Sacramento Convergence, LLC
11249 Gold Country Blvd., Ste. 190
Gold River, CA 95670

February 3, 2011

City Council
City of Sacramento
915 I Street, 5th Floor
Sacramento, CA 95814

Re: Presentation of Qualifications for Development of a New Sacramento Events Center

Dear Council Members,

The Kamilos Companies and global financier Macquarie Capital (USA), Inc. are pleased to present the Sacramento Convergence Team's Statement of Qualifications to the City of Sacramento for the development of a New Events Center and a Renewed Cal Expo/State Fair Facility for the benefit of the Sacramento Region.

In accordance with the City's request of January 27, 2011, our presentation includes:

Section 1: This Cover Letter highlighting our team's key qualifications and experience;
Section 2: Overviews of corporate expertise and resumes of principle team members;
Section 3: Relevant projects, from both financing and development perspectives; and
Section 4: Our proposed Implementation Program, providing a description of our progress-to-date and our approach and work plan for the next 90 days.

Additionally, we are providing a two-page summary of the Sacramento Convergence Program to assist in understanding our overall proposal

We appreciate this opportunity to expand on the Convergence Team's qualifications and experience in the planning, financing and construction of well over 250 major entertainment and sporting venues around the world, and certainly look forward to continuing our discussions with you.

Respectfully,

Gerry Kamilos
Managing Member

Summary of the Sacramento Convergence Program

Within the city limits of Sacramento three major sites are being considered for redevelopment: The downtown brownfield railyard site, the Cal Expo site and the Natomas Arco Arena site. Various proposals have been presented during recent years which have centered individually on one or another of these sites for the development of a new Events Center. The Sacramento Convergence Program by the Kamilos/Macquarie proposal provides for the coordinated redevelopment of all three sites in order to develop and finance a convergence project providing a new Cal Expo/State Fair Facility, a multi-use entertainment and sports Events Center and state-of-the-art entertainment districts.

The original Sacramento Convergence Program was presented to the City a year ago and resulted in the Convergence Team and City entering into a six-month Exclusive Right to Negotiate process to progress the project. As you are aware, the ERN process ended with its expiration last Fall when the Cal Expo Board decided they were not interested in relocating the State Fair to Natomas.

Through the course of the past year a tremendous amount of foundational work has been accomplished by the Convergence Team and the cause of a new Events Center for Sacramento significantly progressed. A great deal of knowledge of project needs of has been gained, and as a result, a simpler overall project has emerged.

Sacramento Convergence Concept:

The Land Use and Development Concepts of the Sacramento Convergence are:

- Develop and finance a new downtown Events Center and a parking structure on the City's 15 acre railyard site;
- Develop a New Cal Expo/State Fair Facility on the Cal Expo property;
- Develop the remaining property at the Cal Expo to mixed commercial, office, entertainment and residential uses; and
- Develop the existing Arco Arena site in Natomas, incorporating uses which provide the opportunity for a replacement economic engine to create permanent jobs for the Natomas community.

The Financial Concept of the Convergence Program is to combine the redevelopment of the three sites to create a critical mass large enough to support the development of both the Cal Expo and Events Center projects. The cornerstones of this financial program are:

- Only revenues originating from the development of these properties will be used to fund the projects;
- The program will be undertaken using an international Public Private Partnership (P3) financing model utilizing private funding;
- The Events Center will be operated for the 30- to 40-year life of the P3 term by the private financing team;
- A P3 financing model will be used for the construction and operation of the New Cal Expo/State Fair Facilities, for which the Cal Expo Board will continue its operation of the State Fair and non-State Fair events will be considered for management by a private equity investor/operator;
- The repayment of the City's existing bond for the Kings loan will be part of the financing plan and be supported by creditworthy revenue streams; and
- The City's General Fund will not be put at risk, nor will a public vote for funding be required.

