STATE BOARD OF HIGHER EDUCATION
MINUTES OF MEETING HELD AT
BENSON HOTEL, PORTLAND, OREGON

August 13, 1957

Meeting #260

In compliance with the July 12, 1957 written request of eight members of the Board for a special meeting and at the call of the President of the Board, a special meeting of the Board convened at the Benson Hotel, Portland, Oregon, on August 13, 1957.

Roll Call

The meeting was called to order at 11:00 AM by the President, Dr. R. E. Kleinsorge, and on roll call the following answered present:

Mr. Henry F. Cabell  Mr. Chas. R. Holloway, Jr.
Mr. Leif S. Finseth  Mrs. Cheryl S. MacNaughton
Mr. J. W. Forrester, Jr.  Dr. R. E. Kleinsorge

Absent: Mr. A. S. Grant, Mr. Herman Oliver, and Mr. Wm. E. Walsh.

Board and Institutional Officials Present: Dr. John R. Richards, Chancellor; Dr. Earl M. Pallett, Secretary; President A. L. Strand of Oregon State College; President R. E. Liesuallen of Oregon College of Education; President F. B. Bennett of Eastern Oregon College of Education; President E. N. Stevenson of Southern Oregon College of Education; President J. F. Cramer of Portland State College; Dean D. W. E. Baird of the University of Oregon Medical School; Dean J. W. Sherburne of the General Extension Division; Dean E. B. Lemon of Oregon State College; Dr. Charles N. Holman, Associate Dean, University of Oregon Medical School; Dr. W. V. Norris, Assistant to the President, Portland State College; Mr. W. A. Zimmerman, Executive Secretary, University of Oregon Medical School; Mr. D. R. Larson, Assistant to the Dean, General Extension Division; Mr. John L. Watson, Assistant Comptroller; Mr. J. I. Hunderup, Administrative Assistant, Comptroller's Office; Comptroller and Bursar H. A. Bork; Press Representative, W. E. Johnson.

Others Present: Mr. Fred H. Paulus, Deputy State Treasurer of Oregon and Secretary of the State Bond Commission; Mr. Andy G. Engebretsen, Attorney for the Region VI Area Office, Seattle, of the Federal Housing and Home Finance Agency; Mr. Palmer Hewlett of the architectural firm of Freeman, Hayslip, Tuft and Hewlett, Portland; Engineer W. Bruce Morrison, Portland.

Re Absences

Mr. Grant and Mr. Walsh were absent for business reasons; Mr. Oliver could not be present because of illness in his family.

Bid Opening for $1,100,000 Series 1957 A Building Bonds

The Chancellor opened the business session by stating that the long agenda for this special meeting was most significant because it covered building projects for the System totaling over three and one-half million dollars. The first item covered the sale of $1,100,000 General Obligation Bonds to finance the major portion of dormitory and dining facilities at Eastern and Southern Oregon Colleges of Education.
The Chancellor reported that on August 13, 1957 at 9:00 AM Board officers and the Secretary of the State Bond Commission met to receive bids for the proposed sale of $1,100,000 par value State Board of Higher Education Building Bonds, Series 1957 A, publicly offered pursuant to authorization given by the Board on June 19, 1957.

No bids were received from the public offering of the sale of the bonds, but a proposal in writing was received from the Housing and Home Finance Agency of the United States of America, Washington, D.C., to purchase the bonds at par and accrued interest, to bear interest at the rate of 2-7/8 per cent per annum, payable semiannually.

The Comptroller explained that the public offering was made in connection with expected loan assistance to be provided by the federal Housing and Home Finance Agency to finance dormitory construction for the Eastern Oregon College of Education and the Southern Oregon College of Education. The indicated loan assistance can be provided only if there are no equally or more favorable bids than the 2-7/8 per cent interest rate of the Housing and Home Finance Agency. The present market rate of interest for the issue with 30-year old serial maturities is about 3.75 per cent.

The Chancellor recommended that this report be accepted and incorporated in the official minutes of the State Board of Higher Education; and he also indicated that recommendation regarding the bid of the Housing and Home Finance Agency was to be given in connection with another item of the Board meeting pertaining to the proposed loan agreement with said agency.

The Board adopted the report of the Chancellor as presented.

