



ELIHU HARRIS BUILDING

1515 CLAY STREET
OAKLAND, CA 94612

GOLDEN STATE PORTFOLIO OFFERING MEMORANDUM

11 office properties • 7.3 million square feet
20 year sale/leaseback portfolio
3 california core metro markets

Capital Markets | Institutional Group

CBRE
CB RICHARD ELLIS



STATE OF CALIFORNIA

TABLE OF CONTENTS

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01 Executive Summary

The Offering
Investment Highlights
Property Overview
Location Overview
Recent Developments
The Opportunity
LEED® Certified
Marketing Process/Key Dates

02 Property Summary

General Property/Site Information
Construction Detail
Interior Detail
Mechanical Detail
Site Plan
Representative Floor Plans

03 Area Overview

The San Francisco Bay Area Overview
East Bay Overview

04 Market Analysis

East Bay Office Market

05 State of California Overview

Economy
Tourism & Entertainment
Geography

06 Lease Abstract

07 Financials

Cash Flow Assumptions
Expense Detail
Rent Roll
Cash Flow Projections

For more information about the Golden State Portfolio,
please visit the website:

www.cbre.com/goldenstateportfolio



Across the street from City Hall and 1.5 blocks from the Oakland City Center BART station, the Property has exceptional public transportation access to the entire Bay Area

EXECUTIVE SUMMARY

The Offering

CB Richard Ellis, as exclusive advisor to the State of California, is privileged to present the opportunity to acquire a 100% fee simple interest in the Elihu Harris Building, located at 1515 Clay Street in the central business district of Oakland, California (the "Property"). The Property consists of a LEED® Certified, Class A office property containing 700,589 rentable square feet over a two-level subterranean garage that can accommodate approximately 392 cars. The Property was constructed in 1998 and consists of a 24-story steel framed high-rise, a 3-story low-rise, and an atrium connecting the two structures.

The property is 100% leased, of which 99.8% is leased to the State of California for a firm term of 20 years, and may be acquired separately or as part of an 11 office property sale/leaseback portfolio (the "Golden State Portfolio") comprising approximately 7.3 million square feet located in the San Francisco Bay Area, Los Angeles and Sacramento.

This rare opportunity to acquire an excellent quality Class A office property provides an investor a stable, long-term income stream from an investment grade tenant.

Offering Summary

Property Name:	Elihu Harris Building
Address:	1515 Clay Street Oakland, CA 94612
Rentable Square Footage:	± 700,589
Number of Buildings:	2 (interconnected)
Year Built:	1998
Number of Stories:	24 stories (high-rise tower) 3 stories (low-rise)
Parking:	± 392 stalls (0.56 per 1,000 sf)
LEED Certification:	LEED Certified
State of California Lease Term	20 years firm



Investment Highlights

- **Long Term Credit Tenancy**

The Property is 100% leased, of which 99.8% is leased to the State of California for 20 years firm, providing an investor with stable and secure cash flows and built-in rent escalations that enhance yields during the lease term. The State of California has an investment grade credit rating of "A-" by Standard & Poors. The lease will commence at the close of escrow.

- **Trophy Office Building**

One of the top office properties in downtown Oakland, the Property was built in 1998 and features a distinctive curved glass curtain wall at the southwest corner of the tower. The Class A tower and interconnected low-rise building were constructed to the highest standards and have been very well maintained. The two buildings feature an attractive 3-story glass and steel-framed atrium. The tower office floors provide sweeping views of the San Francisco Bay as well as the Oakland hills.

- **Exceptional Downtown Oakland Location**

The Property is situated on Clay Street at 15th Street, across from the Oakland City Hall and a block and a half from the Oakland City Center Bay Area Rapid Transit (BART) station, providing unparalleled public transportation access to the entire Bay Area. The Property also enjoys easy freeway access via Interstates 580, 880 and 980.

- **On-Site Parking and Amenities**

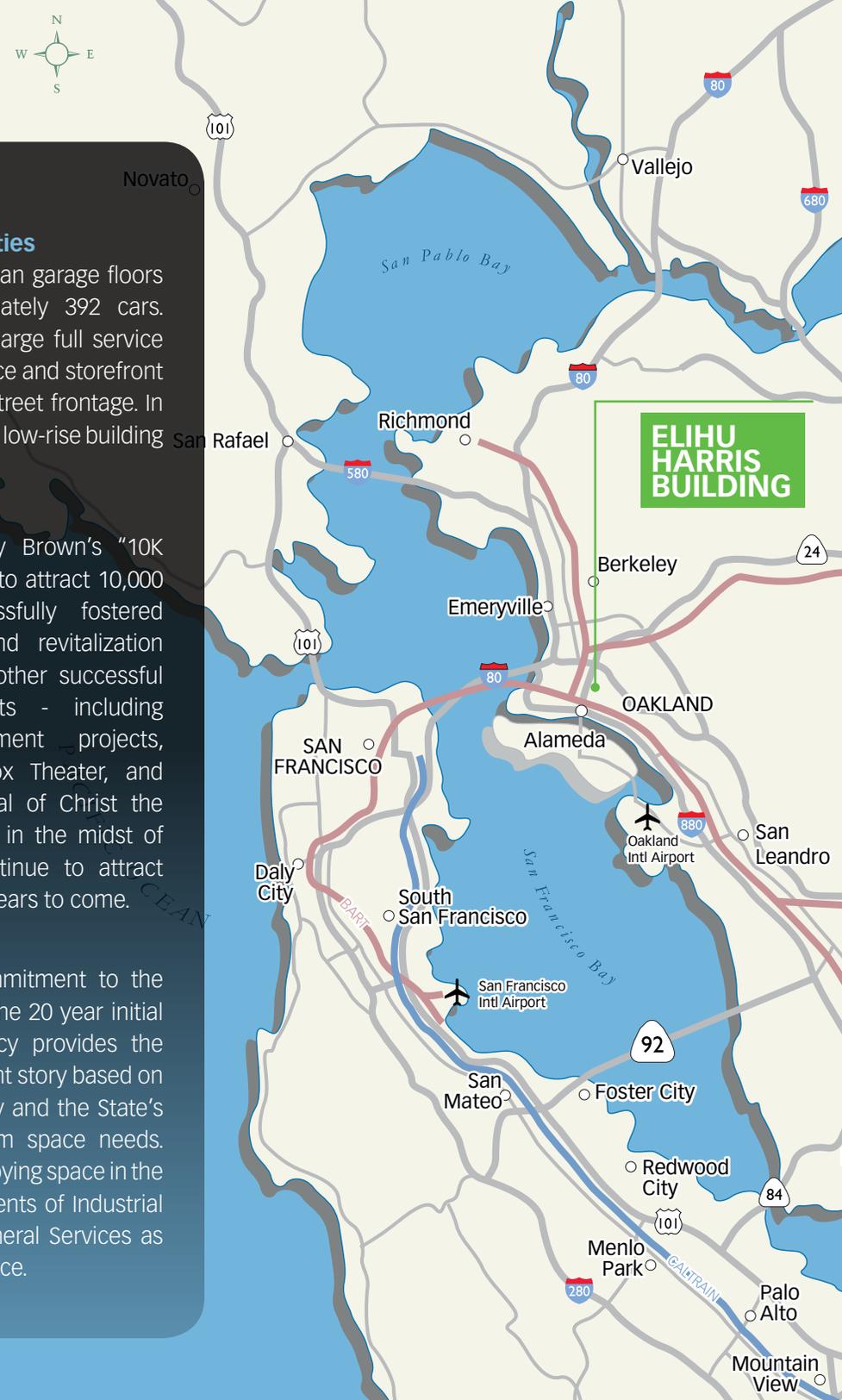
The Property's two subterranean garage floors can accommodate approximately 392 cars. The Property also features a large full service cafeteria for tenant convenience and storefront retail suites serving the Clay Street frontage. In addition, the ground floor of the low-rise building features a large auditorium.

- **Revitalized Downtown**

Former Oakland Mayor Jerry Brown's "10K Downtown Housing Initiative" to attract 10,000 new residents has successfully fostered continued redevelopment and revitalization in downtown Oakland. With other successful initiatives and developments - including the streetscape improvement projects, the rehabilitation of the Fox Theater, and development of the Cathedral of Christ the Light - downtown Oakland is in the midst of a revitalization that will continue to attract businesses and residents for years to come.

- **Strategic Facility**

The State of California's commitment to the Property is demonstrated by the 20 year initial lease term. The State tenancy provides the investor a superb captive tenant story based on their utilization of the Property and the State's projected increased long term space needs. Major State departments occupying space in the Property include the Departments of Industrial Relations, Social Services, General Services as well as the Department of Justice.



Property Overview

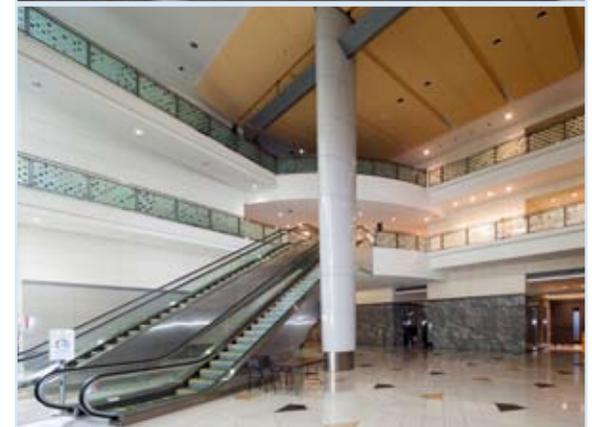
The Elihu M. Harris Building, named for the former assemblyman and Mayor of Oakland, was constructed in 1998 to consolidate the operations of over 40 state departments and agencies throughout the Bay Area. The 24-story tower rises from two podiums, and features inset windows framed by pre-cast concrete pilasters reflecting the architectural character of the area. The first level of the building is distinguished by a dark stone base and granite column covers. Upper stories are clad in textured pre-cast concrete panels, and the southwest corner of the tower features a distinctive curved glass curtain wall.

The two-block site required permanent closure of 15th Street between Clay and Jefferson Streets. This area is enclosed in a three-story glazed atrium, an urban design amenity that maintains a visual corridor along the axis of 15th Street. Within the atrium, sky bridges connect the second and third levels. The building visually links the western edge of the Civic Center, inviting pedestrian traffic to the main entrance at 1515 Clay Street.

Location Overview

Oakland is the geographic center of the San Francisco Bay Area, with San Francisco to the west, San Jose and Silicon Valley to the south and west, and Walnut Creek and other Tri-Valley cities to the east. Oakland enjoys excellent transportation options with five major lines that traverse it and a central business district that offers plentiful parking. All major forms of public transportation - including light rail (BART), ferry, train, and bus - serve Oakland. Oakland also has an international airport only minutes from downtown.

The Property enjoys easy access to interstate freeways 580, 880, 980, Highway 24, and the Bay Bridge. Its close proximity to affluent residential communities in the Berkeley and Oakland Hills, Piedmont, Lafayette, Orinda, Moraga and Walnut Creek make it a favored office location for executives. Local amenities include Old Oakland, Lake Merritt, historic Chinatown, and shopping, restaurants and hotels at City Center and Jack London Square. In addition, Oakland is the only city in California to boast all three major sports franchises with its Oakland Raiders, Oakland A's and Golden State Warriors.



Recent Developments

Downtown Oakland has been experiencing a renaissance with respect to the urban living movement. Once burdened with the unjust label “There is no there there”, Oakland is now the model for redevelopment agencies nationwide with its 10K Housing Initiative. The brainchild of former California governor turned Oakland Mayor Jerry Brown, the 10K Housing Initiative has effectively revitalized downtown by mandating that new residential development and supporting retail attract at least 10,000 new residents into the downtown area. Brown’s plan has had incredible traction and is a testament to the former mayor’s vision for the city. The initiative has attracted top national and local developers including Pulte Homes, Toll Brothers, Signature Properties, Essex Property Trust, Shorenstein and Legacy Partners. Other significant recent developments include the rehabilitation of the historic Fox Theater and the newly developed Cathedral of Christ the Light.

The Opportunity

The Elihu Harris Building offers investors the rare opportunity to acquire an institutional quality trophy office asset that is leased for 20 years to an investment grade credit tenant – the State of California. The Property features distinctive architecture and high quality interior and exterior finishes that have been very well maintained. The combination of a long term lease to a credit tenant, and rent escalations during the term will provide healthy yields throughout the investment horizon. The Property’s newer construction, LEED certification, on-site parking and other amenities further enhance the asset’s investment appeal. The opportunity to acquire a well located asset in a revitalized downtown core with strong barriers to entry solidifies the Property’s risk-adjusted investment potential.

LEED Certified

The LEED® (Leadership in Energy and Environmental Design) Green Building Rating System is the nationally accepted benchmark for the design, construction, and operation of high performance green buildings. Developed by the U.S. Green Building Council, LEED provides building owners and operators a concise framework for identifying and implementing practical and measurable green building design, construction, operating and maintenance solutions.

Befitting California’s legacy as the nation’s leader in “green” legislation and technology, 92% of the Golden State Portfolio is LEED certified (including two pending buildings). The benefits of LEED are many and have the potential to provide superior investment performance.

