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USDA-FmHA
Form FmHA 1927-7 OR
(Rev. 12-93)

Vol M01 Page 4373

MTL 52263

REAL ESTATE DEED OF TRUST FOR OREGON
(Rural Housing)

THIS DEED OF TRUST is made and entered into by and between the undersigned _____

KLAMATH HOUSING AUTHORITY

residing in Klamath County, Oregon, whose post office address

is 1445 Avalon/P.O.Box 5110, Klamath Falls Oregon 97601-9998, as grantor(s), herein called "Borrower," and the Farmers Home Administration, United States Department of Agriculture, acting through the

State Director of the Farmers Home Administration for the State of Oregon whose post office address is _____

101 SW Main St., Portland, Oregon 97204, as trustee, herein called "Trustee," and the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture, as beneficiary, herein called the "Government," and:

WHEREAS Borrower is indebted to the Government as evidenced by one or more promissory note(s) or assumption agreement(s), herein called "note," which has been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
January 25, 2001	\$804,000.00	1.%	December 25, 2034

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note and insure the payment thereof pursuant to Title V of the Housing Act of 1949 or any other statutes administered by the Farmers Home Administration;

And it is the purpose and intent of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the note, this instrument shall secure payment of the note; but when the note is held by an insured holder, this instrument shall not secure payment of the note or attach to the debt evidenced thereby, but as to the note and such debt shall constitute an indemnity mortgage to secure the Government against loss under its insurance contract by reason of any default by Borrower;

And this instrument also secures the recapture of any deferred principal and interest or of any interest credit and subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. §§1472(g) or 1490a, respectively.

NOW, THEREFORE, in consideration of the loan(s), Borrower hereby grants, bargains, sells, conveys, warrants and mortgages to Trustee the following described property situated in the State of Oregon, County(ies) of _____

Klamath

which said described real property is not currently used for agricultural, timber or grazing purposes:

See Exhibit A and Exhibit B attached which are made a part hereof by this reference

together with all rights (including the right to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues, and profits thereof and revenues and income therefrom, all improvements and personal property now or later attached thereto or reasonably necessary to the use thereof, including, but not limited to, ranges, refrigerators, clothes washers, clothes dryers, or carpeting purchased or financed in whole or in part with loan funds, all water, water rights, and water stock pertaining thereto, and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest therein-all of which are herein called "the property";

TO HAVE AND TO HOLD the property unto Trustee, Trustee's successors, grantees and assigns forever;

IN TRUST, NEVERTHELESS, (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the payment of the note, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, including any provision for the payment of insurance or other charge, (b) at all times when the note is held by an insured holder, to secure performance of Borrower's agreement herein to indemnify and save harmless the Government against loss under its insurance endorsement by reason of any default by Borrower, and (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in supplementary agreement, the provisions of which are hereby incorporated herein and made a part hereof.

BORROWER for Borrower's self, Borrower's heirs, executors, administrators, successors and assigns WARRANTS the property and the title thereto unto Trustee for the benefit of the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

(1) To pay promptly when due any indebtedness to the Government hereby secured and to indemnify and save harmless the Government against any loss under its insurance of payment of the note by reason of any default by Borrower. At all times when the note is held by an insured holder, Borrower shall continue to make payments on the note to the Government, as collection agent for the holder.

(2) To pay the Government such fees and other charges as may now or hereafter be required by regulations of the Farmers Home Administration.

(3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.

(4) Whether or not the note is insured by the Government, the Government may at any time pay any other amounts, including advances for payment of prior and/or junior liens, required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for Borrower's account. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.

(5) All advances by the Government, including advances for payment of prior and/or junior liens, in addition to any advances required by the terms of the note, as described by this instrument, with interest shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.

(6) To use the loan evidenced by the note solely for purposes authorized by the Government.

(7) To pay when due all taxes, liens, judgments, encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges and assessments in connection with water, water rights, and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.

(8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.

(9) To maintain improvements in good repair and make repairs required by the Government; and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or, without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.

(10) To comply with all laws, ordinances, and regulations affecting the property.

(11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments, attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property.

(12) Except as otherwise provided by the Farmers Home Administration regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold, transferred, or encumbered, voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights, as beneficiary hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or to the lien or any benefits hereof.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) This instrument secures to the Government the repayment of the debt evidenced by the note, including all adjustments, renewals, extensions or modifications in the interest rate, payment terms or balance due on the loan; the payment of all other sums, with interest, advanced under paragraph 4; and the performance of Borrower's covenants and agreements under this instrument and the note. The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien, and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government—whether once or often—in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) ~~If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower, will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.~~

(16) Default hereunder shall constitute default under any other real estate, or under any personal property or other secured instrument held or insured by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should the parties named as Borrower die or be declared incompetent, or should any one of the parties named as Borrower be declared a bankrupt or an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, and (d) authorize and request Trustee to foreclose this instrument and sell the property as provided by law.

(18) At the request of the Government, Trustee may foreclose this instrument by advertisement and sale of the property as provided by law, for cash or secured credit at the option of the Government; such sale may be adjourned from time to time without other notice than oral proclamation at the time and place appointed for such sale and correction made on the posted notices; and at such sale the Government and its agents may bid and purchase as a stranger; Trustee at Trustee's option may conduct such sale without being personally present, through Trustee's delegate authorized by Trustee for such purpose orally or in writing and Trustee's execution of a conveyance of the property or any part thereof to any purchaser at foreclosure sale shall be conclusive evidence that the sale was conducted by Trustee personally or through Trustee's delegate duly authorized in accordance herewith.

(19) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to or insured by the Government, and (f) any balance to Borrower. In case the Government is the successful bidder at foreclosure or other sale of all or any part of the property, the Government may pay its share of the purchase price by crediting such amount on any debts of Borrower owing to or insured by the Government, in the order prescribed above.

(20) All powers and agencies granted in this instrument are coupled with an interest and are irrevocable by death or otherwise; and the rights and remedies provided in this instrument are cumulative to remedies provided by law.