The Chancellor and Comptroller gave additional details regarding the proposed loan agreement with the Housing and Home Finance Agency. They explained that at the December 11, 1956 meeting, the Board authorized negotiations to be undertaken with the federal Housing and Home Finance Agency for a loan to finance the dormitories and dining facilities for Eastern Oregon College of Education and Southern Oregon College of Education. Board officers accordingly have developed a program with the able assistance of the Federal Government, particularly those in the Seattle office of the Housing and Home Finance Agency, involving detailed consideration of the construction plans and specifications, the financial aspects both from the standpoint of capital outlays and operations, and also of legal aspects.

There was presented and discussed the bid of the Housing and Home Finance Agency with the issue date of August 8, 1957 for the $1,100,000 State Board of Higher Education Building Bonds, Series 1957 A, with interest at the rate of 2-7/8 per cent. Mr. Andy G. Engebretsen, Attorney for the Seattle office of the Agency, was present to expedite the complicated action in connection with the loan.

The loan agreement just referred to, identified as Contract No. H-602-296, Project No. Ore. 35-CH-18 (D), incorporated as a supplement to these minutes of the Board, was presented and discussed at length. A few of the most significant elements of the agreement which were given particular consideration in detail included among other matters the following:
1. The loan will be for $1,100,000 with interest at the rate of 2-7/8 per cent per annum, with principal payments to be made over a thirty-year period.

2. The Board is expected to arrange interim financing during the period of construction, with the federal loan moneys to be provided when the buildings are substantially completed.

Mr. Engebretsen was asked a number of questions by Board members regarding the general policies of the Agency, particularly in regard to the possibility of making desirable changes in the construction and financing plans. It was Mr. Engebretsen's opinion that if there were no material modifications he did not anticipate any difficulties.

The Chancellor recommended that the loan agreement be accepted and that the President and Secretary of the Board be authorized to execute the agreement, and that the Comptroller and Secretary be authorized to agree to minor modifications thereto and to execute such other documents as may be required and to provide other information and enter into other agreements as may be needed to attain the objectives contemplated by the loan agreement. It is understood that the loan is subject to the approval of the State Bond Commission.

Director Cabell moved that the federal Housing and Home Finance Agency loan agreement be accepted as recommended by the Chancellor. The motion was seconded by Director Finseth. On a roll call vote the following voted in favor of the motion: Directors Cabell, Finseth, Forrester, Holloway, MacNaughton and Kleinsorge.

Those voting no: None.

The President of the Board thereupon declared the recommendation of the Chancellor adopted by a unanimous vote.

The Chancellor indicated that under the provisions of the loan agreement previously approved today with the federal Housing and Home Finance Agency for a $1,100,000 loan, to finance dormitories and dining facilities at Eastern Oregon College of Education and Southern Oregon College of Education, that temporary financing was required to be effected during the construction period. The State Bond Commission has proposed providing the interim financing. Mr. Fred Paulus, Secretary of the State Bond Commission, indicated that the Commission is willing to provide funds for the interim financing through the issuance of temporary bonds by the Board.

The Chancellor recommended that the proposal of the Bond Commission as embodied in the following resolution be accepted:

RESOLUTION

WHEREAS, the State Board of Higher Education by resolution duly passed at the June 19, 1957 meeting of the Board authorized the issuance and sale of the One Million One Hundred Thousand Dollars ($1,100,000) issue of State of Oregon, State Board of Higher Education Building Bonds, Series 1957 A, to finance dormitory and cafeteria projects at Southern Oregon College of Education and Eastern Oregon College of Education; and
WHEREAS, the Board has been advised by the Housing and Home Finance Agency of the United States of America of the approval of the application of the Board for a loan of $1,100,000, with interest rate of two and seven-eighths per cent (2-7/8\%) per annum; and

WHEREAS, by letter, dated August 8, 1957, the Housing and Home Finance Agency of the United States of America, Washington, D. C., has submitted a bid to purchase the ONE MILLION ONE HUNDRED THOUSAND DOLLARS ($1,100,000) STATE OF OREGON, STATE BOARD OF HIGHER EDUCATION BUILDING BONDS, SERIES 1957 A, at par and accrued interest, to bear interest at the rate of two and seven-eights per cent (2-7/8\%) per annum, payable semiannually, and the Board has accepted such bid; and

WHEREAS, the Housing and Home Finance Agency contemplates that local interim financing will be provided during the construction period; and

WHEREAS, Chapter 703, Oregon Laws 1957, authorizes the Board to procure interim financing by the sale of temporary bonds to the State of Oregon; and

WHEREAS, the State Bond Commission for and on behalf of the State of Oregon has offered to purchase at par value and accrued interest $1,100,000 of State of Oregon, State Board of Higher Education Temporary Bonds, bearing interest at the rate of three and three-fourths per cent (3-3/4%) per annum payable semiannually; now, therefore,

