

PORTLAND DEVELOPMENT COMMISSION
Portland, Oregon

RESOLUTION NO. 6708

AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE AN AGREEMENT TO PURCHASE ALBINA COMMUNITY BANK'S LOAN TO THE HERITAGE BUILDING, LLC FOR THE PURCHASE PRICE OF \$1,836,375.54, WHICH LOAN IS SECURED BY CERTAIN REAL PROPERTY COMMONLY KNOWN AS "THE HERITAGE BUILDING," LOCATED AT 3934 NE MARTIN LUTHER KING, JR. BOULEVARD IN THE OREGON CONVENTION CENTER URBAN RENEWAL AREA

WHEREAS, the Portland Development Commission ("PDC") is charged by the *Albina Community Plan* and the *Oregon Convention Center Urban Renewal Area Plan* to carry out projects that support commercial revitalization on NE Martin Luther King, Jr. Boulevard and, among other tasks, to assemble property at key commercial nodes to promote neighborhood-oriented commercial development;

WHEREAS, on July 21, 2001, PDC issued a Request-for-Proposals and, after extensive review, a community evaluation committee recommended a local development team known as The Heritage Building, L.L.C. ("Developer") to carry out the redevelopment of the real property located at 3934 N.E. Martin Luther King, Jr. Boulevard, more commonly known as "The Heritage Building" ("Property");

WHEREAS, on January 8, 2003, the PDC Board of Commissioners ("Board") adopted Resolution No. 5964 authorizing the Executive Director to enter into a Disposition and Development Agreement ("DDA") with the Developer for the redevelopment of the Property ("Project");

WHEREAS, on May 11, 2005, the PDC Board adopted Resolution No. 6238 authorizing the Executive Director to amend the DDA for the purpose, among others, of increasing the amount of the Project financing to be provided by PDC to the Developer in an amount not to exceed \$2,450,000 ("PDC Loan");

WHEREAS, repayment of the PDC Loan is secured by a lien on the Property which is as of this date subordinate to a lien on the Property securing Developer's repayment obligation with respect to a loan made by Albina Community Bank ("Albina") to Developer in the total principal amount of \$1,900,000 ("Albina Loan");

WHEREAS, because Developer did not satisfy all conditions for conversion of the Albina Loan to a permanent loan by December 31, 2007, the Albina Loan matured and became due and payable as of December 31, 2007;

WHEREAS, Albina issued a Notice of Default and Election to Sell the Property, with a scheduled foreclosure sale anticipated to occur on or around July 22, 2008;

WHEREAS, the Developer filed Chapter 11 bankruptcy on July 21, 2008, to forestall the foreclosure sale and retain control of the Property;

WHEREAS, the Developer successfully negotiated payment terms to its creditors and the Debtor's Second Amended Plan of Reorganization, as modified by the First Modification to Debtor's Second Amended Plan of Reorganization, was confirmed by the U.S. Bankruptcy Court on November 21, 2008, and effective January 1, 2009, and all loan defaults have been cured; and

WHEREAS, the Board now desires to acquire the Albina Loan to complete PDC's redevelopment objectives for the Property, protect its financial investment in the Property and ensure continued revitalization of NE Martin Luther King, Jr. Boulevard.

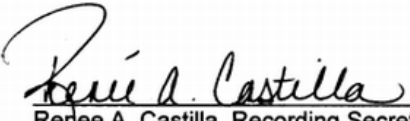
NOW, THEREFORE, BE IT RESOLVED that the Executive Director is hereby authorized to execute the Agreement to Transfer Loan and Preliminary Closing Instructions, substantially in the form attached as Exhibit A ("Purchase Agreement"), on behalf of PDC for the acquisition of the Albina Loan from Albina Community Bank for \$1,836,375.54;

BE IT FURTHER RESOLVED that the Executive Director may approve changes to the Purchase Agreement prior to and subsequent to execution, if such changes, in the opinion of the Executive Director and General Counsel, do not materially change PDC's obligations or risks;

BE IT FURTHER RESOLVED that the Executive Director is authorized to take such further action and execute such additional documents as are contemplated by the Purchase Agreement; and

BE IT FURTHER RESOLVED that this resolution shall become effective immediately upon its adoption.

Adopted by the Portland Development Commission on May 27, 2009.


Renee A. Castilla, Recording Secretary

AGREEMENT TO TRANSFER LOAN AND PRELIMINARY CLOSING INSTRUCTIONS

This Agreement to Transfer Loan (“Agreement”) is made and entered into by and between Albina Community Bank (“Bank”) and the City of Portland, acting by and through the Portland Development Commission (“PDC”), as its urban renewal agency, on this ___ day of May, 2009 (“Effective Date”). The Bank and PDC are sometimes collectively referred to herein as the “Parties” and individually as a “Party.”

