
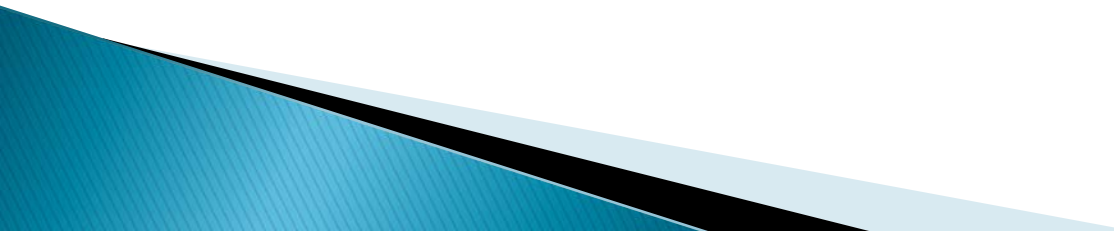


# Weyerhaeuser Land Option

# What was the deal?

- ▶ Port entered into an option agreement with Weyerhaeuser in 2006.
  - ▶ Original option was two years in length, with Jordan Cove possessing a six-month extension option, which it exercised.
  - ▶ Option price was purchase price (\$25 million) – Weyerhaeuser had to repay purchase price if option was cancelled (and did return it).
  - ▶ Port had two years to perform due diligence.
  - ▶ Port indemnified Weyerhaeuser from future cleanups.
  - ▶ Port was to purchase insurance to pay for a cleanup in the event it was necessary.
  - ▶ Port authorized to negotiate Prospective Purchaser's Agreement (PPA) with the State of Oregon.
- 

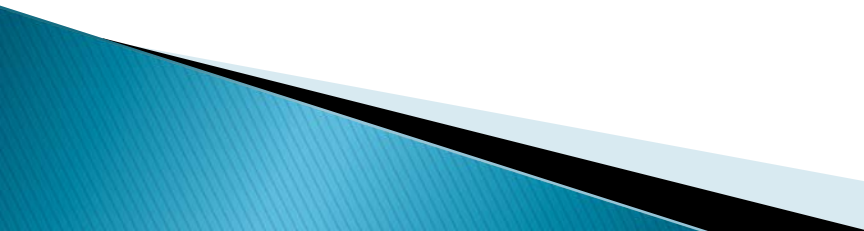
# What was the deal?

- ▶ Port borrowed \$10MM from a local bank.
  - ▶ Port borrowed \$15MM from the State of Oregon.
  - ▶ Agreement was drafted by at least ten attorneys including participation by the Oregon Attorney General's Office.
- 

