

Typical CalHFA Borrower CY 2005-2008

2005-2008 **1999-2001**
(20,754 loans) (24,001 loans)

FHA	26%	89%
Conventional	72%	6%

Asian	8.4%	3.2%
Black	6.8%	7.2%
Hispanic	33.3%	55.5%
White	45.3%	29.9%
Unknown/Other	6.4%	4.2%

Average income	\$ 57,987	\$ 37,887
Average sales price	\$ 272,226	\$ 126,068

Moderate Income	55.8%
Low Income	44.2%

FICOS

<580:	2.90%
581-600:	1.60%
601-620:	4.00%
620-660:	18.10%
661-680:	10.00%
681-700:	9.80%
>700:	48.70%

Average Conventional	708
Average FHA	633

Average Family Size

CalHFA-insured:	2.73
FHA Insured:	3.36

Average Debt To Income

CalHFA-insured:	45.90%
FHA-insured:	44.30%

<45%	38.70%
45-49.99%	29.00%
50-54.99%	19.70%
55-59.99%	5.20%
>60%	2.70%

Top Counties

	Loans	Average Amount
SAN DIEGO	2,963	\$287,867
LOS ANGELES	2,618	\$327,855
San Bernardino	1,482	\$240,275
Sacramento	1,449	\$251,533
Riverside	1,423	\$237,462
SANTA CLARA	1,359	\$422,900
Kern	1,065	\$187,811
ALAMEDA	996	\$357,652
ORANGE	844	\$363,594
CONTRA COSTA	753	\$332,182

High-Cost Counties IN CAPS

**BOARD OF DIRECTORS
CALIFORNIA HOUSING FINANCE AGENCY**

Dale E. Bonner, Secretary
Business, Transportation & Housing Agency
State of California
980 9th Street, Suite 2450
Sacramento, CA 95814
(916) 323-5401

Bill Lockyer, State Treasurer
Office of the State Treasurer
915 Capitol Mall, Room 110
Sacramento, CA 95814
(916) 653-2995

**Peter N. Carey, CalHFA Acting Board Chair
President/CEO, Self-Help Enterprises
P.O. Box 6520
Visalia, CA 93290-6520
(559) 651-1000x600

Barbara Macri-Ortiz
Law Office of Barbara Macri-Ortiz
P.O. Box 6432
Oxnard, CA 93031
(805) 486-9665

*Cathleen Cox, Acting Director
Office of Planning & Research
State of California
1400 Tenth Street
Sacramento, CA 95814
(916) 322-2318

*Ana J. Matosantos, Director
Department of Finance
State of California
State Capitol, Room 1145
Sacramento, CA 95814
(916) 445-4141

**Michael A. Gunning, Vice President
Personal Insurance Federation of California
1201 K Street, Suite 1220
Sacramento, CA 95814
(916) 442-6646

*L. Steven Spears, Acting Executive Director
California Housing Finance Agency
State of California
P.O. Box 4034
Sacramento, CA 95812-4034
(916) 324-4640

Paul C. Hudson, Chairman/CEO
Broadway Federal Bank
4800 Wilshire Boulevard
Los Angeles, CA 90010
(323) 634-1700

Jack Shine, Chairman
American Beauty Development Co.
16830 Ventura Boulevard, Suite 401
Encino, CA 91436
(818) 981-4900 x119

Jonathan C. Hunter
Managing Director, Region II
Corporation for Supportive Housing
328 Maple Street, Fourth Floor
San Diego, CA 92103
(619) 232-3197

**Ruben A. Smith, Partner
Adorno Yoss Alvarado & Smith
Professional Corporation
1 MacArthur Place, Suite 200
Santa Ana, CA 92707
(714) 852-6800

**Lynn L. Jacobs, Director
Dept. of Housing & Community Development
State of California
1800 Third Street, Room 450
Sacramento, CA 95811
(916) 445-4775

