

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 11, 2008
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number 08-76
Prepay \$750,000 and Modify Bank of America PLPA Debt

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6597

ACTION SUMMARY

This action authorizes prepayment of \$750,000 of non-recourse Private Lender Participation Agreement ("PLPA") debt to Bank of America, for which PDC has both current valid budget authority, and sufficient cash on hand to make the prepayment. It also authorizes the Executive Director to modify the loan agreement by reamortizing the new debt amount to the original loan maturity date of July 15, 2014, at its current and original interest rate of 7.65%.

This will lower existing level monthly debt service of \$47,088 to an estimated amount of \$24,574. The monthly debt service savings will cause approximately a \$270,000 per year increase in cash flow available for other purposes. In addition, there will be approximately \$129,000 in net interest savings on the refinanced debt. Finally, there will be a non-monetary benefit from reduced collateral maintenance requirements caused by the reduction in monthly debt service.

PUBLIC BENEFIT

The \$270,000 annual increased cash flow from refinancing and other excess debt fund cash will be available, not restricted by URA designation, for any lawful PDC purpose. Depending upon budget decisions made, the newly released funds would also be available to support any or all of the goals checked below.

This action will support the following PDC goals:

- x Develop healthy neighborhoods
- x Provide access to quality housing
- x Help businesses to create and sustain quality jobs
- x Support a vibrant Central City (urban core)
- x Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

This is a purely administrative action. Because this proposal is to refinance existing debt with no change in interest rate, and because it requires less net spending than previously committed by PDC, it was not deemed necessary to obtain public participation.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

This Resolution accompanying this Report was created in accordance with Administrative Policy AP-03.15, Financial Planning and Management, effective October 16, 2003. Section B.(1.)(b) of the Administrative Policy states the following:

The Chief Financial Officer is responsible for identifying and developing debt and expenditure financing strategies for all PDC projects and programs.

FINANCIAL IMPACT

There are two effects to consider when analyzing any changes in the composition of this debt. They are the projected net interest savings; and the impact of eased collateral maintenance requirements.

Projected Net Interest Savings

Interest paid on the debt is a gross cost, but interest earnings on cash held in the debt fund reduce the gross cost to a lower net cost. The debt interest rate is 7.65%, and the current City Treasurer deposit interest rate is 3.66%.

If there is no debt prepayment, the debt fund will permanently have \$750,000 to invest which would otherwise have been used to prepay debt. The projected net interest cost to a February 15, 2013 loan maturity, which assumes no debt prepayment, is as follows:

Gross Interest Expense - 6/15/08 to 2/15/13	\$426,101
Interest Income on \$750,000 - 6/15/08 to 2/15/13	<u>(128,100)</u>
Net Interest Expense	<u>\$298,001</u>

If there is a \$750,000 debt prepayment, the debt fund will not be able to invest these funds. However, the combination of the debt prepayment and the debt reamortization will lower monthly debt service from its current \$47,088 amount to a projected payment of \$24,574.

This would allow the accumulation of \$22,514 of saved money in the debt fund each month, and those accumulating funds would earn interest at a 3.66% rate. The projected net interest cost to a July 15, 2014 loan maturity, assuming a \$750,000 debt prepayment and 3.66% interest earned on the saved monthly payments, is as follows:

Gross Interest Expense 6/15/08 to 7/15/14	\$363,134
Interest Accumulated 6/15/08 to 7/15/14	<u>(194,203)</u>
Net Interest Expense	<u>\$168,931</u>

Projected net interest savings over the remaining debt term from prepaying \$750,000 of debt and reamortizing the remaining debt would be \$129,070.

Eased Collateral Maintenance

The impact of eased collateral maintenance requirements must also be considered. PDC is required by the PLPA loan agreement to maintain eligible residential mortgages as collateral, to secure this non-recourse debt.

The collateral pledged must have minimum scheduled monthly payments at least 1.05 times the current debt service of \$47,088, or \$49,442. PDC must certify compliance with this debt covenant on a quarterly basis.

The currently pledged collateral pool has scheduled monthly payments of \$57,779, which compares to the \$49,442 amount currently required. There has been a steady loss of collateral income over the years, caused by loan prepayments. For reasons discussed in the “Background” section, newly generated eligible loans are no longer available to replace collateral income lost through loan prepayments.

PDC has managed to meet replacement collateral needs only by having the PLPA debt fund buy existing loan collateral from other funds, but the supply of old eligible collateral is now virtually exhausted.

A cut in the monthly debt payment to \$24,574, would also cut the minimum required pledged collateral income to 1.05 times the new debt service, or \$25,803. Projections show that the existing monthly collateral income pledge of \$57,779 would be adequate to meet this debt covenant assuming an annual Constant Prepayment Rate (“CPR”) ranging from 0% to 13%, through the modified loan maturity date of July 15, 2014,

If the CPR were 14%, the projection is that PDC would first fail this covenant on March 15, 2014 (see Schedule C, page 2). However, at a 14% CPR, the \$1,164,034 cumulative balance of loan prepayments would exceed the projected \$1,154,263 debt balance on November 15, 2009. (see Schedule C, page 1.)

PDC could prepay all outstanding PLPA debt from loan collateral prepayments alone, and then there would no debt covenants. This logic applies to all other higher loan prepayment speeds, except that the projected debt payoff date would be earlier than November 15, 2009.

RISK ASSESSMENT

- 1. Legal** – No significant risks if the accompanying resolution were to pass. If it were not to pass, PDC would face a collateral squeeze and the possibility of a collateral maintenance covenant default, as discussed in the section labeled “Eased Collateral Maintenance”.
- 2. Financial** – No significant risks if the accompanying resolution were to pass. If it were not to pass, PDC would forego an estimated \$129,000 of interest savings over the term of the debt. In addition, PDC would incur an opportunity cost by being unable to redeploy \$270,000 per year.
- 3. Operational** – Not applicable.
- 4. Public Trust** – No significant risks.