# Who Paid for it?

- ▶ Jordan Cove

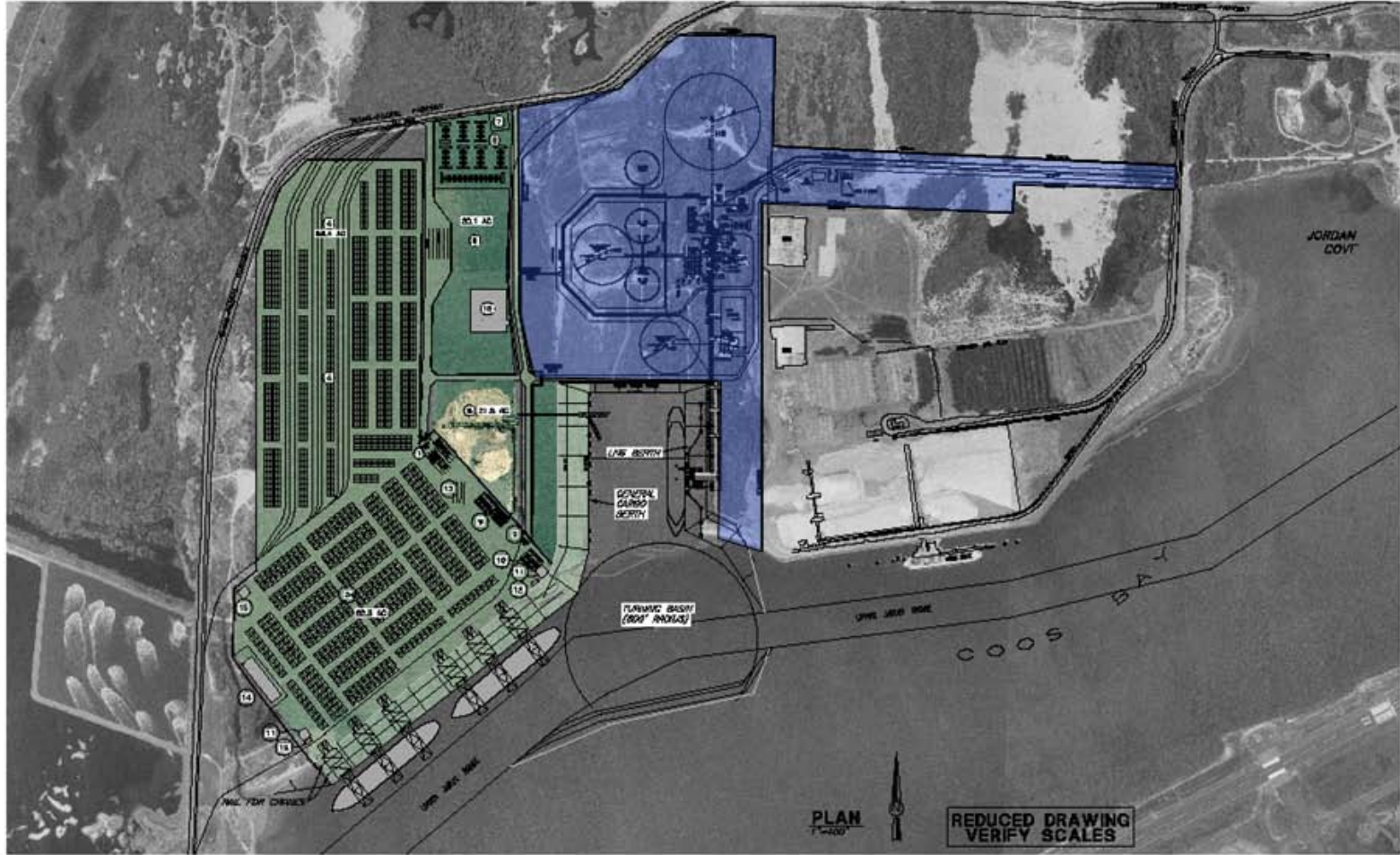
# What was the option?

- ▶ The Port entered into a option agreement with Jordan Cove Energy Partners.
  - ▶ The option had three sections:
    - An option to buy 147 acres
    - An option to lease a berth area
    - A non-binding exhibit to serve as a guide to future negotiations
- 

# Jordan Cove Energy Project Option

## KEY LEGEND

- |   |                              |                                     |
|---|------------------------------|-------------------------------------|
| ① CONTAINER YARD-TRUCK ENTRANCE/EXIT      | ⑦ ADMINISTRATION BUILDING    | ⑬ TROUBLE LANDS                     |
| ② LONGSHORE ENTRANCE/EXIT                 | ⑧ CHIP YARD                  | ⑭ CONTAINER QUANTITATIVE BUILDING   |
| ③ CONTAINER STAGING & TRUCK TRANSFER AREA | ⑨ EQUIPMENT MAINTENANCE SHOP | ⑮ MISCELLANEOUS STORAGE             |
| ④ CONTAINER STAGING & RAIL TRANSFER AREA  | ⑩ LONGSHORE PAVEMENT         | ⑯ CONTINGENT/DISTRIBUTION WAREHOUSE |
| ⑤ RD/RO SPECIAL PROJECTS YARD             | ⑪ CONTROL TOWERS             |                                     |
| ⑥ ADMINISTRATION PARKING LOT              | ⑫ INCIDENT RESPONSE TOWER    |                                     |



