



CITY OF
PORTLAND, OREGON
OFFICE OF CITY ATTORNEY

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April 7, 2010

Secretary of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Sir or Madam:

The undersigned, being duly licensed and in good standing to practice law in the State of Oregon, is legal counsel to the City of Portland ("Borrower"). As such, I have represented Borrower regarding that certain Variable/Fixed Rate Note, referred to as Note No.B-08-MC-41-0003 in the Maximum Commitment Amount of \$460,000 (the "Note"), to be executed by Borrower payable to the order of the Registered Holder thereof, and to be guaranteed by the Secretary of Housing and Urban Development ("HUD") under section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. 5308 ("Section 108"). The Note will initially be issued to the interim lender, which will make advances to the Borrower in the amount requested by the Borrower under the Note. HUD's guarantee of the Note will be governed by the Contract for Loan Guarantee Assistance under Section 108 between the Borrower and HUD (the "Contract"), in which the Borrower pledges Community Development Block Grants pursuant to 24 CFR 570.705(b)(2), as well as any other security specified therein, as security for HUD's guarantee. It is anticipated that the Note, as authorized by the Contract, will be included in a future trust created by HUD (together with other Section 108 Notes issued by other borrowers), and participation certificates based on the trust will ultimately be sold in a future public offering by the underwriters selected by HUD.

In my capacity as legal counsel, I have made an examination and investigation of all such matters of fact and questions of law as I consider necessary or advisable to enable me to render the opinion hereafter set forth. Specifically, and without limiting the generality of the foregoing, I have examined:

1. Applicable provisions of Article XI of the Oregon Constitution and applicable provisions of the Oregon Revised Statutes.
2. Applicable provisions of Portland City Code Chapter 30.01.
3. Ordinance No. 182302 of the governing body of Borrower, dated October 29, 2008 and Ordinance No. 182873 of the governing body of Borrower,

Secretary of Housing and Urban Development
April 7, 2010
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dated June 3, 2009, authorizing Borrower to enter into this transaction, and authorizing Commissioner Nick Fish to execute on behalf of Borrower all documents necessary or desirable to accomplish the transaction.

4. The Contract.
5. The Note.
6. The Amended and Restated Master Fiscal Agency Agreement dated as of May 17, 2000, the Trust Agreement dated as of January 1, 1995, and the form of Supplement to the Trust Agreement.

Based on the foregoing investigation and authorities, I am of the opinion that:

1. Borrower has authorized in accordance with Ordinance No. 182873, the transaction, including issuance of the Note, the pledge of grant funds, and the execution of all documents necessary or desirable to accomplish the transaction.

2. Borrower has authorized the Commissioner in Charge of the Portland Housing Bureau, formerly known as the Bureau of Housing and Community Development, in his capacity as a Commissioner of the City of Portland to execute the Contract, the Note and all other documents necessary or desirable to accomplish the transaction.

3. Borrower has authorized the Commissioner in Charge of the Portland Housing Bureau, formerly known as the Bureau of Housing and Community Development, in his capacity as a Commissioner of the City of Portland to provide the City's full faith and credit as additional collateral if required by HUD.

4. The Note and the Contract have been duly executed by the aforementioned authorized representative of the Borrower, and upon delivery thereof, due execution of the Contract and the Guarantee on behalf of HUD, and receipt of the loan proceeds on behalf of the Borrower, the Note and the Contract, including the provisions for compensation of the Fiscal Agent/Trustee from funds pledged under the Contract (as incorporated therein), shall be valid, binding and enforceable obligations of the Borrower.

5. The pledge of present and future Community Development Block Grants by the Borrower pursuant to 24 CFR 570.705(b)(2), and the Contract is valid.

6. There is no outstanding, or to my knowledge threatened, action, suit, proceeding, investigation or litigation by or against the Borrower which will affect the validity of the Note or the security therefor.

Secretary of Housing and Urban Development
April 7, 2010
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Sincerely,

Linda L. Meng
City Attorney for the City of Portland

Date



CITY OF
PORTLAND, OREGON
PORTLAND HOUSING BUREAU

183717

Nick Fish, Commissioner
Margaret Van Vliet, Director
421 SW 6th Avenue, Suite 500
Portland OR 97204
(503) 823-2375
Fax (503) 823-2387
www.portlandonline.com/PHB

REQUEST FOR ADVANCE

U.S. Department of Housing and Urban Development
Paul D. Webster, Director
Financial Management Division - Room 7180
451 Seventh Street, SW
Washington, DC 20410

Dear Mr. Webster:

The City of Portland hereby requests an advance in the amount of \$460,000 under the Variable/Fixed Rate ("VFR") Note No. B-08-MC-41-0003 guaranteed pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended.

The amount to be advanced under the Note(s) is \$460,000.00. This advance shall be repaid under the following schedule:

<u>Principal Due Date</u>	<u>Advance Amount</u>
August 1, 2010	14,000
August 1, 2011	15,000
August 1, 2012	16,000
August 1, 2013	16,000
August 1, 2014	17,000
August 1, 2015	18,000
August 1, 2016	19,000
August 1, 2017	20,000
August 1, 2018	21,000
August 1, 2019	21,000
August 1, 2020	22,000
August 1, 2021	23,000
August 1, 2022	24,000
August 1, 2023	26,000
August 1, 2024	27,000
August 1, 2025	28,000
August 1, 2026	29,000
August 1, 2027	31,000
August 1, 2028	32,000
August 1, 2029	41,000

183717

The City of Portland hereby requests an advance in the amount of \$460,000 under the Variable/Fixed Rate ("VFR") Note No. B-08-MC-41-0003.

