PROPOSED MLS/AAA TRANSACTION TERMS
FOR CITY COUNCIL CONSIDERATION
March 9, 2009

1. Parties

1.1 The City of Portland (the "City")

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

2. Project, Ownership

2.1 The City and Peregrine will establish a public/private partnership, in accordance with the terms set forth below, to finance, develop and construct: (i) renovations to PGE Park to convert PGE Park to a soccer stadium, consistent with the requirements of Major League Soccer (the "MLS Stadium"); and (ii) a new AAA baseball stadium of between 7,500 to 9,500 seats on the site of Memorial Coliseum (the "AAA Stadium").

2.2 The City will own both the MLS Stadium and the AAA Stadium and will have approval rights over the design of these facilities.

2.3 Peregrine will be responsible for designing and constructing both facilities, using contractors approved by the City.

2.4 The City will consider an exemption from public bidding by April 15, 2009, so as to expedite this work in order to open these facilities by April 2011. Peregrine will commence the design work as soon as possible after the public bidding exemption is granted and the pre-development agreement referred to in Section 13.2 is executed, as required by the development schedule.

2.5 The City and Peregrine will use their best efforts to secure the components of the financing plan referred to below by September 1, 2009.

2.6 Peregrine will lease each stadium for the duration of the Spectator Facilities Fund bonds, referred to below (25 years) for the annual rents shown in the City-approved "Schedule of Rents and User Fees" dated March 9, 2009, on terms generally consistent with the current lease of PGE Park.

2.7 Peregrine will agree that its MLS team and its AAA team will not be relocated from their respective stadiums for the duration of the Spectator Facilities Fund bonds.

3. Funding Plan

3.1 The funding plan is as follows:

Uses	Amount
MLS Franchise Fee	$40,000,000
PGE Park/MLS Stadium (1)	$33,690,000
Memorial Coliseum Baseball Stadium	$55,095,000
Total of Uses	$128,785,000

Sources	Amount
Peregrine: Franchise Fee	$40,000,000
City Council: To Be Decided	$15,000,000
TIF Bonds for Baseball Stadium	$18,500,000
Spectator Fund Bonds (2)	$31,000,000
Peregrine LLC	$12,500,000
Other Funds (3)	$11,785,000
Total Sources	$128,785,000

(1) Cost estimate for PGE Park assumes that installation of solar panels will be coordinated with remodel so that solar panel costs apply to meeting state requirement for 1.5% for solar.

(2) Amount shown may be higher as noted in footnote 3.

(3) These other funds include the following potential funding sources: pending State legislation to allocate income taxes on MLS personnel to the Spectator Facilities Fund, thereby increasing the amount of these bonds; the use of a tax-exempt bond structure for the Spectator Facilities Fund bond, thereby increasing the amount of these bonds; a refinancing of existing PGE Park bonds, thereby increasing funds available for debt service for the Spectator Facilities Fund bonds and increasing the amount of these bonds; and/or additional private equity contributions. None of these "Other Funds" will come from the City's general funds or other City Funds, except additional bond principal from the Spectator Facilities Fund as noted above.

3.2 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 and the AAA Stadium. The current user fee is 6%.

3.3 The Paulson Family will personally guarantee the following revenue streams for the life of the Spectator Facilities Fund bonds, which will not exceed twenty-five years.

3.3.1 The agreed-upon rent for the MLS Stadium.

3.3.2 The agreed-upon rent for the AAA Stadium.

3.3.3 The projected aggregate amount of the user fee to be generated at the MLS Stadium and the AAA stadium shown in the City-approved "Schedule of Rents and User Fees" dated March 9, 2009.

3.3.4 State income tax revenue from taxes on MLS personnel, if such legislation is enacted, based on Peregrine's projection, approved of by the City.

3.3.5 To the extent the Paulson Family pays amounts under these guarantees, because actual collections are less than projected, the Paulson Family will be entitled to recover those amounts if and to the extent that in future years, actual collections exceed guaranteed amounts.

4. Implementation of Financing Plan

The City and Peregrine will use their best efforts to implement the financing plan so that all financing conditions may be satisfied by September 1, 2009 as follows:

4.1 The City and Peregrine will use best efforts to obtain state legislation for funding for the MLS stadium. If legislation is enacted that provides an ongoing stream of state revenue, the state revenues will be deposited in the Spectator Facilities Fund, and the total funding commitment from the Spectator Facilities Fund will be increased commensurate with the bonding capacity from the additional state revenues.

