

DATE: November 29, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 12-42
Authorizing a Veterans Memorial Coliseum Operating Agreement with the City of Portland; Authorizing a Veterans Memorial Coliseum License Agreement with the Portland Winterhawks

BOARD ACTION REQUESTED

Adopt Resolution No. 6981

ACTION DESCRIPTION

Authorize the Executive Director to enter into i) a Veterans Memorial Coliseum Operating Agreement with the City of Portland (the “City”) Office of Management and Finance (“OMF”) (the “PDC Operating Agreement”), and ii) a License Agreement with the Portland Winterhawks (the “PDC License Agreement”). PDC would be obligated to perform under the PDC Operating Agreement and the PDC License Agreement if the current operator, Rip City Management LLC, d/b/a Portland Arena Management (“PAM”), ceases to operate the Veterans Memorial Coliseum in 2023 or 2028, and if the Portland Winterhawks (“PWH”) exercises its option to play hockey games at the Veterans Memorial Coliseum in 2023 or 2028. This report is a high level summary of the analysis found in Attachments B through D.

BACKGROUND AND CONTEXT

This is the first of three related actions under consideration by the PDC Board in connection with the redevelopment of the Veterans Memorial Coliseum. All three actions must be approved as a package. The other two actions are:

1. Authorizing an option agreement granting PDC the right to accept transfer of certain real property interests within the Rose Quarter from the City of Portland (see Report and Resolution No 6982 for details of this action); and
2. Authorizing the Project Funding Agreement to provide up to \$2 million in contingent funding for the Veterans Memorial Coliseum renovation (see Report and Resolution No. 6983 for details of this action).

The three actions are in addition to the May 23, 2012, PDC Board action approving an Amended and Restated Intergovernmental Agreement with OMF for the Veterans Memorial Coliseum.

Over the past fourteen months, OMF, PAM and PWH have negotiated a Redevelopment Agreement (RDA) for the renovation of the Veterans Memorial Coliseum. These negotiations followed a public discussion with a Stakeholder Advisory Committee led by Mayor Adams which commenced in September 2009 (see www.rosequarterdevelopment.org). The current RDA project budget is \$31.5

million, of which PDC would provide \$21.5 million pursuant to the IGA, and PWH would provide \$10 million.

The Veterans Memorial Coliseum is owned by the City and operated by PAM under the 1993 Memorial Coliseum Operating Agreement (the “1993 Operating Agreement”). The 1993 Operating Agreement expires in 2013 and PAM has two five-year options to extend its term as operator through 2023. PAM will extend its term as operator through 2023; and will also have two five-year options to operate the Veterans Memorial Coliseum from 2023 to 2028 and from 2028 to 2033 if the RDA transaction closes.

As a condition to providing \$10 million to the renovation project PWH has required i) a license with PAM to use the Veterans Memorial Coliseum for PWH's games through the 2022-2023 season, plus two five-year extension options, and ii) assurances that there will be a party committed to operate the Veterans Memorial Coliseum through 2033. Although PAM may choose to operate the Veterans Memorial Coliseum through 2033, PAM is not currently willing to extend the 1993 Operating Agreement beyond 2023. Therefore, PDC would operate the Veterans Memorial Coliseum if: (1) PAM does not exercise its option to operate the Veterans Memorial Coliseum from 2023 to 2028, or from 2028 to 2033, as applicable, and (2) if PWH exercises its option to play hockey games at the Veterans Memorial Coliseum in 2023 or 2028.

The proposed PDC Operating Agreement and PDC License Agreement are based on the terms outlined in the Letter of Agreement and Term Sheet that was authorized by the PDC Board on August 15, 2012 (Attachment A).

The PDC Operating Agreement provides, among other things, that:

- On an annual basis, OMF will budget \$375,000 (adjusted for inflation after the first year) toward the costs of repairs, capital improvements, or other increased operating expenses arising out of deferred capital improvements and structural repairs;
- If in any given year operating expenses exceed operating income, OMF and PWH will reimburse PDC for the first \$375,000 of net operating losses; and
- PDC will not be obligated to operate the Veterans Memorial Coliseum if the PWH stop playing hockey games at the Veterans Memorial Coliseum.

This action authorizes the Executive Director to enter into the PDC License Agreement, pursuant to which PDC will grant PWH two five-year options to use the Veterans Memorial Coliseum if PDC steps in as operator in 2023 or 2028. The PDC License Agreement will govern the terms of PWH's use of the Veterans Memorial Coliseum, including, without limitation, all advertising rights, naming rights, ticket rebates, or revenue sharing rights granted by PDC to PWH. The PDC Operating Agreement requires that the PDC License Agreement may not contain economic terms more favorable to PWH than the economic terms of the arrangement between PAM and PWH for the same 2023-2033 period. The PDC License Agreement will obligate PWH to reimburse PDC for a portion of the net operating losses in accordance with the PDC Operating Agreement.

A report from Johnson Reid showing the estimated costs and revenues of operating the Veterans Memorial Coliseum is attached as Attachment D.

PDC engaged the law firm of Orrick, Harrington & Sutcliffe, LLP (“Orrick”), to advise PDC on the legality of PDC entering into, and performing under, the PDC Operating Agreement. The legal memorandum from Orrick (Attachment B) affirms that PDC may operate and manage the Veterans Memorial Coliseum pursuant to the PDC Operating Agreement.

COMMUNITY AND PUBLIC BENEFIT

The Veterans Memorial Coliseum is a regional community asset used by more than 400,000 visitors per year, and extensive public outreach has solidified support to preserve the building as an enhanced spectator facility. Finalizing the PDC Operating Agreement and the PDC License Agreement will allow the City and PDC to leverage PWH's investment of \$10 million and ensure an anchor tenant for at least ten years and potentially twenty years. The building will also continue to be available for community events such as the Rose Festival Grand Floral Parade, high school sport and graduation events, and other activities that have come to rely on this facility

PUBLIC PARTICIPATION AND FEEDBACK

The renovation of the Veterans Memorial Coliseum is the implementation of a Stakeholder Advisory Group recommendation after meeting nineteen times. PDC's proposed commitment to operate the Veterans Memorial Coliseum if PAM chooses not to extend its operating agreement was communicated to the Rose Quarter Stakeholder Advisory Committee and the Veterans Focus Group in September 2012.

BUDGET AND FINANCIAL INFORMATION

PDC's financial obligations under the Operating Agreement include:

- PDC will cover net operating losses each year above \$375,000 from legally available funds and appropriations;
- PDC will bear the ordinary expenses of operating the Veterans Memorial Coliseum; and
- PDC will bear a portion of the wind-down and restart costs if the City closes the Veterans Memorial Coliseum or converts the Veterans Memorial Coliseum into a non-spectator facility.

PDC sent a letter dated September 24, 2012 (the "September 24 Letter"), to OMF's Chief Administrative Officer explaining the financial resources that PDC projects to have available to operate the Veterans Memorial Coliseum (Attachment C)

The Johnson Reid report (Attachment D) shows three scenarios of pro forma financial projections. The worst case scenario, one in which the building is kept open only for PWH games and Special and Community Events (as defined in the PDC Operating Agreement) shows an operating deficit that would be covered by the obligations of the City and PWH to reimburse PDC for up to \$375,000 in net operating losses.

RISK ASSESSMENT

The forecast nature of the Johnson Reid pro forma projections, some ten years from now, and the uncertain financial benefits to building operations after a \$31.5 million renovation result in a low level of confidence that the projections are accurate. However, the PDC Operating Agreement and the PDC License Agreement include the following risk-mitigating terms:

1. The City and PWH agree to reimburse PDC for up to \$375,000 in net operating losses. However, obtaining these reimbursements is subject to the credit risk of the City and PWH. The City of Portland Spectator Facilities Fund will be the primary funding source for all of the City's payment obligations under the PDC Operating Agreement. If the Spectator Facilities Fund becomes insolvent, or is otherwise unable to fund the City's payment obligations under the PDC Operating Agreement, then the City of Portland General Fund will serve as a secondary funding source for the City's payment obligations under the PDC Operating Agreement.

2. If hosting events other than PWH Games, Special Events and Community Events is not profitable, PDC can limit the operation of the Veterans Memorial Coliseum; and
3. If PWH does not exercise either of its five-year options to play in the Veterans Memorial Coliseum, PDC can terminate the PDC Operating Agreement.

Additionally, the financial resources mentioned in the September 24 Letter may not materialize as expected. This risk is mitigated by the ten-year period PDC has to prepare for taking over the operations of the Veterans Memorial Coliseum.

ALTERNATIVE ACTIONS

The Board can choose not to authorize the Executive Director to enter into the PDC Operating Agreement or the PDC License Agreement, either of which would likely cause PWH to reconsider its investment in the project.

ATTACHMENTS

- A. Letter of Agreement and Term Sheet
- B. Opinion Letter: Legal Authorities Related To City/PDC/Veterans Memorial Coliseum Project
- C. Patrick Quinton Letter to Jack Graham regarding PDC financial capacity to operate Veterans Memorial Coliseum
- D. Johnson Reid Veterans Memorial Coliseum Financial Analysis of Projected Operating Performance



CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

Sam Adams, Mayor
Jack D. Graham, Chief Administrative Officer
1120 SW Fifth Ave., Suite 1250
Portland, Oregon 97204-1912
(503) 823-5288
FAX (503) 823-5384
TTY (503) 823-6868

City of Portland/Portland Development Commission Letter of Agreement

July 18, 2012

Letter of Agreement and Proposed Term Sheet for Operating Agreement between the Portland Development Commission (PDC) and the City of Portland (City) for Management of the Veterans Memorial Coliseum

The City of Portland (“City”) and the Portland Development Commission (“PDC”) have been involved in negotiations with Portland Arena Management (“PAM”) and the Portland Winterhawks (“PWH”) regarding the redevelopment and future operation of the Veterans Memorial Coliseum (“VMC”).

In order to reach agreement with our partners on the various agreements for the VMC, PDC has proposed assuming operational responsibilities for the VMC in the event that PAM does not elect to continue as the operator for the VMC in 2023.

This letter of agreement is intended to document the intent of the City and PDC to move forward with negotiation of an Operating Agreement for the VMC between the City and PDC which will be approved along with other VMC-related agreements later this year.

City and PDC staff have developed and agreed to the terms and conditions described in the attached “Binding Term Sheet”, as indicated by the initials on each page of the term sheet by the Chief Administrative Officer for the City of Portland and the Executive Director for the Portland Development Commission. This Binding Term Sheet is subject to approval by the PDC Board and by City Council and completion of the documents listed in the section titled “Concurrent Agreements and Documentation”.

In order to keep the VMC negotiations moving forward in a timely fashion, PDC and City staff will seek informal agreement from PDC Commissioners and City Council members prior to beginning formal development of the City of Portland/Portland Development Commission Operating Agreement (“City/PDC OA”).

The City/PDC OA will be based substantially on the City of Portland/Portland Arena Management Operating Agreement, as amended by the Second Amendment (collectively the “City/PAM OA”) and modified as described in the attached.


While working on developing the specific language of the City/PDC OA, the parties will concurrently seek formal approval of the Binding Term Sheet from the PDC Board and City Council in August.

An Equal Opportunity Employer

To help ensure equal access to programs, services and activities, the Office of Management & Finance will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities upon request.

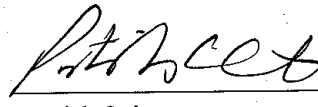
It is the intent of the parties to seek formal approval of the City/PDC OA in September/October at the same time that the VMC Redevelopment Agreement and associated agreements are brought forward to the PDC Board and City Council for approval.

The undersigned agree to the terms and conditions presented herein and in the attached "Binding Term Sheet" as of the dates set forth below.



Jack D. Graham
Chief Administrative Officer
City of Portland

7/24/12
Date



Patrick Quinton
Executive Director
Portland Development Commission

7/28/12
Date

**Binding Term Sheet
Regarding**

**Operating Agreement for the Veterans Memorial Coliseum
City of Portland/Portland Development Commission**

In the event that Portland Arena Management (PAM) does not elect to continue as the operator for the Veterans Memorial Coliseum (VMC) in 2023, the Portland Development Commission is agreeing to assume operations of the VMC subject to an Operating Agreement negotiated between the two parties.

The City of Portland ("City") and the Portland Development Commission ("PDC") agree to the terms and conditions described below, subject to approval by the PDC Board and City Council and completion of the documents listed in the section titled "Concurrent Agreements and Documentation." The City and PDC will also develop a separate agreement for City Council and PDC Board consideration that formalizes PDC's lead role in the redevelopment of the Rose Quarter.

The City of Portland/Portland Development Commission Operating Agreement ("City/PDC OA") will be based substantially on the City of Portland/Portland Arena Management Operating Agreement, as amended by the Second Amendment (collectively the "City/PAM OA").

PDC and City staff will seek informal agreement from PDC Commissioners and City Council members prior to formal negotiations on the City/PDC OA.

Concurrent Agreements and Documentation

- The Spectator Facilities Fund (SFF) will remain obligated to pay off the \$4.4 million loan from PDC per the terms agreed to in the Amended and Restated IGA approved by the PDC board on May 23, 2012, to be approved by the City Council at the time the RDA and other agreements are approved.
- PDC has confirmed that no TIF resources will be used for operations and maintenance, but other financial resources can and have been used for operations of other facilities. PDC will provide a written description of the types of funds that will be used for the operation of the VMC and examples of PDC operation of other facilities.
- PDC will provide a written legal opinion from PDC Legal Counsel describing the legality of PDC assuming any and all of the contemplated responsibilities related to the VMC and the legality of using the identified PDC financial resources for purposes contemplated by the City/PDC OA.

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Jack D. Graham, OMF

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Patrick Quinton, PDC

- The City, PDC, PAM and PWH must do the following:
 - Agree that PDC has the right to review and approve all agreements between the City, Portland Arena Management (PAM), the WHL's Portland Winterhawks (PWH) and other third parties that may affect the operations and profitability of the Veterans Memorial Coliseum (VMC) (e.g. Lease (License) Agreement w/PWH, revenue sharing agreements, etc) during the effective term of the City/PDC OA.
 - Agree to terms of the Project Funding Agreement (pending agreement on sufficiency of asset pledge in lieu of full upfront funding or letter of credit or other collateral acceptable to the City and PAM).
- PAM must do to the following:
 - Agree to a license agreement with PWH.
 - Agree to the terms negotiated in the RDA.
 - Agree to operate the VMC through 2023 as consideration for two five year options to extend the City/PAM OA from 2023 to 2033.
- PWH must do the following:
 - Agree to the terms of the Revenue Sharing Agreement.
 - Agree to a license agreement with PAM.
 - Agree to the terms negotiated in the RDA.
 - Agree to a sublicense agreement between PDC and PWH for use of the VMC during the term of the City/PDC OA.
 - Agree to play all games at VMC during term of City/PDC OA if requested/approved by PDC and the City.
 - Agree that PWH is not entitled to revenue sharing from the City during the term of the City/PDC OA.
- PDC must do the following:
 - Agree to a sublicense agreement between PDC and PWH for use of the VMC during the term of the City/PDC OA.

Key Unchanged Terms and Conditions in the OA

Under the City/PDC OA, PDC would assume operational responsibility for the VMC on substantially the same terms as the City/PAM OA, including the following items included here for clarification purposes:

- The City will carry a line item of \$250,000 applicable towards the costs of Repairs, Capital Improvements, or other increase Operating Expenses arising out of Deferred CI/SR annually beginning in FY2013-14, increasing by the CPI each year. Beginning in

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FY2023-24, the City will carry a line item of \$375,000 applicable towards the costs of Repairs, Capital Improvements, or other increase Operating Expenses arising out of Deferred CI/SR annually, increasing by the CPI over the term of the City/PDC OA. Any unspent amounts each year, beginning when PDC assumes operations, shall be rolled over to the following fiscal year budgeted amount for capital replacement.

- PDC will assume the \$250,000 Maintenance and Repair obligation from the City/PAM OA beginning in FY2023-24, increasing by the CPI over the term of the City/PDC OA..

Key Modifications and Additions to OA Terms and Conditions

In addition to the key terms identified above, the following key modifications and additions will need to be included in the City/PAM OA:

Operating Losses

- The City would be responsible for covering VMC operating losses up to an annual cap of \$375,000, and could not offset operating losses in one year with operating profits in future years. Any operating losses covered by the City would be considered Spectator Facilities Fund operations costs.
- PDC would cover operating losses in any given year beyond that \$375,000 cap from legally available funds and appropriations, and could not offset operating losses in one year with operating profits in future years.