Sacramento Convergence Program Requirements:

A. Financing

- The Events Center will be financed (Macquarie Capital USA), constructed, maintained and operated using a P3 process;
- The New Cal Expo/State Fair Facility will be financed, constructed and operated in conjunction with Cal Expo by VisionMaker Worldwide and private equity investors;
- The detailed evaluation required will be financed by POSCO E&C; and
- The P3 financing model requires a declining credit enhancement for Years 1 – 6 of a 30-year concession period (approximately $9M/year), for which several non-government entities have expressed an ability to participate.

B. Land Requirements

- Maloof Sports and Entertainment's lands at the existing Arco Arena site in Natomas, including all existing facilities and improvements;
- The City's downtown 15 acre railyard site and its lands at the existing Arco Arena site; and
- Cal Expo's private land development portion of the Cal Expo site.

C. Program Revenue

- Sale of land at Natomas, downtown railyards and Cal Expo;
- Parking revenue from non-event parking at the downtown parking structure;
- Property and sales tax increment revenue at all 3 sites;
- Annual assessment on new private residential and commercial developments at all 3 sites;
- Portion of increased revenues as a product of the development of the facilities;
- Annual tenant lease payments from MSE; and
- Facility user fees.

D. Elements Covered by Convergence Program

- Acquisition of property to the east of the City's downtown railyard site (2 +/- ac);
- Assumption of the payment on the City's bonds for the MSE Arco Arena loan;
- Planning and environmental entitlements for all 3 sites;
- Design and construction of the Events Center, parking structure and private developments at the City's downtown railyard site;
- Planning for the City's proposed Intermodal Transportation Center at its downtown railyard site in conjunction with the design of the other site elements;
- Design and construction of a New State Fair Facility at the Cal Expo site;
- Incorporating uses into the redevelopment of the Arco Arena site in Natomas which provide the opportunity for a replacement economic engine to create permanent jobs for the Natomas community;
- Clean up and demolition as required at each site;
- Project Management of the entitlements, funding, design and construction;
- Operation of the physical plant portion of the Events Center (MSE to manage all aspects of the Events); and
- Private operation of the non-State Fair events at the Cal Expo site.

SECTION 1: Sacramento Convergence Team's Key Qualifications and Experience

An overall Organization Chart for the Convergence Team is shown below, along with a general description of each member's role:

Team Roles and Duties

Management Team
The Kamilos Companies
Macquarie Capital (USA) Inc.

Program Management	Rick Benner Richardson Dev Group
Design Team	
▪Events Center	EllerbeBecket/AECOM
▪Cal Expo	VisionMaker Worldwide
▪Parking Structure	Stantec Consulting
▪Traffic Infrastructure	HDR
▪Utilities Infrastructure	HDR MacKay & Somps
Legal Counsel	Trainor Fairbrook
Construction Team	Hunt Construction Tutor Perini Corp. POSCO E&C Teichert Construction
Emerald Initiative	AECOM Energy Sharp Electronics Corp.

Entertainment Venues	VisionMaker Worldwide
EIR	AECOM
Entitlements	AECOM MacKay & Somps
Financial Analysis	Goodwin Consulting Group Stantec Consulting
Legal Counsel	Trainor Fairbrook
Traffic Analysis	TJKM Transportation
Land Development Design	MacKay & Somps
Management Augmentation	PMA
Financial Resources	PCCP & POSCO E&C

A short profile of each team member is provided as follows and a more detailed description of selected team members along with resumes, project profiles and references are included in Section 2.

- The Kamilos Companies, a regional developer proficient in delivering major master-planned projects, is teaming with global financier Macquarie Capital (USA) Inc. to form a private enterprise which will coordinate with the City, Cal Expo/State, MSE/NBA and other agencies to implement the Sacramento Convergence as a Public Private Partnership (P3) project. Macquarie Capital is also an experienced financier/advisor of stadiums and arenas all over the world, including both the Beijing (2008) and Sydney (2000) Olympic Stadiums. Together, Kamilos and Macquarie will provide overall management of the Convergence Program, including the P3 financing, private development financing (by Northern California-based private financier Pacific Coast Capital Partners and others), land/environmental entitlements, disposition of entitled land, ownership, construction, and operation and maintenance of the public facilities during the concession period (30-years).

