

# TAMKIN DEVELOPMENT CORPORATION

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Real Estate Developers and Investors

April 14, 2010

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

**Re: Golden State Portfolio  
San Francisco, Los Angeles, Sacramento, CA**

## LETTER OF INTENT

Dear Mr. Shannon:

This Letter of Intent (this "Letter") will outline the basic terms and conditions of our proposal under which Tamkin Development Corporation and/or its assignee (the "Buyer") will purchase, on an "all cash" basis, the Golden State Portfolio, a 7.3 million square foot, 11 property office portfolio as listed in "Schedule A" attached hereto and made a part hereof (the "Property"), and lease the Property back to the State of California (the "Seller", "State" or "Lessee").

### **PROPERTY TO BE PURCHASED AND CONVEYED:**

The Property includes all of Seller's rights under, in or to the Property and includes all other personalty, tenant leases and deposits, documents, rights, claims, security agreements, participation agreements and other interests belonging to Seller and related to the Property.

### **PURCHASE PRICE:**

The Purchase Price for the Property is listed in "Schedule A" including pricing is the individual properties. This letter of intent proposes two alternative purchase prices:

- |                |   |
|----------------|---|
| Alternative 1: | \$1,541,565,498 – Proceeds only to be used for State operating & budget expenses using taxable financing. |
| Alternative 2: | \$1,689,392,548 – Proceeds only to be used for State capital expenditures using tax-exempt financing.     |

### **LEASE TERMS:**

A summary of the proposed Lease Terms is contained in "Schedule B".

### **ANNUAL APPROPRIATION:**

Lease payments are subject to annual appropriations by the State.

### **LEASE ESCALATIONS:**

Except for any increases (to be paid by Lessee) over the expense allowances, annual gross rent shall not be increased during the 20 year primary lease term.

**PROPERTY TITLE:**

Upon expiration of the Lease and repayment of Buyer's financing, title to the Property shall revert to the Seller/Lessee.

**DUE DILIGENCE:**

Seller agrees to deliver to, or make available to Buyer, all documents and records (or copies thereof) relating to the Property in possession of or available to Seller (the "Documentation"), including, but not limited to the following:

1. Environmental Impact Report (EIR), soils report, physical inspection report, and toxic or zoning studies of any type.
2. Current and complete title report, including full copies of all exceptions and underlying documents.
3. Legal description and any ALTA survey, showing location of all improvements and easements.
4. Current & past three years of operating budgets.
5. Any letters from, agreements with, or approvals by municipal agencies, including City, County, and State.
6. Architectural plans, including an "As Is" site plan.
7. Any current or past lawsuits or other disputes or actions related to the Property, which have occurred or been initiated over the past five years.
8. Any current inspection reports.
9. Any other information required by Buyer.

Upon receipt of the above, Buyer will then begin its detailed due diligence review of the Property.

**CONDITIONS PRECEDENT TO CLOSING:**

The Buyer's due diligence period (the "Inspection Period") will begin upon Buyer's acceptance that it has received all of the documentation from Seller and the execution of the Purchase Agreement (the "Commencement Date"). The Inspection Period will expire Ninety (90) days later. Buyer shall have the right, at its sole discretion, to terminate this transaction for any reason during the "Inspection Period" by providing written notice to the Seller. The Escrow will immediately terminate, the contract shall become null and void and the deposit in full shall be returned to the Buyer.

**INSPECTION:**

Buyer, its representatives and consultants shall be allowed reasonable access to the Property and appropriate records for the purpose of making all inspections it deems necessary during the Inspection Period and prior to closing without interfering with tenants.

**FORMAL AGREEMENTS:**

Immediately upon receipt of an executed copy of this Letter (the "Execution Date"), Buyer will have its counsel prepare formal documentation (the "Purchase Agreement") of this transaction for Seller's review and execution.

**COSTS:**

Seller will pay the cost of an extended ALTA coverage policy of title insurance issued to Buyer, all ALTA survey costs, and all transfer taxes and documentary stamps. Buyer will be solely responsible for the costs of its inspection and due diligence. Escrow fees, recording fees, or any other costs related to the closing of the Property will be shared equally between Buyer and Seller. Each party will pay its own legal fees.

Seller will be solely responsible for the payment of a real estate brokerage commission, pursuant to a separate agreement, to CB Richard Ellis.

**EXCLUSIVITY:**

In consideration of Buyer's continued effort and expense in analyzing this acquisition, Seller agrees that as long as Buyer is proceeding in good faith to negotiate the terms of the Purchase Agreement, Seller will not make or accept any offers for the sale or purchase of the Property.

**EXPRESSION OF INTEREST:**

With the exception of Section 9 ("Exclusivity") above, this Letter is not intended to be binding and will not give rise to any right or obligation based on any legal or equitable theory (including any right to continue negotiations), it being intended that only a subsequent formal Purchase Agreement, if executed by both parties, will otherwise bind the parties as to any matter which is subject of this Letter.

**FACSIMILES AND COUNTERPARTS:**

Transmission of all executed documents by facsimile and use of counterparts, will be acceptable to the parties.

If the terms and conditions herein meet with your approval, please execute a copy of this Letter in the space provided below and return no later than 5:00 PM, April 21, 2010.

We look forward to working with you on this transaction.

