

**Cove Apartments
MANAGEMENT AGREEMENT**

This Agreement is made the **1st day of October, 2014**, between **Mason County Housing Authority** (the “Owner”) and Cascade Management, Inc. (the “Agent”) under the terms and conditions set forth herein.

I. GENERAL

A. Appointment and Acceptance. The Owner appoints the Agent as exclusive agent for the management of the property described in Section I.B of this Agreement and the Agent accepts the appointment, subject to the terms and conditions set forth in the Agreement.

B. Project Description. The property to be managed by the Agent under this Agreement (the “Project”) is a housing development consisting of the land, buildings, and other improvements, which make up the Agent’s Project Number **354** and will have the abbreviation of **COV**. The Project is further described as follows:

Name: **Cove Apartments**
Street Address: **940 Fairmont Avenue & 301 South 5th Street**
City/State: **Shelton, Washington**
County: **Mason**
No. of dwelling units **60** Type of Units **RD 515 / Rent Assistance (58 units)**
USDA/RD Case Number: 56-23-796608481-04-4
Project Number: _____

C. Definitions. As used in this Agreement:

1. “**USDA/RD**” means the United States of America, acting through USDA Rural Housing Services.
2. “**Principal Parties**” means the Owner and the Agent.
3. “**Agent**” as used throughout this Agreement, means the person or business entity, including employees at the Agent’s office and project site, engaged in the task of providing management of a USDA/RD financed Multi-family housing project in contractual arrangement with the Owner.
4. “**Management Plan**” means a comprehensive description of the detailed policies and procedures to be followed in managing a project.

D. Identity of interest. The Agent agrees to disclose to the Owner and USDA/RD any and all identities of interest that exist or will exist between the Agent and the Owner, suppliers of material and/or services, or vendors in any combination of relationship. An Identity of Interest form is attached and made part of this Agreement.

- E. USDA/RD Requirements. In performing its duties under this Management Agreement, the Agent will comply with all relevant requirements of USDA/RD. USDA/RD requirements include preparation of forms and reports in the format of prescribed USDA/RD.
- F. Basic Information. As soon as possible following completion, the Owner will furnish the Agent with a complete set of “as built” plans and specifications and copies of all guarantees and warranties relevant to construction, fixtures and equipment. With the aid of this information and inspection by competent personnel, the Agent will become thoroughly familiar with the character, location, construction, layout, plan and operations of the Project and especially with the physical plant.
- G. Compliance with Governmental Orders. The Agent will take such action as may be necessary to comply promptly with any and all governmental orders or other requirements affecting the Project, whether imposed by federal, state, county or municipal authority, subject however, to the limitations stated in paragraph IV D of this Agreement with respect to litigation and repairs. Nevertheless, the Agent shall take no action so long as the Owner is contesting, or has affirmed its intention to contest, any such governmental orders or other requirements within seventy-two (72) hours from the time of their receipt.
- H. Nondiscrimination. In the performance of its obligations under this Agreement the Agent will comply with the provisions of any Federal, State or local law prohibiting discrimination in housing on the grounds of race, color, creed, religion, sex, age, marital status, familial status, national origin, or physical or mental handicap (applicants must have capacity to execute a legal contract). Other non discrimination provisions include Title VI of the civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968 and the Fair Housing Amendments of 1988, E.O. 11246, Section 504 of the Rehabilitation Act of 1973, the Equal Credit Opportunity Act of 1974, the Age Discrimination Act of 1975, and any legislation protecting the individual rights of residents, applicants or staff that may subsequently be enacted, as they relate to the Rural Development (USDA/RD) Multi-family Housing program.
- I. Fidelity Bond or Coverage. The Agent agrees to furnish, at its own expense, fidelity coverage to the Owner, with copy to the USDA/RD Servicing Office on the employees of the Agent who are entrusted with the receipt, custody, and disbursement of any project monies, securities, or readily saleable property other than money or securities. Agent’s coverage shall be Two Hundred Fifty Thousand dollars (\$250,000), with a \$10,000 deductible. The Agent will obtain coverage from a company licensed to provide coverage in the project locality. Coverage will be in force to coincide with the assumption of fiscal responsibility by the Agent until that responsibility is relinquished. The other terms and conditions of the coverage, and surety thereon, will be subject to the requirements and approval of the owner.

