PROPOSED MLS TRANSACTION TERMS July 23, 2009

36717

1. Parties

1.1 The City of Portland

(the "City")

1.2 Peregrine Sports LLC (and/or Short Stop LLC), or other Paulson-owned entities

("Peregrine")

2. <u>Non-Binding Term Sheet</u>

The purpose of this term sheet is to evidence the parties' agreement with the business terms set forth in this term sheet. However, this term sheet is not legally binding, and the parties shall not be legally bound until the parties, each in their sole discretion, execute the definitive documents necessary to implement the transactions contemplated by this term sheet.

3. Project, Ownership

3.1 The City and Peregrine will establish a public/private partnership, in accordance with the terms set forth below, to finance, develop and construct renovations to PGE Park to convert PGE Park to a soccer stadium, consistent with the requirements of Major League Soccer (the "MLS Stadium") with an estimated budget of \$31,000,000, excluding any additional improvements paid through sponsorship agreements with third parties. The preliminary contemplated initial phase of improvements to PGE Park is summarized on attached Exhibit C, which is subject to change through future design and value engineering activities. Peregrine proposed improvements to PGE Park with an estimated budget of \$38.0 million. Due to financial considerations, the parties agreed to reduce the estimated budget for the initial phase of improvements to \$31.0 million. The parties agree to identify and pursue in good faith opportunities to enhance attendance and

fan experience at the MLS Stadium with additional improvements to the MLS Stadium in the future.

- 3.2 The City will own the MLS Stadium and will have approval rights over the design of this facility, subject to the following. The City will consider allowing Peregrine to own certain non-structural systems within the MLS Stadium that have short depreciable lives for tax purposes and allow Peregrine to claim depreciation of these assets for tax purposes. In the event Peregrine owns such systems, Peregrine will lease them to the City for \$1.00 per year with all operational, repair and maintenance costs to be operating costs of the MLS Stadium. To the extent Peregrine's ownership causes real property taxation at the MLS Stadium, Peregrine will be responsible for the real property tax.
- 3.3 Peregrine will be responsible for designing and constructing the MLS Stadium, using contractors approved by the City.
- 3.4 The City is approving an exemption from public bidding so as to expedite this design and construction work in order to open the MLS Stadium by April 2011.
- 3.5 The parties will enter into an Operating Agreement pursuant to which Peregrine will have the exclusive right and obligation to operate the MLS Stadium for 25 years for the annual payments shown in the City-approved "Schedule of Payments and User Fees" dated July 15, 2009 (attached as Exhibit B) and on terms generally consistent with the current operating agreement for PGE Park. The term may be extended by Peregrine pursuant to Section 5.3 below.
- 3.6 Peregrine will agree that its MLS team will not be relocated from the MLS Stadium for the original 25-year term of the Operating Agreement.

4. Funding Plan

4.1 The funding plan for the initial phase of improvements is as follows:

Uses		Amount
	Construction Costs ^{1, 2}	\$31,000,000
Sources		Amount
	Peregrine Cash Contribution	\$8,000,000
	Peregrine Prepaid Payments and User Fees	\$11,100,000
	Spectator Facility Fund Cash and Bond Proceeds	\$11,200,000
	City Payment or Waiver of City Charges	700,000
Total Sources		\$31,000,000

Construction costs exclude any additional improvements resulting from sponsorship agreements and paid for by third parties.

- 4.2 Peregrine agrees to pay into the Spectator Facilities Fund a ticket surcharge (user fee) of 7% of the applicable ticket price for events at the MLS Stadium. For operating years 8-25, the user fee for the MLS Stadium will be prepaid as set forth above, based on the present value of these payments and user fees discounted at 8%.
- 4.3 The Paulson Family will personally guarantee the following revenue streams for lease years 1-7.
 - 4.3.1 The agreed-upon annual payments for use of the MLS Stadium.
- 4.3.2 The projected amount of the user fee to be generated at the MLS Stadium shown on attached Exhibit B in the City-approved "Schedule of Payments and User Fees" dated July 15, 2009.
- 4.4 In the event that in operating years 1-7, actual user fees from the MLS Stadium, are less than the amount of scheduled user fees, the deficiency shall be a "Deficit User Fee Amount." During operating years 1-7, the Paulson Family shall pay to the City the Deficit User Fee Amounts, and the cumulative amounts of any such

² Cost estimates assume that installation of solar panels will be coordinated with remodeling so that solar panel costs apply to meeting state requirements for 1.5% solar.

payments is the "Guaranty Payment." During operating years 8-25 and any extension term under Section 5.3, Peregrine shall retain the actual user fees collected up to the amount of the scheduled user fees at the MLS Stadium as set forth in the City-approved "Schedule of Payments and User Fees" dated July 15, 2009. In the event that in any operating year actual user fees from the MLS Stadium are in excess of the amount of the scheduled user fees, the excess is a "User Fee Surplus." For each lease year, the User Fee Surplus will be applied as follows.