CURRENT BOARD VACANCY

1 Governor's Appointee

*Non-voting

**Audit Committee Members

iManage # 189929v1/rev 01-26-10

	 1 Senator/Meridian	 2 2020 W. El Camino	 3 500 Capitol Mall
Building Ownership:	Senator Holdings LLC Meridian - AKT Properties	Bannon Investors – Kelly Family	Tsakopoulos Family
Size:	Total – 79,602 rsf Senator - 59,896 rsf – 4 floors Meridian - 19,706 rsf 5 th floor	65,000 rsf 2 ½ floors	65,000 rsf 4 floors
Lease Term:	Senator - 10 Year – full Restack Meridian – 10 Year - Renewal (Analysis based upon 12.5 year comparison)	12.5 years	12 years, 8 months
Lease Term (Short):	Senator - Also proposed 65 mo term, 5 mo free at \$2.50 rsf/mo with 6% increase every 30 months with Termination Right in 39 th month or 1 year term at \$2.55 psf/mo Meridian – Proposed 2 Year at \$2.65 psf/mo FS – might consider different length of term	N/A.	N/A.
Base Lease Rate:	Senator - \$2.35 psf/mo FS with \$.05 psf/mo annual increases (5 Year - \$2.50 psf/mo FS with 3% increase every 30 mo. - Meridian - \$2.65 psf/FS with 2.5% annual increases	\$2.65 psf/mo FS 3% annual increase	\$2.65 psf/mo FS with 2% annual increases
Operating Expenses:	Base Year 2010	Base Year 2011	Base Year 2010
Estimated Tenant Improvements:	“Turnkey” – estimated to be \$35 to \$45 per rsf – Move expected to be completed in 3 to 4 phases over 2.5 years	“Turnkey” – estimated to be \$50 per rsf. In addition, if needed Landlord has agreed to amortize up to an additional \$10 per rsf on top of existing lease rate	“Turnkey” – estimated to be \$50 per rsf
Rental Abatement:	Senator - 8 months free Meridian – 6 months free	3 months free	8 months free
Estimated Relocation & Moving Expenses*:	\$1,172,000	\$795,750	\$795,750
Moving Allowance:	None.	\$10 per rsf \$650,000	\$2.00 per rsf \$130,000
Total Estimated Occupancy Costs: (Including Moving Expenses & Moving Allowance Offset)	\$35,558,401 (based upon 12.5 year comparison)	\$32,175,520	\$31,428,917
Total Estimated Savings:	None.	\$3,382,881	\$4,129,484
Delivery Date:	Senator - September 1, 2010 Meridian – October 10, 2010	September 1, 2010	September 1, 2010

* includes estimates on items such as moving, telecom and furniture expenses.

Disclaimer – Broker has relied on information provided by various Landlords and has not independently confirmed the accuracy of such information. Such information should be verified before proceeding with the transaction.

Item 7
The Structure and Historic Business
Model
of CalHFA

Historic Business Model

- Mortgage banking and insurance business, without shareholders.
 - Self-supporting, and does not receive taxpayer money.
 - Funds itself on spread between costs of funds and loan rates.
 - Housing Assistance Trust (HAT) funds
- Social purpose instead of private sector goal of profit for shareholders.
- Agency must operate profitably
 - Maintain adequate reserves
 - Pay for Operating Expenses – not supported by the State General Fund
 - Fund other Agency programs

Programs and Effect of Tax Law

- Agency's five lines of business
 - Single family lending (bond funded)
 - Multi-family lending (bond funded)
 - Special Lending (HAT funded)
 - Mortgage insurance (premium funded)
 - Contract administered programs (GO bond funded, Federal \$\$\$, Special Revenue)
- Tax exempt housing bonds
 - California Debt Limit Allocation Committee
 - Multifamily and single-family allocations not transferable
- Designing Products
 - Whole loans vs. MBS
 - Fixed Vs. variable rates
 - Portfolio vs. conduit lender

General and Limited Obligations

- **Indentures**
 - Loans funded by bonds held in trust indenture
 - May contain bond proceeds, capital reserves, REOs, other assets
- **General Obligation**
 - Agency guarantees assets within indenture
 - Multifamily III is general obligation indenture
 - All Agency swap contracts
 - BofA line of credit
 - Operating expenses
- **Limited Obligation**
 - Agency not liable for payment of bonds
 - Bondholders are simply looking at credit-worthiness of assets
 - HMARB is limited obligation indenture

