodate that need with a "stop" for operating expenses and taxes of \$8,335,259.00, which shall be in addition to the above Net rent.

End of Term

Upon expiration of the Property Lease Seller shall have the right to purchase the Property from Buyer for the total sum of **One (\$1) dollar**.

Buyer's Due Diligence

The Due Diligence Period shall be Sixty (60) calendar days, commencing upon the later to occur of (a) mutual execution of a Purchase and Sale Agreement and Escrow Instructions ("Purchase Contract") and (b) delivery by Seller of all of the following documents to Buyer:

- a) Preliminary Title Report issued by Title Company together with legible copies of all exceptions referenced therein.
- b) All documents, reports, environmental studies, surveys, statements, leases, entitlements and other written information and materials in Seller's possession or under Seller's control, pertaining to the Property.

During the Due Diligence Period, Buyer may physically inspect and study the Property and, in addition, satisfy itself to such matters regarding the Property as Buyer may deem relevant in the circumstances ("Buyer's Condition") including, but not limited to: title, soils, engineering, environmental, zoning review including suitability of the Property for Buyer's intended use and development, building and other applicable ordinances, laws and regulations, financial feasibility studies.



If Buyer does not notify Escrow in writing of Buyer's approval and/or acceptance of all Buyer's Conditions and Buyer's intention to proceed with the Escrow, the Buyer's Conditions will be deemed disapproved and the Escrow shall be canceled, and all Deposits including any interest shall immediately be refunded to Buyer by Escrow. If Buyer notifies Escrow in writing of Buyer's approval, and/or acceptance of Buyer's Conditions and Buyer's intention to proceed with the Escrow, the Deposit shown in Paragraph 3 shall be NON-REFUNDABLE, but applicable to the Purchase Price in the event Escrow closes. Buyer shall have the right to cancel Escrow at any time prior to completion of the Due Diligence Period by delivery of written notice of its intention to do so to the Seller.

If Buyer elects to cancel Escrow for any reason whatsoever during the Due Diligence period, all Deposits including any interest shall immediately be refunded to Buyer by Escrow.

Conveyance of Title

Seller shall by grant deed, convey good and marketable title free and clear of liens and encumbrances (except such liens and encumbrances as are required and approved by Buyer) and shall deliver possession of the Property on close of Escrow, as defined herein.

Seller shall pay for the cost of an ALTA Standard Title Policy and a property survey, formerly known as CLTA Title Policy. Buyer shall pay the additional cost for an ALTA Extended Coverage Title Policy if Buyer elects to receive an extended coverage title policy.

Purchase Agreement and Escrow Instructions

If the price and terms herein stated are acceptable, Seller shall immediately instruct Seller's counsel to draft a Purchase Contract incorporating the terms and conditions set forth herein, together with reasonable and customary covenants, conditions, agreement and warranties, for execution and delivery by the parties. Buyer and Seller shall endeavor in good faith and use their respective best efforts to execute the Purchase Contract within thirty (30) days following Buyer's and Seller's mutual execution of this Agreement and open Escrow within three (3) days following Buyer's and Seller's mutual execution of the Purchase Contract.



Escrow and Closing

Escrow shall close on or before sixty (60) days following the expiration of Buyer's Due Diligence period.

Escrow Company

Chicago Title Company, 700 South Flower Street, Suite 920, Los Angeles, California 90017

Title Company

Chicago Title Company

Delivery of Property

Seller shall deliver the Property to Buyer at the close of Escrow in its physical condition as of the date of this letter.

Escrow Costs Prorations

Buyer and Seller shall each pay customary escrow fees and prorations.

Notices

Any notice, demand or request required or permitted hereunder shall be in writing, sent by certified mail, return receipt requested, addressed to the parties at the address set forth below:

Buyer: McARTHUR ASSOCIATES
 Attn: Charles McArthur
 1726 N Vista Street
 Los Angeles, CA 90046
 Phone 323-874-4757
 cmcarthur@mcarthurassociates.com

Seller: TBD



Assignee:

Buyer expressly reserves the right to assign its interest in this purchase to another related entity under which legal ownership will be taken.

Brokerage Representation and Commission

Buyer's Broker: None

Seller's Broker: CB Richard Ellis. Seller agrees to pay Seller's Broker and shall indemnify and hold harmless Buyer against any and all claims by CB Richard Ellis for said commission or fees or other compensation.

We hope you agree that the above letter of interest represents the best overall terms and conditions for the State of California regarding the sale and leaseback of the Ronald Reagan State Building. We look forward to your response and will be happy to answer an questions you may have.

Sincerely,

Charles McArthur