



**QUESTIONS AND ANSWERS
REQUEST FOR PROPOSAL FOR
COMMERCIAL REAL ESTATE BROKERAGE AND ADVISORY SERVICES
FOR SALE-LEASEBACK OF STATE-OWNED OFFICE BUILDINGS
(RFP No. AMB – 2009-09-03)**

1. RFP page 5, Section 4 and Exhibit A, Scope of Services, page 4, Section 4.0:

a. The scope of services describes sale *and or* sale-leaseback. Is there any intent for the State not to lease back any of the properties?

Answer: The State currently plans to lease the buildings and/or properties set forth in Section 2 of the Broker RFP.

b. Item A:

Will the State be contracting directly for engineering surveys, preliminary title reports, etc., or are the costs for same to be incurred by the prospective Purchaser?

Answer: The scope of due diligence to be performed by the Seller or expected to be performed by a prospective purchaser has not been determined.

c. Item R:

Will the State use the standard form absolute gross lease?

Answer: The terms and conditions and form of lease have not been decided.

Will the State consider signing a bond lease in which it takes responsibility for capital expenditures and casualty/condemnation?

Answer: The deal structure of the leases has not been decided.

Is the State agreeable to annual rent increases?

Answer: The economic structure of the leases has not been decided.

What is the maximum lease term to which the State is willing to commit to?

Answer: The maximum length of the lease term has not been decided.

Does the State require operating lease treatment under GAAP?

Answer: The terms and conditions and form of lease have not been decided.

2. RFP page 6, Section B:

If the optimum team to facilitate these sales included a Contact Lead from Southern California and a Contact Lead for Northern California would that be acceptable?

Answer: The contract will have only one Lead Contact/Contract Manager.

3. RFP, page 8, Section 5(F):

At any given time, the Company is party to over 100 lawsuits in various jurisdictions across the country, many of which involve personal injury claims arising out of the Company's property management business. Please clarify the State's concern in this area and if it is truly necessary to provide a list of all litigation?

Answer: The State's concern is that the firm or personnel assigned to the contract would not be available to fully perform under the contract. The requirement remains.

4. RFP page 8, Section H:

According to the evaluation metrics, one third of the evaluation is attributed to the qualifications of the Lead Contact/Contract Manager. We would like to ask for specific clarification on how this qualification experience will be measured.

A. Based on their track record of performance as outlined in Section 6.

a. *Compensation Models*

Given the wide range of compensation models used within the commercial brokerage and investment banking real estate industry, it will be very difficult, if not impossible, to make an "apples-to-apples" comparison of transaction totals and volume of business actually performed by the Lead Contact/Contract Manager:

- One compensation model is a salary plus bonus structure where all bonuses are paid based on regional or national closed transactions. Professionals are therefore paid on all transactions completed by the firm nationally.

Can one professional in this salary plus bonus model claim all of these transactions as their personal transactions since they are being paid on every transaction completed by the firm? If not, how is pertinent experience measured?

Answer: No, in order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an

individual which actively represented the Seller in the execution of the marketing plan and sale of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H. and Section 6, Basis for Proposer Award including Item 4(i.-iv.) in Addendum No. 2.

1. Percentage of payment received on each specific transaction?

Answer: No, a compensation model is not directly correlatable with experience.

2. Primary role on the transaction?

Answer: Yes, in order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H. and Section 6, Basis for Proposer Award including Item 4(i.-iv.) in Addendum No. 2.

- A second compensation model is 100% commission-based where professionals are paid only on the specific transactions they execute. Therefore they are dedicated to specific transactions and not compensated based on a national or regional salary pool.
- A third compensation model consists of a regional team of senior professionals collaborating together with shared support staff.

- 1) Can a single professional claim all of the business executed by a larger capital markets team with several senior leaders sharing one commission pool?

Answer: No, in order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H. and Section 6, Basis for Proposer Award including Item 4(i.-iv.) in Addendum No. 2.

b. *Entity Sales:*

In the recent past, a number of large entity sales have occurred for significant Real Estate Investment Trusts (REITs). The value in these sales is in the actual real estate owned by the entity and the value of the organization, management and development platform; however, these sales are not typical real estate transactions.

- Should these be excluded because they are not real estate transactions?

Answer: No, see amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H. and Section 6, Basis for Proposer Award including Item 4(i-iv.) in Addendum No. 2.

- If they are included, is the entire sales price of the entity attributed to any professional/company engaged in the sale?

Answer: No, See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H. and Section 6, Basis for Proposer Award including Item 4(i-iv.) in Addendum No. 2.

- If the professional/company only contributed in a minor way, or in a specific market, should the entire entity sale be counted in the metrics?