Effective Date


- The City/PDC OA will become effective in the event PAM chooses not to exercise its option to renew the City/PAM OA for the period starting July 1, 2023, and will remain in effect until June 30, 2033.

Performance Standards

- PDC will be held to a "commercially reasonable standard" for scheduling events, rather than the higher standard that PAM has agreed to in the City/PAM OA.
- Definition of Performance Standards to be negotiated and agreed upon by the parties.

Discontinuation of PWH Operations and/or PWH/PDC Sublicense

- If PWH discontinues operations at the VMC prior to or during the term of the City/PDC OA, PDC, as the operator, would have the right to terminate the City/PDC OA. Any agreements and obligations executed by PDC during the term of the City/PDC OA would be the responsibility of PDC and not the City of Portland. The City would not be obligated to continue to operate the building. In the event the VMC is shut down or the City/PDC OA is terminated, PDC will indemnify, defend and hold the City harmless from any expenses or penalties relating to contracts or agreements executed by PDC during the term of the City/PDC OA.

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Jack D. Graham, OMF

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Patrick Quinton, PDC

- If the PWH/PDC sublicense ceases to exist for any other reason and/or PDC ceases to operate the VMC for any reason, the City of Portland, including but not limited to the SFF and General Fund, would not be obligated to continue to operate the building or pay any penalties relating to contracts or agreements executed by PDC during the term of the City/PDC OA and/or to the PWH/PDC sublicense.

Revenue Sharing

- Under the City/PDC OA, PDC would also assume the terms of the Revenue Sharing Agreement between the City and PWH and would receive the PWH share of revenues above the Baseline (i.e. any user fees and parking revenues above the baseline and a share of the Operating Profits) at such time the City/PDC OA is in effect. Language will be incorporated into the City/PDC OA rather than as a separate Revenue Sharing Agreement.
- The revenue sharing due to PDC would not be included in the calculation of operating losses and profits for the VMC. The revenue sharing split of VMC profits would be calculated 40% to PDC as Operator; 20% to PDC per revenue sharing agreement terms; 20% to the City for general purposes; 20% to the City designated for capital improvements.

PDC Personnel and Overhead

- PDC's costs allocated to VMC operations, including all personnel, administrative or overhead costs, will reflect the actual direct and indirect costs of operating the facility. The City of Portland will have the right to review and approve. The City will not unreasonably withhold approval. PDC's financial records will be available for audit by the City.

OA Termination

- If PDC does not have legally available funds and appropriations to cover operating losses, the City would have cause to terminate the agreement for breach. Any contractual agreements between PDC and PWH or other third parties would be PDC's to resolve. The City of Portland, including but not limited to the SFF and General Fund, would not be obligated to continue to operate the building, pay any penalties, or otherwise be required to fulfill the obligations of PDC. PDC will indemnify, defend and hold the City harmless for shutting down the VMC or terminating the City/PDC OA due to a PDC breach.

Naming Rights and Building Sponsorships

- Under the City/PDC OA, conditions regarding naming rights and sponsorships of any aspects of the VMC (including the building, concourses, meeting rooms, etc.) will need to be included, indicating that any revenues from naming rights would be considered building revenue along with advertising, concessions and rental income.
- Language for approval of the name will be similar to the naming rights provisions that are included in the existing JELD-WEN Field agreement.

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Patrick Quinton, PDC

- City Council will retain authority to approve the renaming of any aspect of the building or features within the building.

Non-PWH Events

- PDC will have the right to schedule only PWH games if both the City and PDC agree it is not financially feasible to continue with those other events, subject to the two following exceptions.

The City and PDC agree that the City/PDC OA will allow for uses of the VMC that provide community, social or economic benefit to Portland and the region. To the extent that the VMC is used for these purposes, PDC shall be permitted to seek recovery of any costs associated with operating the VMC for these events from the users.

City-Owned Parking Garages at the Rose Quarter

- Parking management responsibilities currently performed by PAM as described in the City/PAM OA will continue to be performed by PAM or by another operator chosen by the City.
- The City will maintain financial responsibility for repair and maintenance at the City-owned garages.

Clean-ups, Clarifications, and Consolidations in the OA

Many sections of the City/PAM OA will need significant modifications to reflect the change from PAM to PDC as the VMC Operator, to clean up and clarify language, and/or to incorporate elements of agreement currently contained in other related documents. Amendments are intended to remain substantially similar in content to the current City/PAM OA provisions. The list below presents an indicative sample of clean-up items that will be required.

Section 1


Definitions included in other related agreements to be consolidated into the City/PDC OA.

Section 2

Need to update term of agreement; termination provisions; and transition from PAM to PDC (rather than MERC to OAC).

Section 3

Need to update for PDC as operator replacing OAC/PAM; need to modify parking management provisions to reflect 2012 site conditions and agreements; update to reflect current role Coliseum plays in the region's convention/conference market; change to reflect updated event mix and pro forma; modify how activities at the VMC will be coordinated with the Rose Garden Arena (RGA); update for most recent City and PDC MWESB and

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workforce requirements; update office location; and update dollar amount of payment guaranty.

Section 4

Update references to pro forma and event mix; amend references to coordination with Portland Oregon Visitors Association for marketing and promotion of the Coliseum; update to reflect changes from Second Amendment and RDA for capital improvements, deferred maintenance, structural repairs, and repair and maintenance responsibilities; update dollar amounts to 2012 with consistent escalator; change to reflect current PDC and City MWESB and workforce requirements; update assumption of agreements section to 2012; and define non-compete clause for PDC.

Note: This section will also require amendment based on decisions regarding community events, the Winterhawks' right to play at the RGA, and coordination of activities with the RGA.

Section 5

Update to delete references to 1993 OAC requirements and transition costs. Note: This section will also need modification to incorporate how the 6% User Fee is collected (currently in another agreement with PAM) and should incorporate the terms of the Revenue Sharing Agreement. This is also where agreements on operating losses, advertising revenues, and naming rights will be incorporated.

Section 6

Delete references and requirements of the Performance Review scheduled to occur in 2000.

Section 7

Delete references to items to be funded as follow up to the Performance Review. Incorporate reference to the Post-Completion Assessment of the Second Amendment to the Operating Agreement as the basis for the parties' respective obligations regarding repair, maintenance, structural repairs, and capital improvements.

Section 8

References to OAC Migration should be modified as these would not be the responsibility of PDC.

Section 9


Update for current City requirements and standards and 2012 dollar amounts.

Section 10

References to Bonds should be amended as appropriate for 2012.

Section 13

Needs to be rewritten to reflect that PDC will likely be contracting for an operator. Standards for approval should continue to apply. OAC/PAM specific references should be

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deleted or replaced with comparable relevant language regarding PDC. Delete references to certificates of stock and granting security interest in the operator's management fees.

Section 14

Eliminate references to Baseline Vendor Payments. Amend Direct Labor and Allocated Labor references.

Section 15

Representations, warranties and covenants need to be updated for City and OAC's representations, warranties and covenants need to be replaced by PDC's. The non-discrimination language needs to be modified to reflect current City and PDC policies regarding protected categories.

Section 16

Need to update references to previous agreements; update Operator's remedies per Second Amendment.

Section 17

Need to review to ensure arbitration provisions are consistent with current PDC and City processes.


Section 18

Update to provide consistent escalator for all dollar amounts included in agreement using the CPI as described in the Second Amendment. Update integration statement and notices.

Exhibits

Updated versions of the following exhibits will need to be prepared and incorporated as part of the agreement:

- Definition of Managerial Employee
- VMC Collection Standards and Procedures
- Event Mix
- First Source Hiring Agreement
- Consolidated Coliseum Inventory Listing (to be produced at time of transfer)
- Existing Agreements (to be produced at time of transfer)
- Staffing Plan (to be produced at time of transfer)
- Qualifications Relating to City's Representations and Warranties
- Condition of Title to Coliseum

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Patrick Quinton, PDC

MEMORANDUM

To: Eric Iverson, General Counsel Portland Development Commission

From: Orrick, Herrington & Sutcliffe, LLP

Subject: Legal Authorities Related To City/PDC/Veterans Memorial Coliseum Project

Date: October 5, 2012

ATTORNEY-CLIENT PRIVILEGED

As special counsel to the Portland Development Commission (“PDC”), we have prepared this legal analysis at your request in connection with the proposed contingent Operating Agreement (described below) between PDC and the City of Portland (the “City”) related to the Veterans Memorial Coliseum (the “Coliseum”), pursuant to which PDC would operate and manage the Coliseum in the event the PAM Operating Agreement (as defined below) is not extended (as described in Section 1 (A) below). In such connection we have (a) assumed the facts and limitations, and reviewed the documents and authorities identified, all as set out in Section 1, and (b) addressed and analyzed certain questions presented as set forth in Sections 2 and 3.

Section 1 — Assumed Facts and Documents/Authorities Reviewed

(A) *Assumed Facts.* For purposes of our analysis, we have assumed the following facts based on publicly available Resolutions of PDC or the City and information provided by or on behalf of PDC or the City:

1. The Coliseum is owned by the City.
2. Portland Arena Management (“PAM”) currently operates the Coliseum under an Operating Agreement with the City (the “PAM Operating Agreement”).
3. Based on information provided by PDC, the PAM Operating Agreement will expire on June 30, 2023, and PAM will have two five year options to extend the PAM Operating Agreement through June 30, 2028, and June 30, 2033, respectively.
4. Pursuant to its Resolution No. 6959 adopted on August 15, 2012, PDC has agreed in principle to transactions contemplated in the Term Sheet (defined below), including a preliminary outline of terms for a conditional Operating Agreement between the City and PDC (the “City/PDC Operating Agreement”), pursuant to which PDC would assume the operation and management of the Coliseum through 2033 if PAM no longer acts in that capacity (the “Coliseum Project”).
5. Based on information provided by PDC, the City/PDC Operating Agreement would take effect on (i) July 1, 2023, if PAM elects not to exercise its first option under the PAM Operating Agreement; or (ii) July 1, 2028, if PAM elects not to exercise its second option under the the PAM Operating Agreement.
6. If the City/PDC Operating Agreement becomes effective, PDC would enter into a 10-year sublicense with Portland Winterhawks (“PWH”) for their use of the Coliseum.

7. If the City/PDC Operating Agreement becomes effective, PDC would have certain financial obligations in connection with the Coliseum Project, which as set forth under the Term Sheet include:
 - a. Covering operating losses in any given year beyond the City's \$375,000 operating loss cap, adjusted for inflation from legally available funds and appropriations; and
 - b. Ordinary course expenses of operating the Coliseum (collectively, the "Financial Obligations").
8. In addition to the Financial Obligations described above, the Term Sheet provides as follows with respect to the termination of the City/PDC Operating Agreement (hereinafter, the "PDC Indemnification Obligation"):
 - a. "If PDC does not have legally available fund and appropriations to cover any operating losses, the City would have cause to terminate the agreement for breach. Any contractual agreements between PDC and PWH or other third parties would be PDC's to resolve. The City of Portland, including but not limited to the [Spectator Facilities Fund] and General Fund, would not be obligated to continue to operate the building, pay any penalties, or otherwise be required to fulfill the obligations of PDC. PDC will indemnify, defend and hold the City harmless for shutting down the VMC or terminating the City/PDC Operating Agreement due to a PDC breach."
9. PDC intends to meet the Financial Obligations related to the Coliseum Project from (a) revenues generated from the facility, (b) certain real property, assets and revenues connected to certain development rights in the Rose Quarter that are expected to be transferred by the City to PDC, and (c) future non-restricted resources of PDC (collectively, the "PDC Facility Revenues").
10. No tax increment revenues from any of the urban renewal areas within the City will be available to pay obligations of PDC under the City/PDC Operating Agreement, which includes any operation or maintenance costs related to the Coliseum.
11. No property tax revenues from the City's general fund are expected to be appropriated by the City to PDC to pay obligations of PDC under the City/PDC Operating Agreement.

(B) Documents/Authorities Reviewed. We have reviewed the following documents and authorities to respond to the Questions Presented, which are set out in Section 2 below:

1. PDC Resolution No. 6959 adopted August 15, 2012, and related Exhibits, which include executed copies of the Letter Agreement and Term Sheet (defined below), and related Report Number 12-24 from Patrick Quinton, PDC Executive Director.
2. City of Portland Resolution No. 36950 adopted August 22, 2012, and related Exhibits, which include executed copies of the Letter Agreement and Term Sheet (defined below), and related Memorandum from Jack D. Graham, Chief Administrative Officer dated August 16, 2012.
3. City of Portland/Portland Development Commission, Letter of Agreement, dated July 18, 2012, executed by the City as of July 24, 2012 and PDC as of July 28, 2012 ("Letter Agreement").

4. Binding Term Sheet Regarding Operating Agreement for the Veterans Memorial Coliseum City of Portland/Portland Development Commission, executed by the City and PDC (“Term Sheet”).
5. Portland City Charter, Chapter 15 related to PDC and Section 2-126 of the City Charter as referenced in Section 15-103.
6. Portland City Code, Chapter 5.72 related to Economic Development Projects.
7. ORS Chapter 457.
8. General Oregon municipal law provisions, including Article XI, Section 9 of the Oregon Constitution and ORS 280.410 to 280.485 related to economic development.
9. Certain Oregon court cases articulating general principles of Oregon municipal law related to Constitutional limitations on municipal corporations lending their credit, the “special fund” doctrine, the authority of municipal corporations to enter into contractual obligations and general principles of incurring debt.

Limitations and Qualifications. Because no tax increment revenues are to be used in connection with the City/PDC Operating Agreement, we have not reviewed any urban renewal documents of the City or PDC, including without limitation, the Urban Renewal Plan and related report for the Oregon Convention Center Urban Renewal Area, where the Coliseum is located.

Except for the limited discussion below related to the possible application of Article XI, Section 9 of the Oregon Constitution, because no property tax revenues from the City’s general fund are expected to be appropriated by the City to PDC to pay obligations of PDC under the City/PDC Operating Agreement, we have not undertaken a detailed legal analysis of the restrictions on the use of property tax revenues for the benefit of the Coliseum, which includes private users such as the Portland Winterhawks.

Section 2 – Questions Presented and Short Answers.

Based on, and subject to the assumed facts and the documents and authorities reviewed, all as set forth in Section 1, we have considered the following questions and provide the following analysis related thereto.

First Question – May the PDC operate and manage the Coliseum pursuant to the City/PDC Operating Agreement?

Yes. Subject to authorization, direction and approval from the City Council pursuant to Section 15-103 of the City Charter, PDC may operate and manage the Coliseum pursuant to the City/PDC Operating Agreement.

Second Question – May PDC use PDC Facility Revenues (which are identified above in Section 1 (A) 8.), in connection with its operation and management of the Coliseum pursuant to the City/PDC Operating Agreement?

Yes. PDC may use the PDC Facility Revenues, which do not include any tax increment or other property tax generated revenues, in connection with its operation and management of the Coliseum pursuant to the City/PDC Operating Agreement. If PDC Facility Revenues include property tax revenues, it will be necessary to insure that the use of property tax revenues does not constitute an

impermissible lending of credit within the meaning of Article XI, Section 9 of the Oregon Constitution.

Section 3 – Analysis of Questions Presented

A. **Authority to Operate and Manage the Coliseum.** May the PDC operate and manage the Coliseum pursuant to the City/PDC Operating Agreement? **Yes.** Subject to authorization, direction and approval from the City Council pursuant to Section 15-103 of the City Charter, PDC may operate and manage the Coliseum pursuant to the City/PDC Operating Agreement.

City Charter Considerations: Article 15 of the City Charter establishes the PDC and sets forth its various powers and duties, subject to the authorization, direction and approval of the City Council. Specifically, the first sentence of the first paragraph of Section 15-103 of the City Charter provides:

“The Commission shall implement the vision and goals of the City as adopted by City Council relating to urban renewal, economic development and affordable housing.” (Emphasis added.)

The third sentence of the second paragraph of Section 15-103 of the City Charter provides that:

“the Commission shall have authority to enter into agreements with any other public body or any department or bureau of the City and enter into any other contracts to carry out its urban renewal and redevelopment functions.”