4.2 The City will identify and implement a bond offering strategy to place the OCC TIF bonds through traditional sources and/or private placements.

4.3 Peregrine will assist the City in a private placement of the OCC TIF bonds.

4.4 The City, assisted by Peregrine, will endeavor to maximize the bond capacity of the Spectator Facilities Fund backed bonds through innovative means, including, but not limited to, the use of a tax-exempt bond structure and/or the refinancing of existing PGE Park bonds.

4.5 The City will use best efforts to identify by August 1, 2009 possible methods to bridge finance the TIF Bonds for PGE Park, should such bridge financing be required.

4.6 The City and Peregrine will establish by April 15, 2009 an executive-level steering committee to monitor the implementation of these Transaction Terms.

5. Construction Cost Overruns

5.1 In the event that the actual cost of the MLS Stadium and the AAA Stadium exceed the currently budgeted aggregate cost of $88,785,000, the City will pay the first $2,500,000 of cost overruns (the current amount of the Capital Reserve Sub-Account) in the Spectator Facilities Fund, and Peregrine shall pay all other cost overrun amounts. Peregrine shall not be entitled to any reimbursement for its share of any cost overruns.

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.

6. Peregrine Contributions to Youth Programs.

For a period of five years beginning January 2010, Peregrine LLC or its owners will contribute at least $100,000 per year to qualified local youth-focused charitable organizations of which at least 30% will be dedicated to the construction, rehabilitation, or maintenance of youth athletic fields. Peregrine or its owners will consult with the Portland Parks Foundation regarding the proposed use of its annual contribution directed to youth athletic fields.

7. Community Events

Peregrine agrees to do the following in order to foster broader community use of the MLS Stadium and the AAA 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 permit, local high school team practices to take place in the MLS Stadium or AAA Stadium at no cost.

7.3 Allow the annual Special Olympics event to occur at the MLS Stadium or AAA Stadium at no cost.

7.4 Allow three additional community events to take place, each year at each of the MLS Stadium and the AAA Stadium, at a charge equal to only Peregrine's direct expenses for each such event.

8. Veterans Memorial.

The new AAA Stadium will include a City approved veteran's memorial. The mandatory 2% for art funds may be used to pay for this memorial. The City and Peregrine will confer with appropriate veterans groups with respect to the location and design of this memorial.

9. Good Neighbor Agreement

Peregrine will enter into a continuation of the Good Neighbor Agreement currently applicable to PGE Park for the duration of the operating agreement.

10. SDCs

SDC credits for demolition of the Memorial Coliseum will be applied to the AAA Stadium and the MLS Stadium. If after such credits, SDCs are still charged on the MLS Stadium and/or the AAA Stadium, the City will be responsible for such SDC charges.

11. Sustainability

Peregrine will consult with the City's Bureau of Planning and Sustainable Development regarding sustainability features to be incorporated in both the MLS Stadium and the AAA Stadium.

12. Availability of Memorial Coliseum

The City will make the Memorial Coliseum site available to Peregrine by December 31, 2009 for demolition and redevelopment as follows.

12.1 The City will take steps required by the Rose Quarter Development Agreement;

12.2 The City will assist Peregrine in negotiating any required amendments to the CC&Rs for the Rose Quarter necessitated by the AAA Stadium.

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

13.1 The parties will use best efforts to have all necessary definitive documents approved and executed by August 1, 2009.

13.2 The definitive documents will provide that the funding sources set forth in the financing plan referred to in Section 3 above are contractually committed by

September 1, 2009. If that does not occur, the parties may delay the commencement of the MLS Stadium and the AAA Stadium by a to-be-agreed-upon period of time, all subject to such agreements that may be necessitated by such delay, subject to each party's approval in their respective sole discretion.

13.3 The parties will enter into a pre-development agreement by April 15, 2009 pursuant to which the parties agree to share in development costs incurred between now and September 1, 2009 if the project terminates at that point. The cost sharing will be 50/50 with the City's share capped at the amount of the current balance in the Capital Reserve Sub-Account of the Spectator Facility Fund.