

## SECOND MODIFICATION AGREEMENT

This Second Modification Agreement ("Agreement") is made as of June 15, 2008, among the City of Portland, Oregon ("City"), the Portland Development Commission, the duly authorized and acting urban renewal agency of City ("PDC"), and Bank of America, N.A., successor in interest by merger to Bank of America Oregon and successor in interest by merger to Security Pacific Bank of Oregon and successor in interest to The Oregon Bank ("Lender").

### Recitals

- A. City, PDC and Lender (the "Parties") entered into a Private Lender Participation Agreement on November 10, 1988 ("PLPA"), and City and PDC agreed to enter into a loan payable to Lender. On or about September 26, 1989, the parties amended the PLPA to:
- modify terms to allow second mortgage rehabilitation loans to homeowners under the PLPA;
  - increase Reserve Balance Minimum from 10.0% to 10.5% of Master Note Advances outstanding with no immediate increase to the amount of the Reserve Balance;
  - modify the underwriting criteria;
  - modify terms to allow non-residential property as collateral for Qualified Loans;
  - increase the note in the amount of \$250,000; and
  - modify administrative procedures to allow timely execution and funding of Qualified Loans.
- B. The Parties also entered into a Private Lender Participation Agreement II on June 19, 1991 ("PLPA II"), and City and PDC agreed to enter into a loan payable to Lender. On or about June 30, 1993, the parties amended PLPA II to extend the expiration of the commitment period referenced in Section 2.3.1 from July 1, 1993 to January 1, 1994. On or about November 2, 1993, the parties amended PLPA II to extend the expiration of the commitment period 1 from January 1, 1994 to April 1, 1994. On or about March 29, 1994, the parties amended PLPA II to extend the expiration of the commitment period from April 1, 1994 to July 1, 1994.
- C. The Parties also entered into a Private Lender Participation Agreement III on June 1, 1994 ("PLPA III"), and City and PDC agreed to enter into a loan payable to Lender. On or about May 31, 1996, the parties amended PLPA III to extend the expiration of the commitment period from May 31, 1996 to August 31, 1996.
- D. The above loans were evidenced by:
- A Master Promissory Note dated November 10, 1988 in the stated principal amount of \$4,750,000.00 ("Note 1"). On or about September 26, 1989, the parties amended Note 1 and other loan documents to increase the principal amount from \$4,750,000.00 to \$5,000,000.00.

- A Master Promissory Note dated June 26, 1991 in the stated principal amount of \$3,500,000.00 ("Note 2"). On or about November 2, 1993, the parties amended Note 2 and other loan documents to increase the principal amount from \$3,500,000.00 to \$4,200,000.00 and the total principal commitment from \$4,354,044.00 to \$5,054,044.00.
  - A Master Promissory Note dated June 1, 1994 in the stated principal amount of \$3,000,000.00 ("Note 3"). On or about May 31, 1996, the parties amended Note 3 and other loan documents to increase the principal amount from \$3,000,000.00 to \$3,200,000.00 and the total principal commitment from \$6,778,112.05 to \$6,978,112.05;
- E. By Modification Agreement dated June 28, 2001 ("2001 Modification"), the above loans were combined into a new "Master Note" dated June 28, 2001, which consolidated the obligation under Notes 1, 2 and 3 and included \$600,000 of additional principal amount (hereafter, the "2001 Master Note").
- F. City and PDC propose to make a prepayment of principal in the amount of \$750,000 on June 15, 2008, and request that the Master Note be reamortized accordingly.
- G. As of June 15, 2008, after application of the prepayment referred to in Recital F, the outstanding principal balance of the 2001 Master Note will be \$1,430,800.21.
- H. Lender, PDC and City have agreed to modify the 2001 Master Note.

### **Agreement**

Therefore, City, PDC, and Lender agree as follows:

1. **THE MASTER LOAN.** The parties hereby agree to modify the Master Note on the terms set forth in this Agreement.
  - 1.1 Fees to Lender. PDC shall pay all attorney fees and costs incurred in conjunction with this Agreement including the fees and costs of Lender's counsel.
  - 1.2 Master Note. The second paragraph of the 2001 Master Note is amended to provide that monthly principal and interest installments under the 2001 Master Note shall equal \$24,574.44, commencing July 1, 2008, and shall continue until the maturity date of the 2001 Master Note, which maturity date shall remain July 15, 2014, on which date all remaining principal and accrued but unpaid interest shall be paid in full.
2. **MISCELLANEOUS PROVISIONS**
  - 2.1 Interest in the Collateral Pool. As security for the Master Loan, the City and PDC confirm the assignment of the Existing Pledged Notes pursuant to the Prior Loan Documents and Additional Pledged Notes as set forth in the 2001 Modification.

2.2 Cash Reserves.

2.2.1 PDC shall maintain a cash reserve in an amount equal to two months of loan payments (\$49,179). This reserve may be maintained in the form of a deposit with the City Treasurer.

2.2.2 PDC shall certify its required cash holdings on its quarterly collateral certifications, in addition to its other normal loan collateral certifications.

2.3 Excess Cash. Provided that PDC complies with all quarterly certification requirements, PDC will be allowed to use for any lawful purpose of PDC all cash from the loan collateral, whether from regular monthly payments or from loan prepayments, that exceed the new lower monthly debt service requirements.

2.4 Effect of Change. Except as modified herein and to the extent not inconsistent with the terms hereof, all other terms of the 2001 Master Note and the Prior Loan Documents remain in full force and effect.

2.5 Conditions to Closing.

2.5.1 At Closing, the prepayment of \$750,000 described in Recital F shall be made.

2.5.2 At Closing, Lender's counsel and any fees incurred by Lender's counsel shall be paid by PDC in the amount of \$1,200.

**Statutory Notice: UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY US CONCERNING LOANS OR 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 SIGNED BY US TO BE ENFORCEABLE.**

**BANK OF AMERICA, N.A.**

By: \_\_\_\_\_

**CITY OF PORTLAND, a municipal corporation  
of the State of Oregon**

By: \_\_\_\_\_

**PORTLAND DEVELOPMENT COMMISSION,  
the duly authorized and acting urban renewal  
agency of the City of Portland**

By: \_\_\_\_\_

**APPROVED AS TO FORM:**

By: *P. C. [Signature]*  
Name:  
City Attorney

By: \_\_\_\_\_  
Name:  
General Counsel, Portland Development Commission