RECITALS

A. The Bank is the owner and holder of a loan in the amount of Two Million Forty-Nine Thousand One Hundred Sixteen and 15/100 Dollars (\$2,049,116.15) (the “Bank Loan”), which is evidenced by a Renewal Promissory Note in the amount of Two Million Forty-Nine Thousand One Hundred Sixteen and 15/100 Dollars (\$2,049,116.15), dated January 1, 2009 (the “Note”). A true copy of the Note is attached hereto as **Exhibit A**.

B. The Note is secured by a Line of Credit Instrument, dated September 28, 2005, recorded September 29, 2005, as Fee No. 2005-187011, Official Records, Multnomah County, Oregon, and as modified by the Modification of Deed of Trust, dated January 1, 2009, recorded April 13, 2009, as Fee No. 2009-049417, Official Records, Multnomah County, Oregon (collectively the “Bank Deed of Trust”). The Bank Loan and Note are also guaranteed by the Guarantors listed below. The Bank Loan is also evidenced or secured by other loan documents, including all of the foregoing documents and all other documents listed on **Exhibit B**, attached to this Agreement. The Note, the Deed of Trust, the Guaranties (as defined below), and all other loan documents and loan related documents are collectively referred to herein as the “Bank Loan Documents.” All references herein to the purchase, sale and transfer of the Bank Loan contained herein shall include the Bank Loan Documents.

C. The Bank Deed of Trust is a lien against certain real property, known as the Heritage Building, and more particularly described on **Exhibit C**, attached hereto (the “Property”).

D. The PDC is also the owner and holder of a loan (the “PDC Loan”) which encumbers the Property, and which is secured by two (2) deeds of trust, both dated September 28, 2005, recorded September 29, 2005, as Fee Nos. 2005-187013 and 2005-187014, Official Records, Multnomah County, Oregon. The PDC deeds of trust (referred to herein as the “PDC Deeds of Trust”) are junior to the Bank Deed of Trust.

E. The Bank and the PDC entered into an Intercreditor Agreement, dated September 28, 2005, and a First Modification To Intercreditor Agreement, dated January 1, 2009. Both of the foregoing documents are included in the Bank Loan Documents.

F. The borrower under the Bank Loan and the PDC Loan is The Heritage Building, LLC, an Oregon limited liability company (“Borrower”).

G. The guarantors under the Bank Loan are Dennis S. Hadley, Howard M. Loucks, Barry Pappenheim, John Eric Wentland and Jeana Woolley (collectively the "Guarantors" and individually a "Guarantor") and each has duly signed a Commercial Guaranty (individually a "Guaranty" and collectively the "Guaranties") as listed on **Exhibit B**.

H. The Borrower filed a Chapter 11 Bankruptcy under Case No. 08-33599-tmb11 and the Court has approved a First Modification to Debtor's Second Amended Plan of Reorganization (the "Plan"). The Plan provides for modified payments on the Bank Loan.

I. The Bank desires to sell and the PDC desires to buy the Bank Loan.

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Bank and the PDC, in consideration of the mutual covenants and promises set forth in this Agreement, and incorporating all of the foregoing Recitals as a part of this Agreement below, the Parties agree as follows:

AGREEMENT

1. **Sale of Bank Loan**. The Bank agrees to sell and assign and the PDC agrees to buy and assume the Bank Loan on the terms and conditions set forth in this Agreement. As used herein, the Bank Loan shall mean all of the above referenced Bank Loan Documents.

2. **Purchase Price**. At Closing (defined below), the PDC agrees to pay to the Bank the total purchase price of One Million Eight Hundred Thirty-Six Thousand Three Hundred Seventy-Five and 54/100 Dollars (\$1,836,375.54) ("Purchase Price") for the Bank Loan, and the Bank agrees to accept this Purchase Price.

3. **Transfer of Bank Loan**. At Closing, the Bank shall transfer the Bank Loan to the PDC. The transfer of the Bank Loan shall be without recourse or warranty except as expressly set forth in this Agreement. At Closing, the Bank agrees to pay a portion of the legal fees of the PDC in the amount of Two Thousand Five Hundred Dollars (\$2,500) and to pay for an assignment of beneficial endorsement, with a date down endorsement, under the Bank's existing title policy. The PDC may elect to purchase additional title insurance coverage or endorsements, as it may elect, at its sole cost and expense, and may use the premium for the assignment of beneficial endorsement if it elects other coverage, in lieu of the foregoing assignment. The interest payments due on the Note will be pro-rated as of the Closing Date between the Parties.

