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U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

REGULATORY AGREEMENT FOR NON PROFIT AND PUBLIC MORTGAGORS
UNDER SECTION 221(d)(3) OF THE NATIONAL HOUSING ACT, AS AMENDED

Project No 126-35068-NP

Mortgagee ~~Luther Square, Inc.~~ MORTGAGE BANCORPORATION

Amount of Mortgage Note \$315,400.00

Date July 1, 1970

Mortgage Recorded: July 15, 1970 State Oregon County Klamath Date July 15, 1970
Concurrently herewith

Book M70 Page 5798

This Agreement entered into this first day of July, 1970
between Luther Square, Inc.

whose address is 5122 Bryant Ave., Klamath Falls, Oregon 97601

their successors, heirs, and assigns (jointly and severally, hereinafter referred to as Owners) and the undersigned
Secretary of Housing and Urban Development and his successors, acting by and through the Federal Housing Commission-
er (hereinafter called Commissioner)

In consideration of the endorsement for insurance by the Commissioner of the above described note or in consider-
ation of the consent of the Commissioner to the transfer of the mortgaged property, and in order to comply with the require-
ments of Section 221(d)(3) of the National Housing Act, as amended, and the Regulations adopted by the Commissioner
pursuant thereto, Owners agree for themselves, their successors, heirs and assigns, that in connection with the mortgaged
property and the project operated thereon and so long as the contract of mortgage insurance continues in effect, and
during such further period of time as the Commissioner shall be the owner, holder or reinsurer of the mortgage, or dur-
ing any time the Commissioner is obligated to insure a mortgage on the mortgaged property:

1. Owners, except as limited by paragraph 18 hereof, shall promptly make all payments due under the note and
mortgage.

2. (a) Owners shall establish or continue to maintain a reserve fund for replacements by the allocation to such
reserve fund in a separate account with the mortgagee or in a safe and responsible depository designated by
the mortgagee, concurrently with the beginning of payments towards amortization of the principal of the mort-
gage insured or held by the Commissioner of an amount equal to \$ 93.50
per month unless a different date or amount is approved in writing by the Commissioner. Such fund, whether in
the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States
of America, shall at all times be under the control of the mortgagee. Disbursements from such fund, whether
for the purpose of effecting replacement of structural elements and mechanical equipment of the project or for
any other purpose, may be made only after receiving the consent in writing of the Commissioner. In the event
of a default in the terms of the mortgage, pursuant to which the loan has been accelerated, the Commissioner
may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as
accelerated.

(b) Where Owners are acquiring a project already subject to an insured mortgage, the reserve fund for replace-
ments to be established will be equal to the amount due to be in such fund under existing agreements or char-
ter provisions at the time Owners acquire such project, and payments hereunder shall begin with the first pay-
ment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund
is approved or required in writing by the Commissioner.

(c) Owners shall establish and maintain, in addition to the reserve fund for replacements, a residual receipts
fund by depositing thereto, with the mortgagee, the residual receipts, as defined herein, within 60 days after
the end of the semiannual or annual fiscal period within which such receipts are realized. Residual receipts
shall be under the control of the Commissioner, and shall be disbursed only on the direction of the Commissioner,
who shall have the power and authority to direct that the residual receipts, or any part thereof, be used for such
purpose as he may determine.

3. Real property covered by the mortgage and this Agreement is described in Schedule A attached hereto.

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4. The Owners covenant and agree that:

- (a) Admission to the project shall be limited to families having a low or moderate income which does not exceed the limits established by the Commissioner and in effect at the time of admission;
- (b) Preference or priority for admission to the project and for placement on the waiting list, which Owners shall maintain, shall be extended to those families of low or moderate incomes who have certificates of eligibility as displaced families;
- (c) On forms approved by the Commissioner they will obtain from each prospective tenant a certification of income prior to admission to the project, and a recertification of income from each tenant at least every two years following the date of admission;
- (d) If any recertification discloses that family income exceeds the limits established by the Commissioner and in effect at the time of recertification, they shall either terminate the lease, or require the tenant to pay an increased rental in an amount computed in accordance with the formula prescribed by the Commissioner;
- (e) They shall require all tenants to execute a lease in the form prescribed by the Commissioner, and shall not rent any unit in the project for less than 30 days nor more than one year;
- (f) The rent charged for each unit shall not exceed the upper limit of the range shown for such type of unit on the rental schedule approved in writing by the Commissioner, and shall include the reasonable use of all utilities shown on said schedule, but in no event shall the total gross monthly rents for all dwelling units exceed the gross monthly dwelling income for all units approved by the Commissioner on the rental schedule;
- (g) No increase will be made in the amount of the gross monthly dwelling income for all units as shown on the rental schedule unless such increase is approved by the Commissioner, who will at any time entertain a written request for an increase properly supported by substantiating evidence and within a reasonable time shall:
 - (1) Approve a rental schedule that is necessary to compensate for any net increase, occurring since the last approved rental schedule, in taxes (other than income taxes) and operating and maintenance expenses over which Owners have no effective control, or
 - (2) Deny the increase stating the reasons therefor;
- (h) They will rent commercial facilities, if any, at not less than the rental approved by the Commissioner;
- (i) If there are rent supplement units in the project, the determination as to the eligibility of tenants for admission to such units and the conditions of continued occupancy shall be in accordance with the Rent Supplement Contract executed by the Owners and the Commissioner which is incorporated in and made a part of this Agreement;
- (j) In selecting tenants they shall not discriminate against any person or persons by reason of the fact that there are children in the family.