- 4.4.1 If there has been no Guaranty Payment, all User Fee Surplus shall be paid to the City.
- 4.4.2 If there has been a Guaranty Payment, User Fee Surplus shall be paid 70% to Peregrine and 30% to the City until the amount of the Guaranty Payment (without interest) has been reduced to zero, and as long as the Guaranty Payment is zero, all User Fee Surplus shall be paid to the City.
- 4.5 In the event that the cost of the MLS Stadium is less than \$31.0 million, then the savings shall be used for future capital improvements at the MLS Stadium as mutually approved by the City and Peregrine.
- 4.6 The City and Peregrine will use their best efforts to implement the financing plan so that all financing conditions may be satisfied by October 1, 2009 as follows: Peregrine will assist the City in placing the Spectator Facilities Fund backed bonds.

5. Construction Cost Overruns

5.1 In the event that the actual cost of the initial phase of improvements to the MLS Stadium exceeds the currently budgeted cost of \$31,000,000, exclusive of any additional improvements undertaken pursuant to a sponsorship agreement that are paid by

a third party, Peregrine shall pay all cost overrun amounts. Amounts paid by Peregrine shall be "Cost Overrun Amounts."

- 5.2 The cost of City-directed design modifications or enhancements other than those required by the City in its regulatory capacity will be borne by the City.
- 5.3 In the event that Peregrine has paid Cost Overrun Amounts, then Peregrine shall be entitled to an extension of the Operating Agreement at no annual payment and no payment to the City of collected user fees during lease years 26-28 computed as follows. The scheduled user fees and annual payments for the MLS Stadium shall be discounted to present value at a discount rate of 8% for that period of time during lease years 26-29 such that the discounted scheduled annual payments and user fees equals the lesser of: \$1,000,000 or the actual Cost Overrun Amount.

6. <u>Peregrine Contributions to Youth Programs.</u>

For a period of five years beginning January 2010, Peregrine or its owners will contribute at least \$50,000 per year to be used to improve or build youth athletic fields in Portland, as mutually agreed by Peregrine and the Commissioner-in-Charge of Portland Parks and Recreation.

7. Community Events and Community Benefits

Peregrine agrees to do the following in order to foster broader community use of the MLS Stadium and to support amateur soccer activities.

7.1 Undertake activities to foster local soccer talent and annually hold open soccer try-outs to provide local soccer players the opportunity to become MLS soccer players.

- 7.2 Allow, as schedules and operations permit, local high school team practices to take place in the MLS Stadium at no cost.
- 7.3 Allow the annual Special Olympics event to occur at the MLS Stadium at no cost.
- 7.4 Allow three additional community events to take place, each year at the MLS Stadium, at a charge equal to only Peregrine's direct expenses for each such event.

8. Good Neighbor Agreement

Peregrine will enter into a continuation of the Good Neighbor Agreement currently applicable to PGE Park for the duration of its operating agreement, subject to potential modifications based on projected attendance at MLS matches.

9. Sustainability

Peregrine will be responsible, per the City's Green Building Policy, for the MLS Stadium meeting LEED Silver Certification for Existing Buildings Operation and Maintenance, and will obtain certification from the United States Green Building Council

10. <u>City-Directed Wages</u>

Peregrine and the City shall share equally in the costs of the City's Directed Wage Program for PGE Park. Peregrine shall pay to the City the capitalized sum of \$1 million up front in consideration for their 50% share of the Directed Wage Program. The \$1 million is included in the \$8 million cash contribution identified in Section 4.1 and shall be used to reduce the borrowing requirements of the Spectator Facilities Fund for the project. In return, the City agrees to continue, at the City's cost, the current directed wage program at PGE Park, throughout the term of the Operating Agreement, with respect to Peregrine's employees at the MLS Stadium. Peregrine agrees to provide a

neutral setting for employees should they choose to attempt to organize. Peregrine will be required to comply with all applicable Federal, State and local laws with respect to organizing.

11. Neighborhood Parking

The City will use its best efforts to work with the Goose Hollow Foothills League and the Goose Hollow Business Association, Peregrine, Lincoln High School and the Multnomah Athletic Club to develop a mixed use parking facility to serve the parking needs of the area around the MLS Stadium.

12. Definitive Agreements.

All obligations of the parties are conditioned upon the parties entering into all necessary definitive documents, each in their sole discretion.

- 12.1 The parties will use best efforts to have all necessary definitive documents approved and executed by September 1, 2009.
- 12.2 The definitive documents will provide that the funding sources set forth in the financing plan referred to in Section 4 above are contractually committed by October 1, 2009. If that does not occur, then the parties may delay the development of the MLS Stadium by a to-be-agreed-upon period of time, subject to such agreements that may be necessitated by such delay, or may terminate this agreement subject to each party's approval in their respective sole discretion.
- 12.3 The parties will enter into a Pre-Development Agreement by August 23, 2009 pursuant to which the parties agree to share in development costs incurred between the effective date of the Pre-Development Agreement (and any costs incurred after

May 28, 2009 by Peregrine with the City's prior consent) and October 1, 2009 if the project terminates at that point. The cost sharing will be 50/50 with the City's share capped at \$1.25 million.