4. **Closing of Bank Loan Transfer**. The transfer of the Bank Loan shall occur no later than June 15, 2009 ("Closing" or "Closing Date") unless the Parties agree to extend the Closing Date. Closing shall take place at the offices Ticor Title Insurance Company located at 1000 SW Broadway, Suite 1555, Portland, OR 97205 ("Title Company"), or at such other place as may be agreed upon by representatives of the Bank and the PDC. At Closing, the Bank shall transfer to and deliver to the PDC all of the Bank Loan Documents, without representation or recourse or warranty of any type or kind, except as expressly set forth in this Agreement.

a. At Closing, the Bank shall, at the Bank's sole cost and expense, deliver all of the following to be provided to the PDC at Closing:

i. The original Note, endorsed to the order of the PDC, in the form of endorsement attached to this Agreement as **Schedule 1**;

ii. An assignment of the Bank Deed of Trust from the Bank to the PDC, executed in form and content as attached to this Agreement as **Schedule 2**;

iii. An assignment from the Bank to the PDC of all remaining Bank Loan Documents in a form and content as attached to this Agreement as **Schedule 3**;

iv. All of the Bank Loan Documents listed on **Exhibit B**, in original hard copy, to the extent the Bank has original hard copies, and electronically, to the extent available to the Bank in electronic form.

b. At Closing, the PDC, at the PDC's sole cost and expense, shall deliver or cause to be delivered to the Title Company for the payment to the Bank, the Purchase Price plus any accrued, unpaid interest as the result of pro-rations described under Section 3 by wire transfer of immediately available funds. The Bank's wiring instructions to the Title Company are as follows:

Albina Community Bank
2002 NE MLK Jr. Blvd
Portland, OR 97212

ABA: 123006651
Acct: 130107588
Further Credit to: The Heritage Building LLC
Loan #567727
Attn: M.L. Keith, Loan Servicing

c. The Bank and the PDC will share the escrow fee, recording fees and other closing costs not specifically listed herein as customary. The Bank will also pay the sum of Two Thousand Five Hundred Dollars (\$2,500) to the PDC for its attorney fees. The PDC shall pay the recording fee for the assignment of the Bank Deed of Trust. The Bank will purchase, for the benefit of the PDC, an assignment of the beneficial interest of its Title Policy No. 761604, dated September 29, 2005, with a date down endorsement to the Closing Date. The PDC may purchase any additional endorsements to that policy that it elects to purchase. The interest payment due on the Note will be prorated as of the date of Closing.

5. **Conditions to Closing.** It is a condition to the PDC's obligation to complete the transaction contemplated by this Agreement that all of the following be true and correct as of the date of Closing: (a) no casualty, loss or damage has occurred to the Property; (b) the Title Company is willing to provide the above referenced assignment of the Title Policy to the PDC in order to insure the PDC's right, title and interest in the Property, as contemplated by this

Agreement; (c) all of the original Bank Loan Documents have been delivered to the PDC, through escrow, by the Bank by the Closing Date (the Bank further agrees to continue to provide any additional information related to the Bank Loan that comes into its possession between the Effective Date of this Agreement and the Closing Date); (d) there has been no uncured breach of this Agreement by either Party; (e) there is no change in the condition of title from that described in the Preliminary Title Report, prepared by the Title Company, dated _____, 2009 and approved, in writing, as to Special Exceptions by PDC; (f) Borrower and the Property tenants have returned the estoppels and the returned estoppels disclose no violations of the leases or Bank Loan (unless this condition is waived or modified by the PDC); and (g) the Title Company has verified that all payments due on the Note are current as of the Closing Date.

6. **Representations and Warranties of Bank.** The Bank covenants and agrees with, and represents and warrants to, the PDC the following are true and correct as of the Effective Date and will remain true and correct as of the Closing Date:

a. The Bank is the sole owner of the Bank Loan Documents, free and clear of any lien, security interest or other adverse claim or interest, except as provided in the Intercreditor Agreement and the Plan. The Bank has the unrestricted right and authority, without the need for the consent of the Borrower or the Guarantors, to transfer the Bank Loan Documents, including the Guaranties, to the PDC.

b. The Bank Loan Documents have not been amended or modified, except as stated above or as provided in the Plan.

c. Except as provided in the Plan or the Intercreditor Agreement, there are no agreements, written or oral, between the Bank and the Borrower or any Guarantor that limit or restrict enforcement of the rights and remedies provided for in the Bank Loan Documents.

d. To the actual knowledge of the Bank, there are no valid rights of offset or valid rights of legal defenses to the enforcement of the rights and remedies pursuant to the Bank Loan Documents, except as provided in the Plan or pursuant to the Intercreditor Agreement.

e. The outstanding principal balance under the Loan, as set forth in the Plan and evidenced by the Note, will be Two Million Forty Nine Thousand One Hundred Sixteen and 15/100 Dollars (\$ 2,049,116.15) as of June 15, 2009 (anticipated Closing Date).

f. The sale of the Bank Loan to the PDC has been approved by all necessary corporate action of the Bank and is not subject to any regulatory or other approvals applicable to the Bank. A copy of the resolution evidencing such transfer authority, as well as signing authority, is attached hereto as **Exhibit E** and is incorporated by reference herein.

g. To the best of the Bank's actual knowledge, the Bank Loan Documents shown on **Exhibit B** constitute all of the documents in the possession of the Bank pertaining to the Loan.

h. The Bank is holding no reserve accounts for the benefit of taxes or insurance or any other manner of deposit in connection with the Bank Loan.