5. Upon prior written approval of the Commissioner, the Owners may charge to and receive from any tenant such amounts as from time to time may be mutually agreed upon between the tenant and the Owners for any facilities and/or services which may be furnished by the Owner or others to such tenant upon his request in addition to the facilities and services included in the approved Rental Schedule.

6. Owners agree that no dividends of any kind will be paid on the capital stock issued by the corporation, except as the charter may authorize due to domiciliary requirements.

7. Owners shall not without the prior written approval of the Commissioner:

- (a) Convey, transfer, or encumber any of the mortgaged property, or permit the conveyance, transfer or encumbrance of such property;
- (b) Assign, transfer, dispose of, encumber any personal property of the project, including rents, or pay out any funds, except for reasonable operating expenses and necessary repairs;
- (c) Convey, assign, or transfer any beneficial interest in any trust holding title to the mortgaged property, or the interest of any general partner in a partnership owning the mortgaged property, or any right to manage or receive therefrom and profits from the mortgaged property;
- (d) Remodel, add to, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project;
- (e) Engage in any other business or activity, including the operation of any other rental project, or incur any liability or obligation not in connection with the project;

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- (f) Require, as a condition of the occupancy or leasing of any unit in the project, any consideration or deposit other than the prepayment of the first month's rent plus a security deposit in an amount not in excess of one month's rent to guarantee the performance of the covenants of the lease. Any fund collected as security deposits shall be kept separate and apart from all other funds of the project in a trust account the amount of which shall at all times equal or exceed the aggregate of all outstanding obligations under said account;
 - (g) Permit the use of the dwelling accommodations of the project for any purpose except the use which was originally intended, or permit commercial use greater than that originally approved by the Commissioner;
 - (h) Incur any liability, direct or contingent, other than for current operating expenses, exclusive of the indebtedness secured by the mortgage and necessarily incident to the execution and delivery thereof;
 - (i) Pay any compensation, including wages or salaries, or incur any obligations, to themselves, or any officers, directors, stockholders, trustees, partners, beneficiaries under a trust, or to any of their nominees;
 - (j) Enter into any contract or contracts for supervisory or managerial services.
8. Owners shall maintain the mortgaged premises, accommodations and the grounds and equipment appurtenant thereto, in good repair and condition. In the event all or any of the buildings covered by the mortgage shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the insured mortgage.
 9. Owners shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors or permit an adjudication in bankruptcy, the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale and fail to have such adverse actions set aside within forty-five days.
 - 10.(a) Owners shall provide for the management of the project in a manner satisfactory to the Commissioner. Any management contract entered into by Owners, or any of them, involving the project shall contain a provision that it shall be subject to termination, without penalty and with or without cause, upon written request by the Commissioner addressed to the Owners. Upon receipt of such request Owners shall immediately terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for continuing proper management of the project.
 - (b) Payment for services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.
 - (c) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and shall be subject to examination and inspection at any reasonable time by the Commissioner or his duly authorized agents. Owners shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Commissioner or his duly authorized agents.
 - (d) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Commissioner.
 - (e) Within sixty days following the end of each fiscal year the Commissioner shall be furnished with a complete annual financial report based upon an examination of the books and records of the mortgagor prepared in accordance with the requirements of the Commissioner, certified to by an officer or responsible Owner and, when required by the Commissioner, prepared and certified by a Certified Public Accountant, or other person acceptable to the Commissioner.
 - (f) At the request of the Commissioner, his agents, employees, or attorneys, the Owners shall furnish monthly occupancy reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, and condition of the property and the status of the insured mortgage.
 - (g) All rents and other receipts of the project shall be deposited in the name of the project in a bank, whose deposits are insured by the F.D.I.C. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for expenses of the project. Any owner receiving funds of the project shall immediately deposit such funds in the project bank account and failing so to do in violation of this Agreement shall hold such funds in trust. Any owner receiving property of the project in violation of this Agreement shall immediately deliver such property to the project and failing so to do shall hold such property in trust.
 11. Owners will comply with the provisions of any Federal, State, or local law prohibiting discrimination in housing on the grounds of race, color, creed, or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all requirements imposed by or pursuant to the Regulations of the Department of Housing and Urban Development (24 CFR, Subtitle A, Part 1) issued pursuant to that title, and regulations issued pursuant to Executive Order 11663.

