

1. Have there been any additional draws, or any repayments of principal, since the closing? Have there been any amendments to the operative documents that were executed at or with the closing?

Since the closing of the transaction on December 10, 2007, PDC has taken additional draws totaling \$11,721,690.61 for the following urban renewal areas:

Central Eastside	\$5,473,352.82
Downtown Waterfront	5,141,153.00
North Macadam	309,787.12
Interstate Corridor	<u>797,397.67</u>
Total	<u>\$11,721,690.61</u>

There has been no repayment of the principal balance of any of the lines of credit since December 10, 2007

There have been two minor amendments to the Master Credit Facility since it was executed. The first amendment provides the missing definition of "Maximum Indebtedness". The definition reads as follows:

"Maximum Indebtedness" means one or all of the Central Eastside Maximum Indebtedness, Downtown Waterfront Maximum Indebtedness, Gateway Maximum Indebtedness, Interstate Maximum Indebtedness, Lents Maximum Indebtedness, North Macadam Indebtedness, Oregon Convention Center Maximum Indebtedness, River District Maximum Indebtedness, and South Park Blocks Maximum Indebtedness.

The other amendment fixes the date discrepancy that you noted in Question 3 below. The correct Maturity Date is December 30, 2010.

2. I'm a little confused about the interest rate. The Credit Facility ("CF") says it will be the B of A prime rate minus 2.71%, "for the Rate Period." The "Rate Period" is defined in part as "for the Prime Rate Option, any number of days which the City may select." No "number of days" was specified in the draw orders, and so I am assuming that this is simply B of A prime minus 2.71% -- as of today, 3.79% -- and fluctuating whenever the B of A prime fluctuates?

When the City elects the Prime Rate Option, such election stays in effect until such time as the City chooses to switch to a different rate option or repays the draw. The Prime Rate Option is subject to change based on Bank of America's announced prime rate.

3. The "Maturity Date" is December 30, 2010, correct? There's one definition of that term at the bottom of page 4, and another on top of page 5, of the CF.

The Maturity Date of December 30, 2010 is correct. The Master Credit Facility has been amended to correct the incorrect date found in the definition of "London Inter-Bank Offered Rate" found at the bottom of page 4 of Facility.

4. Why is interest on the bonds taxable to the bank for federal income tax purposes? Is it because the bonds are short-term, or because the proceeds are used for urban renewal, or some other reason?

The interest on the lines of credit is federally taxable in order to provide PDC with flexibility to fund projects that may not ultimately qualify for tax-exempt financing under Internal Revenue Service regulations. As you are likely aware, the IRS limits the amount of “private use” in projects funded with tax-exempt bonds. Private use can arise in many ways. Since some urban renewal projects involve public-private partnerships of various forms, funding such projects with taxable line draws provides PDC with the flexibility to structure programs and business transactions to meet public policy goals that may not fit IRS tax-exempt bond requirements.

When the City and PDC prepare to issue long-term debt to retire outstanding lines of credit, an analysis is done with respect to how the line of credit proceeds were spent and to what extent funded projects do or do not qualify for tax-exempt bond financing. Based on this analysis, the City will typically issue one series of long-term, tax-exempt bonds to retire the portion of the line of credit that is deemed to have been used for qualified, tax-exempt purposes. The City will also issue a second series of taxable, long-term bonds to retire the remaining portion of the line of credit.

5. Is further City Council or Portland Development Commission action required for further draws on the lines?

No further City Council or Portland Development Commission action is required for further draws on the lines. However, the Commission’s expenditures (including those funded from line of credit draws) must be consistent with the Commission’s adopted budget. As such, future Council/PDC budgetary actions will affect the amounts, timing and use of proceeds from line of credit draws.

6. When (which years) were the draws taken on the 2002 lines that were replaced?

Please see table below.

Line of Credit Draws Since 2002 Replaced by B of A 2007 Facility

Urban Renewal Area	02-03	03-04	04-05	05-06	06-07	07-08	TOTAL
Airport Way				6,800,000	2,179,761	-	19,779,761
Central Eastside	10,800,000						-
Downtown Waterfront							-
Oregon Convention Center			2,100,000	6,975,000	11,805,764		20,880,764
South Park Blocks							-
Lents Town Center	6,400,000					5,005,005	11,405,005
River District			2,000,000	6,000,000	1,976,032		9,976,032
North Macadam	500,000	2,200,000		4,725,000	10,749,651		18,174,651
Interstate					8,462,324		8,462,324
Gateway	1,000,000			6,242,000		2,002,002	9,244,002
TOTAL	18,700,000	2,200,000	4,100,000	30,742,000	35,173,531	7,007,007	97,922,538

7. The maximum amount of draws is \$277 million, but the maximum outstanding balance at any time is \$175 million. Does that mean that in order to draw more than \$175 million, the city would have to pay down some of the principal on the lines? Therefore, in order to draw the full \$277 million, the city would have to first pay back at least \$102 million of principal?

Yes. The City and PDC anticipate issuing long-term bonds for several urban renewal areas during the term of the Credit Facility. When these long-term bonds are issued, portions of the proceeds will be used to retire outstanding line of credit balances.