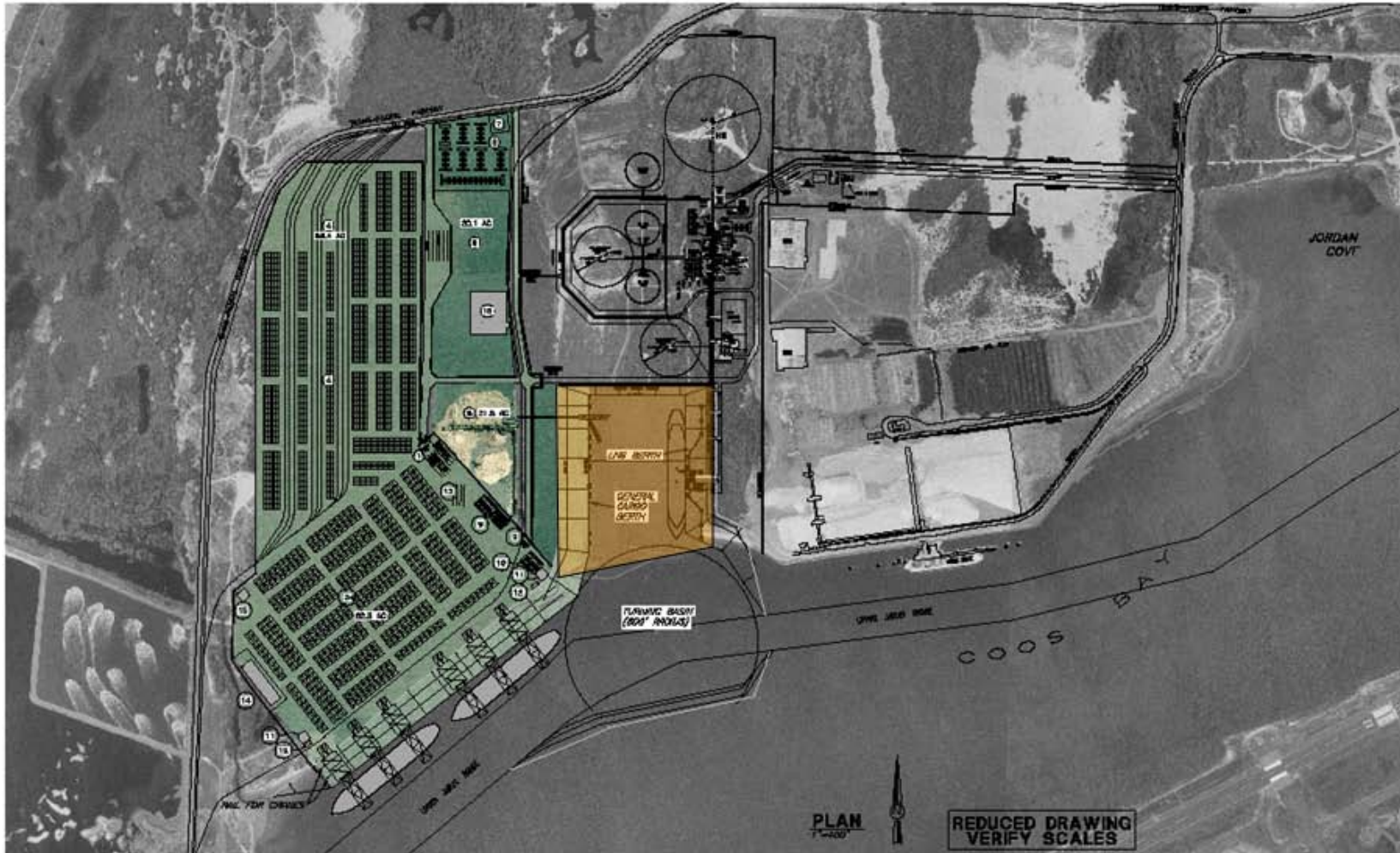
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CONSULTING ENGINEERS 315 S. W. 10th St., Suite 100 Corvallis, OR 97331 Phone: (503) 325-1111 Fax: (503) 325-1112				
SHEET	T.D.	DATE	REVISION	BY
PORT OF COOS BAY JOHNSONVILLE MARSH COOS COUNTY, OREGON <b>PROPOSED</b> PORT OF COOS BAY SLIP				
DATE 02/20/06 PROJ. NO. COOS06-010				