WORK LOAD IMPACT

There will be no additional work load. PDC is already required to make monthly payments and quarterly collateral certifications for the existing debt. The work load will not change if a portion of the debt is prepaid and if there is a new debt amortization schedule.

ALTERNATIVE ACTIONS

The Commission could decide to do nothing. If that were the decision, the debt would continue to amortize until February 15, 2013, when it would be repaid, instead of the July 15, 2014 maturity date after reamortization.

One cost of doing nothing would be the projected lost net interest rate savings of \$129,000 discussed under “Financial Impact”. PDC also could not redeploy approximately \$270,000 per year of newly released cash flow.

Finally, PDC would be unable to avoid a risk of a loan collateral squeeze and a possible covenant default, as was discussed in the “Financial Impact” section.

CONCURRENCE

This proposal does not require the concurrence of any agency outside of PDC, except that the City of Portland must also execute any loan modification agreement. PDC staff fully concurs with this report.

BACKGROUND

PDC incurred limited recourse debt with Bank of America, N.A., in the form of a Private Lender Participation Agreement. This program combined borrowed funds with grant funds to lend at a lower blended rate to homeowners and rental investors. These funds were then used to acquire and to rehabilitate residential properties.

PDC can no longer borrow funds because the borrowing periods have expired. In addition, policy changes have made grant funds unavailable to blend with borrowed funds to lend to homeowners and rental investors at a subsidized rate. The PLPA debt is now in liquidation and is no longer a source for financial assistance.

Bank of America, N.A., lent PDC a total of approximately \$9,500,000 starting in 1989. This debt had multiple interest rates and maturities. On June 28, 2001, PDC converted the \$4,645,400 balance of this PLPA debt to a 13-year term loan, with a 7.65% interest rate and a final maturity date of July 15, 2014. The level monthly payments on the term loan are \$47,088.

PDC may repay its debt from prepayments of loans pledged to secure the debt. PDC received \$3,118,402 in eligible loan prepayments as of June 30, 2007 and prepaid \$500,000 of debt during that fiscal year. Because the balance of this loan at June 30, 2007 was only \$2,563,005, PDC may now repay the PLPA debt in whole or in part at any time.

Under the current loan agreement, debt prepayments do not lower the fixed monthly debt service but act to shorten the debt maturity. Because of prior loan prepayments, the scheduled maturity on this debt is now February 15, 2013, instead of the original July 15, 2014 maturity date.

Bank of America has agreed to allow PDC to lower its monthly loan payment from \$47,088 to \$24,574 if we prepay a minimum \$750,000 of the existing loan. This would extend the loan maturity to its original date of July 15, 2014.

Bank of America has also agreed that if PDC holds two months of the new loan payments in reserve (\$49,148), and these funds may be held by the City Treasurer in the usual manner, all excess cash held in this fund will be available for any lawful PDC purpose. Currently all excess cash must be used to make the type of loan PDC no longer makes, must be held in reserve, or must be used to prepay PLPA debt.

ATTACHMENTS:

- A. Schedule A – Current of America PLPA Loan Amortization Schedule
- B. Schedule B – Proposed New Bank of America PLPA Loan Amortization Schedule
- C. Schedule C – Bank of America PLPA Collateral Pool Analysis

CC: Julie Cody, Chief Financial Officer
Paul Esch, Senior Accountant
Jane Kingston, Accounting Manager
D. Elott, Acting General Counsel
J. Jackley, Executive Operation

Schedule A
PORTLAND DEVELOPMENT COMMISSION
CURRENT BANK OF AMERICA LOAN AMORTIZATION SCHEDULE

Starting Loan Principal	4,645,400.45
Loan Interest Rate	7.65%
Loan Term in Years	13
Monthly Loan Payment	47,087.59

<u>Payment Due Date</u>	<u>Loan Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
06/28/01	4,645,400.45			
07/15/01	4,645,400.45	28,044.92	0.00	28,044.92
08/15/01	4,627,927.29	29,614.43	17,473.16	47,087.59
09/15/01	4,610,342.74	29,503.04	17,584.55	47,087.59
10/15/01	4,592,646.08	29,390.93	17,696.66	47,087.59
11/15/01	4,574,836.61	29,278.12	17,809.47	47,087.59
12/15/01	4,556,913.60	29,164.58	17,923.01	47,087.59
01/15/02	4,538,876.33	29,050.32	18,037.27	47,087.59
02/15/02	4,520,724.08	28,935.34	18,152.25	47,087.59
03/15/02	4,502,456.11	28,819.62	18,267.97	47,087.59
04/15/02	4,484,071.68	28,703.16	18,384.43	47,087.59
05/15/02	4,465,570.05	28,585.96	18,501.63	47,087.59
06/15/02	4,446,950.47	28,468.01	18,619.58	47,087.59
07/15/02	4,428,212.19	28,349.31	18,738.28	47,087.59
08/15/02	4,409,354.45	28,229.85	18,857.74	47,087.59
09/15/02	4,390,376.49	28,109.63	18,977.96	47,087.59
10/15/02	4,371,277.55	27,988.65	19,098.94	47,087.59
11/15/02	4,352,056.85	27,866.89	19,220.70	47,087.59
12/15/02	4,332,713.62	27,744.36	19,343.23	47,087.59
01/15/03	4,313,247.08	27,621.05	19,466.54	47,087.59
02/15/03	4,293,656.44	27,496.95	19,590.64	47,087.59
03/15/03	4,273,940.91	27,372.06	19,715.53	47,087.59
04/15/03	4,254,099.70	27,246.38	19,841.21	47,087.59
05/15/03	4,234,132.00	27,119.89	19,967.70	47,087.59
06/15/03	4,214,037.00	26,992.59	20,095.00	47,087.59
07/15/03	4,193,813.90	26,864.49	20,223.10	47,087.59
08/15/03	4,173,461.87	26,735.56	20,352.03	47,087.59
09/15/03	4,152,980.10	26,605.82	20,481.77	47,087.59
10/15/03	4,132,367.76	26,475.25	20,612.34	47,087.59
11/15/03	4,111,624.01	26,343.84	20,743.75	47,087.59
12/15/03	4,090,748.02	26,211.60	20,875.99	47,087.59
01/15/04	4,069,738.95	26,078.52	21,009.07	47,087.59
02/15/04	4,048,595.95	25,944.59	21,143.00	47,087.59
03/15/04	4,027,318.16	25,809.80	21,277.79	47,087.59
04/15/04	4,005,904.72	25,674.15	21,413.44	47,087.59
05/15/04	3,984,354.77	25,537.64	21,549.95	47,087.59
06/15/04	3,962,667.44	25,400.26	21,687.33	47,087.59
07/15/04	3,940,841.85	25,262.00	21,825.59	47,087.59
08/15/04	3,918,877.13	25,122.87	21,964.72	47,087.59
09/15/04	3,896,772.38	24,982.84	22,104.75	47,087.59
10/15/04	3,874,526.72	24,841.92	22,245.67	47,087.59

