



Executive Summary

The following document provides a detailed overview of Colony NorthStar's proposed Washington, DC operations office that will focus on three core components:

- Public Affairs (U.S. Government and Public Policy)
- Operational Initiatives
- Investment Strategy with Policy Influence

The purpose of the Washington, DC office is to expand Colony NorthStar's global footprint and build a bridge to white government and business leadership globally.

Strategic Plan for Colony NorthStar, Inc.

Washington, DC Operations

Building on the foundation that includes the multiple components listed above, Colony NorthStar can successfully execute a strategy that contains the internal resources required to fulfill the tasks and responsibilities previously supported by the Treasury Department and located in the US District. Combining the use of outside partnerships, along with legal and state government tools such as P3 public-private partnerships and other components, can result in an extraordinary success for the government's overall infrastructure plan.

However, it is essential that all three building blocks identified above are organized and interconnected in a series. All three are critical to the overall success of building the Washington, DC operations and ensuring that the overall infrastructure projects are identified, developed, and brought to a successful conclusion.

Key to the success to implement the proposed structure, The White House (EPA) has signed initial intent regarding an infrastructure plan, but specific projects need to be identified, reviewed, vetted and approved to move the process forward.

February 2017

This document outlines a proven structure of a Washington, DC operation and what is initially required to support that operation.

Executive Summary

The following document provides a detailed roadmap to establish a Washington, DC operations office that will focus on three core components:

- Public Affairs (US Government and Public Relations)
- International Relations
- Investment Management – Infrastructure

The purpose of the Washington, DC office is to expand Colony NorthStar's global footprint and build a bridge to where government and business intersect globally.

The Trump Administration intends to move forward with an extremely aggressive and robust infrastructure plan. During the campaign the President promised that he would "rebuild" America bridge-by-bridge, and road-by-road. While the plan is encouraging and highly needed, the US Government does not have the necessary resources to mount such a campaign on its own.

By building an operation that includes the multiple components listed above, Colony NorthStar can spearhead an operation that contains the external resources required to fulfill the ambitious infrastructure plan being supported by the Trump Administration and leaders in the US Congress. Combining the use of outside partners/investors, along with federal and state government tools such as P3 (public-private partnerships) initiatives and other components, can result in extraordinary success for the government's overall infrastructure plan.

However, it is essential that all three building blocks identified above are organized and implemented in tandem. All three are critical to the overall success of building the Washington, DC operations and ensuring that the correct infrastructure projects are identified, developed, and brought to a successful conclusion.

Timing is of the essence to implement the proposed structure. The White House (WH) has begun initial talks regarding an infrastructure plan, but specific projects need to be identified, reviewed, vetted and approved to move the process forward.

The following sections of this document outline a proven structure of a Washington, DC operation and what is initially required to support that operation.

Public Affairs

In order to support Colony NorthStar's initial goals focused on US infrastructure projects that leverage government contacts and contracts we will need a robust, targeted, yet nimble, public affairs team.

This team should include both dedicated internal executive management and a focused stable of issue/area specific external consultants who are experienced in using B2G (business 2 government) strategies and tactics. In so doing, we will be able to coordinate the interests of partners and investors as well as facilitate the execution of federal and state government tools including P3 initiatives, thereby expediting the process and time to execute on our target projects.

The immediate goal is to build a comprehensive strategy and implement it quickly and effectively with the correct amount of needed resources, expanding as needed based on the overall strategy and success in implementing that strategy.

This division would be led by a Senior Vice President for Public Affairs with scalable support staff arranged around key areas of focus to include:

- Deputy Director – suggest someone with experience managing multiple issues and internal and external resources.
- Government Counsel – experience in Federal and State policy and contracts;
- Two (2) initial but building up to four (4) Congressional Affairs Coordinators (2 House and 2 Senate);
- One (1) White House Public Liaison / Intergovernmental Affairs Coordinator;
- Two (2) Business/Financial Analysts identified from Colony NorthStar;
- One (1) Operations Coordinator;
- Two (2) Research Analysts with specific Fed/State government procurement experience;
- One (1) Communications Director;
- And One (1) Executive Assistant.

This team will comprise the core of the internal Public Affairs organization. Additional external resources with relationships and/or specific focus area expertise will to be contracted as necessary.

The concept here is that temporary and targeted resources can be quickly and cost effectively added/removed depending on defined objectives and/or priorities. We anticipate that an external consultant spend would likely be \$750k - \$1MM/annually.

The six to fifteen (6 - 15) internal staff can also be scaled as expansion and issues warrant, but expect a consistent operational budget of +/- \$2.5MM funding annually.

International Relations

In addition to the US focused public affairs program, it is imperative that Colony NorthStar develop a cohesive international affairs program to develop essential global components necessary for the overall plan to work.

"Contact" -- "Cultivation" -- "Conversion" should be the mantra and objective of Colony NorthStar's international program in DC and internationally;

Building a subtle brand in DC and internationally is yet another cornerstone needed for the DC operations. The key is to strategically cultivate domestic and international relationships while avoiding any appearance of lobbying. Done properly the international program can be the fundamental building block that ties all of the pieces of the Washington, DC program together.

The combined international government and business team that can be built by Colony NorthStar will provide unparalleled convening power in Washington, DC and around the globe. The path to building a successful operation would include:

- Setting up roundtables between Ambassadors and members of the Administration to cultivate relationships with a targeted focus such as on infrastructure.
- Work with key themes throughout the year and build an agenda that focuses on key events in Washington, DC when relevant decision makers are in town. This might include events during the IMF and World Bank annual meetings, congressional events, and WH conferences on a myriad of issues.
- Schedule meetings with key leaders based on potential sectoral investments
- Tie into international bilateral meetings already occurring with key members of the Trump Administration. This would include taking a leadership role in forming the events, the participants, and the agenda.