- J. Bids, Discounts, Rebates, etc. With prior approval of the owner, the Agent will obtain contracts, materials, supplies, utilities, and services on the most advantageous terms to the Project, and is authorized to solicit bids, either formal or informal, for those items, which can be obtained from more than one source. The Agent will secure and credit to the Owner all discount, rebates, or commissions obtainable with respect to purchases, service contracts, and all other transactions on the Owner's behalf.
- K. Management Policies and Practices In addition to the Management Plan, the Agent (Cascade Management, Inc.) has developed a comprehensive and detailed procedure and policy manual, which it used in the operation of USDA/RD projects. This copyrighted manual is the sole exclusive property of the Agent and serves as the management guide for the project. Additionally, the Agent will manage the project in accordance within USDA/RD regulations, applicable State statutes, and in accordance with professional standard for Real Estate management.

II. MANAGEMENT PLAN

- A. Description. Attached is a copy of the Management Plan for the Project, which provides a comprehensive and detailed description of the policies and procedures to be followed in the management of the Project.
- B. Relationship with Management Plan. The Agent shall conduct its management activities in accordance with the Policies and Procedures set forth in the Management Plan. In addition, the Agent will also carry out the tasks and responsibilities set forth in paragraph IV on this Agreement.
- C. Division of duties and common expenses. An identification of duties and supervisory relationship for project site staff and Agent's office staff are described in the management plan as is the pro rata division of singularly incurred operating expenses common to the Agent and the Owner.

III. BUDGET

- A. Preparation. The owner's representative shall prepare an original project budget for submission to USDA/RD for approval. For each subsequent fiscal year the Agent shall prepare a new budget and submit to the Owner for final approval.
- B. Budget Categories. The budget shall be prepared using the format and categories of USDA/RD form 3560-07, "Multiple Family Housing Project Budget."

IV. AGENT'S AUTHORIZATIONS. The Owner authorizes the Agent to:

- A. Operate the project according to the Management Plan and in compliance with the Owner's loan and grant agreement (or resolution) with USDA/RD, Owners Letter of Condition from USDA/RD and applicable USDA/RD regulations and guidelines.

- B. Operate and maintain the project within reasonable tolerance (as defined in USDA/RD) of the expense category subtotals in the project budget.
- C. Purchase all material, equipment, tools, appliances, supplies, and services necessary for proper maintenance and repair of the project as stipulated by the Owner in the management plan, project budget, and/or other form of written documentation.
- D. Notwithstanding any of the foregoing provisions or any similar provisions that follow, the prior written approval of the Owner will be required for any expenditure which exceeds \$1000 (One Thousand dollars) in any one instance for litigation involving the project, or labor, materials, or otherwise in connection with the maintenance and repair of the project. This limitation is not applicable for recurring expenses within the limits of the Owner approved operating budget or emergency repairs involving manifest danger to persons or property, or that are required to avoid suspension of any necessary service to the project. In the latter event, the Agent will inform the Owner of the facts as promptly as possible.
- E. Represent the Owner in specific matters related to Management of the project.

V. AGENT'S OBLIGATIONS

- A. Management Input During and After USDA/RD Loan Processing. The Agent's specific tasks will be:
 - 1. Participation in any conference with USDA/RD officials involving project management.
 - 2. Participation in the on-site inspections of the Project, required by USDA/RD.
 - 3. Continuing review of the Management Plan, for the purpose of keeping the Owner advised of necessary or desirable changes.
- B. Liaison with Architect and General Contractor. [Reserved Section]
- C. Marketing. The Agent will market the rental units according to the Management Plan, observe all requirements of the Affirmative Fair Housing Marketing Plan, and maintain records of the marketing activity for compliance review.
- D. Rentals. The Agent will offer for rent and will rent the dwelling units in the Project. The following provisions will apply:
 - 1. The Agent will follow the tenant selection policy described in the Management Plan