Answer: No, in order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale of the property or portfolio, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H. and Section 6, Basis for Proposer Award including Item 4(i-iv.) in Addendum No. 2.

- Example: A REIT was sold for \$5 billion and a real estate services firm received 15% of the fee. Should the entire sale prices be noted in the Lead Contact's transaction sheet even though it could be very misleading?

Answer: No, see amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H. and Section 6, Basis for Proposer Award including Item 4(i-iv.) in Addendum No. 2. In order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. As such, it would not be misleading.

- If the REIT had 250 buildings, does the entity sale count as 250 buildings or one sales transaction?

Answer: It would count as one transaction. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H. and Section 6, Basis for Proposer Award including Item 4(i-iv.) in Addendum No. 2.

- If several of the REIT's assets are out of state, what happens?

Answer: Transaction lists are not limited to properties located within California.

c. *Portfolio Sales:*

How will portfolio sales be calculated?

- Is an entire portfolio counted as a single transaction of a large dollar amount?

Answer: A portfolio sale will count as one transaction See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H. and Section 6, Basis for Proposer Award including Item 4(i.-iv.) in Addendum No. 2 regarding dollar valuation.

- Or is one sale treated as a dozen sales if the portfolio had twelve buildings?

Answer: No.

- What if half of the portfolio is outside of California? Are all assets included or just the assets within California?

Answer: Transaction lists are not limited to properties located within California.

- Is the pricing split based on specific asset estimations done solely at broker's discretion?

Answer: No, it is not solely at broker's discretion. In the event estimations are made, they must be supported by market data.

d. *Sale-leaseback Experience:*

Many sale leasebacks originate with the seller but later become buyer oriented as the buyer takes on both the real estate risk and tenant credit risk. Experience representing both buyers and sellers in sale/leaseback transactions can be of significant value to the State of California in creating a transaction that meets the buyers' requirements, maximizes the value received by the State and minimizes ongoing lease costs to the State.

- Would the State like to see sale/leaseback transactions where the broker represented the Buyer included in the list of sale/leaseback transactions with which party the broker represented identified?

Answer: No, in order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale-leaseback of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller.

- e. Many past transactions are protected by pre-existing confidentiality agreements which will only allow basic information be included for scoring purposes. Is this acceptable, or do these transactions have to be omitted entirely?

Answer: See amendments to Section 5, Proposal Requirements, Item H. of the RFP in Addendum No. 2.

- f. For the Valuation of Top 5 Sales Transactions over \$20 million, what is the purpose of the two comparables required?

Answer: Knowledge of market activity and product type.

- Will these comparables contribute to the scoring in any way? If yes, how so?

Answer: The comparables will not be scored as part of the Proposer's submitted proposal.

- If there is not a relevant comparable within the requested 90-day timeframe should the most recent comparable within a reasonable timeframe be provided?

Answer: See amendments to Section 5, Proposal Requirements, Item H. of the RFP in Addendum No. 2.

- g. Are the requested transaction lists for California assets only? Please confirm that loan sales which are completely different from fee simple sale transactions should be excluded.

Answer: Transactions lists are not limited to investment income property sales that occurred only in California. Loan transactions cannot be included.

- h. Are key professionals' qualifying deal lists required to be independent of the Lead Contact/Contact Manager or can sales appear on multiple professionals' lists? Please confirm that loan sales which are completely different from fee simple sale transactions should be excluded.

Answer: In order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale-leaseback of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. If the role of the professional meets this test, then a deal list may include the transaction. Loan transactions cannot be included.

5. RFP, page 14, Section D:
Would the State accept a tiered commission structure? If yes, how would it be evaluated in the scoring metrics?

Answer: No, Proposer(s) must submit a compensation schedule, in the form of a commission percentage as outlined in Section 6, Item D and Exhibit B, Item A. Proposals containing sliding or tiered commission schedules will be rejected.

See also amendments to Section 6, Item D in Basis for Proposer Award of the RFP in Addendum No. 2.

6. RFP, page 14, Section 6, Item D and Exhibit B, Budget Detail, page 6, Section A:
Can the company be compensated for other services provided by another division such as Appraisal or Debt & Equity Finance?

Answer: No, the Request for Proposal does not include appraisal or the placement of debt or re-financing.

7. Exhibit C, General Terms and Conditions, page 7, Section 8: Clarification:

Please confirm that per California law, the firm engaged to perform services for the State of California will be acting as a limited or special agent, with the authority granted by the contract.

Answer: Please see Contract, Exhibit C, Section 8 Independent Contractor.

8. Exhibit D, Special Conditions, page 15, Section 2.0(A):
Will required certification of insurance be acceptable in place of copies of comprehensive insurance policies?

Answer: Yes.