- Rick Benner is a prominent local management consultant who played a significant role in the Sacramento Kings organization from 1983 to 1999. Mr. Benner gained increasing levels of responsibility in the Kings organization, finishing as President and was an active participant in all aspects of the Teams operations. This included basketball operations and all aspects of the organization's finances, promotion, events, concessions and the construction and start up of both Arco Arenas. Mr. Benner will form part of the Convergence Program's management group and will participate in negotiations with the NBA/Kings and in all aspects of the new Events Center's design, construction and implementation. Additionally, he will provide valuable insight to the opportunities for repurposing Arco Arena.
- AECOM/Ellerbe Becket, whose extensive entertainment and sports venue architectural experience is represented both nationally and internationally through its over 120 successful projects, brings the knowledge to produce an Events Center that performs to all of the requirements of the NBA and professional entertainment aspects of the project. Their urban planning and architecture expertise will also be utilized in the integration of the proposed new facilities with the historic rail depot, the Railroad Museum, Old Sacramento, Downtown Plaza and the overall downtown business community.
- Hunt Construction Group is a premier entertainment and sports facility construction firm, having built more such facilities in the last eight years in the United States than any other firm. They recently completed the 18,500 seat Amway Center in Orlando and broke ground on the 18,500 seat Barclays Center in Brooklyn (designed by AECOM/Ellerbe Becket).
- Tutor Perini Corporation is a leading building and heavy civil construction company with significant intermodal and transit facility experience. They were ranked by ENR (Jan. 2010) as the nation's second largest general building contractor, second largest green contractor, 10th largest contractor, and the number one builder of hotels, motels and convention centers according to revenues. Rudolph and Sletten, a division of Tutor Perini Corporation with offices in the Sacramento area, recently completed the expansion of Sacramento's Crocker Art Museum.
- Richardson Development Group (RDG) is a real estate development management and advisory firm specializing in the coordination of high-density mixed-use commercial projects blending lifestyle, entertainment and sporting venues, retail, restaurants, office, hotel and residences. RDG acted as owner representative during the development and construction of the 18,700 seat Philips Arena in Atlanta, GA, which was master-planned around active rail lines and incorporated a rail mass transit station into the overall development. They will assist The Kamilos Companies and Macquarie Capital in overall programming, management and coordination of the various land uses and facilities proposed for the City's downtown railyard site.
- The local and national offices of HDR Engineering will lead the incorporation of the City's Intermodal Transportation Center into the downtown Events Center, RDE District and parking structure and the required heavy civil infrastructure and transportation/transit facilities for the overall project.
- VisionMaker Worldwide will undertake the New Cal Expo/State Fair planning and proposes to become the private operator during the non-State Fair operations at the new Cal Expo facilities. Additionally, they will provide Retail-Dining-Entertainment District (RDE) planning at all 3 sites, as well as being an anchor developer. VisionMaker Worldwide is led by former executives from the Disney and Universal Studios organizations, and specialize in managing the design, development and operation of entertainment and leisure destinations worldwide.

- The local and international capabilities of AECOM's environmental and urban planning groups, local engineering knowledge of MacKay and Somps Civil Engineers, traffic planning capability of TJKM Transportation Engineers and fiscal analyses/public facilities financing expertise of Goodwin Associates will complete the land planning/design/financial review components of the 3 redevelopment sites.
- The local office of Stantec Consulting will provide the design of the downtown parking structure.
- Project Management Applications, a local construction management firm with a long-standing relationship of staff augmentation with The Kamilos Companies, will augment aspects of the overall project management.
- POSCO E&C is one of the world's. largest steel and construction companies, providing additional worldwide experience and exposure to the Convergence project, and providing a direct access to primary construction materials.
- AECOM Energy and Sharp Electronics Corporation – Solar & Distributive Energy Solutions Group together will lead the Sacramento Convergence's Emerald Initiative, which will establish a renewable and distributive energy program to assure the Events Center and associated facilities are AB32-compliant or better.
- Teichert Construction is the largest locally owned and based civil contractor and will provide their local knowledge and capability for all infrastructure elements.