The international program that can be built by Colony NorthStar would be unparalleled given the building blocks already in place and those that would be added as part of the Washington, DC operations.

Infrastructure Environment

Rail Systems

- Rail represents a potential infrastructure silo with worthwhile return potential. However, rail projects must achieve a significant critical mass of scale in order to assure sufficient return on investment. This greatly reduces the number of projects potentially available for private equity investment.
- There are currently two rail projects of particular note in the United States:
 - Brightline between downtown Miami and West Palm Beach. This was financed with a federally-sanctioned, tax-exempt bond. It is suspected that the owner's true profits will be derived from transit oriented real estate development (TOD) along the route.
 - Denver Eagle P3 is a public-private partnership commuter rail financed by federal, state/local, and private funds. While commercial participation is estimated to have saved as much as \$300mm on construction. The availability of private capital was never problematic for this project; however, significant political, construction, and legal/permitting problems complicated the recent project phase completion.
- Rail projects take significant public financing commitment as well as many years of construction. This makes them more susceptible to ongoing delays and complications resulting from local/regional opposition, whether that opposition exists from the beginning or coalesces once project construction begins.

Bus Systems

- Generally, bus systems capital expenses are paid by non-repayable federal and state grants. User fees/fares cover only about 1/3 of operating expenses, with the rest paid by various tax revenue sources.
- Traditional bus system finances are not a good target for private equity investment. Repayment schemes are slight to non-existent, and normally subject to ongoing episodic public votes.
- More advanced bus technology systems, in combination with other projects may, however, combine to create worthwhile investment opportunities (discussed below).

Roads/Smart Highway Systems

- For many regulatory and commercial reasons, it is unlikely major freeways will be built again in the US. Toll roads are currently making something of a comeback, but political

opposition to a major rollout of toll road policy and financing is significant. Obviously, tolling makes road construction potentially very attractive for public investment.

- New highway technologies, or Smart Highway Systems, may be the product that will both overcome political opposition and still maintain commercial investment appeal. Smart highways include technology for a range of benefits, including solar energy accumulation, the accommodation of unmanned vehicles, and advanced safety capabilities have considerable public appeal. The construction of smart toll roads, with perhaps the financing and free/low cost tolling of unmanned buses and bus lanes, may generate the right mix of public, political, and commercial support.

Airports

- Airport improvements are unquestionably ripe investment opportunities for private equity. This is evidenced, for example, by the American Federation of Teachers' pension fund investment in the reconstruction of LaGuardia Airport.
- Revenue structures mean financing for airport projects is readily available; however, regulatory approvals and security processes currently means these projects require several years of planning before initiation.
- Community approval for airport projects can be particularly difficult. The most ardent advocates of airport enhancements are rarely the surrounding communities, and those communities usually perceive property detriment resulting from increased airport capacity.

Ports

- US port expansion is critical to increasing both exports and imports. Port expansion requires financing, very extensive regulatory review/approval processes, and community support. This is an area where reduced and/or faster regulatory processes will increase financing opportunities.
- The Port of Virginia, the fastest growing port on the east coast, wants to dredge the port to 55', significantly increasing its cargo capacity. The bottleneck is purely federal approval and financing; there is no doubt of the commercial need.

Community Opinion and Participation

- Any engineering firm conducts detailed geological surveys before beginning construction of a road, bridge, port, or airport construction project. In the same vein, we must also conduct very detailed and sophisticated mapping of local community opinion,

opinion makers, and persuasion points. Community opposition is the most significant factor causing project delay or alteration, political opposition, and permit refusal.

Political Need and Constraint Considerations

- The overwhelming volume of planned infrastructure investments are focused in urban centers. We will have to determine whether this same geographic focus is acceptable, or whether the focus will be on underserved areas.
- If we focus on underserved areas, this fact will largely define the types of infrastructure projects to be considered. For example, if we focus in the Ohio River Valley, bus and rail systems and ports will be out of considerations. This leaves airports, electricity, water, and smart highway systems.
- The political/geographic project constraints could ultimately be further inhibited by political considerations. For example, if Congress refuses to allow significant toll financing, investors will be left with airport water and electric grid investments in the Ohio River Valley.
- Public opposition will then again further constrain the likely investment list.

In summary, the factors discussed above make political involvement to assure infrastructure projects move swiftly through legislative and regulatory approval process, thereby leaving the potential investment portfolio as wide as possible, is essential. Furthermore, community opinion mapping will be critical and should begin as early as possible in order to provide a competitive advantage in the project selection and bidding process.

Timeline and Next Steps

The immediate goal is to deliberately and quickly build a presence in Washington, DC and in the infrastructure space. We have a pipeline of potential projects and have spoken with several of the key agencies that will direct these efforts.

There are other groups forming but none that can currently match the relationships or resources that we possess. However, the infrastructure space is coveted and the vacuum will be filled very soon.

The goal is to be operational in Washington, DC in late February to early March. This document outlines the initial budget that will enable us to launch the operation and continue building it out over time as we identify and pursue deal flow.

▪ **Week of February 20th**

Submit Draft Strategic Plan for Colony NorthStar DC
 Narrow potential office space choices (potential locations are around Georgetown)
 Colony Review and Approval of Strategic Plan

▪ **Week of February 27th**

Finalize office location
 Begin onboarding of initial key personnel
 Launch and open Washington, DC operation
 Participate in WH Infrastructure Planning Meetings

▪ **Week of March 6th**

Rollout of initial infrastructure project targets
 Focus on fund structure and potential participants

DRAFT Organization Structure