Schedule A
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Starting Loan Principal	4,645,400.45
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<u>Payment Due Date</u>	<u>Loan Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
11/15/04	3,852,139.24	24,700.11	22,387.48	47,087.59
12/15/04	3,829,609.04	24,557.39	22,530.20	47,087.59
01/15/05	3,806,935.20	24,413.76	22,673.83	47,087.59
02/15/05	3,784,116.82	24,269.21	22,818.38	47,087.59
03/15/05	3,761,152.97	24,123.74	22,963.85	47,087.59
04/15/05	3,738,042.73	23,977.35	23,110.24	47,087.59
05/15/05	3,714,785.16	23,830.02	23,257.57	47,087.59
06/15/05	3,691,379.33	23,681.76	23,405.83	47,087.59
07/15/05	3,667,824.29	23,532.54	23,555.05	47,087.59
08/15/05	3,644,119.08	23,382.38	23,705.21	47,087.59
09/15/05	3,620,262.75	23,231.26	23,856.33	47,087.59
10/15/05	3,596,254.33	23,079.18	24,008.41	47,087.59
11/15/05	3,572,092.86	22,926.12	24,161.47	47,087.59
12/15/05	3,547,777.36	22,772.09	24,315.50	47,087.59
01/15/06	3,523,306.85	22,617.04	24,470.51	47,087.59
02/15/06	3,498,680.34	22,461.08	24,626.51	47,087.59
03/15/06	3,473,896.84	22,304.09	24,783.50	47,087.59
04/15/06	3,448,955.34	22,146.09	24,941.50	47,087.59
05/15/06	3,423,854.84	21,987.09	25,100.50	47,087.59
06/15/06	3,398,594.32	21,827.07	25,260.52	47,087.59
07/15/06	3,373,172.77	21,666.04	25,421.55	47,087.59
08/15/06	3,347,428.12	21,503.98	25,744.65	47,248.63
09/15/06	3,321,680.38	21,339.85	25,747.74	47,087.59
10/15/06	3,295,768.50	21,175.71	25,911.88	47,087.59
11/15/06	3,269,691.43	21,010.52	26,077.07	47,087.59
12/15/06	3,243,448.12	20,844.28	26,243.31	47,087.59
12/15/06	2,743,448.12	0.00	500,000.00	500,000.00
12/15/06	2,743,447.99	0.00	0.13	0.13
01/15/07	2,713,850.08	17,489.48	29,597.91	47,087.39
02/15/07	2,684,063.28	17,300.79	29,786.80	47,087.59
03/15/07	2,654,086.59	17,110.90	29,976.69	47,087.59
04/15/07	2,623,918.80	16,919.80	30,167.79	47,087.59
05/15/07		(0.40)	0.40	0.00
05/15/07	2,593,558.29	16,727.48	30,360.11	47,087.59
06/15/07	2,563,004.63	16,533.93	30,553.66	47,087.59
07/15/07	2,532,256.19	16,339.15	30,748.44	47,087.59
08/15/07	2,501,311.73	16,143.13	30,944.46	47,087.59
09/15/07	2,470,170.00	15,945.86	31,141.73	47,087.59
10/15/07	2,438,829.74	15,747.33	31,340.26	47,087.59
11/15/07	2,407,283.12	15,540.97	31,546.62	47,087.59

Paul Esch:
Voluntary
prepayment
of \$500,000

Adjustment

Paul Esch:
Bank of
America
reduced
interest
expense by
\$6.13 and
credited
principal paid.

Schedule A
PORTLAND DEVELOPMENT COMMISSION
CURRENT BANK OF AMERICA LOAN AMORTIZATION SCHEDULE

Starting Loan Principal	4,645,400.45
Loan Interest Rate	7.65%
Loan Term in Years	13
Monthly Loan Payment	47,087.59