12. Upon a violation of any of the above provisions of this Agreement by Owners, the Commissioner may give written notice thereof to Owners, by registered or certified mail, addressed to the addresses stated in this Agreement, or such other addresses as may subsequently, upon appropriate written notice thereof to the Commissioner, be designated by the Owners as their legal business address. If such violation is not corrected to the satisfaction of the Commissioner within thirty days after the date such notice is mailed or within such further time as the Commissioner reasonably determines is necessary to correct the violation, without further notice the Commissioner may declare a default under this Agreement effective on the date of such declaration of default and upon such default the Commissioner may:

- (a) (1) If the Commissioner holds the note - declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;
- (2) If said note is not held by the Commissioner - notify the holder of the note of such default and request the holder to declare a default under the note and mortgage, and the holder after receiving such notice and request, but not otherwise, at its option, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Commissioner as provided in the Regulations;

(b) Collect all rents and charges in connection with the operation of the project and use such collections to pay the mortgagor's obligations under this Agreement and under the note and mortgage and the necessary expenses of preserving the property and operating the project;

(c) Take possession of the project, bring any action necessary to enforce any rights of the Owners growing out of the project operation, and operate the project in accordance with the terms of this Agreement until such time as the Commissioner in his discretion determines that the Owners are again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage;

(d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Commissioner arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.

13. As security for the payment due under this Agreement to the reserve fund for replacements, and to secure the Commissioner because of his liability under the endorsement of the note for insurance, and as security for the other obligations under this Agreement, the Owners respectively assign, pledge and mortgage to the Commissioner their rights to the rents, profits, income and charges of whatever sort which they may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein. Until a default is declared under this Agreement, however, permission is granted to Owners to collect and retain under the provisions of this Agreement such rents, profits, income, and charges, but upon default this permission is terminated as to all rents due or collected thereafter.

14. As used in this Agreement the term:

(a) "Mortgage" includes "Deed of Trust", "Chattel Mortgage", and any other security for the note identified herein, and endorsed for insurance or held by the Commissioner;

(b) "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;

(c) "Mortgagor" means the original borrower under the mortgage and its successors and assigns;

(d) "Owners" refers to the persons named in the first paragraph hereof and designated as Owners, their successors or assigns; such term includes a nonprofit corporation executing this Agreement in its capacity as a contract purchaser of the project pursuant to a Sales Agreement with a Builder-Seller mortgagor;

(e) "Mortgaged Property" includes all property, real, personal, or mixed, covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Commissioner;

(f) "Project" includes the mortgaged property and all its other assets of whatsoever nature or wheresoever situate, used in or owned by the business conducted on said mortgaged property, which business is providing housing and other such activities as are incidental thereto;

(g) "Residual Receipts" means any cash remaining after:

(1) the payment of:

(i) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Federal Housing Commissioner;

(ii) All amounts required to be deposited in the reserve fund for replacements;

(iii) All obligations of the project other than the mortgage insured or held by the Commissioner unless funds for payment are set aside or deferment of payment has been approved by the Commissioner; and

(2) the segregation of:

(i) An amount equal to the aggregate of all special funds required to be maintained by the project;

(ii) All tenant security deposits held;

(h) "Family" means (1) two or more persons related by blood, marriage, or operation of law who occupy the same unit; (2) a handicapped person who has a physical impairment which is expected to be of long continued and indefinite duration, substantially impedes his ability to live independently, and is of such a nature that his ability could be improved by more suitable housing conditions; (3) a single person, 62 years of age or older; or (4) a single person less than 62 years of age provided that occupancy by such persons is limited to 10% of the dwelling units in the project, unless the occupants receive rent supplement benefits pursuant to a rent supplement contract in which instance the 10 percent limitation shall not be applicable.

(i) "Income" means the gross annual income of the family from all sources before taxes and withholding, after giving effect to exclusions allowed by the Commissioner;

(j) "Default" means a default declared by the Commissioner when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Commissioner after written notice.