9. Exhibit D, Special Conditions, page 16, Section 2.0 (E) (3):
Minor subcontractors may be engaged for services such as photography and printing services. Is there a minimum dollar amount of services that requires a formal subcontractor process?

Answer: The contract does not anticipate sub-consultants will be required to perform the work to be performed under the contract. The selected Proposer will not be reimbursed for any sub-consultants.

10. Exhibit D, Special Conditions, page 17, Sections 4.0 and 5.0:
Please confirm that all materials prepared specifically for the State shall be property of the State. Preexisting or general market materials provided to the State of California shall remain property of the originating company. Intellectual rights of third-party providers are subject to pre-existing confidentiality agreements with third-party vendors.

Answer: Any document in the State's possession is presumed to be a public record.

11. Exhibit D, Special Conditions, page 18, Section 8.0:
Maintaining billing records is not a standard practice in commercial real estate services and should not be required for this contract. Is there specific intent with this section?

Answer: Yes, the State is subject to laws and regulations, including audits.

- 1) Based on our review of the Minimum Qualifications and Proposal Requirements (Section 5 - pages 6 - 9), our understanding is that the role of "Lead Contact/Contract Manager" is to be performed by one individual, and that past sales experience and performance are specifically for this one individual only. While we agree with the utilization of a "single point of contact" for communication purposes, our Colliers team believes that the successful execution of this assignment will require an experienced, cohesive and multi-disciplinary team approach. Expertise and specialization in investment sales, structured finance, capital markets and government transactions will be equally important throughout the monetization process. As such, would DGS consider amending the RFP to broaden the minimum qualifications and requirements such that past sales experience and performance would be representative of the firm or team that is proposing rather than strictly the individual who is to perform the role of "Lead Contact / Contract Manager"?

Answer: See amendments to Section 6, Basis for Proposer Award, Item A. of the RFP in Addendum No. 2.

- 2) As it pertains to "Attachment III" (Page 21), could you provide some clarification as to the "Preference" factor, which is outlined just below "sub-total". We further noticed that the "TOTAL MAXIMUM SCORE" is also calculated without a score for preferences. The RFP does not address "Preferences" and how this area would be scored. Can you please address this scored area and how it might come into the final decision?

Answer: See amendments to Section 6, Basis for Proposer Award in Addendum No. 2.

1. ITEM 4: One of the principal responsibilities of the Proposer is to review due diligence. Is there flexibility to allow proposer to hire an expert third party to review such materials?

Answer: The due diligence materials may include privileged information. The contract does not anticipate sub-consultants will be required to review due diligence materials. The selected proposer will not be reimbursed for any third party sub-consultants.

2. ITEM 6: How does the small business preference calculation work with the proposed point system? Could this account for 5% of the total score?

Answer: See amendments to Section 6, Basis for Proposer Award in Addendum No. 2.

3. ITEM 6.A: May the lead contractor integrate experience and references from its sale-leaseback partner that is part of the same company, but based outside California? For example, if the firm is a licensed broker in the State of California, but has an Investment Banking division in New York City, could an employee of said division act as the lead for this assignment?

Answer: The Lead Contact/Contract Manager and any other key real estate

professional(s) that will be assigned to the contract who will be performing any of the acts covered by Business and Professions Code 10130 Et Seq. must be licensed as required therein.

1. Is detailed asset level information available for review? In particular rentable vs. useable square footage calculations and building systems descriptions.

Answer: No, the information is in the process of being assembled and will be made available to the selected Proposer.

2. Is detailed operating expense information available for review?

Answer: No, the information is in the process of being assembled and will be made available to the selected Proposer.

3. Are there any non-government agencies currently in occupancy in the buildings? If so, can you disclose the size and scope of these groups?

Answer: Yes, there are a small number of non-government, retail and/or service tenants that may occupy one or more of the buildings at one or more of the properties. It is estimated that any such tenants occupy less than 5% of the GLA. The information is in the process of being assembled and will be made available to the selected Proposer.

4. Is there detailed information regarding the in-place bond financing?

Answer: No, the State will redeem or defease the in-place bond financing. The Request for Proposal does not include the placement of debt or re-financing.

5. Is the ultimate motivation of the State to maximize proceeds or minimize occupancy cost?

Answer: Both.

6. Is the State open to a sliding scale based fee proposal?

Answer: No, Proposer(s) must submit a compensation schedule, in the form of a commission percentage as outlined in Section 6, Item D and Exhibit B, Item A. Proposals containing sliding or tiered commission schedules will be rejected.

See also amendments to Section 6, Item D in Basis for Proposer Award of the RFP in Addendum No. 2.

7. What lease term does the State prefer? Is there any flexibility in regards to considering alternative lease term proposals?

Answer: The terms and conditions and form of lease have not been decided. The State is considering alternative lease terms and conditions.