Studies have shown that LEED projects:

- Obtain higher rents
- Offer productivity gains with fewer employee sick days
- Provide employers with a recruitment tool for new employees and a strong retention rate for existing employees
- “Green” buildings generally have lower operating costs and enjoy a more favorable public image



Marketing Process/Key Dates

- 2/26/10 – 4/14/10** Offering Period
- 2/26/10 – 10:00 AM** Initial Flyer/Brochure release and Website Launch
- 3/2/10 – 4/14/10** Potential buyers that sign the registration agreement will:
- Obtain access to the electronic marketplace for the buyer selected property or properties to review the offering memorandum(s), BOMA studies, preliminary title report(s), 3rd party leases and ALTA survey(s) for the applicable property or properties; and
 - Be invited to property tours that will be conducted on announced dates.
- 4/14/10** The deadline for potential buyers' initial offer submittal
- 4/19/10 – 4/23/10** State evaluation of all initial offers*
- 4/23/10 – 5/6/10** At the State's discretion, potential buyers within the competitive range will be invited to participate in additional offer rounds.
- 4/23/10 – 5/20/10** Potential buyers within the competitive range will be invited to participate in a Best and Final round. During the Best and Final round, invited potential buyers will be provided a copy of the respective draft purchase and sale agreement for review and comment, proposed draft lease agreement(s) and confidential due diligence information which includes 3rd party property condition reports and building plans and specifications. The State may conduct buyer qualification interviews. Comments on the purchase and sale agreement must be provided with the offer.
- 5/24/10 – 5/28/10** State evaluation of all best and final offers*
- 5/28/10** Anticipated date of the selection of the buyer(s)
- Buyer(s) selection will be based on the following criteria:
- Offered Price;
 - Buyer's Financial Capabilities including potential need for debt as a condition of close;
 - Buyer Due Diligence and Closing Timing;
 - Buyer's Terms and Conditions;
 - Buyer's past performance; and
 - Aggregate Proceeds Analysis (Individual Sales, Partial Portfolio, Portfolio)
- * Buyers that tender offers on multiple assets are required to specify their pricing for each asset or the offer will be rejected. Any property complex that consists of more than one building, e.g. the Capitol Area East End Complex, the Franchise Tax Board Complex, the San Francisco Civic Center, and the California Emergency Management Agency shall be considered a single asset for the purposes of this paragraph.

PROPERTY SUMMARY

Property:

1515 Clay Street
Oakland, CA 94612

LEED® Certification:

LEED Certified



Year Built:

1998

Architect:

DMJM Keating

Designer/Builder:

Fletcher Dinwiddie, Inc.

General Contractor:

Dinwiddie Construction Company

Number of Structures:

Two interconnected buildings:

- (1) 24-story office building with 2-story basement/garage
- (2) 3-story office building connected to the 24-story building by a three-story enclosed atrium

Parcel Numbers:

003-0069-001 to -005, -007 to -011 & -014

Total Rentable Area:

700,589 square feet

Site Area:

± 99,392 square feet (±2.28 acres)

Zoning:

CBD-C (Central Business District – Commercial)

Floors:

Twenty-four

Site Location:

The Property is located on Clay Street between 14th and 16th Streets in downtown Oakland, California. Adjacent properties consist of similar high-rise office buildings.

Site Access:

The main building entrance is located at the corner of Clay and 15th Streets via the 3-story atrium that stretches between the two interconnected buildings. 15th Street originally ran through the site; however, there is currently pedestrian access only that continues through the atrium. Access to the parking garage entry and exit is along 16th Street.

Signage:

The property monument sign consists of aluminum lettering mounted on a metal arc at the main building entrances.

Elevators:

17 total

The building has 1 service and 12 passenger traction elevators at the tower, 2 hydraulic elevators for the south building and 2 hydraulic elevators for the parking levels. The elevators were manufactured by Montgomery Elevator. There is also one set of escalators (one up, and one down) serving Floors 1 and 2 from the atrium.

Elev. No.	Type	Capacity	Floors Served
1-4	Passenger, traction	3,500 lbs	1-7
5-8	Passenger, traction	3,500 lbs	1; 8-15
9-12	Passenger, traction	3,500 lbs	1; 16-22
13	Service, traction	5,000 lbs	1-23
14-15	Passenger, hydraulic	3,000 lbs	B2-1
16-17	Passenger, hydraulic	3,000 lbs	1-3

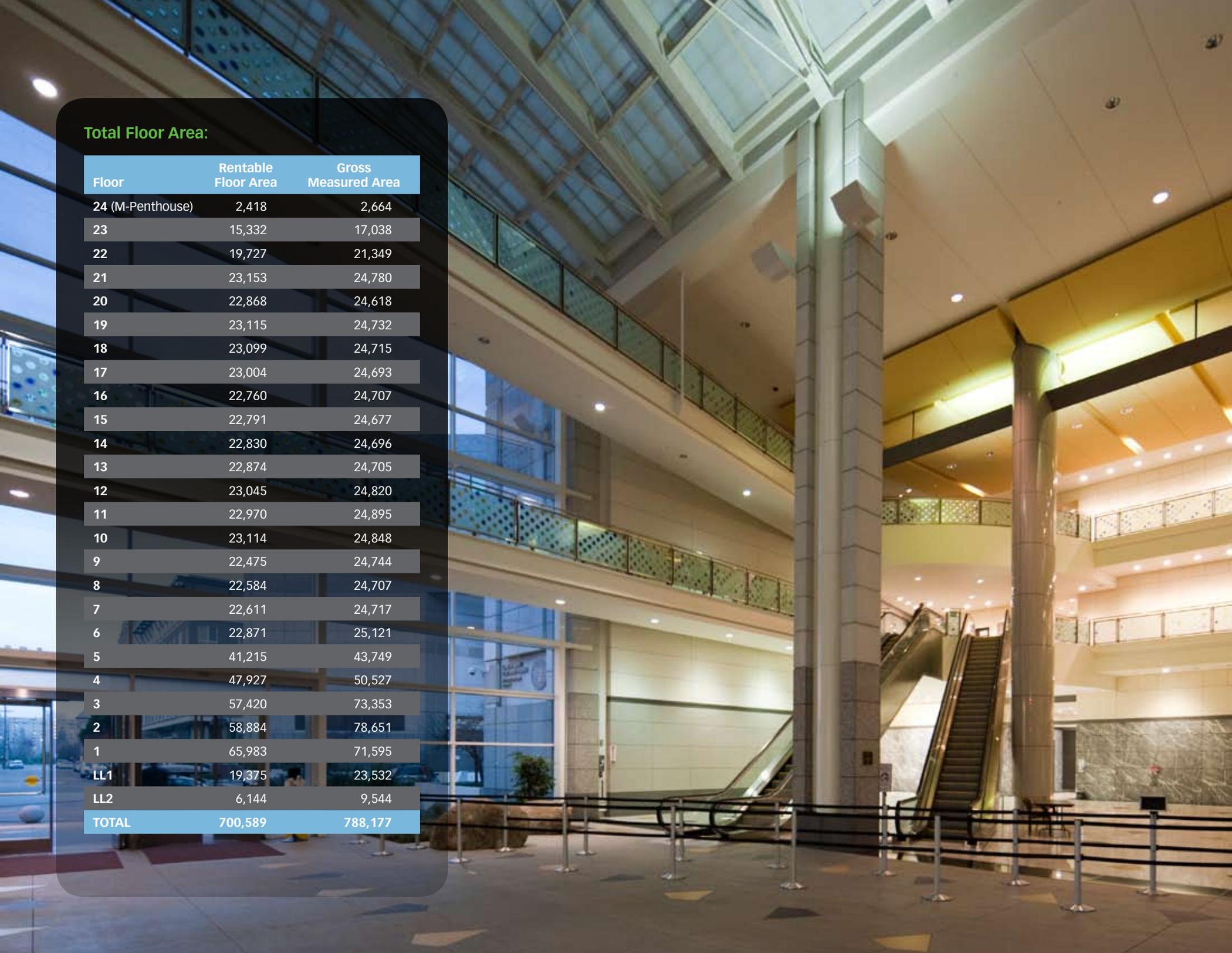
Parking:

± 392 garage stalls in 2 basement levels

Entry to the basement parking garage is along 16th Street with swing arm card key access security gates at the entry and exit drives. Parking includes two van accessible stalls, and 10 standard disabled-accessible parking stalls. The parking ratio is ± 0.56 spaces per 1,000 square feet of building area.

Total Floor Area:

Floor	Rentable Floor Area	Gross Measured Area
24 (M-Penthouse)	2,418	2,664
23	15,332	17,038
22	19,727	21,349
21	23,153	24,780
20	22,868	24,618
19	23,115	24,732
18	23,099	24,715
17	23,004	24,693
16	22,760	24,707
15	22,791	24,677
14	22,830	24,696
13	22,874	24,705
12	23,045	24,820
11	22,970	24,895
10	23,114	24,848
9	22,475	24,744
8	22,584	24,707
7	22,611	24,717
6	22,871	25,121
5	41,215	43,749
4	47,927	50,527
3	57,420	73,353
2	58,884	78,651
1	65,983	71,595
LL1	19,375	23,532
LL2	6,144	9,544
TOTAL	700,589	788,177



Paving, Curbs and Sidewalks:

Paving: The access ramps and basement parking area have concrete paving with a swirl finish.

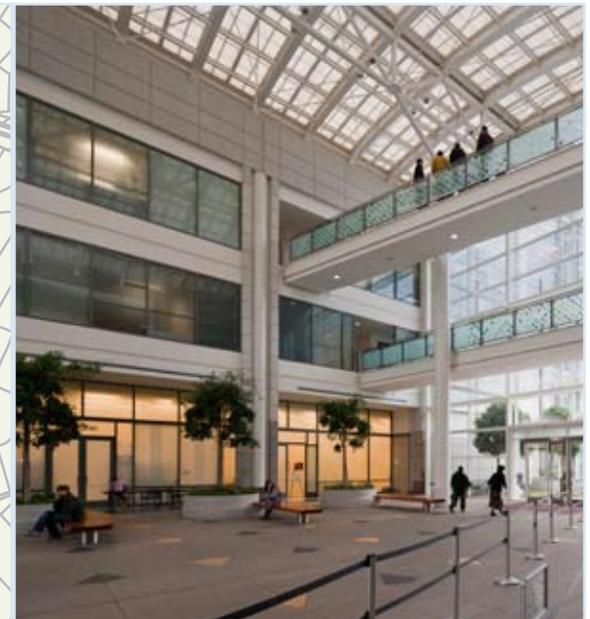
Curbs: The sidewalk curbs are concrete and integral with the street gutter.

Sidewalks: Public sidewalks along each of the public streets have broom finish concrete. On-site walkways and plazas at the atrium have standard and integrally-colored concrete with a broom or exposed aggregate finish with terrazzo highlights.

Structure:

Vertical Load System: The superstructures consist of a 24-story steel framed high-rise building, a three-story steel framed low-rise building, and a steel-framed atrium canopy interconnecting the primary structures. The superstructures are supported on two-levels of below-ground basement parking. The roof, elevated floor decks, and below-ground decks typically consist of a normal-weight concrete slab, reinforced with regularly-spaced mild steel reinforcement, on a light-gauge steel corrugated deck. The deck spans to steel wide-flange beams and girders that are supported on steel wide-flange columns. The columns deliver the vertical loads to the spread footing foundations.

Lateral Load System: The lateral force-resisting systems of the high-rise and low-rise buildings consist of the elevated concrete deck diaphragms that deliver the lateral loads to the steel wide-flange moment-resisting frames located at both the perimeter and distributed within the interior of the buildings. The rooftop penthouse of the high-rise and the western end of the low-rise building utilize steel brace frames to resist lateral loads. The moment-resisting frames are continuous to the lower floors and deliver lateral loads to the foundation.



Roof:

The main tower roof and tower penthouse roofs are original and consist of an inverted roof membrane assembly with a multi-ply built-up roof installed over the concrete deck and concrete-faced rigid surface insulation boards. There are additional concrete pavers at the perimeter of the building (swing stage protection) and at heavy foot-traffic areas. The low-rise building roof and penthouse roofs are also original and consist of a multi-ply built-up membrane with a mineral surfaced cap sheet. The atrium roof has synthetic translucent panels over the painted steel framing.

The roofing systems has a life expectancy of \pm 25 years, and has an estimated remaining useful life of \pm 10 years.



Exterior Finishes and Components:

Exterior walls Exterior walls are a combination of granite and precast concrete panels, and aluminum and glass window wall systems. Granite panels with silicone sealant joints are installed at the ground floor. The remainder of the low-rise portions of the building have precast concrete panels with silicone sealant joints. The tower elevations have a combination of curtain wall with vision and spandrel glazing, precast concrete panels with precast concrete fins and vision glazing, and curved glass curtain wall, with silicone sealant at joints. The main tower and the three-story building to the south are connected by an enclosed atrium and window wall system. Windows and storefronts are typically single-glazed in aluminum frames. The crown on top of the main tower barrel curtain wall is steel-framed, with aluminum mullions and steel mesh, all with a paint finish. There is a painted metal trellis at the top of the west tower elevation.

Exterior Doors and Frames:

Main entry doors along 15th Street consist of stainless steel double leaf door frames with tinted, single-pane, tempered glazing. Secondary entries are typically single-leaf aluminum-framed doors with single-pane tempered glazing. Service doors are generally hollow metal doors with a painted finish.

Office Area:

Office areas have wall-to-wall carpeting, painted gypsum board walls, and 2' x 4' lay-in acoustical tile ceiling set in a metal grid suspension system. Doors are solid core wood with a wood veneer, lever-type hardware in aluminum or painted metal frame. Break rooms have vinyl composition tile.

Common Areas:

The main lobby has a combination of terrazzo, stone, and tile floors; walls are stone and painted gypsum board; and ceilings are laminated plastic panels or painted gypsum board. The atrium portion of the lobby has sealed concrete floors. The low-rise (south) building has an auditorium at the ground floor. There is a cafeteria with full service kitchen and dining area at the second floor of the office tower. Office areas typically have wall-to-wall carpeting, painted gypsum board walls, and 2' x 4' lay-in acoustical tile ceiling set in a metal grid suspension system. The core area at each floor contains separate men's and women's restrooms; finishes include ceramic tile at floors and wet walls, painted gypsum board at the remaining walls and ceilings, metal toilet partitions and granite countertops.

Interior Lighting:

Office area lighting generally consists of fluorescent fixtures with T-8 lamps and electronic ballasts. Exit lights are illuminated fixtures located that indicate the path of egress. Emergency lighting is provided by fixtures served by the emergency power system. Parking level lighting is low-bay metal halide fixtures.

Interior Doors:

Doors are solid core wood with a wood veneer, lever-type hardware in aluminum or painted metal frame.

Loading Docks:

There is one drive in loading area along 16th Street which is secured by two overhead loading doors. The doors are overhead roll-up metal doors with a paint finish; one door is perforated. The drive in area has two dock-high loading docks with one mechanical leveler.

