

MLS Project
Summary of Deal Terms
January 2010

This summary of terms addresses the key financial, business and city policy issues contained in the series of agreement between the City and Peregrine Sports for the conversion of PGE Park into a Major League Soccer facility. The City team working on the project was guided by the work of a citizens' task force on MLS. In addition, City Council provided guidance in approving several resolutions during 2009 some of which included transaction terms and other city policy requirements.

The agreements for the MLS project include:

Redevelopment Agreement (RDA) – addresses project funding, design, construction and project management for the renovation of the stadium.

Operating Agreement (OA) – addresses stadium maintenance, operations, repairs, event management and payments to the City for the 25 year term of Peregrine's right to operate the stadium.

Exclusive Use & Guaranty Agreement – guarantees that the MLS team will play all home games at the stadium for the duration of the operating agreement.

Revenue Stream Guaranty – provides the personal guarantee of the Paulson family for the payment of the stadium license fee and user fees for years 1-7 of the operating agreement. At closing, Peregrine will pre-pay all license and user fees for years 8-25, therefore, the guaranty is only needed for years 1-7.

Completion Guaranty - obligates the Paulson family to complete the construction of stadium improvements in the event of a delay or interruption in the project.

MAC Amended Easement – provides MAC's consent to build project elements within the area owned by MAC and used by the stadium under the easement agreement.

Project Funding Agreement – defines the procedures for the parties' depositing of project funds into a trustee account and for the disbursement of funds to pay for project improvements during the course of construction.

Financial Guarantees and Protections

1. City Revenue Personal Guarantee – Transaction Terms contained in Resolutions 36687 and 36717 required that Peregrine guarantee the payment of PGE Park license and user fees for the life of the city bonds. The Revenue Stream Guaranty unconditionally guarantees payment to the City of PGE Park license and user fees for years 1-7 of the operating term (except for a City default). Peregrine will prepay PGE Park license and user fees for years 8-25 as required in the Redevelopment Agreement (RDA Section 17.1.1). This requirement has been fully met.

2. Project Cost Overruns Responsibility of Peregrine – Terms attached to Resolution 36687 called for the City to pay for the first \$2.5 million in cost overruns for the MLS and Triple-A facilities, with Peregrine responsible for any additional cost overruns. This condition was changed in the MLS-only Resolution No. 36717 and in the Redevelopment Agreement. Peregrine will be responsible for paying all cost overruns and will be able to recover the present value of \$1 million in cost overruns through the waiver of license and user fee payments for years 26-28 (RDA Section 11.9.2 and 17.3.4).
3. Project Completion Personal Guarantee – This issue was not addressed in the Transaction Terms in either resolution. The Completion Guaranty obligates Hank and Merritt Paulson to complete project improvements in the event that Peregrine fails to do so. The Paulson's commitment to complete the project carries a maximum financial liability of \$20 million.
4. Team Relocation Prohibited – The Transaction Terms called for a Peregrine guarantee that the MLS team would not be relocated for the term of the City bonds sold for the project and the 25 year term of the Operating Agreement. This obligation is fulfilled by the Exclusive Use and Guaranty Agreement.

Financial and Business Terms

1. Project Cost Shared Between Peregrine and Spectator Sport Attendees (No General Fund Contribution) – The project budget remains \$31 million based on the Transaction Terms contained in Resolution No. 36717. Funding includes \$8 million in Peregrine cash, \$11.1 million in Peregrine prepaid license and user fees (RDA Section 17.1), and \$11.9 million in Spectator Fund cash and bond proceeds (RDA Section 17.1.3). The City's share could be reduced if savings are achieved in project Systems Development Charges and/or the 2% for Art program RDA Section 17.1.3).
2. Payments to the City Fixed at 7%/ City to Share in Potential Upside – Other than being converted from a fiscal to a calendar year, the schedule of Rent and Payments and User Fees which were a part of Resolution No. 36717 has not changed. The user fee rate is 7% and the City could realize additional revenues should user fees exceed the projected amounts per the schedule.
3. Peregrine Responsible for Stadium Operations and Maintenance - Under the Operating Agreement Peregrine is responsible for all operating and maintenance costs for PGE Park (OA Section 6).
4. Repairs and Replacements – (OA Section 4) Peregrine is responsible for the repair and replacement of the electronic video/scoreboard, all electronic advertising signs and signs associated with naming rights. The City is responsible for the repair and replacement of the turf. The replacement cycle is eight years, and if the turf needs to be replaced in less than eight years, Peregrine will pay 20% of the cost. With the approval of the City, Peregrine may replace the artificial turf with natural grass if required by MLS at Peregrine's expense (OA Section 4.12)

The City is fully responsible for structural inspections and repairs. The City is responsible for the replacement of building systems (HVAC, plumbing, electrical,

elevators). A portion of the repair costs for building systems will be shared 50/50, with additional costs to be paid by the City. For all other elements of the facility, repair costs will be split 50/50. All costs (operations, maintenance, repair, or replacements) associated with the clinic facility are the responsibility of Peregrine (OA Section 4.5.14).

City Policy and Council Directives

1. Youth Athletic Fields - For 2010 – 2014, Peregrine will contribute \$50,000 per year for the improvement of youth athletic fields within the City (OA Section 3.8.3.2).
2. LEED Silver Certification – Peregrine is responsible for achieving a Silver Certification from US Green Buildings Council for Existing Buildings Operation and Maintenance (RDA Section 4.7).
3. City Directed Wages - The current program will continue under which the City reimburses Peregrine for the fair wage differential for part-time, direct employees of Peregrine (RDA Section 4.8, OA Section 4.11).
4. Clinic Facility – Peregrine plans to build a sports clinic facility as part of the expanded stadium structure. Peregrine will pay all costs of constructing the clinic facility, which is not included in the \$31 million project budget (RDA Section 11.10.4 and 12.10). Peregrine anticipates entering into an agreement to allow Providence to use the clinic facility on terms acceptable to the City. The clinic facility will be open to the general public and will provide services to patients insured by Medicare, Medicaid and the Oregon Health Plan (OA 4.13).
5. MWESB - City policies and goals in the area of minority and women owned businesses and for emerging small businesses will be implemented by Peregrine through requirements within the agreement for the general contractor (RDA Section 3.2.5 and Exhibit 3.2.5).
6. Tanner Creek – Peregrine is required to construct a freestanding foundation system that will not suffer damage if the Tanner Creek sewer line should fail or surcharge and to take measures to protect the sewer line during construction and during the 25 year term of the Operating Agreement (RDA Section 3.6, OA Section 4.14).
7. MLS Approval – As a condition to closing, MLS must confirm in writing that the planned stadium improvements meet MLS facility requirements and MLS approves the stadium as a site for MLS games. MLS will also acknowledge the waiver of any MLS requirements that can not be met by the stadium improvements. (RDA Section 21.2.13)
8. PSU Football – Peregrine is obligated to allow PSU to resume use of the stadium for home football games beginning in 2011 under terms and conditions acceptable to the parties. The City encourages the parties to enter into a multi-year agreement subject to dispute resolution. (RDA Section 2.5, OA Section 3.8.6)
9. Triple-A Baseball - Peregrine must indemnify the City from any claim by the PCL or Portland Beavers related to the inability of the Beavers to use the stadium following the 2010 season. (RDA Section 5.2)