INTRODUCTION

It is with great commitment and desire that we write a detailed clarification as a follow up to our formal presentation and the recent request for Best and Final Offers (BAFO) received on August 5th.

Having reviewed at length our initial proposal which was submitted on June 24th, combined with the four specific questions raised in BAFO Response Requirements, we take pride in providing you with a comprehensive response, reinforcing our desire and commitment to forge a truly collaborative, long-term partnership with the Santa Clara Convention Center. As previously stated, it is our desire to have a partnership built on trust and integrity, complemented by our proven track record for creating unique, venue specific innovations that not only maximize revenue, but also significantly improve the guest experience.

We would also like to take this opportunity to highlight some of the specific features of our proposal, delivered under the Valley & Vine brand, that will enable us to jointly create the ‘Reimagined’ Santa Clara Convention Center.

Santa Clara Valley is one of the largest and most populous regions in the country. Levy understands the role we play in driving local economic development and employment growth and our proposal provides comprehensive evidence on how we will activate change through our cultivated partnership approach. We have focused on the following areas we know to be of most importance to you to drive revenue and guest satisfaction:

- **Improve retail program** – We clearly outlined our ‘Operational Plan’ to significantly improve your entire retail operation. Our plan, centered on the creation of a hospitality strategy, includes a portable program for flexibility and variety, the introduction of new technologies, a transformable concept with a day-to-night menu transition branded as Cypress Seed Café, and activation of the Terrace with a sustainable garden.

- **Increase the per capital expenditure by guests** – Throughout our written and oral presentation, we detailed our targeted investment strategy and proven ability to significantly increase revenues in year one. We have detailed throughout our entire proposal our operational approach to increasing overall revenues, which will deliver significant profit returns back to the City of Santa Clara.

- **Offer high quality products at the most intelligent price** – Utilizing our proprietary E15 data and analytics team, we are able to measure pricing elasticity and therefore predict measurable guest outcomes and curate innovative ways to engage and promote the food, beverage, and catering program to significantly enhance your guests’ experience. We have
detailed our methodology in curating innovative ideas that will exceed your guest expectations and differentiate Santa Clara Convention Center from all other venues locally and nationally.

- **Excellent customer service** – We have outlined our unique approach to delivering excellent customer service with G.U.E.S.T. Connect. We continually improve the guest experience by measuring, monitoring, and managing guest sentiment through our proprietary GuestShare program. Simply put, our highly sophisticated E15 analytics offers us the ability to focus on the things that matter most to our guests, which we know to be:
  - Food quality in everything they see, touch, and taste
  - Service levels
  - Price and value and employee engagement

  Everything we do is for a reason and it’s the result of how we take guest feedback and use it to evolve. We want your guest to come early, stay longer, and spend more, and will do so through a premier food and beverage experience.

- **Ability to invest in the facility and provide an experienced management team** – We are a financially and operationally strong organization. We have provided the most compelling, risk free, sustainable financial model based on our national benchmarking, allowing us to invest a total of $5,750,000 and deliver in excess of $3,500,000 profits each year.
  - Combining our financial strength with highly sophisticated, skilled individuals, we know we are bringing only the best to the table at Santa Clara Convention Center. With this combination, we are able to deliver a unique advantage as a result of being the only provider who operates through a dedicated Convention Center division, led by Cindy van Rensburg, Division President.
  - To further support our proven local capability, between Levy and Compass we operate over 350 venues and employ more than 12,700 staff. Our teams are highly trained and able to support the Santa Clara Convention Center at any time, mitigating your operational risk.

- **Market type food service, focused on locally sourced and seasonally available products** – We could not be more excited to introduce our locally crafted Food Story, Valley & Vine, for Santa Clara Convention Center. As ambassadors for the Santa Clara community, we would be honored to bring the Valley & Vine vision to life, serving as a seamless and powerful extension of your brand. Utilizing locally sourced produce and seasonally fresh ingredients, we will curate a truly unique flavor that is both recognized and respected.

**BAFO RESPONSE REQUIREMENTS**

1. You proposed an upfront capital investment of $5,000,000. Would you consider adding to your capital investment to fund improvements over the term of the agreement?
As part of our commitment to significantly change the guest experience, our proposal includes a fully funded Levy investment of $5,750,000 which is available immediately.

