



April 14, 2010

Messrs. Kevin Shannon, Bob Gilley and Randy Getz  
CB Richard Ellis  
990 W. 190th St.  
Torrance, CA 90502

RE: Letter of intent for the acquisition of the Ronald Reagan State Building located in Los Angeles, California; the Elihu Harris Building located in Oakland, California; the Attorney General Building located in Sacramento, CA; the Cal EMA building located in Rancho Cordova, CA; and/or the Department of Justice Building located in Sacramento, CA as more particularly described in Exhibit A attached (the "Properties").

Dear Sirs,

The following describes the primary terms and conditions under which Rainier Realty Finance, L.L.C., or a to be formed affiliate ("Rainier") will enter into a Purchase and Sale Agreement with the current owner of the Properties ("Seller") to acquire the Properties. The acquisition shall include the land, improvements located thereon and any other rights, benefits or intangibles owned or in use by Seller in connection with the operation of the Properties.

1) **Purchase Price.**

We have several acquisition Scenarios outlined below. Please note that Scenarios A, B and C pertain to the same three properties; while Scenario D concerns a different grouping of properties. Exhibit B provides a summary of the Purchase Prices for each Scenario.

- a) Scenario A: Scenario A Purchase Price is based on the lease structure as presented by CBRE, specifically with regard to the State's having the exclusive right but not the obligation to use all parking according to the terms as set forth in the respective offering memorandums.

Ronald Reagan State Building: The Purchase Price is One Hundred Forty Seven Million One Hundred Thirty Nine Thousand Dollars (**\$147,139,000**) payable in cash at closing.

Elihu Harris Building: The Purchase Price is One Hundred Fifty Eight Million Two Hundred Sixty Seven Thousand Dollars (**\$158,267,000**) payable in cash at closing.

Attorney General Building: The Purchase Price is One Hundred Nineteen Million Five Hundred Fifty Five Thousand Dollars (**\$119,555,000**) payable in cash at closing.

Our offer is contingent upon a purchase of all three properties listed above for a total of Four Hundred Twenty Four Million Nine Hundred Sixty One Thousand Dollars (**\$424,961,000**) payable in cash at closing.

- b) Scenario B: Scenario B Purchase Price is based on a revised lease structure with the State having the obligation to lease all parking at the rates and rate increases proscribed in the respective Offering Memorandums for the entire 20 year term of the lease. Note we are indifferent as to whether this is a separate section of the lease or if the Base Rent (defined below) of the building is increased by the parking rates and amount proposed.

Ronald Reagan State Building: The Purchase Price is One Hundred Fifty Seven Million Four Hundred Ninety Eight Thousand Dollars (**\$157,498,000**) payable in cash at closing.

Elihu Harris Building: The Purchase Price is One Hundred Sixty Four Million Five Hundred Twenty Six Thousand Dollars (**\$164,526,000**) payable in cash at closing.

Attorney General Building: The Purchase Price is One Hundred Twenty Five Million Nine Hundred Eight Thousand Dollars (**\$125,908,000**) payable in cash at closing.

Our offer is contingent upon a purchase of all three properties listed above of Four Hundred Forty Seven Million Nine Hundred Thirty Two Thousand Dollars (**\$447,932,000**) payable in cash at closing.

- c) Scenario C: Scenario C Purchase Price is based on providing parking to the State at no charge.

Ronald Reagan State Building: The Purchase Price is One Hundred Forty Four Million Four Hundred Eight Nine Thousand Dollars (**\$144,489,000**) payable in cash at closing.

Elihu Harris Building: The Purchase Price is One Hundred Fifty Five Million Four Hundred Seventeen Thousand Dollars (**\$155,417,000**) payable in cash at closing.

Attorney General Building: The Purchase Price is One Hundred Seventeen Million Four Hundred Two Thousand Dollars (**\$117,402,000**) payable in cash at closing.

Our offer is contingent upon a purchase of all three properties listed above of Four Hundred Seventeen Million Three Hundred Eight Thousand Dollars (**\$417,308,000**) payable in cash at closing.