2. The Agent will show the premises and available units to all prospective tenants without regard to race, color, national origin, sex, religion, familial status, handicap, or age; and will provide for reasonable accommodation to individuals with handicaps.
 3. The Agent will take and process all applications received for rentals. If an application is rejected, the Agent will inform the applicant in writing, of the reason for rejection. The rejected application, with the reason for rejection noted thereon, will be kept on file until a compliance review has been conducted. If the rejection is because of information obtained from a Credit Bureau, the source of the report must be revealed to the applicant according to the Fair Credit Reporting Act. A current list of qualified applicants will be maintained.
 4. The Agent will prepare all dwelling leases, and will execute the same in its name, identified thereon as “Agent for the Owner.” The terms of all leases will comply with the relevant provisions of USDA/RD, State and Local regulations and laws. Dwelling leases will be in a form approved by the Owner and USDA/RD.
 5. The Owner will furnish the Agent with rent and income report forms required by USDA/RD showing rents as appropriate for dwelling units, other charges for facilities and services, income data relevant to determinations of tenant eligibility and tenant rents. In no event will the rents and other charges be exceeded.
 6. The Agent will counsel all prospective tenants regarding eligibility and will prepare and verify eligibility certifications and recertifications in accordance with USDA/RD requirements.
 7. The Agent shall rent and manage the project in accordance with all applicable federal, state, county and municipal laws, regulations, order and ordinances, including, but not limited to the Washington State Residential Landlord/Tenant Act as in effect or as hereafter amended.
- E. Reports. The Agent will furnish information (including occupancy reports) as may be requested by the Owner, USDA/RD and/or the Office of Inspector General from time to time with respects to the project’s financial, physical or operational condition. The Agent will specifically prepare and submit:

Form USDA/RD Form 3560-08 “Tenant Certification”

Form USDA/RD Form 3560-29 “Notice of Payment Due Report”

Form USDA/RD Form 3560-07 “MFH Project Budget”

The Agent will assist the Owner in initiating or completing all additional reporting forms and data prescribed by USDA/RD affecting the operation and maintenance of the project.

In addition to any requirements specified in this Agreement, Agent shall have the following responsibilities with respect to records and reports:

1. a statement of income and expenses and accounts receivable and payable for the preceding month, including an itemized list of all delinquent rents as of the 10th day of such month, as well as a report of action taken thereon by Agent;
2. a rent roll/cash receipts form for the previous month;
3. a disbursements summary for the previous month
4. all reports outlined in Section 4.15. of this document, and
5. a narrative of any unusual actions taken or emergencies responded to, and
6. a full report of any accidents, claims, and potential claims for the previous month, and
7. any other information required by the Requirements

Upon Owner's request, Agent shall send all such reports to Owner for Owner's prior approval, which approval shall not be unreasonably withheld or delayed; provided, however, that Owner shall have two weeks to review such reports prior to submission to any Lender. Generally, monthly reports will be sent to the Owner by the 25th of the month for the preceding month.

- F. Licenses and Permits. Agent shall acquire and keep in force at Owner's expense all licenses and permits required for the operation of the Project as rental housing and commercial space, if applicable.