15. This instrument shall bind, and the benefits shall inure to, the respective Owners, their heirs, legal representatives, executors, administrators, successors in office or interest, and assigns, and to the Commissioner and his successors so long as the contract of mortgage insurance continues in effect, and during such further time as the Commissioner shall be the owner, holder, or reinsurer of the mortgage, or obligated to reinsure the mortgage.

(a) In the event this Agreement is executed by a nonprofit corporation in its capacity as a contract purchaser of the project pursuant to a Sales Agreement with a Builder-Seller mortgagor, it agrees that all of the provisions hereof shall continue to bind it in its capacity as title owner of the project upon consummation of the purchase. In the event the purchase is not consummated at final endorsement or such later time as may be agreed to in writing by the Commissioner, its obligations hereunder shall terminate

16. Owners warrant that they have not, and will not, execute any other agreement with provisions contradictory of, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the right and obligations set forth and supersede any other requirements in conflict therewith.

17. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

18. The following Owners:

do not assume personal liability for payments due under the note and mortgage, to the reserve for replacements, or for matters not under their control, provided that such Owners shall remain liable under this Agreement only with respect to the matters hereinafter stated; namely:

(a) for funds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and

(b) for their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the date first hereinabove written

Seal

Witness

Fred R. Kraus

Luther Square, Inc.

Owners

By

Erwin Brower, Pres

SECRETARY OF HOUSING AND URBAN DEVELOPMENT
acting by and through the FEDERAL HOUSING COMMISSIONER

By

Laurel Simmons

Authorized Agent

(Add proper acknowledgements)

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FORM No. 24—ACKNOWLEDGMENT—CORPORATION.

STEVENS-NESS LAW PUB. CO., PORTLAND, ORE.

STATE OF OREGON,

County of Klamath } ss. On this 9th day of July, 1970,
before me appeared Erwin Brower and
Fred R. Krauel both to me personally known, who being
duly sworn, did say that he, the said Erwin Brower
is the President, and he, the said Fred R. Krauel
is the Secretary of LUTHER SQUARE, INC.
the within named Corporation, and that the seal affixed to said instrument is the corporate seal of said Corporation,
and that the said instrument was signed and sealed in behalf of said Corporation by authority of its Board
of Directors, and Erwin Brower and Fred R. Krauel
acknowledged said instrument to be the free act and deed of said Corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed
my official seal the day and year last above written.

Joseph Coffey
Notary Public for Oregon.
My Commission expires Oct. 1, 1971

STATE OF OREGON

County of Multnomah

BE IT REMEMBERED, That on this 13th day of July, 1970,
before me, the undersigned, a Notary Public in and for said County and
State, personally appeared the within named Paul R. Timmins
known to me to be the identical individual described in and who executed the
within instrument and acknowledged to me that he executed the same freely
and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand
and affixed my official seal the day and year last
above written.

Joseph Coffey
Notary Public for Oregon
My Commission expires Oct. 1, 1971

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DESCRIPTION OF PROPERTY

The following described real property situate in Klamath County, Oregon:

Commencing at the Southwest corner of Lot 8, Kielsmeier Acre Tracts, Klamath County, Oregon; thence along the South boundary of said Lot 8, South 89°52' East, 20.00 feet to the centerline of the Enterprise Irrigation District Canal; thence along said centerline as follows: South 16°55' East, 75.00 feet; thence South 24°10' East, 37.00 feet; thence South 44°03' East, 37.00 feet; thence South 76°36' East, 48.00 feet; thence North 85°44' East, 38.72 feet; thence North 62°48'20" East, 173.80 feet to the West boundary of Homedale Road; thence along said road boundary North 0°06'30" East, 129.96 feet; thence North 89°52' West, 322.47 feet to the West boundary of Lot 8; thence along said boundary South 0°18'10" West, 69.75 feet to the point of beginning.

SCHEDULE 'A'

INDEXED

STATE OF OREGON,
County of Klamath

Filed for record at request of

KLAMATH COUNTY TITLE CO

on this 15th day of JULY A.D. 1970

at 8:43 o'clock A.M. and

recorded in Vol. M-70 of MORTGAGES

Page 5802

Wm D. MILNE, County Clerk

By *Theresa H. G. G. G.* Deputy

Fee \$10.50

STATE OF OREGON,
County of Klamath } ss.

Filed for record at request of:

Klamath Production Credit Assoc.

on this 24th day of July A.D. 1970

at 3:44 o'clock P.M. and duly

recorded in Vol. M-70 of Mortgages

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Wm D. MILNE, County Clerk

By *Theresa H. G. G. G.* Deputy

Fee \$10.50

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