- d) Scenario D: Scenario D Purchase Price is based on the lease structure as presented by CBRE, specifically with regard to the State's having the exclusive right but not the obligation to use all parking according to the terms as set forth in the respective offering memorandums.

Ronald Reagan State Building: The Purchase Price is One Hundred Forty Seven Million Two Hundred Twenty Thousand Dollars (**\$147,220,000**) payable in cash at closing.

Elihu Harris Building: The Purchase Price is One Hundred Fifty Eight Million Three Hundred Fifty Four Thousand Dollars (**\$158,354,000**) payable in cash at closing.

Cal EMA Building: The Purchase Price is Thirty Eight Million Five Hundred Ninety Five Thousand Dollars (**\$38,595,000**) payable in cash at closing.

Department of Justice Building: The Purchase Price is Sixty Seven Million Four Hundred Seventy Thousand Dollars (**\$67,470,000**) payable in cash at closing.

Our offer is contingent upon a purchase of all four properties listed above of Four Hundred Eleven Million Six Hundred Thirty Nine Thousand Dollars (**\$411,639,000**) payable in cash at closing.

2) **Payment of Purchase Price/Earnest Money.** The Purchase Price will be paid as follows:

Rainier will deposit into Escrow Five Hundred Thousand Dollars (**\$500,000.00**), as initial earnest money, upon execution of the Purchase and Sale Agreement by both parties and an additional Five Hundred Thousand Dollars (**\$500,000.00**) upon conclusion of the inspection period outlined below. All deposited funds shall be invested by the Title Company in an interest bearing account selected by Rainier with all interest accruing thereon paid to Rainier upon demand or, at Rainier's election, credited to the Purchase Price upon the close of Escrow. The balance of the Purchase Price will be paid in cash at Closing.

3) **Inspection Period.** Rainier shall have thirty (30) days following the later to occur of (i) the Effective Date of the Purchase and Sale Agreement or (ii) Rainier's receipt of all of the Due Diligence Materials (or in the case of a particular item of Due Diligence Materials which is not within Seller's custody, possession or control, Rainier's receipt of a written certification from Seller that such item is not within Seller's custody, possession or control), to review such Due Diligence Materials and to make such inspections, evaluations and tests of the Property that Rainier shall require (the "Inspection Period"). In the event Rainier is not satisfied with the condition of the Property for any reason or no reason at all then Rainier may, on or before the last day of the Inspection Period, notify Seller in writing that it elects to terminate the Purchase and Sale Agreement. In such event, the Purchase and Sale Agreement will terminate and be of no further force and effect whatsoever to either party and all Earnest Money will be returned to Rainier. Rainier will not conduct any invasive testing without Seller's consent.

4) **Closing.** Close of Escrow shall be **sixty (60) days** following expiration of the Inspection Period. Notwithstanding the foregoing, Rainier shall have the right to close this transaction on such earlier date as Rainier may designate upon not less than three (3) business days prior written notice to Seller.

5) **Escrow Agent/Title Company.** The Escrow Agent and Title Company shall be **Chicago Title Company**, 8201 Preston Road, Suite 480, Dallas, TX 75225, and Attention: David Long (214) 987-6700 phone; (214) 368-0039 fax..

6) **Brokerage.** Seller and Rainier shall each be responsible for payment of a brokerage commission to its respective broker pursuant to separate agreements between the parties.

7) **Preparation of Purchase Agreement.** Within five (5) business days of signing this letter, Rainier shall deliver a draft of the Purchase and Sale Agreement. It is the intention that Rainier and Seller will execute a mutually acceptable Purchase and Sale Agreement within seven (7) business days of signing this letter. The Purchase and Sale agreement shall also serve as lawfully binding escrow instructions to escrow holder.

8) **Due Diligence Materials.** By no later than five (5) business days following the Effective Date of the Purchase and Sale Agreement, Seller shall provide Rainier with all of the pertinent property materials Rainier deems necessary to study, consider and evaluate the Property as defined in the Purchase and Sale Agreement (collectively, the "Due Diligence Materials").

