

**PROPOSED TRANSACTION TERMS
(RENOVATION OF VETERANS MEMORIAL COLISEUM)
_____, 2011**

1. Parties

- 1.1 The City of Portland (the "City")
- 1.2 Rip City Management, LLC, doing business as
Portland Arena Management (f/k/a Portland Arena
Management LLC), successor-in-interest to Oregon
Arena Corporation ("PAM")
- 1.3 Portland Winter Hawks, Inc. ("PWH")

2. Non-Binding Term Sheet

The purpose of this Proposed Transaction Terms (Renovation of Veterans Memorial Coliseum) ("Term Sheet") is to evidence the understandings of the City, PAM and PWH (each, a "party" and collectively, the "parties") with respect to the fundamental business terms for the renovation of Veterans Memorial Coliseum ("VMC"). The purpose of the Term Sheet is also to evidence the understanding and agreement of the Portland Development Commission ("PDC") as set forth in Section 4.2. 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. The parties entered into a letter of intent on September 21, 2011, which letter has informed this Term Sheet.

3. Project; Ownership

3.1 The City, PAM and PWH intend to establish a public/private partnership, in accordance with the terms set forth in this Term Sheet, to design, finance, and construct renovations to VMC, with an estimated budget of

\$30,500,000, excluding any additional improvements paid through, but not limited to, grants and private fundraising efforts. The preliminary contemplated scope of the renovation to VMC is summarized on the attached Exhibit A, which is subject to change through future design and value engineering activities to be approved by the parties. The parties originally discussed improvements to VMC with a much higher estimated budget. Due to financial considerations, the budget is presently estimated to be \$30,500,000. However, the parties continue to explore additional sources of funding. The parties will identify and pursue in good faith opportunities to enhance attendance and fan experience at VMC while also performing capital repairs agreed to be necessary to keep VMC in good operating condition and to meet applicable code requirements.

3.2 In accordance with the 19th Amendment to the Oregon Convention Center Urban Renewal Area (the "OCC URA"), approved by Portland City Council ("Council") by Resolution No. 36875 on August 10, 2011, PDC has been authorized to enter into a design contract with Opsis Architecture ("Opsis"). Subject to agreement upon a redevelopment agreement, the design contract will be assigned to PAM, and PAM will be responsible for entering into the general contract for construction of VMC renovations and managing the construction of the VMC improvements, with specified contractors approved by the parties. The general contract for construction will have a guaranteed maximum price. PAM will have no obligation to contribute money to the project cost funds, and the disbursement of all such project cost funds will be governed by the Project Funding Agreement described in Section 12.4 below. All monies payable under the design contract and general contract for construction will be subject to the payment provisions of the Project Funding Agreement.

3.3 Concurrently with the approval of this Term Sheet, the parties will

request the City to approve a sole-source exemption from public bidding to allow the City to enter into a redevelopment agreement with PAM, the current operator of VMC. PWH will also be a party to the redevelopment agreement.

3.4 The City and PAM may mutually agree in their sole discretion to amend the existing operating agreement pursuant to which PAM operates VMC (the "Operating Agreement") as may be reasonably necessary to facilitate financing for the renovation or to accommodate the structuring of historic tax credits for the project. The City will continue to own VMC.

3.5 The City and/or PAM, as applicable, will enter into agreements with PWH pursuant to which PWH will have the right to use VMC as its primary venue until 2023, with possible extension rights.

3.6 PAM will exercise its first existing option to extend the term of the Operating Agreement until 2018. If PAM does not exercise its second existing option to extend the Operating Agreement until 2023, PWH shall have a right of first refusal to become the operator of VMC on the terms of the then-effective Operating Agreement, including terms relating to operations of VMC set forth in the existing development agreement between the City and PAM (e.g. user fees).

4. Funding Plan

4.1 The funding plan for the renovation work is as follows:

Uses		Amount
Project Costs ^{1, 2}		\$30,500,000
Sources		Amount
Tax Increment Financing (" <u>TIF</u> ")		\$17,100,000
PWH		\$10,000,000
Historic Tax Credits (" <u>HTCs</u> ") ³		\$3,400,000
Total Sources		\$30,500,000

- ¹ Hard and soft construction costs exclude any additional improvements that can be funded with monies from grants and private fundraising.
- ² Project budget assumes that installation of solar technology will be coordinated with remodeling so that solar technology costs apply to 1.5% state requirement, if applicable.
- ³ Estimate based on 90% of \$27.1m of project costs being eligible for HTCs, 20% credit, and fees and costs of approximately \$1.5m.

4.2 Pursuant to an intergovernmental agreement with the City, PDC will contribute \$17,100,000 of TIF from the OCC URA to the project.

4.3 The parties will cooperate throughout the design, documentation and construction phases of the project to obtain and attempt to maximize the HTCs available for the project. For purposes of the HTC structure, PAM will need to act as the "master lessor." The City will endeavor to provide bridge financing for the HTC transaction.

4.4 If the cost of the VMC renovation project is less than \$30,500,000 million, the savings shall be used to complete additional capital repairs or operational enhancements at VMC, as agreed upon by the parties.

5. Construction Cost Overruns

5.1 The parties recognize the importance of agreeing upon a mechanism to pay for costs in excess of the current budget of \$30,500,000. In addition, the parties acknowledge that the City cannot agree to bear overrun risk that increases risk to the City's General Fund. Although negotiations regarding cost overruns are ongoing, the City has agreed to a 20% contingency applicable to the entire project budget, which contingency will be carried into construction. In addition, the parties may consider and agree upon reductions in scope to protect against cost overruns, provided such reductions will not interfere with or delay the contemplated construction schedule for the project.