SECTION 2: Overviews of Corporate Expertise, Relevant Projects

and

SECTION 3: Resumes of Principle Team Members

Please find attached – after Section 4 – overviews of corporate expertise, relevant projects and resumes of principle team member for each of our member firms. This provides you with an indication of the extensive experience of each team member in their respective area of expertise, and therefore, the Sacramento Convergence Team's ability as a whole to bring the entirety of the Convergence Program to fruition.

It should also be noted that our team members have worked on numerous NBA arenas, have written the NBA arena design guidelines and have collaborated together on numerous projects.

In addition to this information, a matrix of references for each team member is provided.

SECTION 4: Proposed Implementation Program

A. Foundational Work

To properly understand the work that will be undertaken during the next 90 day period by the Convergence Team, it is necessary to understand the foundational work that has been accomplished to-date on the project. Over the past two years, the following work has been completed on the Convergence Program:

Cal Expo:

On September 24, 2010 the Cal Expo Board of Directors declined our proposal to locate a new State Fair Facility to the Natomas site. However, the Convergence Team was contacted by Cal Expo staff, at the direction of their Board, ten days afterward to explore a coordinated effort for the development of a New State Fair on their existing Cal Expo site.

That coordination has continued to this time, to result in the drafting of an operating framework for the operation of a New State Fair Facility and redevelopment at the Cal Expo site.

These New State Fair Facilities are proposed to be operated cooperatively by Cal Expo and a private operator, VisionMaker Worldwide (VMW). In principle, the draft framework will provide for the Cal Expo Board to operate the facility for the period of the State Fair and VMW to operate the facility for the remainder of the year. Allowance will also be made for the Sacramento County Fair in the framework.

We anticipate the timeframe for the Cal Expo Board to consider whether or not to participate in the Convergence Program will be in Spring 2011.

NBA/Sacramento Kings:

The Convergence Team began initial discussions with the NBA in the Spring of 2009, with a first direct meeting in July of 2009 subsequent to the Cal Expo/NBA planning process. From that meeting, the Convergence's financial modeling was submitted to the NBA for its first review. Several additional meetings and telephone conferences took place with NBA financial and planning staff during the remainder of 2009, moving into an agreement terms discussion in September 2009 and culminating in the NBA's expression of confidence in the Convergence concept in January of 2010 via their execution of an Exclusive Negotiating and Non-Circumvention Agreement with Gerry N. Kamilos, LLC. The Convergence Team continued coordination with NBA staff during 2010 on various iterations of the financial model. Ultimately, the NBA accepted the parametric economic model used for the Convergence Program. The negotiations of many elements of the basketball team's lease and the Convergence's financing plan have been resolved; however, two business points remain outstanding: 1) rent escalation formula; and 2) user fee structure. Upon the Cal Expo Board's decision in September 2010 to not relocate to the Convergence's proposed Natomas site alternative, the agreement with the NBA was not renewed.

Discussions with the NBA have continued since, including their review of updated financial models and the Convergence's recent submittal to the Sacramento First Task Force. When the Convergence Team submits its plan update to the City, the NBA will concurrently receive a copy. The NBA has informed us they will observe the process currently proposed by the Convergence

during the next three months. The NBA, in concert with the City, will then be fully re-engaged to complete the business plan negotiations previously started.

A copy of the general terms of this previous agreement may be provided to the City upon concurrence by the NBA and the execution of a Confidentiality Agreement by the City.

Legislation:

It is necessary to enact State Legislation in order to achieve the following elements of the Convergence Program:

- Achieve operational efficiencies for Cal Expo and the State Fair;
- Transfer/sell State-owned lands; and
- Capture of property and sales tax increments from the three sites;

Through efforts during 2010 with Cal Expo and City staffs, such legislation was drafted and forwarded to Senate President Pro Tem Darrell Steinberg in mid-2010. As a result of this effort, Senator Steinberg prepared a letter to Mayor Johnson and the Cal Expo Board, dated August 23, 2010, providing a listing of criteria to be achieved in coordination with Cal Expo prior to the legislation being able to be introduced.