If either Party discovers, prior to Closing, that any warranty or representation set forth above is inaccurate or not true, such Party shall notify the other Party and if the inaccuracy of the representation or warranty cannot be resolved prior to Closing by the Parties, either Party may elect to either to waive the representation or warranty and proceed with the Closing, or to terminate this Agreement and in either event, neither party shall have any further liability to the other Party with respect to this Agreement.

The term “actual knowledge” or words of similar import mean and are limited to the actual knowledge of Robert McKean, Chief Executive Officer of the Bank, and James Schlotfeldt, who is the Chief Financial Officer of the Bank, who are not required to perform any additional research as would be required under the standard of “due inquiry” in regards to the representations and warranties set forth in this Agreement.

7. **PDC’s Reliance.** The PDC is relying on the foregoing representations and warranties in entering into this Agreement and the PDC would not do so unless the Bank made each of those representations and warranties. The Bank acknowledges and consents to such reliance.

8. **Default by Borrower.** If the Borrower defaults under the Bank Loan after Closing, the PDC shall be solely responsible for enforcing the rights and remedies under the Bank Loan Documents, subject to the Plan. The PDC shall have no recourse against the Bank for Borrower’s failure to pay the Bank Loan unless such failure is based on a breach of the representations and warranties set forth above in Section 6 that results in actual damage or loss to the PDC. If the PDC believes that there has been such a breach, then the PDC shall notify the Bank, in writing, of such breach and the Bank may elect to re-purchase the Bank Loan from the PDC for the same price paid by the PDC pursuant to this Agreement, less any principal payments received by the PDC while it owns the Bank Loan that have not been offset by costs incurred by the PDC due to the breach. In the alternative, the Bank may elect to pay the actual loss of the PDC or the Bank may elect to cure the breach in such manner as the Bank may deem appropriate to prevent any actual loss or damage to the PDC as a result of a breach of any of the foregoing representations or warranties.

9. **AS IS Sale of Bank Loan to PDC.** The PDC acknowledges that it has had full and fair opportunity to inspect the Bank Loan Documents. The PDC acknowledges that except for the representations and warranties set forth above, no warranties or representations, express or implied, have been made by the Bank or by anyone on the Bank’s behalf, particularly, but without in any way limiting the generality of the foregoing, no warranties or representations have been made regarding (a) the creditworthiness of the Borrower or any Guarantor and (b) the value of any collateral securing payment of the Bank Loan. The PDC accepts the Bank Loan Documents in their present condition, “AS IS, WITH ALL FAULTS,” without representation or warranty or covenants, except as expressly set forth in this Agreement. The PDC has ascertained for itself the value and condition of the Bank Loan Documents, and the PDC is not relying on, nor has the PDC been influenced by, the Bank or any of its agents, employees, directors,

shareholders or officers in connection with the PDC's acquisition of the Bank Loan Documents. When the PDC pays the Purchase Price to the Bank, this shall constitute the PDC's acknowledgment that it has had every opportunity to investigate such matters as the PDC has deemed necessary to acquire the Bank Loan and the Bank Loan Documents.

10. **Binding Effect.** This Agreement will be binding on and inure to the benefit of the Parties and their respective heirs, personal representatives, successors, and permitted assigns.

11. **Assignment.** Neither this Agreement nor any of the rights, interests, or obligations under this Agreement may be assigned by either Party without the prior written consent of the other.

12. **No Third-Party Beneficiaries.** Nothing in this Agreement, express or implied, is intended or will be construed to confer on any person, other than the Parties to this Agreement, any right, remedy, or claim under or with respect to this Agreement.

13. **Notices.** All notices and other communications under this Agreement must be in writing and will be deemed to have been given if delivered personally, sent by facsimile (with confirmation), mailed by certified mail, or delivered by an overnight delivery service (with confirmation) to the Parties at the following addresses or facsimile numbers (or at such other address or facsimile number as a Party may designate by like notice to the other Party):

To Bank: Albina Community Bank
1430 NW 10th Avenue Suite 101
Portland, OR 97209
Attention: Robert L. McKean
Facsimile No.: (503) 282-4691

To PDC: Portland Development Commission
222 NW 5th Avenue
Portland, OR 97209-3895
Attention: General Counsel
Facsimile: (503) 823-3368

Any notice or other communication will be deemed to be given (a) on the date of personal delivery, (b) at the expiration of the two (2) days after the date of deposit in the United States mail, or (c) on the date of confirmed delivery by facsimile, email or overnight delivery service.