PEREGRINE:	PEREGRINE SPORTS, LLC, a limited liability company		
	By: Its:		
CITY:	CITY OF PORTLAND, OREGON, a municipal corporation of the State of Oregon		
	By: Its: Mayor		
	By: Its: City Auditor		
	APPROVED AS TO FORM:		
	By: Linda Meng, City Attorney		

Exhibit B Schedule of Rent Payments and User Fees July 15, 2009

Discount Rate:

8.00%

Fiscal		PGE Park	Projected PGE Park		Present	Cumulative Present
Year	Year	Rent	User Fees	Total	Value	Value
2009.10						
2010.11	1	\$437,500	\$461,900	\$899,400		
2011.12	2	887,500	619,500	1,507,000		
2012.13	3	912,500	633,710	1,546,210		
2013.14	4	937,500	648,346	1,585,846		
2014.15	5	962,500	663,421	1,625,921		
2015.16	6	987,500	678,949	1,666,449		
2016.17	7	1,012,500	694,943	1,707,443		
2017.18	8	1,037,500	711,416	1,748,916	\$944,885	\$944,885
2018.19	9	1,062,500	728,383	1,790,883	895,887	1,840,772
2019.20	10	1,087,500	745,860	1,833,360	849,200	2,689,972
2020.21	11	1,112,500	763,861	1,876,361	804,739	3,494,711
2021.22	12	1,137,500	782,402	1,919,902	762,419	4,257,130
2022.23	13	1,162,500	801,499	1,963,999	722,158	4,979,289
2023.24	14	1,187,500	821,169	2,008,669	683,873	5,663,162
2024.25	15	1,212,500	841,429	2,053,929	647,484	6,310,646
2025.26	16	1,237,500	862,296	2,099,796	612,910	6,923,556
2026.27	17	1,262,500	883,790	2,146,290	580,076	7,503,632
2027.28	18	1,287,500	905,929	2,193,429	548,903	8,052,535
2028.29	19	1,312,500	928,732	2,241,232	519,320	8,571,856
2029.30	20	1,337,500	952,219	2,289,719	491,255	9,063,111
2030.31	21	1,362,500	976,411	2,338,911	464,638	9,527,749
2031.32	22	1,387,500	1,001,328	2,388,828	439,402	9,967,151
2032.33	23	1,412,500	1,026,993	2,439,493	415,483	10,382,634
2033.34	24	1,437,500	1,053,428	2,490,928	392,818	10,775,452
2034.35	25	1,462,500	1,085,031	2,547,531	371,985	11,147,437

Peregrine Prepaid Rent Payments and User Fees

\$11,147,437

Contingent Cost Overrun Recovery Period								
Fiscal Year	Year	PGE Park Rent	Projected PGE Park User Fees	Total	PV	Cumulative PV		
2035.36 2036.37 2037.38	26 27 28	1,487,500 1,512,500 1,537,500	1,117,581 1,151,109 1,185,642	2,605,081 2,663,609 2,723,142	352,212 333,449 315,650	352,212 685,660 1,001,310		

Exhibit C Preliminary Scope of Improvements to MLS Stadium

It is anticipated the initial phase of improvements to the MLS will consist of the following, subject to further design and cost estimating:

- New Field Club Restroom at Widmer Beer Garden with Upgrades
- MLS Visiting Team Locker Room Improvements
- New MLS Visiting Coaches' Locker Rooms Improvements
- New MLS Training Area
- New MLS Strength and Conditioning Facility
- Upgrade Public Men's Restrooms at West Stands
- Press Box and Broadcast Booth Upgrades to MLS Standards
- Camera Platforms with Camera Hook-ups to MLS standards
- New Home MLS Team Facilities Renovation of Existing Beavers Support Area
- New Lower Field Level Concourse (core and shell only)
- New MLS Home Team Locker Room (renovation of existing Beavers Locker Room)
- Relocation of Field (including demolition of dugouts and dugout suites)
- New Seating stands for approximately 5000 spectators with new east side main concourse
- New Concessions and Restrooms to Support the New Seating
- New Team Store
- 18th and Morrison Entrance Enhancements
- Premium Level Seating Amenities (bar and concession space)
- Group and Party Spectator Areas
- New (additional) Scoreboard with Additional LED Fascia
- South end Access Road Improvements

Depending on future design and cost estimating, the following improvements, which are currently assumed to be deferred, may be incorporated in the initial phase of improvements

- North end Screen wall with Fan Amenities
- South end Seating with Fan Amenities