Homeownership

- Typical borrower (FY 2007-2009)
 - Average Total Debt To Income Ratio: 46%
 - Needs Down Payment Assistance: Average LTV 89%
 - Average Percentage of CalHFA 1st Mtg's with DPA = 74% (FY 2004-2009)
 - Average Income: \$59,762 (Low Income borrowers = 44%)
- Our new products
 - Added-Value to Borrower/Why Lenders use our Loan Programs
 - Higher LTV's
 - Down Payment Assistance Programs - CalHFA DPA & Locality DPA's
 - Lower Rates
 - Straightforward qualifications for borrowers
 - Homeownership Risk Management
 - Require borrower "skin in the game" for Conventional, FHA & CHDAP
 - Require FICOs between 620 and 680
 - Impose borrower early payment default repurchase by Lenders
 - Use of a Master Servicer transfers servicer and seller reps & warrants
 - MBS Model offsets real estate risk and guarantees principal & interest
 - 6 months early default repurchase requirement

Multifamily

- Become business partners with non-profit developers
 - In that capacity the Agency takes risk
 - Funding from multiple sources leverages dollars
- CalHFA General Obligation Support
 - GO Rating reflects the risk in the Multifamily program
- Continue lending on MSHA program
 - Funded with Prop 63 funds; Agency already holds these funds
- TCAC consulting/underwriting of ARRA funds for tax credit projects
 - Paid on a fee basis
- Focus on the \$380 million HFA New Issuance Bond Program (NIBP)
 - FHA Risk Share Agreement
 - Fannie Mae Seller Servicer Agreement

Jim Niethammer
CRESA Partners
 455 University Avenue, Suite 215
 Sacramento, CA 95825

**RE: California Housing Finance Agency (Cal HFA)
 Gateway Tower East, 2020 West El Camino**

Dear Jim:

On behalf of Bannon Investors, we appreciate the opportunity to provide a solution for the consolidation of the administrative headquarters of Cal HFA and its employees. The specific benefits as outlined below differentiate the Gateway Tower building from any other location currently available in the market, and will result in a first year effective rental rate of \$0.99 per square foot. The specific benefits are as follows:

First Year Base Rent per Rentable Square Foot	\$2.65
Free Rent	(\$0.66)
Effective First Year Rate <i>(Before Potential Productivity Benefits)</i>	\$1.99
Moving Allowance	(\$0.07)*
Parking Savings	(\$0.60)*
LEED Gold Productivity Benefits	(\$0.33)*
<i>Effective First Year Rate per Rentable Square Foot</i>	<i>\$0.99</i>
<i>*non-inflation adjusted basis</i>	
<i>Effective Rate per Rentable Square Foot Over Term</i>	<i>\$1.93</i>
<i>Adjusted for 3% Annual Inflation.</i>	

- **Free Rent.** The Landlord has proposed three months occupancy on a rent-free basis resulting in a first year rental savings to Cal HFA of \$516,750.
- **Moving Allowance.** The Landlord is providing a moving allowance of \$10 per rentable square foot, which equates to a total up front cash benefit to Cal HFA of \$650,000.
- **Parking Savings.** Using a current average rate of \$150 per month per stall, and a parking ratio of four spaces per one thousand square feet of leased premises, results in a savings of \$5,850,000 over the lease term.
- **Tenant Improvement Allowance.** An allowance of \$50 per rentable square foot, (\$3,250,000), to be utilized for the completion of the Tenant’s interior improvements. In addition, if required for additional improvements, Cal HFA shall be allowed to amortize \$10 per square foot.