- G. Tenant-Management Relations. Agent shall encourage and assist Tenants of the Project to participate in activities to promote the Tenants' common interests and to increase their ability and incentive to protect and maintain the Project and to contribute to its efficient management. The Agent agrees to handle all tenant relationships in a manner that incorporates professional business standards with sensitivity to the social, physical, economic and emotional needs of the individuals that reside in the project.
- H. Owner Communications. Agent shall be available for communications with Owner and shall keep Owner advised of items materially affecting the Project. Agent agrees to cause a representative of Agent to attend meetings with Owner at reasonable times, if requested by owner.
- I. Social Services Program. The Agent will cooperate with and support any and all resident assistant programs the Owner employs at the project. Agent shall encourage and assist Tenants of the Project to participate in activities to promote the Tenant' common interests and to increase their ability and incentive to protect and maintain the Project and to contribute to its efficient management.
- J. Collection of Rents, Security Deposits and Other Receipts. The Agent will endeavor to collect when due all rents, charges, and other amount receivable on the Owner's account in connection with the management and operation of the Project. Such receipts will be deposited immediately in a federally insured account with a financial institution approved by the Owner. The Account will be designated ***Mason County Housing Authority dba Cove Apartments***. The Agent will collect, deposit, and disburse security deposits, if required in compliance with any State or local laws governing tenant security deposits. Security deposits will be deposited by the Agent in a separate, interest-bearing account, at a federally insured institution. Interest accrued on any account held under this contract will be to the benefit of the Owner. This account will be carried in the owner's name and designated of record as "***Mason County Housing Authority dba Cove Apartments***."
- K. Accounting System. The Agent must develop a systematic method to record the business transactions of the project that appropriately reflects the complexity of the project operations and the owner's requirements. The Agent may be required to implement and use bookkeeping and accounting systems acceptable to USDA/RD. The accounts described in paragraph VI of this Agreement, as a minimum, will be established, and regularly maintained by the Agent.
- L. Enforcement of Leases. The Agent will endeavor to ensure full compliance by each tenant with the terms of the lease. Voluntary compliance will be emphasized. The Agent, using the services of local social service agencies when available, will counsel tenants and make referrals to community agencies in cases of financial hardship or other circumstances deemed appropriate by the Agent. Involuntary termination of tenancies should be avoided to the maximum extent consistent with sound management of the Project. Nevertheless, and subject to the relevant procedures prescribed in the Management Plan, the Agent may initiate action to terminate any

tenancy when in the Agent's judgement there is material noncompliance with the lease or other good cause as prescribed by USDA/RD regulations for such termination. The tenant must be properly notified and his/her right to appeal the proposed action according to USDA/RD regulations." Attorney's fees and other necessary costs incurred in connection with such actions will be paid out of the General Operating Account as Project expenses within the itemized limit of the project operating budget.

M. Maintenance and Repairs. The Agent will maintain and repair the project in accordance with the Management Plan and local codes, and keep it in a condition acceptable to the Owner and USDA/RD at all times. This will include, but is not limited to cleaning, painting, decorating, plumbing, carpentry, grounds care, energy conservation measures and practices and such other maintenance and repair work as may be necessary, subject to any limitations imposed by the Owner in addition to those contained herein.

Incident thereto, the following provisions will apply:

1. Special attention will be given to preventive maintenance, and to the greatest extent feasible, the services of regular maintenance employees will be used.
2. The Agent will contract with qualified independent contractors acceptable to the Owner for the maintenance and repair of air conditioning systems and for extraordinary repairs beyond the capability of regular maintenance employees. Any identity of interest will be identified as required.
3. The Agent will systematically receive and promptly investigate all service requests from tenants, take such action as may be justified, and keep records of the same. Emergency requests will be received and serviced on a twenty-four (24) hour basis. Serious complaints will be reported to the Owner after investigation.
4. The Agent will advise the Owner of any cost-effective and adaptable energy conservation measures or practices that should be used in the project. The Agent will encourage their use and will assist the Owner during any installation of these measures or institution of practices.
5. The Agent is authorized to purchase all materials, equipment, tools, appliances, supplies and services necessary for proper maintenance and repair.
6. The Agent will charge for mileage associated with travel needed to obtain materials or equipment for repairs and maintenance, at no more than the current IRS Allowable Mileage rate, when Agent-owned or employee-owned vehicles are used.
7. The management fee will cover the mileage expense of regular visits to the project for the inspection and supervision of repairs and maintenance. If additional trips are required for oversight of repair contracts for capital improvements or asset

replacements, the Agent will charge a rate no more than the IRS Allowable Mileage rate for the additional mileage expense.

8. The Agent will use competitive bidding to insure the greatest service and benefit to the property.

N. Utilities and Services. The Agent will make arrangements for water, electricity, gas, fuel oil, sewage and trash disposal, vermin extermination, decorating, laundry facilities, and telephone service according to the Management Plan.

O. Insurance. Adequate Property Insurance must be kept at all times.

The Owner provides adequate property insurance for the property.

The Agent will provide adequate property insurance through its master insurance policy.