<u>Payment Due Date</u>	<u>Loan Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
12/15/07	2,375,541.96	15,346.43	31,741.16	47,087.59
01/15/08	2,343,598.45	15,144.08	31,943.51	47,087.59
02/15/08	2,311,451.30	14,940.44	32,147.15	47,087.59
03/15/08	2,279,099.21	14,735.50	32,352.09	47,087.59
04/15/08	2,246,540.88	14,529.26	32,558.33	47,087.59
05/15/08	2,213,774.99	14,321.70	32,765.89	47,087.59
06/15/08	2,180,800.22	14,112.82	32,974.77	47,087.59
07/15/08	2,147,615.23	13,902.60	33,184.99	47,087.59
08/15/08	2,114,218.69	13,691.05	33,396.54	47,087.59
09/15/08	2,080,609.24	13,478.14	33,609.45	47,087.59
10/15/08	2,046,785.53	13,263.88	33,823.71	47,087.59
11/15/08	2,012,746.20	13,048.26	34,039.33	47,087.59
12/15/08	1,978,489.87	12,831.26	34,256.33	47,087.59
01/15/09	1,944,015.15	12,612.87	34,474.72	47,087.59
02/15/09	1,909,320.66	12,393.10	34,694.49	47,087.59
03/15/09	1,874,404.99	12,171.92	34,915.67	47,087.59
04/15/09	1,839,266.73	11,949.33	35,138.26	47,087.59
05/15/09	1,803,904.47	11,725.33	35,362.26	47,087.59
06/15/09	1,768,316.77	11,499.89	35,587.70	47,087.59
07/15/09	1,732,502.20	11,273.02	35,814.57	47,087.59
08/15/09	1,696,459.31	11,044.70	36,042.89	47,087.59
09/15/09	1,660,186.65	10,814.93	36,272.66	47,087.59
10/15/09	1,623,682.75	10,583.69	36,503.90	47,087.59
11/15/09	1,586,946.14	10,350.98	36,736.61	47,087.59
12/15/09	1,549,975.33	10,116.78	36,970.81	47,087.59
01/15/10	1,512,768.83	9,881.09	37,206.50	47,087.59
02/15/10	1,475,325.14	9,643.90	37,443.69	47,087.59
03/15/10	1,437,642.75	9,405.20	37,682.39	47,087.59
04/15/10	1,399,720.13	9,164.97	37,922.62	47,087.59
05/15/10	1,361,555.76	8,923.22	38,164.37	47,087.59
06/15/10	1,323,148.09	8,679.92	38,407.67	47,087.59
07/15/10	1,284,495.57	8,435.07	38,652.52	47,087.59
08/15/10	1,245,596.64	8,188.66	38,898.93	47,087.59
09/15/10	1,206,449.73	7,940.68	39,146.91	47,087.59
10/15/10	1,167,053.26	7,691.12	39,396.47	47,087.59
11/15/10	1,127,405.63	7,439.96	39,647.63	47,087.59
12/15/10	1,087,505.25	7,187.21	39,900.38	47,087.59
01/15/11	1,047,350.51	6,932.85	40,154.74	47,087.59
02/15/11	1,006,939.78	6,676.86	40,410.73	47,087.59
03/15/11	966,271.43	6,419.24	40,668.35	47,087.59
04/15/11	925,343.82	6,159.98	40,927.61	47,087.59

Schedule A
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Starting Loan Principal	4,645,400.45
Loan Interest Rate	7.65%
Loan Term in Years	13
Monthly Loan Payment	47,087.59

<u>Payment Due Date</u>	<u>Loan Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
05/15/11	884,155.30	5,899.07	41,188.52	47,087.59
06/15/11	842,704.20	5,636.49	41,451.10	47,087.59
07/15/11	800,988.85	5,372.24	41,715.35	47,087.59
08/15/11	759,007.56	5,106.30	41,981.29	47,087.59
09/15/11	716,758.64	4,838.67	42,248.92	47,087.59
10/15/11	674,240.39	4,569.34	42,518.25	47,087.59
11/15/11	631,451.08	4,298.28	42,789.31	47,087.59
12/15/11	588,388.99	4,025.50	43,062.09	47,087.59
01/15/12	545,052.38	3,750.98	43,336.61	47,087.59
02/15/12	501,439.50	3,474.71	43,612.88	47,087.59
03/15/12	457,548.59	3,196.68	43,890.91	47,087.59
04/15/12	413,377.87	2,916.87	44,170.72	47,087.59
05/15/12	368,925.56	2,635.28	44,452.31	47,087.59
06/15/12	324,189.87	2,351.90	44,735.69	47,087.59
07/15/12	279,168.99	2,066.71	45,020.88	47,087.59
08/15/12	233,861.10	1,779.70	45,307.89	47,087.59
09/15/12	188,264.37	1,490.86	45,596.73	47,087.59
10/15/12	142,376.97	1,200.19	45,887.40	47,087.59
11/15/12	96,197.03	907.65	46,179.94	47,087.59
12/15/12	49,722.70	613.26	46,474.33	47,087.59
01/15/13	2,952.09	316.98	46,770.61	47,087.59
02/15/13	0.00	18.82	2,952.09	2,970.91

Gross Interest Expense - 6/15/08 to 2/15/13	\$426,101
Interest Income on \$750,000 - 6/15/08 to 2/15/13	<u>(128,100)</u>
Net Interest Expense	<u><u>\$298,001</u></u>

The current City Treasurer deposit rate is 3.66%, and the calculation above shows interest earnings at that rate for the 56 months from 6/15/08 through 2/15/13. The difference between the interest paid and the interest earned is the Net Interest Expense.

Schedule B
PORTLAND DEVELOPMENT COMMISSION
PROPOSED NEW BANK OF AMERICA LOAN AMORTIZATION SCHEDULE
\$750,000 Debt Prepayment on 6/15/2008

Starting Loan Principal	4,645,400.45
Loan Interest Rate	7.65%
Loan Term in Years	13
Monthly Loan Payment	47,087.59
June 15, 2008 New Loan Principal	1,430,800.23
Loan Interest Rate	7.65%
Loan Term in Months	73
New Monthly Loan Payment	24,574.45

