

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7045

AUTHORIZING THE SALE OF NOTES TO URBAN HERITAGE PORTLAND HOTEL, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND PORTLAND HOTEL FUND, LLC, A DELAWARE LIMITED LIABILITY COMPANY, IN AN AGGREGATE AMOUNT OF APPROXIMATELY \$11,500,000

WHEREAS, the River District Urban Renewal Area Plan, adopted by the Portland Development Commission (“PDC”) Board of Commissioners (“Board”) by Resolution No. 5158 on August 19, 1998, and by City Council by Ordinance 172808 on October 21, 1998, provides tax increment funding and authority to support the accomplishment of community goals, including in support of the downtown retail core;

WHEREAS, the Downtown Portland Retail Strategy, which identifies the retention and rehabilitation of the downtown Meier & Frank Building (“Building”) as a number one priority to strengthen the retail core’s vitality as a retail destination, was adopted by the Board on July 10, 2002, by Resolution No. 5896;

WHEREAS, the Executive Director was authorized by Resolution No. 5897 on July 10, 2002, to enter into negotiations with The May Department Stores Company (“May”) for a public/private partnership to rehabilitate the Building;

WHEREAS, subsequent to this partnership, Sage Hospitality Resources, Inc. (“Sage”), executed a Purchase and Sale Agreement with May to purchase a condominium interest in the upper nine floors of the Building above the five stories to be retained by May, for the purpose of redeveloping and operating a hotel;

WHEREAS, the Board approved Resolution No. 6241 on May 25, 2005, authorizing the Executive Director to execute a Development Agreement (“DA”) with Sage;

WHEREAS, Sage formed Portland Hotel Developer, LLC (“Developer”), to develop a hotel in the upper nine floors of the Building with a renovation cost of approximately \$140,000,000, a permanent staff of approximately 400 full- and part-time employees, and an annual economic impact to date of approximately \$1,000,000 per year in state income tax and over \$2,000,000 per year in occupancy tax;

WHEREAS, related to the DA, PDC provided three loans through three notes to Urban Heritage Portland Hotel, LLC (“OwnCo”), and one loan through one note to Portland Hotel Fund, LLC (“Fund”) (Fund and OwnCo are indirect parent entities of Developer), to assist in project financing in the original principal amount of \$16,925,000;

WHEREAS, OwnCo and Fund have requested to purchase rights of the four notes on the PDC loans in an aggregate of approximately \$11,500,000; and

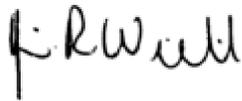
WHEREAS, Jones Lang LaSalle, a third-party loan valuator, has determined that the cumulative current market value of all four loans is between \$9,000,000 and \$9,600,000.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director is authorized to enter into an Agreement with OwnCo and Fund in substantially the form attached hereto as Exhibit A (“Agreement”) to sell the four notes;

BE IT FURTHER RESOLVED, that the Executive Director may approve changes to the Agreement if such changes do not materially change the terms of the Agreement and do not materially increase PDC’s obligations or risks, as determined by the Executive Director in consultation with PDC’s General Counsel; and

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

Adopted by Portland Development Commission on March 12, 2014



Gina Wiedrick, Recording Secretary

PORTLAND DEVELOPMENT COMMISSION

Portland, Oregon

RESOLUTION NO. 7045

EXHIBIT A

AUTHORIZING THE SALE OF NOTES TO URBAN HERITAGE PORTLAND HOTEL, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND PORTLAND HOTEL FUND, LLC, A DELAWARE LIMITED LIABILITY COMPANY, IN AN AGGREGATE AMOUNT OF APPROXIMATELY \$11,500,000

Exhibit A includes this cover page and contains 14 pages:

- Agreement
 - Exhibit A: Amended and Restated Seismic Promissory Note
 - Exhibit B: OwnCo Promissory Note
 - Exhibit C: Project Promissory Note
 - Exhibit D: Amended and Restated PDC Bridge Loan Note

AGREEMENT

This AGREEMENT (as it may be amended, restated, supplemented or otherwise modified from time to time, this "Agreement") is made and entered into as of February __, 2014 (the "Effective Date") by and among THE CITY OF PORTLAND, a municipal corporation of the State of Oregon, acting by and through the PORTLAND DEVELOPMENT COMMISSION ("PDC"), URBAN HERITAGE PORTLAND HOTEL, LLC, a Delaware limited liability company ("Ownco"), and PORTLAND HOTEL FUND, LLC, a Delaware limited liability company ("Fund").