1. The Owner will inform the Agent of what insurance needs to be carried with respect to the Project and its operations, and the Agent will cause such insurance to be placed and kept in effect at all times. Premiums costs will be paid by the Agent as an operating expense out of Project's Operating Account. All insurance will be placed with companies, on conditions, in amounts, and with beneficial interests appearing thereon as shall be acceptable to the Owner and the USDA/RD provided that the same will include public liability coverage, with the Agent designated as one of the insured, in amounts acceptable to the Agent as well as the Owner and USDA/RD. Agent shall be named as an additional insured while acting as real estate manager for Owner in all liability insurance maintained with respect to the Project. Agent is not able to purchase property insurance on Agent's own behalf, therefore Owner agrees not to subrogate property claims to Agent. The Agent will investigate and furnish the Owner with full reports on all accidents, claims, and potential claims for damage relating to the Project, and will cooperate with Owner's insurers in connection therewith.
2. The Agent with the Owner's written consent may provide property (Fire and Extended Coverage) insurance by means of naming the project and its Owner as a named insured on a Master Insurance Policy used by the Agent to cover multiple properties of different ownership. Said master policy's benefits will meet or exceed all USDA/RD insurance requirements. The cost of the Master policy coverage must be less than comparable insurance the Owner might obtain on his own account. The Agent shall charge only the actual cost of insuring the Owner project, without additional charges for processing. The premium cost shall be paid out of the Projects Accounts and premiums will be treated as operating expenses.
3. The Owner shall provide the Agent with the names and addresses of all Additional Insured parties to be listed on the policy.

4. Agent shall investigate and promptly furnish to Owner full written reports of all accidents, claims, and potential claims for damages relating to the Project, and shall cooperate fully with Owner's insurers, regardless of whether the insurance was arranged by Agent or others. Agent shall provide a copy of such insurance policies to Owner and, to the extent required under the Project Agreements, to the Lenders.
 5. At all times during the term of this Agreement, Agent shall maintain insurance in full force and effect, with a responsible insurance company reasonably satisfactory to Owner and to Owner's Lenders, and shall furnish Owner with a certificate of insurance evidencing workers' compensation insurance, in such amounts as may be required by law from time to time. Such certificate shall have attached thereto endorsements that Owner shall be given at least 30 days' prior written notice of cancellation of or any material change in policy. Manager, at its own cost and expense, shall procure and maintain insurance against the misfeasance, malfeasance, or nonfeasance (errors and omissions) of Manager relating to the management and operation of the Property, with coverage of not less than One Million Dollars (\$1,000,000) per occurrence, covering all officers, agents, and employees of Manager. Tenant Discrimination Insurance shall be included as part of this coverage and the Owner shall be named as additional insured through the full term and subsequent terms of this agreement. The errors and omissions insurance shall protect the assets of Owner against losses from the negligent acts, errors, and omissions of such persons.
- P. Taxes, Fees and Assessments. The Agent shall provide for the payment from project funds all taxes, assessments and government fees promptly when due and payable in time to obtain discount. The Agent shall also evaluate local property taxes to insure they bear a fair relationship to the project value and if they do not will notify the Owner of the Agents finding. Property tax appeals if conducted by the Agent will be under separate agreement subject to Rural Development approval.
- Q. Employees. The Management Plan prescribes the number, qualifications, and duties of the personnel to be regularly employed in the direct management of the Project. All such personnel will be the Agent's employees, paid, supervised and discharged by the Agent and be a direct budget expense to the project paid from the Operating account. This account will also reimburse the Agent for Workers Compensation, social security taxes, payroll taxes and other benefits normally paid by the employer dealing with wages and benefits. The Agent will employ sufficient resources (staff and/or services) within the Agent's operation to fulfill Agent's obligations to the Owner under the terms of this Agreement.

VI. PROJECT ACCOUNTS

The Agent will maintain and safeguard the Owner's project financial accounts and tenant security deposit accounts according to the current requirements set forth in Rural Development HB 2-3560, Chapter 4. All accounts shall be maintained in a financial institution insured by the Federal Government.