(21) Borrower agrees that the Government will not be bound by any present or future laws, (a) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action must be brought, (b) prescribing any other statute of limitations, or (c) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State laws.

(22) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, national origin, handicap, familial status or age, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, national origin, handicap, familial status or age.

(23) This instrument shall be subject to the present regulations of the Farmers Home Administration, and to its future regulations not inconsistent with the express provisions hereof.

(24) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, addressed, unless and until some other address is designated in a notice so given, in the case of the Government to Farmers Home Administration, United States Department of Agriculture, Portland, Oregon 97204 and in the case of Borrower at the address shown in the Farmers Home Administration Finance Office records (which normally will be the same as the post office address stated above.)

(25) Upon the final payment of all indebtedness hereby secured and the performance and discharge of each and every condition, agreement and obligation, contingent or otherwise, contained herein or secured hereby, the Government shall request trustee to execute and deliver to Borrower at Borrower's above post office address a deed of reconveyance of the property within 60 days after written demand by Borrower, and Borrower hereby waives the benefits of all laws requiring earlier execution or delivery of such deed of reconveyance.

(26) If any provision of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

WITNESS the hand(s) of Borrower this 2nd day of February, 192001

Wherever "Farmers Home Administration", "FmHA", "Rural Development Administration", or "RDA" may appear, the term "United States of America" is substituted.

Initials DK WC

KLAMATH HOUSING AUTHORITY

by: Daniel King, Chairman of the Board

by: Wayne Connors, Executive Director

ACKNOWLEDGMENT FOR OREGON

STATE OF OREGON

COUNTY OF Klamath

ss:



On this 2nd day of February, 192001, personally appeared the above-

named DANIEL KING and WAYNE CONNORS, Chairman of the Board and Executive Director, of Klamath Housing Authority

and acknowledged the foregoing instrument to be its voluntary act and deed. Before me

Kristil Redd
Notary Public.

[NOTARIAL SEAL]

My Commission expires 11/16/2003

EXHIBIT A TO DEED OF TRUST

Parcel 1 of Land Partition No. 8-00 on file in the office of the Klamath County Clerk, being a partition of Parcel 2 of Land Partition 58-94, on file in the office of the Klamath County Clerk, situated in the SE1/4 NE1/4 of Section 14, Township 39 South, Range 9 East, Willamette Meridian, Klamath County, Oregon.

DK UAR

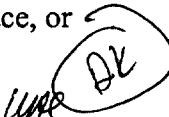
EXHIBIT B TO THE DEED OF TRUST

"The property described herein was obtained or improved through Federal financial assistance. This property is subject to the provisions of Title VI of the Civil Rights Act of 1964 and the regulations issued pursuant thereto for so long as the property continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the purchaser owns it, whichever is longer."

"The borrower and any successors in interest agree to use the housing for the purpose of housing people eligible for occupancy as provided in Section 514 or Section 515 of Title V of the Housing Act of 1949, as amended, and FmHA regulations then extant during this 20 year period beginning Feb. 2, 2001. Until Feb. 2, 2023, no eligible person occupying the housing shall be required to vacate, or any eligible person wishing to occupy shall be denied occupancy without cause. The borrower will be released from these obligations before that date only when the Government determines that there is no longer a need for such housing, or that such other financial assistance provided the residents of such housing will no longer be provided due to no fault, action or lack of action on the part of the borrower. A tenant or individual wishing to occupy the housing may seek enforcement of this provision, as well as the Government."

"This instrument also secures the obligations and covenants of Borrower set forth in Borrower's Loan and Grant Resolution and Grant Agreement of Feb. 2, 2001, which is hereby incorporated herein by reference."

"Borrower will not require any occupant of the housing or related facilities, as a condition of occupancy, to work or be employed on any particular farm or other place, or work for or be employed by any particular person, firm, or interest."

WAP  DX

(LABOR HOUSING LOAN AND GRANT TO A NONPROFIT
CORPORATION)LOAN AND GRANT RESOLUTION OF February 2 , 19- 2001

RESOLUTION OF THE BOARD OF DIRECTORS OF
Klamath Housing Authority PROVIDING FOR OBTAINING FINANCIAL
ASSISTANCE IN THE AMOUNT \$ 1,340,000 TO AID IN FINANCING FEDERALLY
DEFINED LOW-RENT HOUSING AND RELATED FACILITIES FOR LOW-INCOME
DOMESTIC FARM LABOR, AND RELATED MATTERS.

Whereas

Klamath Housing Authority
(herein referred to as the "Corporation") is organized and operating under
ORS 456.075 (creation) and ORS 456.120 (powers) and the board of
(authorizing State statute)
directors of the Corporation has determined that--

(a) The Corporation should provide low-rent housing and related facilities
for low-income domestic farm labor, as defined in title V of the Housing Act
of 1949.

(b) The estimated total cash development cost of such housing and facilities
amounts to \$ 2,593,100.00.

(c) For such purpose the Corporation is able to furnish from its own
resources \$ 1,253,100.00.

(d) The Corporation will need financial assistance in the amount of \$ 1,340,000.00
which the Corporation is unable to obtain from other sources for such purpose
upon terms and conditions which the Corporation could reasonably be expected
to fulfill.

(e) Of such amount of needed financial assistance the Corporation will be
able to repay, with interest at 1% per annum, the amount of \$ 804,000.00 over
a repayment period of 33 years, if the balance of \$ 536,000.00 is
made available to the Corporation as a grant.

(f) The housing and related facilities will fulfill a pressing need in the
area in which they are or will be located.

(g) The housing and facilities cannot be provided without the aid of a grant
in the amount stated above:

RD Instruction 1944-D
Exhibit E
Page 2

THEREFORE BE IT RESOLVED:

1 Application for Loan and Grant. The Corporation shall apply to the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called "the Government") for a loan of \$ 804,000.00 and a grant of \$ 536,000.00, pursuant to Title V of the housing Act of 1949. Such loan may be insured by the Government. The loan and the grant shall be used only for the specific eligible purposes approved by the Government, in order to provide low-rent housing and related facilities for low-income domestic farm labor. Such housing and facilities and the land constituting the site may be referred to herein as the "housing."