The last sentence of Section 15-104, subsection 5 provides:

“The Commission shall control and manage and may lease in the name of the City, to the extent permitted by Oregon Revised Statutes, all properties placed under its administration by the City Council for development and redevelopment purposes, and may improve any property which it acquires or controls to make it available or suitable for such purposes.” (Emphasis added.)

Read together, the provisions of Section 15-103 and 15-104 of the City Charter authorize PDC, subject to authorization, direction and approval from the City Council, to enter into agreements, including, the Letter Agreement and Term Sheet with the City related to the possible City/PDC Operating Agreement (see Section 15-103) and to undertake the Coliseum Project, which includes the operation and management of the Coliseum pursuant to the City/PDC Operating Agreement (see 15-104, subsection 5), as contemplated by the Letter Agreement and Term Sheet. We have not found any Oregon Revised Statutes that would prohibit PDC from undertaking the Coliseum Project as authorized and directed to by the City Council pursuant to the City Charter.

Consistent with the provisions of the City Charter, it is our view that PDC may undertake an development and redevelopment project, such as the Coliseum Project. As provided by the City Charter, such a project should be placed under the administration of PDC by authorization, direction and approval of the City Council. The final Resolution of the City Council related to the Coliseum

Project should recite that the City is directing PDC, in the name of the City to operate and manage the Coliseum, subject to the terms and conditions set out in the City/PDC Operating Agreement.

Additionally, the Resolution of the Board of Commissioners of PDC should also include recitals and findings that PDC's actions and obligations with respect to the Coliseum Project are undertaken as part of the Commission's development and redevelopment purpose, and that the operation and management of the Coliseum and all other obligations of PDC with respect to the Coliseum Project are undertaken subject to the authorization, direction and approval of the City Council pursuant to Sections 15-103 and 15-104 the City Charter.

State Law Considerations: Although the Coliseum Project is not a project under an urban renewal plan and will not be financed with tax increment revenues, the provisions of ORS Chapter 457 are related because an urban renewal agency formed under Oregon law generally has powers with respect to urban renewal, development and redevelopment. PDC is created as the urban renewal agency of the City pursuant to ORS 457.010, which provides for the creation of an urban renewal agency by a governing body of a city following a declaration of the existence of blighted areas in the city.

We note that under ORS 457.180(7) an urban renewal agency has the power to "engage in any other housing or community development activities **specifically delegated to it by the governing body of the municipality including but not limited to** land acquisition and disposition, conservation and rehabilitation, residential or business relocation, construction, leasing or management of housing, and the making of grants and loans from any available source." (Emphasis added.)

We would emphasize that, ORS 457.180(7) does not expressly authorize an urban renewal agency, such as PDC, to operate and manage a sports and events arena, such as the Coliseum. Additionally, ORS 457.010 provides that the "provisions of ORS Chapter 457 are generally focused on matters related to projects under the urban renewal plan that are to be financed with tax increment revenues." Further, we have not found any other Oregon statutes or case law that expressly authorizes an urban renewal agency to operate and manage a sports and events arena. As a result, the provisions of the City Charter discussed above, which provide PDC with its authority to carry out development and redevelopment activities, must be relied upon for PDC to undertake the Coliseum Project.

B. Authority to Use PDC Facility Revenues. May PDC use PDC Facility Revenues (which are identified above in Section 1 (A) 8.), in connection with its operation and management of the Coliseum pursuant to the City/PDC Operating Agreement? **Yes.** PDC may use the PDC Facility Revenues, which do not include any tax increment or other property tax generated revenues, in connection with its operation and management of the Coliseum pursuant to the City/PDC Operating Agreement. If circumstances change so that PDC Facility Revenues include property tax revenues, it will be necessary to insure that the use of those property tax revenues does not constitute an impermissible lending of credit within the meaning of Article XI, Section 9 of the Oregon Constitution.

As described above, the PDC Facility Revenues consist of (a) revenues generated from the facility, (b) certain real property, assets and revenues connected to certain development rights in the

Rose Quarter that are expected to be transferred by the City to PDC, and (c) future non-restricted resources of PDC. These revenues are generated from enterprise activity, and do not include any property tax revenues that are subject to limitations on their use under Oregon law. If property tax revenues are appropriated by the City to PDC to pay obligations of PDC under the City/PDC Operating Agreement, PDC and the City will need to analyze whether such use of property tax revenues constitutes an impermissible lending of credit under Article XI, Section 9 of the Oregon Constitution.

The Oregon Supreme Court has held that Article XI, Section 9 of the Oregon Constitution prohibits governmental expenditures that encumber general tax revenues for the benefit of private persons and that are not made for a public purpose. *Miles v. City of Eugene*, 252 Or. 528, 535 (1969), citing *Johnson v. School Dist. No. 1*, 128 Or. 9, 12 (1929).

Article XI, Section 9 of the Oregon Constitution, provides, in relevant part:

No county, city, town or other municipal corporation, by vote of its citizens, or otherwise, shall become a stockholder in any joint company, corporation or association, whatever, or raise money for, or loan its credit to, or in aid of, any such company, corporation or association.

Although the Coliseum is owned by the City and arguably serves a public purpose by promoting economic activities, private parties, such as the Portland Winterhawks, are beneficiaries of the public funds expended to operate and maintain the facility. We do note that the Oregon Supreme Court has broadly construed “public purpose” when determining whether an unconstitutional “lending of credit” under has occurred.

The only valid criterion would seem to be whether the expenditures are sufficiently beneficial to the community as a whole to justify governmental involvement; but such a judgment is more appropriate for legislative than judicial action. The judiciary should invalidate expenditures only where reasonable men could not differ as to their lack of social utility.

Carruthers v. Port of Astoria, 249 Or. 329, 340, 438 P.2d 725 (1968).

It is our understanding that PDC expects to use PDC Facility Revenues for any costs it incurs related to the Coliseum Project. Because no tax increment revenues will be used by PDC to pay for costs related to the Coliseum Project, our research and analysis (which is limited to the authorities identified in Section 1(B) above) did not reveal any constraints that directly limit PDC’s ability to use PDC Facility Revenues (excluding property tax revenues) to meet its obligations under the City/PDC Operating Agreement. In the event that circumstances change and PDC Facility Revenues include property tax revenues appropriated by the City to PDC for the benefit of the Coliseum Project, it would be necessary to analyze whether such property tax revenues may be used for the benefit of the Coliseum Project without violating the limitations against lending of credit imposed by Article XI, Section 9 of the Oregon Constitution.



September 24, 2012

Mr. Jack Graham, Chief Administrative Officer
Office of Management & Finance
1120 SW 5th, #1250
Portland, OR 97204

Jack,

This letter is PDC's response to your request in the Term Sheet for a written description of the types of funds that will be used by PDC to meet its obligations under the contingent Operating Agreement we are both currently finalizing.

First and foremost, PDC will be looking to the operating revenues of the Veterans Memorial Coliseum (VMC) itself to cover financial obligations under the Operating Agreement. We would not consider entering into the Operating Agreement unless we had a reasonable expectation that VMC will be able to produce sufficient revenues to cover PDC's financial commitments. In addition, we believe the improvements currently contemplated for the VMC will position the facility for greater financial stability.

Second, if PDC is unable to cover its financial obligations from operating revenues from VMC, PDC would look next to the current and projected income and asset value associated with the properties that PDC and OMF are negotiating being transferred to PDC. As the current owner of these properties, OMF is in an ideal position to estimate the value and revenue-generating potential of these assets.

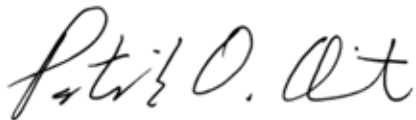
Third, PDC would look to its non-TIF, non-General Fund, unrestricted resources. Currently, 1% of PDC's total budget falls within this category. However, PDC is developing a plan to diversify its financial resources in the upcoming decade, with a goal of having a minimum of 20% of its operating budget derived from non-TIF, non-General Fund resources by 2020. Meeting this goal requires that PDC grow revenues from existing business activities and assets as well as entering new revenue-generating business lines. As such, the plan will be speculative and dependent on a number of variables that are not entirely within PDC's control.

Finally, you have also asked for PDC to provide examples of other facilities that PDC operates. At present, PDC operates the following facilities:

- Inn at the Convention Center Hotel;
- Headwaters Apartments;
- Union Station; and
- Parking garages and lots, including Station Place Garage in the Pearl District.

I trust that this letter satisfies this open requirement from the Term Sheet. Please let me know if you or your staff need additional information from us regarding our assumptions for meeting our requirements under the proposed Operating Agreement. I look forward to working with you to finalize this and the other agreements necessary to proceed with the renovation of the Veterans Memorial Coliseum.

Best Regards,

A handwritten signature in black ink, appearing to read "Patrick O. Quinton". The signature is written in a cursive, flowing style.

Patrick Quinton
Executive Director



ANALYSIS OF PROJECTED OPERATING PERFORMANCE VETERAN'S MEMORIAL COLISEUM

Prepared For:
THE PORTLAND DEVELOPMENT COMMISSION

OCTOBER 19, 2012

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DRAFT

I. EXECUTIVE SUMMARY

ASSIGNMENT

Johnson Reid was tasked with preparing an evaluation of the current and projected operational performance of the Veteran's Memorial Coliseum (VMC). This analysis is intended to factor in the operational impacts of a range of proposed capital improvements, a new Contingent Operating Agreement being considered by the PDC Board. This work provides an overview and update of previous analysis of the VMC, reviews historical operating patterns and trends, and projects future operational performance under a range of scenarios.

KEY CONCLUSIONS

- The City has decided to maintain the Veteran's Memorial Coliseum (VMC) as a spectator venue. The VMC is an aging facility that, while aesthetically interesting, is poorly designed to compete effectively with newer facilities. The facility is expected to be able to effectively compete on a price basis for spectator events, as well as for an assembly venue. The facility does have a significant anchor tenant, the Portland Winterhawks, a minor league hockey team that provides consistent utilization and has a dedicated fan base.
- The City of Portland and the Portland Winterhawks are set to make significant investments in the facility, which should extend its functional life as well as enhance its financial performance. Major planned improvements include replacement of the ice floor and dasher system, replacement of the scoreboard video system, lighting replacement, sound system, kitchen renovation, replacement of HVAC systems, plumbing and electrical upgrades. The City's Office of Management and Finance has agreed to budget \$250,000 per year, escalated annually by CPI, for capital improvements and/or structural repairs. If PDC should take over the building in 2023, this amount escalates to \$375,000, also adjusted by CPI.
- The VMC is currently operated by Portland Arena Management (PAM), which also operates the Rose Garden Arena and the remainder of the campus. PAM has the option to continue to operate the facility through 2023, and is expected to exercise that option. They will also have options for the 2023-2028 and 2028-2033 periods. If PAM should decide to terminate its rights under the agreement, responsibility for the operation of the facility would shift to the Portland Development Commission.
- If the VMC is operated by the Portland Development Commission as opposed to PAM, there are a number of operational implications. Under the current arrangement, many operating costs are shared through an allocation system between the Rose Garden and the VMC. It is possible that this would lead to higher operating expenses, but this is not clear at this time. A new operator may be able to replace these services at a similar cost without a negative impact on net cash flows. There are some events in which coordination between facilities provides a positive benefit, but coordination should still be possible if it is in both facilities interest to do so.
- Three formal scenarios were evaluated, which were intended to reflect a baseline, worst case and optimistic scenario. Annual anticipated operating income or losses were estimated under these scenarios through 2033. Under both the baseline and worst case scenarios, the facility would be projected to operate at a loss. While negative, the facility's projected operating losses would be below the \$375,000 annual threshold that OMF would assume under the agreement. Under the optimistic scenario, operational efficiencies at the facility related to capital improvements and solid event bookings allow the facility to operate in the black.

SUMMARY OF PROJECTED OPERATING INCOME/(LOSS) BY SCENARIO

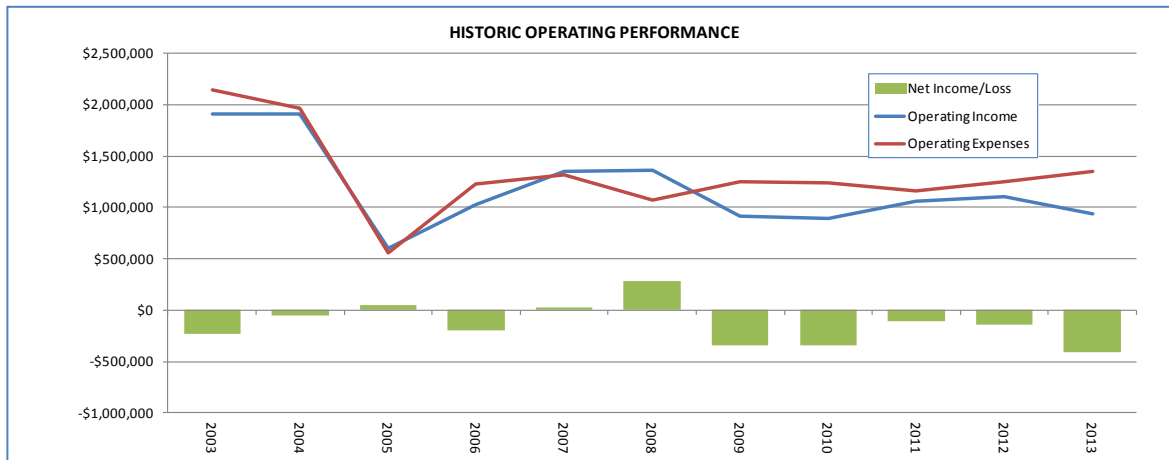
	FYE 2018	FYE 2023	FYE 2028
Baseline Scenario			
<i>Building Operating Income</i>	\$1,584,750	\$1,898,436	\$2,220,356
<i>Total Expenses</i>	\$1,561,976	\$1,931,776	\$2,240,561
<i>Net Income (Loss)</i>	\$22,774	(\$33,340)	(\$20,205)
Portland Winterhawks Only Scenario			
<i>Building Operating Income</i>	\$1,025,246	\$1,249,416	\$1,479,065
<i>Total Expenses</i>	\$1,231,624	\$1,548,788	\$1,797,127
<i>Net Income (Loss)</i>	(\$206,378)	(\$299,371)	(\$318,062)
Optimistic Scenario			
<i>Building Operating Income</i>	\$1,928,858	\$2,341,240	\$2,789,798
<i>Total Expenses</i>	\$1,549,443	\$1,919,440	\$2,229,066
<i>Net Income (Loss)</i>	\$379,416	\$421,799	\$560,732

- Based on our scenario analysis, we would not anticipate that the Portland Development Commission's commitment to cover operational losses in excess of the OMF's annual threshold of \$375,000 would be triggered.
- A survey of seven similar facilities was completed. Of these, only one reported an annual operating profit, while the remainder have reported consistent annual operating losses.

II. EXISTING OPERATIONS ANALYSIS

The Veteran's Memorial Coliseum (VMC) has been open for over 50 years. The facility's original anchor tenant, the Portland Trailblazers, relocated to the Rose Garden Arena when completed in 1995. While the VMC has retained the Portland Winterhawks as an anchor tenant, it suffers competitively vis-a-vis alternative venues. The facility's systems are currently outdated, and its physical characteristics hamper its operational efficiencies.

Over the last decade, the facility has had considerable variability in its operational performance. Annual operating income has ranged from a net positive of \$284,000 in 2008 to an operating loss of \$343,000 in 2009. The budget for fiscal year ending 2013 anticipates an operating loss of over \$413,000. This reflects an atypical year, as major capital improvements are being undertaken that will substantively reduce expected revenues.



The following table summarizes the operational history of the VMC over the last decade.

