



AN INVESTMENT COMPANY

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VIA E-MAIL – kevin.shannon@cbre.com

April 14, 2010

Mr. Kevin Shannon
CB Richard Ellis
990 W. 190th street, Suite 100
Torrance, CA 90502

Re: Letter of Intent for the Purchase of the Golden State Portfolio

Dear Mr. Shannon:

Please accept this letter as our offer to purchase the above referenced Properties, subject to customary due diligence and completion of mutually agreeable documentation.

1. Purchaser/Landlord. One or more special purpose affiliates of The Herrick Company, Inc. The Herrick Company, Inc. has been actively involved in commercial real estate, including property development, property management and real estate leasing and finance, for more than 40 years. Since its formation, The Herrick Company, Inc. has completed transactions valued in excess of \$5 billion throughout the United States. Information can be found at “TheHerrickCompany.com” website.

2. Seller/Tenant. The State of California.

3. Properties. The Properties to be purchased are 11 properties totaling 7,311,158 square feet located in the San Francisco, Los Angeles and Sacramento California areas, as described in the CBRE Marketplace Website as the “Golden State Portfolio.”

4. Purchase Price. Purchaser will acquire the Properties either as a portfolio or individually. The Purchase Price for the entire portfolio is \$2.1 billion. See attached breakdown for the Purchase Price allocable to each of the Properties (Exhibit A).

5. Due Diligence. Purchaser shall have forty five (45) business days from the execution of the purchase contract and receipt of all due diligence materials to conduct its due diligence studies and investigate all matters relevant to its acquisition, including without limitation, the lease and related documentation, title and survey, plans and specifications, and the results of any environmental and engineering inspections, review and verification of operating expenses and capital cost assumptions and any studies that Purchaser may elect to conduct.

Seller will cooperate with Purchaser in providing all diligence materials reasonably requested in a timely and accurate manner. Purchaser shall have the right to terminate the contract prior to the expiration of the due diligence period if the Purchaser in its sole and absolute discretion is not satisfied with its due diligence investigation. Upon such termination, the Purchaser shall have no further obligation under the contract or rights with respect to the Properties.

6. Closing Costs. The Purchase Price shall be net to Purchaser. Seller shall be responsible for all transaction costs including but not limited to the payment of all transfer and recording fees and taxes, surveys, title policies, lender fees and costs, appraisal costs, environmental and engineering reports and investment banking and brokerage fees. Purchaser shall pay only for its attorney's fees. All Closing Costs can be capitalized into the purchase price with a corresponding rent adjustment.

7. Leases.

- A. 30 years plus 10 years at 70% of fair market value rent for a total base lease term of 40 years. Rent to be paid annually in advance. Total gross annual rent for year 1 (Base Year) = \$225,389,042, which includes \$26,178,023 of property tax expense and \$56,955,422 of operating expenses, per CBRE financial model in offering memorandum. Tenant will represent that the Base Year real estate taxes and operating expenses accurately reflect prior year expenses to be used as Base Year expense calculation. In addition the properties will generate parking revenue of \$5,951,880. The NOI is represented to be \$148,207,477. Beginning in year 31 gross annual rent will be equal to the greater of 70% of fair market rental value at the time or \$293,330,000. Gross annual rent and expenses from year 32 through 40 will be increased in accordance with paragraph B below.
- B. Annual escalations – 2% per year for rent and parking revenue. An increase equal to the applicable CPI index on all other operating expenses. Property tax escalations will not exceed 2% per annum, but will be based on actual increases over the Base Year in the event of a change in law (Prop.13). Insurance cost escalations will be based on actual increases.
- C. The lease shall be a gross lease with the Tenant being responsible for the payment of the following expenses: gas, electricity, water, sewer, cable, internet, telephone, alarm and additional security services, terrorism insurance, earthquake insurance, rent abatement insurance and reimbursing landlord for property taxes and operating expenses in accordance with annual escalations over the Base Year (outlined above). Landlord will be responsible for operating the buildings, maintenance, repairs, management, insurance, structural repairs and replacements of roof, parking and mechanical systems of the buildings. Landlord will also be responsible for painting the interior of the buildings every five years and replacing carpeting every ten years, based on an allowance to be agreed to.

- D. Renewal Option – Tenant shall have the option to extend the term of the lease for three (3) additional terms of 10 years each.
- E. Sub-Lease Option – Tenant shall have the option to Sub Lease the premises subject to Landlord’s consent, so long as Tenant remains primarily liable for all obligations under the lease.
- F. Right of First Refusal – At any time that is 2 years or more prior to the then scheduled lease termination date, if Purchaser receives a bona fide offer from an unaffiliated third party to purchase Purchaser’s interest in Properties, the Seller shall have up to thirty (30) days from receipt of Purchaser’s written notice of such offer to respond in writing advising Purchaser of Seller’s election to acquire the Purchaser’s interest in the Properties under the same terms and conditions as those set forth in such third party offer. In the event the Tenant does not respond within thirty (30) days, the Right of First Refusal shall be deemed waived.
- G. In the event of a casualty, Landlord will be obligated to rebuild. Tenant will not be permitted to terminate the Lease, but rent will abate (based on the amount of unusable space) during the period of restoration. In the event of a condemnation, Tenant will be obligated to purchase the Property based on a schedule to the Lease (to assure sufficient funds are available to repay Landlord’s investment and debt).

8. Deposit. To be determined.

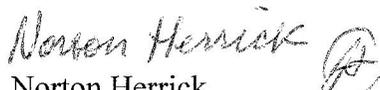
9. Closing Date. Forty Five (45) business days after the completion of the due diligence.

10. Purchase Price Adjustments. Purchase Price is based on a 10 Year Treasury rate of 3.86% and a 30 Year Treasury rate of 4.73%. Purchase Price may be adjusted based on movements in Treasury rates.

If the above offer is acceptable, please contact the undersigned so we might proceed with negotiation of a definitive purchase agreement.

Very truly yours,

THE HERRICK COMPANY, INC.


Norton Herrick
Chairman/CEO

Cc: J. Surace
R. Getz

Exhibit A

<u>Property</u>	<u>Year 1 NOI</u>	<u>Purchase Price</u>
Public Utilities Commission	\$6,098,050	\$86,405,256
San Francisco Civic Center	22,040,256	312,295,564
Elihu Harris Building	12,613,763	178,728,515
Judge Rattigan Building	1,040,445	14,742,404
Junipero Serra State Building	6,799,418	96,343,168
Ronald Reagan Building	12,195,530	172,802,436
Attorney General Building	9,708,584	137,564,088
Capital Area East Complex	35,543,577	503,628,516
Department of Justice Building	4,936,426	69,945,827
Franchise Tax Board Complex	34,310,182	486,152,141
Cal EMA	2,921,246	41,392,086
Total	\$148,207,477	\$2,100,000,000