<u>Payment Due Date</u>	<u>Loan Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
06/28/01	4,645,400.45			
07/15/01	4,645,400.45	28,044.92	0.00	28,044.92
08/15/01	4,627,927.29	29,614.43	17,473.16	47,087.59
09/15/01	4,610,342.74	29,503.04	17,584.55	47,087.59
10/15/01	4,592,646.08	29,390.93	17,696.66	47,087.59
11/15/01	4,574,836.61	29,278.12	17,809.47	47,087.59
12/15/01	4,556,913.60	29,164.58	17,923.01	47,087.59
01/15/02	4,538,876.33	29,050.32	18,037.27	47,087.59
02/15/02	4,520,724.08	28,935.34	18,152.25	47,087.59
03/15/02	4,502,456.11	28,819.62	18,267.97	47,087.59
04/15/02	4,484,071.68	28,703.16	18,384.43	47,087.59
05/15/02	4,465,570.05	28,585.96	18,501.63	47,087.59
06/15/02	4,446,950.47	28,468.01	18,619.58	47,087.59
07/15/02	4,428,212.19	28,349.31	18,738.28	47,087.59
08/15/02	4,409,354.45	28,229.85	18,857.74	47,087.59
09/15/02	4,390,376.49	28,109.63	18,977.96	47,087.59
10/15/02	4,371,277.55	27,988.65	19,098.94	47,087.59
11/15/02	4,352,056.85	27,866.89	19,220.70	47,087.59
12/15/02	4,332,713.62	27,744.36	19,343.23	47,087.59
01/15/03	4,313,247.08	27,621.05	19,466.54	47,087.59
02/15/03	4,293,656.44	27,496.95	19,590.64	47,087.59
03/15/03	4,273,940.91	27,372.06	19,715.53	47,087.59
04/15/03	4,254,099.70	27,246.38	19,841.21	47,087.59
05/15/03	4,234,132.00	27,119.89	19,967.70	47,087.59
06/15/03	4,214,037.00	26,992.59	20,095.00	47,087.59
07/15/03	4,193,813.90	26,864.49	20,223.10	47,087.59
08/15/03	4,173,461.87	26,735.56	20,352.03	47,087.59
09/15/03	4,152,980.10	26,605.82	20,481.77	47,087.59
10/15/03	4,132,367.76	26,475.25	20,612.34	47,087.59
11/15/03	4,111,624.01	26,343.84	20,743.75	47,087.59
12/15/03	4,090,748.02	26,211.60	20,875.99	47,087.59
01/15/04	4,069,738.95	26,078.52	21,009.07	47,087.59
02/15/04	4,048,595.95	25,944.59	21,143.00	47,087.59
03/15/04	4,027,318.16	25,809.80	21,277.79	47,087.59
04/15/04	4,005,904.72	25,674.15	21,413.44	47,087.59

Schedule B
PORTLAND DEVELOPMENT COMMISSION
PROPOSED NEW BANK OF AMERICA LOAN AMORTIZATION SCHEDULE
\$750,000 Debt Prepayment on 6/15/2008

Starting Loan Principal	4,645,400.45
Loan Interest Rate	7.65%
Loan Term in Years	13
Monthly Loan Payment	47,087.59
June 15, 2008 New Loan Principal	1,430,800.23
Loan Interest Rate	7.65%
Loan Term in Months	73
New Monthly Loan Payment	24,574.45

<u>Payment Due Date</u>	<u>Loan Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
05/15/04	3,984,354.77	25,537.64	21,549.95	47,087.59
06/15/04	3,962,667.44	25,400.26	21,687.33	47,087.59
07/15/04	3,940,841.85	25,262.00	21,825.59	47,087.59
08/15/04	3,918,877.13	25,122.87	21,964.72	47,087.59
09/15/04	3,896,772.38	24,982.84	22,104.75	47,087.59
10/15/04	3,874,526.72	24,841.92	22,245.67	47,087.59
11/15/04	3,852,139.24	24,700.11	22,387.48	47,087.59
12/15/04	3,829,609.04	24,557.39	22,530.20	47,087.59
01/15/05	3,806,935.20	24,413.76	22,673.83	47,087.59
02/15/05	3,784,116.82	24,269.21	22,818.38	47,087.59
03/15/05	3,761,152.97	24,123.74	22,963.85	47,087.59
04/15/05	3,738,042.73	23,977.35	23,110.24	47,087.59
05/15/05	3,714,785.16	23,830.02	23,257.57	47,087.59
06/15/05	3,691,379.33	23,681.76	23,405.83	47,087.59
07/15/05	3,667,824.29	23,532.54	23,555.05	47,087.59
08/15/05	3,644,119.08	23,382.38	23,705.21	47,087.59
09/15/05	3,620,262.75	23,231.26	23,856.33	47,087.59
10/15/05	3,596,254.33	23,079.18	24,008.41	47,087.59
11/15/05	3,572,092.86	22,926.12	24,161.47	47,087.59
12/15/05	3,547,777.36	22,772.09	24,315.50	47,087.59
01/15/06	3,523,306.85	22,617.04	24,470.51	47,087.59
02/15/06	3,498,680.34	22,461.08	24,626.51	47,087.59
03/15/06	3,473,896.84	22,304.09	24,783.50	47,087.59
04/15/06	3,448,955.34	22,146.09	24,941.50	47,087.59
05/15/06	3,423,854.84	21,987.09	25,100.50	47,087.59
06/15/06	3,398,594.32	21,827.07	25,260.52	47,087.59
07/15/06	3,373,172.77	21,666.04	25,421.55	47,087.59
08/15/06	3,347,428.12	21,503.98	25,744.65	47,248.63
09/15/06	3,321,680.38	21,339.85	25,747.74	47,087.59
10/15/06	3,295,768.50	21,175.71	25,911.88	47,087.59
11/15/06	3,269,691.43	21,010.52	26,077.07	47,087.59
12/15/06	3,243,448.12	20,844.28	26,243.31	47,087.59
12/15/06	2,743,448.12	0.00	500,000.00	500,000.00
12/15/06	2,743,447.99	0.00	0.13	0.13
01/15/07	2,713,850.08	17,489.48	29,597.91	47,087.39

Paul Esch:
Voluntary loan
prepayment.