Downtown Site Planning:

A new Events Center, parking structure and private residential/commercial development are proposed to be constructed on the City's 15 acre site at the Railyards in downtown Sacramento. The site also includes the existing Historic Depot and the City's planned Intermodal Transportation Center.

As part of the Convergence Team's efforts over the past year, and in coordination with City staff, conceptual site plans of this site were prepared to assess its ability to accommodate these facilities. This analysis examined site access/egress, pedestrian and vehicular circulation and the inter-relationship of the new structures with the Historic Depot and planned Intermodal Center. The key findings from this analysis include:

- Approximately 2 acres of additional land is required to optimally accommodate all the facilities;
- The Intermodal Center should be designed as part of the overall project design and preferably should be constructed as part of the overall project;
- The train access for the Intermodal Center should consider overhead access to the trains from a mezzanine level common with the Events Center; and
- The Historic Depot should be considered for integration as a viable part of the Events Center; and
- Pedestrian connectivity to Old Sacramento, Downtown Plaza and the future Railyards Specific Plan is critical.

In response to the requirement for additional land, the Convergence Team has held discussion with the owners of the property to the east of the City's 15 acre site, Inland American, who indicated a willingness to work together and consider a sale of the property for that purpose.

Functional Financing Model:

Over the last year of negotiations with each stakeholder, we have determined the requirements of each are to varying degrees contradictory to each other. As a result, this has required adoption of an iterative process involving each stakeholder and an ongoing evolution of the financial model.

Since Cal Expo's decision in September, the Convergence Team has further evolved the financial model, resulting in the following general description. To a large degree, this is the basis to which the work program will be defined for the next 90 day period.

1. Financing
   - The Events Center will be financed (Macquarie Capital USA), constructed, maintained and operated using a P3 process;
   - The New Cal Expo/State Fair Facility will be financed, constructed and operated in conjunction with Cal Expo by VisionMaker Worldwide and private equity investors;
   - The detailed evaluation required will be financed by POSCO E&C; and
   - Requires a declining credit enhancement for Years 1 – 6 of a 30-year concession period (approximately $9M/year), for which several non-government entities have expressed an ability to participate
2. Program Revenue
   - Sale of land at Natomas, downtown railyards and Cal Expo;
   - Parking revenue from non-event parking at the downtown parking structure;
   - Property and sales tax increment revenue at all 3 sites;
   - Annual assessment on new private residential and commercial developments at all 3 sites;
   - Portion of increased revenues as a product of the development of the facilities;
   - Annual tenant lease payments from MSE; and
   - Facility user fees.

Redevelopment of Natomas Site:

As with each stakeholder in the project, it is evident there are certain expectations from the Natomas community that will be necessary to meet. With removal of the Arco Arena business, there is a concern of a loss of economic activity and the need to replace it with "something that hits the minimum standard of what a new arena would have brought to that community".*

This requirement is consistent with the Convergence Program, as a significant component of the funding for a new Events Center is the generation money from the sale of land. Therefore, incorporating uses into the redevelopment of the Arco Arena site which provide the opportunity for a replacement economic engine to create permanent jobs for the Natomas community will benefit the program to the greatest degree.

** Quote: Councilmember Angelique Ashby – January 25, 2011 City Council Meeting.*

B. Implementation Program Approach and Work Plan

We propose to complete the project in five overall steps as follows;

1. Proposal Analysis < < ***City's requested 90 Day Preliminary Feasibility Submission***

   Timeframe: February 2011 to May 2011

   Tasks:

   - Downtown Facility Siting, including the Events Center, parking structure, private development/RDE areas and demonstrate a plan to incorporate a design for the City's Intermodal Transportation Facility;
   - Coordination with the Cal Expo Board for the mutually beneficial development of a New Cal Expo/State Fair, RDE and Mixed-Use Redevelopment of their property, and drafting of required new legislation to achieve a more economical operating plan for the State Fair;
   - A concept development plan for the existing Arco Arena site in Natomas, incorporating uses which provide the opportunity for a replacement economic engine to create permanent jobs for the North Natomas community;
   - The Convergence's financing model, including commitments for funding based on mutually-agreed revenue parameters, pending legislation, and project costing guarantees; and
   - A conceptual financing plan for expansion and integration of the City's planned Intermodal Transportation Facility into the Convergence project.