BE IT RESOLVED BY THE STATE BOARD OF HIGHER EDUCATION OF THE STATE OF OREGON, that ONE MILLION ONE HUNDRED THOUSAND DOLLARS ($1,100,000) per value temporary bonds be issued to provide the interim financing for the construction of the dormitory and cafeteria projects at Southern Oregon College of Education and Eastern Oregon College of Education; and

BE IT FURTHER RESOLVED that the principal of and the interest on all the bonds issued pursuant to this resolution be paid upon the due dates thereof at the office of the State Treasurer of the State of Oregon, and that the said bonds be known and designated as STATE OF OREGON, STATE BOARD OF HIGHER EDUCATION TEMPORARY BUILDING BONDS, SERIES 1957 B, and be numbered consecutively from one (1) to eleven (11) inclusive; and

BE IT FURTHER RESOLVED that the said bonds shall be dated October 1, 1957, shall mature in one year on October 1, 1958, and shall be redeemed by the State Board of Higher Education at par value and accrued interest, whenever moneys are received from the sale of the $1,100,000 Series 1957 A Bonds to the Housing and Home Finance Agency, and if not sold to said agency then from a sale to another purchaser or from other funds to be provided by the State Board of Higher Education; and

BE IT FURTHER RESOLVED that the said bonds issued pursuant hereto be of uniform tenor, be direct general obligation bonds of the State of Oregon, and be in substantially the following form, prepared by the Attorney General of the State of Oregon:
UNITED STATES OF AMERICA
STATE OF OREGON
STATE BOARD OF HIGHER EDUCATION
TEMPORARY BUILDING BOND
SERIES 1957 B

KNOW ALL MEN BY THESE PRESENTS, That the STATE OF OREGON acknowledges itself to owe and for value received hereby promises to pay to

STATE OF OREGON

the sum of

--- --- --- --- ONE HUNDRED THOUSAND DOLLARS --- --- --- ---

on the first day of October, 1958, together with interest on said sum until paid at the rate of three and three-fourths per cent (3-3/4%) per annum payable semiannually on the first days of April and October. Both the interest on and the principal of this bond are payable at the office of the State Treasurer of the State of Oregon at Salem, Oregon, in any coin or currency which, at the time of payment, is legal tender for the payment of public and private debts within the United States of America. Interest hereon runs from the first day of October, 1957.

This bond may be redeemed at the option of the State of Oregon, at par and accrued interest at any time.

This bond is issued by the State of Oregon in conformance to its Constitution and under and by virtue of and in all respects in full and strict compliance with its laws, and in particular Article XI-F(1) of the Constitution and Sections 351.160 to 351.190 and Sections 351.350 to 351.510, Oregon Revised Statutes, and Chapter 703, Oregon Laws 1957, for the purpose of providing interim financing pending the receipt of the proceeds from the sale of the $1,100,000 STATE OF OREGON, STATE BOARD OF HIGHER EDUCATION BUILDING BONDS, SERIES 1957 A, for the purpose of financing the cost of constructing, equipping, and furnishing dormitory and cafeteria buildings to be used for higher education.

The faith and credit of the State of Oregon hereby are irrevocably pledged for the punctual payment of the interest on and the principal of this bond, as the said obligations become due and payable respectively.

IN TESTIMONY WHEREOF, the STATE OF OREGON has caused this bond to be signed by the Governor, Secretary of State, and State Treasurer, and sealed with the seal of the State of Oregon, this first day of October, 1957.

_________________________
Governor

(SEAL)

_________________________
Secretary of State

_________________________
State Treasurer
BE IT FURTHER RESOLVED that the offer of the State of Oregon, to purchase at par value and accrued interest, the aforesaid $1,100,000 State of Oregon, State Board of Higher Education Temporary Building Bonds, Series 1957 E, bearing interest at the rate of three and three-fourths per cent (3-3/4%) per annum payable semiannually, be accepted; and

BE IT FURTHER RESOLVED that the Comptroller and Secretary of the State Board of Higher Education be authorized to effect the necessary arrangements for the delivery of the bonds and to obtain payment therefor; and

BE IT FURTHER RESOLVED that, with the approval of the State Bond Commission of the State of Oregon, the said $1,100,000 in bonds be issued in registered form to bear semiannual interest; that both the principal of and the interest upon said bonds be made payable at the office of the State Treasurer of the State of Oregon; and that the said bonds be executed with the original signatures of the Governor, the Secretary of State, and the State Treasurer, of the State of Oregon.