# Jordan Cove Energy Project Lease

## KEY LEGEND

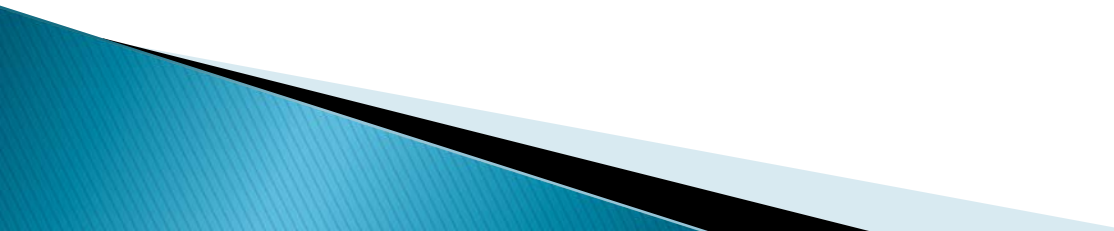
- |   |                              |                                     |
|---|------------------------------|-------------------------------------|
| ① CONTAINER YARD-TRUCK ENTRANCE/EXIT      | ⑦ ADMINISTRATION BUILDING    | ⑬ TROUBLE LINES                     |
| ② LONG-DURABLE ENTRANCE/EXIT              | ⑧ ONP YARD                   | ⑭ CONTAINER DAMPPROOF BUILDING      |
| ③ CONTAINER STAGING & TRUCK TRANSFER AREA | ⑨ EQUIPMENT MAINTENANCE SHOP | ⑮ MISCELLANEOUS STORAGE             |
| ④ CONTAINER STAGING & RAIL TRANSFER AREA  | ⑩ CONCRETE PAVEMENT          | ⑯ CONTINGENT/DISTRIBUTION WAREHOUSE |
| ⑤ RD/TO SPECIAL PROJECTS YARD             | ⑪ CONTROL TOWERS             |                                     |
| ⑥ ADMINISTRATION PARKING LOT              | ⑫ INCIDENT RESPONSE TOWER    |                                     |



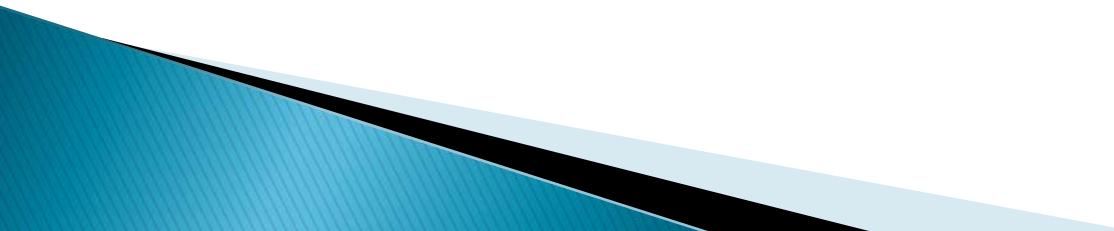
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 XREFS: ALL DRAWING DATE: 01/01/2008

