



August 21, 2014

Mr. Beverly R. Cameron
City Manager, City of Fredericksburg
P.O. Box 7447
Fredericksburg, VA 22404

Dear Mr. Cameron:

After continued discussions between city representatives and Diamond Nation this week, I believe we have come up with a way to overcome the possible \$18 million in combined project construction cost increases of the Minor League Baseball stadium, Diamond Nation complex and parking facilities.

Diamond Nation intends to be an asset and good neighbor to the Fredericksburg community. We are *not* interested in seeing any businesses taxed to help make this exciting project a reality unless it is shown those businesses can achieve a return on investment and actual profit from our project.

Because the agreed to city incentives that make this project even possible are primarily performance based (above the city's \$8 million investment in the parking component), and because we are very confident in the financial success we will achieve for our company *and Fredericksburg*, we propose a revenue share *in perpetuity*, as follows:

Diamond Nation is willing to return three percent of our gross revenues for each of the first ten years of operation and one and a half percent of our gross revenues each year in perpetuity to the City of Fredericksburg. This percentage would be based upon total Fredericksburg operations, to include *all* gross revenues from Fredericksburg Diamond Nation operations, the Minor League Baseball (MiLB) team and all stadium events.

Our pro forma and revenue projections range from a low of \$12 million to a high of \$20 million annually, in which the city of Fredericksburg would share in the percentages of such revenue as illustrated above.

Diamond Nation is making this additional offer because of our commitment to this project while allowing us the opportunity to move forward now in order to meet MiLB and South Atlantic League (SAL) requirements to be open by April 1, 2016. Any further delays would jeopardize this project in its entirety.

Diamond Nation seeks the following to make this work for everyone:

A commitment from the city to add \$18 million to the total up front construction budget, *less* any additional revenue that can be made available to the city, for the project, from the state — which we continue to vigorously pursue. The logistics of the funding is to be mutually agreed upon and coordinated with our bank financing. *Diamond Nation will bear the risk of any future cost overruns or savings.*



Diamond Nation will build the stadium and amateur complex as outlined in the Letter of Intent sent last week.

Under this scenario, eventual repayment of the additional \$18 million city investment (and subsequent *profit*) is provided to the city. To make this possible, Diamond Nation would require a permanent real estate tax exemption to go along with the revenue share in perpetuity. MiLB stadiums affiliated with Major League Baseball do not pay real estate taxes anywhere in the United States; and this exemption will keep the MiLB Suns and Diamond Nation from negatively affecting and impacting future MiLB expansions or moves to other localities in America.

Diamond Nation will also pursue cooperative arrangements with the Fredericksburg School System and the University of Mary Washington to provide opportunities for area students, such as internships, scholarships and other learning opportunities.

Our percentage payments to the city would need to be subordinate to our lender, of course, but the city should be comfortable knowing we are committing *and personally guaranteeing* more than \$40 million towards the project.

We are planning to be in Fredericksburg next week to meet with City Council and we will be happy to answer questions from our future neighbors and citizens of Fredericksburg.

We trust you will find this proposed resolution in the best interests of the city.

Sincerely,

Jack Cust

cc: Mayor Mary Katherine Greenlaw
Jud Honaker, Silver Companies
Tom Byrnes, Rappahannock Baseball Initiative