Director Finseth moved that the resolution as read be adopted; the motion was seconded by Director MacNaughton; and on roll call vote the following voted in favor of the motion: Directors Cabell, Finseth, Forrester, Holloway, MacNaughton, and Kleinsorge.

Those voting no: None.

The President thereupon declared the resolution duly adopted by a unanimous vote of the Board.

The President and Chancellor both expressed the appreciation of the Board to Mr. Paulus and Mr. Engebretsen for their time, interest, and very able assistance in expediting the General Obligation Bond agreements for $1,100,000 which will be used for much needed student living accommodations at both Eastern and Southern Oregon Colleges.

The Chancellor indicated that the previously authorized budget for the Eastern Oregon College of Education Dormitory was $560,000 and that in recognition of the fact that the construction bids were higher than estimated the revised project budget was $710,000, an increase of $150,000. He stated that consultation with the bidders and the architects had shown that significant savings in the project could not be realized unless the total size of the building was reduced with a corresponding reduction in the number of students who could be housed and in the earning capacity of the dormitory.

He stated that time did not permit a redevelopment of the financial program to seek an increase at this time in the $1,100,000 expected loan from the Federal Government. It was also concluded that opportunities of seeking a loan of funds from other lending agencies did not appear to be practical in view of the desire to proceed rapidly with construction at this time for both the dormitories at Ashland and La Grande. He recommended a plan for meeting the $150,000 additional cost as follows:
1. Of the $1,100,000 consolidated loan for Eastern Oregon College of Education and Southern Oregon College of Education, it was originally intended that $600,000 would be for Southern and $500,000 for Eastern. It has been determined that Southern can reduce its borrowing because construction bids were below the amount allowed the architects for direct construction, providing a $15,000 saving, and, in addition, $45,000 of excess sinking fund balances will now be used. The increased allocation of the bond issue to be assigned Eastern Oregon College of Education is, therefore

$ 60,000

2. From additional excess bond sinking fund balances at Eastern 20,000

3. From the consolidated System bond sinking fund 70,000

TOTAL 150,000

With regard to the consolidated sinking fund, the Chancellor distributed a tabulation showing the status of the unpaid bonds, actual sinking funds, the required two-year debt service, and the excess amount for each institution for each bond issue. It was stated that at the present time the balances in excess of the reserve requirements of the Board, which may be used for capital outlay purposes, was more than $800,000. He proposed that of said amount $70,000 be advanced to be used by Eastern on the following basis:

1. That the indicated $70,000 be the maximum and that such amount be reduced by carefully controlling the expenditure of moneys from the budget, especially from the contingency of $36,892.

2. That of the moneys thus provided, Eastern would be charged interest at the rate of 4 per cent per annum.

3. That no additional construction projects would be undertaken by Eastern until the advance is repaid in full. For record purposes, it was indicated that said advance would be repaid within no more than ten years, although it was expected that the full repayment would be made in three or four years.

The Chancellor also indicated that the projected student building fee income and dormitory earnings at Eastern over a thirty-year period were sufficient to meet the accepted standards of the Board for the establishment and maintenance of a two-year sinking fund and also the ratio of estimated income to debt service of $1 1/2 to 1 covering not only the bonds now outstanding for Eastern, but also the $560,000 segment of the new $1,100,000 bond issue, and in addition the $70,000 advance from the excess balance in the System sinking fund.

The Board approved the recommendation of the Chancellor with the understanding, though, that further consideration would be given to the practicability of avoiding the use of the $70,000 of System bond
sinking fund balances by either securing an increase in the Federal Government loan but without delaying construction or complicating the granting of the $1,100,000 loan; and if such a program were impractical or unobtainable that then consideration would be given to borrowing additional funds for Eastern at the time that the next bond issue is offered by the Board to finance future construction.