SHEET NO. 01 DATE: 01/01/2008		SCALE: AS SHOWN PROJECT: JORDAN COVE ENERGY PROJECT CLIENT: COOS COUNTY DISTRICT PROPOSED: PORT OF COOS BAY SLIP	
DESIGNED BY: JWC DRAWN BY: DMJ	CHECKED BY: JWC DATE: 01/01/2008	CONSULTING ENGINEERS & DESIGNERS, INC. 316 S. N. 44th Coos Co., OR 97532 TEL: (541) 264-1999	
PROJECT NO. 01-0001		SHEET NO. 01	

# Subsequent Amendments

- ▶ This is the fifth amendment.
  - ▶ Previous amendments extended the term of the agreement.
  - ▶ The last amendment refunded the prepaid purchase.
  - ▶ This amendment further reduces obligations of the parties.
- 

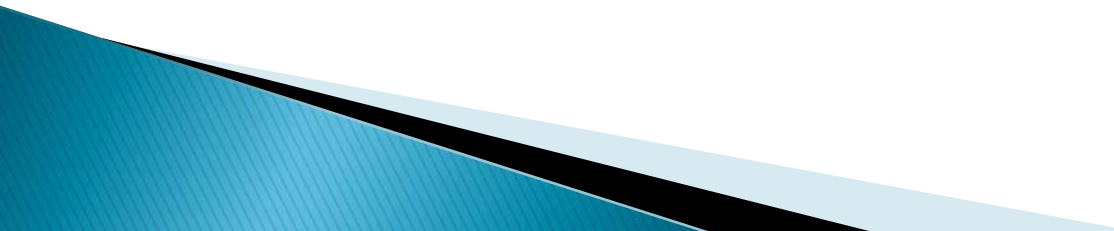
# What is an option?

- ▶ A real estate option gives you “control” of a piece of real estate **WITHOUT BUYING IT!** **By having Options on Real Estate, you have the exclusive right to either buy that property, or NOT to buy it.**
- 

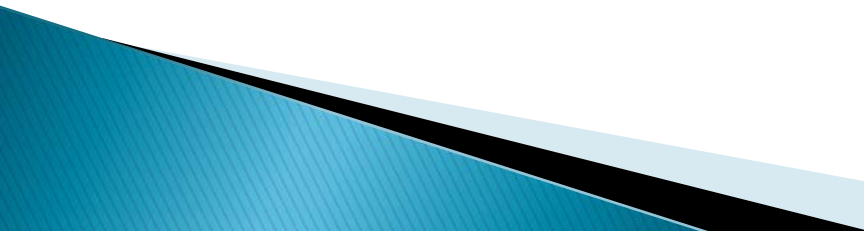
# This is an option agreement

- ▶ This is an option agreement, not a purchase. It simply states what rights the parties have toward a potential purchase.
- ▶ The original option allowed the completion of a phase 1 environmental review for the purpose of determining whether or not the property would be eligible for a prospective purchaser's agreement. Results indicated it would be eligible
- ▶ It is not a project contract.
  - Permits for development are at the purchaser's risk.

# So what has changed?

- ▶ The new agreement contemplates the ability to purchase less than the whole, while preserving the right to purchase the whole.
  - ▶ Provides for greater accumulation of equity.
  - ▶ Reduces the net cost to the Port should it choose to buy any of the property.
  - ▶ Increases the cost of the property to Jordan Cove.
- 

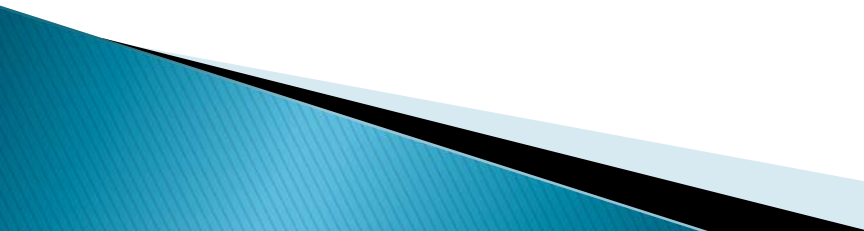
# What are future changes

- ▶ The parties expect to make more changes to the agreement in the future.
  - ▶ These changes are primarily intended to give the developer and the Port more flexibility with the property and the use of the property.
  - ▶ Anticipated changes will be to remove use restrictions on the property. This allows the developer to purchase the property for some use other than a LNG import terminal (in essence provides for an exit strategy).
- 