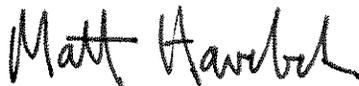
Additional Tenant and Employee benefits are as follows:

- **LEED Gold Productivity Benefits.** The Gateway Tower has recently been awarded LEED Gold certification from the US Green Building Council. As stated in *A Report to California's Sustainable Building Task Force dated October, 2003*, "the productivity gain is estimated to be \$.33 per square foot." The many LEED features of Gateway Tower are included as an attachment to this letter. Operating expense efficiencies shall be realized through utilization of energy management systems, HVAC management systems, solar energy production and water conservation systems.
- **Regional Transit.** Regional Transit offers two stops on site, one on West El Camino, and one on Natomas Park Drive providing direct links to Light Rail stations at Arden Way and Downtown. Available membership in the South Natomas Transportation Management Association offering ridesharing, carpooling and discounts on Regional Transit, Light Rail and Amtrak. Bicycle lockers are also provided on site with showers and lockers available for tenant's exclusive use.
- **Consolidation and expansion capability.** Large open floor plates allowing 27,000 square feet per floor with the ability to expand or contract over the term of the lease.
- **Excellent Freeway access.** Five minutes to downtown and the State Capitol, and seven minutes to Sacramento International Airport.
- **Security, Property Manager.** Onsite security, onsite property managers, and onsite maintenance personnel with card key access and security cameras at all entrances, lobbies and stairwells.
- **Hotels, amenities.** Three Marriott hotels, one Hilton Garden Inn, all offering complimentary airport shuttles. Kinder Care Day Care Center directly across Natomas Park Drive, and the Natomas Racquet Club walking distance from the site.
- **Conference Facilities.** The community/conference facility of the KVIE building is located adjacent to the Gateway Tower and is available for use by Gateway Tower Tenants.

The Landlord looks forward to concluding our lease negotiations and is happy to entertain any further comments or changes you may have to complete the lease document. Should you have any further questions or comments, please feel free to contact us at the number listed below.

Sincerely,

Aguer Havelock Associates, Inc.



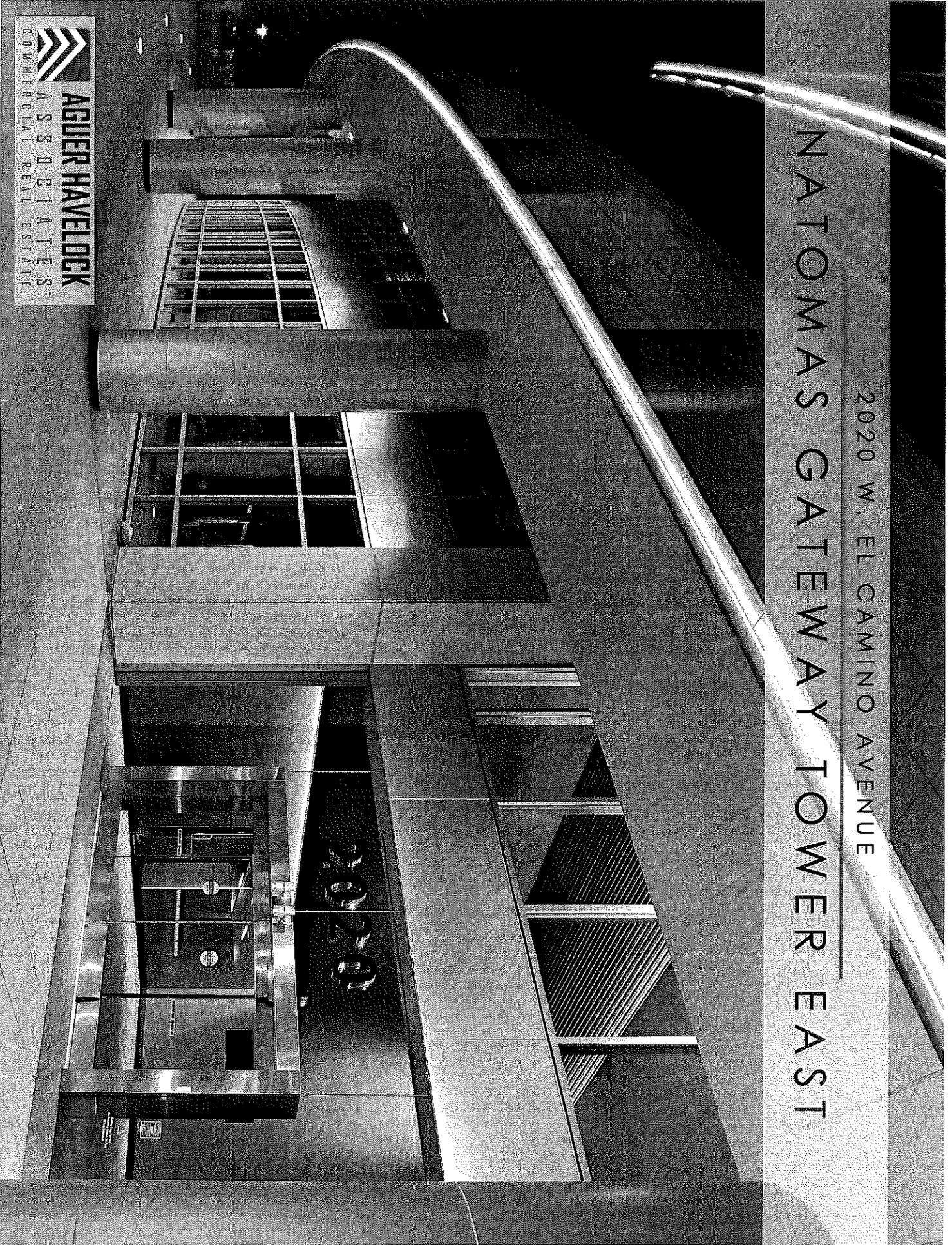
Matt Havelock- CCIM, SIOR
Senior Vice President
916-563-7667
Matt@aguerhavelock.com
CA DRE #00930194