The Chancellor reported that construction bids for the dormitory at Eastern Oregon College of Education were received at Portland State College on July 25, 1957, simultaneously with bids for the Physical Education Building and Central Heating Plant. Those present included Director Holloway, the architects, President Bennett, and representatives of the Board's office. The basic bids received were as follows:

<table>
<thead>
<tr>
<th>Class of Work</th>
<th>Number of Bids</th>
<th>Low Bid</th>
<th>High Bid</th>
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</thead>
<tbody>
<tr>
<td>General Work</td>
<td>8</td>
<td>$399,854</td>
<td>$465,000</td>
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<tr>
<td>Mechanical Work</td>
<td>5</td>
<td>$83,037</td>
<td>123,000</td>
</tr>
<tr>
<td>Electrical Work</td>
<td>6</td>
<td>$42,148</td>
<td>55,900</td>
</tr>
</tbody>
</table>

The construction bids received for the project were about $135,000 higher than had been authorized and estimated originally, and after providing for related increases the recommended budget now is $150,000 higher than when originally authorized. The budget provides for the following:

Direct Construction:
- General Work - Waldo S. Hardie & Son, Eugene
  $399,854
- Mechanical Work - Lord Bros. Contractors, Portland
  $83,037
- Electrical Work - Watco Electric Co., Portland (net of $1,077 deduction in contemplation of joint award with electrical contract for Physical Education Building)
  $43,071

Subtotal
$523,962

Built-in furniture (to be fabricated by the University of Oregon Physical Plant)
$36,792

Total direct construction costs
$560,754

Architects' and engineering fees
$28,818

Furniture for lounge, lobby, dining room, kitchen; linens, silver, etc.
$46,656

Construction supervision and HHFA field expense
$4,445

Site improvements
$20,775

Legal, administrative and interest costs during construction
$11,660

Contingencies
$36,822

TOTAL
$710,000
The plans for the project to house a total of 146 men and women students were prepared by Architects Freeman, Hayslip, Tuft and Hewlett, Portland. The plans provide for a three-story living unit with a two-story dining and recreational area. The total area of the building is 28,539 square feet, and the direct construction cost for general, mechanical and electrical work, including built-in furniture, is $19.65 per square foot.

President Bennett indicated that consideration was being given now to the possibility of effecting modifications to the plans so as to provide for 174 women students only, rather than the 146 men and women students. It was stated by President Bennett, the architects and engineer that such a modified plan was estimated to involve no significant change in the direct construction cost except for the additional built-in furniture that would be needed, possibly totaling $6,000, which could be provided from the construction contingency.

The Chancellor proposed that the project be financed from the following resources:

Proceeds from the sale of General Obligation Bonds $560,000
Institutional and Board sinking fund balances, in amount needed, but not to exceed 150,000

**TOTAL**

$710,000

The Chancellor recommended that the budget and the financial program be approved and that the Comptroller and Secretary be authorized to enter into construction contracts with the low bidders named above. The Chancellor also recommended that President Bennett be authorized to proceed with the plan to modify the construction in the building, without changing the over-all size, to accommodate a larger number of students, all women, provided there is no significant change in cost, with the understanding that the modifications will be subject to the review and approval of the appropriate officials of the Board.

Upon motion by Director Finseth, seconded by Director MacNaughton, the recommendations of the Chancellor for the dormitory and dining facilities at Eastern Oregon College of Education were adopted.

**Awarding of Construction Contracts for Physical Education Building, EOC**

The Chancellor reported that construction bids for the Physical Education Building at Eastern Oregon College were received on July 25, 1957, simultaneously with bids for the Central Heating Plant and Dormitory projects. Those present included Director Holloway, the architects, President Bennett and representatives of the Board’s office.

Without giving effect to minor deductions allowed by some of the bidders in contemplation of a joint award for the work on all three buildings, the bids applicable to the Physical Education Building were as follows:

<table>
<thead>
<tr>
<th>Class of Work</th>
<th>Number of Bids</th>
<th>Low Bid</th>
<th>High Bid</th>
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<tbody>
<tr>
<td>General Work</td>
<td>8</td>
<td>$356,400</td>
<td>$425,000</td>
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<tr>
<td>Mechanical Work</td>
<td>4</td>
<td>104,887</td>
<td>157,620</td>
</tr>
<tr>
<td>Electrical Work</td>
<td>7</td>
<td>42,212</td>
<td>52,500</td>
</tr>
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</table>
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A budget for the project provides for the following items:

Direct Construction:

General Work - Bechtel Bros., La Grande $356,400
Mechanical Work - Wm. Bohnenkamp, La Grande 104,887
Electrical Work - Watco Electric Co.,
Portland (net of $1,204 deduction in
contemplation of joint award with
electrical contract for Dormitory) 41,008

Subtotal - direct construction costs $502,295

Architects' and engineering fees 29,133
Equipment, complete 28,000
Construction supervision 1,346
Site improvements 54,242
Contingencies (2% of direct construction costs) 10,046

TOTAL $625,062

On June 19, 1957 the Board was advised that $616,194 of the $630,000 appropriation requested of the 1957 legislature was allocated to this project. To supplement the $616,194, President Bennett has indicated that there are sufficient balances in the Health Service, Snack Bar, and Bookstore accounts at the institution to provide the additional $8,868, or as much thereof as may be required. It follows that the amount of state funds to be used for this project will be $13,806 less than had been asked of the 1957 legislature.