# Elements of the new Weyerhaeuser JCEP Option

- ▶ The Option will be extended through June 30, 2011.
- ▶ Payment for this extension will remain at \$450K per quarter payable before January 10, 2011 (paid) and before April 10, 2011 (JCEP has underwritten).
- ▶ If the Port triggers the Option on the whole property or the Ingram Yard/Lagoons as described below, the \$900K in option fees would apply to the purchase price.
- ▶ If the Port triggers the Option on the whole property or the Ingram Yard/Lagoons, previous \$150K quarterly payments from previous option (2010) would also apply to the purchase price.

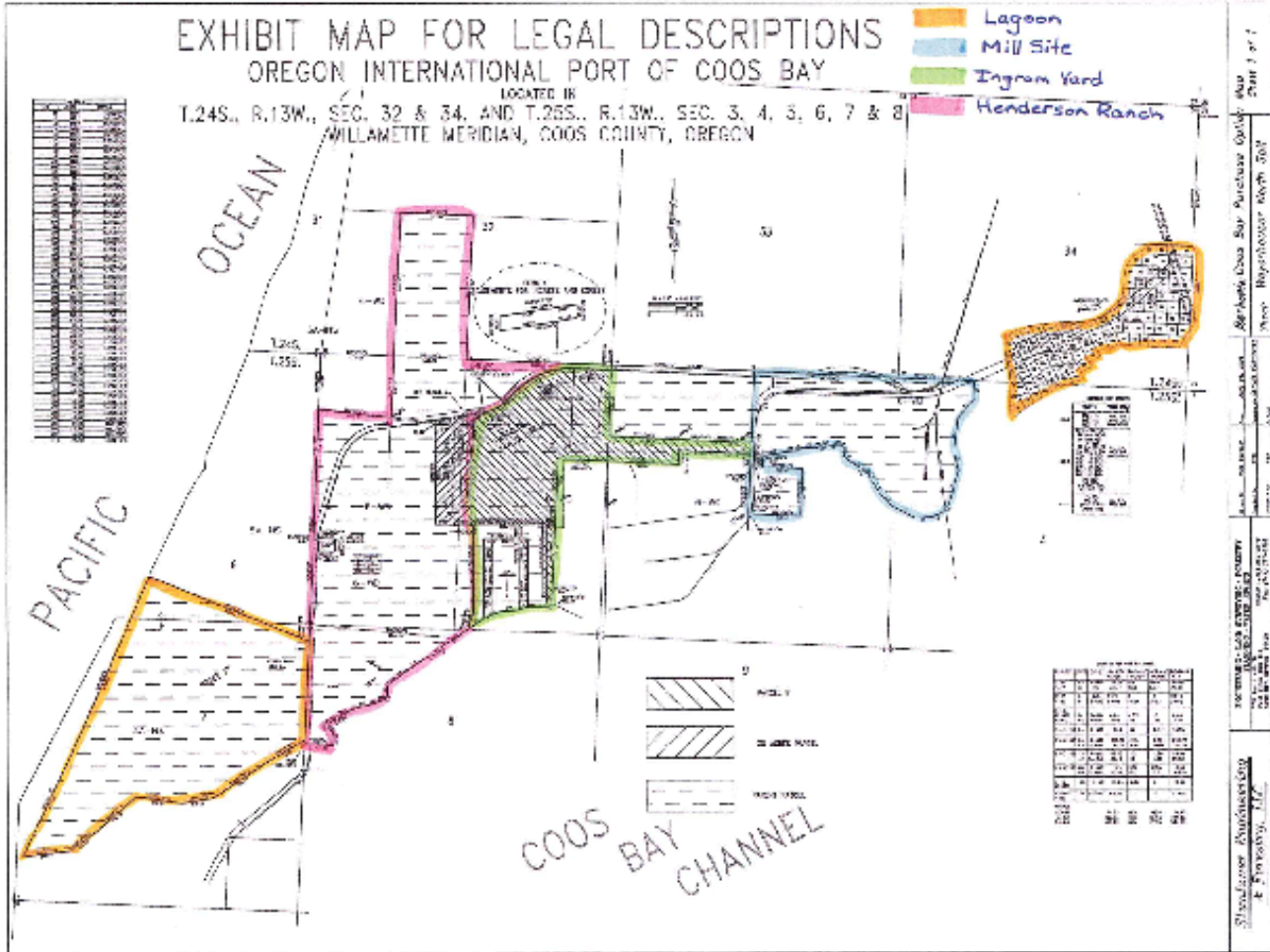
# Weyerhaeuser JCEP Option

- ▶ If the Port does not trigger the Option before its expiration on June 30, 2011, the \$900K payments made in 2011 shall be deemed earned by Seller.
  - ▶ The Option can be triggered at any time, but not terminated by the Port before its expiration. The same condition applies to Jordan Cove.
  - ▶ The Property referenced in the Option will be broken out into the five parcels.
- 

# EXHIBIT MAP FOR LEGAL DESCRIPTIONS OREGON INTERNATIONAL PORT OF COOS BAY

LOCATED IN  
T.24S., R.13W., SEC. 32 & 34, AND T.25S., R.13W., SEC. 3, 4, 5, 6, 7 & 8  
WILLAMETTE MERIDIAN, COOS COUNTY, OREGON

- Lagoon
- Mill Site
- Ingram Yard
- Henderson Ranch



Stevenson, Hutchinson & Prosser, P.C.  