WHEREAS, as of the Effective Date, Ownco is the owner of that certain hotel located at 525 SW Morrison, Portland, Oregon and commonly known as "The Nines Hotel" (the "Hotel");

WHEREAS, Fund is an indirect parent entity of Portland Hotel Developer LLC, a Delaware limited liability company, which has a leasehold interest in the Hotel;

WHEREAS, as of the Effective Date, PDC is the holder of each of the following promissory notes (collectively, the "Notes");

(a) that certain Amended and Restated Seismic Promissory Note dated as of March 30, 2009 from Ownco in favor of PDC in the original principal amount of \$8,625,000.00, a copy of which is attached hereto as Exhibit A;

(b) that certain Ownco Promissory Note dated as of March 30, 2009 from Ownco in favor of PDC in the original principal amount of \$3,111,022.90, a copy of which is attached hereto as Exhibit B;

(c) that certain Project Promissory Note dated as of March 31, 2006 from Ownco in favor of PDC in the original principal amount of \$2,700,000.00, a copy of which is attached hereto as Exhibit C (the Notes described in clauses (a) through (c) are collectively referred to as the "Ownco Notes"); and

(d) that certain Amended and Restated PDC Bridge Loan Note dated as of March 30, 2009 from Fund in favor of PDC in the original principal amount of \$2,600,000.00, a copy of which is attached hereto as Exhibit D (the "Fund Note"); and

WHEREAS, PDC desires to provide (i) Ownco or its designee(s) with the ability, at Ownco's election, to (a) repay in full all obligations and liabilities owing to PDC under or in respect of the Ownco Notes or (b) to purchase all of PDC's rights and obligations (including liabilities owing to or by PDC) in its capacity as lender under the Ownco Notes and (ii) Fund or its designee(s) with the ability, at Fund's election, to purchase all of PDC's rights and obligations (including liabilities owing to or by PDC) in its capacity as lender under the Fund Note, in each case on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, and in further consideration of the foregoing and the mutual covenants and agreements in this Agreement, PDC, Ownco and Fund hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms (whether used in singular or plural forms) shall have the following meanings:

(a) “Closing Date” means the date agreed to by Fund, Ownco and PDC on which the transactions contemplated by Section 4 or Section 5 hereof, as applicable, are consummated.

(b) “Fund Price” means an amount equal to the unpaid principal balance of, plus all accrued and unpaid interest on, the Fund Note as of the Closing Date (as hereinafter defined).

(c) “Ownco Price” means \$8,470,000.

2. Grant of Payoff and Purchase Rights. PDC hereby agrees that, at any time within six (6) months of the Effective Date:

(a) Fund or its designee(s) has the right, at Fund’s election provided Ownco elects to exercise the Ownco Payoff Right or the Ownco Purchase Right (each as defined below), to purchase from PDC, for cash in the aggregate amount of the Fund Price, all of PDC’s rights and obligations (including liabilities owing to or by PDC) in its capacity as lender under the Fund Note (the “Fund Purchase Right”);

(b) Ownco or its designee(s) has the right, at Ownco’s election provided Fund elects to exercise the Fund Purchase Right, to repay in full all obligations and liabilities owing to PDC under or in respect of the Ownco Notes at the Ownco Price (the “Ownco Payoff Right”), in which event the provisions of Section 4 below shall apply; and

(c) Ownco or its designee(s) has the right, at Ownco’s election provided Fund elects to exercise the Fund Purchase Right, to purchase from PDC, for cash in the aggregate amount of the Ownco Price, all of PDC’s rights and obligations (including liabilities owing to or by PDC) in its capacity as lender under the Ownco Notes (the “Ownco Purchase Right”), in which event the provisions of Section 5 below shall apply.