Please wire transfer the advance using the following information:

BORROWER	:City of Portland
AMOUNT	: <u>\$460,000.00</u>
VARIABLE FIXED RATE NOTE NUMBER	:B-08-MC-41-0003

1 . Name of Bank	:Wells Fargo Bank
2 . Address of Receiving Bank	:1300 SW 5 th Ave., Portland, OR 97201
3 . A.B.A. Number*	:121000248
4 . Borrower's Account Number	:4159579234
5 . Account Name	:City of Portland General Account
6 . Bank Official to Contact	:Julie Wilson
7 . Phone Number of Bank Official	:503-886-2062

Signature

Signature

Name

Name

Title

Title

Date

Date

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SECTION 108 LOAN GUARANTEE PROGRAM**

VARIABLE/FIXED RATE NOTE

NOTE NUMBER: B-08-MC-41-0003

DATE OF NOTE: _____

BORROWER: The City of Portland, OR

PRINCIPAL DUE DATES AND PRINCIPAL AMOUNT: Before the Conversion Date, the aggregate of Advances made for each applicable Principal Due Date specified in the Commitment Schedule to this Note; on or after the Conversion Date, the Principal Amount (if any) listed for each Principal Due Date in Schedule P & I hereto.

MAXIMUM COMMITMENT
AMOUNT: \$460,000

COMMITMENT AMOUNTS: See
Commitment Schedule attached hereto.

VARIABLE INTEREST RATE: As set forth below.

REGISTERED HOLDER: AFTERWATCH & CO
As Nominee for
Money Market Obligations Trust
on behalf of its Government Obligations Fund

I. Terms Applicable Before the Conversion Date

A. Advances

For value received, the undersigned, the City of Portland (the "Borrower"), which term includes any successors and assigns), a public entity organized and existing under the laws of the State (or Commonwealth as applicable) of Oregon, promises to pay to the Registered Holder (the

"Holder," which term includes any successors or assigns), at the time, in the manner, and with interest at the rate or rates hereinafter provided, such amounts as may be advanced under this Note from time to time by the Holder for disbursement to, or on behalf of, the Borrower (individually, an "Advance", and collectively, "Advances"). The Holder shall make Advances upon the written request of the Borrower and the approval of the Secretary of Housing and Urban Development or his designee (the "Secretary"), pursuant to the Contract for Loan Guarantee Assistance (as further defined in Section IV.A. of this Note, the "Contract"), and the Amended and Restated Master Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated as of May 17, 2000, between The Chase Manhattan Bank (now known as Bank of New York Mellon), as Fiscal Agent (the "Fiscal Agent"), and the Secretary. The total amount of Advances made for each Principal Due Date under this Note shall not exceed the applicable Commitment Amount for such Principal Due Date set forth on the Commitment Schedule attached hereto. The aggregate of all Advances under this Note for all Principal Due Dates shall not exceed the Maximum Commitment Amount specified on the attached Commitment Schedule. The Fiscal Agent shall record the date and amount of all payments and Advances on this Note and maintain the books and records of all such Advances and Commitment Amounts for each corresponding Principal Due Date, and all payments. No Advances shall be made on this Note after its Conversion Date.

As used herein, "Conversion Date" means the date (if any) upon which this Note is (i) delivered by the Holder to the Fiscal Agent against payment therefore by the purchasers selected by the Secretary to make such payment; and (ii) assigned to JPMorgan Chase Bank (or any successor thereto) acting in its capacity as Trustee (the "Trustee") pursuant to a Trust Agreement between the Secretary and the Trustee, dated as of January 1, 1995, as such agreement may be amended or supplemented (the "Trust Agreement"). Upon the occurrence of both (i) and (ii) in the previous sentence, Section III of this Note applies, thereby converting this Note to a fixed rate obligation.

B. Variable Rate of Interest

From and including the date of each Advance to but excluding the earlier of (i) the Conversion Date, and (ii) the date of redemption or prepayment of such Advance pursuant to Section I.D. below (each such date of redemption or prepayment, a "Prepayment Date") interest shall be paid quarterly at a variable interest rate (as set forth below) on the unpaid principal balance of each Advance on the first day of each February, May, August and November (each, an "Interim Payment Date"), commencing on the first Interim Payment Date after the initial Advance is made under this Note. Interest also shall be paid on each applicable Conversion Date, Prepayment Date or Principal Due Date. The amount of interest payable on each Interim Payment Date will represent interest accrued during the three-month period ending immediately prior to such Interim Payment Date, or in the case of the first Interim Payment Date following each Advance that is not made on an Interim Payment Date, the period from and including the date of such Advance to but excluding the first Interim Payment Date following such Advance. The amount of interest payable on this Note's Conversion Date, Prepayment Date, or on any Principal Due Date that precedes such Conversion Date will represent interest accrued during the

period from the last Interim Payment Date to such Conversion Date, Prepayment Date, or Principal Due Date, respectively.