HVAC/Heating System:

Heating and cooling is distributed by a variable air volume (VAV) system. Conditioned air is provided by five built-up air handling systems. The two systems located in the main tower penthouse serve Floors 6 through 22. The two systems, located on Floor 5 of the tower, serve tower Floors 1 through 5, including the cafeteria. The system at the south building roof serves the low-rise building office areas. VAV boxes control the flow of air to the various spaces. VAV boxes with hot water reheat coils serve the perimeter zones.

Each air handling system consists of two supply fans, chilled water cooling coil, filter bank with pleated and bag filters, and two return/relief fans. Variable speed drives have been installed for the fans to control the amount of air supplied to match the demand.

Cooling is via two Carrier 775 ton centrifugal chillers that utilize refrigerant HFC-134a. The chilled water system is piped as a primary/secondary loop, with variable speed drives provided for the secondary pumps. Heat is rejected through two BAC induced draft cooling towers. These units provide coverage of \pm 394 square feet per ton. Heating hot water is via two Bryan forced draft, natural gas boilers with input capacity of 8,500,000 BTUH.

There is a separate cooling loop supported by one BAC closed circuit fluid cooler with a 360-ton capacity; this is provided for the water-source heat pumps at the retail areas and the auditorium, as well as cooling only units for equipment rooms and special tenant areas.

A non-chemical treatment system has been installed for the condenser water system and cooling loop.



Energy Management System:

The building has a Johnson Controls Metasys direct digital control system with the front end computer located in the engineer's office. This system provides start/stop and temperature control for the main equipment, as well as control of the VAV boxes.



Plumbing System:

Water Service: The building has one domestic water service and one irrigation connection to the domestic service; backflow preventers were noted for the domestic service and the irrigation connection. The domestic water system is supported by a Moeller triplex booster pump package.

Domestic Water Piping: Domestic water tubing is copper.

Water Heaters: Domestic hot water for the toilet rooms is provided by two 275- gallon PVI forced draft natural gas water heaters with input capacity of 275,000 BTUH.

Plumbing Waste & Vent Lines: Sanitary waste piping consists of cast iron pipe which discharges to the municipal sanitary sewer system. Main roof drains are internal, cast iron, and connect to the storm drainage system. Three above grade sewage sumps with duplex pumps are provided for various loads in the parking levels. An underslab and foundation drainage system has two storm sumps with duplex pumps. A grease intercept system serves the kitchen.

Fixtures: Restroom facilities typically have wall-mounted vitreous china water closets and wall-mounted urinals and countertop lavatory sinks.

Natural Gas: The building has one natural gas service for the heating water boilers and domestic water heaters, with an earthquake valve noted on the service. There is a separate service for the third party generators on the roof.

Electrical System:

Description of Service: The buildings have a 277/480-volt, 3-phase, 4-wire electrical service with three main switchboards, each with a 4,000-amp capacity. One 800 ampere metering board is provided for retail tenant services. There is a separate 800 ampere service for the electric fire pump. This provides capacity of ± 13.5 watts per square foot.

Electrical Distribution: Each floor of the tower and the low-rise building has one electric room. Each electric room contains one 277-volt lighting panel and 120-volt power panels. There are transformers every third floor.

Emergency Power: Emergency and standby power is provided by one Caterpillar 2000 kW diesel generator. This provides power for emergency/ egress lighting, smoke control equipment and one elevator in each bank.

The building has a central lighting control system that works with the Johnson Controls building management system.





Fire/Life Safety System:

The building is a Type I, fire resistive structure and is fully fire-sprinklered. The primary steel framing system has a spray fireproofing. It generally appears that building walls at the atrium are designated as area separation walls. Vertical shaft enclosures (elevator, HVAC) are typically 2-hour rated with shaftboard. Elevator lobbies have rated enclosure doors with electric hold-open devices. The stairway enclosures are typically 2-hour rated gypsum wallboard walls and hollow metal door frames and doors are labeled 1-1/2-hour fire resistive rated with smoke-tight seals. Corridor walls extend to the underside of structure and are one-hour rated. Solid core wood corridor doors and frames are labeled.

The building is fully sprinklered with an automatic wet-pipe system; the system is served by one fire water service with backflow preventer noted. The fire sprinkler system is supported by an on-site water tank, two main diesel fire pumps and main and jockey electric fire pumps. The main fire pumps are rated at 1000 gallons per minute. The building has two combination standpipe/risers with fire department hose connections and fire sprinkler zone valves at each floor. The fire sprinkler system is a loop design. The design criterion is 0.10 gallons per minute per square foot over the most remote 1500 square feet for the office areas and 0.15 gallons per minute per square foot over the most remote 1500 square feet for the parking levels.

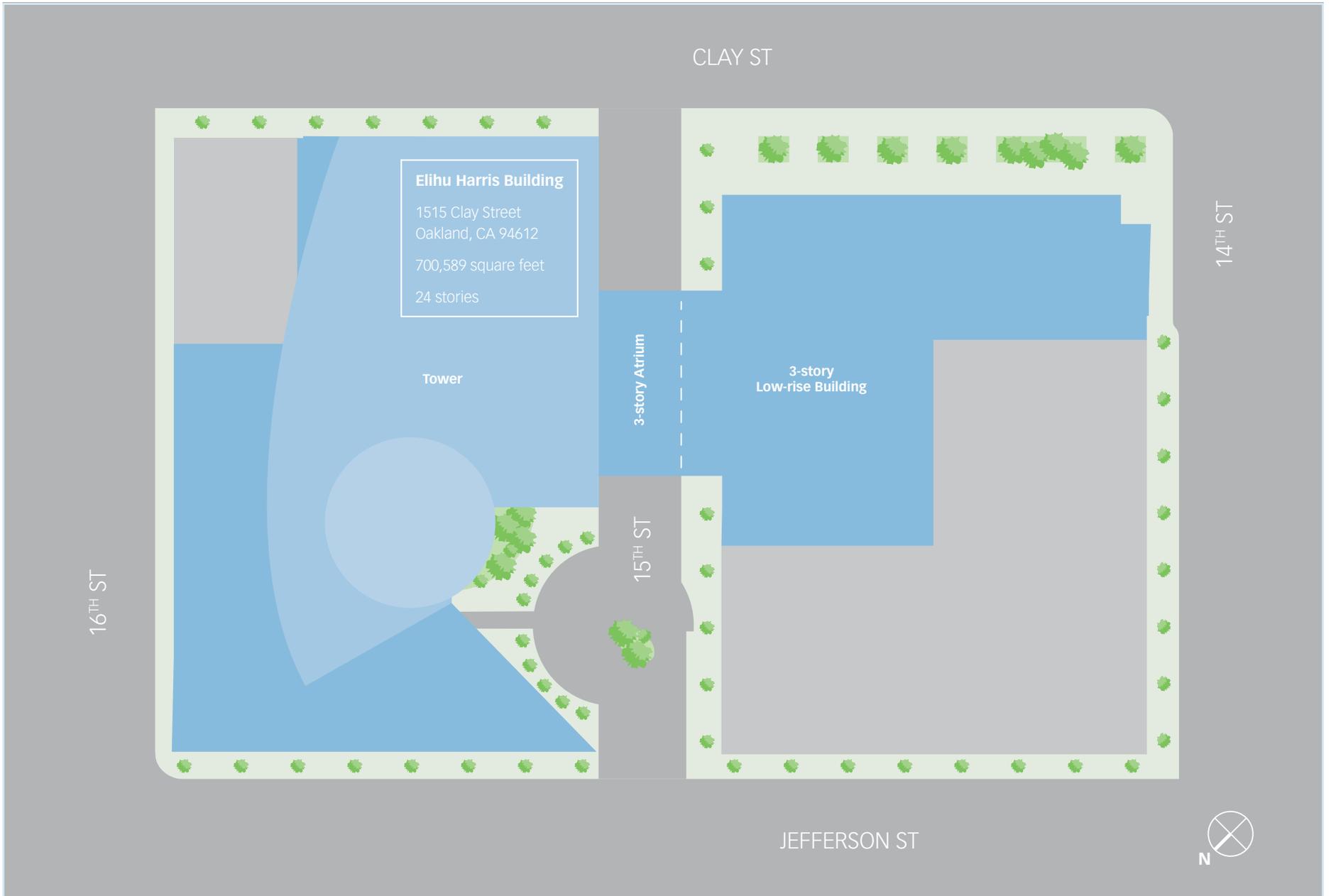
A Simplex 4100 addressable fire alarm panel monitors flow and tamper switches in the sprinkler system; smoke detectors at elevator lobbies, the atrium and in the air distribution system; and manual pull stations at exits. The fire alarm panel activates audio/visual alarms located throughout the building and an exterior wall-mounted bell.

The fire alarm panels are located in the Fire Control Room adjacent to the main security office off the main lobby. The FCC also contains a graphic annunciator panel, HVAC display/smoke control panel, elevator display/control panel and generator annunciator. There is a complete emergency communications system with paging, two-way communications and sound-powered telephones. The fire alarm system is monitored off site.

Utilities:

Water:	East Bay Metropolitan Utility District (EBMUD)
Sewer:	EBMUD
Electricity:	Pacific Gas and Electric (PG&E)
Gas:	PG&E
Telephone:	AT&T