The investment is broken down as follows:

- $2,725,750 – Immediately invested upon contract award in readiness for Day One.
- $2,274,250 - Unrestricted innovation & transformation capital, that can be drawn down at any stage throughout the remaining contract term.
- $750,000 - Additional BAFO Levy funded investment.
  - This investment is specifically designed to drive Community Enrichment and develop local partnerships, supporting the economic development of Santa Clara.
  - In addition, we will commit to purchasing a minimum of 25% locally, reinforcing our desire and commitment to become a true strategic partner and steward of your community.

We understand that in the spirit of true partnership, every decision we make to invest in the facilities, will be done so in complete collaboration with you. However, we believe that in order to transform the current food & beverage service a modest upfront investment of $2,725,750 is required to enable us to deliver the standards that we presented to the selection committee on July 31st. This would leave an additional $2,274,250 as an unrestricted innovation & transformation capital that can be drawn down at any stage throughout the contract term, to fund additional improvements over that which we plan to deliver on Day One.

**Upfront Capital Investment of $2,725,750 broken down as follows:**

- Full brand implementation & execution of Valley & Vine
- Smallwares (required to activate Valley & Vine as presented on July 31st) $800,000
- Portable Carts & Transformables $400,000
- Bakery / Teaching Kitchen (Terra Spark Kitchen) $350,000
- Pre-Opening Budget $350,000
- E-Tuk / Portable Vehicles $150,000
- Operational Equipment $115,000
- Chefs Tables & Service Cart $114,750
- Bars & Bar Backs (to Transform Beverage Program) $114,000
- Upgraded Technology & POS / Mobile Ordering $112,000
- Roof Top Garden Activation & Build Out $100,000
- Smart Market $100,000
• Valley & Vine Branded Uniforms $75,000
• Farm Shelf – Indoor Garden $25,000
• Briggo Infrastructure $20,000

**Unrestricted Innovation & Transformation**

In addition to the above investment breakdown, we will work in partnership with Santa Clara Convention Center to establish a strategic methodology to utilize the remaining $2,274,250 investment as an unrestricted innovation and transformation fund that can be drawn down at any stage throughout the contract term. We hope that you’ll collaborate with us in the creation of final plans to continue to transform the convention center long after Day One.

Based on our industry knowledge, operational expertise, and national benchmarking, we are confident that $5,000,000 allows us to radically change the guest experience.

2. **Discuss what adjustments you can reasonably make to the proforma to achieve a higher net operating income.**

We pride ourselves on delivering the highest quality food service, in line with our industry best practices, allowing us to drive and maximize revenue. We believe we have provided you with an extremely competitive, realistic, and sustainable financial proposal. Any additional benefits will come as a direct result of us working collaboratively together to maximize cost efficiencies and generate new ways to increase sales.

Please keep in mind, Levy’s purchasing power is just one of the many unique benefits we bring to the Santa Clara Convention Center as your trusted partner. Our scale and our relationship with Compass Group and Foodbuy allow us to provide the lowest into-unit pricing possible allowing us to deliver a competitive margin without diminishing on service standards or food quality.

3. **What contractual commitments are you willing to make, such as the assessment of liquated damages or reduced incentives, in the event that your expense, revenue, and/or net income projections are not met?**

We will deliver the Santa Clara Convention Center a **completely risk free**, market leading, food and beverage program that will become a driving factor as the Center is repositioned in the marketplace.

We will do this at the **most intelligent price**, backed by clear reporting and transparent data management while providing you with operational and financial peace of mind.

Furthermore, we will support this by providing the Santa Clara Convention Center with detailed, timely, accurate, and transparent management reports using the most technologically
advanced accounting system in the industry, reporting on exactly where your money is being used.

We are so confident in our financial projections and ability to grow revenues that we are prepared to place $200,000 of our management fee at risk against a set of robust qualitative and quantitative Key Performance Indicators (KPIs) that will be set up and mutually agreed upon, prior to the start of the contract, as per our contractual commitment.

4. Please make any final adjustments to any aspect of your financial proposal with the objective of enhancing overall value to the City.