**TRENDED OPERATIONS SUMMARY
VETERANS MEMORIAL COLISEUM**

	FYE 2003	FYE 2004	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget
REVENUE											
Direct Event Income	1,191,905	1,342,625	126,454	199,435	342,384	265,209	247,513	219,082	275,024	208,720	130,181
<i>Net Rent</i>	650,309	781,480					865,915	928,971	900,061	821,944	
<i>Event Reimbursements</i>	541,596	561,145					2,422,496	730,900	860,221	778,862	
<i>Less: Event Expenses</i>							(3,040,898)	(1,440,789)	(1,485,258)	(1,392,086)	
Ancillary Income (Net of Expenses)	720,263	564,678	465,844	853,852	1,044,481	918,484	714,785	809,435	972,207	980,885	780,865
<i>Ticket Fees</i>	218,484	165,161	108,141	199,872	403,027	290,529	227,497	300,574	254,807	229,099	225,771
<i>Concessions</i>	332,911	301,182	243,126	461,188	482,691	497,868	385,458	434,895	520,329	602,825	441,206
<i>Restaurants</i>	8,139	(2,211)			477	7,084	746	1,051	509	0	0
<i>Backstage Catering</i>					51,532	92,654	67,966	37,299	155,694	126,291	90,447
<i>Merchandise</i>	77,618	62,522	32,313	39,210	106,754	30,349	33,118	35,616	40,868	22,670	23,441
<i>Parking</i>	18,296	6,108	81,854	153,507							
<i>Other</i>	64,815	31,916	410	75							
Event Operating Income	1,912,168	1,907,303	592,298	1,053,287	1,386,865	1,183,693	962,298	1,028,517	1,247,231	1,189,605	911,046
Other Income (Loss) F&B			12,878	(22,485)	(39,019)	175,499	(51,002)	(136,707)	(189,657)	(81,751)	30,000
Building Operating Income	1,912,168	1,907,303	605,176	1,030,802	1,347,846	1,359,192	911,296	891,810	1,057,574	1,107,854	941,046
EXPENSES											
<i>Operations/General</i>			151,850	413,684	486,475	545,523	585,932	603,984	566,949	625,135	672,917
<i>Housekeeping</i>							91,577	96,114	91,833	84,146	96,507
<i>Technical Services</i>							6,471	9,738	10,637	7,840	13,000
<i>MC Allocation</i>			407,186	817,900	832,693	529,855	570,517	525,302	495,975	533,655	572,368
<i>Arenavisitation Expenses</i>			(2,009)	1,139							
Total Expenses	2,138,431	1,960,395	557,027	1,232,723	1,319,168	1,075,378	1,254,497	1,235,138	1,165,394	1,250,776	1,354,792
Net Income (Loss)	(226,263)	(53,092)	48,149	(201,921)	28,678	283,814	(343,201)	(343,328)	(107,820)	(142,922)	(413,746)

Notes and Assumptions

Source data is annual financial statements prepared by PAM LLC or Rip City Management LLC.
FYE 2012 not audited.

The facility's current budget anticipates a significant operating loss in FYE 2013, which is primarily attributable to disruptions in facility use associated with capital improvements.

The profitability of operations at the facility are hampered by a number of factors. The configuration of the facility is a major impediment to ongoing profitability. The acoustics are not considered to be good in the arena, limiting marketability for concerts. Utilities are inherently costly, not only due to aging systems but the space is costly to control. The design of the seating bowl makes provision of suites and luxury boxes difficult to achieve. The concession revenues are below average, reflecting the configuration of the concourse and an inability of concessionaires to cook at the point of sale.

The facility also suffers financially from an inability to sell naming rights, which is typically a major source of income for these types of facilities. There have been some examples of split naming rights, in which a facility retains a historically significant name while selling rights to a component. This may include the arena bowl, concourse and entries.

The following table summarizes the top ten naming deals for minor league arenas.

Facility	City	Sponsor	Price	No. of years	Avg. annual value	Expiration year
CenturyLink Center Omaha*	Omaha, Neb.	CenturyLink	\$14.0 million	15	\$933,333	2018
KFC Yum! Center*	Louisville, Ky.	Yum! Brands	\$13.5 million	10	\$1.35 million	2020
Wells Fargo Arena	Des Moines, Iowa	Wells Fargo	\$11.5 million	20	\$575,000	2025
Verizon Wireless Arena	Manchester, N.H.	Verizon Wireless	\$11.4 million	15	\$760,000	2016
Sears Centre	Hoffman Estates, Ill.	Sears Roebuck & Co.	\$10.0 million	10	\$1.0 million	2016
Sovereign Center	Reading, Pa.	Sovereign Bancorp	\$9.0 million	30	\$300,000	2030
Intrust Bank Arena	Wichita, Kansas	Intrust Bank	\$8.75 million	25	\$350,000	2034
Alerus Center*	Grand Forks, N.D.	Alerus Financial	\$7.2 million	20	\$360,000	2020
Germain Arena	Estero, Fla.	Germain Motor Co.	\$7.0 million	20	\$350,000	2018
Verizon Arena	North Little Rock, Ark.	Verizon Wireless	\$6.0 million	20	\$300,000	2019

* City-owned with a college tenant
Source: SportsBusiness Journal research

In addition to an inability to sell naming rights for the arena, the operations gain no income from parking, which is typically a major profit center in these types of facilities.

III. SCENARIOS

Three formal scenarios were evaluated as part of our analysis. These included a baseline scenario, which reflects a continuation of historical booking trends and modest operational improvements associated with the planned investments in the facility. A worst case scenario was also generated, which reflects limiting operations of the facility to Winterhawks events only. The optimistic scenario reflects a substantial improvement in event revenues associated with the proposed improvements, as well as reduced operating costs also captured in the baseline scenario.¹

BASELINE SCENARIO

Under the baseline scenario, revenues and expenses have been projected into the future largely based on trending of historic trends. The line items have been projected into the future based on either a regression of historical patterns or CPI, omitting fiscal year ending 2013 as an anomaly due to disruption from capital improvements.

Under this scenario, we assume that utility costs are reduced by 20%, a modest improvement relative to what is likely to be achieved as a result of the upgraded HVAC package in the facility. Actual realized savings from the utility upgrades is uncertain for the VMC, and would vary depending upon whether or not a district energy solution is adopted. We have modeled the upside to the operations of the VMC under a more straightforward investment in facility systems. Analysis made available of a district energy solution indicates that significant cost advantages relative to a facility-specific upgrade, which would be expected to favorably impact the operating performance of the VMC.²

Historically, utilities have accounted for approximately 37% of the overall operating expenses at the VMC. In similar facilities, this ratio is more typically about 28%. Assuming a 20% reduction in utility costs with the new systems reduces this share to around 30% of operating expenses. While the new systems are expected to be generally more efficient than the overall market, the physical configuration of the space and insulation limitations will continue to make heating and cooling less efficient than that in newer facilities.

In each of the scenarios we have included a line item for reserve and replacement. This has been set somewhat arbitrarily at 5% of operating income. This line item would be supplemental to funds budgeted for improvements and/or structural repairs by the City's OMF. The expectation would be that the repair costs will initially go down due to the major renovations, but this number will likely rise again as the systems and improvements age. The reserve and replacement fund is viewed as a sinking fund, which should allow for accrual over time.

¹ The operating projections do not include potential revenue sharing agreements. These have the potential to substantially add to the upside under the optimistic scenario, but would likely have a negligible impact on the baseline and worst case scenarios.

² Corix Display Model output and June 5, 2012 memo from Jeff Cole of Konstrukt reviewing scenarios.

**TRENDED OPERATIONS SUMMARY
VETERANS MEMORIAL COLISEUM
Baseline Scenario**

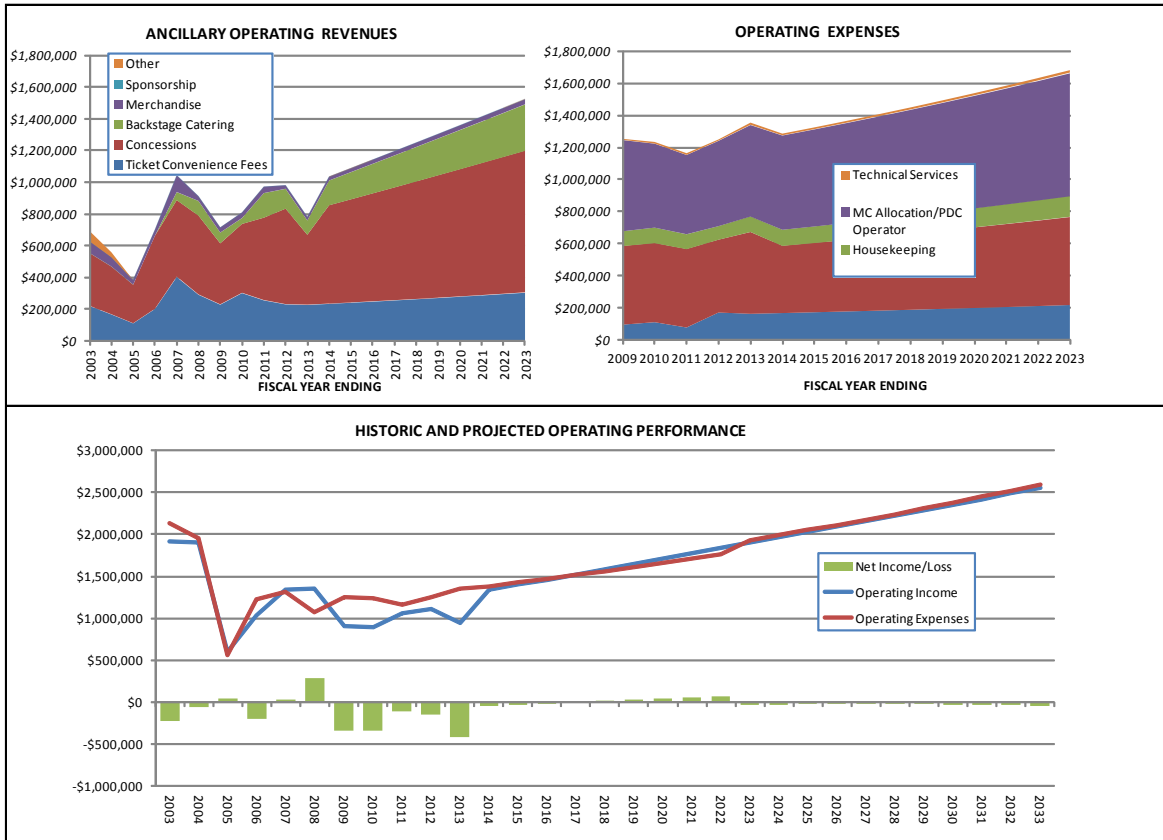
	Actual 2012	Budget 2013	FORECAST FOR FISCAL YEAR ENDING									
			2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUE												
Direct Event Income	208,720	130,181	272,551	279,291	286,032	292,772	299,513	306,253	312,994	319,734	326,475	333,215
Ancillary Income (Net of Expenses)	1,003,555	780,865	1,035,514	1,088,896	1,142,509	1,196,362	1,250,460	1,304,811	1,359,423	1,414,303	1,469,461	1,524,903
Ticket Convenience Fees	229,099	225,771	232,544	239,520	246,706	254,107	261,730	269,582	277,670	286,000	294,580	303,417
Winterhawks		150,174	154,679	159,320	164,099	169,022	174,093	179,316	184,695	190,236	195,943	201,821
Other		75,597	77,865	80,201	82,607	85,085	87,638	90,267	92,975	95,764	98,637	101,596
Concessions	602,825	441,206	621,023	651,473	681,923	712,373	742,823	773,273	803,723	834,173	864,623	895,073
Backstage Catering	126,291	90,447	157,005	172,212	187,419	202,626	217,833	233,040	248,247	263,454	278,661	293,868
Merchandise	22,670	23,441	24,943	25,691	26,462	27,256	28,074	28,916	29,783	30,677	31,597	32,545
Sponsorship		0										
Event Operating Income	1,212,275	911,046	1,308,065	1,368,187	1,428,541	1,489,134	1,549,972	1,611,064	1,672,417	1,734,038	1,795,936	1,858,119
Other Income (Loss) F&B	(81,751)	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Building Operating Income	1,130,524	941,046	1,338,965	1,400,014	1,461,323	1,522,899	1,584,750	1,646,886	1,709,313	1,772,041	1,835,079	1,898,436
EXPENSES												
Operations/General	168,085	159,850	164,646	169,585	174,672	179,913	185,310	190,869	196,595	202,493	208,568	214,825
Utilities	457,050	513,067	422,767	435,450	448,514	461,969	475,828	490,103	504,806	519,950	535,549	551,615
Housekeeping	84,146	96,507	99,402	102,384	105,456	108,619	111,878	115,234	118,691	122,252	125,920	129,697
Technical Services	7,840	13,000	10,424	10,924	11,425	11,925	12,426	12,927	13,427	13,928	14,428	14,929
MC Allocation/PDC Operator	533,655	572,368	589,539	607,225	625,442	644,205	663,531	683,437	703,940	725,059	746,810	769,215
Reserve and Replacement		0	66,948	70,001	73,066	76,145	79,238	82,344	85,466	88,602	91,754	94,922
PDC Staff		0	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
Total Expenses	1,250,776	1,354,792	1,383,726	1,426,469	1,470,402	1,515,559	1,561,976	1,609,693	1,658,748	1,709,180	1,761,032	1,931,776
Net Income (Loss)	(120,252)	(413,746)	(44,761)	(26,455)	(9,079)	7,340	22,774	37,192	50,565	62,860	74,046	(33,340)

			FORECAST FOR FISCAL YEAR ENDING									
			2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
REVENUE												
Direct Event Income			339,956	346,696	353,437	360,178	366,918	373,659	380,399	387,140	393,880	400,621
Ancillary Income (Net of Expenses)			1,580,639	1,636,678	1,693,027	1,749,698	1,806,699	1,864,040	1,921,732	1,979,785	2,038,209	2,097,017
Ticket Convenience Fees			312,520	321,895	331,552	341,499	351,744	362,296	373,165	384,360	395,891	407,768
Winterhawks			207,876	214,112	220,536	227,152	233,966	240,985	248,215	255,661	263,331	271,231
Other			104,644	107,783	111,017	114,347	117,778	121,311	124,950	128,699	132,560	136,537
Concessions			925,523	955,973	986,423	1,016,873	1,047,323	1,077,773	1,108,223	1,138,673	1,169,123	1,199,573
Backstage Catering			309,075	324,282	339,490	354,697	369,904	385,111	400,318	415,525	430,732	445,939
Merchandise			33,521	34,527	35,563	36,630	37,729	38,861	40,026	41,227	42,464	43,738
Sponsorship			0	0	0	0	0	0	0	0	0	0
Event Operating Income			1,920,595	1,983,374	2,046,464	2,109,875	2,173,617	2,237,699	2,302,131	2,366,924	2,432,090	2,497,638
Other Income (Loss) F&B			41,527	42,773	44,056	45,378	46,739	48,141	49,585	51,073	52,605	54,183
Building Operating Income			1,962,122	2,026,147	2,090,520	2,155,253	2,220,356	2,285,840	2,351,716	2,417,997	2,484,695	2,551,821
EXPENSES												
Operations/General			221,270	227,908	234,745	241,787	249,041	256,512	264,208	272,134	280,298	288,707
Utilities			568,164	585,209	602,765	620,848	639,473	658,658	678,417	698,770	719,733	741,325
Housekeeping			133,588	137,596	141,724	145,975	150,355	154,865	159,511	164,297	169,226	174,302
Technical Services			15,430	15,930	16,431	16,931	17,432	17,933	18,433	18,934	19,434	19,935
Operating Costs			792,291	816,060	840,542	865,758	891,731	918,483	946,037	974,418	1,003,651	1,033,760
Reserve and Replacement			98,106	101,307	104,526	107,763	111,018	114,292	117,586	120,900	124,235	127,591
PDC Staff			161,270	166,108	171,092	176,224	181,511	186,956	192,565	198,342	204,292	210,421
Total Expenses			1,990,119	2,050,118	2,111,824	2,175,287	2,240,561	2,307,699	2,376,757	2,447,794	2,520,869	2,596,041
Net Income (Loss)			(27,997)	(23,971)	(21,304)	(20,034)	(20,205)	(21,859)	(25,041)	(29,797)	(36,174)	(44,220)

Under this scenario, operating losses start at approximately \$135,000 per year in 2014, decreasing over time to less than \$100,000 annually. The primary driver of this improvement in operational performance is the expected savings in utility costs.

Relative to the historical pattern, the forecast appears much less volatile on a year to year basis. This is a typical outcome in forecasting models, which cannot address highly specific factors that will impact performance over time.

**HISTORICAL AND PROJECTED OPERATING PERFORMANCE
 VETERANS MEMORIAL COLISEUM
 Baseline Scenario**



Under this scenario, as well as the remaining two scenarios, the FYE 2014 projections are not expected to follow the general trend line due to disruptions related to the capital improvements of the facility. The impact is expected to be similar to that anticipated in FYE 2013.