Site Plan

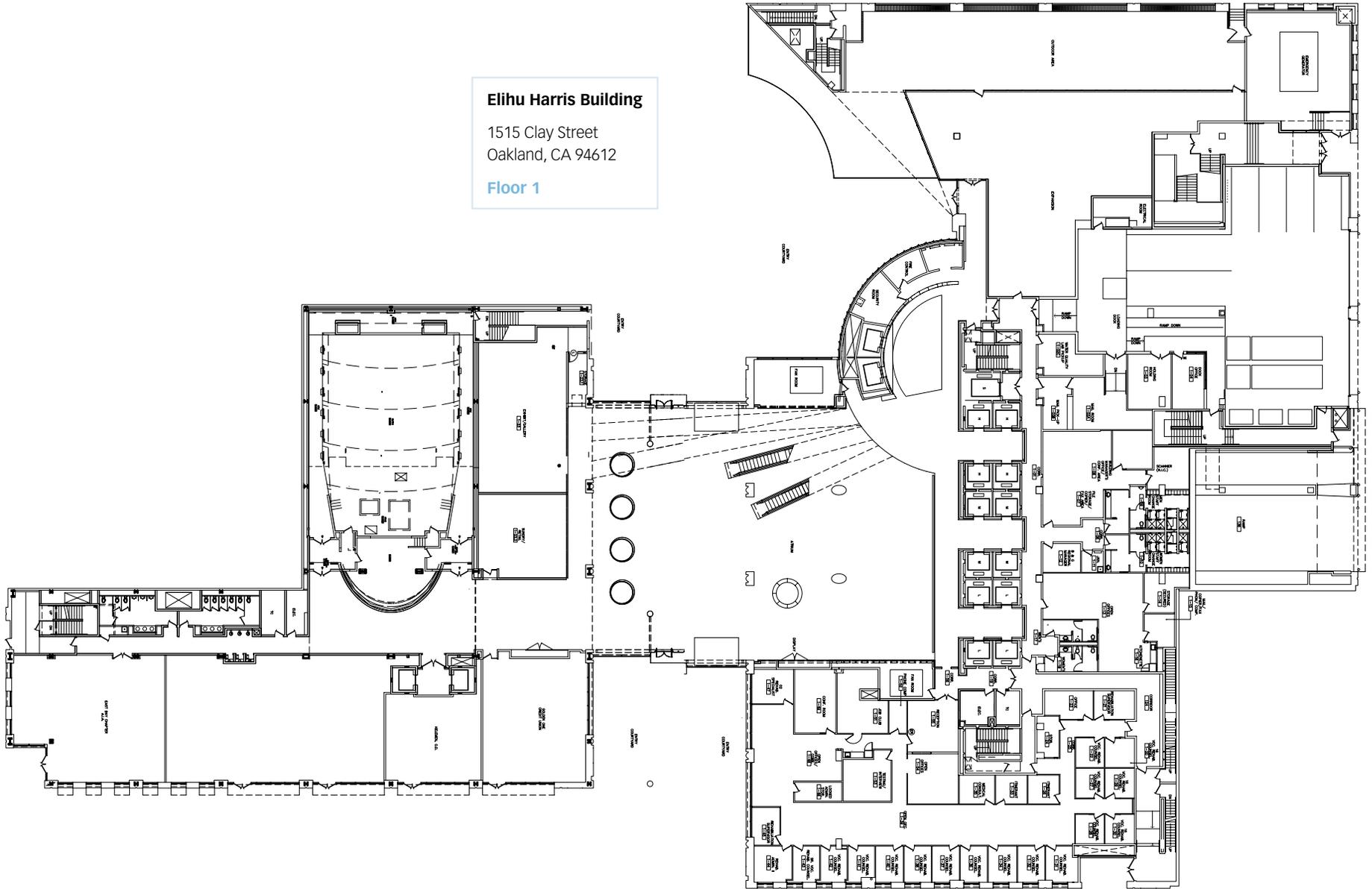


Representative Floor Plans

Elihu Harris Building

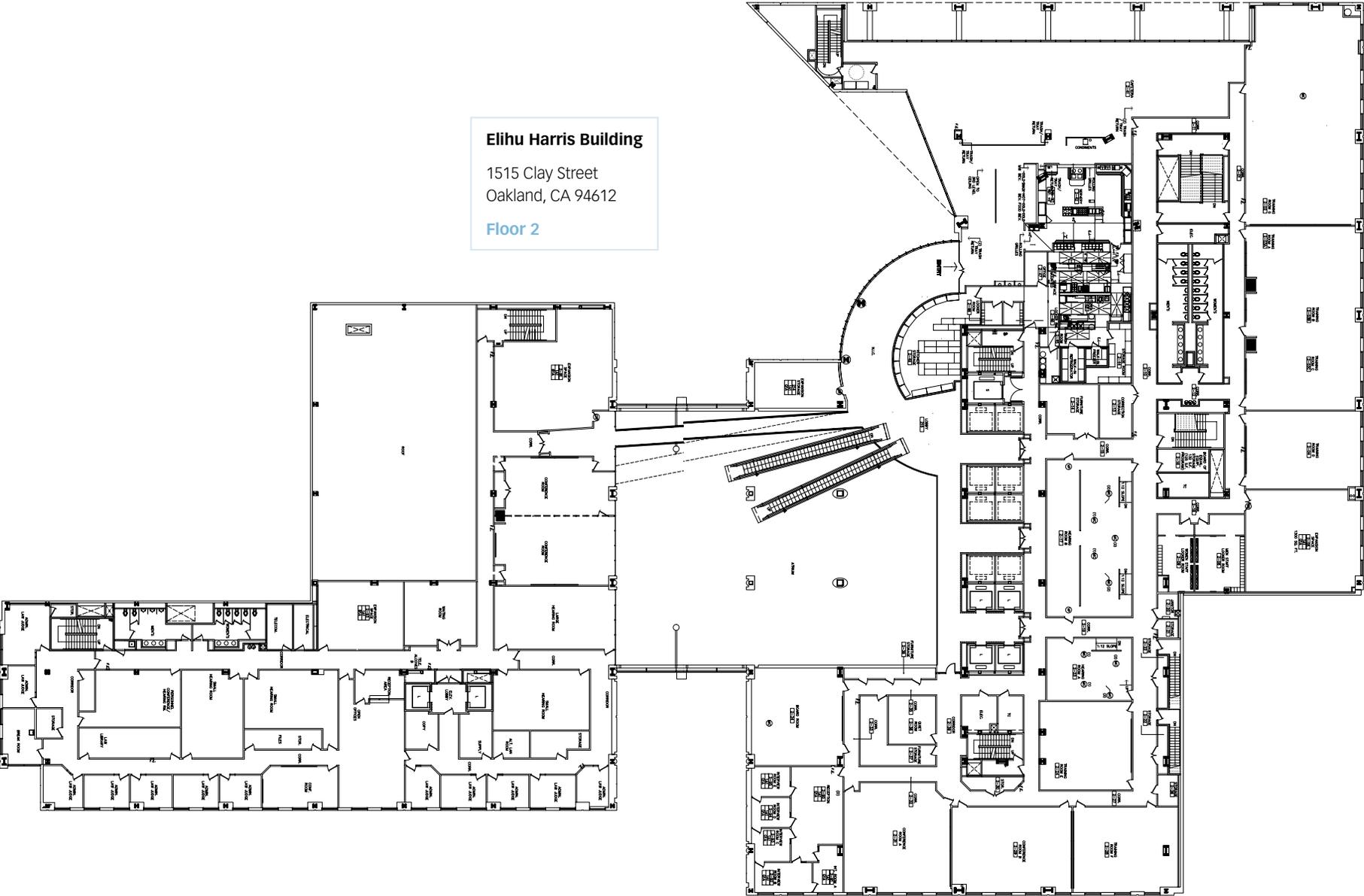
1515 Clay Street
Oakland, CA 94612

Floor 1



Representative Floor Plans

Elihu Harris Building
1515 Clay Street
Oakland, CA 94612
Floor 2



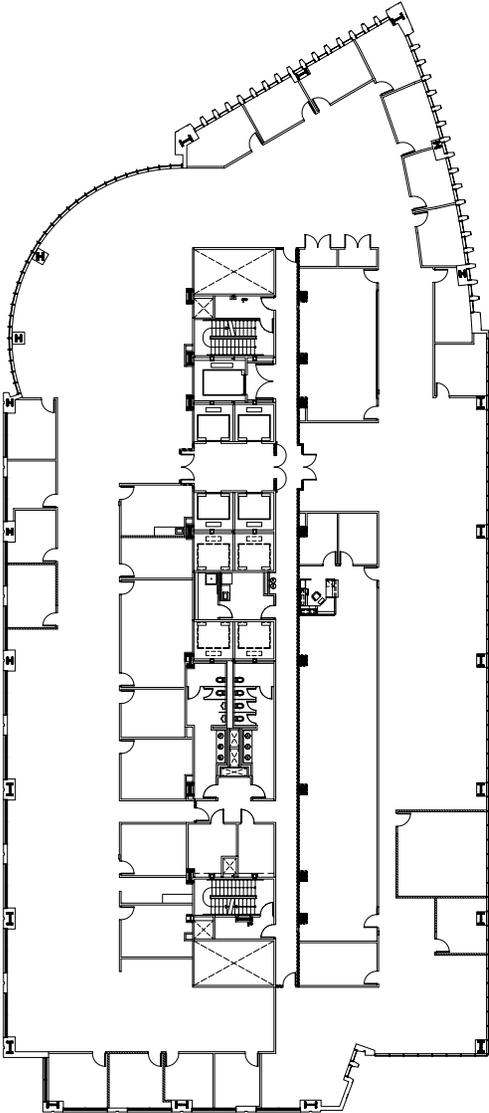


Representative Floor Plans

Elihu Harris Building
1515 Clay Street
Oakland, CA 94612
Floor 5



Elihu Harris Building
1515 Clay Street
Oakland, CA 94612
Floor 16

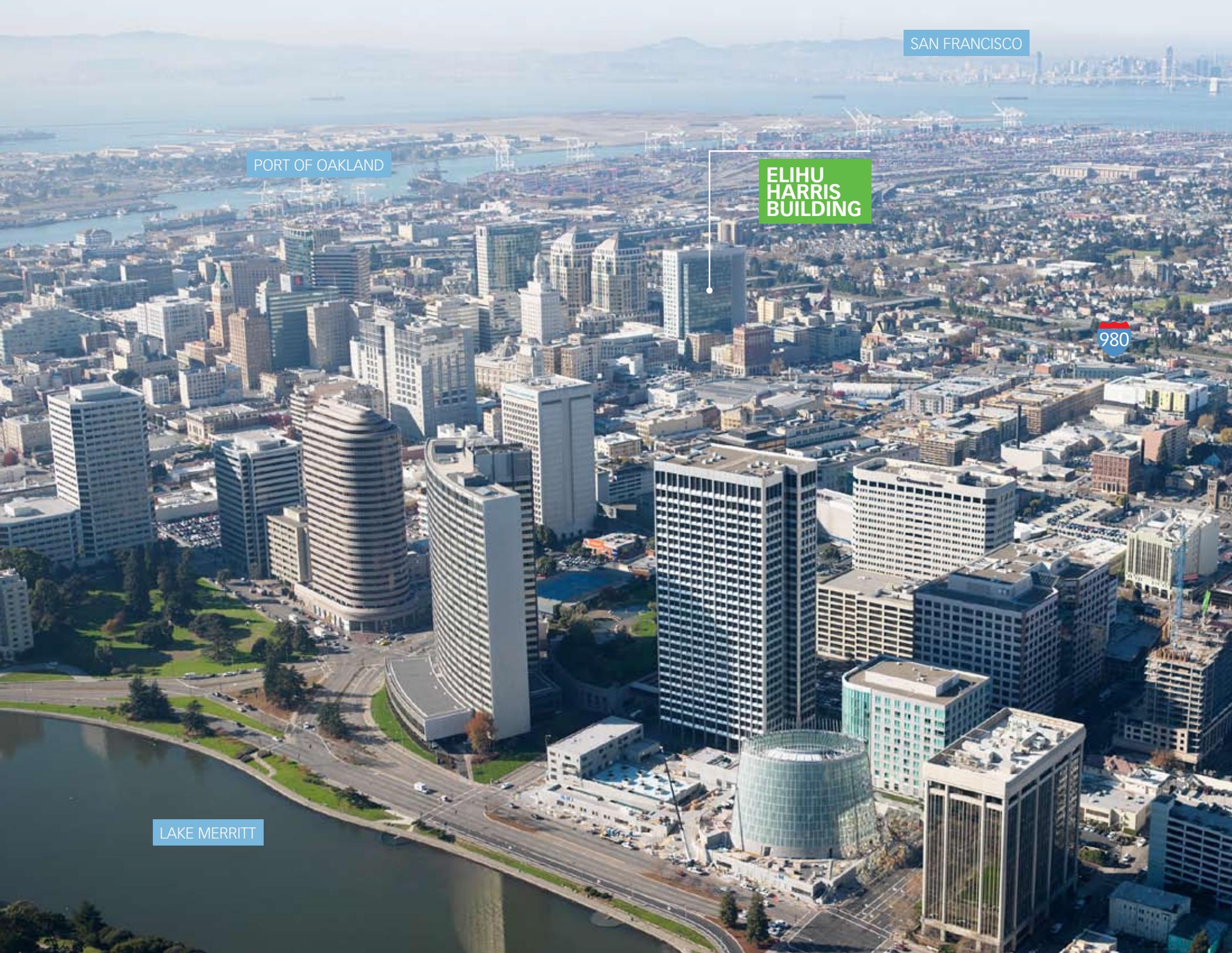


PORT OF OAKLAND

ELIHU HARRIS BUILDING



LAKE MERRITT



THE SAN FRANCISCO BAY AREA OVERVIEW

The San Francisco Bay Area has the unique distinction of being the most innovative place in America. The Bay Area is one of the most inventive, competitive economies in the world based on a productive and educated workforce, deep venture capital pool, concentration of research organizations, culture of innovation and receptivity to new ideas. Some of the highlights of the Bay Area include:

- Over 7.2 million residents and the highest percentage of graduate and professional degrees in the nation
- Home to 29 Fortune 500 companies and 32 of Inc. 500's fastest growing private companies
- Superb quality of life with a Mediterranean climate, world-famous wine country, world-class cultural resources, and the stunning natural beauty of the Pacific Ocean and the Sierra Nevada Mountains
- Highest concentration of venture capital firms in the world which have invested an average of \$10 billion annually in 1,100 local area firms
- Proximity to outstanding education and research institutions at Stanford University, University of California at Berkeley, University of California at San Francisco, University of California at Davis, Santa Clara University and San Jose State University

Knowledge-Based Economy

With its longstanding reputation for cutting-edge innovation, the Bay Area has always required one of the most specialized and educated workforces in the country. The Bay Area has the highest share of population with a bachelor's degree and the largest number of top 10 graduate programs. For the more specialized industries, academic excellence ensures an ongoing supply of highly-educated researchers. In fact, one in four of California's biotech firms were founded by University of California scientists.

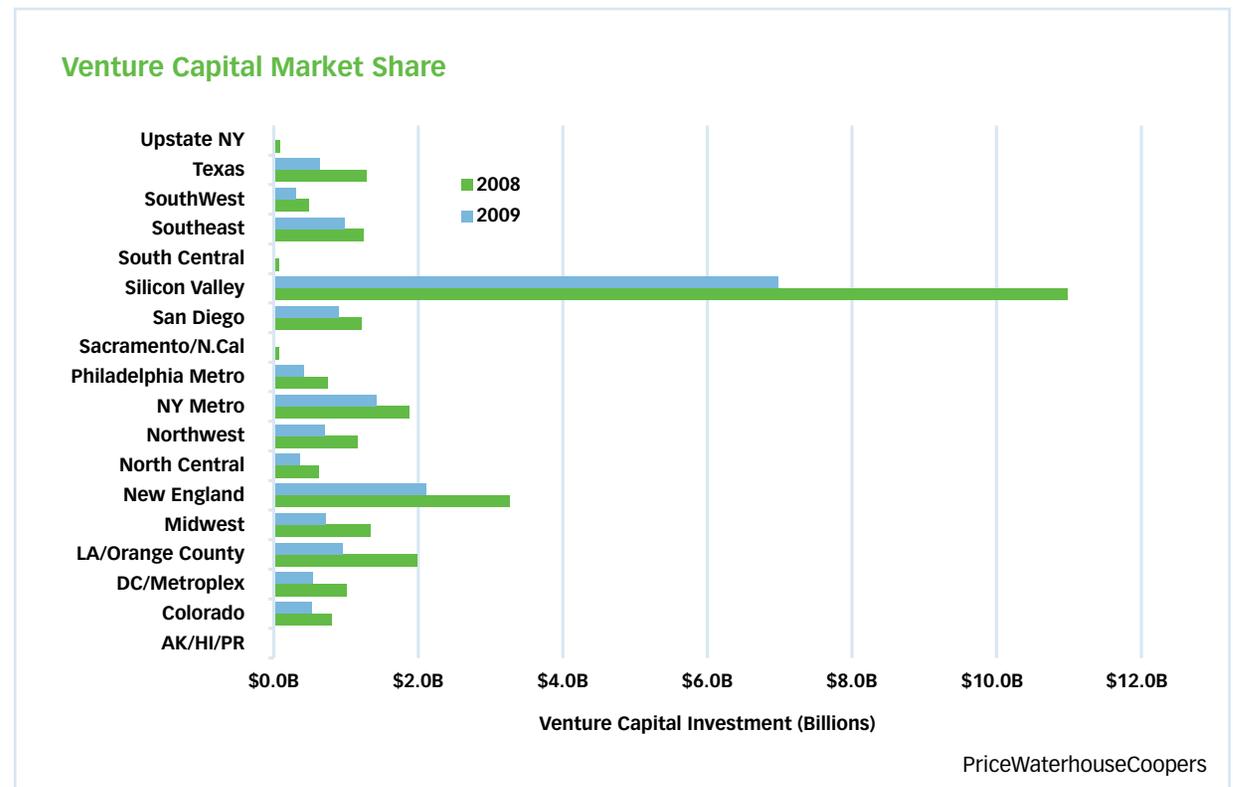
Recent literature by acclaimed author, Dr. Richard Florida, credits the knowledge workers of the Bay Area as the main catalyst for economic growth in his publication, *Who's Your City?*. He cites the Bay Area as the premier location for this "creative class," with its established demographic talent, diverse and tolerant community, and the advanced technology infrastructure necessary to fuel an entrepreneurial culture. Those, he claims, who can "create outcomes in new ideas" will bring any region to great economic power and growth.