2 Execution of Loan and Grant Instruments. To evidence the loan the Corporation shall issue a promissory note (herein referred to as "the Note"), signed by its President and attested by its Secretary/^{**see below} with its corporate seal affixed thereto, for the amount of the loan, payable in installments over a period of 33 years, bearing interest at a rate not to exceed 1% percent per annum, and containing other terms and conditions prescribed by the Government. To evidence the obligations of the grant, the Corporation shall execute an instrument in the form attached hereto entitled "Labor Housing Grant Agreement" and referred to herein as the "Grant Agreement," evidencing terms and conditions upon which the grant is made by the Government and the obligations of the Corporation with respect thereto. To secure the note and/or all other obligations and agreements of the Corporation with respect to the loan and the grant, as required by the Government, the President and the Secretary are hereby authorized to execute a security instrument giving a lien upon or security interest in the housing and such other property as the Government shall require, including an assignment of or security interest in the rents and profits as collateral security to be enforceable in the event of any default by the Corporation. The President and the Secretary are further authorized to execute any other security and other instruments, agreements, and documents required by the Government for the loan or grant. The indebtedness and other obligations of the Corporation under the note, Grant Agreement, this resolution, the security instrument, and any other instruments and agreements related to the loan or grant are herein called the "loan and grant obligations."

3 Equal Employment Opportunity under Construction Contracts and Nondiscrimination in the Use of Occupancy and Housing and in Any Other Benefits of the Loan or Grant. The President and the Secretary are hereby authorized and directed to execute on behalf of the Corporation (a) any undertakings and agreements

****all references made in this document to President is also known as the Chairman of the Board and Secretary is also known as the Executive Director**

required by the Government regarding nondiscrimination in the use and occupancy of housing, (b) Farmers Home Administration Form RD 400-1, "Equal Opportunity Agreement," involving an Equal Opportunity Clause to be incorporated in or attached as a rider to each construction contract which exceeds \$10,000 in amount and is paid for in whole or in part with loan or grant funds, and (c) Farmers Home Administration Form RD 400-4, "Nondiscrimination Agreement (Under Title VI, Civil Rights Act of 1964)," a copy of which is attached hereto and made a part hereof.

4 Supervised Bank Account. The proceeds of the loan and grant and the amount of \$ -0- to be contributed by the Corporation from its own fund and used for approved eligible purposes shall be deposited in a "supervised bank account" as required by the Government. 1/ Amounts in the supervised bank account exceeding \$100,000 shall be secured by the financial institution in advance in accordance with U. S. Treasury Department Circular No. 176. As provided by the terms of the agreement creating the supervised bank account, all funds therein shall, until duly expended, collaterally secure the loan and grant obligations. Withdrawals from the supervised bank account by the Corporation shall be made only on checks signed by the Executive Director of the Corporation and countersigned by the County Supervisor or other authorized official of the Farmers Home Administration, and only for the specific eligible purposes approved in writing by the Government. The Corporation's share of any liquidated damages or other monies paid by defaulting contractors of their sureties shall be deposited in the supervised bank account to assure completion of the project. When all approved items eligible for payment with loan or grant funds are paid in full, any balance remaining in the supervised bank account shall be treated as a refund of loan and grant funds in the same ratio as that between the amounts of the loan and grant, and the supervised bank account shall be closed. (Revised 7-6-81, SPECIAL PN.)

5 Accounts for Housing Operations and Loan Servicing. The Corporation shall establish on its books the following accounts, which shall be maintained so long as the loan or grant obligations continue: A General Fund Account, an Operation and Maintenance Account, a Debt Service Account, and a Reserve Account. Funds in said accounts shall be deposited in a bank or banks insured by the Federal Deposit Insurance Corporation, except for any portion invested in readily marketable obligations of the United States as authorized by section 9. The Treasurer of the Corporation shall execute a fidelity bond, with a surety company approved by the Government, in an amount not less than the estimated maximum amount of such funds to be held in said accounts at any one time. The United States of America shall be named as co-obligee, and the amount of the bond shall not be reduced without the prior written consent of the Government. The Corporation in its discretion may at any time establish and utilize additional accounts to handle any funds not covered by the provisions of this resolution

1/ Only loan or grant funds, and borrower's funds to be used for an eligible loan or grant purpose, may be deposited in the supervised bank account.
(10-3-79) PN 694

6 General Fund Account. By the time the loan and grant are closed the Corporation shall from its own funds deposit in the General Fund Account the amount of \$ 0 . All income and revenue from the housing shall upon receipt be immediately deposited in the General Fund Account. The Corporation may also in its discretion at any time deposit therein other funds, not otherwise provided for by this resolution, to be used for any of the purposes authorized in section 7, 8, or 9. Funds in the General Fund Account shall be used only as authorized in said sections and, until so used, shall be held by the Corporation in trust for the Government as security for the loan and grant obligations.

7 Operation and Maintenance Account. Not later than the 15th of each month, out of the General Fund Account shall be transferred to the Operation and Maintenance Account, sufficient amounts to enable the Corporation to pay from the Operation and Maintenance Account the actual, reasonable, and necessary current expenses, for the current month and the ensuing month, of operating and maintaining the housing not otherwise provided for. Current expenses may include, in addition to expenses occurring or becoming due monthly, monthly accumulations of proportionate amounts for the payment of items which may become due either annually or at irregular intervals, such as taxes and insurance and normal repair and replacement of furnishings and equipment reasonably necessary for operation of the housing. Current expenses may also include initial purchase and installation of such furnishings and equipment with any funds deposited in and transferred from the General Fund Account which are not proceeds of the loan and, unless the Government gives prior written consent, are not income or revenue from the housing.