WORST CASE SCENARIO

Under the worst case scenario, we assume that the facility operates only for Winterhawks events as well as selected community events operated at cost. Also under this assumption, we assume no net utility savings outside of the proportional reduction associated with a more limited event schedule. Operational savings associated with more efficient HVAC systems are offset by the need to maintain the building during periods of limited use.

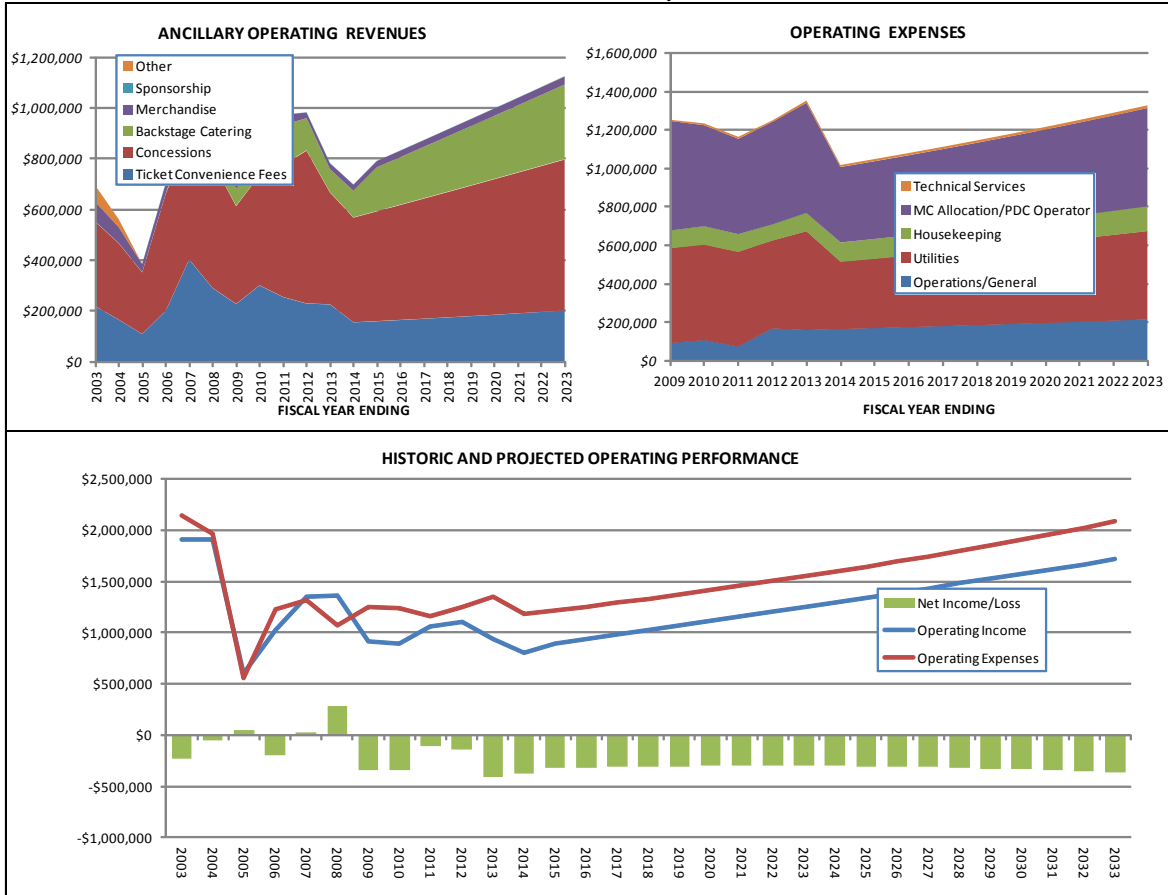
**TRENDED OPERATIONS SUMMARY
VETERANS MEMORIAL COLISEUM
Portland Winterhawks Only Scenario**

	Actual 2012	Budget 2013	FORECAST FOR FISCAL YEAR ENDING									
			2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUE												
Direct Event Income	208,720	130,181	80,700	82,664	84,687	86,770	88,916	91,127	93,404	95,749	98,164	100,039
Ancillary Income (Net of Expenses)	1,003,555	780,865	696,336	789,734	830,721	871,873	913,197	954,696	996,376	1,038,243	1,080,302	1,122,559
<i>Ticket Convenience Fees</i>	229,099	225,771	154,679	159,320	164,099	169,022	174,093	179,316	184,695	190,236	195,943	201,821
<i>Winterhawks</i>		150,174	154,679	159,320	164,099	169,022	174,093	179,316	184,695	190,236	195,943	201,821
<i>Other</i>		75,597	0	0	0	0	0	0	0	0	0	0
<i>Concessions</i>	602,825	441,206	413,080	433,334	453,588	473,842	494,096	514,350	534,605	554,859	575,113	595,367
<i>Backstage Catering</i>	126,291	90,447	104,433	172,212	187,419	202,626	217,833	233,040	248,247	263,454	278,661	293,868
<i>Merchandise</i>	22,670	23,441	24,144	24,869	25,615	26,383	27,175	27,990	28,829	29,694	30,585	31,503
<i>Sponsorship</i>		0										
Event Operating Income	1,212,275	911,046	777,037	872,398	915,407	958,644	1,002,113	1,045,823	1,089,780	1,133,992	1,178,466	1,222,599
Other Income (Loss) F&B	(81,751)	30,000	20,553	21,170	21,805	22,459	23,133	23,827	24,542	25,278	26,037	26,818
Building Operating Income	1,130,524	941,046	797,590	893,568	937,213	981,103	1,025,246	1,069,650	1,114,322	1,159,270	1,204,503	1,249,416
EXPENSES												
<i>Operations/General</i>	168,085	159,850	164,646	169,585	174,672	179,913	185,310	190,869	196,595	202,493	208,568	214,825
<i>Utilities</i>	457,050	513,067	351,510	362,055	372,917	384,105	395,628	407,497	419,722	432,313	445,283	458,641
<i>Housekeeping</i>	84,146	96,507	99,402	102,384	105,456	108,619	111,878	115,234	118,691	122,252	125,920	129,697
<i>Technical Services</i>	7,840	13,000	10,424	10,924	11,425	11,925	12,426	12,927	13,427	13,928	14,428	14,929
<i>MC Allocation/PDC Operator</i>	533,655	572,368	392,138	403,902	416,019	428,500	441,355	454,596	468,234	482,281	496,749	511,651
<i>Reserve and Replacement</i>		0	39,880	44,678	46,861	49,055	51,262	53,482	55,716	57,963	60,225	62,471
<i>PDC Staff</i>		0	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
Total Expenses	1,250,776	1,354,792	1,087,999	1,124,430	1,159,177	1,194,899	1,231,624	1,269,383	1,308,207	1,348,127	1,389,176	1,548,788
Net Income (Loss)	(120,252)	(413,746)	(290,409)	(230,862)	(221,965)	(213,796)	(206,378)	(199,734)	(193,885)	(188,857)	(184,673)	(299,371)

		FORECAST FOR FISCAL YEAR ENDING									
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
REVENUE											
Direct Event Income		102,221	346,696	353,437	360,178	366,918	373,659	380,399	387,140	393,880	400,621
Ancillary Income (Net of Expenses)		1,165,020	1,207,691	1,250,579	1,293,689	1,337,028	1,380,604	1,424,423	1,468,493	1,512,821	1,557,416
<i>Ticket Convenience Fees</i>		207,876	214,112	220,536	227,152	233,966	240,985	248,215	255,661	263,331	271,231
<i>Winterhawks</i>		207,876	214,112	220,536	227,152	233,966	240,985	248,215	255,661	263,331	271,231
<i>Other</i>		0	0	0	0	0	0	0	0	0	0
<i>Concessions</i>		615,621	635,875	656,129	676,384	696,638	716,892	737,146	757,400	777,654	797,909
<i>Backstage Catering</i>		309,075	324,282	339,490	354,697	369,904	385,111	400,318	415,525	430,732	445,939
<i>Merchandise</i>		32,448	33,421	34,424	35,457	36,520	37,616	38,744	39,907	41,104	42,337
<i>Sponsorship</i>		0	0	0	0	0	0	0	0	0	0
Event Operating Income		1,267,241	1,554,388	1,604,016	1,653,866	1,703,946	1,754,262	1,804,822	1,855,633	1,906,702	1,958,036
Other Income (Loss) F&B		27,622	28,451	29,304	30,183	31,089	32,022	32,982	33,972	34,991	36,041
Building Operating Income		1,294,864	1,340,545	1,386,467	1,432,638	1,479,065	1,525,755	1,572,716	1,619,957	1,667,487	1,715,312
EXPENSES											
<i>Operations/General</i>		221,270	227,908	234,745	241,787	249,041	256,512	264,208	272,134	280,298	288,707
<i>Utilities</i>		472,400	486,572	501,169	516,205	531,691	547,641	564,071	580,993	598,423	616,375
<i>Housekeeping</i>		133,588	137,596	141,724	145,975	150,355	154,865	159,511	164,297	169,226	174,302
<i>Technical Services</i>		15,430	15,930	16,431	16,931	17,432	17,933	18,433	18,934	19,434	19,935
<i>Operating Costs</i>		527,001	542,811	559,095	575,868	593,144	610,939	629,267	648,145	667,589	687,617
<i>Reserve and Replacement</i>		64,743	67,027	69,323	71,632	73,953	76,288	78,636	80,998	83,374	85,766
<i>PDC Staff</i>		161,270	166,108	171,092	176,224	181,511	186,956	192,565	198,342	204,292	210,421
Total Expenses		1,595,702	1,643,953	1,693,579	1,744,623	1,797,127	1,851,134	1,906,690	1,963,842	2,022,636	2,083,123
Net Income (Loss)		(300,839)	(303,408)	(307,112)	(311,985)	(318,062)	(325,380)	(333,974)	(343,884)	(355,150)	(367,811)

Under this scenario, the projected annual operating losses are in the \$300,000 to \$380,000 range.

**HISTORICAL AND PROJECTED OPERATING PERFORMANCE
 VETERANS MEMORIAL COLISEUM
 Portland Winterhawks Only Scenario**



OPTIMISTIC SCENARIO

Under the optimistic scenario, we would expect that the capital improvements to the facility do the following:

- Increase the marketability of the facility, increasing event bookings and revenue
- Increased concession sales and yields due to upgraded facilities
- Significant operational savings from HVAC upgrades (30% on utilities)
- Realized income from sale of sponsorship opportunities

The projections under this scenario show a substantial positive income from operating the facility. The net income stream starts at \$140,000 in 2014 and increases at a steady rate over time to almost \$700,000 in 2033.

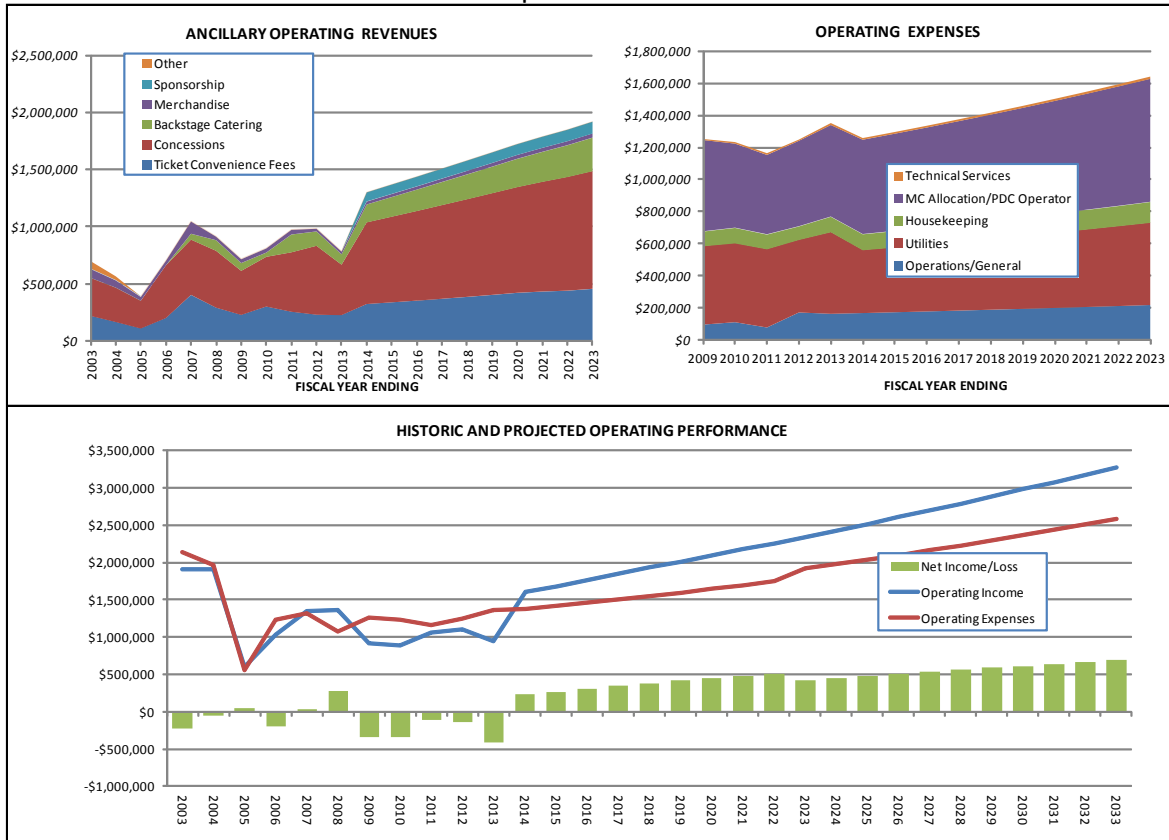
**TRENDED OPERATIONS SUMMARY
VETERANS MEMORIAL COLISEUM
Optimistic Scenario**

	Actual 2012	Budget 2013	FORECAST FOR FISCAL YEAR ENDING									
			2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUE												
Direct Event Income	208,720	130,181	272,551	282,907	293,658	304,817	316,400	328,423	340,903	353,858	367,304	381,262
Ancillary Income (Net of Expenses)	1,003,555	780,865	1,298,788	1,367,633	1,436,619	1,507,074	1,577,680	1,649,763	1,722,668	1,787,803	1,849,142	1,919,661
<i>Ticket Convenience Fees</i>	229,099	225,771	322,665	337,601	352,607	368,885	385,238	402,867	421,175	432,364	440,037	455,969
<i>Winterhawks</i>		150,174	244,800	257,400	270,000	283,800	297,600	312,600	328,200	336,600	341,400	354,373
<i>Other</i>		75,597	77,865	80,201	82,607	85,085	87,638	90,267	92,975	95,764	98,637	101,596
<i>Concessions</i>	602,825	441,206	714,176	749,193	784,211	819,228	854,246	889,263	924,281	959,298	994,316	1,029,333
<i>Backstage Catering</i>	126,291	90,447	157,005	172,212	187,419	202,626	217,833	233,040	248,247	263,454	278,661	293,868
<i>Merchandise</i>	22,670	23,441	24,943	26,227	27,511	28,917	30,323	31,851	33,441	34,297	34,786	36,108
<i>Sponsorship</i>		0	80,000	82,400	84,872	87,418	90,041	92,742	95,524	98,390	101,342	104,382
Event Operating Income	1,212,275	911,046	1,571,339	1,650,540	1,730,277	1,811,891	1,894,080	1,978,187	2,063,571	2,141,661	2,216,446	2,300,922
Other Income (Loss) F&B	(81,751)	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Building Operating Income	1,130,524	941,046	1,602,239	1,682,367	1,763,059	1,845,657	1,928,858	2,014,008	2,100,467	2,179,664	2,255,589	2,341,240
EXPENSES												
<i>Operations/General</i>	168,085	159,850	164,646	169,585	174,672	179,913	185,310	190,869	196,595	202,493	208,568	214,825
<i>Utilities</i>	457,050	513,067	396,344	408,235	420,482	433,096	446,089	459,472	473,256	487,453	502,077	517,139
<i>Housekeeping</i>	84,146	96,507	99,402	102,384	105,456	108,619	111,878	115,234	118,691	122,252	125,920	129,697
<i>Technical Services</i>	7,840	13,000	10,424	10,924	11,425	11,925	12,426	12,927	13,427	13,928	14,428	14,929
<i>MC Allocation/PDC Operator</i>	533,655	572,368	589,539	607,225	625,442	644,205	663,531	683,437	703,940	725,059	746,810	769,215
<i>Reserve and Replacement</i>		0	80,112	84,118	88,153	92,283	96,443	100,700	105,023	108,983	112,779	117,062
<i>PDC Staff</i>		0	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
Total Expenses	1,250,776	1,354,792	1,370,467	1,413,372	1,457,457	1,502,823	1,549,443	1,597,418	1,646,755	1,697,065	1,748,586	1,919,440
Net Income (Loss)	(120,252)	(413,746)	231,772	268,996	305,602	342,833	379,416	416,590	453,712	482,599	507,003	421,799