- 9) **Title Insurance.** Seller will provide Rainier, at Seller's sole cost, with an Owner's Policy of Title Insurance in the amount of the Purchase Price. The Owner's Policy of Title Insurance will be subject only to those matters of title approved by Rainier.
- 10) **Closing Costs, Credits and Prorations.** Seller will pay the cost of the Owner's Policy of Title Insurance, the cost of the survey, one-half of the escrow fees, the cost of recording the deed, all transfer and conveyance taxes and/or documentary stamps and fees and all of Seller's attorney's fees incurred in connection with the negotiation of this transaction. Purchaser will pay one-half of the escrow fees and all of Purchaser's attorney's fees incurred in connection with the negotiation of this transaction. All other costs will be allocated between Rainier and Seller in accordance with customary practice in the County where the Property is located. Real property taxes and any other matters to be prorated will be prorated as of the close of escrow. Rollback taxes, if any, shall be paid by Seller.
- 11) **Nominee.** Rainier shall have the right to nominate another entity to take title to the Property and/or to otherwise assign its interest as Rainier in and to the Purchase and Sale Agreement, by giving written notice thereof to Seller and Escrow Agent prior to the Closing Date.
- 12) **Exclusive Dealings.** During the sixty (60) day period immediately following the execution of this letter, and for so long as any Purchase and Sale Agreement is in effect, Seller will not enter into an agreement, or commence negotiations, with respect to the sale, exchange or transfer of all or any part of, or interest to, the Property to any party other than Rainier.
- 13) **Confidentiality.** Seller shall at all times keep this letter and the negotiations and subsequent agreements relating to the Property confidential, except (a) to the extent necessary to comply with applicable laws and regulations, and (b) for consultation with legal counsel or accountants. Any such disclosure to third parties shall indicate that the information is confidential and should be so treated by the third party. No press release or other public disclosure may be made by Seller or any of its agents concerning this letter or the negotiations and subsequent agreements regarding the Property without the prior written consent of the Rainier. Notwithstanding anything to the contrary contained in this letter, the provisions of this subparagraph shall be binding upon Seller.
- 14) **Non-Binding Effect.** Except as set forth below, this letter is not a binding agreement on either party and is subject to the completion of Rainier's investigation and execution by Seller and Rainier of a mutually acceptable Purchase and Sale Agreement. This letter is not to be construed as an offer to purchase the Property. If the terms set forth herein are acceptable to you, our attorneys will prepare a Purchase and Sale Agreement incorporating the terms and provisions hereof, together with such other terms and conditions, as they deem acceptable. Until a Purchase and Sale Agreement is signed, there shall be no binding agreements between us for the purchase and sale of the Property, except as set forth below.
- 15) **The Lease.** We have received and reviewed the proposed draft of the lease. We understand that this is not the final nor complete form of the lease and our offer is based upon the following clarifications.
  - a) Base Rent cannot be offset. Base Rent is equivalent to the difference between Gross Potential Rent for each property as presented in the respective Offering Memorandums and Operating Expense Rent. Operating Expense Rent equals 1) the Expense Base as indicated in the Expense Reimbursement Revenue Section of the Offering Memorandum plus 2) the Real Estate Taxes line item presented in the Cash Flow Projections of the respective Offering Memorandums. Please see Exhibit C.

- b) Lease payments are not subject to annual appropriation.
- c) The State cannot self-condemn the Properties.

**16) The Acquisitions Team.**

Rainier Realty Finance, LLC is an affiliate of Rainier Capital Management LP, a commercial real estate investment management firm with over \$1 billion in assets under management. The principals average over 20 years of real estate and finance experience and have expertise in acquiring, structuring, and financing commercial real estate and credit-tenant lease transactions, having completed over \$3.5 billion in transactions. The principals have acquired GSA properties in Texas, Oklahoma and most recently the acquisition of the 587,528 SF Social Security Administration Building in Birmingham, Alabama in the summer of 2009. For more information about Rainier Capital Management LP, visit [www.rainiercapital.com](http://www.rainiercapital.com).