- A. General Operating Account. This account will be a checking account, in which all project revenues and disbursements are recorded. Authorized expenses payable from this account include expenses that are directly attributable to the project operations and are necessary to carry out successful project operations.
1. Deposits. All income and revenue from the housing project shall be deposited within five (5) days of receipt in the Agents account named ***Mason County Housing Authority dba Cove Apartments***. This will include rent receipts, housing subsidy payments, laundry revenue, or any other project income. USDA/RD rental assistance payments shall be deemed to be revenue derived from the operation of the project. The borrower and Agent may also at their discretion at any time, deposit therein other funds which are also to be used for purposes authorized by this section including transfer from the Reserve Account (as authorized by USDA/RD). All funds in the General Operating Account will be used only as authorized in this section and until so used, will be held by the Agent in trust for the Government as security for the project obligations. Deposits and distributions for this account can be made with paper check or electronic transfer (ACH transfer).
 2. Disbursements. The Agent shall pay or fund the actual, reasonable and necessary monthly project expenses out of the General Operating Account. Current expenses may include the initial purchase and installation of furnishings and equipment with any funds deposited in the General Operating Account, which are not proceeds of the loan or income or revenue from the project. Other authorized disbursements are USDA/RD approved installments of debt service, real estate tax and insurance reserve, and at the end of the fiscal operating year, return on investment as provided in Section 3 below. Any balance remaining in the General Operating Account, except as authorized above, shall be disbursed according to the Management Plan.
- B. Real Estate Tax and Insurance Reserve Account. Agent shall further be authorized to open an interest bearing Tax and Insurance Reserve Clients' Trust Account named ***Mason County Housing Authority dba Cove Apartments*** for the purpose of making monthly deposits from the Operating Account. Each month after the payment of actual, reasonable, and necessary current operating and maintenance expenses, there shall be transferred from the General Operating Account to the Real Estate Tax and Insurance Reserve Account an amount equal to one-twelfth of the total anticipated real estate tax and insurance payments for the year. Such payments will be made from the operations account via electronic transfer (ACH transfer) or paper check, at the Agent's discretion. Any interest earned shall remain part of the account funds in the Real Estate Tax and Insurance Reserve Account shall be used only as authorized by this section.
- C. Reserve Account. Funds recorded in this account shall be held in an interest bearing account named ***Mason County Housing Authority dba Cove Apartments***.

Immediately after paying each installment for the orderly retirement of the USDA/RD loan, as provided in the borrower's promissory note, required reserve installments shall be transferred to the Reserve Account at the monthly rate stipulated by the borrower's loan agreement. Monthly transfers will continue until the account reaches the total amount specified in the loan agreement. Such payments will be made from the operations account via electronic transfer (ACH transfer) or paper check at Agent's discretion. Monthly transfers shall be resumed the next month following disbursement from the Reserve Account until it is restored to the specified total minimum sum. The interest on this account shall accrue to the reserve account.

Use of Replacement Reserve funds is regulated by RD HB-2-3560, Chapter 4, and Section 3. With prior consent of the Government, funds in the Reserve Account may be used by the owner or its designee for the following purposes:

1. To meet payments due on the loan obligations in the event the amount for debt service is not sufficient for the purpose.
 2. To pay costs of repairs or replacements to the housing, furnishings or equipment caused by catastrophe or extraordinary neglect, use and or abuse by a tenant or long-range depreciation which are not current expenses. Withdrawal for approved purposes should be approved in advance during the annual budget approval process.
 3. To make improvements to the housing project without creating new living units.
 4. For other purposes desired by the Owner which in the judgement of the Government will promote the loan purposes, strengthen the security or facilitate, improve, or maintain the orderly collectibility of the loan, without jeopardizing the loan or impairing the adequacy of the security. Such disbursements will be approved by USDA/RD.
- D. Tenant Security Deposit Account. Within five (5) days of receipt, all tenant security deposit funds collected shall be deposited in a separate account and shall be handled according to the State or Local laws governing tenant security deposits. Such account shall be in the name of the Agent for the benefit of the Owner and designated as ***Mason County Housing Authority dba Cove Apartments***. All security deposit funds collected shall be recorded in a bookkeeping account that is separate from the Project Operations accounts. Funds in the Tenant Security Deposit Account shall only be used for authorized purposes as intended and represented by the project management plan. They shall be held by the Agent in trust for the respective tenants until so used. Any amount in the Tenant Security Deposit Account, which is retained by the Agent as a result of lease violations, shall be transferred to the General Operating Account and treated as income of the housing. Any interest accrued in this account shall be transferred to the General Operating Account and treated as income of the Project. Transfers may be made to the operations account via electronic transfer (ACH transfer) or paper check at Agent's discretion.

