
MEMORANDUM OF UNDERSTANDING

Regarding Debt Service on Purchase of Land for the New Arena

May 27, 2009

BACKGROUND AND STATEMENT OF INTENT:

In February 2005, the University of Oregon (UO) purchased the Williams' Bakery plant located on seven acres at the corner of 13th Avenue and Moss Street. The university paid \$22,231,816 using proceeds from tax exempt Article XI-F(1) general obligation bonds. UO subsequently acquired additional adjacent parcels using funds from the same bond issuance. The Matt Knight Basketball Arena, the Cheryl and Allyn Ford Alumni Center and an underground parking structure will be located on these parcels. The debt service obligations for this site will be allocated between UO central funds and Athletic Department revenues based on assigned surface areas and alternative uses of other athletic venues as described in this Memorandum of Understanding.

UO also will construct the underground parking structure using proceeds from tax-exempt Article XI-F(1) bonds and from gift sources. The debt service obligations for the underground parking structure will be allocated between UO Parking Program to be paid by fees charged to daily users and the Athletic Department to be paid from fees charged to donors and other attendees at Athletics-sponsored arena events.

THE MEMORANDUM OF UNDERSTANDING (MOU):

This MOU memorializes the UO's allocation of costs for annual debt service associated with the land purchase ("Land Debt Service") between the UO central administration ("Administration") and the UO Athletic Department ("Athletics"). This MOU also memorializes the UO's allocation of costs for annual debt service associated with the construction of the underground parking structure. The terms and conditions of this agreement become effective for FY 2009.

PRINCIPLES USED FOR ALLOCATION:

1. **Land Debt Service:** In Fiscal Year 2009 (FY2009) and in each fiscal year thereafter until the land debt is retired, Athletics shall be responsible for a share of the Land Debt Service cost by the method described in this paragraph. While the total current estimated annual cost is \$1,822,723, actual payment in FY2009 and in future fiscal years may vary based upon the bond amortization schedule provided by the Oregon University System Controller's Office. The amount of the Land Debt Service allocated to the Athletics is based on the site surface area allocated to the arena less credit for the surface area of the MacArthur Court site being returned to general university purposes. Net bond debt burden for athletics is \$1,355,195. For FY 2009

the debt service obligation will be prorated from November 19, the date the appeal period ended on the Conditional Use Permit issued by the City of Eugene.

2. **Autzen Stadium Seating:** The Administration shall pay Athletics each fiscal year for exclusive use of the presidential suite and 80 Club Level seats at Autzen Stadium for each home football event. The suite and club seating are needed for activities and relationship building in support of the university's mission and programs. In fiscal years 2009, 2010, and 2011, the annual payment to Athletics for this use shall be \$375,000. Athletics shall initiate a discussion with the Administration in FY2011 to establish the next three-year payment schedule. Athletics will initiate similar discussions with the Administration every third year to establish the subsequent triennial payment schedule.

3. **Matt Knight Arena Seating:** The Administration shall reimburse Athletics an amount equal to the advertised price of twenty (premier) seats to be assigned to the president. Administration reserves the right to purchase an entertainment suite at the advertised price so long as Administration enters into an agreement to purchase this suite prior to September 1, 2009.

4. **Event Parking Revenue:** During Athletic events held at the arena or other university athletic facilities, including but not limited to Autzen Stadium, the Administration will allow Athletics to charge and collect money for above-ground, off-street parking in designated university parking lots. These lots will be identified prior to the end of spring term each academic year for use starting July 1 and ending June 30. These shall not include either surface parking on the triangle bounded by Franklin Boulevard, 13th Avenue, and Agate Street Parking or parking in the underground parking structure. Revenues earned from event parking on the triangle and from the underground parking structure adjacent to the arena site are dedicated to the bond repayment for the underground parking structure and are covered in paragraph 5.

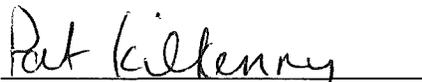
[Athletics event parking activity under this paragraph shall not disrupt the ability of permitted daily users to utilize university parking lots Monday – Friday, 7:00 a.m. and 5:30 p.m. unless comparable alternate arrangements have been made for those permit holders and approved by the Vice President for Finance and Administration or designee.]

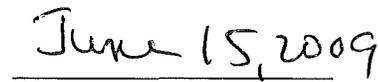
The Department of Public Safety will manage all parking and will be fully reimbursed by Athletics for direct and indirect costs incurred by the Department of Public Safety for its management activities. Athletics is responsible for establishing parking charges for events following university procedures and for selling event and season permits to donors and other attendees except that payment for individual non-reserved spaces may be collected at the entrance to the underground parking structure. Additionally, any twenty-four hour reserved spaces in the underground parking structure sold to UO employees will not be available during events. During the period of arena construction, Athletics is expected to make every effort to charge and collect parking revenue for other included university parking lots under the terms of this paragraph.

5. **Financing of Underground Parking Structure:** The bond debt service payment and other financial support for underground parking structure shall be allocated as follows:

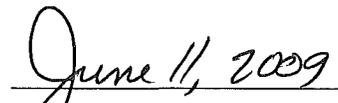
- a. Athletics will provide funds to cover the difference between \$16,600,000 available in bond proceeds and the total construction cost of the underground parking structure adjacent to the arena site, but not including the cost allocated to the Alumni Center construction project.
- b. Athletics will pay annual debt service obligations on \$5,300,000 of bond proceeds used to construct the underground parking structure adjacent to the arena site. This debt service obligation will be supported by Athletic Department sales of season and daily permits for athletic events. The repayment schedule will be structured to start in FY 2011 and continue until the bonds are fully repaid. Final debt amortization schedules will be available once the final bond sale for the garage has been completed. Each entity supporting the debt proceeds will be responsible for its prorated share of each annual debt payment.
- c. UO will finance the balance of debt service for the underground parking structure in the same manner it pays debt service for other parking-related construction and maintenance.

6. **Overhead Assessment:** Beginning in FY 2009 the athletic department will be responsible for a 3% overhead assessment on operating expenditures excluding scholarship expenditures, capital project expenditures and depreciation expenditures. The overhead assessment will be reviewed every three years and will be considered in the context of the overhead assessment rate applied to other auxiliaries at the UO, the rates charged by comparable universities with major athletic programs and any other factors the president of the university believes are relevant.


Pat Kilkenny, Athletic Director


Date


Dave Frohnmayer, President


Date