8 Debt Service Account. Each month, immediately after the transfer to the Operation and Maintenance Account provided for in section 7, or after it is determined that no such transfer is called for, any balance remaining in the General Fund Account, or so much thereof as may be necessary, shall be transferred to the Debt Service Account until the amount in the Debt Service Account equals the amount of the next installment due on the loan. Funds in the Debt Service Account shall be used only for payments on the loan obligations while they continue and, until so used, shall be held by the Corporation in trust for the Government as security for the loan and grant obligations.

9 Reserve Account. (a) Immediately after each transfer to the Debt Service Account as provided in section 8, any balance in the General Fund Account shall be transferred to the Reserve Account. Funds in the Reserve Account may be used only as authorized in this resolution and until so used shall be held by the Corporation in trust as security for the loan and grant obligations. Transfers at a rate not less than \$13,000 * 2/ annually shall be made to the Reserve Account until the amount

2/ In most cases this figure should be one-tenth of the aggregate sum specified later in the sentence as the total amount of the Reserve Account.

- The State Director has agreed to a fully funded reserve level of \$242,452 or \$ 24,246 per year. The annual transfer to reserves varies from year to year but not less than \$13,000 per year Proforma is an attachment to this Loan and grant Resolution. (cont. top of next page)

• Cont.

If after the account is fully funded and the value of the reserve account falls below the fully funded amount, borrower funds must be transferred into the reserve account at the required level at the rate of \$24,246 per year.

in the Reserve Account reaches the sum of \$242,452 ^{3/} and shall be resumed at any time when necessary, because of disbursements from the Reserve Account, to restore it to said sum. Of such sum, at least 50 percent shall be maintained on a cash basis, referred to herein as the "cash reserve." After the cash reserve reaches the required 50 percent of said sum, all or any portion of the balance of said sum may, at the option of the Corporation, consist of an amount, referred to herein as the "prepayment reserve," by which the Corporation is "ahead of schedule" as defined in the regulations of the Farmers Home Administration. Funds in the cash reserve shall be deposited in a separate bank account or accounts insured by the Federal Deposit Insurance Corporation or invested in readily marketable obligations of the United States, the earnings on which shall accrue to the Reserve Account.

(b) With the prior consent of the Government, funds in the Reserve Account may be used by the Corporation - -

(1) To meet payments due on the loan obligations in the event the amount in the Debt Service Account is not sufficient for the purpose.

(2) To pay costs of repairs or replacements to the housing caused by catastrophe or long-range depreciation which are not current expenses under section 7.

(3) To make improvements or extensions to the housing.

(4) For other purposes desired by the Corporation which in the judgment of the Government likely will promote the loan or grant purposes without jeopardizing collectibility of the loan or impairing the adequacy of the security, or will strengthen the security, or will facilitate, improve, or maintain the orderly collectibility of the loan.

(c) Any amount in the Reserve Account which exceeds the sum specified in subsection (a), and is not agreed between the Corporation and the Government to be used for purposes authorized in subsection (b) shall be applied promptly on the loan obligations.

10. Regulatory Covenants. So long as the loan or grant obligations continue, the Corporation shall - -

3/ The amount to be inserted will usually be about 10 percent of the value of the buildings and related facilities financed wholly or partially with the loan and grant.

(a) Impose and collect such fees, assessments, rents, and charges that the income of the Corporation will be sufficient at all times for operation and maintenance of the housing payments on the loan obligations, and maintenance of the accounts herein provided for.

(b) Maintain complete books and records relating to the Corporation's financial affairs, cause such books and records to be audited at the end of each fiscal year, promptly furnish the Government without request a copy of each audit report, and permit the Government to inspect such books and records at all reasonable times.

(c) If required or permitted by the Government, revise the accounts herein provided for, or establish new accounts, to cover handling and disposition of income from and payment of expenses attributable to the housing or to any other property securing the loan or grant obligations, and submit to the Government regular and special reports concerning the housing or the Corporation's financial affairs, including any information required by the Government regarding income of the occupants of the housing.

(d) Unless the Government gives prior consent - -

(1) Not use or permit use of the housing for any purpose other than as low-rent housing and related facilities for low-income domestic farm labor, as those terms are defined by the Government.

(2) Not enter into any contract or agreement for improvements or extensions to the housing or other property securing the loan or grant obligations.

(3) Not cause or permit voluntary dissolution of the Corporation, nor merge or consolidate with any other organization, nor transfer or encumber title to the housing or any part thereof or interest therein, by sale, mortgage, lease, or other conveyance or encumbrance, nor engage in any other new business, enterprise, or venture than operation of the housing.

(4) Not borrow any money, nor incur any liability aside from current expenses as defined in Section 7.

(e) Submit the following to the Government for prior review not less than 90 days before the effective dates:

- (1) Annual budgets and operating plans.
 - (2) Statements of management policy and practice including eligibility criteria and implementing rules for occupancy of the housing.
 - (3) Proposed rents and charges and other terms of rental agreements for occupancy of the housing.
 - (4) Rates of compensation to officers and employees of the Corporation payable from or chargeable to any account provided for in this resolution.
- (f) If required by the Government, modify and adjust any matters covered by clause (e) of this section.
- (g) Comply with all its agreements and obligations in or under this resolution, the note, Grant Agreement, security instrument, and any related agreement executed by the Corporation in connection with the loan or grant
- (h) Not alter, amend, or repeal without the Government's consent this resolution or the bylaws or articles of incorporation of the Corporation, which shall constitute parts of the total contract between the Corporation and the Government relating to the loan and grant obligations.
- (i) Do other things as may be required by the Government in connection with the operation of the housing, or with any of the Corporation's operations or affairs which may affect the housing, the loan or grant obligations, or the security.

11 Refinancing of Loan. If at any time it appears to the Government that the Corporation is able to obtain a loan upon reasonable terms and conditions to refinance the loan obligations then outstanding, upon request from the Government, the Corporation will apply for, take all necessary actions to obtain, and accept such refinancing loan and will use the proceeds for said purpose.

