

Financing Plan to Renovate PGE Park for MLS

July 9, 2009

In March, MLS awarded a professional soccer franchise to the city of Portland under certain conditions. Specifically, the City of Portland and Merritt Paulson's company, Peregrine, LLC must reach agreement on a financing package for renovations to PGE Park by September 1, 2009 to transform PGE Park into a "soccer-specific" stadium, and complete construction on PGE Park by April 2011.

Under the terms of the financing plan, which the City Council must approve, the City and Peregrine, LLC agree to contribute the following:

Peregrine Capitalized rent payment	\$11.1 million
Peregrine Cash payment	\$8.0 million
City Spectator Facility Fund Bonds	\$11.2 million
City Assumed Soft Costs	\$.7 million
Total	----- \$31.0 million

Merritt Paulson agrees to personally guarantee revenues for years 1-7. The \$11.1 million payment represents projected revenues between years 8 and 25, and it will be paid up front in a single, lump-sum cash payment by Peregrine, LLC.

The City of Portland will receive a 7% User Fee on all ticketed events at PGE Park, and the City will receive 100% of all User Fee revenues in excess of City projections for PGE Park. In other words, the City is entitled to share in any upside realized from PGE Park events where attendance exceeds projections.

Peregrine, LLC may recoup guarantee payments made when revenues are below projections in a given year by recovering 70% of any User Fee revenues in excess of projections in subsequent years until the guarantee payment is recovered.

If construction costs exceed \$31.0 million, then the City will extend the term of the lease agreement on PGE Park for a period equal to \$1 million in net present value. Peregrine, LLC will be responsible for all other cost overruns. In other words, the City's liability for cost overruns will not exceed \$1 million.

City assumed soft costs represent development-related fees, like system development charges (SDCs), that the City has agreed to waive.

Three aspects of this proposed deal are particularly notable. First, the vast majority of the City's contribution will be paid for by Spectator Facility Fund revenue and bonds issued against those revenues. Additionally, the Spectator Facility Fund will be able to absorb the new debt (the

bonds that will be issued) even if the new MLS franchise or the league fails. Second, the overall cost of the proposed financing package has been reduced to account for reduced construction costs. The total amount of this reduction is approximately \$7 million. Finally, this deal does not rely upon urban renewal funds, impact the City's General Fund or impinge upon the City's ability to provide basic services.