		FORECAST FOR FISCAL YEAR ENDING										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
REVENUE												
Direct Event Income		395,750	346,696	353,437	360,178	366,918	373,659	380,399	387,140	393,880	400,621	
Ancillary Income (Net of Expenses)		1,990,903	2,062,894	2,135,662	2,209,234	2,283,639	2,358,907	2,435,070	2,512,159	2,590,208	2,669,252	
<i>Ticket Convenience Fees</i>		472,483	489,601	507,343	525,734	544,797	564,557	585,040	606,272	628,280	651,095	
<i>Winterhawks</i>		367,839	381,817	396,326	411,387	427,019	443,246	460,090	477,573	495,721	514,558	
<i>Other</i>		104,644	107,783	111,017	114,347	117,778	121,311	124,950	128,699	132,560	136,537	
<i>Concessions</i>		1,064,351	1,099,368	1,134,386	1,169,403	1,204,421	1,239,438	1,274,456	1,309,473	1,344,491	1,379,508	
<i>Backstage Catering</i>		309,075	324,282	339,490	354,697	369,904	385,111	400,318	415,525	430,732	445,939	
<i>Merchandise</i>		37,480	38,904	40,382	41,917	43,510	45,163	46,879	48,661	50,510	52,429	
<i>Sponsorship</i>		107,513	110,739	114,061	117,483	121,007	124,637	128,377	132,228	136,195	140,280	
Event Operating Income		2,386,652	2,409,591	2,489,099	2,569,411	2,650,557	2,732,566	2,815,469	2,899,298	2,984,088	3,069,873	
Other Income (Loss) F&B		41,527	42,773	44,056	45,378	46,739	48,141	49,585	51,073	52,605	54,183	
Building Operating Income		2,428,179	2,516,455	2,606,116	2,697,213	2,789,798	2,883,926	2,979,654	3,077,041	3,176,147	3,277,036	
EXPENSES												
<i>Operations/General</i>		221,270	227,908	234,745	241,787	249,041	256,512	264,208	272,134	280,298	288,707	
<i>Utilities</i>		532,654	548,633	565,092	582,045	599,506	617,491	636,016	655,097	674,750	694,992	
<i>Housekeeping</i>		133,588	137,596	141,724	145,975	150,355	154,865	159,511	164,297	169,226	174,302	
<i>Technical Services</i>		15,430	15,930	16,431	16,931	17,432	17,933	18,433	18,934	19,434	19,935	
<i>Operating Costs</i>		792,291	816,060	840,542	865,758	891,731	918,483	946,037	974,418	1,003,651	1,033,760	
<i>Reserve and Replacement</i>		121,409	125,823	130,306	134,861	139,490	144,196	148,983	153,852	158,807	163,852	
<i>PDC Staff</i>		161,270	166,108	171,092	176,224	181,511	186,956	192,565	198,342	204,292	210,421	
Total Expenses		1,977,912	2,038,058	2,099,931	2,163,582	2,229,066	2,296,437	2,365,753	2,437,073	2,510,458	2,585,969	
Net Income (Loss)		450,268	478,397	506,185	533,630	560,732	587,489	613,901	639,968	665,689	691,067	

Under this scenario, the facility has a strong earnings profile over the forecast horizon, with growth in revenues outstripping growth in costs.

**HISTORICAL AND PROJECTED OPERATING PERFORMANCE
 VETERANS MEMORIAL COLISEUM
 Optimistic Scenario**



IV. CASE STUDIES OF SIMILAR FACILITIES

The following matrix summarizes seven similar facilities, which are second tier facilities within their market area and have capacities roughly equivalent to the VMC. Most host a range of sports franchises and concerts, as well as other spectator events and meetings. With the exception of the Bi-Lo Center, these facilities typically report annual operating losses.

Facility	Location	Year Built	Capacity	Sports	Other	Estimated Usage	First-tier Competition	Financial Performance
1 Bi-Lo Center	Greenville, SC	1998	15,000 (sports) 16,000 (concert)	AA hockey In past: Minor football College b-ball HS championships	Concerts Circus Truck & motocross Ice shows Dog shows Rodeo Pro wrestling	3 days/wk (hockey) 1 day/wk (off season)	Colonial Center Columbia, SC	Bi_Lo has made a slight profit in recent years. In 2011, it made an estimated in \$1.4 million in operating profit. With \$1.3 million going to debt service, there was a net profit of \$124,000.
2 Verizon Wireless Arena	Manchester, NH	2001	12,000	Minor hockey College hockey NHL preseason NBA preseason	Concerts Ice shows	3 days/wk (hockey) 1 day/wk (off season)	Boston venues	Unavailable
3 Tacoma Dome	Tacoma, WA	1983	17,000 (sports) 23,000 total	None permanent HS football Formerly: NBA (temp) Minor hockey Minor soccer Indoor soccer	Concerts Ice shows Rodeo Car shows Home shows Truck & motocross New car museum	2 days/wk (average)	KeyArena, Seattle Seattle Conv. Center	The Tacoma Dome has operated at a loss for some time. In 2011, expenses exceeded revenue by \$1.3 million. Support generally comes from the City's general fund. The city recently contributed to the addition of a car museum at the Tacoma Dome and is discussing further investment to update the facility and keep it competitive as a multi-purpose venue.
4 Comcast Arena	Everett, WA	2003	8,200 (sports) 10,000 (concerts)	Minor hockey Indoor football NLL lacrosse Roller derby Formerly: Minor b-ball Arena football	Concerts Circus Truck & motocross Ice shows Ice skating Globetrotters Conf. center	3 days/wk (hockey) 1 day/wk (off season)	Seattle venues	The Comcast Arena in Everett, Washington was built in 2003. It features a venue for minor-league hockey and events, as well as a conference center. The Everett Public Facilities District which operates the arena lost \$1.2 million on operations in 2011. In previous years, losses were similar or in the high six figures. The city supports the arena and additional revenue is provided from an admissions tax, and tax sharing with other jurisdictions.
5 ShoWare Center	Kent, WA	2009	6,500 (sports) 7,600 (concerts)	Minor hockey Roller derby Formerly: Indoor football	Concerts Ice shows Ice skating Globetrotters	2 days/wk (average)	Seattle venues	The ShoWare Center has operated at a loss sense opening in 2009, losing between \$400k and \$450k annually on annual revenue of roughly \$2 million. Losses are attributed to unbudgeted utility increases and lower than projected ticket sales. The City of Kent covers losses through its capital budget.
6 Bojangles Coliseum	Charlotte, NC	1955 1992 expansion	9,600	Indoor football PLL lacrosse HS events Formerly: ABA basketball Minor hockey	Concerts Community events Pro wrestling UFC	1 days/wk (average)	Time Warner Cable Arena Charlotte, NC	Individual financial performance data for this facility is not available. It is managed by the Charlotte Regional Visitors Authority which has roughly half of its expenses met by the City of Charlotte. The Bojangles facility is aging, with low bookings, and considered a likely candidate for redevelopment.
7 Budweiser Events Center	Loveland, CO	2003	5,300 (sports) 7,200 (concerts)	Minor hockey Indoor football Formerly: Indoor soccer	Concerts Circus Pro wrestling Ice shows Ice skating Globetrotters	3 days/wk (hockey) 2 day/wk (off season)	Denver venues	The Budweiser Events Center is part of "The Ranch" county fair and events complex in Loveland, CO. In 2011, The Ranch complex operated at a loss of \$1.9 million on \$6.2 million in revenue. Losses are partially covered by long-term debt on the complex.

V. CONCLUSIONS

The VMC has a number of physical characteristics that hamper its ability to compete effectively in the current and expected market. The capital investments planned for the facility cannot address all of the relevant issues, but have the potential to extend the life of the facility while providing for a reduced operations loss and potentially an operating gain over time.

Our analysis indicates that the VMC can be expected to operate at a modest annual loss over the forecast horizon based on the extrapolation of recent trends. In light of the substantial capital improvements to the facility, there is a strong likelihood that the facility can generate significant net operating revenues through an increase in marketability and lower utility costs. As a result, there are scenarios under which the facility can be expected to be a significant generator of revenue over the forecast horizon.

The following are seen as key issues to be addressed should the Portland Development Commission take on operations of the facility:

- The facility will need to be actively marketed to attract concerts and other events. The cost of this will likely be higher than under the current agreement, but it is possible that it may yield a different book of events.
- The facility is perceived in the market to have relatively poor acoustics, which limits its marketability for concerts. The sound system will be upgraded substantially, which will likely help.
- The renewal and replacement fund shown is meant as a supplement to the commitment by OMF for capital improvements. As a stand-alone, it would be expected to be inadequate to address needs.
- Sponsorship opportunities should be actively sought to support operations.
- A reconfiguration to allow for ventilation for concessions, which allow for cooking at the point of sale is considered necessary to improving performance.
- Typical strategies to improve operations focus on increasing event activity, with the net gains from concessions and parking. In this facility, concessions have not been a strong performer and parking revenues are not part of the operating equation.

VI. APPENDIX A: OPERATING PRO FORMAS

**TRENDED OPERATIONS SUMMARY
VETERANS MEMORIAL COLISEUM**

	FYE 2003 Actual	FYE 2004 Actual	FYE 2005 Actual	FYE 2006 Actual	FYE 2007 Actual	FYE 2008 Actual	FYE 2009 Actual	FYE 2010 Actual	FYE 2011 Actual	FYE 2012 Actual	FYE 2013 Budget
REVENUE											
Direct Event Income	1,191,905	1,342,625	126,454	199,435	342,384	265,209	247,513	219,082	275,024	208,720	130,181
<i>Net Rent</i>	650,309	781,480					865,915	928,971	900,061	821,944	
<i>Event Reimbursements</i>	541,596	561,145					2,422,496	730,900	860,221	778,862	
<i>Less: Event Expenses</i>							(3,040,898)	(1,440,789)	(1,485,258)	(1,392,086)	
Ancillary Income (Net of Expenses)	720,263	564,678	465,844	853,852	1,044,481	918,484	714,785	809,435	972,207	980,885	780,865
<i>Ticket Fees</i>	218,484	165,161	108,141	199,872	403,027	290,529	227,497	300,574	254,807	229,099	225,771
<i>Concessions</i>	332,911	301,182	243,126	461,188	482,691	497,868	385,458	434,895	520,329	602,825	441,206
<i>Restaurants</i>	8,139	(2,211)			477	7,084	746	1,051	509	0	0
<i>Backstage Catering</i>					51,532	92,654	67,966	37,299	155,694	126,291	90,447
<i>Merchandise</i>	77,618	62,522	32,313	39,210	106,754	30,349	33,118	35,616	40,868	22,670	23,441
<i>Parking</i>	18,296	6,108	81,854	153,507							
<i>Other</i>	64,815	31,916	410	75							
Event Operating Income	1,912,168	1,907,303	592,298	1,053,287	1,386,865	1,183,693	962,298	1,028,517	1,247,231	1,189,605	911,046
Other Income (Loss) F&B			12,878	(22,485)	(39,019)	175,499	(51,002)	(136,707)	(189,657)	(81,751)	30,000
Building Operating Income	1,912,168	1,907,303	605,176	1,030,802	1,347,846	1,359,192	911,296	891,810	1,057,574	1,107,854	941,046
EXPENSES											
<i>Operations/General</i>			151,850	413,684	486,475	545,523	585,932	603,984	566,949	625,135	672,917
<i>Housekeeping</i>							91,577	96,114	91,833	84,146	96,507
<i>Technical Services</i>							6,471	9,738	10,637	7,840	13,000
<i>MC Allocation</i>			407,186	817,900	832,693	529,855	570,517	525,302	495,975	533,655	572,368
<i>Arenavision Expenses</i>			(2,009)	1,139							
Total Expenses	2,138,431	1,960,395	557,027	1,232,723	1,319,168	1,075,378	1,254,497	1,235,138	1,165,394	1,250,776	1,354,792
Net Income (Loss)	(226,263)	(53,092)	48,149	(201,921)	28,678	283,814	(343,201)	(343,328)	(107,820)	(142,922)	(413,746)

Notes and Assumptions

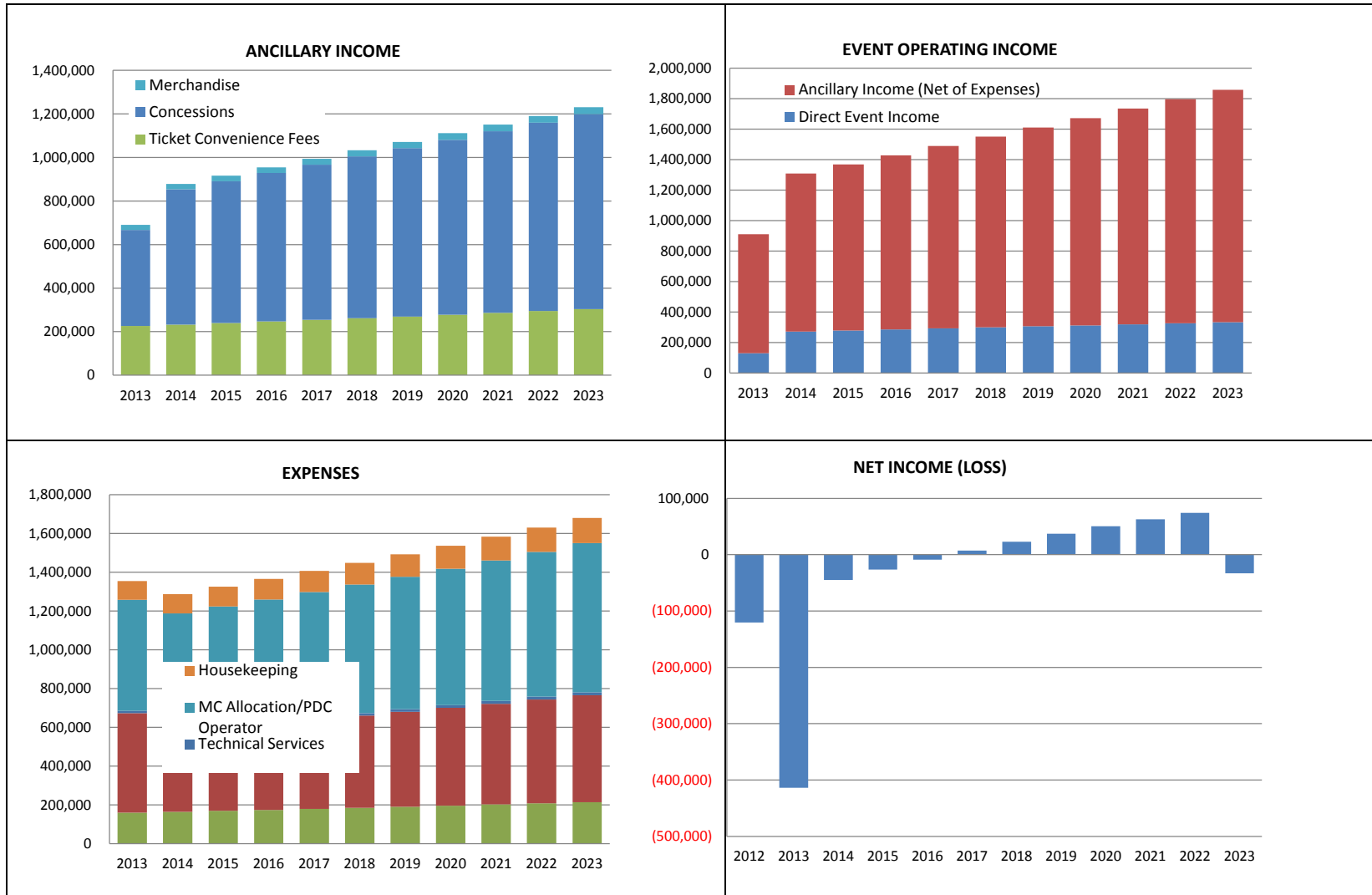
Source data is annual financial statements prepared by PAM LLC or Rip City Management LLC.
FYE 2012 not audited.