In addition to our $500,000,000 investment and to help support and drive our impact to the city through initiatives outlined in our social responsibility program, like ‘The Terra Spark Kitchen’, as detailed within our proposal and highlighted separately below, we will make an additional $750,000 Levy funded investment. This investment is specifically designed to drive Community Enrichment and develop local partnerships, supporting the economic development of Santa Clara. In addition, we will commit to purchasing a minimum of 25% locally, reinforcing our desire and commitment to become a true strategic partner and steward of your community.

The proposed Terra Spark Kitchen will help to drive four key initiatives:

1. Career Training & Pathing
   We will commit to being the resource for area residents interested in pursuing a hospitality career. Instructional staff will include subject matter experts, operations professionals, and chefs, all led by a designated leader of the Terra Spark Kitchen who will be part mentor and part director to oversee the program’s administration in its entirety. This champion will provide the necessary ongoing leadership to maintain the quality and consistency of the program.

The Terra Spark Kitchen will offer students the choice of two tracks:

1. Culinary Experience (kitchen-based classes and skills training), and
2. Guest Experience (front-of-house hospitality-based classes and skills training).

Taught over a series of consecutive 10 week semesters, curriculum will include classroom style programs along with operations and technical on-the-job skill training. Graduation is the goal and contingent upon completion of training objectives, practical skills tests, and a final written exam. Curriculum will be shaped in the spirit of the programs that Levy has spent years successfully implementing for internal team members who have been hand selected to be part of our nationwide career development programs in markets from Chicago to Miami and New York to Portland.

2. Internships & Apprenticeships
In addition to core curriculum, the Terra Spark Kitchen will be keenly focused on establishing mentoring and apprenticeship programs for our students. This will allow for hands-on training and experience at other national Levy and Compass accounts under the guidance of our managers and chefs. Partnering with fellow culinarians and rising stars in the restaurant scene, we will also offer students the opportunity to learn from leaders in the hospitality community at-large to inspire and mentor with the broadest scope of talent possible. Levy will create hospitality and culinary internships, jobs, and career opportunities at the Santa Clara Convention Center and at other Levy and Compass venues across our nationwide portfolio.

3. Job Placement
Levy is fully committed to guaranteeing 100% job placement for graduates. Placement into our current venues and restaurant partner venues will allow for the graduates to turn their career aspirations into reality. Additionally, we will have the ability to expand our placement capabilities throughout the Compass network of California-based companies. Graduates will continue to have access to mentors and educators to provide ongoing career development support well beyond graduation.

4. Emerging Talent Mentorships & Incubation
To ignite growth and diversity, which are hallmarks of the California marketplace, we will target dreamers, entrepreneurs, and emerging talent to help them further refine their skills to shorten the runway to fully establishing a sustainable path. We will coach them, challenge them, and work with you to identify a location(s) in or around the Santa Clara Convention Center in the form of a portable cart or concession location to stand up their ideas for feedback.

Additionally, we would introduce them into the Compass Foodbuy network, the largest such purchasing outlet in the world. Through the Terra Spark Kitchen, our goal is to help them further refine their development process, hone their hard-skills around recipe generation and production, as well as the essential skills (finance, marketing, etc.) and ultimately launch their business and establish strong roots in the marketplace with potential beyond.

Other Possible Funding Initiatives

- **Outreach** - increasing the number of diverse suppliers that provide our customers with goods and services

- **Education** - helping M/WBE suppliers understand the business requirements to become a nominated and Certified supplier to the Santa Clara Convention Center

- **Equity** - ensuring M/WBE owners are treated fairly in the qualification, proposal, and contracting process

- **Supplier/Purchasing Development** - setting goals and tracking all expenditures and joint venture revenue with diverse suppliers
• **Support** - providing information and support to all customers relative to the availability of qualified M/WBE suppliers

Through this program, we will stimulate small business activity and growth in the Santa Clara area.

We thank you for the time you have set aside to facilitate this RFP and for allowing Levy the opportunity to put forward our creative ideas and food concepts along with our clarifications outlined in this BAFO. We welcome the opportunity to engage in any further dialogue with you to discuss any additional clarifications or to negotiate any of the items listed above.

Sincerely,

**JOIEL ALEXANDER**

Vice President of Business Development
Levy Convention Centers
980 North Michigan Avenue
Chicago, IL 60611
M: (470) 599-2749
jalexander@levyrestaurants.com
www.levyrestaurants.com