The initial variable interest rate for each Advance will be set on the date of such Advance and will be equal to 20 basis points (0.2%) above the Applicable LIBO Rate (as hereinafter defined) and thereafter will be adjusted monthly on the first day of each month (each, a "Reset Date") to a variable interest rate equal to 20 basis points (0.2%) above the Applicable LIBO Rate (such interest rate, as reset from time to time, the "Standard Note Rate"). If the Conversion Date for this Note has not occurred by the March 1 following the initial Advance under this Note, then the terms of Appendix A shall be used to set the variable interest rate. If the Fiscal Agent does not receive notice of either a Negotiated Special Interest Rate or Holder Determined Special Interest Rate (as defined in Appendix A attached hereto) from the Secretary or Holder, respectively, by the times specified in Appendix A to this Note, then the Standard Note Rate shall apply for the period to which such Negotiated Special Interest Rate or Holder Determined Special Interest Rate would otherwise apply. The Fiscal Agent may conclusively rely on any such notice as to the correctness of any matters set forth therein. Appendix A shall be inapplicable to this Note on or after the Conversion Date.

"LIBO Rate" for any given Business Day means, except in the case of manifest error, the interest rate per annum published on that day in the Eastern Edition of The Wall Street Journal or any successor publication ("WSJ"), published by Dow Jones & Company, Inc., in the section titled "Money Rates" (or any successor section) and opposite the caption "London Interbank Offered Rates (LIBOR) -- three months" (or any successor caption). If such rate does not appear in WSJ on a given Business Day, for each interest period, the LIBO Rate shall be the interest rate, converted to a bond-equivalent yield basis, for deposits in U.S. dollars for three months which appears on Telerate Page 3750 or such other page as may replace Page 3750 on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying such rate (together, "Telerate Page 3750") as of 11:00 a.m., London time, on the day (the "Determination Date") that is two London Banking Days preceding the relevant Reset Date or Advance. If such rate does not appear on Telerate Page 3750 on such Determination Date, such rate shall be obtained from the Reuters Screen ISDA Page as of 11:00 a.m., London time, on such Determination Date. If, in turn, such rate does not appear on the Reuters Screen ISDA Page on such Determination Date, the offered quotation from each of four reference banks (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on such Determination Date for deposits in U.S. dollars to prime banks on the London interbank market for a 3-month period, commencing on the Reset Date or date of such Advance, shall be obtained. If at least two such quotations are provided, the LIBO Rate for such Reset Date or date of such Advance will be the arithmetic mean of the quotations, rounded to five decimal places. If fewer than two such quotations are provided as requested, the LIBO Rate for that Determination Date shall be the rate for the most recent day preceding such Determination Date for which the LIBO Rate shall have been displayed on Telerate Page 3750. The LIBO Rate for any interest period shall be converted to a bond-equivalent yield basis by multiplying such rate by the actual number of days in such interest period and dividing that number by 180.

"Applicable LIBO Rate" means: (1) with respect to the initial interest rate for the first Advance hereunder, the LIBO Rate two London Banking Days before the date of such first Advance; (2) with respect to the initial interest rate for any subsequent Advance made before the first Reset Date, the interest rate borne by the first Advance; (3) with respect to the initial interest rate for any subsequent Advance made after the first Reset Date, the LIBO Rate two London Banking Days before the immediately preceding Reset Date; and (4) with respect to the subsequent interest rate at any Reset Date for any Advance, the LIBO Rate two London Banking Days before such Reset Date.

"London Banking Day" means any day in which dealings in deposits in United States dollars are transacted in the London interbank market. Interest payable on or before the Conversion Date shall be calculated on the basis of a 360-day year and the actual number of days lapsed.

C. Principal Amount

Prior to the Conversion Date, the aggregate amount of Advances under this Note for each specified Principal Due Date shall be the Principal Amount paid by the Borrower on such Principal Due Date (as assigned to such Advances by the Secretary's instructions to the Fiscal Agent in accordance with the Contract and the Fiscal Agency Agreement), except to the extent such Principal Amount shall have been reduced by redemption before such Principal Due Date as provided below.

D. Redemption before Conversion Date

At any time on or before the Conversion Date, the Borrower, with the consent of the Secretary, may redeem this Note, in whole or in part, upon fourteen calendar days notice to the Fiscal Agent and the Secretary, at the purchase price of one hundred percent (100%) of the unpaid Principal Amount to be redeemed, plus accrued interest thereon to the date of redemption. Partial redemptions shall be credited against the applicable Principal Amount(s). The related Commitment Amounts and the Maximum Commitment Amount shall be adjusted concurrently with any such redemptions in accordance with the Secretary's instructions to the Fiscal Agent pursuant to the Contract and the Fiscal Agency Agreement.

II. Conversion

The following events shall occur on the Conversion Date:

A. Schedule P&I

On the Conversion Date all Advances owed by the Borrower under this Note with the same Principal Due Date shall be aggregated into a single Principal Amount which will accrue interest at the fixed rate applicable to such Principal Due Date. Such Principal Amount may be adjusted by the Fiscal Agent in accordance with the following paragraph or paragraph IV.H, as applicable. Whether or not adjusted, each Principal Amount, the fixed rate applicable to each Principal Amount, and the applicable Principal Due Date, shall be listed by the Secretary in Schedule P&I. Schedule P&I will be provided by the Secretary to the Fiscal Agent and attached to this Note by the Fiscal Agent upon the Fiscal Agent's receipt of this Note on the Conversion Date.