Plans for the building were prepared by Architects Freeman, Hayslip, Tuft and Hewlett of Portland. The total area of the structure is approximately 38,848 square feet, and the direct construction cost averages $12.93 per square foot. The total project cost of $625,062 averages $16.09 per square foot.

President Bennett and the Chancellor recommended that the budget and financial program outlined above be approved and that the appropriate Board officers be authorized to enter into construction contracts.

The Board adopted the report and authorized the recommendations of the Chancellor and President Bennett as outlined.

Awarding of Construction Contracts for Central Heating Plant, EOC

The Chancellor reported that construction bids were received on July 25, 1957 for the Central Heating Plant at Eastern Oregon College, simultaneously with bids for the Dormitory and Physical Education Building projects. Those present included Director Holloway, the architects, President Bennett and representatives of the Board's office.

The bids applicable to the Central Heating Plant were as follows:

<table>
<thead>
<tr>
<th>Class of Work</th>
<th>Number of Bids</th>
<th>Low Bid</th>
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<tr>
<td>General Work</td>
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<td>$21,600</td>
<td>$32,395</td>
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<tr>
<td>Mechanical Work (including Electrical Work)</td>
<td>2</td>
<td>182,916</td>
<td>189,753</td>
</tr>
</tbody>
</table>
The following budget is proposed for this project:

Direct Construction:

- General Work - Bechtel Bros., La Grande: $21,600
- Mechanical Work - Lord Bros., Contractors, Portland: $182,916

Subtotal: $204,516

Less - Portion of direct construction costs allocated to Dormitory ($5,460) and Physical Education Building ($13,920): $19,380

Net direct construction costs: $185,136

Architects' and engineering fees: $9,720
Construction supervision: 548
Utility connections and site improvements: 3,969
Contingencies (2% of direct construction costs): 4,090

TOTAL: $203,463

Of the total funds required for this construction, it is anticipated that approximately $6,341 will be obtained from the City of La Grande for drain tile located underneath a city street, and $196,622 will be provided from the building fund appropriation made by the 1957 legislature. As indicated to the Board on June 19, 1957, $204,685 was tentatively allocated to this project, including a 2 per cent contingency fund. Since the legislature had been requested to provide an amount of $220,000, it follows that the amount of state funds to be used for the project will be $23,378 less than had been asked of the legislature.

The plans for the Central Heating Plant were drawn by W. Bruce Morrison, Engineer, Portland, in cooperation with Architects Freeman, Hayslip, Tuft and Hewlett, and include provision for two new boilers to be installed in an addition to the Library Building, with room for the installation of a third boiler at a later date. Transmission of heat to various campus buildings will be by underground steam lines.

President Bennett and the Chancellor recommended that the budget and financial program outlined above be approved and that the appropriate Board officers be authorized to enter into construction contracts.

The Board approved the report and authorized the recommendations outlined therein by the Chancellor and President Bennett.

Awarding of Construction Contracts for Dormitory and Commons, SOC

The Chancellor reported that construction bids for the Dormitory and Commons at Southern Oregon College of Education were received at Portland State College at 2:00 PM, Thursday, August 8, 1957 by the architects, President Stevenson, Business Manager Lewis, and representatives of the Board's office. The bids received were as follows, including the additive alternate for the basement storage area:
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<table>
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<th>Class of Work</th>
<th>Number of Bids</th>
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<tr>
<td>General Work</td>
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<tr>
<td>Mechanical Work</td>
<td>7</td>
<td>$96,940</td>
<td>$124,690</td>
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<tr>
<td>Electrical Work</td>
<td>5</td>
<td>$26,073</td>
<td>$31,460</td>
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<tr>
<td>Kitchen Equipment</td>
<td>3</td>
<td>$14,149</td>
<td>$16,290</td>
</tr>
</tbody>
</table>

A budget for the project, which is $15,000 less than was previously authorized, provides for the following items:

**Direct Construction:**

General Work - Graff & James, Medford  
Mechanical Work - McLaughlin Plumbing & Heating Co., Medford  
Electrical Work - Steeck Electric Company, Medford  
Kitchen Equipment - Losli Sheet Metal Works, Portland