VII. AGENTS COMPENSATION, TENURE AND IDENTIFICATION

A. Agents Compensation. The Agent will be compensated for its services including management duties under this Agreement, based on Owner's Management Plan and Owner's Letter of Conditions, by monthly fees, to be paid from the General Operating Account and treated as a project operation and maintenance expense. Such fees will be payable on the first day of each month for the preceding month. Each monthly fee will be in an amount computed as follows.

1. **\$ 53.50** per unit per month, occupied for any portion of the month in accordance with the current budget and USDA/RD. (The Agent's Compensation is subject to change in accordance with the annual budget approved by USDA/RD).

In addition any Business and Occupation or any other tax imposed upon the Agent as a result of operating the project in Washington State will be reimbursed to the Agent and treated as a Project Expense.

B. Term of Agreement. This Agreement shall be in effect for a period of one (1) year beginning on **October 1, 2014** and continuing on a month to month basis subject however to the following conditions:

1. Agent and the Management Plan are both subject to approval by USDA/RD.
2. This Agreement may be terminated by the mutual consent of the Principal Parties as of the end of any calendar month, provided that at least thirty (30) days advance written notice thereof, with reasons given, is submitted to USDA/RD.
3. This agreement may be terminated by either party in the event of an uncured default by the other party. For purposes of this subsection, an uncured default shall mean a material noncompliance by a party of any of its obligations hereunder, which noncompliance remains uncured 30 days after written notice thereof is provided to the non-complying party. Any and all notices of default and of termination of this Agreement pursuant to this subparagraph shall be submitted to USDA/RD.
4. In the event USDA/RD institutes or threatens any adverse action against the Project, Owner or Agent arising out of or in any way relating to the operation, management, or ownership of the Project, Owner shall have the right to terminate this Agreement; provided, however, that notice of such termination shall be given to USDA/RD, and no such termination shall relieve either party of any obligations which have accrued prior to the date of termination.
5. In the event that a petition in bankruptcy is filed by or against either of the Principal Parties, or in the event that either makes an assignment for the benefit of creditors or takes advantage of any insolvency act, the other party may terminate

this Agreement without notice to the other, provided that prompt written notice with reasons given for such termination is submitted to USDA/RD.

6. The State Director of USDA/RD shall have the right to terminate this Agreement at the end of any calendar month, with cause, or without cause in cases of Owner default on thirty (30) days advance written notice to each of the Principal Parties, except that in the event of a default by the Owner under its security instruments, the State Director may terminate this Agreement immediately upon the issuance of a notice of cancellation to each of the Principal Parties. No liability will attach to either of the Principal Parties in the event of such termination.
7. Upon termination of this Agreement, the Agent will submit to the Owner all project books and records and any financial statements required by the USDA/RD. After the Principal Parties have accounted to each other with respect to all matters outstanding as of the date of termination, the Owner will furnish the Agent security, in form and Principal amount satisfactory to the Agent, against any obligations or liabilities which the Agent may properly have incurred on behalf of the Owner hereunder.
 - a. The Agent will be provide the Owner not later than 30 days after the effective date of termination with any unobligated funds due to the Owner under this agreement and not later than 60 days after the effective date of termination provide the Owner with a final accounting of the Owner's ledger account, the amount of any obligated funds held in the Agent's client trust account under this agreement, a statement of why the obligated funds are being held by the Agent and a statement of when and to whom the obligated funds will be disbursed by the Agent.
 - b. Upon termination, copies of records retained by the Agent as required under Washington State Administrative Rules for licensed broker activity will be available to the Owner free of charge. These records include but are not limited to project invoices and statements, paid bills, canceled checks and statements, rent receipts and resident ledger cards, resident lease, resident check in and out, resident certifications and supporting documentation, resident notices, and all other information found in resident files.
 - c. After termination, all project files will be available for viewing in Cascade Management's Central Office upon written request by the Owner.
8. Nothing contained in this Section (VII.B) shall relieve any party, in the event of the termination of this Agreement for any reason, of any of its liabilities or obligations, which have accrued as of the date of such termination, and the Principal Party's indemnification obligations under Sections C and D of this Section VII shall survive any such termination
- C. Indemnification. Owner shall indemnify and hold harmless Manager and Manager's respective officers, directors, shareholders, agents, employees, parents, subsidiaries and