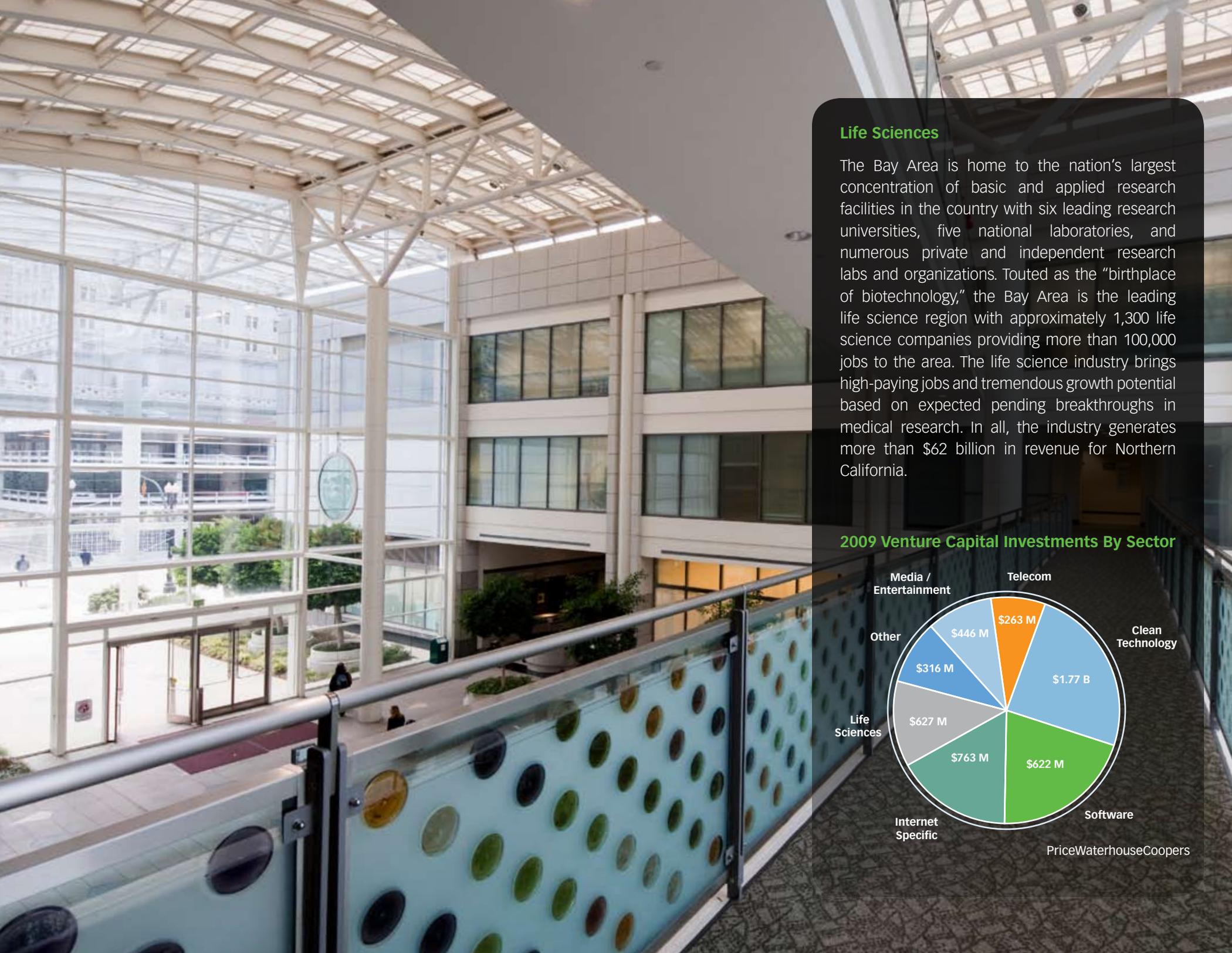
Venture Capital Funding

The San Francisco Bay Area lays claim to the highest concentration of venture capital firms in the world. By providing capital and management expertise to burgeoning companies, venture capitalists facilitate ground-breaking innovation. Companies such as Cisco, Intel, Oracle, Apple and Genentech were all funded by venture capitalists before they grew to the multinational corporations they are now. These Bay Area companies are evidence of the proximity advantage. Those close to venture capitalists tend to attain financing faster: Bay Area start-ups gain financing on average 11.6 months after launch, compared to an average of 16.6 months across the nation. Thus the Bay Area has become the venture capital “capital” of the world, receiving 39.5% of all venture capital invested in the US, amounting to nearly \$7 billion in 2009.

Venture capital funding has contributed to the Bay Area’s leading position in global innovation as it has evolved with and facilitated the repeated waves of major new technologies. The latest rounds of funding have focused on the clean tech industry, as the market for products/services which reduce energy consumption is rapidly gaining momentum. Venture capital investment in clean tech has grown nearly 350% from 2005 levels, totaling \$2.2 billion

in 2007. The Bay Area leads the charge, accounting for 62% of California’s and 21% of US investment. The arrival of regional initiatives has also established Bay Area clean tech predominance, with over \$750 million invested into environmental research by the US Department of Energy and the British Petroleum Corporation.

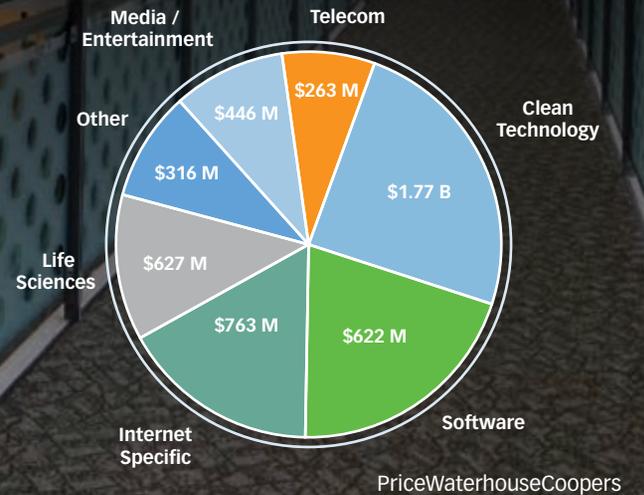




Life Sciences

The Bay Area is home to the nation's largest concentration of basic and applied research facilities in the country with six leading research universities, five national laboratories, and numerous private and independent research labs and organizations. Touted as the "birthplace of biotechnology," the Bay Area is the leading life science region with approximately 1,300 life science companies providing more than 100,000 jobs to the area. The life science industry brings high-paying jobs and tremendous growth potential based on expected pending breakthroughs in medical research. In all, the industry generates more than \$62 billion in revenue for Northern California.

2009 Venture Capital Investments By Sector



Global Orientation & Trade

The Bay Area's global presence is supported by a sophisticated trade infrastructure, generating \$80 billion annually. Three international airports and the nation's fourth largest container port provide a logistical base that ensures its companies are among the most globally connected in the world. The global demand for the Bay Area's technology products and services has been a driving factor behind the region's economic expansion and accounts for a large share of revenue for tech companies in the region.

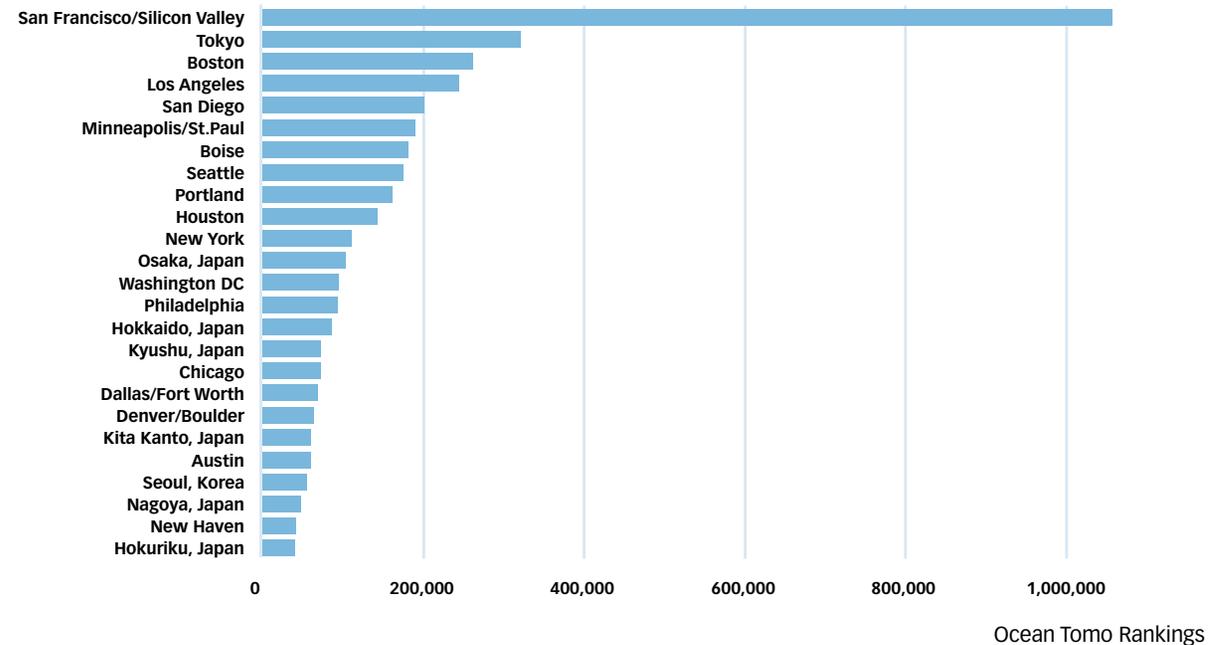


A Center Of Innovation

It is not surprising that the Bay Area has the unique distinction of being the most inventive place in the world. A recent Business Week article ranked the top inventive cities in the world according to Ocean Tomo, a Chicago-based financial research and services firm. The company based their findings on the value of patents awarded since 1976 based on 50 factors, including patent maintenance fees and

how many times each patent is cited in new ones and then cross-referenced with the addresses of the first-listed patent holders. San Francisco/Silicon Valley was number one on the list by a huge margin (see the article "The World's Most Inventive Cities"). The Bay Area benefits from an unparalleled creative center which boasts strong biotech, research firms, universities and labs.

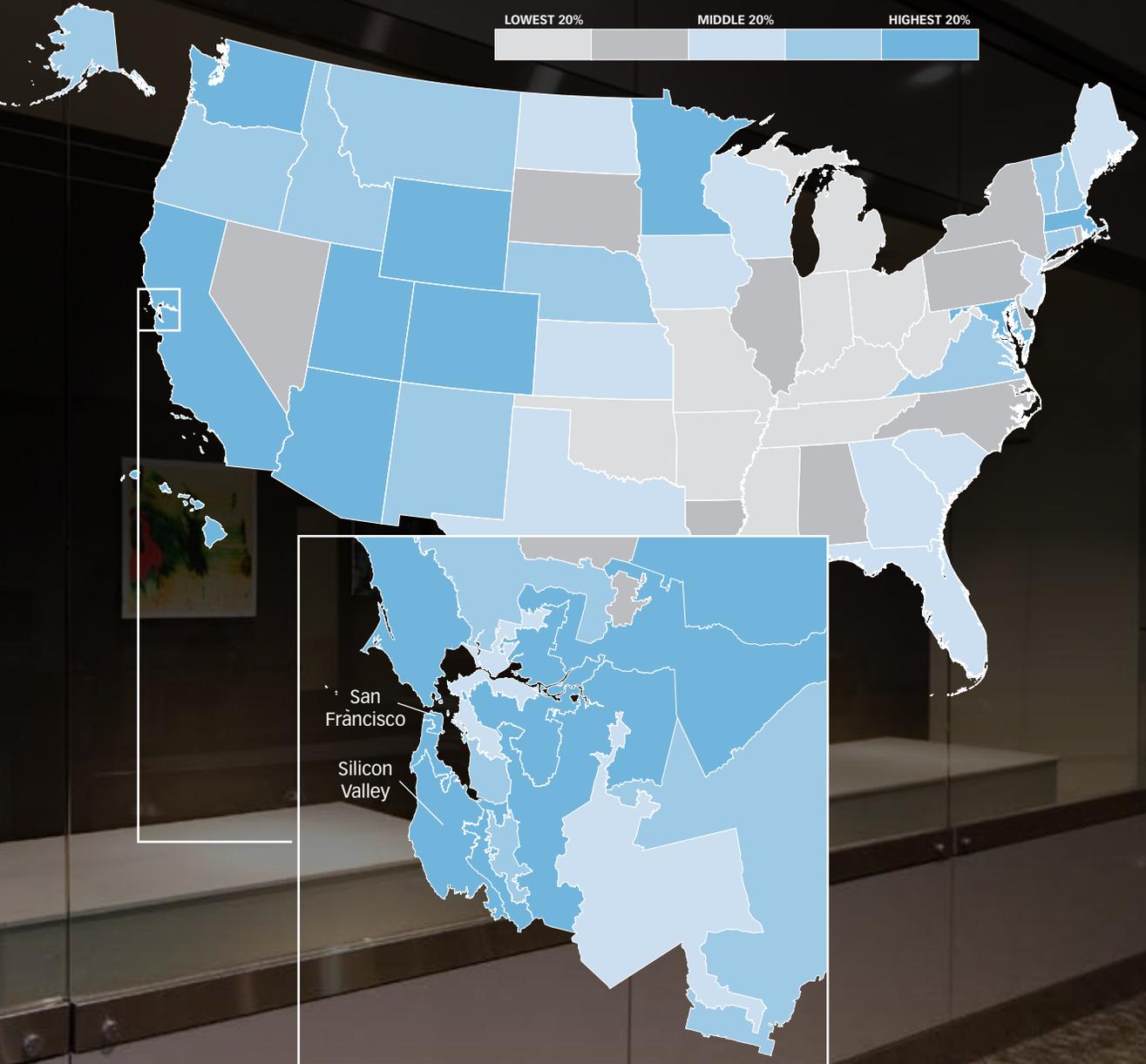
Top 25 Inventive Cities In The US



The Well-Being Index

While superior quality of life and the Bay Area have often been synonymous, a recent nationwide survey has helped quantify this statement. The Gallup Corporation created an index to rank the desirability of places throughout the country, and the Silicon Valley ranked number one in the nation. The Gallup-Healthways Well-Being Index ranks places according to the following six general metrics: Life Evaluation, Emotional Health, Physical Health, Healthy Behavior, Work Environment, and Basic Access. (<http://www.ahiphewire.org/wellbeing/>).