8. Outside of typical subleasing rights, what levels of exit flexibility are optimal (e.g. termination rights, appropriation clauses, etc.)? How important are these rights relative to maximizing price or minimizing cost?

Answer: The terms and conditions and form of lease have not been decided. The State is considering alternative lease terms and conditions. It is important to achieve the maximum proceeds from sale and minimize future occupancy costs.

9. Does the State have the flexibility to consider fixed or CPI based escalations in rent?

Answer: The terms and conditions and form of lease have not been decided. The State is considering alternative lease terms and conditions. It is important to achieve the maximum proceeds from sale and minimize future occupancy costs.

10. Does the State prefer or require purchase options of any kind during the lease term?

Answer: The decision to include a repurchase option has not been decided. The State is considering alternative lease terms and conditions. The enabling legislation authorizes the State to include a repurchase option.

11. Is there any specific accounting or tax treatment the State is attempting to achieve through the sale-leaseback? Are there any balance sheet or other bonding capacity considerations that are important for the State to consider?

Answer: The State seeks to maximize proceeds and minimize future occupancy costs.

12. Is the state willing to consider a "Hell or High Water" lease, including the various obligations that come with this structure, in order to maximize proceeds or minimize cost?

Answer: The terms and conditions and form of lease have not been decided. The State is considering alternative lease terms and conditions. It is important to achieve the maximum proceeds from sale and minimize future occupancy costs.

13. Is the State looking to continue to manage the locations internally or contract management out? If the later, will this be the choice of the buyer (with the State's approval) or the solely the State's decision?

Answer: The terms and conditions and form of lease have not been decided. The State is considering alternative lease terms and conditions.

14. Are there any assets which the State is looking to have buyers provide additional capital for upgrades and / or expansion space?

Answer: There may be capital requirements for corrective repair of deferred maintenance and/or other building deficiencies.

15. Are there any existing excess land parcels/development rights which the State would be looking to retain?

Answer: The State is currently analyzing land utilization on properties where this may be applicable and the information will be made available to the selected Proposer prior to sale.

16. Is the State focused on buyer types which it would preclude from bidding (i.e. investors from specific foreign countries or highly leveraged/structured transactions, etc.)?

Answer: The State will consider all of its available options.

1. Content

- To the extent the State has identified assets they may finance, there seem to be several properties that are included in both Categories 3 and 4. Is it the State's intent to "dual-track" these transactions or is this RFP solely for the sale of the assets? In any event, should the marketing plan discuss financing options for buyer seller?

Answer: The legislation authorizes the Department of General Services to enter into a sale or long-term lease of certain listed properties, including entering into an option to repurchase that property or building. The legislation does not authorize debt-placement or re-financing. At the discretion of the Proposer, the marketing plan may include information the Proposer deems important or prudent.

- Are property valuations necessary expected for the proposal? Currently, the RFP specifies that a Marketing Plan Schedule be developed and a comparative analysis be put together based on previous, representative transactions.

Answer: The RFP does not require Proposers to submit property valuations with the proposal.

- Does relevant transaction history include both team members and firms (i.e. legacy transactions from previous firms)?

Answer: In order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. The experience and performance of the Lead Contact/Contract Manager or key real estate professionals is not restricted to experience and performance with a specific firm.

- Is the transactional history data national (U.S) data or strictly focused on California?

Answer: The experience and performance of the Lead Contact/Contract Manager or key real estate professionals is not restricted to transactions occurring only in California.

- In order to get an understanding of a firm's competence would it be prudent to

include a summary of current market conditions (micro and macro; capital market and asset specific)?

Answer: Yes, see amendments to Basis for Proposer Award, Section 6, Item B Quality of Marketing Plan in of the RFP in Addendum No. 2. At the discretion of the Proposer, the proposal may include information the Proposer deems important or prudent.

- What is the State's proposed disposition timing? (ie is the State interested in selling quickly or selling to maximize returns interests?)

Answer: The State seeks to maximize returns and minimize future occupancy costs. The timing will depend upon internal and external factors that are currently being considered and/or may/will need to be considered after a Proposer has been selected.

- With respect to the comparable transaction data, if no comparable exists within the 90-day window or market area, would the state like to utilize a larger time-window or geographic area in order to provide a comp?

Answer: See amendments to Section 5, Proposal Requirements, Item H. of the RFP in Addendum No 2.