 1000 NE Oregon Street, Astoria, Oregon 97103  
 Phone: 503-325-1111  
 Fax: 503-325-1112  
 Project: Oregon International Port  
 Map Sheet 1 of 1

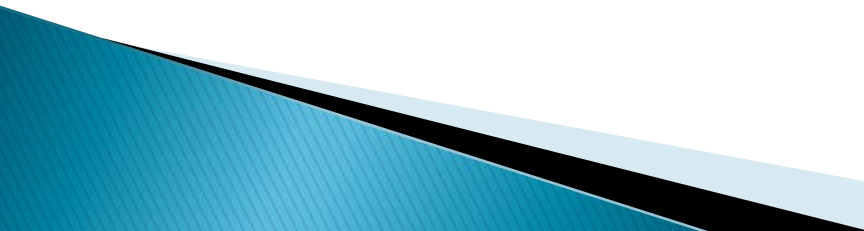
# Weyerhaeuser JCEP Option

- ▶ The Port will be responsible for legally partitioning these parcels before June 30, 2011.
- ▶ The Port may buy the whole property for \$25MM or the Ingram Yard/Lagoons for \$14MM by triggering an option specific to those parcels before June 30, 2011 (either to be underwritten by JCEP).
- ▶ Closing will occur within 30 days following the trigger of the option.
- ▶ Assuming the Port triggers the Ingram Yard/Lagoon option, the Port will pay \$8MM at closing and receive a deed of trust or other such conveyance document.

# Weyerhaeuser JCEP Option

- ▶ The Port will have full access and ownership of the property as of closing.
- ▶ A note or other such document will be issued for \$6MM to be paid in full by the Port on or before January 30, 2012. A warranty deed (or similar) will be issued at that time (to be underwritten by JCEP).
- ▶ If the option on the Ingram Yard/Lagoons is triggered, the Port will automatically get a 12-month extension of the option for the mill site and Henderson Marsh at \$200K/quarter.
- ▶ Again, this extension cannot be terminated before the four quarterly payments have been made.