California's 14th Congressional district, which comprises portions of San Mateo, Santa Clara and Santa Cruz counties ranked at the top of the list of all 435 Congressional districts in the country with respect to the Well-Being Index (see map). Silicon Valley's #1 ranking overall includes the following highlights: work quality (#1 in the country) and healthy behavior (#2 in the country). Other congressional districts in the Bay Area were not far behind and ranked in the top 20% in the country according to the poll.

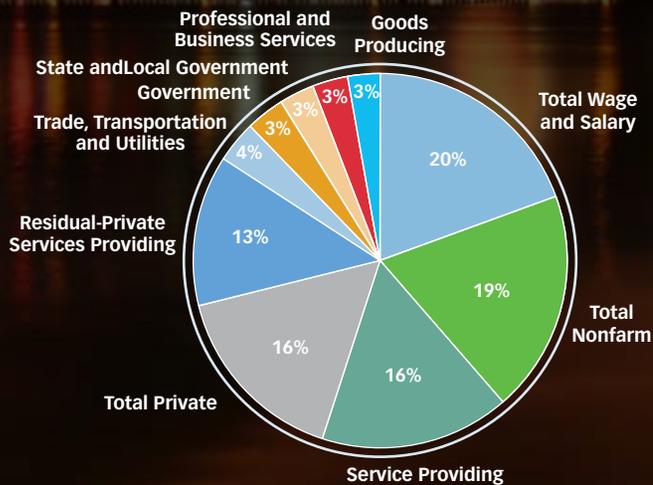


EAST BAY OVERVIEW

The East Bay lays claim the largest share of the Bay Area's population at 35% and 2.5 million people. Of this, there are approximately 1.5 million people in Alameda County and 1 million people in Contra Costa County.

The East Bay economy has been characterized as having one of the steadiest of the Bay Area's economies largely due to its diversified industry. Key drivers for the East Bay economy are healthcare, education, government, energy, retail and banking sectors. Many large corporations such as Kaiser, AT&T, Safeway, and Chevron have all chosen the East Bay when locating their operations in order to take advantage of lower occupancy costs and proximity to a deep labor pool.

East Bay Payroll Employment By Industry 2009



The East Bay also has one of the most significant bioscience clusters in the nation. According to the Bay Area Marketing Partnership, one third of the Bay Area’s biotech headquarters are based in the East Bay. Major firms include Novartis, Bayer, Bio-Rad, Applied Biosystems and Cell Genesys. The East Bay also has access to the following outstanding research institutions:

ADVANCED LIGHT SOURCE AT LAWRENCE
BERKELEY NATIONAL LABORATORY

CHILDREN’S HOSPITAL OAKLAND
RESEARCH INSTITUTE

JOINT GENOME INSTITUTE

KAISER PERMANENTE DIVISION OF RESEARCH

LAWRENCE BERKELEY NATIONAL LABORATORY

LAWRENCE LIVERMORE NATIONAL LABORATORY

MOLECULAR FOUNDRY (AT LAWRENCE
BERKELEY NATIONAL LABORATORY)

SANDIA NATIONAL LABORATORIES

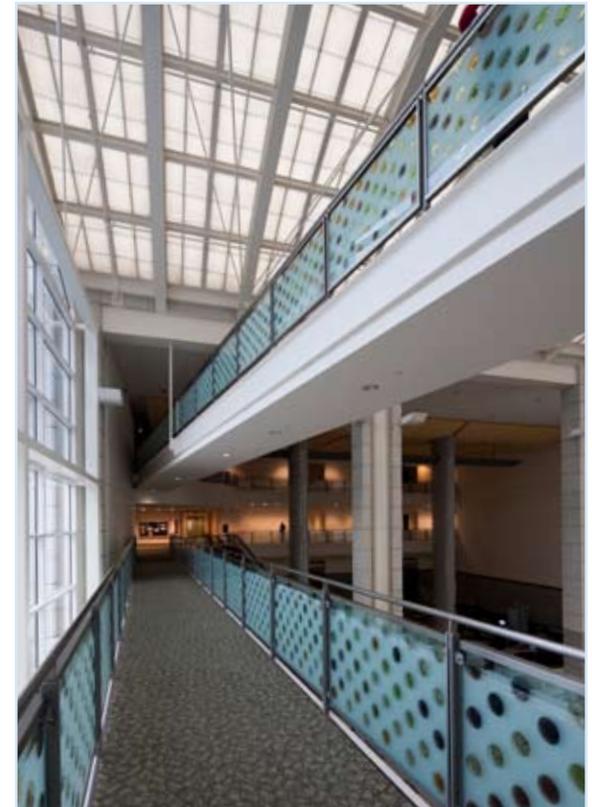
STANLEY CENTER FOR BIOSCIENCE
& BIOENGINEERING AT UNIVERSITY
OF CALIFORNIA, BERKELEY

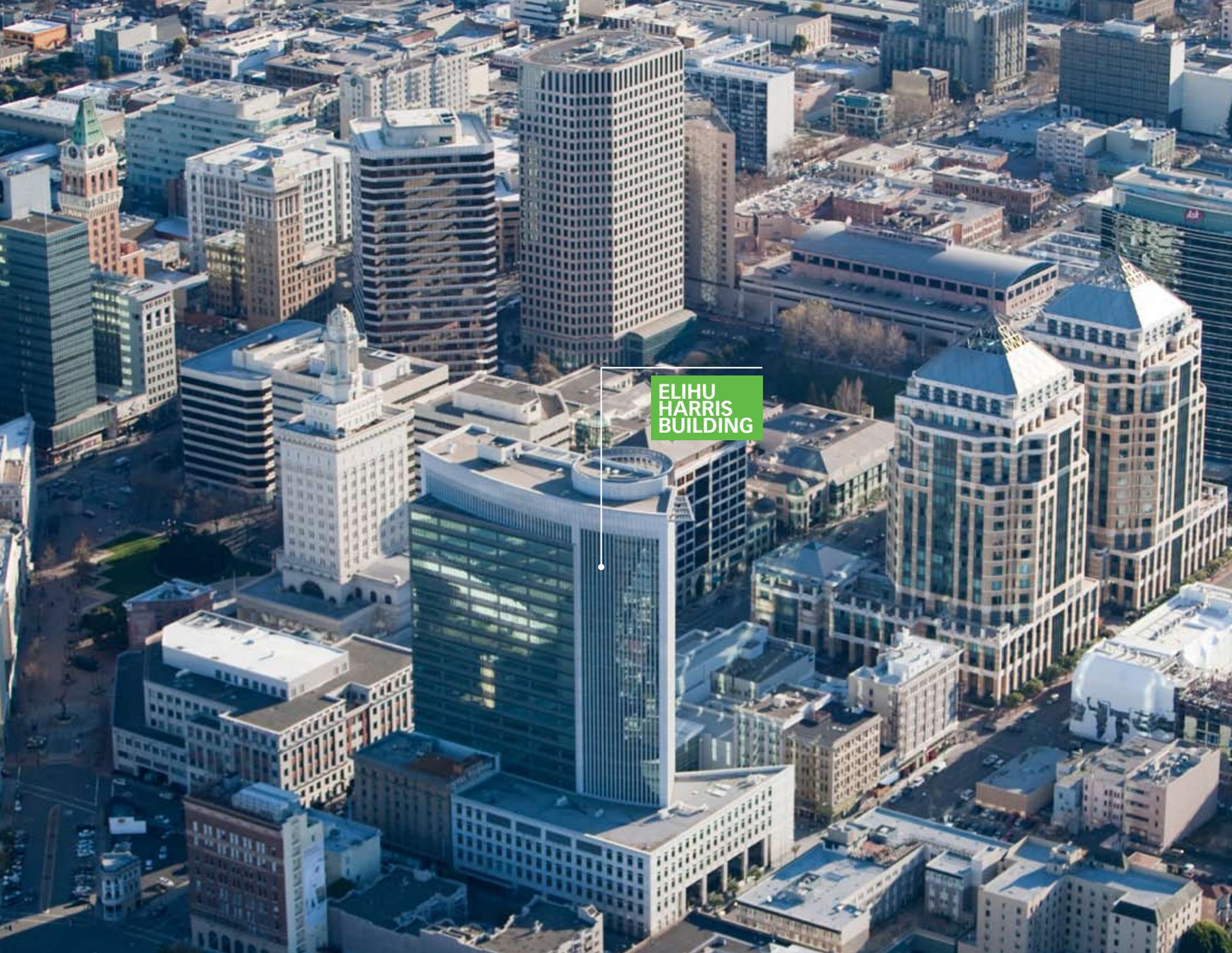
Oakland Location Overview

Oakland is at the geographical center of the San Francisco Bay Area, with San Francisco to the west, San Jose and Silicon Valley to the south and west, and Walnut Creek and other Tri-Valley cities to the east. Oakland enjoys excellent transportation options with five major lines that traverse it and a central business district that offers plentiful parking. In addition, all major forms of public transportation—including light rail (BART), ferry, train, and bus—serve Oakland. Oakland also has an international airport only minutes from downtown and has easy access to freeways 580, 880, 980, Highway 24, and the Bay Bridge. Its close proximity to affluent residential communities in the Berkeley and Oakland Hills, Piedmont, Lafayette, Orinda, Moraga and Walnut Creek make it a favored office location for executives. Local amenities include the scenic waterfront and park at Lake Merritt, historic Chinatown, and shopping, restaurants and hotels at City Center and Jack London Square. In addition, Oakland is the only city in California to boast all three major sports franchises with its Oakland Raiders, Oakland A’s and Golden State Warriors.

Recent Developments

The City of Oakland has worked diligently with all members of the community for more than three years to develop its “Model City” vision. A Model City is comprised of healthy communities, educational and cultural opportunities as well as sustainable economic development. The City of Oakland is the only city in the nation that has a written agreement with the State to implement Model City goals and objectives.





**ELIHU
HARRIS
BUILDING**

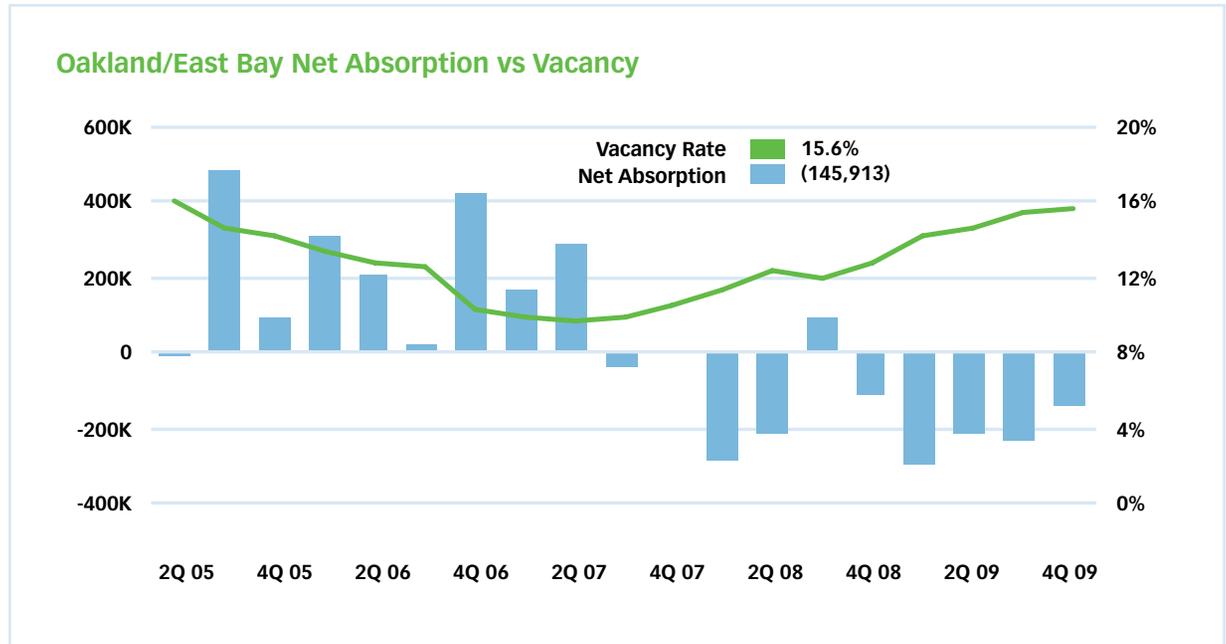
MARKET ANALYSIS

East Bay Office Market

The Oakland/East Bay office market consists of approximately 28 million sf. Major submarkets include Oakland, Emeryville, Alameda, Berkeley, Richmond and San Leandro. In line with the surrounding Bay Area submarkets, the office Oakland/East Bay office market witnessed increased vacancy, lower rents and negative absorption throughout 2009. The slowdown in activity that commenced in the fourth quarter of 2007 has continued throughout 2009. The market is anticipated to stabilize in 2010, albeit with some near term increases in vacancy rates still expected. However, as the broad economic recovery gains momentum, a return to positive net absorption and increased rental rates can be seen on the horizon.

We are likely to see additional negative net absorption in 2010 although the impact will likely decrease in scale compared to surrounding Bay Area regions as the Oakland/East Bay office market has had no new supply added, whether by new construction or larger sublease opportunities. The overall health of the market hinges on the health of its current tenant base and its organic growth.

In 2009, fewer companies added space to the market by way of sublease. This declining trend combined with any increase in tenant demand will cause noticeable demand and absorption likely in the mid to later part of 2010.



With no new projects under construction, the increase of new supply of completed office space in the greater Oakland/East Bay office market is fixed at the current time and any new demand will prove to stabilize the market more quickly. There was one Class A office project that was completed in 2009; 55 Harrison Street (Oakland-JLS) which added 110,000sf of office area along Oakland's waterfront. This project is currently in shell condition and ready for build-out. The only other large block of new Class A office area is located at 2100 Franklin Street which was completed in 2008 and contains 162,000 square feet of office area in

shell condition. There are currently two projects that are entitled and ready for construction Shorenstein's 601 12th Street includes a 600,000 square foot Class A high-rise and SKS is poised for its construction of a 20 story high-rise, both in Oakland's City Center area and both designed to meet the higher standards of LEED New Building certifications.