B. Conversion Date Advances

If, on or prior to the Conversion Date, the Borrower has not utilized the entire Commitment Amount indicated on the Commitment Schedule attached hereto for a given Principal Due Date, the Borrower may, in accordance with the Fiscal Agency Agreement and the Contract, and with the approval of the Secretary, utilize such Commitment Amount on the Conversion Date to obtain a Conversion Date Advance. A "Conversion Date Advance" shall mean any amount by which the Secretary instructs the Fiscal Agent to increase a Principal Amount on Schedule P&I for a given Principal Due Date, effective as of the Conversion Date of this Note. Conversion Date Advances shall be funded by the sale of this Note to the purchaser selected by the Secretary. The proceeds of a Conversion Date Advance (net of any applicable fees) shall be distributed to or on behalf of the Borrower on the Conversion Date. The total amount of Conversion Date Advances hereunder shall not exceed the sum of any unused Commitment Amounts for all Principal Due Dates.

III. Terms Applicable Upon Conversion

The following terms shall apply to this Note from the Conversion Date (if any) until this Note is canceled, or matured and paid in full:

Commencing on the Conversion Date, the Borrower promises to pay to the Holder on the applicable Principal Due Date each Principal Amount set forth on the attached Schedule P&I, together with interest on each such Principal Amount at the rate applicable thereto specified on the Schedule P&I. Interest shall be calculated and payments shall be made in the manner set forth below.

Interest on each scheduled Principal Amount of this Note due as of a given date specified on Schedule P&I hereto shall accrue at the related per annum rate specified on Schedule P&I from (and including) the Conversion Date to (but excluding) such Principal Due Date or, if applicable, to the applicable Interest Due Date on which an Optional Redemption (as defined below) occurs. Each interest amount accrued on each unpaid Principal Amount of this Note shall be due semiannually as of February 1 and August 1 of each year (each such February 1 and

August 1, an "Interest Due Date") commencing on the first such date after the Conversion Date, until each Principal Amount listed on Schedule P&I to this Note is paid in full. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Certain Principal Amounts that are indicated as being eligible for Optional Redemption on Schedule P&I may be paid, in whole or in part, at the option of the Borrower as of any Interest Due Date on or after the date specified in such schedule (an "Optional Redemption"). In order to elect an Optional Redemption of such a Principal Amount, the Borrower shall give notice of its intention to prepay a Principal Amount to the Trustee and the Secretary not less than 60 days and not more than 90 days prior to the Interest Due Date as of which the Borrower intends to prepay the Principal Amount. The Trustee shall apply any payments received in respect of Optional Redemptions in accordance with written instructions of the Borrower, as approved by the Secretary. Principal Amounts that are not indicated as being eligible for Optional Redemption on Schedule P&I may not be prepaid.

IV. General Terms

A. Additional Definitions

For purposes of this Note, the following terms shall be defined as follows:

"Business Day" shall mean a day on which banking institutions in New York City are not required or authorized to remain closed and on which the Federal Reserve Bank and the New York Stock Exchange are not closed. If any payment (including a payment by the Secretary) is required to be made on a day that is not a Business Day, then payment shall be made on the next Business Day.

"Contract" shall mean the Contract for Loan Guarantee Assistance, and any amendments thereto, among the Secretary and the Borrower, the designated public entity named therein (if applicable), and the State named therein (if applicable), that refers to and incorporates this Note by the number hereof.

"Principal Amount" shall mean: (i) before the Conversion Date for this Note, the aggregate amount of Advances made for each Principal Due Date specified in the Commitment Schedule attached to this Note, less the amount of any redemptions pursuant to Section I.D. hereof, and any principal repayment; and (ii) on or after the Conversion Date, the principal amount (if any) stated for each Principal Due Date in Schedule P&I attached hereto, less the amount of any principal repayment and any Optional Redemptions made pursuant to Section III hereof and the Trust Agreement.

B. Timely Payment to Fiscal Agent or Trustee

Notwithstanding anything contained in Section I, Section II, or Section III, the Borrower, in accordance with the Contract, shall be required to make all payments of interest and principal, including any Optional Redemption payment, directly to the Fiscal Agent or the Trustee (as applicable) on the seventh Business Day prior to the appropriate Interim Payment Date, Interest Due Date, Principal Due Date, Prepayment Date, or date of Optional Redemption, as applicable.