**TRENDED OPERATIONS SUMMARY
VETERANS MEMORIAL COLISEUM
Baseline Scenario**

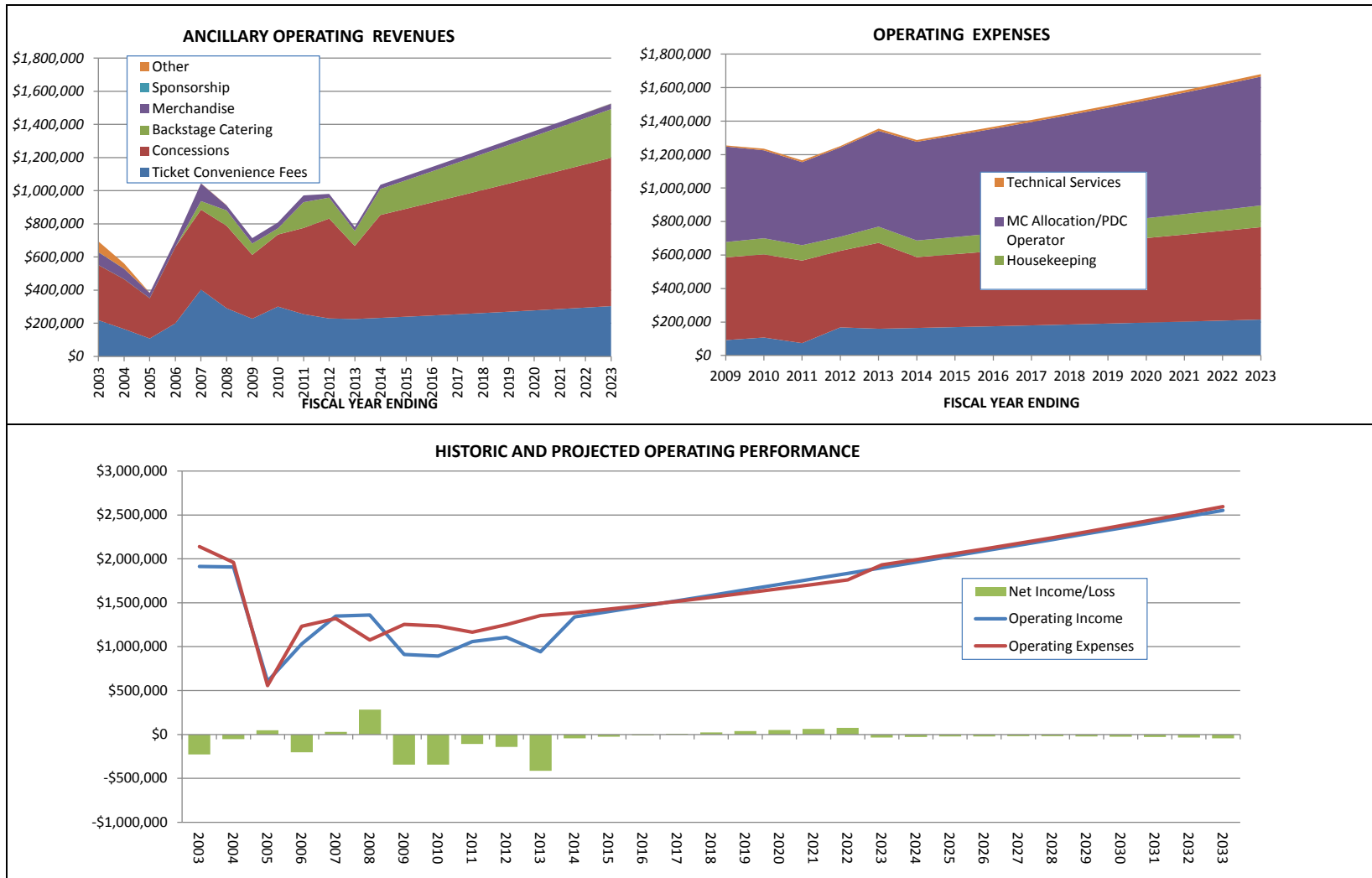
	Actual 2012	Budget 2013	FORECAST FOR FISCAL YEAR ENDING									
			2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUE												
Direct Event Income	208,720	130,181	272,551	279,291	286,032	292,772	299,513	306,253	312,994	319,734	326,475	333,215
Ancillary Income (Net of Expenses)	1,003,555	780,865	1,035,514	1,088,896	1,142,509	1,196,362	1,250,460	1,304,811	1,359,423	1,414,303	1,469,461	1,524,903
<i>Ticket Convenience Fees</i>	229,099	225,771	232,544	239,520	246,706	254,107	261,730	269,582	277,670	286,000	294,580	303,417
<i>Winterhawks</i>		150,174	154,679	159,320	164,099	169,022	174,093	179,316	184,695	190,236	195,943	201,821
<i>Other</i>		75,597	77,865	80,201	82,607	85,085	87,638	90,267	92,975	95,764	98,637	101,596
<i>Concessions</i>	602,825	441,206	621,023	651,473	681,923	712,373	742,823	773,273	803,723	834,173	864,623	895,073
<i>Backstage Catering</i>	126,291	90,447	157,005	172,212	187,419	202,626	217,833	233,040	248,247	263,454	278,661	293,868
<i>Merchandise</i>	22,670	23,441	24,943	25,691	26,462	27,256	28,074	28,916	29,783	30,677	31,597	32,545
<i>Sponsorship</i>		0										
Event Operating Income	1,212,275	911,046	1,308,065	1,368,187	1,428,541	1,489,134	1,549,972	1,611,064	1,672,417	1,734,038	1,795,936	1,858,119
Other Income (Loss) F&B	(81,751)	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Building Operating Income	1,130,524	941,046	1,338,965	1,400,014	1,461,323	1,522,899	1,584,750	1,646,886	1,709,313	1,772,041	1,835,079	1,898,436
EXPENSES												
<i>Operations/General</i>	168,085	159,850	164,646	169,585	174,672	179,913	185,310	190,869	196,595	202,493	208,568	214,825
<i>Utilities</i>	457,050	513,067	422,767	435,450	448,514	461,969	475,828	490,103	504,806	519,950	535,549	551,615
<i>Housekeeping</i>	84,146	96,507	99,402	102,384	105,456	108,619	111,878	115,234	118,691	122,252	125,920	129,697
<i>Technical Services</i>	7,840	13,000	10,424	10,924	11,425	11,925	12,426	12,927	13,427	13,928	14,428	14,929
<i>MC Allocation/PDC Operator</i>	533,655	572,368	589,539	607,225	625,442	644,205	663,531	683,437	703,940	725,059	746,810	769,215
<i>Reserve and Replacement</i>			66,948	70,001	73,066	76,145	79,238	82,344	85,466	88,602	91,754	94,922
<i>PDC Staff</i>		0	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
Total Expenses	1,250,776	1,354,792	1,383,726	1,426,469	1,470,402	1,515,559	1,561,976	1,609,693	1,658,748	1,709,180	1,761,032	1,931,776
Net Income (Loss)	(120,252)	(413,746)	(44,761)	(26,455)	(9,079)	7,340	22,774	37,192	50,565	62,860	74,046	(33,340)

	FORECAST FOR FISCAL YEAR ENDING									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
REVENUE										
Direct Event Income	339,956	346,696	353,437	360,178	366,918	373,659	380,399	387,140	393,880	400,621
Ancillary Income (Net of Expenses)	1,580,639	1,636,678	1,693,027	1,749,698	1,806,699	1,864,040	1,921,732	1,979,785	2,038,209	2,097,017
<i>Ticket Convenience Fees</i>	312,520	321,895	331,552	341,499	351,744	362,296	373,165	384,360	395,891	407,768
<i>Winterhawks</i>	207,876	214,112	220,536	227,152	233,966	240,985	248,215	255,661	263,331	271,231
<i>Other</i>	104,644	107,783	111,017	114,347	117,778	121,311	124,950	128,699	132,560	136,537
<i>Concessions</i>	925,523	955,973	986,423	1,016,873	1,047,323	1,077,773	1,108,223	1,138,673	1,169,123	1,199,573
<i>Backstage Catering</i>	309,075	324,282	339,490	354,697	369,904	385,111	400,318	415,525	430,732	445,939
<i>Merchandise</i>	33,521	34,527	35,563	36,630	37,729	38,861	40,026	41,227	42,464	43,738
<i>Sponsorship</i>	0	0	0	0	0	0	0	0	0	0
Event Operating Income	1,920,595	1,983,374	2,046,464	2,109,875	2,173,617	2,237,699	2,302,131	2,366,924	2,432,090	2,497,638
Other Income (Loss) F&B	41,527	42,773	44,056	45,378	46,739	48,141	49,585	51,073	52,605	54,183
Building Operating Income	1,962,122	2,026,147	2,090,520	2,155,253	2,220,356	2,285,840	2,351,716	2,417,997	2,484,695	2,551,821
EXPENSES										
<i>Operations/General</i>	221,270	227,908	234,745	241,787	249,041	256,512	264,208	272,134	280,298	288,707
<i>Utilities</i>	568,164	585,209	602,765	620,848	639,473	658,658	678,417	698,770	719,733	741,325
<i>Housekeeping</i>	133,588	137,596	141,724	145,975	150,355	154,865	159,511	164,297	169,226	174,302
<i>Technical Services</i>	15,430	15,930	16,431	16,931	17,432	17,933	18,433	18,934	19,434	19,935
<i>Operating Costs</i>	792,291	816,060	840,542	865,758	891,731	918,483	946,037	974,418	1,003,651	1,033,760
<i>Reserve and Replacement</i>	98,106	101,307	104,526	107,763	111,018	114,292	117,586	120,900	124,235	127,591
<i>PDC Staff</i>	161,270	166,108	171,092	176,224	181,511	186,956	192,565	198,342	204,292	210,421
Total Expenses	1,990,119	2,050,118	2,111,824	2,175,287	2,240,561	2,307,699	2,376,757	2,447,794	2,520,869	2,596,041
Net Income (Loss)	(27,997)	(23,971)	(21,304)	(20,034)	(20,205)	(21,859)	(25,041)	(29,797)	(36,174)	(44,220)

**SUMMARY OF PROJECTED INCOME AND EXPENSES
 VETERANS MEMORIAL COLISEUM
 Baseline Scenario**



**HISTORICAL AND PROJECTED OPERATING PERFORMANCE
 VETERANS MEMORIAL COLISEUM
 Baseline Scenario**



**TRENDED OPERATIONS SUMMARY
VETERANS MEMORIAL COLISEUM
Portland Winterhawks Only Scenario**

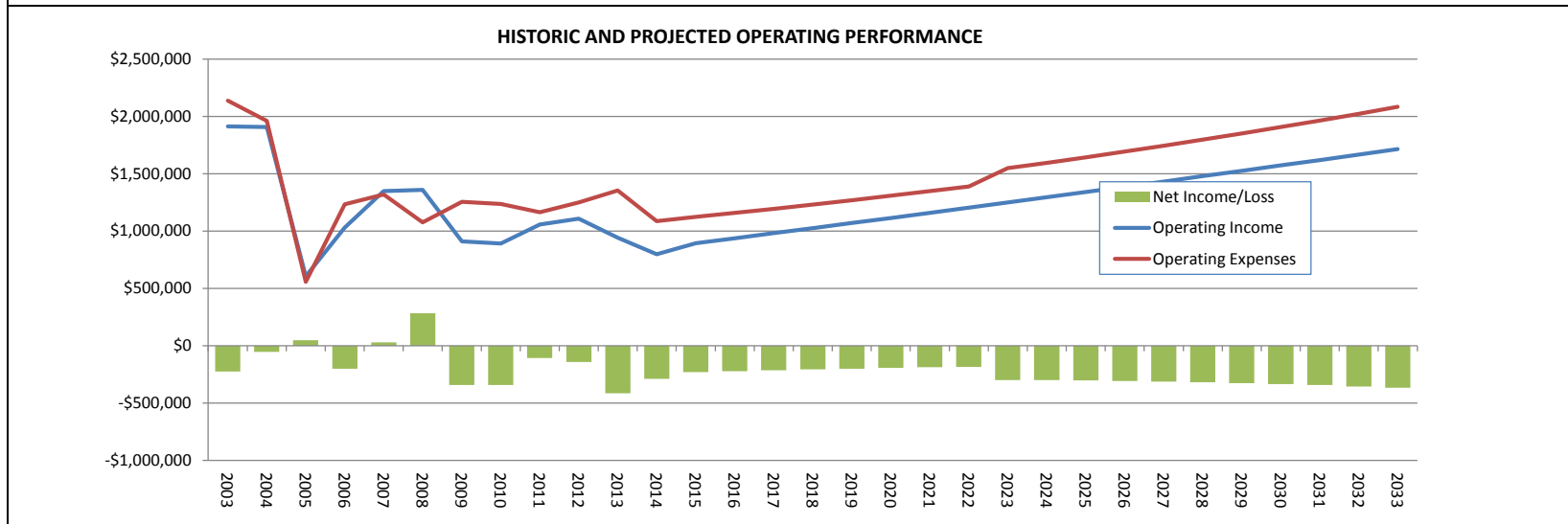
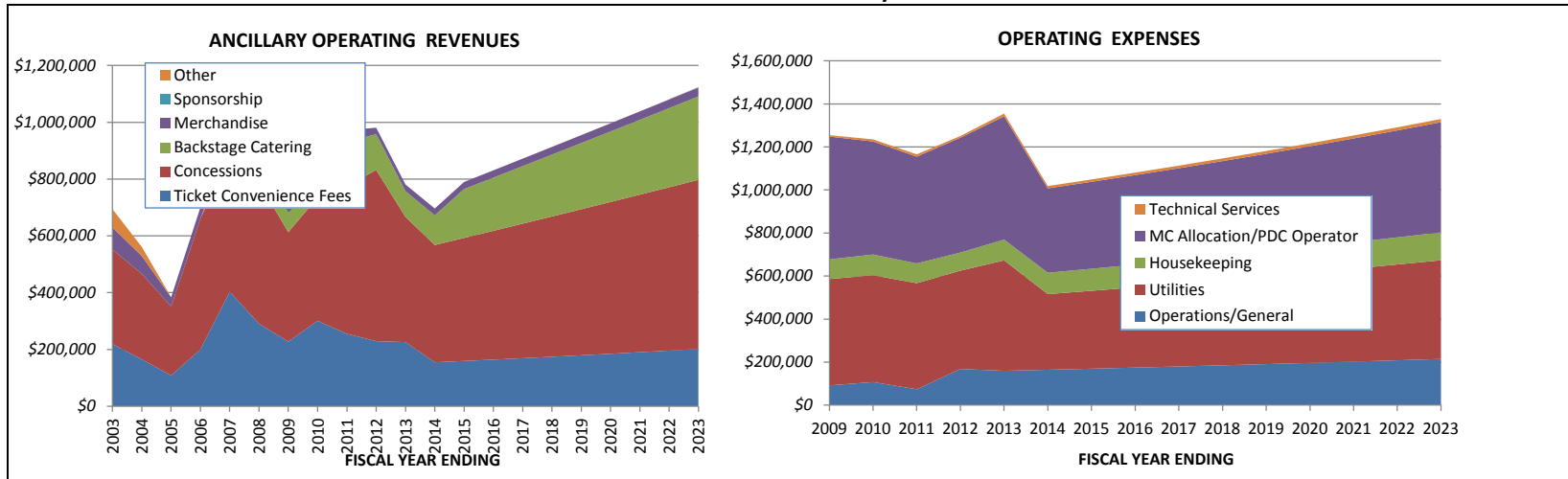
	Actual 2012	Budget 2013	FORECAST FOR FISCAL YEAR ENDING									
			2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUE												
Direct Event Income	208,720	130,181	80,700	82,664	84,687	86,770	88,916	91,127	93,404	95,749	98,164	100,039
Ancillary Income (Net of Expenses)	1,003,555	780,865	696,336	789,734	830,721	871,873	913,197	954,696	996,376	1,038,243	1,080,302	1,122,559
<i>Ticket Convenience Fees</i>	229,099	225,771	154,679	159,320	164,099	169,022	174,093	179,316	184,695	190,236	195,943	201,821
<i>Winterhawks</i>		150,174	154,679	159,320	164,099	169,022	174,093	179,316	184,695	190,236	195,943	201,821
<i>Other</i>		75,597	0	0	0	0	0	0	0	0	0	0
<i>Concessions</i>	602,825	441,206	413,080	433,334	453,588	473,842	494,096	514,350	534,605	554,859	575,113	595,367
<i>Backstage Catering</i>	126,291	90,447	104,433	172,212	187,419	202,626	217,833	233,040	248,247	263,454	278,661	293,868
<i>Merchandise</i>	22,670	23,441	24,144	24,869	25,615	26,383	27,175	27,990	28,829	29,694	30,585	31,503
<i>Sponsorship</i>		0										
Event Operating Income	1,212,275	911,046	777,037	872,398	915,407	958,644	1,002,113	1,045,823	1,089,780	1,133,992	1,178,466	1,222,599
Other Income (Loss) F&B	(81,751)	30,000	20,553	21,170	21,805	22,459	23,133	23,827	24,542	25,278	26,037	26,818
Building Operating Income	1,130,524	941,046	797,590	893,568	937,213	981,103	1,025,246	1,069,650	1,114,322	1,159,270	1,204,503	1,249,416
EXPENSES												
<i>Operations/General</i>	168,085	159,850	164,646	169,585	174,672	179,913	185,310	190,869	196,595	202,493	208,568	214,825
<i>Utilities</i>	457,050	513,067	351,510	362,055	372,917	384,105	395,628	407,497	419,722	432,313	445,283	458,641
<i>Housekeeping</i>	84,146	96,507	99,402	102,384	105,456	108,619	111,878	115,234	118,691	122,252	125,920	129,697
<i>Technical Services</i>	7,840	13,000	10,424	10,924	11,425	11,925	12,426	12,927	13,427	13,928	14,428	14,929
<i>MC Allocation/PDC Operator</i>	533,655	572,368	392,138	403,902	416,019	428,500	441,355	454,596	468,234	482,281	496,749	511,651
<i>Reserve and Replacement</i>			39,880	44,678	46,861	49,055	51,262	53,482	55,716	57,963	60,225	62,471
<i>PDC Staff</i>		0	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	156,573
Total Expenses	1,250,776	1,354,792	1,087,999	1,124,430	1,159,177	1,194,899	1,231,624	1,269,383	1,308,207	1,348,127	1,389,176	1,548,788
Net Income (Loss)	(120,252)	(413,746)	(290,409)	(230,862)	(221,965)	(213,796)	(206,378)	(199,734)	(193,885)	(188,857)	(184,673)	(299,371)