Oakland/East Bay Office Market - Fourth Quarter 2009

Submarket	Net Rentable Area	Total Vacancy Rate	Class A Vacancy Rate	Average Asking Rate			Q4 Net Absorption	Y-T-D Net Absorption
				Class A	Class B	Class C		
Alameda	3,573,254	22.3%	50.1%	\$1.95	\$1.66	\$1.43	(33,222)	(224,417)
Berkeley	3,031,648	13.1%	2.9%	\$2.33	\$1.99	\$1.52	(38,219)	(50,437)
Emeryville	4,709,535	11.3%	14.0%	\$2.25	\$1.81	\$1.58	46,516	(60,185)
Oakland Airport	1,938,788	21.0%	7.0%	\$1.86	\$1.42	\$1.28	3,123	(28,156)
Oakland CBD	11,040,222	13.2%	12.4%	\$2.72	\$1.99	\$1.59	(76,393)	(379,793)
Oakland General	1,044,471	21.1%	0.0%	\$0.00	\$1.95	\$1.48	1,360	(46,871)
Oakland JLS	1,245,739	23.0%	28.8%	\$2.45	\$1.75	\$1.48	(35,527)	(46,081)
Richmond	1,112,487	21.1%	42.0%	\$2.19	\$1.82	\$1.50	(1,461)	(38,986)
San Leandro	526,958	11.8%	0.0%	\$2.25	\$1.60	\$1.36	(12,090)	(23,889)
Oakland/East Bay Office Market	28,223,102	15.6%	14.6%	\$2.53	\$1.81	\$1.50	(145,913)	(898,815)

Oakland CBD Submarket



The Elihu Harris Building is centrally located within the Oakland CBD submarket, across the street from City Hall, a location highly valued by governmental and support service users. The State of California will have an initial annual leaseback rent of \$31.00/sf modified gross (\$2.58/sf monthly) for the Property for twenty years. The Property is one of the top 5 office buildings in downtown Oakland, with view space of the San Francisco Bay and Oakland hills from many of the tower floors. The architecturally distinct property has above average interior finishes, flexible floorplates, and enjoys excellent access to public transportation located a block and a half from the Oakland City Center BART station.

The Oakland CBD office submarket comprises approximately 11 million square feet, making it the

largest submarket in the Oakland/East Bay market. Total vacancy in the submarket as of the fourth quarter 2009 is approximately 13.2%, lower than the 15.6% vacancy for the overall Oakland/East Bay office market. Class A vacancy in the Oakland CBD stands at 12.4%.

Class A average asking rents in the Oakland CBD submarket stood at \$2.72/sf/mo. in Q4 2009. Since the year 2000, asking rents have averaged \$2.77/sf/mo., reaching a high of \$4.50/sf/mo. in Q4 2000 and a low of \$2.25 in Q4 2003. Current asking rents for comparable Class A properties range from \$2.35/sf/mo. to \$3.25/sf/mo. Given the high quality finishes, excellent location and distinctive building profile, market rents for the property under consideration would be expected to reach the high end of this range.



LAKE MERRITT

ELIHU
HARRIS
BUILDING



Big Sur

STATE OF CALIFORNIA OVERVIEW

The State of California is a critical economic engine for both the United States and the world. Exemplifying a diverse economy that accounts for approximately 13% of the total Gross Domestic Product (GDP) of the United States, California would rank among the top ten nations globally if it were an independent country with an estimated GDP of \$1.8 trillion in 2008. As the most populous state in the US with approximately 37 million residents, California is forecast to continue to enjoy future population growth above the national average in

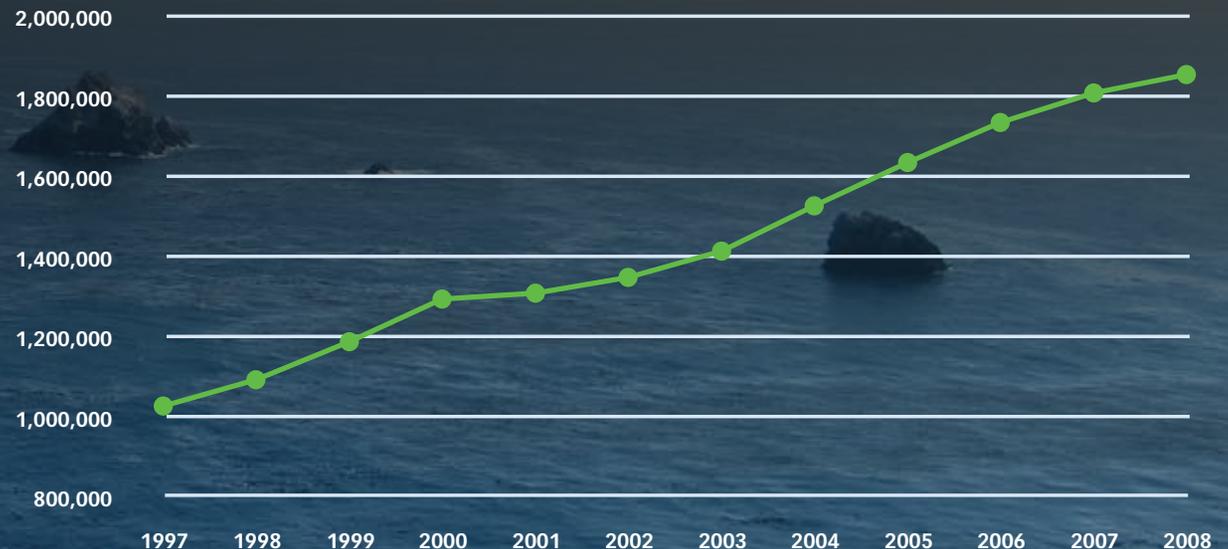
part due to its temperate climate, excellent quality of life, diverse population, world-renowned cities and its position as the gateway to the Pacific Rim. Additionally, California prides itself on striving to be the "greenest" and most eco-friendly states in the country. California's desirable quality of life, vast coast lines and massive valleys, diverse educated work force and uniquely entrepreneurial spirit position it to continue as the nation's most dominant economy.

- Largest state population of ±37 million
- One of the top 10 largest economies in the world
- \$1.8 trillion State GDP
- 3rd largest state by area
- Lowest in per capita energy usage
- 2nd in hydroelectric power potential
- 3rd in crude oil production
- Most major professional sports league franchises (19)

Economy

California's economy has long been an influential force within the United States and the world. With a gross domestic product of approximately 13% of the overall U.S. total, the largest of any state, the gross state product for California was approximately \$1.8 trillion at year-end 2008. California exported \$144 billion worth of goods in 2008, increasing from \$134 billion in 2007 and \$127 billion in 2006. Computers and electronic products are California's top exports, accounting for 42 percent of all the state's exports, according to California Chamber of Commerce trade statistics. California exported to 226 foreign markets in 2008, contributing to a positive annual rate growth of 15 percent. California enjoys the enviable position of being the United State's gateway to the Pacific Rim. California's trade and international commerce account for nearly ¼ of the State's GDP.

GDP of California from 1997-2008

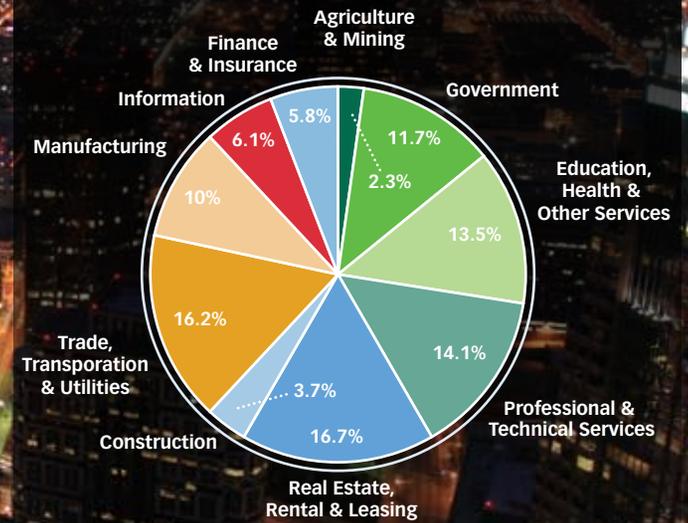




Downtown Los Angeles

According to the Bureau of Economic Analysis, the five largest job sectors in the State are real estate, rental and leasing; trade, transportation and utilities; professional and technical services; education, health and other services; and government. Additionally, California had a total personal income (TPI) of \$1.6B in 2008, a two percent increase from 2007, which ranks 1st in the United States.

GDP of California 2008



Tourism & Entertainment

California is one of the most visited states in the United States. Two of the top international ports of entry to the US were Los Angeles (ranked 3rd) and San Francisco (ranked 6th), accounting for approximately 14.5% of tourism through November 2009. According to the California Travel and Tourism Commission, approximately 14 million persons visited the state of California in the year 2008 and spent \$97.6 billion throughout the state. The State also has the largest market share of domestic travel of all 50 states, 11.3% in 2008.

Los Angeles has long been a favorite tourist city due to the glamour of Hollywood, fame of movie stars and the gorgeous Pacific beaches that charm many guests. Additionally, San Francisco has also held a soft spot in the hearts of tourists, as one of the most beautiful cities in the world. With its distinctive hills and streets, stunning bay views and the Golden Gate Bridge, San Francisco attracts travelers from all corners of the globe.

Tourists also travel to California for athletic events. The state hosted the 1960 Winter Olympics, the 1932 and 1984 Summer Olympics in Los Angeles, in addition to the 1994 FIFA World Cup. Additionally, California has nineteen major professional sports league franchises, far more than any other state. The San Francisco Bay Area has seven major league teams spread over three cities, San Francisco, Oakland and San Jose. The Greater Los Angeles Area is home to ten major league franchises, while Sacramento and San Diego add two major league teams to the State's total.





Pebble Beach



California Redwoods



Yosemite National Park

Geography

The State of California is located on the West Coast of the United States. California is bordered by Oregon to the north, Nevada to the northeast, Arizona to the southeast, the Mexican state of Baja California to the south, and the Pacific Ocean to the west. The Los-Angeles-Riverside-Orange MSA ranks as the second largest consolidated metropolitan area in the United States, and San Francisco-Oakland-San Jose MSA as the fourth. With eight of the nation's fifty most populous cities, California is home to the nation's second and sixth largest census statistical areas respectively.

California is the third-largest U.S. state by land area, after Alaska and Texas. The State's geography is vast and ranges from the Pacific coast to the Sierra Nevada mountain range in the east, to the Mojave desert in the southeast and the redwood, pine and fir forests of the northwest. Approximately 45% of California is covered by forests and contains more forestland than any other state except Alaska. The Central Valley, running approximately 400 miles from north to south, is one of the most productive agricultural areas in the world.



Torrey Pines Gliderport, San Diego

LEASE ABSTRACT

Tenant: State of California

Premises: Elihu Harris Building
1515 Clay Street
Oakland, CA

Net Rentable Area: 699,089 square feet

Commencement Date: The Lease Term shall commence at close of escrow

Expiration Date/Term: Lease Term shall be twenty (20) years (240 months)

Rent: Rent shall be paid by the State in arrears on the last day of each month during the Lease Term as follows:

Years	SF	\$/Month	\$/SF/Month*	\$/Year	\$/SF/Year*
Years 1 to 5	699,089	\$1,805,844	\$2.58	\$21,670,124	\$31.00
Years 6 to 10	699,089	\$1,986,428	\$2.84	\$23,837,136	\$34.10
Years 11 to 15	699,089	\$2,185,071	\$3.12	\$26,220,850	\$37.51
Years 15 to 20	699,089	\$2,403,578	\$3.43	\$28,842,935	\$41.26

Note: Escalations in Base Rent detailed in the above Rent schedule are calculated on the basis of a 10% increase on the fifth (5th) anniversary of the commencement date and on each fifth (5th) anniversary thereafter. *Rounded to two decimal places.

Gas/Electricity: In addition to Rent, the State shall pay directly the cost of gas and electricity.

Parking: Three hundred ninety two (392) parking spaces. State shall have the exclusive right (but not the obligation) to use all parking at a charge of \$185 per stall per month, payable in arrears. The parking rate shall increase by ten percent (10%) on the fifth (5th) anniversary of the Commencement Date and on each fifth (5th) anniversary thereafter.

Services, Utilities and Supplies: Lessor, at Lessor's sole cost and expense, with the exception of payment for gas and electricity, shall provide the full range of services, utilities, and supplies to the entirety of the State's premises (including but not limited to): sewer, trash disposal, water, elevator service, janitorial services, security services and property management services all of which shall be in similar levels and quantities as those provided under other Full Service leases in comparable quality office buildings in the same market area.

Repair and Maintenance and Capital Repairs and Replacements:

Lessor shall maintain the entire leased premises (including occupied space) and the building and property of which they are a part (to include site, landscape and parking areas and structures) in good repair and tenantable condition during the entire Lease Term. Such maintenance and repairs and replacements shall include but not be limited to: ongoing maintenance of designated special equipment, annual testing and maintenance of all fire extinguishers, replacing inoperative lighting, repairing floor covering as necessary and replacing all building system components (including roof) as and when required.

CPI Escalator Operating Expense:

On the first anniversary date of the Lease, and each twelve (12) months thereafter, the monthly Rent will automatically increase or decrease by one-twelfth (1/12th) of an amount that will be determined by multiplying the base amount of \$7,235,329 by the percentage that the applicable CPI index for the preceding 12 months increased over or decreased under the same index, for the month of June, 2010, which shall be the base period.

Property Tax Expense Escalator:

On the first anniversary date of the Lease, and each twelve (12) months thereafter, the monthly Rent will automatically increase by one-twelfth (1/12th) of an amount determined by multiplying the annual property tax expense for the preceding twelve (12) months by the actual percent increase capped at 2%. Initial property tax expense shall be based on the initial purchase price, and will not reflect future changes in value due to subsequent sales.

Painting and Carpet:

Lessor agrees at Lessor's sole cost and expense to repaint all interior painted surfaces upon or after the sixtieth(60th) month of the Lease Term and every sixty (60) months thereafter. Further, Lessor shall replace all carpet and floor covering upon or after the one hundred twentieth (120th) month of the Lease Term and every one hundred twenty (120) months thereafter.