C. Interest on Late Payments

If a payment of principal or interest herein provided for shall not be made by either (i) 2:30 p.m. on an Interest Due Date or Principal Due Date; or (ii) 2:30 p.m. on the second Business Day (as herein defined) next succeeding an Interim Payment Date, then interest shall accrue on the amount of such payment at the then applicable interest rate or rates payable on this Note, from the relevant due date, as the case may be, until the date such payment is made. Nothing in the immediately preceding sentence shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

D. Applicability of Fiscal Agency Agreement or Trust Agreement

Prior to the Conversion Date, this Note and Advances and payments made hereunder shall be administered pursuant to the terms of the Fiscal Agency Agreement and are subject to such agreement. On or after the Conversion Date, this Note and Advances and payments made hereunder shall be administered pursuant to the Trust Agreement and are subject to such agreement. The terms and provisions of the Fiscal Agency Agreement or the Trust Agreement, insofar as they affect the rights, duties and obligations of the Holder and/or the Borrower, are hereby incorporated herein and form a part of this Note. The Borrower hereby agrees to be bound by all obligations of the Borrower to the Fiscal Agent set forth in the Fiscal Agency Agreement. Capitalized terms not defined in this Note shall have the meanings ascribed to them in the Fiscal Agency Agreement or Trust Agreement, as applicable. The Fiscal Agency Agreement provides for the Fiscal Agent to perform certain duties, including the duties of (i) paying agent and calculation agent for this Note until its Conversion Date, and (ii) registrar for this Note until this Note is canceled or a new registrar appointed, each in accordance with the Fiscal Agency Agreement. The Trust Agreement provides for the Trustee to perform certain duties, including the duties of collection agent for this Note after its Conversion Date until a new Trustee is appointed in accordance with the Trust Agreement. This Note may be surrendered to the Fiscal Agent for registration of transfer or exchange, as provided in the Fiscal Agency Agreement. The Fiscal Agent and Trustee each shall permit reasonable inspection to be made of a copy of the Fiscal Agency Agreement or Trust Agreement kept on file at its respective corporate trust office. Neither the Fiscal Agency Agreement nor the Trust Agreement shall change the Borrower's payment obligations under this Note.

E. Applicability of Contract and Secretary's Guarantee

This Note evidences indebtedness incurred pursuant to and in accordance with the Contract and pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. § 5308) (the "HCD Act"). This Note is subject to the terms and provisions of the Contract, to which Contract reference is hereby made for a statement of said terms and provisions and for a description of the collateral security for this Note. The payment of principal on the applicable Principal Due Dates and interest on the applicable Interim Payment Dates or Interest Due Dates under this Note is unconditionally guaranteed by the Secretary to the Holder through a guarantee (the "Guarantee"). Execution of the Secretary's Guarantee is required before this Note is effective, and such Guarantee shall be issued pursuant to and in accordance with the terms of the Contract and Section 108 of the HCD Act.

F. Default

A default under this Note shall occur upon failure by the Borrower to pay principal or interest on this Note when due hereunder. If a Borrower defaults on the payment of any interest or Principal Amounts when due, or if the Secretary gives notice of a final decision to declare the Borrower in default pursuant to the following paragraph of this Section IV.F, the Secretary may, but is not obligated to, make on any date on or prior to the Conversion Date with fourteen calendar days prior notice to the Fiscal Agent, or on the seventh Business Day preceding any Interest Due Date on or after the first permissible Optional Redemption date with seven Business Days prior notice to the Trustee, an acceleration payment to the Fiscal Agent or the Trustee, as applicable, equal to the Aggregate Principal Amount of the Note, together with accrued and unpaid interest thereon to such acceleration payment date or Interest Due Date, as applicable. In the event that any such acceleration payment is made from sources other than funds pledged by the Borrower as security under the Contract (or other Borrower funds), the amounts paid on behalf of the Borrower shall be deemed to be immediately due and payable to the Secretary. Nothing in this paragraph shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

In addition, the Secretary may declare the Borrower in default under this Note if the Secretary makes a final decision in accordance with the provisions of 24 C.F.R. § 570.913 (or any successor regulation thereof), including requirements for reasonable notice and opportunity for hearing, that the Borrower has failed to comply substantially with Title I of the HCD Act. Following the giving of such reasonable notice, the Secretary may take the remedial actions specified as available in the relevant provisions of the Contract pending the Secretary's final decision.

G. Holder's Reliance on Guarantee

Following a default by the Borrower under the terms of this Note, the Holder agrees to rely wholly and exclusively for repayment of this Note upon the Guarantee. The enforcement of any instruments or agreements securing or otherwise related to this Note shall be the sole responsibility of the Secretary, and the Holder shall not be responsible for the preparation, contents or administration of such instruments and agreements, or for any actions taken in connection with such instruments and agreement. The Holder, to the extent it is legally able to do so, shall bind or cause to be bound its successors and assigns to all limitations imposed upon the Holder by this Note.

H. Amendment

This Note may only be amended with the prior written consent of the Secretary and the Borrower. No such amendment shall reduce, without the prior written consent of the Holder of this Note, in any manner the amount of, or delay the timing of, payments required to be received on this Note by the Holder, Fiscal Agent or Trustee, including Guarantee Payments; provided that prior to the Conversion Date, the Commitment Amounts on the Commitment Schedule attached hereto, and the Principal Amounts due on the corresponding Principal Due Dates may be rescheduled pursuant to written instructions given to the Fiscal Agent by the Secretary with the written agreement of the Borrower and the Secretary absent the consent of the Holder.

I. Waivers

The Borrower hereby waives any requirement for presentment, protest or other demand or notice with respect to this Note. The Borrower hereby waives notice of default and opportunity for hearing for any failure to make a payment when due.

J. Delivery and Effective Date

This Note is deemed issued, executed, and delivered on behalf of the Borrower by its authorized official as an obligation guaranteed by the Secretary pursuant to Section 108 of the HCD Act, effective as of the date of the Secretary's Guarantee.