THE SACRAMENTO CONVERGENCE
SCHEDULE FOR PRELIMINARY FEASIBILITY SUBMISSION

February 3, 2011
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City Task List	Task Status	Weeks 1	2	3	4	5	6	7	8	9	10	11	12
1. Narrative Description	Completed & provided w/ this SOQ	✓											FS
2. Preliminary Project Schedule	Completed & provided w/ this SOQ	✓											FS
3. Preliminary Financial Plan:													
a. Design & construction cost estimates	Previously completed, refinement required			▶	▶	▶	▶	▶	▶	▶	✓		FS
b. Development pro forma budget	Previously completed, refinement required			▶	▶	▶	▶	▶	▶	▶	✓		FS
c. Operating pro forma budgets	In process, refinement required						▶	▶	▶	✓			FS
d. Sources of funds and financing mechanism	Previously completed, ready for staff review	✓											FS
e. Identity, capacity and interest of financing partners	Previously completed, ready for staff review	✓											FS
f. Expected level of :													
~ public financial participation	Previously completed, ready for staff review	✓											FS
~ public asset contribution	Previously completed, ready for staff review	✓											FS
~ infrastructure improvements	In process, refinement required					▶	▶	▶	✓				FS
g. Process & timing for securing financial participation	Previously completed, ready for staff review	✓											FS
h. Expectations of City staff involvement	Ongoing	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	FS
i. Expected level of City concessions	Previously completed, refinement required						▶	▶	▶	✓			FS
j. Dispensation of existing City loan	Previously completed, ready for staff review	✓											FS
k. Ownership structure	Previously completed, refinement required								▶	▶	▶	✓	FS
4. Potential Facility Operators	In process, refinement required								▶	▶	▶	✓	FS
5. Concurrence Letter from Sacramento Kings/MSE	Previously completed, refinement required	▶	▶	▶	▶	▶	▶	▶	▶	▶	✓		FS
6. Reuse Concepts for Existing Natomas Site	In process, refinement required			▶	▶	▶	▶	▶	▶	▶	✓		FS

Symbol Key: ✓ = completed; ▶ = in process; FS = Final Submittal

2. Project Parameter Agreement Milestone One

   Timeframe: Mid 2011 to End 2011

   Tasks:

   - Complete detailed studies of all aspects of the project;
   - Complete detailed Financial analysis of the program; and
   - Confirm complete viability of the project.

3. Project Parameter Agreement Milestone Two

   Timeframe: Beginning 2012 to Spring 2013

   Tasks:

   - Undertake Planning and EIR Entitlements as required for each site;
   - Undertake preparation of master engineering plans for each site;
   - Complete site entitlements;
   - Undertake Initial Design of the Events Center, State Fair and associated facilities;
   - Prepare fixed prices for all aspects of the project;
   - Secure needed financing; and
   - Prepare and execute Implementation Agreement

4. Implementation Agreement

   Timeframe: Spring 2013 to Summer 2016

   Tasks:

   - Financial close;
   - Complete design and construction of all facilities;
   - Transfer land and undertake sales program as land is available;
   - Open Events Center Summer 2015; and
   - Open New State Fair Summer 2016.

5. Concession Period

   Timeframe: 30 to 40 Years

   Tasks:

   - Operate and maintain capital components of the Events Center;
   - Maintain Capital Maintenance reserves for the Events Center;
   - Operate the Cal Expo site in cooperation with Cal Expo; and
   - Manage revenue and cost streams for the Convergence Program.

SECTION 2: Overviews of Corporate Expertise, Relevant Projects

and

SECTION 3: Resumes of Principle Team Members