Subtotal  
Built-in furniture (to be fabricated by University of Oregon Physical Plant)

Total direct construction costs

Architects' and engineering fees  
Furniture for lounge, lobby, dining room, kitchen; linens, silver, etc.  
Construction supervision and HHFA field expense  
Site improvement, including utility connections  
Legal, administrative, and interest costs during construction  
Contingencies

**TOTAL**  

The plans for the project were prepared by Architects Church, Newberry, Roehr & Schuette of Portland. The dormitory, which will house 144 men students, consists of three stories and a partial basement and has an area of approximately 23,851 square feet. The Commons is designed to provide dining facilities for all dormitory residents on the campus and has approximately 14,991 square feet, including basement storage facilities. The total direct construction cost of $543,898 averages $14.00 per square foot for the two buildings combined.

It is proposed that the total cost of the project of $690,000 be financed from the following resources:

Proceeds from the sale of General Obligation Bonds  
Institutional sinking fund balances, in amount needed, but not to exceed

**TOTAL**  

$690,000
The Chancellor recommended that the budget and the financial program be approved and that the Comptroller and Secretary be authorized to enter into construction contracts with the low bidders named above.

Upon motion by Director Holloway, seconded by Director Forrester, the recommendations of the Chancellor for the dormitory and dining facilities at Southern Oregon College of Education were adopted.

Awarding of Construction Contracts for S.E. Unit of State Hall, PSC

The Chancellor reported that construction bids were received at Portland State College on August 9, 1957, for the Southeast Unit of State Hall. Those present included the architects, President Cramer, and other institutional and Board office representatives. The bids received were as follows:

<table>
<thead>
<tr>
<th>Class of Work</th>
<th>Number of Bids</th>
<th>Low Bid</th>
<th>High Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Work</td>
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<td>$752,707</td>
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<td>Mechanical Work</td>
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<tr>
<td>Electrical Work</td>
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</tbody>
</table>

The bid amounts include provision for a third new boiler. When the legislative requests were formulated about a year ago it was intended that only two new boilers be provided, but subsequent study has indicated that the three boilers will be needed within approximately six years, without standby facilities.

The following budget is proposed for this project:

Direct Construction:

General Work - A. V. Petersen Co., Portland  
Mechanical Work - Plumbing & Heating Engineering Company, Portland  
Structural Steel - A. Young & Son Iron Works, Portland, contract awarded by Board June 19, 1957

Total direct construction costs (including $20,196 for third new boiler)  
Architects' and engineering fees  
Movable equipment, building completely equipped  
Construction supervision  
Transformers in Northwest Unit of State Hall  
Site Clearance and other costs  
Contingencies, 2% of direct construction

TOTAL

The architects for the project are Lawrence, Tucker & Wallmann of Portland. The building area is 55,480 square feet. The total direct construction cost per square foot is $20.78.
Funds originally sought of the 1957 legislature were in the amount of $1,370,000, and adjusting for a subsequent determination to consider a $27,000 bridge across Southwest Montgomery Street as a part of the cost of the proposed Library instead of the Classroom Building, the revised amount was $1,343,000. The budget now recommended in the amount of $1,293,743 is, therefore, $49,257 less than the previously adjusted estimate.

President Cramer and the Chancellor recommended that the budget outlined above be approved and that the appropriate officers of the Board be authorized to enter into construction contracts.

The Board adopted the report and authorized the recommendations of the Chancellor and President Cramer as outlined therein.

The Chancellor stated that President Strand had recommended the construction of a field laboratory and storage building at the Hyslop Agronomy Farm located at Granger, four miles northeast of Corvallis. There is an existing Butler type building 40 by 80 feet in which is located a shop and several other facilities. The new construction is to consist of another Butler type metal building 40 by 131 feet, similar to and attached to the present building, and a wing 40 by 80 feet of similar construction to be attached to the basic building in such a way as to form a U-shaped unit. The complete building will provide for seed storage, three laboratories, grain storage, dryer, a receiving area, and provision for shelling and threshing. The total square-foot area of new construction is to be 8,840, and the area of the total building including the present structure is to be 11,640 square feet.

The Chancellor indicated that the required $50,000 for the project is being provided from the $116,000 Research Services Building Fund appropriated by the 1957 legislature. This amount is to be expended as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated cost of building when built by contract</td>
<td>$41,889</td>
</tr>
<tr>
<td>(including contingencies)</td>
<td></td>
</tr>
<tr>
<td>Estimated cost of shelving, bins, and work tables</td>
<td>7,186</td>
</tr>
<tr>
<td>to be built by Physical Plant</td>
<td></td>
</tr>
<tr>
<td>Reserve fund</td>
<td>925</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

The Chancellor explained that he was reporting this project to the Board for its information and for record purposes, recognizing that because of the relatively small sum involved official approval and authorization of the Board would not be required.