V. Borrower-Specific Provisions

This is the third Note under B-08-MC-41-0003 issued pursuant to the Contract for Loan Guarantee Assistance under Section 108 dated December 21, 2009 and the Funding Approval ("Commitment") dated April 17, 2009. The first Note was issued concurrently with the second Note.

THE UNDERSIGNED, as an authorized official of the Borrower, has executed and delivered this Note.

The City of Portland, OR
BORROWER

By: _____
(Signature)

(Name)

(Title)

ASSIGNMENT AND TRANSFER

For value received, the undersigned assigns and transfers this Note to

(Name and Address of Assignee)

(Social Security or Other Identifying Number of Assignee)

and irrevocably appoints _____
attorney-in-fact to transfer it on the books kept for registration of the Note, with full power of
substitution.

Dated: _____

Note: The signature to this assignment
must correspond with the name as written on
the face of the Note without alteration or
enlargement or other change.

Signature Guaranteed:

Qualified Financial Institution

By: _____
Authorized Signature

[This page to be completed by the Fiscal Agent for transfer of the Note by the Holder as of the
Conversion Date pursuant to the last paragraph of Section I.A. of this Note.]

APPENDIX A**Special Pre-Conversion Interest Rates.**

- (a) The Holder and the Secretary contemplate that the majority of the outstanding Variable/Fixed Rate Notes will be purchased by underwriters selected by the Secretary for sale in public offerings to occur each year. If a public offering including this Note has not occurred by each March 1 following the initial Advance under this Note, the Secretary shall, upon request, advise the Holder as to when a public offering including this Note is expected to occur, and the Holder and the Secretary agree to consult with each other as to what the interest rate on this Note will be after May 1 of that year if a public offering has not occurred by such May 1. The Holder shall notify the Secretary if such consultation has not occurred by April 1 of that year. If no public offering including this Note has occurred on or before such May 1, the applicable interest rate on this Note from such May 1 shall be the rate (if any) negotiated and agreed upon by the Secretary and the Holder. Such rate may be the Standard Note Rate or some other rate agreed upon by the Holder and the Secretary at least two Business Days before such May 1 (such other rate, the "Negotiated Special Interest Rate"). The Secretary shall notify the Fiscal Agent and the Holder in writing of any Negotiated Special Interest Rate within two Business Days of the determination thereof.
- (b) If the Secretary and the Holder do not, by the April 15th preceding such May 1, negotiate and agree under Section (a) of this Appendix on an interest rate applicable to this Note, then the Holder may, on or before the April 20th preceding such May 1, give written notice to the Secretary of its intent to change the interest rate on this Note and, if such notice was given during such period, the Holder may, on such May 1, unilaterally determine (subject to the terms of this paragraph) the interest rate that this Note will bear (such rate, the "Holder Determined Interest Rate") from and including such May 1 to but excluding the earliest of: (i) the Conversion Date; (ii) the date that this Note is purchased by a new Holder (as described in Section (c) below) or (iii) a Monthly Special Reset Date (as defined below). Interest from and including such May 1 to but excluding the Public Offering Date shall be paid on the unpaid principal balance of all outstanding Advances under this Note at the rate(s) to be determined by the Holder which, based upon then prevailing market conditions and taking into account all the circumstances, will enable the Holder to sell this Note at one hundred percent (100%) of the aggregate amount of all Advances hereunder prior to the date of such sale. Such interest rate shall be determined as of such May 1 and shall be determined again on the foregoing basis on the first of each month thereafter (the first of each month after such May 1, a "Monthly Special Reset Date"). The Holder shall notify the Fiscal Agent and the Secretary in writing

within two Business Days following such dates of the determination of the Holder Determined Interest Rate and each applicable interest rate determined on a Monthly Special Reset Date.

- (c) If the Secretary and the Holder have failed to agree upon an interest rate pursuant to Section (a) of this Appendix A, the Secretary, upon seven calendar days notice to the Holder, may arrange for the purchase of this Note in full by another entity on the following May 1 or any Business Day thereafter. If such a purchase occurs, the Holder shall sell and assign this Note to the purchaser thereof without recourse to the Holder and deliver this Note and its Guarantee to the Fiscal Agent for registration in the name of the purchaser thereof in accordance with the Secretary's written instructions. The purchase price for this Note shall be 100% of the aggregate amount of all Advances owing hereunder plus accrued interest to the date of purchase. Payment to the Holder of the purchase price for this Note shall be made by the purchaser thereof in Federal funds at the offices of the Holder, or at such other place as shall be agreed upon by the Holder and the Secretary, at 10:00 a.m., New York time, on the date of purchase. After such purchase date this Note shall bear a rate of interest negotiated between the Secretary and the new interim Holder (the "New Purchaser Special Interest Rate"). The Secretary shall notify the Fiscal Agent and the new purchaser in writing of any New Purchaser Special Interest Rate within two Business Days following the date of determination thereof.
- (d) Notwithstanding Sections (a) through (c) (inclusive) of this Appendix, no Borrower is obligated to pay interest at a variable rate exceeding the maximum rate permitted by generally applicable law of the Borrower's state (such rate, the "Maximum Rate"). If the Borrower receives notice of a variable interest payment that exceeds the Maximum Rate, then the Borrower shall timely pay such amount as does not exceed the Maximum Rate, and concurrently shall notify the Secretary and the Fiscal Agent of the reason for any interest non-payment.

