

## PROMISSORY NOTE

\$207,500.00  
Salem, Oregon

01/31, 2014

FOR VALUE RECEIVED, the undersigned ("Borrower"), promises to pay to the order of Urban Renewal Agency of the City of Salem, at 350 Commercial St NE, Salem, Oregon 97301, or to another person and at another place that the holder of this Note may designate ("Lender"), the principal sum of Two Hundred Seven Thousand Five Hundred dollars and no cents (\$207,500.00) payable in the manner and on the terms set forth in this Note:

1. **Interest Rate.** Except as set forth in Section 5 of this Note, the outstanding principal balance will bear no interest.

2. **Payment.** Borrower shall pay the note per the terms below. Any payment will be applied first to any expenditure advanced by Lender under this Note and the Development Agreement; second, to the payment of any late charges; third, the balance to principal. Checks will constitute payment only when collected. The principal sum due and Effective Date shall be determined as set forth below and as may be adjusted per the terms of the Development Agreement.

Within two (2) years of the Effective Date:	\$43,750.00
Within three (3) years of the Effective Date:	\$87,500.00
Within four (4) years of the Effective Date:	\$131,250.00
Within five (5) years of the Effective Date:	\$175,000.00
Within six (6) years of the Effective Date:	\$207,500.00

Upon written request by Developer and with no less than 30 days prior notice to deadline, Agency may solely and at its discretion, agree to extend payment deadline to either: 1) six months after Project completion or, 2) successful placement of permanent financing on the Project (as defined in the Development Agreement), whichever comes first.

3. **Prepayments.** Borrower has the right to prepay this Note, in whole or in part, at any time with no prepayment penalties subject to the terms and conditions of the Development Agreement.

4. **Default and Acceleration.** Lender may declare the principal of this Note, together with interest, to be due and payable if any one of the following events occur: (a) Borrower defaults in the performance of, or compliance with, any term or provision of this Note given as security, after not less than one hundred twenty (120) days' written notice to Borrower specifying with reasonable particularity the nonperformance or noncompliance and Borrower's failure to correct the default within that time period; (b) any party having liability under this Note suffers bankruptcy or insolvency or makes any assignment for the benefit of creditors; or (c) an action is commenced to appoint a receiver for the properties of any party having liability under

this Note, or any other action or proceeding under the federal bankruptcy laws is commenced against any such person, which action is not dismissed within 75 days after the date of filing. Any forbearance or failure to exercise this right will not constitute a waiver of Lender's right to exercise the right with respect to the default and any subsequent default.

**5. Default Interest Rate.** In the event of a default, Lender will have the right, in addition to any other remedy set forth in this Note, to apply an interest rate of five percent (5%) per annum until the default is cured or until the Note is paid in full.

**6. Attorney Fees; Costs.** If the holder of this Note takes any action, judicial or otherwise, to enforce this Note, the holder of this Note will be entitled to recover from Borrower all expenses that the holder of this Note may reasonably incur in taking such action, including, but not limited to, costs and expenses provided by statute or otherwise, as well as reasonable attorney fees determined by the court, whether incurred in a suit or an action or on appeal from a judgment or decree, in connection with any bankruptcy proceeding, or in connection with a nonjudicial action. Upon demand, Borrower will reimburse the holder of this Note for expenses so incurred, together with interest from the date of invoice to Borrower until repaid at the rate specified in Section 1.

**7. Governing Law; Severability.** This Note is to be governed by and construed in accordance with the laws of Oregon. If any provision or clause of this Note is construed by a court of competent jurisdiction to be void, invalid, or unenforceable, that construction will not affect other provisions of this Note that can be given effect without the void, invalid, or unenforceable provision, and to this end the provisions of this Note are declared to be severable.

**8. Waiver of Protest.** Borrower and each present or future maker, surety, endorser, and signatory to this Note, in whatever capacity, waives presentment, demand, protest, notice of dishonor, and all suretyship defenses, and agrees that Lender may exercise its rights under the Note in any order and at any time. Without notice to any such person (except for any notice to borrower specified in this Note and without the need to obtain further consent from any party), and without in any way diminishing the obligations of any person, Lender may (a) deal with any such person with reference to this Note by way of forbearance, extension, modification, compromise, or otherwise; (b) extend, release, surrender, exchange, compromise, discharge, or modify any right or obligation secured by or provided in this Note or any other document securing this Note; and (c) take any other action that the holder may deem reasonably appropriate to protect its interest in the collateral.

