

SETTLEMENT AGREEMENT

This AGREEMENT (“Settlement Agreement”) is by and between Corvallis Neighborhood Housing Services, Inc. & Carolina Sunset Development, LLC (“Housing Providers”), the Linn County Assessor (“County Assessor”) & the Oregon Department of Revenue (collectively, the Department of Revenue and the County Assessor shall be called the “Taxing Authorities”). Each individual party is referred to as a “Party.” The parties are referred to collectively as the “Parties.”

RECITALS

1. The purpose of this Settlement Agreement is to compromise, resolve, and extinguish all disputes and claims between the Parties relating to any and all claims asserted regarding the taxation of properties owned by the Housing Providers, including those claims at issue in *Corvallis Neighborhood Housing Services, Inc., v. Linn County Assessor and the Department of Revenue*, Tax Court Case No. 4996, Supreme Court Appeal No. S061266 and *Corvallis Neighborhood Housing Services, Inc. v. Linn County Assessor and the Department of Revenue*, Tax Court Case No. 110209C (both cases are referred to jointly as the “Pending Litigation”).

2. The Housing Providers own certain property (the “Specified Properties”), identified as follows:

Sunset Corners II

Linn County Assessor Account No. 879774

Linn County Assessor Account No. 879782

Linn County Assessor Account No.879790

Linn County Assessor Account No.879798

Linn County Assessor Account No.879806

Linn County Assessor Account No.879814

Carolina Sunset Development

Linn County Assessor Account No. 172854

Linn County Assessor Account No. 784933

Linn County Assessor Account No. 844397

3. The Taxing Authorities assessed the Specified Properties for the 2010-11, 2011-12, 2012 - 13 tax years without applying an exemption for their use as charitable properties.

4. The Housing Providers appealed the 2010-11 assessment to the Oregon Tax Court based on the assertion that the Specified Properties are exempt from taxation pursuant to ORS 307.130 as property owned and used by charitable institutions.

5. The Oregon Tax Court agreed with the Taxing Authorities and the Housing Providers appealed that decision to the Oregon Supreme Court, where the dispute is currently pending.

6. The 2014 legislature adopted HB 4039 that provides an exemption from ad valorem property taxation for property of a nonprofit corporation that, for tax years beginning on July 1, 2012, was actually offered, occupied or used as low-income housing and granted exemption by county.

7. The Parties hereby settle their disagreement regarding the 2010-11 tax year, and apply the settlement terms to all future tax years through June 30, 2018, subject to any action of the Oregon Legislature, in the 2015 through 2018 Sessions, pertaining to exemption of low-income housing from ad valorem property tax under ORS 307.130 or any other statute.

8. The Parties agree it is in the best interests of all Parties to fully and finally settle this dispute as stated herein. The Parties further agree that entering into this Settlement Agreement is not an admission as to any question of law or fact.

TERMS OF SETTLEMENT AGREEMENT

In consideration of the mutual covenants contained herein the Parties agree to these terms of agreement:

1. **Incorporation of Recitals.** The recitals are incorporated into these terms of agreement.

2. **Effective Date.** The Effective Date of this Settlement Agreement is November 30, 2014.

3. **Properties Exempted from Taxation.** In order to resolve the Pending Litigation, the Taxing Authorities agree that the Specified Properties shall be treated as exempt from ad valorem taxation starting from the 2010-11 tax year and continuing through every tax year that begins prior to June 30, 2018, subject to any action of the Oregon Legislature, in the 2015 through 2018 Sessions, pertaining to exemption of low-income housing from ad valorem property tax under ORS 307.130 or any other statute. This paragraph shall apply only so long as the current use of the property for low income housing provided at below-market rents continues.

4. **Setting Aside Tax Court Opinion and Judgment.** The Parties have requested and, in a judgment dated November 21, 2014, the Tax Court has set aside its judgment and opinion in *Corvallis Neighborhood Housing Services, Inc., v. Linn County Assessor and Department of Revenue*, Tax Court Case No. 4996.

5. **Refunding of Taxes Paid.** The Taxing Authorities agree to refund to the Housing Providers any taxes paid for the Specified Properties for the tax years 2010-11

through the date of this Agreement.

6. **Dismissal of Appeal.** The Housing Providers agree that, within 21 days after full execution of this Settlement Agreement, the Housing Providers will dismiss any pending appeals regarding the taxation of the Specified Properties, in particular, the Housing Providers agree to dismiss *Corvallis Neighborhood Housing Services, Inc., v. Linn County Assessor and Department of Revenue*, Supreme Court Appeal No. S061266 and *Corvallis Neighborhood Housing Services, Inc. v. Linn County Assessor and the Department of Revenue*, Tax Court Case No. 110209C.