COMMITMENT SCHEDULENote No. B-08-MC-41-0003

<u>Date</u>	<u>Principal Pmt</u>	<u>Date</u>	<u>Principal Pmt</u>
August 1, 2010	14,000	August 1, 2020	22,000
August 1, 2011	15,000	August 1, 2021	23,000
August 1, 2012	16,000	August 1, 2022	24,000
August 1, 2013	16,000	August 1, 2023	26,000
August 1, 2014	17,000	August 1, 2024	27,000
August 1, 2015	18,000	August 1, 2025	28,000
August 1, 2016	19,000	August 1, 2026	29,000
August 1, 2017	20,000	August 1, 2027	31,000
August 1, 2018	21,000	August 1, 2028	32,000
August 1, 2019	21,000	August 1, 2029	<u>41,000</u>
		Total	460,000

SCHEDULE P&I*Note No. B-08-MC-41-0003

Principal Amount	Principal Due Date	Interest Rate	Optional Redemption Available	
			YES	NO
	August 1, 2010			X
	August 1, 2011			X
	August 1, 2012			X
	August 1, 2013			X
	August 1, 2014			X
	August 1, 2015			X
	August 1, 2016			X
	August 1, 2017			X
	August 1, 2018			X
	August 1, 2019			X
	August 1, 2020		X	
	August 1, 2021		X	
	August 1, 2022		X	
	August 1, 2023		X	
	August 1, 2024		X	
	August 1, 2025		X	
	August 1, 2026		X	
	August 1, 2027		X	
	August 1, 2028		X	
	August 1, 2029		X	

== Aggregate Principal Amount

Principal Amounts due on or after August 1, 2020, may be redeemed, subject to the terms contained herein and in the Trust Agreement, on any Interest Due Date on or after August 1, 2019.

*This schedule will not be completed when initially executed and delivered by the Borrower for Guarantee for interim, variable-rate financing. It will be completed when assigned by the Holder at the request of the Borrower for conversion to Fixed Rates on the Conversion Date. The first date shown above on which Optional Redemption is available is expected to be the same when this schedule is completed, if the Borrower participates in the initial Section 108 public offering after receiving an interim financing Advance hereunder. If the Borrower participates in a later public offering, the first date on which Optional Redemption is available is expected to be correspondingly later.

Program	Grant Year	Grant #	Authorized Amount	Grant Status	Funded	IDIS Grant Balance	Authorized & Spent (2009 authorized only)	Difference
HOPWA	1994	OR16H94F053	\$670,000.00	Active	\$670,000.00	\$0.00	\$716,720.45	(\$46,720.45)
HOPWA	1995	OR16H95F065	\$665,000.00	Active	\$665,000.00	\$0.00	\$0.00	\$665,000.00
HOPWA	1996	OR16H96F074	\$667,000.00	Active	\$667,000.00	\$0.00	\$1,450,633.62	(\$783,633.62)
HOPWA	1997	OR16H97F078	\$758,000.00	Active	\$758,000.00	\$0.00	\$627,244.95	\$130,755.05
HOPWA	1998	OR16H98F001	\$766,000.00	Active	\$766,000.00	\$0.00	\$607,551.44	\$158,448.56
HOPWA	1999	OR16H99F001	\$803,000.00	Active	\$803,000.00	\$0.00	\$584,386.80	\$218,613.20
HOPWA	2000	ORH00F001	\$809,000.00	Active	\$809,000.00	\$0.00	\$851,561.61	(\$42,561.61)
HOPWA	2001	ORH01F001	\$880,000.00	Active	\$880,000.00	\$0.00	\$658,090.55	\$221,909.45
HOPWA	2002	ORH02F001	\$950,000.00	Active	\$950,000.00	\$0.00	\$1,101,587.28	(\$151,587.28)
HOPWA	2003	ORH03F001	\$995,000.00	Active	\$995,000.00	\$0.00	\$664,866.89	\$330,133.11
HOPWA	2004	ORH04F001	\$1,006,000.00	Active	\$1,006,000.00	\$0.00	\$641,644.92	\$364,355.08
HOPWA	2005	ORH05F001	\$949,000.00	Active	\$949,000.00	\$0.00	\$910,867.28	\$38,132.72
HOPWA	2006	ORH06F001	\$947,000.00	Active	\$947,000.00	\$0.00	\$1,097,386.69	(\$150,386.69)
HOPWA	2007	ORH07F001	\$943,000.00	Active	\$943,000.00	\$0.00	\$1,013,865.40	(\$70,865.40)
HOPWA	2008	ORH08F001	\$988,000.00	Active	\$81,296.30	\$906,703.70	\$812,717.18	\$175,282.82
HOPWA	2009	ORH09F001	\$1,016,854.00	Active	\$0.00	\$1,016,854.00	\$1,670,991.00	(\$654,137.00)

