

400 Centre Street, Newton, MA 02458-2076



tel: (617) 332-3990 fax: (617) 332-2261

Reit Management
& Research LLC

April 14, 2010

VIA E-MAIL AND FIRST CLASS MAIL

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

Dear Kevin:

On behalf of Reit Management & Research LLC (RMR), I am pleased to present a Letter of Intent to purchase some or all of the properties that make up the Golden State Portfolio. The acquisition has been reviewed and approved by the RMR Investment Committee. We expect to use cash on hand and our available acquisition facilities to fund this transaction, without the need for a financing contingency.

RMR is a large real estate management company which was founded in 1986 to manage public investments in real estate. RMR manages four New York Stock Exchange listed publicly owned REITs: Government Properties Income Trust; HRPT Properties Trust; Hospitality Properties Trust; and Senior Housing Properties Trust; as well as two publicly traded real estate operating companies and two publicly traded mutual funds. As of March 31, 2010, RMR managed one of the largest portfolios of publicly owned real estate in North America, including more than 1,350 properties located in 45 states. The RMR managed companies have over \$17 billion in total properties and 37,000 employees in their Newton, MA headquarters and regional offices located throughout the United States, including two offices in California. The RMR managed companies maintain commercial bank lines of credit for approximately \$2.5 billion, which may be expanded to almost double that amount.

One of the RMR affiliated REITs, Government Properties Income Trust, owns 36 office properties, with approximately 4.4 million square feet, that are majority leased to government tenants, including three properties currently leased to the State of California: (1) 9174 Sky Park Court, San Diego, CA; (2) 915 L Street, Sacramento, CA; and (3) 9800 Goethe Road, Sacramento, CA.

Please note the attached bid is on a portfolio basis. RMR proposes a portfolio bid of \$2.5 billion, including \$500 million in funding for near term capital requirements to correct deferred maintenance, if necessary, and to refresh the properties approximately midway through the proposed 20 year lease term. If the RMR preferred portfolio bid is not accepted, RMR is also interested to acquire each of the properties in the Golden State Portfolio individually for prices and on terms as set forth in the attached letter of intent.

We have the experience and professional staff available to ensure an efficient diligence process and closing. Thank you for your consideration.

Sincerely,

David Blackman
Senior Vice President

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

Re: Golden State Portfolio, San Francisco Bay Area, Los Angeles and Sacramento, CA

Dear Kevin:

The purpose of this Letter of Intent is to set forth terms and conditions pursuant to which Reit Management & Research LLC (RMR), or its nominee(s), is willing to proceed toward a purchase of the 100% fee interests in the Golden State Portfolio.

1. **Buyer:** RMR or its nominee, including any or all of its managed real estate investment trusts or managed funds.
2. **Seller:** The State of California, or the affiliated entity which currently owns the Subject Properties.
3. **Subject Properties:** Eleven office properties containing 7,311,158 net rentable square feet, situated on 147.45 acres and located in the San Francisco Bay Area, Los Angeles, and Sacramento, California as described in an offering memorandum prepared by CB Richard Ellis and known as the "Golden State Portfolio".
4. **Purchase Price:** Two Billion Five Hundred Million Dollars (\$2,500,000,000), payable as follows:
 - One Hundred Million Dollars (\$100,000,000) as a deposit at the time a purchase agreement is signed.
 - One Billion Nine Hundred Million Dollars (\$1,900,000,000) at closing.
 - Within 30 months following the closing, up to Two Hundred Million Dollars (\$200,000,000) may be drawn by the State for deferred maintenance and capital improvements at the Subject Properties. These expenditures will be subject to landlord's approval, which will not be unreasonably withheld or delayed. As this funding is drawn, the rent will be adjusted by an amount sufficient to amortize the amount of funding provided over the remaining lease term plus interest at the higher of: (i) 7% per annum, or (ii) the rate for comparable term U.S. Treasury obligations plus 200 basis points.