7. **Reimbursement.** To the extent this Agreement is found to be unenforceable for any reason, the County Assessor agrees to reimburse the Housing Providers for the full amount of any ad valorem tax paid to the Taxing Authorities on the Specified Properties during the 2011-12 through 2017-2018 tax years. The obligation identified in this paragraph would survive the invalidity of the rest of this Agreement.

8. **Entire Agreement.** This Settlement Agreement constitutes the final and complete agreement of and among the Parties with respect to the subject matter covered herein. This Settlement Agreement supersedes all prior written and oral agreements or understandings between the Parties as to the subject matter covered herein, and may be changed, modified, or amended, only by a written and fully executed agreement of the Parties.

9. **Governing Law.** This Agreement shall be construed in accordance with the laws of the State of Oregon.

10. **No Reliance.** The Parties agree and further state that each is not relying and has not relied on any representation or statement made by the other Party, with respect to the facts involved in said controversies or with regard to their respective rights or asserted rights. The Parties hereby assume their own respective risk as to any and all mistakes of fact with regard to said controversies and with regard to any and all facts which are now unknown to him/her relating hereto. The Parties assume their own respective risk as to any and all claims, demands or rights which may exist, but which each does not know or suspect to exist in its favor.

11. **Authority to Execute Agreement.** Each of the individuals signing this Settlement Agreement warrants that he or she has the authority to sign the Settlement Agreement on behalf of the Party he or she undertakes to represent and to bind that Party to the terms of this Settlement Agreement. Each individual further warrants and represents that no other person or entity has any interest in the matters released herein and that they or the entity they represent has not assigned or transferred or purported to assign or transfer to any person or entity all or any portion of the matters released herein.

12. **Signatures.** This Settlement Agreement may be executed in counterparts. Further, the Parties agree to permit the use of faxed or electronically scanned signatures in order to expedite the transaction contemplated by this Settlement Agreement, and intend to be bound by their respective faxed or electronically scanned signatures.

13. **Amendments and Waivers.** This Settlement Agreement can only be amended or modified by a written agreement duly executed by all of the Parties. No breach of any provision of this Settlement Agreement shall be deemed waived unless it is waived in writing. Waiver of any one breach shall not be deemed a waiver of any other breach of the same or any other provision of this Settlement Agreement.

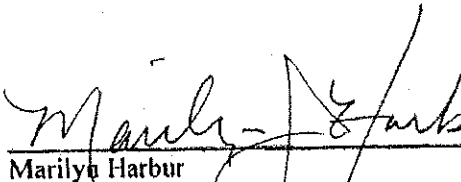
14. **Captions.** Any captions for the paragraphs of this Settlement Agreement are for convenience only and do not control or affect the meaning or construction of any of the provisions of this Settlement Agreement.

15. **Equal Opportunity to Participate in Drafting.** This Settlement Agreement has been generated pursuant to the equal negotiations and advice of the Settlement Parties and their counsel. Accordingly, this Settlement Agreement should not be construed more favorably or unfavorably as to any Party thereto.


IN WITNESS HEREOF, the Parties have willingly and knowingly, and after having had the opportunity to review the Settlement Agreement and to consult with their own legal counsel, executed this Settlement Agreement on the dates set forth adjacent to their names.

OREGON DEPARTMENT OF REVENUE

CORVALLIS NEIGHBORHOOD HOUSING SERVICES, INC., dba WILLAMETTE NEIGHBORHOOD HOUSING

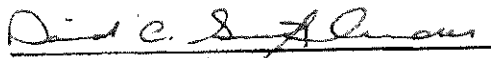



Marilyn Harbur
Senior Assistant Attorney General
Oregon Department of Justice
of attorneys for Department of Revenue
Dated: November , 2014


Jim Moorefield, Executive Director
Dated: November 26, 2014

LINN COUNTY ASSESSOR

CAROLINA SUNSET DEVELOPMENT LLC
By: CORVALLIS NEIGHBORHOOD HOUSING SERVICES, INC., dba WILLAMETTE NEIGHBORHOOD HOUSING SERVICES, its sole member


David Swartzlender
Dated: November 30, 2014

By: 
Jim Moorefield, Executive Director
Dated: November 26, 2014

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