12 General Provisions.

(a) It is understood and agreed by the Corporation that any loan or grant will be administered subject to the limitations of the authorizing act of Congress and related regulations, and that any rights granted to the Government herein or elsewhere may be exercised by it in its sole

RD Instruction 1944-D
Exhibit E
Page 8

discretion to carry out the purposes of the loan and grant, enforce such limitations, and protect the Government's financial interest in the loan and grant and the security.

(b) The provisions of this resolution are representations of the Corporation to induce the Government to make or insure a loan or make a grant to the Corporation as aforesaid. If the Corporation should fail to comply with or perform any of its loan or grant obligations, such failure shall constitute default as fully as default in payment of amounts due on the loan obligations. In the event of default, the Government at its option may declare the entire amount of the loan and grant obligations immediately due and payable and, if such entire amount is not paid forthwith, may take possession of and operate the housing and proceed to foreclose its security and enforce all other available remedies.

(c) Upon request by the Government the corporation will permit representatives of the Government to inspect and make copies of any of the records of the corporation pertaining to the financial assistance. Such inspection and copying may be made during regular office hours of the corporation, or any other time the corporation and the Government finds convenient.

(d) Any provisions of this resolution may be waived by the Government in its sole discretion, or changed by agreement between the Government and the Corporation, after this resolution becomes contractually binding, to any extent such provisions could legally have been foregone, or agreed to in amended form, by the Government initially.

(e) Any notice, consent, approval, waiver, or agreement must be in writing.

(f) This resolution may be cited in the security instrument and elsewhere as the "Loan and Grant Resolution of February 2 ~~19~~ 2001" (date of this resolution)

CERTIFICATE

The undersigned, Wayne Connors, the Secretary of the corporation identified in the foregoing resolution, hereby certifies that the foregoing is a true copy of a resolution duly adopted by the board of directors on February 2, 2001 ~~XXX~~, which has not been altered, amended, or repealed.

February 2, 2001
(Date)

by: Wayne Connors
(Secretary)
Wayne Connors, Executive Director

(SEAL)

Wherever "Farmers Home Administration", "FmHA", "Rural Development Administration", or "RDA" may appear, the term "United States of America" is substituted.

Initial: Wme

Klamath Housing Authority
County Village
Reserve Schedule

The reserve payment in the proforma is 13,000. The current rents support the reserve payment. The reserve payment is increased each year based on a slight increase in rents (3%). Industry standard for calculating inflationary increases to rents and expenses are to use 3% for rents and 4% for expenses.

Assuming this scenario, and that HUD's FMR also increases annually (which has been the history in Klamath Falls) capitalizing the 24,000 into an interest bearing account, plus contributing the Scheduled payment (see chart below) will produce a 10% reserve by year 10, with year 4 showing a 4% variation from the required cumulative and year 5 showing a 1% variation from the required cumulative. All other years show an excess variation of 1% to 58%.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Interest	0.055	0.055								
Initial Invest.	24,000									
Base Year	2000-10-30	2001-10-30	2002-10-30	2003-10-30	2004-10-30	2005-10-30	2006-10-30	2007-10-30	2008-10-30	2009-10-30
First Int.	2000-11-30	2001-11-30	2002-11-30	2003-11-30	2004-11-30	2005-11-30	2006-11-30	2007-11-30	2008-11-30	2009-11-30
Final Year	2001-10-30	2002-10-30	2003-10-30	2004-10-30	2005-10-30	2006-10-30	2007-10-30	2008-10-30	2009-10-30	2010-10-30
Accr Int	1,316	2,491	3,531	4,749	6,287	7,880	9,489	11,277	13,129	15,252
Sched. Pymt	13,000	13,520	15,000	15,600	16,224	16,873	17,548	18,250	18,980	19,739
Sum	38,316	54,327	72,858	93,207	119,491	145,979	173,015	202,542	234,651	269,642
Balance Req	24,245	48,490	72,736	96,981	121,226	145,471	169,716	193,962	218,207	242,452
Payment Due										
Per Unit	rebate place for next year	620	807	748	682	594	403	550	550	550
% of Req. Met	158%	112%	100%	96%	99%	100%	102%	104%	108%	111%