5.2 After the scope of the project has been agreed to by the parties, the costs for items in excess of the approved project scope shall be borne as follows:

(a) 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.

(b) The cost of PWH-directed design modifications or enhancements will be borne by PWH.

(c) The cost of PAM-directed design modifications or enhancements will be borne by PAM.

6. Project Completion

Each party has incentive to ensure completion of the renovation of VMC on an agreed upon schedule. To ensure project completion, PAM, through a provision in the construction contract, will require the general contractor to post payment and performance bonds. Subject to force majeure, PAM will agree to an outside date for completion of the project of approximately twelve (12) months beyond the scheduled completion date.

7. Environmental Risks

The parties have conducted and are continuing to conduct environmental due diligence at VMC to ascertain the extent and cost of environmental remediation that will be necessary as part of the renovation project, including remediation of asbestos containing materials, lead paint and chiller refrigerant. All reasonably foreseeable environmental remediation costs will be included in the project scope and budget.

8. Community Benefits and Enhanced Community Usage

In addition to community programs and benefits already provided by PAM at VMC, following completion of the renovation, the public will continue to have access to the plaza space outside VMC for community events, access to meeting rooms inside VMC, and access to VMC for ice skating.

9. Prevailing Wage; Business and Workforce Equity

9.1 The renovation project will be subject to prevailing wage.

9.2 The project will be subject to PDC's Workforce Training and Hiring, M/W/ESB (which includes veterans) and project apprenticeship programs, including workforce equity policies applicable to design professionals.

10. Sustainability

10.1 The parties will pursue LEED Gold certification for the project in the new construction/major renovation category.

10.2 The parties are assessing the feasibility of a shared thermal energy system.

10.3 The project may be subject to the state requirement that 1.5% of the total contract price be used for appropriate solar energy technology.

11. Memorial Gardens

As part of the renovation project, the Veterans Memorial currently located at VMC will be repaired and renovated (the "Memorial Gardens Project"). The Memorial Gardens Project will be funded in part with the 2% art fee payable as part of the costs of the project.

12. Related Agreements

In addition to other agreements mentioned in this Term Sheet or required by the redevelopment agreement, and except as described otherwise below, the following agreements will be part of the documentation for the project:

12.1 PAM will enter into a Neighborhood Livability Partnership with the Eliot Neighborhood, which agreement shall be reasonably acceptable to the City.

12.2 The parties will determine if the project requires a Construction Mitigation Plan.

12.3 The parties will determine if an amendment to the existing Transportation Management Plan is triggered by the project.

12.4 The parties will enter into a Project Funding Agreement to govern the disbursement of project funds during construction.

12.5 PAM and PWH will enter into a new or amended lease as part of the redevelopment of the project.

13. Timing.

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

13.1 The parties will use reasonable efforts to have all necessary definitive documents approved by Council in the first quarter of 2012 and executed as soon as practical thereafter.

13.2 The definitive documents will provide that the funding sources set forth in the financing plan referred to in Section 4 above will be contractually

committed by a date certain. If that can not occur by such date, then the parties may delay execution of the definitive documents to any agreed upon execution date or may terminate this Term Sheet.

14. Counterparts.

This Term Sheet may be signed in counterparts, each of which shall be deemed an original and when taken together shall be deemed one and the same document.

*(Remainder of Page Intentionally Left Blank;
Signatures on Following Pages.)*

PAM: RIP CITY MANAGEMENT LLC, a
Delaware limited liability company

By: _____
Printed Name: _____
Its: _____

CITY: CITY OF PORTLAND, a municipal
corporation of the State of Oregon

By: _____
Its: Mayor

By: _____
Its: City Auditor

APPROVED AS TO FORM:

By: _____
Linda Meng, City Attorney

PWH: PORTLAND WINTERHAWKS, INC.

By: _____
Printed Name: _____
Its: _____

FOR PURPOSES OF SECTION 4.2, ACKNOWLEDGED AND AGREED TO BY
THE PORTLAND DEVELOPMENT COMMISSION.

By: _____
Its: _____

APPROVED AS TO FORM:

By: _____
Its: _____

EXHIBIT A

Summary of Anticipated Improvements to VMC

The following is the preliminary contemplated scope of the renovation to VMC, which is subject to change through future design and value engineering activities to be approved by the parties and incorporated into the redevelopment agreement:

Arena Bowl Improvements

- Complete seat replacement
- Improved ADA seating
- New center-hung scoreboard and video replay system
- New NHL sized ice rink, dashers and glass

Concourse and Event Level Improvements

- Renovation of restrooms (including ADA)
- Remodel of concession stands
- Accessible counters for concession stands (ADA)
- Replace portable concession carts
- Remodel Winter Hawks' offices
- Remodel Winter Hawks' locker room
- Upgrade meeting room finishes
- Restore glulam columns
- Upgrade concourse lighting
- Replace interior doors (ADA compliant)

Memorial Gardens Improvements

- Restore hardscape and landscaping
- Enhance memorials using 2% for art funding

Building Infrastructure and Systems

- Complete roof replacement
- Replace hot and cold water pipe systems
- Replace main electrical panels and switchgear
- Replace and/or recondition building heating and cooling systems

Safety and Code Improvements

- Upgrade emergency lighting system
- Replace fire sprinkler system at entry pagoda
- Add fire sprinkler system under the bowl
- Add fire sprinkler system to restrooms and concessions
- Install building wide Fire Alarm system
- Connect exhaust fans to Fire Alarm system