3. Transferability. The Ownco Payoff Right and the Ownco Purchase Right may be exercised by Ownco or its designee(s) (a “Ownco Paying Party”) and the Fund Purchase Right may be exercised by Fund or its designee(s) (a “Fund Paying Party”); and together with any Ownco Paying Party, as applicable, a “Paying Party”). Except as set forth in the immediately preceding sentence, none of the Ownco Payoff Right, Ownco Purchase Right or the Fund Purchase Right may be assigned, transferred or otherwise disposed of, or pledged or hypothecated in any way (whether by operation of law or otherwise).

4. Payoff and Purchase Right Closing. If Ownco elects to exercise the Ownco Payoff Right and Fund elects to exercise the Fund Purchase Right, then on the Closing Date, and at such time and place as they agree:

(a) PDC shall (i) deliver to or at the direction of each Ownco Paying Party each original Ownco Note being paid off by such Ownco Paying Party and any original collateral securing each such Ownco Note in PDC’s possession and (ii) execute, as applicable, and deliver

any release documentation reasonably requested by each Ownco Paying Party to evidence the release of any security interests and other liens granted to or held by PDC in connection with each Ownco Note being paid off by such Ownco Paying Party;

(b) PDC shall acknowledge and agree in writing that (i) all indebtedness (including, without limitation, for principal, interest and fees) and other obligations under or relating to the Ownco Notes shall be paid and satisfied in full and irrevocably discharged, terminated and released; (ii) any security interests and other liens granted to or held by PDC as security for such indebtedness shall automatically terminate and be released and shall be forever and irrevocably satisfied, released and discharged; (iii) the Ownco Notes, that certain Amended and Restated PDC Loan Agreement dated as of March 30, 2009 by and between PDC and Ownco (as amended, restated, supplemented or otherwise modified from time to time, the “Ownco Loan Agreement”), and all guaranties, security agreements and other documents, certificates, agreements and instruments relating thereto or executed in connection therewith (together with the Ownco Notes and the Ownco Loan Agreement, collectively, the “Ownco Loan Documents”) shall automatically terminate and be of no further force or effect other than those provisions therein that expressly survive termination by the terms thereof;

(c) PDC shall deliver to the Fund Paying Party, free and clear of all liens and other encumbrances, (i) the original Fund Note accompanied by a duly endorsed note transfer power transferring the Fund Note to the Fund Paying Party and (ii) an assignment and assumption agreement in form and substance reasonably acceptable to the Fund Paying Party assigning to the Fund Paying Party all of PDC’s rights and obligations under the Fund Note, that certain Amended and Restated PDC Bridge Loan Agreement dated as of March 30, 2009 by and between PDC and Fund (as amended, restated, supplemented or otherwise modified from time to time, the “Fund Loan Agreement”), and all guaranties, security agreements and other documents, certificates, agreements and instruments relating thereto or executed in connection therewith (together with the Fund Note and the Fund Loan Agreement, collectively, the “Fund Loan Documents”); and together with the Ownco Loan Documents, the “Loan Documents”);

(d) PDC shall deliver to each Paying Party such other documents, agreements or instruments reasonably requested by such Paying Party;

(e) the Ownco Paying Party or Parties shall transfer to PDC, by wire transfer of immediately available funds to an account of PDC specified by PDC in writing, an aggregate amount equal to the Ownco Price; and

(f) the Fund Paying Party or Parties shall transfer to PDC, by wire transfer of immediately available funds to an account of PDC specified by PDC in writing, an aggregate amount equal to the Fund Price.

5. Purchase Right Closing. If Ownco elects to exercise the Ownco Purchase Right and Fund elects to exercise the Fund Purchase Right, then on Closing Date, and at such time and place as Ownco, Fund and PDC agree:

(a) PDC shall deliver to each Paying Party, free and clear of all liens and other encumbrances, (i) each original Note being purchased by such Paying Party accompanied

by a duly endorsed note transfer power transferring each such Note to such Paying Party and (ii) an assignment and assumption agreement in form and substance reasonably acceptable to each Paying Party assigning to such Paying Party all of PDC's rights and obligations under the Loan Documents applicable to each Note being purchased by such Paying Party;

(b) PDC shall deliver to each Paying Party such other documents, agreements or instruments reasonably requested by such Paying Party;

(c) the Ownco Paying Party or Parties shall transfer to PDC, by wire transfer of immediately available funds to an account of PDC specified by PDC in writing, an aggregate amount equal to the Ownco Price; and

(d) the Fund Paying Party or Parties shall transfer to PDC, by wire transfer of immediately available funds to an account of PDC specified by PDC in writing, an aggregate amount equal to the Fund Price.