10/10/07

Klamath Housing Authority
Country Village
33 Year Cash Flow

33 Year Cash Flow														
Project Name: Country Village														
No. of Units	25	Annual Inflation Rate Factor:	4%											
Annual Operating Expenses	Annual	1st Full	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	
	per Unit	Year												
Insurance	100	2,500	2,600	2,704	2,812	2,925	3,042	3,164	3,290	3,422	3,569	3,711	3,860	
Utilities: (Common areas)														
Gas/Oil	172	4,290	4,462	4,640	4,826	5,019	5,220	5,429	5,646	5,872	6,124	6,368	6,623	
Electric	48	1,248	1,298	1,350	1,404	1,460	1,519	1,579	1,642	1,713	1,781	1,853	1,926	
Water/Sewer	396	9,907	10,303	10,715	11,144	11,591	12,055	12,537	13,039	13,560	14,141	14,707	15,295	
Garbage Removal	256	6,400	6,656	6,922	7,199	7,488	7,788	8,099	8,423	8,760	9,135	9,501	9,881	
Other Phone	48	1,200	1,248	1,298	1,350	1,404	1,460	1,519	1,579	1,642	1,713	1,781	1,853	
Repairs	240	6,000	6,240	6,490	6,749	7,020	7,301	7,593	7,897	8,212	8,564	8,907	9,263	
General Maintenance	260	6,500	6,760	7,030	7,312	7,605	7,909	8,226	8,555	8,897	9,278	9,649	10,035	
Landscape Maintenance	280	7,000	7,280	7,571	7,874	8,190	8,518	8,858	9,213	9,581	9,992	10,391	10,807	
Replacement Reserve	550	13,000	13,520	14,052	14,596	15,152	15,720	16,299	16,889	17,490	18,102	18,725	19,359	
Property Management:														
On-site	700	17,500	18,200	18,928	19,685	20,475	20,473	21,294	21,291	22,146	22,143	23,032	23,029	
Contracted	291	7,272	7,563	7,865	8,180	8,508	8,507	8,849	8,847	9,203	9,201	9,571	9,569	
Professional Services	0	0	0	0	0	0	0	0	0	0	0	0	0	
Resident Services	0	0	0	0	0	0	0	0	0	0	0	0	0	
Case Management	40	1,000	1,040	1,082	1,125	1,170	1,217	1,265	1,316	1,369	1,423	1,480	1,540	
Legal	112	2,800	2,912	3,028	3,150	3,276	3,407	3,543	3,685	3,832	3,986	4,145	4,311	
Accounting	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other	80	2,000	2,080	2,163	2,250	2,340	2,434	2,531	2,632	2,737	2,847	2,961	3,079	
Residential Service Coordination	0	0	0	0	0	0	0	0	0	0	0	0	0	
Office & Administration	60	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053	2,135	2,221	2,309	
Advertising/Marketing & Promotion	0	0	0	0	0	0	0	0	0	0	0	0	0	
Unit Turnover	0	0	0	0	0	0	0	0	0	0	0	0	0	
Taxes (Non-real estate)	0	0	0	0	0	0	0	0	0	0	0	0	0	
Real Estate Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Annual Operating Expenses	3,633	90,069	93,672	100,590	106,828	108,723	109,511	111,587	110,151	116,129	119,165	137,207	140,307	
Net Operating Income	1,625	40,631	41,850	43,105	44,399	47,538	45,731	47,103	47,539	48,516	57,818	49,971	57,819	
Less Debt Service:														
1% on \$804,000 for 33 years	1,215	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	
1% on \$100,000 for 20 years	230	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	
% on \$ for years	0	0	0	0	0	0	0	0	0	0	0	0	0	
Deferred Developer Fee														
% on \$ for years	0	0	0	0	0	0	0	0	0	0	0	0	0	
HOME Loan														
% on \$ for years	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Debt Service	1,445	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	
**Cash Flow Per Year	180	4,729	5,948	7,204	8,497	11,637	9,829	11,201	11,638	12,614	21,916	14,069	21,917	

WPC
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Kiamath Housing Authority
County Village
33 Year Cash Flow

Project Name: County Village	No. of Units	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25
Annual Operating Expenses	25													
Insurance		4,014	4,175	4,342	4,515	4,696	4,884	5,079	5,282	5,494	5,713	5,942	6,179	6,427
Utilities: (Common areas)		0	0	0	0	0	0	0	0	0	0	0	0	0
Gas/Oil		6,888	7,164	7,450	7,748	8,058	8,380	8,716	9,064	9,427	9,804	10,196	10,604	11,028
Electric		1,927	2,004	2,084	2,167	2,254	2,344	2,438	2,535	2,637	2,742	2,852	2,966	3,085
Water/Sewer		15,907	16,543	17,205	17,893	18,609	19,353	20,127	20,933	21,770	22,641	23,546	24,488	25,468
Garbage Removal		10,276	10,587	11,115	11,559	12,022	12,502	13,002	13,523	14,063	14,626	15,211	15,819	16,452
Other Phone		1,827	2,004	2,084	2,167	2,254	2,344	2,438	2,535	2,637	2,742	2,852	2,966	3,085
Repairs		9,634	10,019	10,420	10,837	11,270	11,721	12,190	12,677	13,185	13,712	14,260	14,831	15,424
General Maintenance		10,437	10,854	11,286	11,740	12,209	12,698	13,206	13,734	14,283	14,855	15,449	16,067	16,709
Landscape Maintenance		11,239	11,689	12,157	12,643	13,149	13,674	14,221	14,790	15,382	15,997	16,637	17,303	17,995
Replacement Reserve														
Property Management:														
On-site		23,953	23,950	24,911	24,908	25,907	25,904	26,944	26,940	28,021	28,018	29,142	29,139	30,308
Contracted		9,953	9,952	10,352	10,350	10,766	10,764	11,196	11,195	11,644	11,643	12,110	12,108	12,594
Professional Services:		0	0	0	0	0	0	0	0	0	0	0	0	0
Resident Services		0	0	0	0	0	0	0	0	0	0	0	0	0
Case Management		0	0	0	0	0	0	0	0	0	0	0	0	0
Legal		1,601	1,665	1,732	1,801	1,873	1,948	2,026	2,107	2,191	2,279	2,370	2,465	2,564
Accounting		4,483	4,663	4,849	5,043	5,245	5,455	5,673	5,900	6,136	6,381	6,637	6,902	7,178
Other		0	0	0	0	0	0	0	0	0	0	0	0	0
Residential Service Coordination		3,202	3,331	3,464	3,602	3,746	3,896	4,052	4,214	4,383	4,558	4,740	4,930	5,127
Office & Administration		0	0	0	0	0	0	0	0	0	0	0	0	0
Advertising/Marketing & Promotion		2,402	2,498	2,598	2,702	2,810	2,922	3,039	3,161	3,287	3,419	3,555	3,698	3,845
Unit Turnover		0	0	0	0	0	0	0	0	0	0	0	0	0
Taxes (Non-real estate)		0	0	0	0	0	0	0	0	0	0	0	0	0
Real Estate Taxes		0	0	0	0	0	0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0	0	0	0
Total Annual Operating Expenses		117,844	121,197	126,049	129,677	134,868	138,791	144,348	148,591	154,540	159,130	165,500	170,465	177,289
Net Operating Income		51,470	57,820	53,014	57,821	54,805	57,822	56,243	57,823	57,930	57,824	59,688	57,825	61,458
Less Debt Service:														
1% on \$804,000 for 33 years		30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383
1% on \$100,000 for 20 years		5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519	5,519
Deferred Developer Fee														
HOME Loan														
% on \$ for years														
% on \$ for years														
Total Debt Service		35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902
Cash Flow Per Year		15,569	21,918	17,113	21,919	18,703	21,920	20,341	21,921	22,029	21,922	23,766	21,923	25,557