\$402,737.94 Total unused entitlement

21500 Planned for 2009 (forgot what this was?)

\$381,237.94 Available Unused Entitlement

183717

Program	Grant Year	Grant #	Authorized Amount	Grant Status	Funded	IDIS Grant Balance	Authorized & Spent (2009 authorized only)	Difference
HOPWA	1994	OR16H94F053	\$670,000.00	Active	\$670,000.00	\$0.00	\$716,720.45	(\$46,720.45)
HOPWA	1995	OR16H95F065	\$665,000.00	Active	\$665,000.00	\$0.00	\$0.00	\$665,000.00
HOPWA	1996	OR16H96F074	\$667,000.00	Active	\$667,000.00	\$0.00	\$1,450,633.62	(\$783,633.62)
HOPWA	1997	OR16H97F078	\$758,000.00	Active	\$758,000.00	\$0.00	\$627,244.95	\$130,755.05
HOPWA	1998	OR16H98F001	\$766,000.00	Active	\$766,000.00	\$0.00	\$607,551.44	\$158,448.56
HOPWA	1999	OR16H99F001	\$803,000.00	Active	\$803,000.00	\$0.00	\$584,386.80	\$218,613.20
HOPWA	2000	ORH00F001	\$809,000.00	Active	\$809,000.00	\$0.00	\$851,561.61	(\$42,561.61)
HOPWA	2001	ORH01F001	\$880,000.00	Active	\$880,000.00	\$0.00	\$658,090.55	\$221,909.45
HOPWA	2002	ORH02F001	\$950,000.00	Active	\$950,000.00	\$0.00	\$1,101,587.28	(\$151,587.28)
HOPWA	2003	ORH03F001	\$995,000.00	Active	\$995,000.00	\$0.00	\$664,866.89	\$330,133.11
HOPWA	2004	ORH04F001	\$1,006,000.00	Active	\$1,006,000.00	\$0.00	\$641,644.92	\$364,355.08
HOPWA	2005	ORH05F001	\$949,000.00	Active	\$949,000.00	\$0.00	\$910,867.28	\$38,132.72
HOPWA	2006	ORH06F001	\$947,000.00	Active	\$947,000.00	\$0.00	\$1,097,386.69	(\$150,386.69)
HOPWA	2007	ORH07F001	\$943,000.00	Active	\$943,000.00	\$0.00	\$1,013,865.40	(\$70,865.40)
HOPWA	2008	ORH08F001	\$988,000.00	Active	\$81,296.30	\$906,703.70	\$812,717.18	\$175,282.82
HOPWA	2009	ORH09F001	\$1,016,854.00	Active	\$0.00	\$1,016,854.00	\$1,670,991.00	(\$654,137.00)

\$402,737.94 Total unused entitlement

21500 Planned for 2009 (forgot what this was?)

\$381,237.94 Available Unused Entitlement

Program	Grant Year	Grant #	Authorized Amount	Grant Status	Funded	IDIS Grant Balance	Authorized & Spent (2009 authorized only)	Difference
HOPWA	1994	OR16H94F053	\$670,000.00	Active	\$670,000.00	\$0.00	\$716,720.45	(\$46,720.45)
HOPWA	1995	OR16H95F065	\$665,000.00	Active	\$665,000.00	\$0.00	\$0.00	\$665,000.00
HOPWA	1996	OR16H96F074	\$667,000.00	Active	\$667,000.00	\$0.00	\$1,450,633.62	(\$783,633.62)
HOPWA	1997	OR16H97F078	\$758,000.00	Active	\$758,000.00	\$0.00	\$627,244.95	\$130,755.05
HOPWA	1998	OR16H98F001	\$766,000.00	Active	\$766,000.00	\$0.00	\$607,551.44	\$158,448.56
HOPWA	1999	OR16H99F001	\$803,000.00	Active	\$803,000.00	\$0.00	\$584,386.80	\$218,613.20
HOPWA	2000	ORH00F001	\$809,000.00	Active	\$809,000.00	\$0.00	\$851,561.61	(\$42,561.61)
HOPWA	2001	ORH01F001	\$880,000.00	Active	\$880,000.00	\$0.00	\$658,090.55	\$221,909.45
HOPWA	2002	ORH02F001	\$950,000.00	Active	\$950,000.00	\$0.00	\$1,101,587.28	(\$151,587.28)
HOPWA	2003	ORH03F001	\$995,000.00	Active	\$995,000.00	\$0.00	\$664,866.89	\$330,133.11
HOPWA	2004	ORH04F001	\$1,006,000.00	Active	\$1,006,000.00	\$0.00	\$641,644.92	\$364,355.08
HOPWA	2005	ORH05F001	\$949,000.00	Active	\$949,000.00	\$0.00	\$910,867.28	\$38,132.72
HOPWA	2006	ORH06F001	\$947,000.00	Active	\$947,000.00	\$0.00	\$1,097,386.69	(\$150,386.69)
HOPWA	2007	ORH07F001	\$943,000.00	Active	\$943,000.00	\$0.00	\$1,013,865.40	(\$70,865.40)
HOPWA	2008	ORH08F001	\$988,000.00	Active	\$81,296.30	\$906,703.70	\$812,717.18	\$175,282.82
HOPWA	2009	ORH09F001	\$1,016,854.00	Active	\$0.00	\$1,016,854.00	\$1,670,991.00	(\$654,137.00)

\$402,737.94 Total unused entitlement

21500 Planned for 2009 (forgot what this was?)

\$381,237.94 Available Unused Entitlement