Thomas C. Aguer – CCIM, SIOR
President
916-563-7827
tom@aguerhavelock.com
CA DRE #00481113

2020 W. EL CAMINO AVENUE

NATOMAS GATEWAY TOWER EAST

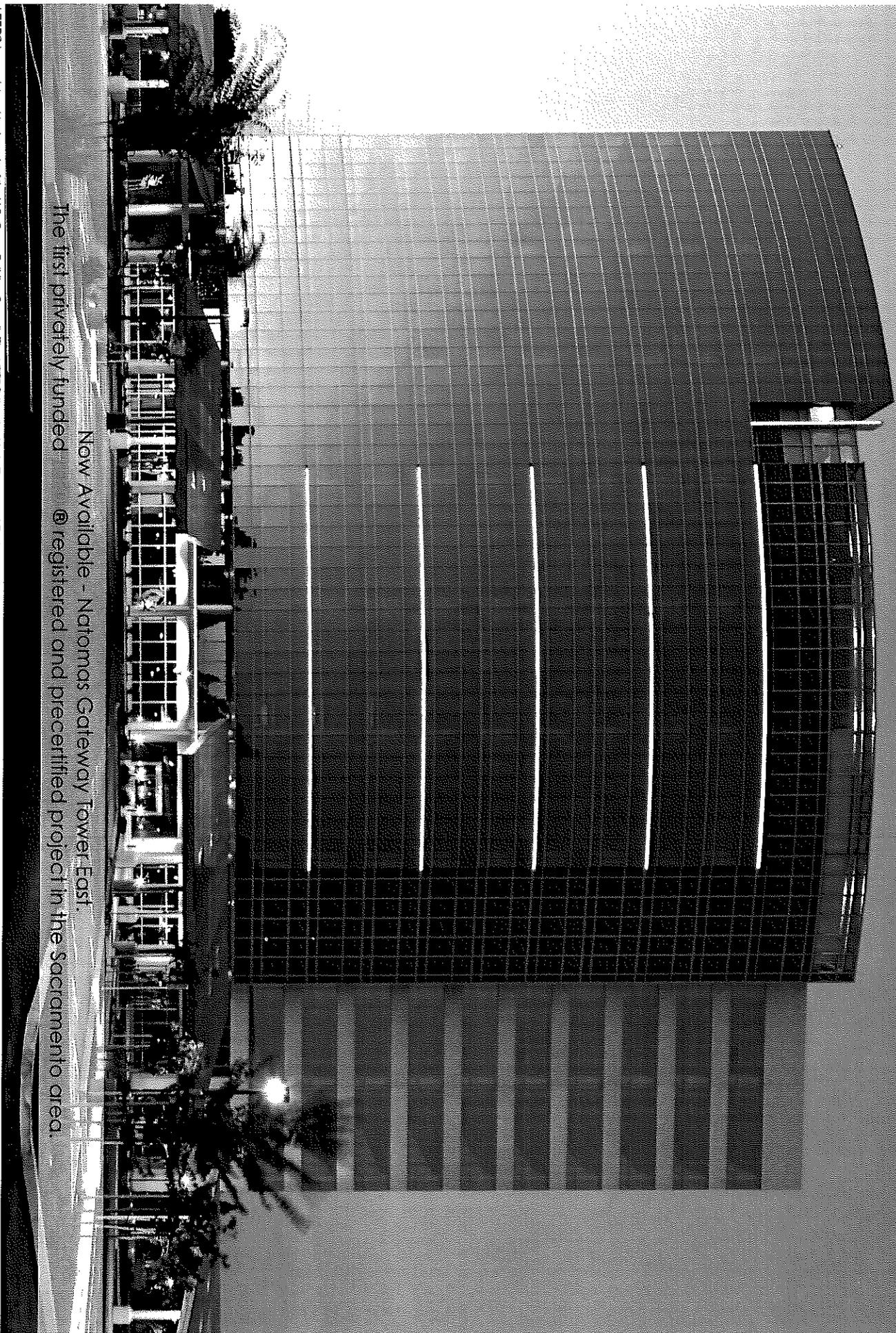


AGLER HAVELOCK
ASSOCIATES
COMMERCIAL REAL ESTATE



2020 W. EL CAMINO AVENUE

NATOMAS GATEWAY TOWER EAST



Now Available - Natomas Gateway Tower East.
The first privately funded @ registered and precertified project in the Sacramento area.

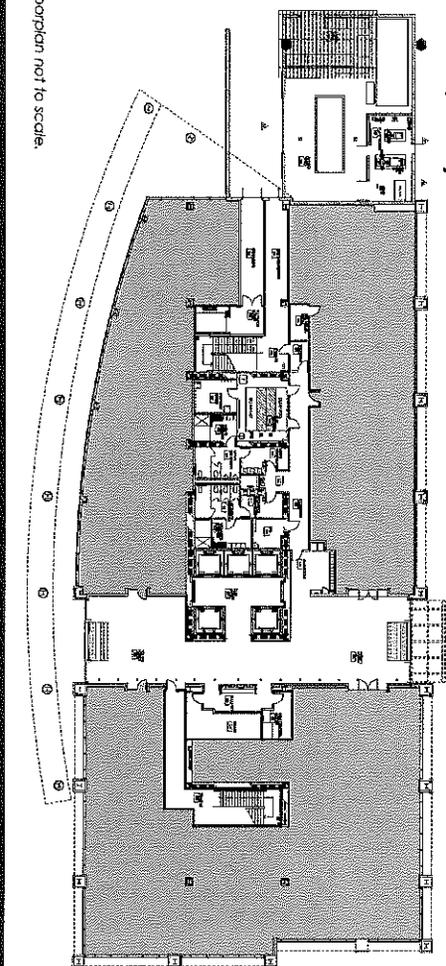
LEED® is a registered trademark of the U.S. Green Building Council. The LEED® (Leadership in Energy and Environmental Design) Green Building Rating System is the nationally accepted benchmark for the design, construction, and operation of high performance green buildings. The information contained herein has been provided by the owner of the property or other sources we deem reliable. We have no reason to doubt its accuracy, however, we do not guarantee it. All information should be verified prior to lease.