Handwritten signature/initials

Project Name: Country Village	25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33
No. of Units	25								
Annual Operating Expenses									
Insurance		6,684	6,951	7,229	7,518	7,819	8,132	8,457	8,795
Utilities (Common areas)		0	0	0	0	0	0	0	0
Gas/Oil		11,469	11,928	12,405	12,901	13,417	13,954	14,512	15,093
Electric		3,206	3,337	3,470	3,609	3,753	3,903	4,059	4,222
Water/Sewer		26,486	27,546	28,648	29,793	30,985	32,225	33,514	34,854
Garbage Removal		17,110	17,795	18,507	19,247	20,017	20,817	21,650	22,516
Other Phone		3,208	3,337	3,470	3,609	3,753	3,903	4,059	4,222
Repairs		16,041	16,683	17,350	18,044	18,766	19,516	20,297	21,109
General Maintenance		17,378	18,073	18,796	19,548	20,329	21,143	21,988	22,868
Landscape Maintenance		18,714	19,463	20,242	21,051	21,893	22,769	23,680	24,627
Replacement Reserve									
Property Management:									
On-site		30,304	31,520	31,517	32,781	32,777	34,092	34,088	35,456
Contracted		12,593	13,096	13,096	13,622	13,620	14,167	14,165	14,734
Professional Services:		0	0	0	0	0	0	0	0
Resident Services:		0	0	0	0	0	0	0	0
Case Management		0	0	0	0	0	0	0	0
Legal		2,666	2,773	2,884	2,999	3,119	3,244	3,374	3,508
Accounting		7,465	7,764	8,074	8,397	8,733	9,083	9,446	9,824
Other		0	0	0	0	0	0	0	0
Residential Service Coordination		5,332	5,546	5,767	5,998	6,238	6,488	6,747	7,017
Office & Administration		0	0	0	0	0	0	0	0
Advertising/Marketing & Promotion		3,999	4,159	4,326	4,499	4,679	4,866	5,060	5,263
Unit Turnover		0	0	0	0	0	0	0	0
Taxes (non-real estate)		0	0	0	0	0	0	0	0
Real Estate Taxes		0	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0
Total Annual Operating Expenses		182,659	189,971	195,780	203,617	209,899	218,301	225,097	234,107
Net Operating Income		56,560	57,819	61,347	57,820	63,187	59,555	57,819	61,341
Less Debt Service:									
1% on \$804,000 for 33 years		30,383	30,383	30,383	30,383	30,383	30,383	30,383	30,383
1% on \$100,000 for 20 years									
1% on \$									
Deferred Developer Fee									
% on \$									
HOME Loan									
% on \$									
Total Debt Service		35,902	35,902	35,902	35,902	35,902	35,902	35,902	35,902
Cash Flow Per Year		23,658	21,917	25,445	21,918	27,285	23,653	21,917	25,440



 CME

Klamath Housing Authority
Country Village
Reserve Schedule

Ballon

Am Term	Loan Amt	Monthly DS	Annual DS	Interest Paid	Principal Pd	Balloon Due	Initial Balloon Reserve Requirement
15	100000	-598.49	-7,181.93	-6,831.82	-64,987.52	35,012.48	19000
20	100000	-459.89	-5,518.73	-7,684.20	-47,503.12	52,496.88	28000
30	100000	-321.64	-3,859.67	-8,534.45	-30,062.30	69,937.70	37500
10	52496.88	-459.89	-5,518.73	-2,690.44	-52,496.88	0	
ORR Balloon Reserve							
Year 1	31000						
Base Year	2000-10-30	2002-10-30	2002-10-30	2002-10-30	2002-10-30	2002-10-30	2002-10-30
First Year	2003-10-30	2004-10-30	2004-10-30	2004-10-30	2004-10-30	2004-10-30	2004-10-30
Final Year	2003-10-30	2005-10-30	2005-10-30	2005-10-30	2005-10-30	2005-10-30	2005-10-30
Agmt Int	200929	242562	242562	242562	242562	242562	242562
Sum	3300949	3545511	3545511	3545511	3545511	3545511	3545511
The ORR Loan:							
The ORR Loan is amortized over 20 years and is paid back at year 10. The balloon due at year 10 is \$52,496.88. The Klamath Housing Authority will loan the funds for the balloon to the project. This loan will be paid back at an interest rate of 1% (the same as the Rural Development and the ORR Loan). The loan will be fully amortized over 10 years. As the attached 30 year operating proforma shows, there is no effect to the project at all because of the balloon payment. The monthly loan payment the project must make stays the same, the project simply makes it to the Klamath Housing Authority.							
The Klamath Housing Authority has already authorized the use of funds for this purpose and will set up an interest bearing account from their own funds when the first ORR draw down is made. Documentation of this account can be forwarded to your office if you like.							

RD Instruction 1944-D
Exhibit F
(Revision 1)

LABOR HOUSING GRANT AGREEMENT

THIS AGREEMENT dated February 2, 2001, XX, between
Klamath Housing Authority
which is organized and operating under ORS 456.075 (creation)
and ORS 456.120 (powers)

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the
Farmers Home Administration, Department of Agriculture, herein called
"Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction,
enlargement and/or capital improvement of a Labor Housing Project to serve
domestic farm laborers at an estimated cost of \$2,593,100.00 and has
duly authorized the undertaking of such project.

Grantee is able to finance not more than \$2,057,100.00 of the development
costs through revenues, charges, taxes or assessments, or funds otherwise
available to Grantee resulting in a reasonable rental rate.