14. **Amendments.** This Agreement may be amended only by an instrument in writing executed by both Parties.

15. **Construction.** The captions used in this Agreement are provided for convenience only and will not affect the meaning or interpretation of any provision of this Agreement. All references in this Agreement to "Section" or "Sections" without additional identification refer to the Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Whenever the word "include" or

“including” is used in this Agreement, it will be deemed to be followed by the words “without limitation.”

16. **Counterparts.** This Agreement may be executed in counterparts, each of which will be considered an original and all of which together will constitute one and the same agreement.

17. **Facsimile Signatures.** Facsimile transmission of any signed original document, and retransmission of any signed facsimile transmission, will be the same as delivery of an original. At the request of either Party, the Parties will confirm facsimile transmitted signatures by signing an original document. Any document to be recorded must be by original signature.

18. **Further Assurances.** Each Party agrees (a) to execute and deliver such other documents and (b) to do and perform such other acts and things, as the other Party may reasonably request, to carry out the intent and accomplish the purposes of this Agreement. The Bank shall provide the PDC, at the PDC’s expense, with such other information relating to the making, extending and administering of the Bank Loan as the PDC may reasonably request from time to time after Closing.

19. **Acceptance of Assignment as of Closing.** As of Closing, the PDC will accept assignment of the rights and obligations of the Bank under the Bank Loan Documents and agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Bank Loan Documents are required to be performed by it as the “Lender” after the Closing. The Bank acknowledges that except as provided herein, the PDC does not assume any liability or obligation that the Bank may have to Borrower or to any of the Guarantors that arose or accrued prior to the date of Closing.

20. **Time of Essence.** Time is of the essence with respect to all dates and time periods set forth or referred to in this Agreement.

21. **Expenses.** Except as otherwise expressly provided in this Agreement, each Party to this Agreement will bear the Party’s own expenses in connection with the preparation, execution, and performance of this Agreement and the transactions contemplated by this Agreement.

22. **Waiver.** Any provision or condition of this Agreement may be waived at any time, in writing, by the Party entitled to the benefit of such provision or condition. Waiver of any breach of any provision will not be a waiver of any succeeding breach of the provision or a waiver of the provision itself or any other provision.

23. **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Oregon, without regard to conflict-of-laws principles.

24. **Attorney Fees.** With respect to any dispute relating to this Agreement, or in the event that a suit, action, arbitration, or other proceeding of any nature whatsoever is instituted to interpret or enforce the provisions of this Agreement, including, without limitation, any

proceeding under the U.S. Bankruptcy Code and involving issues peculiar to federal bankruptcy law or any action, suit, arbitration, or proceeding seeking a declaration of rights or rescission, the prevailing Party shall be entitled to recover from the losing Party its reasonable attorney fees, paralegal fees, expert fees, and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the judge or arbitrator at trial, arbitration, or other proceeding, or on any appeal or review, in addition to all other amounts provided by law.

25. **Injunctive and Other Equitable Relief.** The Parties agree that the remedy at law for any breach or threatened breach by a Party may, by its nature, be inadequate, and that the other Party will be entitled, in addition to damages, to a restraining order, temporary and permanent injunctive relief, specific performance, and other appropriate equitable relief, without showing or proving that any monetary damage has been sustained.

26. **Venue.** Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement will be brought against any of the Parties in Multnomah County Circuit Court of the State of Oregon or, subject to applicable jurisdictional requirements, in the United States District Court for the District of Oregon, and each of the Parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to such venue.

27. **Exhibits.** The Exhibits referenced in this Agreement are part of this Agreement as if fully set forth in this Agreement.

28. **Severability.** If any provision of this Agreement is invalid or unenforceable in any respect for any reason, the validity and enforceability of such provision in any other respect and of the remaining provisions of this Agreement will not be in any way impaired.

29. **Entire Agreement.** This Agreement (including all Exhibits and Bank Loan Documents and any other documents and instruments referred to in this Agreement) constitutes the entire agreement and understanding of the Parties with respect to the subject matter of this Agreement and supersedes all prior understandings and agreements, whether written or oral, between the Parties with respect to such subject matter.

30. **Survival.** All representations and warranties contained in this Agreement shall survive the Closing.

31. **No Brokers.** Each Party represents to the other that no broker has been involved in this transaction and no brokerage fees are due as a result of this transfer.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the Parties have signed this Agreement the day and year first above written.

