

# CALIFORNIA FIRST, LLC

June 3, 2010

VIA EMAIL & FACSIMILE

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

**Re: Second Amendment to Best and Final Proposal Letter for the Golden State Portfolio: An eleven property, approximately 7.3 million square foot, office sale/leaseback portfolio (the "Properties") located in the San Francisco Bay Area, Los Angeles, and Sacramento markets.**

Dear Mr. Shannon:

California First, LLC (the "Purchaser") delivered a proposal (as amended by that certain Amendment dated June 2, 2010, the "Proposal") to the State of California ("Seller"), dated May 21, 2010, describing the terms and conditions for the purchase and leaseback in its entirety of the Golden State Portfolio referenced above. This letter (this "Amendment") shall amend the terms and conditions contained in the Proposal and shall be incorporated into, and considered a part of, Purchaser's offer to purchase and leaseback in its entirety the Golden State Portfolio. All capitalized terms when used herein shall have the same meaning as is given such terms in the Proposal unless expressly superseded by the terms of this Amendment. Except as set forth in this Amendment, all of the terms and conditions of the Proposal shall apply and shall remain unmodified.

The terms upon which Purchaser would be willing to acquire the Properties are as set forth in the Proposal as such Proposal is modified below:

**Transaction Structure:** *The Purchaser, through its investment partners, has sufficient discretionary capital to execute this transaction without a financing contingency.* Purchaser is arranging debt financing of 60% of total asset value. Such debt is being provided by JP Morgan given their extremely relevant experience and significant diligence performed in connection with the Golden State Portfolio. JP Morgan is extremely comfortable financing 60% of the asset value, and, in fact, will finance even greater than 60% of the asset value.

**Equity Investors:** In addition to Hines and ACRE, LLC, the Purchaser has assembled a consortium of established investors with deployable capital sufficient to execute this transaction. We have current written and fully approved equity commitments of at least \$1,400,000,000. Those commitments include \$680,000,000 from Woodmont Capital Partners, \$300,000,000 from PRP, and \$200,000,000-\$500,000,000 from Belgravia Capital. All of the foregoing commitments include executed investment term sheets. Each of the investors has fully committed funds in such amounts, which funds are earmarked for this transaction. In addition, we have a commitment of \$100,000,000 from Steadfast Companies and we are finalizing the investment term sheet with them. We anticipate using about \$925,000,000 of such equity commitments. Please let us know if

you would like to either speak with any of the below investors and/or review any of the commitment documentations, and we will promptly arrange for and/or provide the same.

We are confident that these efforts will result in a successful transaction with the State of California, and we look forward to your favorable reply.

If you have any questions, please do not hesitate to contact:

Rich Mayo (M: 310-413-5405; [rmayo@antarcticacapital.com](mailto:rmayo@antarcticacapital.com))

Grover L McKean (M: 323-661-6655; [GLMcKean@antarcticacapital.com](mailto:GLMcKean@antarcticacapital.com))

Chandra R. Patel (M: 917-593-8387; [crpatel@antarcticacapital.com](mailto:crpatel@antarcticacapital.com)).

Sincerely,

**California First, LLC**

Richard Mayo

Richard Mayo  
Managing Partner

**ACCEPTED AND AGREED TO:**

**State of California**

Date: \_\_\_\_\_, 2010

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

Print Name: \_\_\_\_\_

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