	FORECAST FOR FISCAL YEAR ENDING									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
REVENUE										
Direct Event Income	102,221	346,696	353,437	360,178	366,918	373,659	380,399	387,140	393,880	400,621
Ancillary Income (Net of Expenses)	1,165,020	1,207,691	1,250,579	1,293,689	1,337,028	1,380,604	1,424,423	1,468,493	1,512,821	1,557,416
<i>Ticket Convenience Fees</i>	207,876	214,112	220,536	227,152	233,966	240,985	248,215	255,661	263,331	271,231
<i>Winterhawks</i>	207,876	214,112	220,536	227,152	233,966	240,985	248,215	255,661	263,331	271,231
<i>Other</i>	0	0	0	0	0	0	0	0	0	0
<i>Concessions</i>	615,621	635,875	656,129	676,384	696,638	716,892	737,146	757,400	777,654	797,909
<i>Backstage Catering</i>	309,075	324,282	339,490	354,697	369,904	385,111	400,318	415,525	430,732	445,939
<i>Merchandise</i>	32,448	33,421	34,424	35,457	36,520	37,616	38,744	39,907	41,104	42,337
<i>Sponsorship</i>	0	0	0	0	0	0	0	0	0	0
Event Operating Income	1,267,241	1,554,388	1,604,016	1,653,866	1,703,946	1,754,262	1,804,822	1,855,633	1,906,702	1,958,036
Other Income (Loss) F&B	27,622	28,451	29,304	30,183	31,089	32,022	32,982	33,972	34,991	36,041
Building Operating Income	1,294,864	1,340,545	1,386,467	1,432,638	1,479,065	1,525,755	1,572,716	1,619,957	1,667,487	1,715,312
EXPENSES										
<i>Operations/General</i>	221,270	227,908	234,745	241,787	249,041	256,512	264,208	272,134	280,298	288,707
<i>Utilities</i>	472,400	486,572	501,169	516,205	531,691	547,641	564,071	580,993	598,423	616,375
<i>Housekeeping</i>	133,588	137,596	141,724	145,975	150,355	154,865	159,511	164,297	169,226	174,302
<i>Technical Services</i>	15,430	15,930	16,431	16,931	17,432	17,933	18,433	18,934	19,434	19,935
<i>Operating Costs</i>	527,001	542,811	559,095	575,868	593,144	610,939	629,267	648,145	667,589	687,617
<i>Reserve and Replacement</i>	64,743	67,027	69,323	71,632	73,953	76,288	78,636	80,998	83,374	85,766
<i>PDC Staff</i>	161,270	166,108	171,092	176,224	181,511	186,956	192,565	198,342	204,292	210,421
Total Expenses	1,595,702	1,643,953	1,693,579	1,744,623	1,797,127	1,851,134	1,906,690	1,963,842	2,022,636	2,083,123
Net Income (Loss)	(300,839)	(303,408)	(307,112)	(311,985)	(318,062)	(325,380)	(333,974)	(343,884)	(355,150)	(367,811)

**SUMMARY OF PROJECTED INCOME AND EXPENSES
 VETERANS MEMORIAL COLISEUM
 Portland Winterhawks Only Scenario**



**HISTORICAL AND PROJECTED OPERATING PERFORMANCE
 VETERANS MEMORIAL COLISEUM
 Portland Winterhawks Only Scenario**

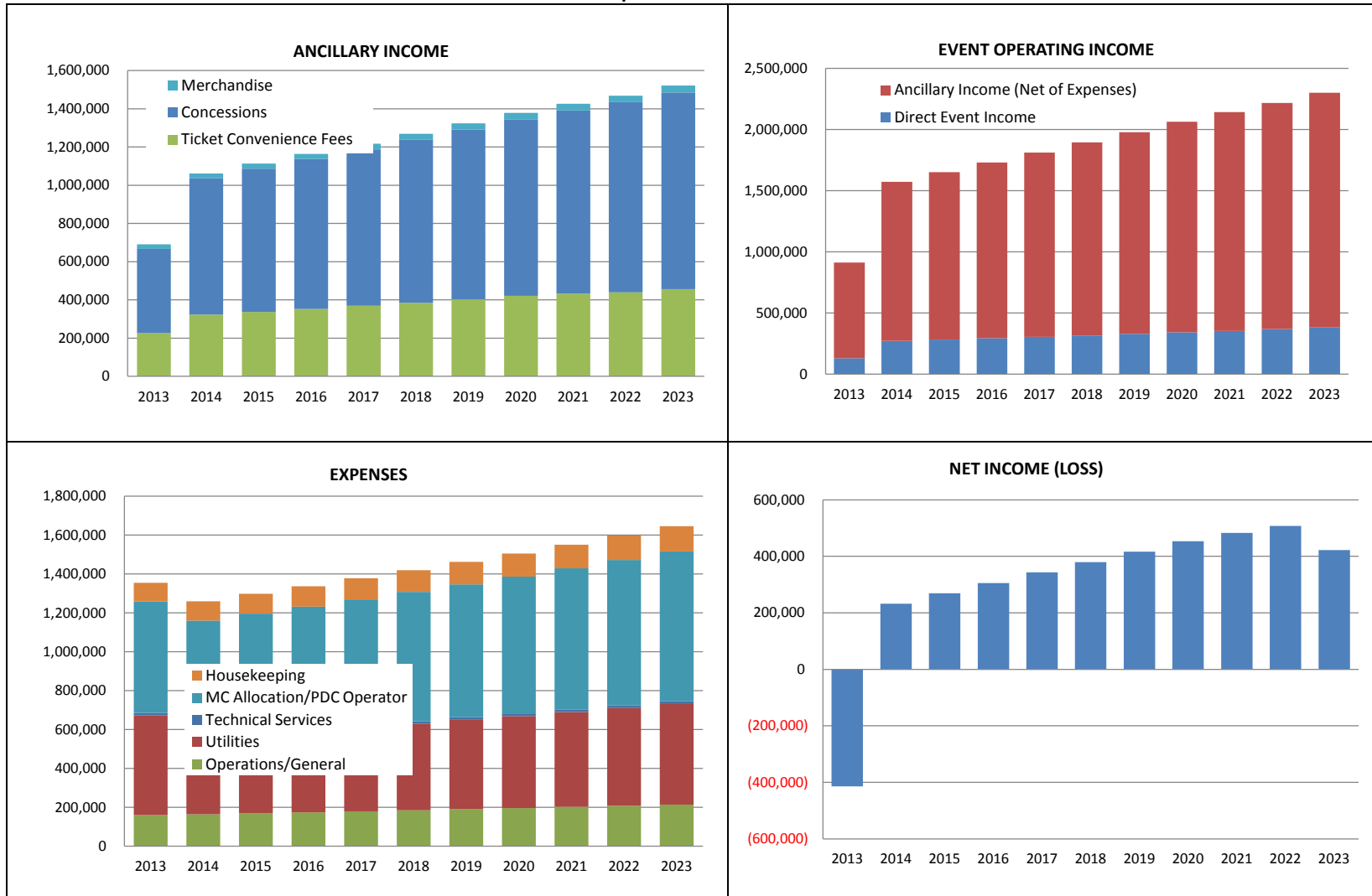


**TRENDED OPERATIONS SUMMARY
VETERANS MEMORIAL COLISEUM
Optimistic Scenario**

	Actual 2012	Budget 2013	FORECAST FOR FISCAL YEAR ENDING									
			2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUE												
Direct Event Income	208,720	130,181	272,551	282,907	293,658	304,817	316,400	328,423	340,903	353,858	367,304	381,262
Ancillary Income (Net of Expenses)	1,003,555	780,865	1,298,788	1,367,633	1,436,619	1,507,074	1,577,680	1,649,763	1,722,668	1,787,803	1,849,142	1,919,661
<i>Ticket Convenience Fees</i>	229,099	225,771	322,665	337,601	352,607	368,885	385,238	402,867	421,175	432,364	440,037	455,969
<i>Winterhawks</i>		150,174	244,800	257,400	270,000	283,800	297,600	312,600	328,200	336,600	341,400	354,373
<i>Other</i>		75,597	77,865	80,201	82,607	85,085	87,638	90,267	92,975	95,764	98,637	101,596
<i>Concessions</i>	602,825	441,206	714,176	749,193	784,211	819,228	854,246	889,263	924,281	959,298	994,316	1,029,333
<i>Backstage Catering</i>	126,291	90,447	157,005	172,212	187,419	202,626	217,833	233,040	248,247	263,454	278,661	293,868
<i>Merchandise</i>	22,670	23,441	24,943	26,227	27,511	28,917	30,323	31,851	33,441	34,297	34,786	36,108
<i>Sponsorship</i>		0	80,000	82,400	84,872	87,418	90,041	92,742	95,524	98,390	101,342	104,382
Event Operating Income	1,212,275	911,046	1,571,339	1,650,540	1,730,277	1,811,891	1,894,080	1,978,187	2,063,571	2,141,661	2,216,446	2,300,922
Other Income (Loss) F&B	(81,751)	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317
Building Operating Income	1,130,524	941,046	1,602,239	1,682,367	1,763,059	1,845,657	1,928,858	2,014,008	2,100,467	2,179,664	2,255,589	2,341,240
EXPENSES												
<i>Operations/General</i>	168,085	159,850	164,646	169,585	174,672	179,913	185,310	190,869	196,595	202,493	208,568	214,825
<i>Utilities</i>	457,050	513,067	396,344	408,235	420,482	433,096	446,089	459,472	473,256	487,453	502,077	517,139
<i>Housekeeping</i>	84,146	96,507	99,402	102,384	105,456	108,619	111,878	115,234	118,691	122,252	125,920	129,697
<i>Technical Services</i>	7,840	13,000	10,424	10,924	11,425	11,925	12,426	12,927	13,427	13,928	14,428	14,929
<i>MC Allocation/PDC Operator</i>	533,655	572,368	589,539	607,225	625,442	644,205	663,531	683,437	703,940	725,059	746,810	769,215
<i>Reserve and Replacement</i>			80,112	84,118	88,153	92,283	96,443	100,700	105,023	108,983	112,779	117,062
<i>PDC Staff</i>		0	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
Total Expenses	1,250,776	1,354,792	1,370,467	1,413,372	1,457,457	1,502,823	1,549,443	1,597,418	1,646,755	1,697,065	1,748,586	1,919,440
Net Income (Loss)	(120,252)	(413,746)	231,772	268,996	305,602	342,833	379,416	416,590	453,712	482,599	507,003	421,799

	FORECAST FOR FISCAL YEAR ENDING										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
REVENUE											
Direct Event Income	395,750	346,696	353,437	360,178	366,918	373,659	380,399	387,140	393,880	400,621	
Ancillary Income (Net of Expenses)	1,990,903	2,062,894	2,135,662	2,209,234	2,283,639	2,358,907	2,435,070	2,512,159	2,590,208	2,669,252	
<i>Ticket Convenience Fees</i>	472,483	489,601	507,343	525,734	544,797	564,557	585,040	606,272	628,280	651,095	
<i>Winterhawks</i>	367,839	381,817	396,326	411,387	427,019	443,246	460,090	477,573	495,721	514,558	
<i>Other</i>	104,644	107,783	111,017	114,347	117,778	121,311	124,950	128,699	132,560	136,537	
<i>Concessions</i>	1,064,351	1,099,368	1,134,386	1,169,403	1,204,421	1,239,438	1,274,456	1,309,473	1,344,491	1,379,508	
<i>Backstage Catering</i>	309,075	324,282	339,490	354,697	369,904	385,111	400,318	415,525	430,732	445,939	
<i>Merchandise</i>	37,480	38,904	40,382	41,917	43,510	45,163	46,879	48,661	50,510	52,429	
<i>Sponsorship</i>	107,513	110,739	114,061	117,483	121,007	124,637	128,377	132,228	136,195	140,280	
Event Operating Income	2,386,652	2,409,591	2,489,099	2,569,411	2,650,557	2,732,566	2,815,469	2,899,298	2,984,088	3,069,873	
Other Income (Loss) F&B	41,527	42,773	44,056	45,378	46,739	48,141	49,585	51,073	52,605	54,183	
Building Operating Income	2,428,179	2,516,455	2,606,116	2,697,213	2,789,798	2,883,926	2,979,654	3,077,041	3,176,147	3,277,036	
EXPENSES											
<i>Operations/General</i>	221,270	227,908	234,745	241,787	249,041	256,512	264,208	272,134	280,298	288,707	
<i>Utilities</i>	532,654	548,633	565,092	582,045	599,506	617,491	636,016	655,097	674,750	694,992	
<i>Housekeeping</i>	133,588	137,596	141,724	145,975	150,355	154,865	159,511	164,297	169,226	174,302	
<i>Technical Services</i>	15,430	15,930	16,431	16,931	17,432	17,933	18,433	18,934	19,434	19,935	
<i>Operating Costs</i>	792,291	816,060	840,542	865,758	891,731	918,483	946,037	974,418	1,003,651	1,033,760	
<i>Reserve and Replacement</i>	121,409	125,823	130,306	134,861	139,490	144,196	148,983	153,852	158,807	163,852	
<i>PDC Staff</i>	161,270	166,108	171,092	176,224	181,511	186,956	192,565	198,342	204,292	210,421	
Total Expenses	1,977,912	2,038,058	2,099,931	2,163,582	2,229,066	2,296,437	2,365,753	2,437,073	2,510,458	2,585,969	
Net Income (Loss)	450,268	478,397	506,185	533,630	560,732	587,489	613,901	639,968	665,689	691,067	

**SUMMARY OF PROJECTED INCOME AND EXPENSES
 VETERANS MEMORIAL COLISEUM
 Optimistic Scenario**



**HISTORICAL AND PROJECTED OPERATING PERFORMANCE
 VETERANS MEMORIAL COLISEUM
 Optimistic Scenario**