Net Lease Capital Advisors is an investment and advisory firm exclusively focused in the net lease arena, and the leading authority in the net lease niche, buying, selling, structuring and advising on sale leaseback properties and transactions, nationwide. In twelve years, it has closed over \$6 billion in transactions, involving over 600 properties in 47 states, including over 24 million square feet of property. The Acquisitions Group at Net Lease Capital works closely with corporations seeking to structure the sale and lease back of real property, helping the corporation take assets off its books for accounting, monetize real estate holdings and put cash to work in the company's core business to gain better returns. Net Lease Capital has acquired over \$700 million of net lease assets and holds in excess of \$200 million under management, as well as debt positions in additional properties which exceed \$800 million. It maintains a network of close relationships among veterans in the net lease and financing industries.

CTL Capital, LLC was formed in 1998 to provide financing for public/private projects supported by lease securitizations, asset securitizations and private placements. The principals of CTL include Wall Street investment bankers and real estate professionals with extensive experience in originating, structuring and completing securitizations of the most complex structures. CTL Capital has completed nearly \$4 billion in transactions with over \$2.5 billion of financing and over \$1.2 billion where CTL acted as financial advisor. Transactions have been secured by leases totaling over 20 million square feet in 30 states and leased by various corporate, governmental and retail tenants.

If the foregoing terms and conditions meet with your approval, kindly acknowledge by execution below. If this letter is not signed and delivered to the undersigned on or before 5:00 p.m. Central Standard Time on April 21, 2010, the proposal described herein shall be withdrawn by Rainier unless extended in writing.

**PURCHASER:**

**RAINIER REALTY FINANCE L.L.C.**



Adam A. Martin  
Senior Vice President

**SELLER:**

APPROVED AND ACCEPTED THIS  
\_\_\_\_\_ DAY OF \_\_\_\_\_ 2010

Company Name \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**Exhibit A**

The Properties:

<b><u>Ronald Reagan State Building</u></b> 300 South Spring Street Los Angeles, CA 90013	<b>Size:</b> approximately 740,000sf <b>Year Built:</b> 1989 <b>Description:</b> One 14-story and one 16-story high-rise office buildings interconnected with atrium
<b><u>ELIHU Harris Building</u></b> 1515 Clay Street Oakland, CA 94612	<b>Size:</b> approximately 700,000sf <b>Year Built:</b> 1998 <b>Description:</b> One 24-story high-rise and one 3-story low-rise office buildings interconnected with atrium
<b><u>The Attorney General Building</u></b> 1300 I Street Sacramento, CA 95814	<b>Size:</b> approximately 375,000sf <b>Year Built:</b> 1995 <b>Description:</b> One 17-story office building
<b><u>Cal EMA Building</u></b> 3650 Schriever Avenue Rancho Cordova, CA 95655	<b>Size:</b> approximately 116,687sf <b>Year Built:</b> 2002 <b>Description:</b> Two connected 2-story office buildings and a third utility plant building
<b><u>Department of Justice Building</u></b> 4949 Broadway Sacramento, CA 95820	<b>Size:</b> approximately 381,718sf <b>Year Built:</b> 1982 <b>Description:</b> A two story office structure

