

PROMISSORY NOTE ("NOTE")

\$375,000

Portland, Oregon
August ____, 2016

For value received, the **SANDY DRAINAGE IMPROVEMENT COMPANY**, a nonprofit drainage improvement corporation organized under ORS Chapter 554 ("Borrower"), promises to pay to the order of **MULTNOMAH COUNTY**, a political subdivision of the State of Oregon ("Holder"), the principal sum of **Three Hundred Seventy Five Thousand Dollars (\$375,000)**, together with interest thereon, in accordance with the terms and conditions set forth herein. Capitalized terms not otherwise defined in this Note shall have the meanings described in that certain Intergovernmental Agreement to Support Infrastructure Improvements, dated of even date herewith, by and between Holder and Borrower (the "IGA"), which IGA is hereby incorporated by this reference herein as if fully set forth herein.

1. INTEREST. The unpaid principal balance due on this Note, together with any accrued but unpaid interest, shall bear interest at the rate of ONE AND SIX-TENTHS PERCENT (1.6%) per annum, compounded annually, on the anniversary of the date of this Note. If at any time Borrower fails to pay any sum due under this Note within ten (10) business days after such payment was due, then the unpaid principal balance due on this Note, together with any accrued but unpaid interest, shall bear interest at the rate of SIX PERCENT (6%) per annum, compounded annually, from the date such unpaid sum was due, on the anniversary of the date of this Note.

2. PAYMENT.

2.1 Commencing on the first anniversary of the date of this Note, and on each subsequent anniversary through and including the seventh anniversary, Borrower will pay Holder \$6,000.

2.2 Commencing on the eighth anniversary of the date of this Note, and on each subsequent anniversary through and including the fifteenth anniversary, Borrower will pay Holder equal annual amounts of principal and interest determined by amortizing the principal balance of this Note, together with any unpaid interest, at the interest rate set forth in paragraph 1 over the period beginning on the first day after the seventh anniversary of the date of this Note and ending on the fifteenth anniversary (such amortization period, the "Repayment Period"). If the interest rate is increased during the Repayment Period as set forth in paragraph 1, Borrower's remaining annual payments will be determined by amortizing the remaining principal balance, together with any unpaid interest, at the increased interest rate over the period beginning on the date of such increase and ending on the last day of the Repayment Period.

2.3 Borrower will pay Holder the entire remaining balance of principal and accrued but unpaid interest by no later than the last day of the Repayment Period.

3. PREPAYMENT. Borrower may prepay the principal balance and accrued but unpaid interest in whole or in part at any time without premium or penalty.

4. DEFAULT. If Borrower is in default under the IGA, Holder may accelerate the entire unpaid principal and accrued interest on this Note and declare such amounts to be immediately due and payable in full, without presentment, demand, protest, notice of protest or further notice of any kind, all of which are expressly hereby waived by Borrower.

5. ATTORNEY FEES. If suit or action is instituted to interpret or enforce the terms of this Note, the prevailing party will be entitled to recover from the other party such sums as the court or tribunal may adjudge reasonable as attorneys' fees at trial, on appeal and on any petition for review or other proceedings, including any bankruptcy or arbitration proceedings (provided nothing herein will imply either party the unilateral right to require arbitration), in addition to all other sums provided by law.

6. LAWFUL RATE. Notwithstanding any other provision of this Note or of any other instrument or document, interest, fees and charges payable by reason of the indebtedness evidenced by this Note shall not exceed the maximum, if any, permitted by any governing law.

7. APPLICABLE LAW. This Note shall be construed in accordance with and governed by the laws of the State of Oregon.

BORROWER:
SANDY DRAINAGE IMPROVEMENT COMPANY,
a nonprofit drainage improvement corporation

By: Multnomah County Drainage District #1,
Manager of Sandy Drainage Improvement Company

By: _____
Reed Wagner,
Executive Director