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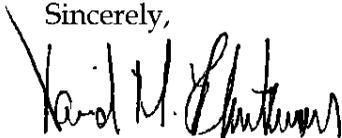
- During years 11 and 12 following the closing, up to Three Hundred Million Dollars (\$300,000,000) may be drawn by the State for refresh capital improvements to the Subject Properties (together with the amounts described in the above paragraph, the "Capital Expenditures"). These expenditures will be subject to landlord's approval, which will not be unreasonably withheld or delayed, and the rent will increase as described above.
5. **Alternative Individual Property Bids:** RMR prefers to purchase all of the Subject Properties in one portfolio transaction. However, if the Seller prefers to consider bids on an individual property basis, RMR is interested to purchase each of the Subject Properties for the prices and on the terms set forth on Schedule A.
 6. **Other Terms and Conditions:** Buyer's obligations to proceed with this purchase are subject to the following terms and conditions.
 - a) Buyer will use cash on hand and its available bank facilities to fund this transaction; Buyer's obligation to proceed toward closing will not be subject to a financing contingency.
 - b) After acceptance of this Letter of Intent, Seller and its representatives will not solicit or accept any offer for the purchase or financing of the Subject Properties from any party other than RMR for a period of forty (40) days. During this period, counsel for Buyer and for the State will negotiate a mutually acceptable form of Purchase Agreement and mutually acceptable form of lease. Except as may be modified as a result of Capital Expenditures funding provided by Buyer as set forth in paragraph 4 above, the rents payable by the State shall be as set in the CB Richard Ellis offering memorandum.
 - c) After Seller accepts this Letter of Intent, all title reports, as-built plans, surveys, engineering reports, environmental reports, parking agreements, and the like affecting the Subject Property which Seller has in Seller's possession shall be forwarded to Buyer, and Seller will generally cooperate in Buyer's diligence regarding the Subject Properties. After execution of a Purchase Agreement and receipt of all diligence materials, Buyer will have forty (40) days to complete its diligence. Closing will occur two (2) business days after expiration of this diligence period.
 - d) Buyer's obligation to proceed to the Closing shall be conditioned upon satisfactory site visits, tenant interviews, title insurance and the like, as are customary in transactions of this nature.
 - e) Each of Seller and Buyer will pay its own counsel fees arising in connection with this transaction. The only broker involved in this transaction is CB Richard Ellis; Seller shall be solely responsible for any commission or fees due to CB Richard Ellis. Buyer shall be responsible for its third party diligence costs, except the costs of transfer taxes (if any), title insurance, and surveys shall be paid by the Seller.

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- f) **No press release or public announcement, which identifies Buyer as a participant in this transaction, may be made without Buyer's prior written approval.**

If you agree that this Letter of Intent sets forth terms and conditions upon which we can proceed with this transaction, please arrange to have a duly authorized representative of the Seller countersign below and return a copy of this Letter of Intent to the undersigned. Upon receipt of a countersigned Letter of Intent, Buyer will engage counsel to work with counsel for the State to prepare a Purchase Agreement and mutually acceptable lease amendments.

Sincerely,



David Blackman
Senior Vice President

ACCEPTED

Date: _____

Seller: _____

By: _____

Print:

Title:

SELLER AND BUYER ACKNOWLEDGE THAT THIS LETTER IS NOT INTENDED TO CONSTITUTE A BINDING CONTRACT AND THAT A CONTRACT WILL NOT EXIST UNLESS AND UNTIL THE PARTIES HAVE EXECUTED A FORMAL AGREEMENT APPROVED BY THEIR RESPECTIVE COUNSEL COVERING THE TERMS OF THIS LETTER AND ALL OTHER ESSENTIAL TERMS OF THIS TRANSACTION. THE PARTIES ACKNOWLEDGE THAT THEY HAVE NOT ATTEMPTED TO SET FORTH HEREIN ALL ESSENTIAL TERMS; INCLUDING, WITHOUT LIMITATION, WARRANTIES AND REPRESENTATIONS WHICH HAVE NOT BEEN AGREED UPON BY THE PARTIES AND ARE SUBJECT TO FURTHER NEGOTIATIONS. NOTWITHSTANDING THAT EITHER OR BOTH PARTIES MAY EXPEND SUBSTANTIAL EFFORTS AND SUMS IN ANTICIPATION OF ENTERING A CONTRACT, THE PARTIES ACKNOWLEDGE THAT IN NO EVENT WILL THIS LETTER BE CONSTRUED AS AN ENFORCEABLE CONTRACT.

EXHIBIT A

<u>Property</u>	<u>Location</u>	<u>Deposit to be paid at signing of Purchase Agreement</u>	<u>Payment at closing</u>	<u>Total purchase price*</u>
Public Utilities Building	San Francisco	\$ 8,200,000	\$ 73,800,000	\$ 82,000,000
San Francisco Civic Center	San Francisco	30,000,000	270,000,000	300,000,000
Elihu Harris Building	Oakland	17,000,000	153,000,000	170,000,000
Judge Rattigan Building	Santa Rosa	1,400,000	12,600,000	14,000,000
Junipero Serra Building	Los Angeles	9,300,000	83,700,000	93,000,000
Ronald Reagan State Building	Los Angeles	16,600,000	149,400,000	166,000,000
The Attorney General Building	Sacramento	13,000,000	117,000,000	130,000,000
Capital Area East End Complex	Sacramento	47,500,000	427,500,000	475,000,000
Department of Justice Building	Sacramento	6,700,000	60,300,000	67,000,000
Franchise Tax Board Complex	Sacramento	46,300,000	416,700,000	463,000,000
CAL EMA Building	Rancho Cordova	4,000,000	36,100,000	40,000,000
		<u>\$200,000,000</u>	<u>\$1,800,000,000</u>	<u>\$2,000,000,000</u>

*/ In addition to the payments to be made when a purchase agreement is signed and at closing, RMR is willing to pay amounts necessary to correct deferred maintenance shortly after closing and for a capex refresh allowance during the 20 year term of the proposed lease. The amounts and timing of these payments allocable to each building is to be negotiated as a result of RMR's diligence and discussions with the State.