ALBINA COMMUNITY BANK

By: _____
Printed Name: Robert L. McKean
As Its: Chief Executive Officer

CITY OF PORTLAND, a municipal
corporation of the State of Oregon, acting
by and through the PORTLAND
DEVELOPMENT COMMISSION

By: _____
Printed Name: Bruce A. Warner
As Its: Executive Director

APPROVED AS TO FORM:

Portland Development Commission Legal
Counsel

Accepted and Agreed to:

TICOR TITLE INSURANCE COMPANY

By: _____
_____, Escrow Officer

Dated: _____

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EXHIBIT A

Renewal Promissory Note

[attached]

RENEWAL PROMISSORY NOTE

Portland, Oregon

January 1, 2009

The Heritage Building L.L.C., an Oregon limited liability company ("Borrower") hereby executes and delivers this renewal note ("Renewal Note") to Albina Community Bank, an Oregon banking corporation ("Lender") as part of the Borrower's obligations arising pursuant to a chapter 11 plan of reorganization ("Plan") confirmed in the United States Bankruptcy Court for the District of Oregon, Case No. 08-33599-tmb11 ("Bankruptcy"). Pursuant to the Plan, this Renewal Note is dated as of the Effective Date of the Plan, and constitutes a renewal of the promissory note dated September 28, 2005 in the original principal amount of \$1,900,000.00 wherein Borrower was the maker and Lender was the payee ("Original Note"). For valuable consideration, including sums loaned and advanced to Borrower and incurred by Borrower, and pursuant to the Plan, Borrower does hereby promise to pay to the order of Lender the Albina Allowed Secured Claim Amount owed to Lender pursuant to the Plan, which Albina Allowed Secured Claim Amount totals \$2,049,116.15 and is comprised of:

Principal	\$1,825,405.21
Interest to October 23, 2008	\$ 169,455.64
Interest at the non-default Albina Note rate from October 24, 2008 to the Effective Date	\$ 19,429.31
Pre-petition Costs and Attorney Fees	\$ 18,671.74
Post-petition Costs and Attorney Fees	\$ 16,154.25
TOTAL	\$2,049,116.15 ("Albina Allowed Secured Claim Amount" or "principal")

together with interest on the total Albina Allowed Secured Claim Amount at the rate of 6.50 % per annum from the Effective Date of January 1, 2009 until paid, which Albina Allowed Secured Claim Amount shall be paid as follows:

- (A) A monthly sum of interest only for twelve months, commencing February 1, 2009, and due monthly by the first day of each and every month thereafter through January 1, 2010; and
- (B) A monthly sum of \$13,835.78 for forty-seven months, due by the first day of each and every month, commencing with the first payment due February 1, 2010, and monthly thereafter by the first day of each and every month through the payment due December 1, 2013; and
- (C) On January 1, 2014 ("Maturity Date") a sum equal to the remaining unpaid balance owed on the Albina Allowed Secured Claim Amount, together with all accrued interest and any other sums owed on this Renewal Note, or any agreement which secures this Renewal Note.

The Original Note provided for a Construction Term and a Permanent Term. The execution of this Renewal Note by the Borrower shall constitute the commencement of the Permanent Term. This Renewal Note shall continue to be secured by Collateral referenced in the following agreements between Borrower and Lender: (a) Line of Credit Instrument (Deed of Trust) dated September 28, 2005 and recorded in the records of Multnomah County, Oregon on September 29, 2008 as No. 2005-187011; and (b) Assignment of Rents dated September 28, 2005 and recorded in the records of Multnomah County, Oregon on September 29, 2005 as No. 2005-187012; and (c) Commercial Security Agreement dated September 28, 2005 (all hereinafter "Albina Loan Documents"). All Collateral which secured the Original Note shall secure this Renewal Note; this Renewal Note shall constitute the "Note" referenced in all the Albina Loan Documents, and this Renewal Note is a Related Document to the Albina Loan Documents.

All payments due to Lender hereunder must be received by Lender at the following address: Albina Community Bank, 2002 NE Martin Luther King Jr., Blvd., Portland, Oregon 97212 by the due dates set forth herein, or to such other address as Lender may provide to Borrower.

Prepayment may be made in whole or in part at any time. No prepayment shall be credited as a future payment or excuse Borrower from making the regular payments provided for in this Renewal Note unless otherwise agreed in writing at the time of the prepayment. All payments, including any prepayments, shall be applied first to accrued interest on the Albina Allowed Secured Claim Amount to the date of payment and then to the Albina Allowed Secured Claim Amount. The Albina Allowed Secured Claim Amount shall be treated as principal for the purposes of Renewal Note and the Albina Loan Documents, although the Albina Allowed Secured Claim Amount includes other sums owed to Lender.