Said sum of \$2,057,100.00 has been committed to and by Grantee for such
project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$536,000.00
subject to the terms and conditions established by the Grantor. Provided,
however, that the proportionate share of any grant funds actually advanced and
not needed for grant purposes shall be returned immediately to the Grantor.
The Grantor may terminate the grant in whole, or in part, at any time before
the date of completion, whenever it is determined that the Grantee has failed
to comply with the conditions of the grant.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be
made pursuant to Section 516 of the Housing Act of 1949 for the purpose only
of defraying a part not to exceed 90 percent of the development costs,
as defined by applicable Farmers Home Administration instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available
to it, including said grant, in accordance with the project plans and
specifications and any modifications thereof prepared by Grantee and approved
by Grantor.

RD Instruction 1944-D
Exhibit F
Page 2
(Revision 1)

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the project, including these units if less than the whole of said project, continuously in an efficient and economic manner.

D. Make services of said project available within its capacity to all domestic farm laborers in borrowers/grantees service area without discrimination because of race, color, religion, sex, age, handicap, marital or familial status, or National origin at reasonable rental rates, whether for one or more types of units, adopted by resolution dated 1/25/2001, as may be revised from time to time by Grantee. The initial rental rate must be approved by the Grantor. Thereafter, Grantee may not make changes to the rental rate structure without prior authorization from the Grantor.
(Revised 02-22-90, SPECIAL PN.)

E. Adjusts its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

G. To execute Form RD 400-1, "Equal Opportunity Agreement," and to execute Form RD 400-4, "Assurance Agreement," and to execute any other agreements required by Grantor which Grantee is legally authorized to execute. If any such form has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another form of the same type need not be executed in connection with this grant.
(Revised 02-22-90, SPECIAL PN.)

H. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated hereinabove, with interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The Provisions of this Grant agreement may be enforced by Grantor, at its option and without regard to prior waivers by it of previous defaults of Grantee, by judicial proceedings to require specific performance of the

terms of this Grantee Agreements or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

I. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

J. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions.

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency and pay the Federal Government an amount computed by applying the Federal percentage of participation in the cost of the original project to the proceeds from sale (after deducting actual and reasonable selling and fix-up expenses, if any, from the sales proceeds). When the Grantee is authorized or required to sell the property, proper

sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

Parcel 1 of Land Partition No. 8-00 on file in the office of the Klamath County Clerk, being a partition of Parcel 2 of Land Partition 58-94, on file in the office of the Klamath County Clerk, situated in the SE1/4 NE1/4 of Section 14, Township 39 South, Range 9 East, Willamette Meridian, Klamath County, Oregon.

K. Abide by the following conditions pertaining to nonexpendable personal property which is furnished by the Grantor or acquired wholly or in part with grant funds. Nonexpendable personal property means tangible personal property having a useful life of more than one year and an acquisition cost of \$300 or more per unit. A Grantee may use its own definition of nonexpendable personal property provided that such definition would at least include all tangible personal property as defined above.

1. Use of nonexpendable property.

(a) The Grantee shall use the property in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the property in connection with its other Federally sponsored activities, if any, in the following order of priority:

- (1) Activities sponsored by the FmHA.
- (2) Activities sponsored by other Federal agencies.

(b) During the time that nonexpendable personal property is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the property was originally acquired. First preference for such other use shall be given to FmHA sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of nonexpendable property. When the Grantee no longer needs the property as provided in paragraph (a) above, the property may be used for other activities in accordance with the following standards:

(a) Nonexpendable property with a unit acquisition cost of less than \$1000. The Grantee may use the property for other activities without reimbursement to the Federal Government or sell the property and retain the proceeds.

(b) Nonexpendable personal property with a unit acquisition cost of \$1000 or more. The Grantee may retain the property for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the property. If the Grantee has no need for the property and the property has further use value, the Grantee shall request disposition instructions from the original grantor agency.

The Grantor agency shall determine whether the property can be used to meet the agency's requirements. If no requirement exists within the agency, the availability of the property shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the property exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee request and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the property and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share \$100 or ten percent of the proceeds, whichever is greater, for the Grantee's selling and handling expenses.

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(2) If the Grantee is instructed to ship the property elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the property, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for nonexpendable personal property shall also include:

(a) Property records which accurately provide for: a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property; percentage (at the end of budget year) of Federal participation in the cost of the project for which the property was acquired; location, use and condition of the property and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the property in good condition.

(e) Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described nonexpendable property (use continuation sheets as necessary).

L. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

M. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm copies may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

N. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

O. Provide an audit report prepared in sufficient detail to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

P. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentalities of states shall not be held accountable for interest earned on grant funds pending their disbursement.

Q. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item J above.

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R. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

S. Pay all laborers and mechanics employed by contractors and subcontractors wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a - 276a-5).

T. In construction contracts in excess of \$2,000 and in other contracts in excess of \$2,500 which involve the employment of mechanics or laborers, to include a provision for compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR, Part 5).

U. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. §1875C-9) and Section 308 of the Water Pollution Control Act specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. Such regulations and guidelines can be found in 40 CFR 15.4 and 40 FR 17126 dated April 16, 1975. In so doing the Contractor further agrees:

1. As condition for the award of contract to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant,

agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

GRANTOR AGREES THAT IT:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$536,000 which it will advance to Grantee to meet not to exceed 90 percent of the development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without available consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

TERMINATION OF THIS AGREEMENT.

This agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

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IN WITNESS WHEREOF Grantee on the date first above written has caused these presence to be executed by its duly authorized Chairman of the Board and attested and its corporate seal affixed by its duly authorized Executive Director

ATTEST:

KLAMATH HOUSING AUTHORITY

By WAYNE CONNORS, Executive Director
(Title)

By DANIEL KING, Chairman of the Board
(Title)

Wherever "Farmers Home Administration", UNITED STATES OF AMERICA
"FmHA", "Rural Development Administra- FARMERS HOME ADMINISTRATION
tion", or "RD" may appear, the term
"United States of America" is substituted by _____

Initials: DK CME

(Title)

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State of Oregon, County of Klamath
Recorded 02/02/01, at 3:28 p.m.
In Vol. M01 Page 4373
Linda Smith,
County Clerk Fee \$ 16/-