When Recorded Return to:

Portland Development Commission
222 NW 5th Ave
Portland, OR 97209
Attn: Asset Management
Loan No.13563-97
Project #00004

EXTENDED USE AGREEMENT
(Property Tax Abatement per City Code Chapter 3.103)
(Transit Oriented Development)

This **EXTENDED USE AGREEMENT ("EUA")** is entered into as of the 20th day of May, 2009, between the **CITY OF PORTLAND,** a municipal corporation of the State of Oregon, acting by and through the **PORTLAND DEVELOPMENT COMMISSION (the "PDC"),** and The Hazelwood Group, LLC, an Oregon limited liability company (the **"Owner"**).

RECITALS

A. Owner holds title to the real property and improvements located at 11933 NE Davis Street, Portland, Oregon, which is more commonly known as Hazelwood Retirement Community rental housing project (the **"Project"**). The real property on which the Project is located is more fully described in the legal description attached hereto as **Exhibit A.**

B. Owner applied for a property tax exemption for the Project under Portland City Code Chapter 3.103 (the **"Code"**).

C. The Portland City Council approved a one year property tax exemption for the Project, through June 30, 2009 (the "**Tax Abatement Period**"), by Ordinance No. 181961 dated June 25, 2008 (the "**Ordinance**").

D. As a condition to receiving the property tax exemption, Owner is required to enter into this EUA to implement the requirements of the Code, including but not limited to, the affordability requirements.

E. PDC and Owner have already entered into that certain Regulatory Agreement dated September 15, 1998 and recorded as Fee No. 98190043 (the "Regulatory Agreement"). The Regulatory Agreement relates to PDC's financing for the Project and imposes certain affordability restrictions on the Project that extend beyond the Tax Abatement Period.

AGREEMENT

NOW, THEREFORE, the Owner does hereby impose upon the Project the following covenants, restrictions, charges and easements, which shall run with the land and shall be binding and a burden upon the Project and all portions thereof, and upon any purchaser, grantee, owner or lessee of any portion of the Project and any other person or entity having any right, title or interest therein and upon the respective heirs, executors, administrators, devisees, successors and assigns of any purchaser, grantee, owner or lessee of any portion of the Project and any other person or entity having any right, title or interest therein, for the length of time that this Agreement shall be in full force and effect.

Section 1. Public Benefits

1.1 As required by the Code and the Ordinance:

(a) At least 36 units in the Project shall be leased, rented, or made available on a continuous basis for rental to persons or households whose incomes are fifty percent (50%) or less of median gross household income, adjusted for family size, for the City of Portland, Multnomah County, Oregon.

(b) At least four (4) additional units in the Project shall be leased, rented, or made available on a continuous basis for rental to persons or households whose incomes are sixty percent (60%) or less of median gross household income, adjusted for family size, for the City of Portland, Multnomah County, Oregon.

(c) At least 56 additional units (including a manager's unit) shall be leased, rented, or made available on a continuous basis for rental to persons or households whose incomes are seventy five percent (75%) or less of median gross household income, adjusted for family size, for the City of Portland, Multnomah County, Oregon.

These affordable units shall be rented in accordance with these rent and income restrictions for a period of one_year, through June 30, 2009, subject to extension as provided in Section 2.

1.2 Owner shall submit to PDC a certification (pursuant to section 3.103.040 of the Code, as further described in Section 2 of this EUA) of rental and household incomes for each of the restricted units on an annual basis in order to monitor the Owner's compliance with the EUA.

Section 2. Reporting and Analysis

In addition to any reporting required under other agreements between PDC and Owner, Owner shall provide the following information to comply with the Code.

2.1 Each year during the Tax Abatement Period and pursuant to section 3.103.055 of the Code, the Owner shall submit to PDC financial information on the Project. Owner shall submit the financial information each year no later than 120 days after the end of the Owner's fiscal year. The financial information shall include, but is not limited to the following:

(a) Full Project-based financial statements;

(b) Internal Revenue Services tax information (tax returns);

(c) Ten year operating cash flow statement, showing actual cash flow for all prior years and the current year and shall include a to-date calculation of the Internal Rate of Return ("IRR") for the Project;

(d) Electronic Operating Statement (EOS) or similar form;

(e) Electronic Tenant Survey (ETS) (to validate subsequent rental and household income compliance, when unit becomes available for rent after initial occupancy); and

(f) Any other documentation deemed necessary by PDC to calculate or evaluate the Owner's IRR for the Project.

2.2 Each year of the Tax Abatement Period, PDC shall prepare an annual analysis of the Owner's financial data within 90 days of receipt of all required financial data from the Owner. The analysis shall include a to-date calculation of the IRR for the Project. The PDC shall calculate the IRR by the same method utilized in its initial recommendation for the tax abatement.

PDC shall advise the Owner in writing annually the results of the financial analysis as to whether the projected IRR on the Project will exceed ten percent for the entire Tax Abatement Period and may result in an Accrued Payment Liability ("APL") as calculated pursuant to section 3.103.055 D of the Code.

2.3 At the end of the final year of the Tax Abatement Period, PDC shall calculate the IRR for the Project during the Tax Abatement Period. If the IRR does not exceed ten percent (10.0%), then this EUA shall terminate at the end of the Tax Abatement Period. If the IRR exceeds ten percent (10.0%), then this EUA shall remain in full force and effect for an additional five (5) years after the end of the Tax Abatement Period (the **"Extension Period"**) unless Owner pays the APL in accordance with Section 2.4 below. If this EUA remains in effect during the Extension Period, the affordability requirements set forth in Section 1.1 shall continue to apply to the Project provided that the number of units subject to the rent restrictions described in Section 1.1 shall be that number necessary to reduce the net present value, using a ten percent (10.0%) annual discount rate, of the Project's projected market-rate (unrestricted) annual cash flows, during the Extension Period, by an amount equal to the APL.