affiliates (collectively, "Manager Indemnitees"), and defend the Manager Indemnitees with counsel reasonably satisfactory to Manager, against any and all liabilities, claims, causes of action, losses, demands, judgments, settlements and costs and expenses (including reasonable attorneys' fees and court costs) ("Claims") arising out of or in connection with (a) the ownership, maintenance or operation of the Property (including claims made by vendors or suppliers to the Property), or the performance by Manager of its responsibilities under this Agreement or acting under the express or implied directions of Owner, or Manager's status as the property manager for the Project; (b) the Property's condition or use being in violation of any applicable federal, state or local law or regulation; (c) any errors, actions or inactions taken by Owner and/or Owner's agents, contractors, tenants or invitees (other than Manager); and (d) any debts, liabilities or payments of Owner or the Project; except that this indemnity shall not apply to any of matters for which Manager is responsible under an indemnity specifically undertaken by Manager in this Agreement. Owner's responsibility shall specifically extend to hazardous materials, toxic wastes and similar substances, as well as insects, microorganisms and other substances that could cause property damage or pose a threat to human health, and to costs incurred in connection with any investigation of site conditions or remediation, removal or restoration work because of the presence of any of the same.

Manager shall indemnify and hold harmless Owner and defend Owner with counsel reasonably satisfactory to Owner, against any and all Claims to the extent arising out of Manager's gross negligence or willful misconduct.

A party seeking indemnification or defense under this Section shall give the party from whom it seeks indemnification prompt written notice of a claim; (b) shall permit the other party to conduct the defense and settlement of the claim as long as the indemnifying party confirms without reservation that the claim is within the indemnifying party's indemnification obligations; and (c) shall provide reasonable cooperation in the defense of the claim; provided that the indemnified party always shall have the right to participate in the defense of the claim with counsel of its own choosing and at its own expense. An indemnitor may not, without the indemnitee's prior written approval, settle any Claim against the indemnitee on terms that (i) provide for a criminal sanction, fine, or license suspension or revocation against the indemnitee; (ii) admit to liability on the part of the indemnitee; (iii) provide for injunctive relief against the indemnitee; or (iv) do not include appropriate confidentiality provisions.

All indemnitee parties are third-party beneficiaries of this Agreement to the extent of their indemnity, defense and similar rights under the related provision, and may enforce that provision directly against Owner or Manager and their insurers, as applicable.

The indemnity and defense obligations of the parties in this Agreement shall survive expiration or earlier termination of the Term of this Agreement.

VIII. INTERPRETATIVE PROVISIONS

- A. This Agreement constitutes the entire agreement between the Owner and the Agent with respect to the management and operation of the project. No change will be valid unless made by supplemental written agreement.

- B. This Agreement may be signed in several counterparts, each of which shall constitute a complete original Agreement, which may be introduced in evidence or used for any other purpose without production of any of the other counterparts.
- C. This Agreement is subject and subordinate to all rights of the USDA/RD, and will work to the benefit of and constitute a binding obligation upon the Principal Parties and their respective successors and assigns.

OWNER: Mason County Housing Authority

By: _____
Name: Merrill Wallace
Title: Chair Person

AGENT: Cascade Management, Inc.
By: _____
Name: Benjamin Wickham
Title: Vice President of Real Estate Services

Attachments:

RD Form 3560-13 – Management Certification
RD Form 3560-30 – Certification of No Identity of Interest
Management Plan