Schedule B
PORTLAND DEVELOPMENT COMMISSION
PROPOSED NEW BANK OF AMERICA LOAN AMORTIZATION SCHEDULE
\$750,000 Debt Prepayment on 6/15/2008

Starting Loan Principal	4,645,400.45
Loan Interest Rate	7.65%
Loan Term in Years	13
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Loan Interest Rate	7.65%
Loan Term in Months	73
New Monthly Loan Payment	24,574.45

<u>Payment Due Date</u>	<u>Loan Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
02/15/07	2,684,063.28	17,300.79	29,786.80	47,087.59
03/15/07	2,654,086.59	17,110.90	29,976.69	47,087.59
04/15/07	2,623,918.80	16,919.80	30,167.79	47,087.59
05/15/07		(0.40)	0.40	0.00
05/15/07	2,593,558.29	16,727.48	30,360.11	47,087.59
06/15/07	2,563,004.63	16,533.93	30,553.66	47,087.59
07/15/07	2,532,256.19	16,339.15	30,748.44	47,087.59
08/15/07	2,501,311.73	16,143.13	30,944.46	47,087.59
09/15/07	2,470,170.00	15,945.86	31,141.73	47,087.59
10/15/07	2,438,829.74	15,747.33	31,340.26	47,087.59
11/15/07	2,407,283.12	15,540.97	31,546.62	47,087.59
12/15/07	2,375,541.96	15,346.43	31,741.16	47,087.59
01/15/08	2,343,598.45	15,144.08	31,943.51	47,087.59
02/15/08	2,311,451.30	14,940.44	32,147.15	47,087.59
03/15/08	2,279,099.21	14,735.50	32,352.09	47,087.59
04/15/08	2,246,540.88	14,529.26	32,558.33	47,087.59
05/15/08	2,213,775.00	14,321.70	32,765.89	47,087.59
06/15/08			750,000.00	750,000.00
06/15/08	1,430,800.23	14,112.82	32,974.77	47,087.59
07/15/08	1,415,347.13	9,121.35	15,453.10	24,574.45
08/15/08	1,399,795.52	9,022.84	15,551.61	24,574.45
09/15/08	1,384,144.77	8,923.70	15,650.75	24,574.45
10/15/08	1,368,394.24	8,823.92	15,750.53	24,574.45
11/15/08	1,352,543.30	8,723.51	15,850.94	24,574.45
12/15/08	1,336,591.31	8,622.46	15,951.99	24,574.45
01/15/09	1,320,537.63	8,520.77	16,053.68	24,574.45
02/15/09	1,304,381.61	8,418.43	16,156.02	24,574.45
03/15/09	1,288,122.59	8,315.43	16,259.02	24,574.45
04/15/09	1,271,759.92	8,211.78	16,362.67	24,574.45
05/15/09	1,255,292.94	8,107.47	16,466.98	24,574.45
06/15/09	1,238,720.98	8,002.49	16,571.96	24,574.45
07/15/09	1,222,043.38	7,896.85	16,677.60	24,574.45
08/15/09	1,205,259.46	7,790.53	16,783.92	24,574.45
09/15/09	1,188,368.54	7,683.53	16,890.92	24,574.45
10/15/09	1,171,369.94	7,575.85	16,998.60	24,574.45

Paul Esch:
Adjusted by \$0.01
to equal Bank of
America billing.

Paul Esch:
Voluntary loan
prepayment.

Schedule B
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<u>Payment Due Date</u>	<u>Loan Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
11/15/09	1,154,262.97	7,467.48	17,106.97	24,574.45
12/15/09	1,137,046.95	7,358.43	17,216.02	24,574.45
01/15/10	1,119,721.17	7,248.67	17,325.78	24,574.45
02/15/10	1,102,284.94	7,138.22	17,436.23	24,574.45
03/15/10	1,084,737.56	7,027.07	17,547.38	24,574.45
04/15/10	1,067,078.31	6,915.20	17,659.25	24,574.45
05/15/10	1,049,306.48	6,802.62	17,771.83	24,574.45
06/15/10	1,031,421.36	6,689.33	17,885.12	24,574.45
07/15/10	1,013,422.22	6,575.31	17,999.14	24,574.45
08/15/10	995,308.34	6,460.57	18,113.88	24,574.45
09/15/10	977,078.98	6,345.09	18,229.36	24,574.45
10/15/10	958,733.41	6,228.88	18,345.57	24,574.45
11/15/10	940,270.89	6,111.93	18,462.52	24,574.45
12/15/10	921,690.67	5,994.23	18,580.22	24,574.45
01/15/11	902,992.00	5,875.78	18,698.67	24,574.45
02/15/11	884,174.12	5,756.57	18,817.88	24,574.45
03/15/11	865,236.28	5,636.61	18,937.84	24,574.45
04/15/11	846,177.71	5,515.88	19,058.57	24,574.45
05/15/11	826,997.64	5,394.38	19,180.07	24,574.45
06/15/11	807,695.30	5,272.11	19,302.34	24,574.45
07/15/11	788,269.91	5,149.06	19,425.39	24,574.45
08/15/11	768,720.68	5,025.22	19,549.23	24,574.45
09/15/11	749,046.82	4,900.59	19,673.86	24,574.45
10/15/11	729,247.54	4,775.17	19,799.28	24,574.45
11/15/11	709,322.04	4,648.95	19,925.50	24,574.45
12/15/11	689,269.52	4,521.93	20,052.52	24,574.45
01/15/12	669,089.16	4,394.09	20,180.36	24,574.45
02/15/12	648,780.15	4,265.44	20,309.01	24,574.45
03/15/12	628,341.67	4,135.97	20,438.48	24,574.45
04/15/12	607,772.90	4,005.68	20,568.77	24,574.45
05/15/12	587,073.00	3,874.55	20,699.90	24,574.45
06/15/12	566,241.14	3,742.59	20,831.86	24,574.45
07/15/12	545,276.48	3,609.79	20,964.66	24,574.45
08/15/12	524,178.17	3,476.14	21,098.31	24,574.45
09/15/12	502,945.36	3,341.64	21,232.81	24,574.45

Schedule B
PORTLAND DEVELOPMENT COMMISSION
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\$750,000 Debt Prepayment on 6/15/2008

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Loan Interest Rate	7.65%
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New Monthly Loan Payment	24,574.45