2. Additional Information Request (ONLY IF VALUATIONS ARE NECESSARY)

- Most Current Property Condition Reports (including Seismic)
- Most Current Environmental Site Assessments
- Most Current Title & Survey
- Trailing 3-years of Operating Statements (specifically, detailed expenses)
- Most recent Appraisals and/or Valuations
- Other -any available market, building and occupancy information
- Are lease overview summaries available on each asset? Are there any restrictions on term of lease or inclusion of termination clauses? Can the sale/leaseback transactions be structured on a NNN basis?
- Many assets' lease rates are well below the fair-market calculation. Does the State have an idea of % of Fair Market rent that they are projecting to be comfortable with? Increases? Prop 13 protection?
- Is the deferred maintenance that is referenced on some of the buildings required maintenance or is it scheduled maintenance? Can they elaborate?
- Does the State plan on consolidating or relocating any services and selling any of the buildings vacant or with no leases attached?
- Can the existing bonds benefit the buyer? Is secondary/mez financing allowed if so? If they must be retired, what is the estimated cost of doing so? If so, is there a reserve established through the bond that will lessen the cost to retire the existing bonds?

Answer: The RFP does not require the Proposer to submit property valuations with the proposal.

3. Process/Proposal Clarification

- Is there a maximum length/limit to the expected Proposal?

Answer: The Proposal requirements are set forth in Section 5 of the RFP in Addendum No 2. There is no maximum length or limit to the expected proposal provided it meets the proposal requirements. At the discretion of the Proposer, the Proposal may include information the Proposer deems important or prudent.

- Is there a format established for the Interview/Presentation process? (ie is there a general time limit, should we plan on doing a Powerpoint presentation, will there be a Q&A portion, who will be required/allowed to attend from the Proposer's side, and who will be present representing the State?)

Answer: It is anticipated that the Interview/Presentation will last up to approximately one hour. PowerPoint or equivalent presentations will be permitted but are not required. There will be a questions and answer during the Interview/Presentation. At a minimum, the Lead Contact/Contract Manager will be required to attend the Interview/Presentation. At the discretion of the Proposer, key members of the team can attend the Interview/Presentation; however the Interview/Presentation team should not consist of more than 5 persons. The State will be represented by real estate professionals from the Real Estate Services Division of the Department of General Services.

- Who is on the Evaluating Committee ("EC") that will be making the final decision? Is the EC made up of independent members outside the State employee level? Are real estate professionals on this committee?

Answer: The evaluating committee will be composed of a team selected from the Real Estate Services Division of the Department of General Services (DGS). The committee will include real estate professionals from DGS.

4. Other

- Is the State of CA opposed to a Buyer being a Foreign Entity? Same question for refinance?

Answer: The State will consider various alternatives. The Request for Proposal does not include the placement of debt or re-financing.

- Can a Brokerage Firm be protected/indemnified from the State of CA for the brokerage services?

Answer: No, the California Constitution prevents a State Agency from extending the credit of the State.

- If the State of CA chooses not to transact on a specific asset (s), will the Broker be reimbursed for expenses? Seems clear that Commissions are only owed on success.

Answer: In the event that the building(s) and/or property or properties are not sold,

Proposer shall not be entitled to compensation or reimbursement.

- Has the State of CA approached any lenders or Investment Firms to-date, to discuss the current financial position?

Answer: The State has received various inquiries regarding the sale-leaseback initiative. The state has also conducted outreach in order to solicit qualified proposals under this RFP. The intent of the question is not understood.

- How big is the transaction team on the part of the State that will be assisting with the week-to-week correspondence with the Brokerage Firm(s)?

Answer: Two real estate professionals.

- When was the last asset sale the State of CA has participated in? Name of asset and location?

Answer: The State has sold numerous assets and is in the process of selling other assets in addition to those listed in Section 2 of the RFP in Addendum No 2. This question is not germane to the RFP.

1. Our firm is committed to the principle that high performance teams produce results far more effective than the efforts of an individual. Currently, the RFP provides for a maximum of 400 points to be awarded to the "Lead Contact/Contract Manager" (section A, pages 10 -13), whereas there is only a 50 points each for the next two key individuals on the team, for a total of 100 points. (Section B, page 13). This clearly biases the State's selection in favor of the individual over the collective strength of the core team. **Would the State considering releasing an addendum to the RFP that more equally weights the selection criteria to the blended strength of the 3 core "Assigned Key Real Estate Professional", including the "Lead Contact/Contract Manager"?** This would allow for a more balanced understanding of the collective teams' strength, as exhibited by the top 3 core members, and account for the possibility of one key members having the most investment sales, another the most sale/lease back experience, and another the most experience in selling office buildings, etc. Such a change still provides for a formula to qualify the team based on the key sales performance metrics contained in the RFP, but does so based on the relative strength of the "Team" over the "Individual."

Answer: Yes, see amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H and Section 6, Basis for Proposer Award of the RFP in Addendum No 2.