2020 W. EL CAMINO AVENUE



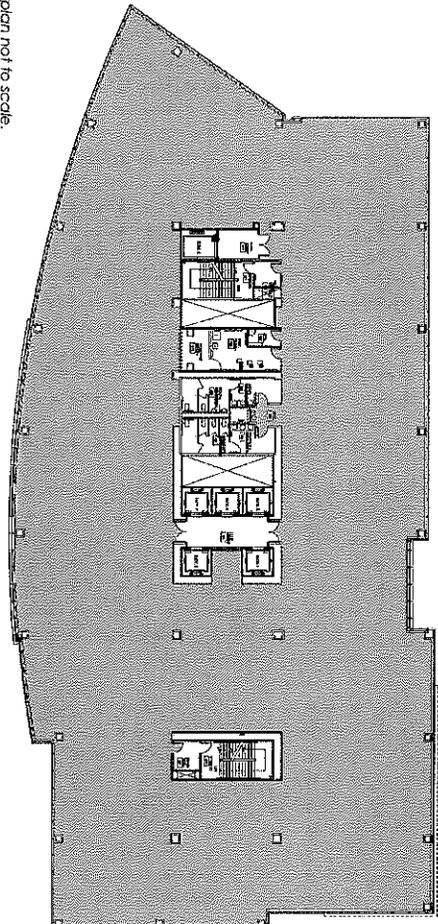
NATOMAS GATEWAY TOWER EAST

First Floor/Lobby



*Floorplan not to scale.

3rd, 4th, 6th and 7th floors



*Floorplan not to scale.

For further information on Natomas Gateway Tower East, please contact exclusive agents:

TOM AGUER, CCIM SIOR (916) 563-7827 tom@aguerhavelock.com CA DRE #00481113	MATT HAYLOCK, CCIM SIOR (916) 563-7667 matt@aguerhavelock.com CA DRE #00930194	CHAD COOK, CCIM (916) 563-3901 chad@aguerhavelock.com CA DRE #01711687	2485 Natomas Park Drive, Suite 130 Sacramento, CA 95833 T (916) 563-7555 F (916) 563-7554 www.aguerhavelock.com
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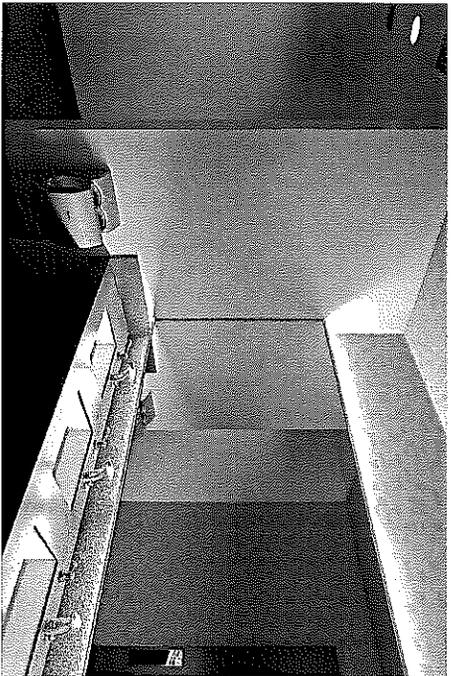
- 1,200 On-Site Free Parking Spaces
- Advanced High Rise Life Safety Features
- Ideal Lease Depths
- Column Free Space
- Average Floor Plate 26,600 SF
- 5 High Speed Passenger Elevators
- 1 Dedicated Service Elevator
- Security and Internet Accessibility
- Secure Server Room on Each Floor with 24/7 HVAC



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2020 W. EL CAMINO AVENUE

NATOMAS GATEWAY TOWER EAST



WATER USAGE and CONSERVATION

- 5.7 Million Gallons of water saved annually.
This is equivalent to the annual water usage of 185 homes.
- 100% of the irrigation water for the 14 acres of landscaping is recycled water from the HVAC system.

INDOOR ENVIRONMENTAL QUALITY

- 75% of the interior spaces provide access to natural daylight and views.
- 100% of carpet, paints and adhesives are free of VOC (volatile organic compound) emissions; no fumes or odors.
- 100% of the building and outdoor areas near the entries are tobacco smoke free.
- Air filtration system is equivalent to hospital standards.
- MERV 13 air filters (twice as efficient as standard filters)
- Natomas Gateway Tower filters have an efficiency of 95 - 99%
- Standard Office filters have an efficiency of 35% +/-
- Ventilation (outside) air continuously monitored.
- "Clean" building construction (sealed ductwork, materials covered to keep dry and clean)
- Building flushed for 2 weeks prior to occupancy.