**9. Time Is of Essence.** Time is of the essence under this Note.

**10. Limitation of Interest.** In no event will any payment of interest or any other sum payable under this Note exceed the maximum amount permitted by applicable law. If it is established that any payment exceeding lawful limits has been received, the holder and payee of such amount will refund such excess or, at its option, credit the excess amount to principal. Such payments will not affect the obligation to make other payments required under this Note that do not cause the lawful limits to be exceeded.



12. **Bankruptcy.** Borrower agrees that, notwithstanding ORS 73.0602 and 73.0604, any payment under this Note that is avoided in a later bankruptcy proceeding or otherwise will not be deemed a payment, and Borrower's obligations under the Note will be reinstated and/or supplemented to the extent of any payment so avoided. In that event, Borrower will not be discharged even if this Note has been canceled, renounced, or surrendered.

13. ***Nonrecourse Provisions.***

13.1 Notwithstanding anything to the contrary contained in this Note or any other loan document made in connection with this Note (the "Loan Documents"), Lender hereby agrees, except as set forth below, that Borrower will not be personally liable for the payment and performance of the indebtedness and obligations evidenced or arising under this Note and the Loan Documents. In other words, except as set forth below, any judicial proceedings or enforcement of the remedies under this Note and the Loan Documents brought by Lender against Borrower will be limited to the preservation, protection, enforcement, and foreclosure, or any proceedings in respect thereof, of the liens, estates, assignments, titles, rights, and security interests now or at any time hereafter acquired by Lender in the property described in the Loan Documents (the "Property"), and no judgment, attachment, execution, or other writ of process will be sought, issued, or levied on the assets, property, or funds of the Borrower other than the Property and the rents, revenues, income, and proceeds thereof.

13.2 Nothing contained in Section 13.1 will relieve Borrower from personal liability for the payment and performance of the indebtedness and obligations evidenced or arising under this Note and the Loan Documents, including, without limitation, all costs and expenses incurred by Lender in enforcing its rights and remedies under the Loan Documents, if any of the following events or conditions occur:

(a) Fraud or material misrepresentation made by Borrower, or any partner, officer, agent, or employee of Borrower, in any writing provided to Lender or contained in any of the provisions of the Loan Documents;

(b) Borrower's failure to pay to Lender all gross receipts (minus normal operating and maintenance expenses of the Property that are paid to persons or entities who are not affiliates of Borrower) from rental, occupancy, or operation of all or any portion of the Property received or applicable to any period after monetary default by Borrower and before any foreclosure of the Property, including, without limitation, security deposits and advanced or prepaid rents or receipts;

(c) Any conduct or action or attempted conduct or action by Borrower, or any general partner or officer of Borrower, including, without limitation, the filing of any bankruptcy proceedings by Borrower, or any general partner of Borrower, to prevent Lender from exercising, or to hinder, delay, or impede Lender in exercising, foreclosing, or otherwise realizing on its security interest in the Property; however, if the bankruptcy petition or proceeding is dismissed or otherwise resolved to allow Lender to exercise, foreclose, or otherwise realize on its security interest in the Property within 90 days after the initial filing thereof, the personal liability of the

Borrower will be limited to an amount equal to all sums due under the Note during the pendency of the proceeding (including attorney fees and expenses incurred from the proceeding); or

(d) The sale, transfer, or other conveyance of all or any part of Borrower's interest in the Property, or of any ownership or equity interests in Borrower or in any constituent owner of Borrower at any tier, without Lender's written consent, if and to the extent that consent is required under the Loan Documents.

The undersigned caused this Note to be duly executed on the day and year first written above.

BORROWER:

State Street Square LLC

An Oregon Limited Liability Corporation

By: 

Linda T. Nishioka

Its: Member