<u>Payment Due Date</u>	<u>Loan Principal</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>
10/15/12	481,577.19	3,206.28	21,368.17	24,574.45
11/15/12	460,072.79	3,070.05	21,504.40	24,574.45
12/15/12	438,431.30	2,932.96	21,641.49	24,574.45
01/15/13	416,651.85	2,795.00	21,779.45	24,574.45
02/15/13	394,733.56	2,656.16	21,918.29	24,574.45
03/15/13	372,675.54	2,516.43	22,058.02	24,574.45
04/15/13	350,476.90	2,375.81	22,198.64	24,574.45
05/15/13	328,136.74	2,234.29	22,340.16	24,574.45
06/15/13	305,654.16	2,091.87	22,482.58	24,574.45
07/15/13	283,028.26	1,948.55	22,625.90	24,574.45
08/15/13	260,258.12	1,804.31	22,770.14	24,574.45
09/15/13	237,342.82	1,659.15	22,915.30	24,574.45
10/15/13	214,281.43	1,513.06	23,061.39	24,574.45
11/15/13	191,073.02	1,366.04	23,208.41	24,574.45
12/15/13	167,716.66	1,218.09	23,356.36	24,574.45
01/15/14	144,211.40	1,069.19	23,505.26	24,574.45
02/15/14	120,556.30	919.35	23,655.10	24,574.45
03/15/14	96,750.40	768.55	23,805.90	24,574.45
04/15/14	72,792.73	616.78	23,957.67	24,574.45
05/15/14	48,682.33	464.05	24,110.40	24,574.45
06/15/14	24,418.23	310.35	24,264.10	24,574.45
07/15/14	0.00	155.67	24,418.23	24,573.90

Gross Interest Expense 6/15/08 to 7/15/14	\$363,134
Interest Accumulated 6/15/08 to 7/15/14	(194,203)
Net Interest Expense	<u>\$168,931</u>

Prepaying \$750,000 in cash to reduce the debt will leave those funds unavailable for investment. However, the saved monthly payments could accumulate in the debt fund and would earn interest at 3.66%. The projected accumulated interest reduces the gross interest expense.

Schedule C
Bank of America PLPA Collateral Pool Analysis
6/15/2008 through 7/15/2014

Current Pledged Monthly Collateral Income	\$57,779
New Required Monthly Income	\$25,803
Current Pledged Collateral Principal	\$6,436,130
Annualized Constant Prepayment Rate	14%

<u>Date</u>	<u>Monthly Income</u>	<u>Required Income</u>	<u>Collateral Balance</u>	<u>Principal Prepayments</u>	<u>Cumulative Principal Prepayments</u>	<u>Scheduled Principal Balance</u>
15-Jun-08	\$57,779		\$6,436,130			\$1,430,800
15-Jul-08	\$57,105	\$25,803	\$6,361,042	\$75,088	\$75,088	\$1,415,347
15-Aug-08	\$56,439	\$25,803	\$6,286,830	\$74,212	\$149,300	\$1,399,796
15-Sep-08	\$55,780	\$25,803	\$6,213,483	\$73,346	\$222,647	\$1,384,145
15-Oct-08	\$55,129	\$25,803	\$6,140,993	\$72,491	\$295,137	\$1,368,394
15-Nov-08	\$54,486	\$25,803	\$6,069,348	\$71,645	\$366,782	\$1,352,543
15-Dec-08	\$53,851	\$25,803	\$5,998,539	\$70,809	\$437,591	\$1,336,591
15-Jan-09	\$53,222	\$25,803	\$5,928,556	\$69,983	\$507,574	\$1,320,538
15-Feb-09	\$52,601	\$25,803	\$5,859,389	\$69,166	\$576,741	\$1,304,382
15-Mar-09	\$51,988	\$25,803	\$5,791,030	\$68,360	\$645,100	\$1,288,123
15-Apr-09	\$51,381	\$25,803	\$5,723,468	\$67,562	\$712,662	\$1,271,760
15-May-09	\$50,782	\$25,803	\$5,656,694	\$66,774	\$779,436	\$1,255,293
15-Jun-09	\$50,189	\$25,803	\$5,590,699	\$65,995	\$845,431	\$1,238,721
15-Jul-09	\$49,604	\$25,803	\$5,525,474	\$65,225	\$910,656	\$1,222,043
15-Aug-09	\$49,025	\$25,803	\$5,461,010	\$64,464	\$975,120	\$1,205,259
15-Sep-09	\$48,453	\$25,803	\$5,397,299	\$63,712	\$1,038,831	\$1,188,369
15-Oct-09	\$47,888	\$25,803	\$5,334,330	\$62,968	\$1,101,800	\$1,171,370
15-Nov-09	\$47,329	\$25,803	\$5,272,096	\$62,234	\$1,164,034	\$1,154,263
<u>15-Dec-09</u>	\$46,777	\$25,803	\$5,210,589	\$61,508	\$1,225,541	\$1,137,047
15-Jan-10	\$46,231	\$25,803	\$5,149,798	\$60,790	\$1,286,332	\$1,119,721
15-Feb-10	\$45,692	\$25,803	\$5,089,717	\$60,081	\$1,346,413	\$1,102,285
15-Mar-10	\$45,159	\$25,803	\$5,030,337	\$59,380	\$1,405,793	\$1,084,738
15-Apr-10	\$44,632	\$25,803	\$4,971,650	\$58,687	\$1,464,480	\$1,067,078
15-May-10	\$44,111	\$25,803	\$4,913,647	\$58,003	\$1,522,483	\$1,049,306
15-Jun-10	\$43,597	\$25,803	\$4,856,322	\$57,326	\$1,579,808	\$1,031,421
15-Jul-10	\$43,088	\$25,803	\$4,799,665	\$56,657	\$1,636,465	\$1,013,422
15-Aug-10	\$42,585	\$25,803	\$4,743,668	\$55,996	\$1,692,462	\$995,308
15-Sep-10	\$42,088	\$25,803	\$4,688,326	\$55,343	\$1,747,804	\$977,079
15-Oct-10	\$41,597	\$25,803	\$4,633,628	\$54,697	\$1,802,502	\$958,733
15-Nov-10	\$41,112	\$25,803	\$4,579,569	\$54,059	\$1,856,561	\$940,271
15-Dec-10	\$40,632	\$25,803	\$4,526,141	\$53,428	\$1,909,989	\$921,691
15-Jan-11	\$40,158	\$25,803	\$4,473,336	\$52,805	\$1,962,794	\$902,992
15-Feb-11	\$39,690	\$25,803	\$4,421,147	\$52,189	\$2,014,983	\$884,174
15-Mar-11	\$39,227	\$25,803	\$4,369,567	\$51,580	\$2,066,563	\$865,236
15-Apr-11	\$38,769	\$25,803	\$4,318,589	\$50,978	\$2,117,541	\$846,178
15-May-11	\$38,317	\$25,803	\$4,268,205	\$50,384	\$2,167,925	\$826,998
15-Jun-11	\$37,870	\$25,803	\$4,218,410	\$49,796	\$2,217,720	\$807,695
15-Jul-11	\$37,428	\$25,803	\$4,169,195	\$49,215	\$2,266,935	\$788,270
15-Aug-11	\$36,991	\$25,803	\$4,120,554	\$48,641	\$2,315,576	\$768,721
15-Sep-11	\$36,560	\$25,803	\$4,072,481	\$48,073	\$2,363,649	\$749,047