ENHANCED PRODUCTIVITY

According to the US Green Building Council and Carnegie Mellon Studies, productivity increases in LEED ® Certified buildings have been shown to range from 0.4% to 18%.

FINDINGS

- 1% increase = \$4.02/s.f.
- 1% increase in 100,000 s.f. Bldg. = \$400,000 per/year
- 5% increase = \$20.12/s.f.
- 5% increase in 100,000 s.f. Bldg. = \$2,000,000 per/year

For further information on Natomas Gateway Tower East, please contact exclusive agents:



TOM AGUER, CCIM, SOR
(916) 563-7827
Tom@aguerhavelock.com
CA DRE #00481113

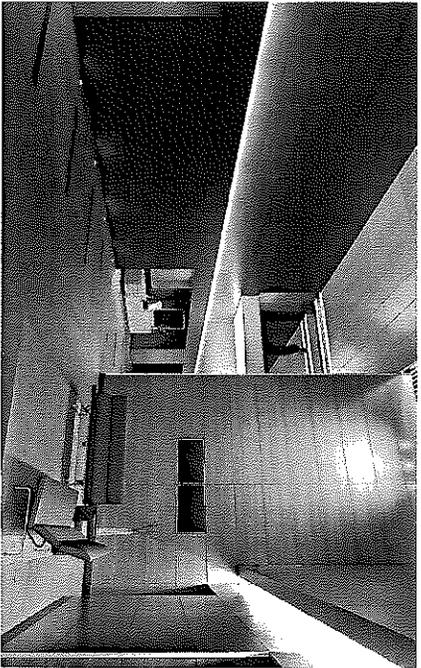
MATT HAVELOCK, CCIM, SOR
(916) 563-7667
Matt@aguerhavelock.com
CA DRE #00930194

CHAD COOK, CCIM
(916) 563-3901
Chad@aguerhavelock.com
CA DRE #01711687

2485 Natomas Park Drive, Suite 150
Sacramento, CA 95833
T (916) 563-7555 F (916) 563-7554
www.aguerhavelock.com

2020 W. EL CAMINO AVENUE

NATOMAS GATEWAY TOWER EAST



ENERGY and ATMOSPHERE

- Photovoltaic panels harvest 187 kilo watts of electricity from sunlight to help reduce the energy demand.
187 kW = 46,000 tons of carbon
- 71.6% of the electricity for the shell and core are produced from wind, solar and geo thermal.
- Energy usage is 19% better than California's Title 24 Energy Standards.
This is equivalent to the carbon output of 7,265 households.
- No CFCs (Chlorofluorocarbons) used in the HVAC system.
- SMUD "Greenenergy" core & shell electricity (renewable sources: sun/wind/water).
- Energy Star Rated

WASTE CONTROL and SUSTAINABLE MATERIALS

- 95% of all construction waste was diverted from land fill.
- Wood used in the building was harvested from sustainable forests.
- 20% + of raw construction materials from within 500 miles.
- 20% + of the value of construction materials made of recycled content.
- Recycling collection / storage space provided in building.

PARK AMENITIES

- KinderCare Child Care Services
- Natomas Racquet Club
- Regional Transit Shelter On-Site/Direct Light Rail Link
- Excellent Freeway Access
- Multiple Nearby Restaurants, Fast Food and Hotels
- Five Minutes to Downtown and State Capitol
- Seven Minutes to Sacramento International Airport (SMF)
- South Natomas Transportation Management Association (TMA)

For further information on Natomas Gateway Tower East, please contact exclusive agents:



TOM AGUER, CCIM, SIOR
(916) 563-7827
Tom@aguerehavelock.com
CA DRE #00481113

MATT HAVELOCK, CCIM, SIOR
(916) 563-7667
Matt@aguerehavelock.com
CA DRE #00930194

CHAD COOK, CCIM
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Chad@aguerehavelock.com
CA DRE #01711687

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