2. The RFP does not consider in the evaluation the understanding, ability and track record of Proposers' in selling assets owned by governmental entities, nor does it evaluate the Proposers' understanding of how state law on lease actions may impact the manner in which these transactions must be structured and explained to potential investors and financing institutions. We believe such knowledge will have a material impact on the ability to: a) Explain to potential investors the impact such legislation has on risk and deal structuring and secure preferable financing and; b) Have the ability to explain to internal state stakeholders the nuances legislation has in impacting

the marketability and structuring of these sales and the impact various structures have on the state, buyers and financing institutions. Would the State consider issuing an addendum that puts more scoring weight on evaluating the capability and track record of Proposers' to address these financing and deal structuring issues as related to a governmental sale.

Answer: It is anticipated that the properties offered for sale will attract debt and equity participants with experience in underwriting transactions involving public buildings and/or public sector leases. The RFP does not include the placement of debt or re-financing. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H and Section 6, Basis for Proposer Award Item 4(v.) of the RFP in Addendum No. 2 for related changes.

3. The ability for potential buyers to secure favorable financing in the capital markets will be an important aspect the state getting the highest price for these assets. However, there is no evaluation criterion that explicitly scores a Proposers capabilities and skills of accessing capital markets for debt on public buildings; or ability to issue tax exempt debt to finance the purchase of a governmentally occupied facility. Would the State consider issuing an addendum to the RFP that raises the importance of this knowledge and experience in the evaluation and selection process?

Answer: No, the RFP does not include the placement of debt or re-financing. It is anticipated that the properties offered for sale will attract debt and equity participants with experience in underwriting transactions involving public buildings and/or public sector leases. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H and Section 6, Basis for Proposer Award, Item A. of the RFP in Addendum No. 2 for related changes.

4. The price at which the state can sell these properties will be significantly affected by the ability of the buyer to finance the purchase with low cost debt. Because the new owners will enter into a long-term single tenant lease with the state, the specific features of the lease will affect the cost of the debt and the sale price of the assets. Therefore, a necessary element in marketing the properties at the highest price is ensuring that lenders are comfortable with the quality of the lease and the state's obligation to perform.

Where in the proposal are respondents to address how they would do this? Will this be considered part of the marketing plan?

Answer: The issues raised are common among any sale of a single-tenant building and/or sale-leaseback transactions. See Section 6, Basis for Proposer Award Item 4(v.) of the RFP and related amendments thereto. At the discretion of the Proposer, the Proposal may include information the Proposer deems important or prudent. It is anticipated that the properties offered for sale will attract debt and equity participants with experience in underwriting transactions involving single-tenant leases or public buildings and/or public sector leases. The Request for Proposal does not include the placement of debt or re-financing.

Will experience with public sector leases in California be a factor in evaluating the

qualifications of respondents?

The State currently leases over 20 million square feet of space in private sector buildings. See amendments to Section 5, Minimum Qualifications and Proposal Requirements, Item H and Section 6, Basis for Proposer Award, Item A(v.) of the RFP and related amendments in Addendum No. 2 that score in part, experience representing a Seller on the sale of a building leased and occupied by the State and/or a political subdivision thereof.

Will experience negotiating lease terms with property owners who have sought loans from the team's bankers be part of your evaluation? If so, where and how should this experience be presented?

Answer: No, the Request for Proposal does not include the placement of debt or re-financing. Additionally, the meaning of the question is unclear.

5. The RFP places a great amount of emphasis on transaction volume as a sign of success. However, it is our belief, success is demonstrated not only by the number and size of deals completed but equally, if not more important, is the complexity of such deals and overall success rate of completing transactions that are undertaken. Clearly, the execution of this transaction that the State contemplates will be highly complex and require a significant amount of thought and structuring. In addition, the importance of this undertaking by the State would require that the advisor hired should be able to demonstrate a track record of success on all assignments undertaken. Would the State consider issuing an addendum to the RFP that raises the importance of this knowledge and experience in the evaluation and selection process?

Answer: It would be difficult to measure or benchmark the complexity of each transaction completed by a Proposer as suggested in this question. All transactions included in any Proposer's transaction list would have involved a variety of highly complex issues.

6. A better understanding of the properties will allow us to be more thoughtful in terms of developing a strategy for disposition. **Will access to the buildings be provided for tours? In addition, will specific detailed property information including consultant studies, operating statements, etc. be available for review?**

Answer: At this time there are no scheduled building tours. Specific detailed property information, consultant studies, operating statements will be made available to the Selected Proposer.

Section 2:

1. Will the State continue to occupy, on a lease basis, all properties ultimately sold as a result of this RFP?

Answer: The State currently plans to lease the buildings and/or properties set forth in Section 2 of the RFP.

2. Have the terms and conditions under which the State will lease-back properties

been established?

Answer: The terms and conditions and form of lease have not been decided. The State is considering alternative lease terms and conditions.