# Weyerhaeuser JCEP Option

- ▶ Seller's right to additional compensation for the "undevelopable land" if developed by the Port will be deleted from the Option.
  - ▶ A provision will be added that would provide Seller with 1 / 2 of any compensation related to electrical production wind turbines on the property.
  - ▶ Seller's right to purchase 20 acres will either be eliminated or made more flexible and favorable to the Port.
  - ▶ The required environmental policy shall be restricted to the Mill Site only.
- 


# Facts

- ▶ The Port has yet to use a single tax dollar in support of this option or the previous versions.
- ▶ Jordan Cove ordered a new appraisal on the Ingram Yard, which resulted in a higher price to Jordan Cove up from \$10 million to \$14 million.
- ▶ The Port receives the Lagoons for free should Jordan Cove exercise the Ingram Yard option, thus preserving efforts to construct a new wastewater treatment facility using “wetland technology” and furthering the utility of the site for migratory birds.

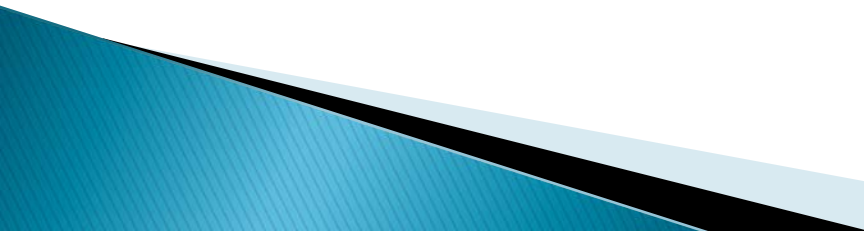
# Facts

- ▶ The increased price of the Ingram Yard parcel to Jordan Cove reduces the cost of the remaining property by \$4 million.
- ▶ Again, the Port is not obligated to buy the remaining parcels, but is obligated to pay an option fee to Weyerhaeuser for up to one year if it later decides to agree to an additional option (that decision to be made in May 2011).
- ▶ The Port may enter into option agreements with other parties for any or all of the property at any time during the course of the option.

# Facts

- ▶ The Port may choose to assign the agreements to Jordan Cove or another party and relinquish all local control to a private party. (This would have no bearing on whether the LNG project continues, rather it would simply reduce the benefit of the project to the public.)
  - ▶ The Port does not own the property and has no control over the public's access to the property.
  - ▶ The Port does not bear any operational expense for the property unless it chooses to market the property for other uses.
- 

# Facts

- ▶ The current version of the option agreement with Weyerhaeuser and the contemplated future agreements provide the least amount of risk to date, of any of the previous agreements.
  - ▶ The current version of the option agreement with Weyerhaeuser and the contemplated future agreements provide the most amount of flexibility to the developer to use the property for ANY lawful use.
- 

# Facts

- ▶ Had the facility been authorized after only three years of permitting, it likely would be under construction now.
- ▶ The 600-plus construction jobs lasting three years through the height of the current recession would have brought millions of outside dollars to our local merchants and a great number of indirect jobs.
- ▶ The Coos County Sheriff's Office would be hiring substantial number of new deputies rather than facing layoffs. In addition there would be hiring of new firefighters.
- ▶ \$2.5 billion dollars of private stimulus funds would have been streaming into Oregon.
- ▶ Instead the project has become a modern Jarndyce and Jarndyce.

# Extension of the agreement has become routine and ordinary and qualifies for the consent calendar

- ▶ This is the fifth extension of the original agreement and as a result it has been discussed and considered multiple times before.
  - ▶ It creates no new nor does it make any existing obligation on the part of the Port or the public to extend the agreement more onerous.
  - ▶ Staff requests ratification of previously authorized and executed agreements with Weyerhaeuser and acceptance of the extension of the Jordan Cove option agreement.
- 