Goldman, Sachs & Co.
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Goldman Sachs

April 14, 2010

CB Richard Ellis, Inc.
990 W. 190th Street, Suite 100
Torrance, CA 90502

Attention: Kevin Shannon

Dear Mr. Shannon:

It is our understanding that CB Richard Ellis ("CBRE"), serving as exclusive advisor to the State of California (the "State"), is currently in the process of soliciting preliminary proposals for the acquisition of the fee simple interest in the Golden State Portfolio (the "Portfolio"), consisting of 11 commercial buildings located throughout the State. This letter of interest is meant to inform CBRE that Goldman, Sachs & Co. ("Goldman Sachs") is currently discussing with the California Municipal Finance Authority ("CMFA"), certain cities and counties within the State, as well as a national bond counsel, the development of a financing approach and structure that would permit the CMFA to issue tax-exempt bonds, the proceeds of which would be used by certain cities and counties to fund the purchase of the Portfolio. It is envisioned that these cities and counties (the "Consortium"), as owners of the underlying assets in the Portfolio, will form a limited liability corporation ("NewCo") that will allow for all of the assets in the Portfolio to be cross collateralized to lower the anticipated borrowing costs of the transaction.

NewCo is intended to be created in order to submit a formal bid to acquire the fee simple interest in the Portfolio which may be financed utilizing tax-exempt bonds. As you are aware, tax-exempt financing is available to a governmental owner, like NewCo, acquiring the Portfolio. As stipulated in the various documents made available to potential purchasers of the Portfolio, NewCo would enter into leases with the State which would pay rent on terms consistent with such leases being characterized by the State's accountants as operating leases. This proposal does not rely on the State leases being structured as "financing leases" in order to qualify for the tax-exemption. It is the belief of our team that the financing structure contemplated using NewCo as owner and private sector parties as operators may provide both better long term operating benefits (the State serves as just a tenant) and a lower overall cost of capital than would otherwise be available through traditional real-estate financing approaches. As a result, this approach will result in significantly greater net proceeds to the State.

We have preliminarily reviewed the draft lease and draft lease exhibits that were made available through the CBRE Marketplace System and see no significant impediments to accepting the terms set forth therein. When and if the State is no longer the tenant of the properties in whole or in part, NewCo will continue to own the Portfolio and have the right to relet the assets as it deems appropriate. The debt of NewCo would be secured solely by the net operating income from the Portfolio, and a mortgage interest in the Portfolio. The debt of NewCo will be non-recourse to the CMFA or the municipalities participating in the Consortium.

It is the current intention of NewCo to engage CBRE for the management, insurance, and other services in connection with the Portfolio. We believe given the financing structure and duration contemplated in this preliminary indication of interest, there would be significant economic benefit to acquiring the entire Portfolio, which will help mitigate the risk of lease non-renewal of individual buildings. Alternatively, NewCo may consider the acquisition of a select group of properties, specifically those located within and adjacent to the cities and counties who participate in the Consortium.

Based upon our preliminary analyses, we believe that tax-exempt debt can be raised on behalf of the Consortium which will result in the generation of net proceeds of approximately $2.1 billion to $2.3 billion to support its bid for the Portfolio.

We note that the Consortium's indication of interest to acquire the interest in the Portfolio through the issuance of tax-exempt bonds through CMFA is non-binding and conditioned upon a variety of items, including various approvals, prevailing market conditions and credit dynamics, completion of acceptable documentation, and completion of various other due diligence and related activities.

If you have any further questions, please do not hesitate to contact us.

Yours sincerely,

J. Timothy Romer
Managing Director
Goldman, Sachs & Co.