3. What is the ultimate financial objective in this process: A) maximum proceeds, B) minimized real estate operating expenses?

Answer: Both.

Section 5, A:

1. For certain processes in this RFP, some of our highest quality professionals who do work nationally may be resident and licensed in states other than California. Must all professionals in the execution team be licensed in the State of California if working with a team?

Answer: The Lead Contact/Contract Manager and any other key real estate professional(s) that will be assigned to the contract who will be performing any of the acts covered by Business and Professions Code 10130 Et Seq. must be licensed as required therein.

2. When referencing Lead Contact/Contract Manager, does that reference indicate a single individual, the firm or the execution team, particularly in reference to transaction volume?

Answer: The Lead Contact/Contract Manager is a single individual. In reference to transaction volume, in order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H and Section 6, Basis for Proposer Award Item 4(v.) of the RFP in Addendum No. 2 for related changes.

Section 6, Preferences:

1. Will any preference be awarded for minority owned business?

Answer: No.

Section 6, A:

1. When referencing Lead Contact/Contract Manager, does that reference indicate a single individual, the firm or the execution team, particularly in reference to transaction volume?

Answer: The Lead Contact/Contract Manager is a single individual. In reference to transaction volume, in order to include a specific transaction, the Lead

Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H and Section 6, Basis for Proposer Award Item 4(v.) of the RFP in Addendum No. 2 for related changes.

2. Do business volumes associated with Proposer only apply to the Lead Contact/contract Manager?

Answer: In order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an individual which actively represented the Seller in the execution of the marketing plan and sale of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller. See amendments to Section 5. Minimum Qualifications and Proposal Requirements, Item H and Section 6, Basis for Proposer Award Item 4(v.) of the RFP in Addendum No. 2 for related changes.

3. We have several professionals who have a long history of sales and sale-leaseback transactions and will be on our proposed team however, they have just recently joined our firm. How will transactions these individuals personally executed while working for another firm be treated relative to overall performance?

Answer: The experience and performance of the Lead Contact/Contract Manager or key real estate professionals is not restricted to their experience and performance with a specific firm.

4. From the demonstration charts (Proposer A, Proposer B, etc) are we to assume that there will only be three Proposers in each category that will be receiving points?

Answer: No, The charts are for illustrative purposes only. Each table will include the number of Proposers that submit proposals that meet the minimum requirements and the proposal requirements.

1. Will any of the information contained in the Proposer's RFP response be made public?

Answer: Documents that are provided to the State are public records and may be subject to the public records act.

a. If any of the information contained in the Proposer's RFP is to be made public, will the State allow the responses to be classified as "trade secrets" and therefore not be made public?

Answer: Documents that are provided to the State are public records and may be subject to the public records act.

- b. How should information which is protected under confidentiality agreements with the Proposer's clients be presented in order to protect it from public disclosure?

Answer: Documents that are provided to the State are public records and may be subject to the public records act.

2. Please confirm that the following should not be included as part of the Marketing Plan in the Proposer's RFP response:
 - a. Pricing evaluations on either the entire portfolio or on individual assets (see RFP, Sec. 6 (B))?

Answer: The RFP does not require the Proposer to submit property valuations with their proposal.

- b. Names of specific buyers who would be likely candidates to acquire the assets contemplated under the RFP based on the buyers' capabilities and position in the market (see RFP, Sec. 6 (B))? If the answer to this question is that the Proposers should provide names of likely buyers, will the names provided be made public?

Answer: The RFP does not require the Proposer to submit the names of specific buyers that would be likely candidates to acquire the assets contemplated under the RFP. At the discretion of the Proposer, the marketing plan may include information the Proposer deems important or prudent.

- c. Various market / asset highlights (see RFP, Sec. 6 (B))? For example, should the Marketing Plan highlight and explain individual property physical attributes, location, market highlights, and any challenges with the properties?

Answer: At the discretion of the Proposer, the Marketing Plan may include information the Proposer deems important or prudent. Yes, See amendments to Section 6, Item B Quality of Marketing Plan in Basis for Proposer Award of the RFP in Addendum No. 2.

3. Please describe the degree of involvement the named Lead Contact/Contract Manager should have in executing the assignment contemplated under the RFP (see RFP, Sec. 6).

Answer: The Lead Contact/Contract Manager will be the main contact between the State and the selected Proposer and will be responsible for the management, coordination and execution of all work performed under the contract.

4. For purposes of determining the track record of performance of the Lead Contact/Contract Manager, please clarify how much involvement the individual must have in order to properly take credit for a transaction/assignment (see RFP, Sec. 6)?

Answer: In order to include a specific transaction, the Lead Contact/Contract Manager or key real estate professional(s), as applicable, must have been an

individual which actively represented the Seller in the execution of the marketing plan and sale of the property, including the structuring and/or negotiating of the terms and conditions of the sale, on behalf of the Seller.