2.4 If the IRR calculated in accordance with Section 2.3 exceeds ten percent (10.0%) and Owner desires this EUA to terminate at the end of the Tax Abatement Period, then Owner must pay to the City of Portland Bureau of Planning no later than 30 days after the Owner is notified thereof, an APL in an amount equal to the lesser of:

(a) the net present value, using a ten percent (10.0%) annual discount rate, of the difference between the Project's actual annual cash flows over the Tax Abatement Period and the proforma projected cash flows for the Project that would provide a ten percent (10.0%) IRR for the Tax Abatement Period; or

(b) the maximum amount of property taxes that would have been assessed if no property tax exemption had been granted.

2.5 If the IRR calculated by PDC in accordance with Section 2.3 above exceeds ten percent (10.0%), PDC shall notify in writing the Bureau of Planning. The Bureau of Planning shall then send a written notice to the last known address of the Owner notifying the Owner that it must pay the APL in accordance with Section 2.4 above if it does not wish this EUA to be extended as described in Section 2.3 above.

2.6 In the event of a conflict between this EUA and the Code, the parties agree that the Code prevails.

2.7 The affordability requirements imposed on the Project by this EUA are in addition to, and not in lieu of, any other affordability requirements imposed on the Project through other agreements with PDC or the City of Portland, including but not limited to the Regulatory Agreement. In the event of a conflict or inconsistency between the affordability requirements of this EUA and the affordability requirements imposed on the Project by another agreement with PDC or the city of Portland, the most restrictive requirements shall control.

Owner has reviewed and understands the Code and Owner agrees to be bound by the Code as such Code is in effect on the date of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective, duly authorized representatives, as of the day and year first written above.

OWNER:

THE HAZELWOOD GROUP, LLC

By: ______________________
Name: Daniel Steffey,
Title: Member

By: ______________________
Name: John Bentley,
Title: Member

By: ______________________
Name: Hawkin Au,
Title: Member

By: ______________________
Name: Brian D. Carleton,
Title: Member

By: ______________________
Name: William F. Hart
Title: Member

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

By: ______________________
Bruce A. Warner, Executive Director

APPROVED AS TO FORM:

PDC Legal Counsel

STATE OF OREGON)
) ss.
County of Multnomah)

The foregoing instrument was acknowledged before me this 13th day of May, 2009 by Daniel Steffey, as the member of The Hazelwood Group LLC

OFFICIAL SEAL
SHEILA ROBERTSON
NOTARY PUBLIC-OREGON
COMMISSION NO. 413994
MY COMMISSION EXPIRES MARCH 8, 2011

Notary Public of Oregon
My Commission Expires: March 8, 2011

STATE OF OREGON)
) ss.
County of Multnomah)

The foregoing instrument was acknowledged before me this 20th day of May, 2009 by John Bentley, as the member of The Hazelwood Group LLC

OFFICIAL SEAL
SHEILA ROBERTSON
NOTARY PUBLIC-OREGON
COMMISSION NO. 413994
MY COMMISSION EXPIRES MARCH 8, 2011

Notary Public of Oregon
My Commission Expires: March 8, 2011

STATE OF OREGON)
) ss.
County of Multnomah)

The foregoing instrument was acknowledged before me this 20th day of May, 2009, by Hawkin Au, as the member of The Hazelwood Group LLC

Notary Public of Oregon
My Commission Expires: March 8, 2011

OFFICIAL SEAL
SHEILA ROBERTSON
NOTARY PUBLIC-OREGON
COMMISSION NO. 413994
MY COMMISSION EXPIRES MARCH 8, 2011

STATE OF OREGON)
) ss.
County of Multnomah)

The foregoing instrument was acknowledged before me this 6th day of MAY, 2009 by BRIAN D CARLETON, as the OWNER of THE HAZELWOOD GROUP, LLC

OFFICIAL SEAL
KRISTEN CARTER
NOTARY PUBLIC - OREGON
COMMISSION NO. 392946
MY COMMISSION EXPIRES MAY 18, 2009

Kristen Carter
Notary Public of Oregon
My Commission Expires: MAY 18, 2009

STATE OF OREGON)
) ss.
County of Multnomah)

The foregoing instrument was acknowledged before me this 6th day of MAY, 2009 by WILLIAM F HART, as the OWNER of THE HAZELWOOD GROUP, LLC

OFFICIAL SEAL
KRISTEN CARTER
NOTARY PUBLIC - OREGON
COMMISSION NO. 392946
MY COMMISSION EXPIRES MAY 18, 2009

Kristen Carter
Notary Public of Oregon
My Commission Expires: MAY 18, 2009

STATE OF OREGON)
) ss.
County of Multnomah)

This instrument was acknowledged before me this 4th day of May, 2009, by Bruce A. Warner, as the Executive Director of the Portland Development Commission.

OFFICIAL SEAL
EMILY SWENSEN
NOTARY PUBLIC-OREGON
COMMISSION NO. 406181
MY COMMISSION EXPIRES MAY 18, 2010

Emily Swensen
Notary Public of Oregon
My Commission Expires: May 18, 2010

EXHIBIT A
LEGAL DESCRIPTION

Lot 3 GLISAN STREET STATION, in the City of Portland, county of Multnomah and State of Oregon (Fee Parcel),

TOGETHER WITH easements over Lot 2 as contained within that certain Reciprocal Easement Agreement recorded April 10, 1997, recording number #97052950. (Air space Parcel).

Tax Account No. R-32854-0150

Aka: SW corner of NE Glisan Street and NE 122nd Avenue, Portland, Oregon (collectively the "Property").