If any payment required by this Renewal Note is 11 or more days late, Borrower will be charged and owe to Lender a sum equal to 5.00 % of the late payment.

Interest on this Renewal Note is computed on the Albina Allowed Secured Claim Amount by using a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year, multiplied by the then outstanding Albina Allowed Secured Claim Amount, multiplied by the actual number of days the Albina Allowed Secured Claim Amount is outstanding. All interest payable under this Renewal Note is computed using this method.

Upon an Event of Default as defined in Section 5.1 of the Plan, as set out in the Deed of Trust, and/or as set out herein, including any failure to pay this Renewal Note by the Maturity Date, the interest rate on this Renewal Note shall be increased to 11.50 % per annum, and such default interest rate shall continue until this Renewal Note is paid in full.

Borrower will pay a fee to Lender of \$30.00 if Borrower makes a payment to Lender and the check or preauthorized charge with which the Borrower pays is later dishonored. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings or some other account). This includes all accounts

Borrower holds jointly with someone else and all accounts Borrower may open in the future. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the debt against any and all such accounts, and at Lender's option, to administratively freeze all such accounts to allow lender to protect Lender's charge and setoff rights provided herein.

Each of the following shall constitute an Event of Default under this Renewal Note:

(a) any payment due on this Renewal Note is not received by Lender when it is due; or (b) there is a default under any other agreement between Borrower and Lender (including but not limited to any of the Albina Loan Documents). Upon an Event of Default, the then unpaid balance owed on the Albina Allowed Secured Claim Amount (which is being treated as principal) and interest owing on this Renewal Note shall be accelerated, and shall be due and payable in full to Lender. Upon any Event of Default, which continues for a period of five Business Days following receipt by Borrower of written notice of such default from Lender, Lender shall have all rights and remedies granted by law, this Plan or any agreement between Borrower and Lender.

Whether or not litigation is commenced, the Borrower promises to pay all Lender's costs of collecting overdue amounts, including attorney fees. Without limiting the foregoing, if Lender consults an attorney regarding the enforcement of any of its rights under this Renewal Note, or the enforcement of any document securing this Renewal Note, or if this Renewal Note is placed in the hands of an attorney for collection, or if suit is brought to enforce this Renewal Note or any agreement or document securing this Renewal Note, the Borrower promises to pay all Lender's costs and attorney fees, including costs and attorney fees incurred in any state or federal court (including any matter in Bankruptcy Court) and in any appeals court.

This Renewal Note has been delivered to Lender in Multnomah County, State of Oregon. Borrower consents to personal jurisdiction in the State of Oregon and agrees that any state or federal court in the State of Oregon shall have exclusive jurisdiction in any action, suit or proceeding arising from or related to this Renewal Note, including any claim to collect the Renewal Note. Borrower further agrees that venue may be laid, at the option of Lender, in any state or federal court having a situs in Multnomah County, Oregon.

The obligation of Borrower hereunder is absolute, unconditional and irrevocable, and is not subject to any defense or claim of any type or nature whatsoever, including but not limited to any defense or claim of setoff or offset. This Renewal Note shall be governed by and construed in accordance with the laws of the State of Oregon.

Lender may delay or forgo enforcing any of its rights or remedies under this Renewal Note without losing them. Borrower hereby waives presentment, demand for payment, protest and notice of dishonor. Borrower agrees that Lender may renew or extend (repeatedly and for any length of time) the time for performance under this Renewal Note, or may release any collateral which may secure this Renewal Note, or may take any other action it may in its sole discretion deem advisable with respect to the Renewal Note, without affecting or impairing the liability of Borrower hereunder.

To the extent this Renewal Note is transferred to a holder other than the named Lender, any reference to Lender in this Renewal Note shall also mean any such transferee of this Renewal Note.

This Renewal Note shall be binding upon Borrower, and upon Borrowers successors and assigns, shall inure to the benefit of Lender and its successors and assigns.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US (LENDER) CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE.

BORROWER:

THE HERITAGE BUILDING L.L.C.

By 

Title MANAGING MEMBER

LENDER:

ALBINA COMMUNITY BANK

By 

Title VICE PRESIDENT

034352\00002\1259298 V001

EXHIBIT B

Bank Loan Documents

[to come]

EXHIBIT C

Description of the Property

[attached]

EXHIBIT D

Title Report

[attached]

EXHIBIT E

Bank Resolution Authorizing Transfer of Loan

[attached]

SCHEDULE 1

Endorsement Allonge

Albina Community Bank does hereby assign and endorse over to the Portland Development Commission, without any recourse, representation or warranty of any type (except as otherwise set forth in Section 6 of that certain Agreement to Transfer Loan and Preliminary Closing Instructions dated as of May __, 2009, between the undersigned and the Portland Development Commission) that certain Renewal Promissory Note, dated January 1, 2009 made by The Heritage Building, L.L.C., as Borrower.