5. Besides the points which could be awarded as a result of the interview, are there any other areas where a subjective assessment of a Proposer's submission will be made?

Answer: No, see amendment to Section 6, Item C in Basis for Proposer Award of the RFP in Addendum No. 2 for related changes.

6. Will any of the past transaction performance calculations be given more weight for sales which took place in California (see RFP, Sec. 6 (A)(i-v))?

Answer: Yes, see amendment to Section 6, Item A (iv.) in Basis for Proposer Award of the RFP in Addendum No. 2 for related changes. Transaction lists are not limited to properties located within California.

7. For purposes of determining the Proposer's track record of performance:
- a. Will the five example transactions called for be evaluated strictly on overall dollar value verses relevance to the type of properties to be marketed by the State (see RFP, Sec. 6 (A)(i))?

Answer: Yes.

- b. Does a portfolio transaction count as only one transaction (see RFP, Sec. 6 (A))?

Answer: Yes, see amendments to Section 6, Basis for Proposer Award, Item 4(i-iv.) in Addendum No. 2.

- c. Will only those portions of a multi-state portfolio which were secured by property in California be counted as relevant (see RFP, Sec. 6 (A))?

Answer: No, transaction lists are not limited to properties located within California. See amendments to Section 6, Basis for Proposer Award, Item 4(i-iv.) in Addendum No. 2.

8. In Section 4 (Scope of Services) of the RFP, it is stated that the selected sales firm "may" be required to provide certain services to the State. Please confirm that under the RFP, the State is requesting that the service provider pays for the entitlement and zoning surveys and parking surveys and will not be reimbursed (see RFP, Sec. 4(Y & Z))? For example, if the selected service provider is required to incur \$500,000 in third party costs to complete the entitlement and zoning surveys and parking surveys for all listed properties, please confirm that the service provider would not be able to seek reimbursement from the State for those expenses.

Answer: The contract does not anticipate sub-consultants will be required to review due diligence materials. Proposer's will not be reimbursed for any third party sub-consulting. See amendment to Section 4, Items Y. - Z. of the RFP in Addendum No.

2.

- a. Please confirm that the State will pay for all other necessary reports (i.e. ALTA, Phase 1 reports, etc.) either directly or by reimbursement to the selected service provider.

Answer: The scope of due diligence to be performed by the Seller or expected to be performed by a prospective purchaser has not been determined. The RFP does not require the selected Proposer to perform or hire service providers to prepare ALTA, Phase I, Seismic, ADA, Property Condition Reports, or other types of studies and reports. See amendment to Section 4, Items Y. - Z. of the RFP in Addendum No. 2 for related changes.

9. Can the selected service provider be compensated by buyers of the properties contemplated under the RFP if the service provider brings a lender to the transaction (see RFP, Sec. 6(D))? For example, if a firm successfully markets the property, the State will compensate the firm for the sale of a property but could the buyer pay a fee to the same marketing firm for sourcing acquisition financing?

Answer: See amendments to Section 3 in Addendum No. 2.

10. Will the 5% small business preference be applied towards the total overall possible point potential (i.e. 60 points awarded on a possible 1200) (see RFP, Sec. 6)?

Answer: See amendments to Section 6, Basis for Proposer Award in Addendum No. 2.

Question 1:

In reference to page ___ section 10 which states: 10. Disabled Veterans Business Enterprise Compliance In accordance with Title 2, Administration, Section 1896.62 (b) of the California Code of Regulations, the Department has waived this requirement.

Please explain why the director of an Awarding agency, in this case Director Will Bush, has chosen to explicitly exercise his authority under the Public Contract Code to reduce the 3 percent DVBE goal to zero.

Answer: Because a DVBE could not be identified that meets the minimum qualifications of this RFP and because all bids not meeting a participation goal would be deemed non-responsive, the DVBE requirements were waived. However, the DVBE incentive will still be applied to Proposers meeting DVBE Participation Incentives.

Question 2:

It understood that, under the Public Contract Code, the director of an awarding agency, in this case

Director Will Bush of DGS, may elect to removed all DVBE participation goals for a contract if the agency anticipates meeting all DVBE goals for the year. Please explain the

reasons why DGS has chosen to explicitly exercise its ability to remove DVBE participation goals for the contract? Please also explain how this deliberate action benefits is intended to benefit DGS and the project.

Answer: The State believed that there was a real possibility that no responsive proposals would be received. By removing the DVBE participation goal, it provided the State a realistic opportunity to receive responsive proposals. We encourage all Proposers to develop DVBE opportunities where possible. However, the DVBE incentive will still be applied to Proposers meeting DVBE Participation Incentives.