**Exhibit B**

**PURCHASE PRICE SCENARIOS**

	<b>Building Size Sq Ft</b>	<b>NOI from OM</b>	<b>Capital Reserves</b>	<b>Painting &amp; Carpeting Reserve</b>	<b>Effective Cash Flow (NOI)</b>	<b>Purchase Price (Rounded)</b>	<b>Effective Initial Cap Rate</b>	<b>Price psf</b>
<b>A) Package of 3 properties with parking as offered</b>								
1) Ronald Reagan Building, Los Angeles	739,158	12,195,530	110,874	443,495	11,641,162	147,139,000	7.91%	199.06
2) Elihu Harris Building, Oakland	700,589	12,613,762	105,088	420,353	12,088,320	158,267,000	7.64%	225.91
3) Attorney General Building, Sacramento	376,866	9,708,584	56,530	226,120	9,425,935	119,555,000	7.88%	317.23
Package Offer	1,816,613	34,517,876	272,492	1,089,968	33,155,416	424,961,000	7.80%	233.93
<b>B) Package of 3 properties with parking included in Sale/Leaseback</b>								
1) Ronald Reagan Building, Los Angeles	739,158	12,195,530	110,874	443,495	11,641,162	157,498,000	7.39%	213.08
2) Elihu Harris Building, Oakland	700,589	12,613,762	105,088	420,353	12,088,320	164,526,000	7.35%	234.84
3) Attorney General Building, Sacramento	376,866	9,708,584	56,530	226,120	9,425,935	125,908,000	7.49%	334.09
Package Offer	1,816,613	34,517,876	272,492	1,089,968	33,155,416	447,932,000	7.40%	246.57
<b>C) Package of 3 properties WITHOUT PURCHASING THE PARKING AT ALL</b>								
1) Ronald Reagan Building, Los Angeles	739,158	11,102,330	110,874	443,495	10,547,962	144,489,000	7.30%	195.48
2) Elihu Harris Building, Oakland	700,589	11,845,522	105,088	420,353	11,320,080	155,417,000	7.28%	221.84
3) Attorney General Building, Sacramento	376,866	9,002,384	56,530	226,120	8,719,735	117,402,000	7.43%	311.52
Package Offer	1,816,613	31,950,236	272,492	1,089,968	30,587,776	417,308,000	7.35%	229.14
<b>D) Package of 4 properties with parking as offered</b>								
1) Ronald Reagan Building, Los Angeles	739,158	12,195,530	110,874	443,495	11,641,162	147,220,000	7.91%	199.17
2) Elihu Harris Building, Oakland	700,589	12,613,762	105,088	420,353	12,088,320	158,354,000	7.63%	226.03
3) Cal EMA Building	116,687	2,921,245	-	-	2,921,245	38,595,000	7.57%	330.76
4) Dept of Justice Building	381,718	4,936,426	57,258	229,031	4,650,138	67,470,000	6.89%	176.75
Package Offer	1,938,152	32,666,963	273,220	1,092,879	31,300,864	411,639,000	7.60%	212.39

**Exhibit C**

COMPONENTS OF GROSS POTENTIAL RENT

1) Ronald Reagan Building, Los Angeles

Base Rent			\$ 11,078,330
	Expense Base	\$ 6,103,030	
	Real Estate Taxes	<u>\$ 2,232,229</u>	
Operating Expense Rent			\$ 8,335,259
Gross Potential Rent			<u>\$ 19,413,589</u>

2) Elihu Harris Building, Oakland

Base Rent			\$ 11,743,522
	Expense Base	\$ 7,235,329	
	Real Estate Taxes	<u>\$ 2,737,769</u>	
Operating Expense Rent			\$ 9,973,098
Gross Potential Rent			<u>\$ 21,716,620</u>

3) Attorney General Building, Sacramento

Base Rent			\$ 8,996,984
	Expense Base	\$ 2,218,294	
	Real Estate Taxes	<u>\$ 1,648,219</u>	
Operating Expense Rent			\$ 3,866,513
Gross Potential Rent			<u>\$ 12,863,497</u>

4) Cal EMA Building

Base Rent			\$ 2,921,245
	Expense Base	\$ 143,327	
	Real Estate Taxes	<u>\$ 506,050</u>	
Operating Expense Rent			\$ 649,377
Gross Potential Rent			<u>\$ 3,570,622</u>

5) Dept of Justice Building

Base Rent			\$ 4,936,426
	Expense Base	\$ 3,386,753	
	Real Estate Taxes	<u>\$ 838,053</u>	
Operating Expense Rent			\$ 4,224,806
Gross Potential Rent			<u>\$ 9,161,232</u>