Dated: _____, 2009

ALBINA COMMUNITY BANK

By: _____

Name: _____

As Its: _____

SCHEDULE 2

Form of Assignment of Deed of Trust

After Recording Return to:

Barbara A. Jacobson
K&L Gates LLP
222 SW Columbia Street, Suite 1400
Portland, Oregon 97201

ASSIGNMENT OF DEED OF TRUST

For value received, the undersigned, as Beneficiary, hereby grants, conveys, assigns and transfers to Portland Development Commission, whose address is 222 NW 5th Avenue, Portland, Oregon 97209-3895, all right, title and beneficial interest under that certain Deed of Trust, dated September 28, 2005, recorded September 29, 2005, as Fee No. 2005-187011, Official Records, Multnomah County, Oregon, and as modified by the Modification of Deed of Trust, dated January 1, 2009, recorded April 13, 2009, as Fee No. 2009-049417, Official Records, Multnomah County, Oregon (collectively the "Deed of Trust"), executed by The Heritage Building, L.L.C., as Grantor, to Ticor Title Insurance Company, as Trustee. describing land therein as:

See **Exhibit A** attached hereto.

Together with note or notes therein described or referred to, the money due and to become due thereon, with interest, and all rights accrued or to accrue under said Deed of Trust.

Dated: _____, 2009

BENEFICIARY:

ALBINA COMMUNITY BANK,
an Oregon corporation

By: _____

Name: _____

As Its: _____

STATE OF OREGON)
) ss.
COUNTY OF MULTNOMAH)

This instrument was acknowledged before me on this ____ day of _____, 2009, by _____, as the _____ of the Portland Development Commission.

Notary Public for Oregon
My Commission Expires: _____

Exhibit A to Schedule 2

Legal Description

SCHEDULE 3

Form of Assignment of Remaining Bank Loan Documents

ASSIGNMENT OF LOAN DOCUMENTS

This Assignment of Loan Documents (the "Assignment") is made as of _____, 2009, by Albina Community Bank, an Oregon corporation ("Assignor"), and the Portland Development Commission, the Urban Renewal Agency of the City of Portland ("Assignee").

RECITAL

Pursuant to that certain Agreement to Transfer Loan and Preliminary Closing Instructions dated as of May __, 2009 (the "Agreement") between Assignor and Assignee, Assignee has contracted to purchase a promissory note secured by a deed of trust, various personal guaranties and other related documents, as more particularly defined as the Bank Loan Documents in the Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the covenants and agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby assigns, transfers, sells and conveys to Assignee all of Assignor's right, title and interest in, to and under the Bank Loan Documents, as defined in the Agreement, and Assignee hereby accepts the foregoing assignment. This Assignment shall be construed, interpreted and enforced in accordance with the laws of Oregon, without regard to principles of conflict of laws.

IN WITNESS WHEREOF, the parties hereto have duly executed this Assignment as of the day and year first above written.

ASSIGNOR:

ASSIGNEE:

ALBINA COMMUNITY BANK,
an Oregon corporation

PORTLAND DEVELOPMENT COMMISSION,
an Urban Renewal Agency of the City of
Portland

By: _____
Name: _____
As Its: _____

By: _____
Name: _____
As Its: _____

PDC

PORTLAND DEVELOPMENT COMMISSION

Resolution Number 6708

Title:

AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE AN AGREEMENT TO PURCHASE ALBINA COMMUNITY BANK'S LOAN TO THE HERITAGE BUILDING, LLC FOR THE PURCHASE PRICE OF \$1,836,375.54, WHICH LOAN IS SECURED BY CERTAIN REAL PROPERTY COMMONLY KNOWN AS "THE HERITAGE BUILDING," LOCATED AT 3934 NE MARTIN LUTHER KING, JR. BOULEVARD IN THE OREGON CONVENTION CENTER URBAN RENEWAL AREA

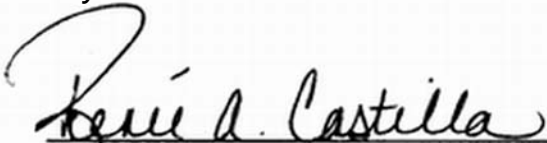
Adopted by the Portland Development Commission on May 27, 2009.

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Charles Wilhoite, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Scott Andrews	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Bertha Ferrán	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	John Mohlis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Steven Straus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda		<input checked="" type="checkbox"/> Regular Agenda		

Certification

The undersigned hereby certifies that:

The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and duly recorded in the official minutes of the meeting.


Renee A. Castilla, Recording Secretary

Date: June 4, 2009