Sincerely,

**TAMKIN DEVELOPMENT CORPORATION**



Jeffrey H. Tamkin  
President

ACCEPTED AND AGREED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2008

**SELLER:**

\_\_\_\_\_  
\_\_\_\_\_

## "SCHEDULE A"

| Alternative 1                              |                      |  |                    |
|--|----------------------|--|--------------------|
| Blended Tax-Exempt & Taxable Financing     |                      |  |                    |
| Building Name                              | Purchase Price       | Gross Annual Rent<br>(Subject to Annual Appropriation) | Expense Allowances |
| Attorney General Building                  | 96,138,122           | 13,575,097   | 3,866,513          |
| California Emergency Management Agency     | 28,623,000           | 3,570,622  | 649,377            |
| Capitol Area East End Complex              | 384,297,834          | 51,483,288   | 15,939,711         |
| Elihue M. Harris Building                  | 137,376,554          | 22,586,860   | 9,973,098          |
| Franchise Tax Board Complex                | 366,873,426          | 50,191,502   | 15,881,320         |
| Earl Warren / Hiram Johnson (Civic Center) | 223,620,446          | 35,877,218   | 13,836,962         |
| Junipero Serra State Building              | 66,984,740           | 11,739,066   | 4,939,648          |
| Justice Building (4949 Broadway)           | 48,381,800           | 9,161,232  | 4,224,806          |
| Public Utilities Commission Building       | 58,456,070           | 10,408,758   | 4,310,707          |
| Judge Joseph A. Rattigan Building          | 10,170,800           | 2,216,490  | 1,176,046          |
| Ronald Reagan State Building               | 120,642,705          | 20,448,469   | 8,252,939          |
| <b>Total</b>                               | <b>1,541,565,498</b> | <b>231,258,602</b>                                     | <b>83,051,127</b>  |

| Alternative 2                              |                      |  |                    |
|--|----------------------|--|--------------------|
| Tax-Exempt Financing                       |                      |  |                    |
| Building Name                              | Purchase Price       | Gross Annual Rent<br>(Subject to Annual Appropriation) | Expense Allowances |
| Attorney General Building                  | 110,870,453          | 13,575,097   | 3,866,513          |
| California Emergency Management Agency     | 33,338,850           | 3,570,622  | 649,377            |
| Capitol Area East End Complex              | 404,831,722          | 51,483,288   | 15,939,711         |
| Elihue M. Harris Building                  | 144,640,354          | 22,586,860   | 9,973,098          |
| Franchise Tax Board Complex                | 390,399,586          | 50,191,502   | 15,881,320         |
| Earl Warren / Hiram Johnson (Civic Center) | 251,022,331          | 35,877,218   | 13,836,962         |
| Junipero Serra State Building              | 77,378,391           | 11,739,066   | 4,939,648          |
| Justice Building (4949 Broadway)           | 56,361,140           | 9,161,232  | 4,224,806          |
| Public Utilities Commission Building       | 69,406,086           | 10,408,758   | 4,310,707          |
| Judge Joseph A. Rattigan Building          | 11,857,342           | 2,216,490  | 1,176,046          |
| Ronald Reagan State Building               | 139,286,292          | 20,448,469   | 8,252,939          |
| <b>Total</b>                               | <b>1,689,392,548</b> | <b>231,258,602</b>                                     | <b>83,051,127</b>  |

## **“SCHEDULE B”**

### **Proposed Lease Terms**

**Commencement Date:**

The Lease Term shall commence at close of escrow.

**Lease Rate:**

Listed in “Schedule A” as Gross Annual Rent.

**Lease Term:**

Lease Term shall be twenty (20) years (240 months).

**Annual Appropriation:**

Lease payments are subject to annual appropriations by the Seller.

**Lease Escalations:**

Except for any increases (to be paid by Lessee) over the expense allowances, annual gross rent shall not be increased during the 20 year primary lease term.

**Property Title:**

Upon expiration of the Lease and repayment of Buyer’s financing, title to the Property shall revert to the Seller/Lessee.

**Security Deposit (Debt Service Reserve):**

Lessee shall deposit \$148,207,475 into a reserve fund for the entire term of the lease. Funds may be used for last year lease payment. In lieu of a reserve fund, Seller may provide a surety policy from a bond insurer or a liquidity facility (letter of credit) from an acceptable bank in the same amount.

**Gas/Electricity:**

In addition to Rent, the Lessee shall pay directly the cost of gas and electricity.

**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 Lessee’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 areas.

**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 roofs) as and when required.

**Operating Expenses:**

Lessee shall pay any increase in the Expense Allowances as listed in “Schedule A”. Expense Allowance shall cover the of Security & Fire Prevention, Cleaning & Janitorial, Repairs & Maintenance, Utilities, Management Fees, Onsite Office Expense, Administrative Payroll, Landscaping, Interior Landscape, Pest Control, and Parking Expenses.

**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 ( $1/12^{\text{th}}$ ) 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 Lessee's sole cost and expense, to repaint all interior painted surfaces upon or after the sixtieth ( $60^{\text{th}}$ ) month of the Lease Term and every sixty (60) months thereafter. Further, Lessor, as Lessee's sole cost, shall replace all carpet and floor covering upon or after the one hundred twentieth ( $120^{\text{th}}$ ) 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.

**Insurance:**

Lessor shall furnish to the Lessee a certificate of insurance as evidence of insurance as fully set forth in the Lease 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 Lessee 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 Lessee as additional insured; (3) Automobile Liability with Lessee as additional insured; (4) Workers Compensation Insurance and Waiver of Subrogation in favor of Lessee; (5) Employee Dishonesty blanket insurance with limit of not less than \$1,000,000 and with Lessee 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. The Lessee shall have the option to provide said insurance in which case the Lessee shall be provided with an annual credit against its Rent equal to the amount of the insurance premiums.

**Property Taxes:**

The Lessee, 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 Lessee to a subsequent purchaser. In the event that an obligation to pay property taxes does not exist, the Lessee shall be provided with an annual credit against its Rent equal to the amount of the taxes not assessed.

**Onsite Management:**

Lessor agrees to furnish onsite property management services. Said duties shall be more particularly described in exhibits to the lease. The office for management staff has not been included in the State's leased space.