The underlined numbers indicate the date on which the entire loan can be prepaid.

Schedule C
Bank of America PLPA Collateral Pool Analysis
6/15/2008 through 7/15/2014

Current Pledged Monthly Collateral Income	\$57,779
New Required Monthly Income	\$25,803
Current Pledged Collateral Principal	\$6,436,130
Annualized Constant Prepayment Rate	14%

<u>Date</u>	<u>Monthly Income</u>	<u>Required Income</u>	<u>Collateral Balance</u>	<u>Principal Prepayments</u>	<u>Cumulative Principal Prepayments</u>	<u>Scheduled Principal Balance</u>
15-Oct-11	\$36,133	\$25,803	\$4,024,969	\$47,512	\$2,363,649	\$729,248
15-Nov-11	\$35,712	\$25,803	\$3,978,011	\$46,958	\$2,458,119	\$709,322
15-Dec-11	\$35,295	\$25,803	\$3,931,601	\$46,410	\$2,504,529	\$689,270
15-Jan-12	\$34,883	\$25,803	\$3,885,732	\$45,869	\$2,550,398	\$669,089
15-Feb-12	\$34,476	\$25,803	\$3,840,399	\$45,334	\$2,595,731	\$648,780
15-Mar-12	\$34,074	\$25,803	\$3,795,594	\$44,805	\$2,640,536	\$628,342
15-Apr-12	\$33,677	\$25,803	\$3,751,312	\$44,282	\$2,684,818	\$607,773
15-May-12	\$33,284	\$25,803	\$3,707,547	\$43,765	\$2,728,583	\$587,073
15-Jun-12	\$32,895	\$25,803	\$3,664,292	\$43,255	\$2,771,838	\$566,241
15-Jul-12	\$32,512	\$25,803	\$3,621,542	\$42,750	\$2,814,588	\$545,276
15-Aug-12	\$32,132	\$25,803	\$3,579,291	\$42,251	\$2,856,839	\$524,178
15-Sep-12	\$31,757	\$25,803	\$3,537,532	\$41,758	\$2,898,598	\$502,945
15-Oct-12	\$31,387	\$25,803	\$3,496,261	\$41,271	\$2,939,869	\$481,577
15-Nov-12	\$31,021	\$25,803	\$3,455,471	\$40,790	\$2,980,659	\$460,073
15-Dec-12	\$30,659	\$25,803	\$3,415,157	\$40,314	\$3,020,973	\$438,431
15-Jan-13	\$30,301	\$25,803	\$3,375,314	\$39,844	\$3,060,816	\$416,652
15-Feb-13	\$29,948	\$25,803	\$3,335,935	\$39,379	\$3,100,195	\$394,734
15-Mar-13	\$29,598	\$25,803	\$3,297,016	\$38,919	\$3,139,114	\$372,676
15-Apr-13	\$29,253	\$25,803	\$3,258,551	\$38,465	\$3,177,579	\$350,477
15-May-13	\$28,912	\$25,803	\$3,220,534	\$38,016	\$3,215,596	\$328,137
15-Jun-13	\$28,574	\$25,803	\$3,182,962	\$37,573	\$3,253,168	\$305,654
15-Jul-13	\$28,241	\$25,803	\$3,145,827	\$37,135	\$3,290,303	\$283,028
15-Aug-13	\$27,912	\$25,803	\$3,109,126	\$36,701	\$3,327,004	\$260,258
15-Sep-13	\$27,586	\$25,803	\$3,072,853	\$36,273	\$3,363,277	\$237,343
15-Oct-13	\$27,264	\$25,803	\$3,037,003	\$35,850	\$3,399,127	\$214,281
15-Nov-13	\$26,946	\$25,803	\$3,001,571	\$35,432	\$3,434,559	\$191,073
15-Dec-13	\$26,632	\$25,803	\$2,966,553	\$35,018	\$3,469,577	\$167,717
15-Jan-14	\$26,321	\$25,803	\$2,931,943	\$34,610	\$3,504,187	\$144,211
15-Feb-14	\$26,014	\$25,803	\$2,897,737	\$34,206	\$3,538,393	\$120,556
15-Mar-14	\$25,710	\$25,803	\$2,863,930	\$33,807	\$3,572,200	\$96,750
15-Apr-14	\$25,410	\$25,803	\$2,830,517	\$33,413	\$3,605,613	\$72,793
15-May-14	\$25,114	\$25,803	\$2,797,495	\$33,023	\$3,638,635	\$48,682
15-Jun-14	\$24,821	\$25,803	\$2,764,857	\$32,637	\$3,671,273	\$24,418
15-Jul-14	\$24,531	\$25,803	\$2,732,601	\$32,257	\$3,703,529	\$0

The number in a box indicates the point at which the projected monthly collateral income drops below the modified loan agreement minimum. This is a theoretical default point.