6. Ownco Price Allocation. The parties hereby agree that the Ownco Price shall be allocated among the Ownco Notes pro rata based on the unpaid principal balance of, plus all accrued and unpaid interest on, the Ownco Notes as of the Closing Date.

7. Representations of PDC.

(a) PDC hereby represents to each of Ownco and Fund that:

(i) PDC is the sole owner of the Notes and the underlying indebtedness thereof, and all rights and interests therein, and has not (i) transferred, sold, pledged or granted to any other person or entity any rights or interest of any kind whatsoever in or (ii) agreed to do any of the foregoing with respect to, the Notes, such indebtedness or the other Loan Documents;

(ii) PDC has all requisite organizational power and authority to execute, deliver and perform all of its duties and obligations under this Agreement and all related instruments and agreements executed in connection herewith or with the exercise of the Purchase Right or the Payoff Right hereunder;

(iii) the execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of PDC;

(iv) this Agreement is the valid and binding obligation of PDC, enforceable in accordance with its terms, except as the enforcement may be limited by bankruptcy and other laws of general application relating to creditor's rights or general principles of equity;

(v) no consent, approval or authorization of, or designation, declaration or filing with, any governmental authority or other person is required to be obtained in connection with the execution, delivery and performance of this Agreement which has not yet been obtained; and

(vi) the execution, delivery and performance of this Agreement by PDC and the consummation of the transactions contemplated hereby do not and will not violate any judgment decree or order to which PDC is a party or any statute, rule or regulation of any federal, state or local government or agency applicable to PDC.

(b) Other than the representations expressly made above, PDC has made no representation or warranty of any kind, express or implied, concerning the Notes, the underlying indebtedness or any rights therein. In particular, PDC makes no representation concerning whether the Notes may be enforceable according to their terms against the Makers. If Ownco and Fund exercise the Ownco Purchase Price and/or the Fund Purchase Right, respectively, then following the Closing Date Ownco and Fund, as applicable, shall, or, if Ownco or Fund is not the Ownco Paying Party or the Fund Paying Party, shall cause the Ownco Paying Party or the Fund Paying Party, as the case may be, to agree in writing to, indemnify, defend and hold PDC harmless against any liabilities, claims, costs and expenses, including reasonable attorneys' fees, incurred by PDC related to the Ownco Notes and the Fund Note, respectively, including any claims related to the enforceability thereof, except any such liabilities, claims, costs or expenses relating to, or incurred in connection with, matters that constitute a breach of PDC's representations and warranties in Section 7(a).

8. Notice. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) upon delivery by confirmed facsimile transmission if received by the recipient before 5:00 p.m. local time on a business day, and if not, then the next business day, (iii) upon receipt, if deposited with the United States Post Office, by registered or certified mail, postage prepaid or (iv) upon receipt, if delivered by a nationally recognized overnight courier service. All communications shall be sent to the party at the address as set forth on the signature page of this Agreement or at such other address as such party may designate by at least five days' advance written notice to the other party hereto.

9. Successors and Assigns. All covenants and agreements contained in this Agreement by or on behalf of any of the parties will bind and inure to the benefit of the respective successors and permitted assigns of the parties. Nothing in this Agreement is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

10. Governing Law; Jurisdiction. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Oregon without giving effect to any choice of law or conflict of law rules or provisions. The parties hereto hereby agree that the state and federal courts of the State of Oregon shall have jurisdiction to hear and determine any claims or disputes between the parties hereto pertaining directly or indirectly to this Agreement.

11. Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party upon any breach, default or noncompliance by the other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of, or any acquiescence in, any such breach, default or noncompliance

or any similar breach, default or noncompliance thereafter occurring. Any waiver, permit, consent or approval of any kind or character on either party's part of any breach, default or noncompliance under this Agreement or any waiver of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

12. Amendment; Modification. This Agreement may be amended or modified only by written agreement by each of the parties hereto.

13. Entire Agreement. This Agreement evidences the entire agreement between the parties hereto with respect to the matters provided for herein and supersedes all other prior agreements and understanding, both written and oral, between the parties with respect to the subject matter hereof.

14. Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such invalid, illegal or unenforceable provision shall be reformed to render it valid and enforceable and so as to give effect to the intent manifested by such provision.

15. Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

16. Counterparts; Electronic Signature. This Agreement may be executed in separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed and delivered by facsimile, electronic mail or other electronic transmission.

17. Collection on the Ownco Notes. In the event that Ownco exercises the Ownco Purchase Right, Ownco shall upon repayment of any Ownco Note (either to Ownco or any subsequent holder of the Notes) repay to PDC the amount, if any, by which the payment received exceeds the price allocation of such Ownco Note as established by Section 6 above.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the Effective Date.

PDC:

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

By: _____
Name: Patrick Quinton
Title: Executive Director

APPROVED AS TO FORM:

By: _____
Portland Development Commission
Eric F. Iverson, Legal Counsel

Address:

Portland Development Commission
222 NW 5th Avenue
Portland, Oregon 97209

Attention: _____

Email: _____

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the Effective Date.

OWNCO:

URBAN HERITAGE PORTLAND HOTEL, LLC,
a Delaware limited liability company

By: Sage Portland, LLC, a Colorado limited
liability company, its managing member

By: Sage Hexagon Holdings, LLC, a Colorado
limited liability company, its manager

By: Sage Investment Holdings, L.L.C., a
Delaware limited liability company,
its managing member

By: _____
Name: Kenneth J. Geist
Title: Executive Vice President

Address:

c/o Sage Hospitality Resources
1575 Welton Street, Suite 300
Denver, Colorado 80202
Attention: Harris White
Email: harris.white@sagehospitality.com

and to:

J.P. Morgan Asset Management
Global Real Assets
2029 Century Park East, Suite 4150
Los Angeles, California 90067
Attention: Cecilia S. Chang
Email: cecilia.s.chang@jpmorgan.com

with copies to (which shall not constitute notice):

Davis Graham & Stubbs LLP
1550 17th Street, Suite 500
Denver, Colorado 80202
Attention: Bruce D. Stocks
Email: bruce.stocks@dgsllaw.com

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038
Attention: Brian Diamond
Email: bdiamond@stroock.com

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the Effective Date.

FUND:

PORTLAND HOTEL FUND, LLC, a Delaware limited liability company

By: Sage Portland No. 2, LLC, a Colorado limited liability company, its managing member

By: Sage Investment Holdings, L.L.C., a Delaware limited liability company, its sole member

By: _____

Name: Kenneth J. Geist

Title: Executive Vice President

Address:

c/o Sage Hospitality Resources
1575 Welton Street, Suite 300
Denver, Colorado 80202
Attention: Harris White
Email: harris.white@sagehospitality.com

and to:

J.P. Morgan Asset Management
Global Real Assets
2029 Century Park East, Suite 4150
Los Angeles, California 90067
Attention: Cecilia S. Chang
Email: cecilia.s.chang@jpmorgan.com

with copies to (which shall not constitute notice):

Davis Graham & Stubbs LLP
1550 17th Street, Suite 500
Denver, Colorado 80202
Attention: Bruce D. Stocks
Email: bruce.stocks@dgsllaw.com

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038
Attention: Brian Diamond
Email: bdiamond@stroock.com

Exhibit A

Amended and Restated Seismic Promissory Note

(see attached)

Exhibit B

Ownco Promissory Note

(see attached)

Exhibit C

Project Promissory Note

(see attached)

Exhibit D

Amended and Restated PDC Bridge Loan Note

(see attached)

RESOLUTION NO. 7045

RESOLUTION TITLE:

AUTHORIZING THE SALE OF NOTES TO URBAN HERITAGE PORTLAND HOTEL, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND PORTLAND HOTEL FUND, LLC, A DELAWARE LIMITED LIABILITY COMPANY, IN AN AGGREGATE AMOUNT OF APPROXIMATELY \$11,500,000

Adopted by the Portland Development Commission on March 12, 2014

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Scott Andrews	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Aneshka Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Tom Kelly	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	Commissioner John Mohlis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Charles Wilhoite	<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 as duly recorded in the official minutes of the meeting.

	<p>Date:</p> <p>March 13, 2014</p>
<p>Gina Wiedrick, Recording Secretary</p>	