Assignment and Subletting:

No assignment of Lease without prior written consent of the Lessor, which shall not be unreasonably withheld; State may sublet the premises, or any portion thereof.

Insurance:

Lessor shall furnish to the State a certificate of insurance as evidence of insurance as fully set forth in the Lease paragraph 33 and briefly to include: (1) Commercial General Liability of not less than \$1,000,000 combined per occurrence and \$10,000,000 General Aggregate with State as additional insured; (2) commercial property insurance for full replacement cost (max deductible \$100,000) to include business income coverage equal to 24 months Rent and with State as additional insured; (3) Automobile Liability with State as additional insured; (4) Workers Compensation Insurance with Waiver of Subrogation in favor of State; (5) Employee Dishonesty blanket insurance with limit of not less than \$1,000,000 and with State named as loss payee; and (6) for demolition and construction activities, Pollution Liability coverage of not less than \$3,000,000 per occurrence and Builder's Risk/Installation Floater covering labor, materials and equipment.

Property Taxes:

The State, as part of its rent, shall pay any property taxes assessed against the leased premises as a result of the sale of same from the State to a subsequent purchaser. In the event that the County in which the premises are located elects not to treat said transfer as an assessable event such that an obligation to pay property taxes does not exist, the State shall be provided with an annual credit against its Rent equal to the amount of the taxes not assessed.

Right of First Refusal:

At any time that is ninety (90) days or more prior to the then scheduled lease termination date, if Lessor receives bona fide offer from unaffiliated third party to purchase Lessor's interest in Property, State shall have up to thirty (30) days from receipt of Lessor's written notice of receipt of such offer to respond in writing advising Lessor of State's election to acquire Lessor's interest in Property under same terms and conditions as those set forth in such third party offer.

Option to Renew Lease:

State shall have the option to extend the term of this Lease for six (6) additional terms of five years each, on the same terms, conditions and covenants as are set forth in this Lease, with the exception of Basic Rent and CPI escalator operating expenses. State shall provide written notice of its intention to extend this Lease at least twenty four (24) months prior to the expiration of the then applicable term of its Lease. Rent during the then applicable renewal term shall be set on the basis of the same schedule of ten percent (10%) increases at the end of each five years that applied to the Initial Term, thus the monthly Rent during the applicable renewal term shall be equivalent to one hundred and ten percent (110%) of the monthly Rent payable during the immediately preceding year of the Lease. Further, the amount of the base amount for the CPI Escalator Operating expenses shall be equivalent to the amount applicable to the immediately preceding twelve month period (the last twelve months of the immediately preceding lease term) and increased or decreased by the percentage in the applicable CPI Index and the base period shall be the first twelve (12) months of the applicable renewal term. The parties shall enter into a brief lease amendment incorporating the applicable rent and the revised CPI escalator operating expense provision.

Onsite Management:

Lessor agrees to furnish the services of an onsite professional property management company at Lessor's sole cost and expense. Said duties shall be more particularly described in exhibits to the lease attached thereto.

Operating Lease:

The Lease is intended to be treated as an Operating Lease on behalf of the State, under current FASB/GASB rules governing Operating Lease standards (i.e. FAS 13, FAS 66 and FAS 98). Bidders will be responsible for demonstrating that their purchase offers will comply with these standards.

FINANCIALS

Included in the following section is the Financial Analysis to assist investors in their underwriting:

- Cash Flow Assumptions
- Expense Detail
- Rent Roll
- Cash Flow Projections

Cash Flow Assumptions

For purposes of our analysis the cash flow period begins July 1, 2010 and has been prepared using ARGUS v14. The ARGUS file is available on the website.

Year One Rents:

	Annual	Type of Lease	Total RSF	% Total
State of California	\$31.00	Modified Gross	699,089	99.79%
Property Management Office	\$31.00	Modified Gross	1,500	0.21%

Market Rent Growth:

3% - Fiscal Year Ending June Inflation

Expense Recoveries:

Modified Gross – Electricity and Gas are paid directly by the State of California.

Lease Term:

20 years initial term with six (6), five (5) year options to renew

Rent Increase Over Term:

10% Every 5 Years on base rent

	Annual Rent	\$/SF/Year*
Current	\$21,670,124	\$31.00
July 2015	\$23,837,136	\$34.10
July 2020	\$26,220,850	\$37.51
July 2025	\$28,842,935	\$41.26

*Rounded to two decimal places

Capital Reserves:

\$0.15 PSF, per year

General Vacancy Loss:

0.0%

Consumer Price Index (CPI):

3%

Operating Expense Growth Rate:

3%

Property Tax Growth Rate:

2%

Property Tax Millage Rate:

1.4108%

Note: Buyer is responsible for adjusting property taxes bases upon offer price.
All inflation is Fiscal Year ending in June.

Revenues

Expense Reimbursement Revenue:

State of California shall pay increases for operating expenses and property taxes annually. On the first anniversary date of the Lease, and each twelve (12) months thereafter, the monthly Rent will automatically increase or decrease by one-twelfth (1/12th) of an amount that will be determined by multiplying the base amount of \$7,235,329 by the percentage that the applicable CPI index for the preceding 12 months increased over or decreased under the same index, for the month of June, 2010, which shall be the base period.

Management Office pays no reimbursements.

Parking Revenue:

The structure provides for a total of 392 parking spaces. Current market rates are \$185 per space per month. It is assumed parking is 100% variable based on occupancy, and the parking rate shall increase by ten percent (10%) on the fifth (5th) anniversary of the Commencement Date and on each fifth (5th) anniversary thereafter.

Expenses

Note: Year One Operating Budgets have been developed by CB Richard Ellis' Asset Services based upon building inspections, operating cost history from similar assets managed in the subject markets, operating expense data published by industry associations and competitive bids from selected third party vendors and is conformed to the State of California detailed specifications in the lease.

Insurance Calculation:

Property Insurance (including earthquake coverage) = \$.26 per each \$100 of hard cost building value (building replacement hard cost value (less land)/100 then multiplied by .26)

Liability (Office) = \$.03 per building square feet

Umbrella = 60% of the Liability premium

This above quote is based on the CBRE large pool discount, includes earthquake coverage up to the first \$100 million within the pool, and requires CBRE Asset Services to manage the property.

Management Fee Expense:

\$219,996

Please note that the Management Fee the Year One budget is based upon a portfolio sale and will vary on a one-off sale basis, and requires CBRE Asset Services to manage the property.

Refurbishment Allowances:

Landlord shall be responsible to repaint interior premises every five (5) years and carpet every ten (10) years for the State of California.

Rent Roll

as of 7/1/2010

Suite	Tenant Name	Square Feet	% of Property	Lease Term		Rental Rates					Recovery Type	Comments/Options
				Begin	End	Begin	Monthly	PSF	Annually	PSF		
100	State of California	699,089	99.79%	Jul-2010	Jun-2030	Current	\$1,805,844	\$2.58	\$21,670,124	\$31.00	See Abstract	Tenant has six (6) 5-year options to renew at 10% increases over prior rent.
						Jul-2015	\$1,986,428	\$2.84	\$23,837,136	\$34.10		
						Jul-2020	\$2,185,071	\$3.12	\$26,220,850	\$37.51		
						Jul-2025	\$2,403,578	\$3.43	\$28,842,935	\$41.26		
Mgt	Management Office	1,500	0.21%	Jul-2010	Jun-2030	Current	\$3,875	\$2.58	\$46,496	\$31.00	None	-
						Jul-2015	\$4,262	\$2.84	\$51,146	\$34.10		
						Jul-2020	\$4,688	\$3.12	\$56,260	\$37.51		
						Jul-2025	\$5,157	\$3.43	\$61,886	\$41.26		
Totals / Averages		700,589					\$1,809,718	\$2.58	\$21,716,620	\$31.00		
Occupied sq. ft.		700,589	100.0%									
Vacant sq. ft.		0	0.0%									
Total sq. ft.		700,589	100.0%									

Cash Flow Projections

Fiscal Year Ending - June 30

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Physical Occupancy		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Overall Economic Occupancy ^[1]		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Operating Expenses PSF Per Year		\$14.24	\$14.62	\$15.02	\$15.43	\$15.85	\$16.29	\$16.73	\$17.19	\$17.66	\$18.15	\$18.64
Revenues	FY 2011 \$/SF/YR ^[2]											
Scheduled Base Rent												
Gross Potential Rent	\$31.00	\$21,716,620	\$21,716,620	\$21,716,620	\$21,716,620	\$21,716,620	\$23,888,282	\$23,888,282	\$23,888,282	\$23,888,282	\$23,888,282	\$26,277,110
Absorption & Turnover Vacancy	0.00	0	0	0	0	0	0	0	0	0	0	0
Base Rent Abatements	0.00	0	0	0	0	0	0	0	0	0	0	0
Total Scheduled Base Rent	31.00	21,716,620	21,716,620	21,716,620	21,716,620	21,716,620	23,888,282	23,888,282	23,888,282	23,888,282	23,888,282	26,277,110
Expense Reimbursements	0.00	0	0	0	0	0	0	0	0	0	0	0
Parking Revenue	1.24	870,240	870,240	870,240	870,240	870,240	957,264	957,264	957,264	957,264	957,264	1,052,990
State of CA Expense Increases	0.00	0	271,233	550,057	836,688	1,131,349	1,434,271	1,745,689	2,065,847	2,394,993	2,733,387	3,081,292
Total Gross Revenue	32.24	22,586,860	22,858,093	23,136,917	23,423,548	23,718,209	26,279,817	26,591,235	26,911,393	27,240,539	27,578,933	30,411,392
General Vacancy Loss	0.00	0	0	0	0	0	0	0	0	0	0	0
Effective Gross Revenue	32.24	22,586,860	22,858,093	23,136,917	23,423,548	23,718,209	26,279,817	26,591,235	26,911,393	27,240,539	27,578,933	30,411,392
Operating Expenses												
Security	(1.68)	(1,177,200)	(1,212,516)	(1,248,891)	(1,286,358)	(1,324,949)	(1,364,697)	(1,405,638)	(1,447,808)	(1,491,242)	(1,535,979)	(1,582,058)
Cleaning	(2.69)	(1,886,562)	(1,943,159)	(2,001,454)	(2,061,497)	(2,123,342)	(2,187,042)	(2,252,654)	(2,320,233)	(2,389,840)	(2,461,536)	(2,535,382)
Repairs & Maintenance	(2.56)	(1,795,275)	(1,849,133)	(1,904,607)	(1,961,745)	(2,020,598)	(2,081,216)	(2,143,652)	(2,207,962)	(2,274,201)	(2,342,427)	(2,412,699)
Utilities	(0.16)	(112,100)	(115,463)	(118,927)	(122,495)	(126,170)	(129,955)	(133,853)	(137,869)	(142,005)	(146,265)	(150,653)
Management Fee	(0.31)	(219,996)	(226,596)	(233,394)	(240,396)	(247,607)	(255,036)	(262,687)	(270,567)	(278,684)	(287,045)	(295,656)
Onsite Office Expense	(0.23)	(158,096)	(162,839)	(167,724)	(172,756)	(177,938)	(183,277)	(188,775)	(194,438)	(200,271)	(206,279)	(212,468)
Admin (Excl Mgt Fee)	(0.53)	(370,400)	(381,512)	(392,957)	(404,746)	(416,888)	(429,395)	(442,277)	(455,545)	(469,212)	(483,288)	(497,787)
Lot & Landscaping	(0.23)	(163,200)	(168,096)	(173,139)	(178,333)	(183,683)	(189,194)	(194,869)	(200,715)	(206,737)	(212,939)	(219,327)
Parking	(0.15)	(102,000)	(105,060)	(108,212)	(111,458)	(114,802)	(118,246)	(121,793)	(125,447)	(129,211)	(133,087)	(137,079)
Real Estate Taxes	(3.91)	(2,737,769)	(2,792,524)	(2,848,375)	(2,905,342)	(2,963,449)	(3,022,718)	(3,083,173)	(3,144,836)	(3,207,733)	(3,271,887)	(3,337,325)
Insurance	(1.78)	(1,250,500)	(1,288,015)	(1,326,655)	(1,366,455)	(1,407,449)	(1,449,672)	(1,493,162)	(1,537,957)	(1,584,096)	(1,631,619)	(1,680,567)
Total Operating Expenses	(14.24)	(9,973,098)	(10,244,913)	(10,524,335)	(10,811,581)	(11,106,875)	(11,410,448)	(11,722,533)	(12,043,377)	(12,373,232)	(12,712,351)	(13,061,001)
Net Operating Income	18.00	12,613,762	12,613,180	12,612,582	12,611,967	12,611,334	14,869,369	14,868,702	14,868,016	14,867,307	14,866,582	17,350,391
Capital Costs												
Tenant Improvements	0.00	0	0	0	0	0	0	0	0	0	0	0
Leasing Commissions	0.00	0	0	0	0	0	0	0	0	0	0	0
Capital Reserves	(0.15)	(105,088)	(108,241)	(111,488)	(114,833)	(118,278)	(121,826)	(125,481)	(129,245)	(133,123)	(137,116)	(141,230)
State of CA - Paint & Carpet ^[3]	0.00	0	0	0	0	0	(1,398,178)	0	0	0	0	(2,796,356)
Total Capital Costs	(0.15)	(105,088)	(108,241)	(111,488)	(114,833)	(118,278)	(1,520,004)	(125,481)	(129,245)	(133,123)	(137,116)	(2,937,586)
Operating Cash Flow	\$17.85	\$12,508,674	\$12,504,939	\$12,501,094	\$12,497,134	\$12,493,056	\$13,349,365	\$14,743,221	\$14,738,771	\$14,734,184	\$14,729,466	\$14,412,805

[1] This figure takes into account vacancy/credit loss, absorption vacancy, turnover vacancy, and base rent abatements.

[2] Based on 700,589 square feet.

[3] State of California to have premises re-painted every 5 years (estimated to be \$2 PSF) and re-carpeted every 10 years (estimated to be \$2 PSF).





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