The Board accepted the report of the Chancellor.
The Chancellor stated that the Board had accepted at the March 12, 1957 meeting a two million volt Van de Graaff X-Ray Therapy unit from the Donner Foundation, Philadelphia, with the understanding that the Board would provide the necessary housing. Upon the recommendation of University of Oregon Medical School officials, the Board authorized the construction of an addition to the Medical School to consist of a separate structure to be attached to the west side of the Hospital at the fifth floor level. The estimated cost of the structure was $42,000. At the same time, the Board authorized the Chancellor to seek legislative approval to permit the use of $42,000 from balances in the Teaching Hospital operating budget for the 1955-1957 biennium. The architectural firm of Lawrence, Tucker & Wallmann was designated to prepare plans and specifications for the recommended unit.

The legislature appropriated $42,000 from the Teaching Hospital balances. Plans and specifications for the structure were prepared and bids received on June 20, 1957. For the area of approximately 1,000 square feet, the basic construction bids ranged from $54,482 to $67,059, and the total project cost, including architects' and engineer's fees, and contingencies, now is estimated to be $63,000. To cover the deficit of $21,000, the Chancellor, in accordance with Board authorization granted in April 1956, applied for Hill-Burton funds in this amount. Arrangements were made with the low bidder, E. Carl Schiewe, General Contractor of Portland, to extend the acceptance-of-bid date an additional thirty days beyond the automatic thirty-day acceptance period, deferring the expiration date thereof to August 19, 1957.

Although the Hill-Burton grant has not been approved as yet by the U. S. Department of Health, Education and Welfare, favorable action is expected soon. The Chancellor reported that, contingent upon the receipt of such grant, the project would proceed as authorized. This report was made to the Board for its information; no official action was required.

The Board accepted the report of the Chancellor.

As the final item on the agenda, the Chancellor reported that President Lieuallen of Oregon College of Education had obtained a ten-day option to purchase the Wiens property at Monmouth at a price slightly below that of the average appraisal. This property purchase was submitted to the Chancellor for presentation for Board consideration in July. At that time the option price was $7,500, which was in excess of the average appraisal of $7,062 based on two appraisals, one at $6,300 and the other at $7,823. President Lieuallen was advised to attempt to obtain a lower offer. As a result of further negotiations with the property owner, he was able to obtain a short-term option for $7,050, which is slightly lower than the average appraisal.

The property is located across the street from Maaske Hall in an area which is within the campus boundaries and eventually will be required for campus expansion. It consists of a lot on which is located an unattached garage and a small house in good condition which can be rented for approximately $60.00 a month.
Meeting #260-16

The Chancellor recommended that, in order to take advantage of the ten-day option at $7,050, the purchase of the Wiens property be approved at this time with the understanding that the financial program for its purchase, involving a proposed Pooled Endowment Fund loan, would be brought to the Board in September for consideration with related proposals.

The Board authorized the purchase of the Wiens property under the conditions stipulated by the Chancellor.

Rep. Named to Association of Governing Brds. Meeting
President Kleinsorge announced that he had designated Mrs. Cheryl S. MacNaughton and Mr. J. W. Forrester, Jr., to officially represent the Board at the annual meeting of the Association of Governing Boards to be held in Boulder, Colorado, October 10-14, 1957.

ADJOURNMENT
The meeting adjourned at 12:50 P.M.

R. E. Kleinsorge, President
Earl M. Fallett, Secretary
TO: Mr. Earl M. Pallett
Secretary
State Board of Higher Education
Room 203 - Benson Hotel
Portland, Oregon

Reference is made to the $1,100,000 State of Oregon, State Board of Higher Education, Building Bonds, Series 1957A, advertised for sale in The Bond Buyer.

The Government hereby bids per plus accrued interest at the rate of two and seven-eights per centum (2-7/8 %) per annum, for the entire issue, or for any block or combination of blocks of the Bonds as advertised.

This bid is submitted in accordance with the Loan Agreement between the State Board of Higher Education and the Government. No bid deposit accompanies this bid since the Government is contractually obligated to purchase the bonds under the provisions of the Loan Agreement.

This the 8th day of August, 1957.

HOUSING AND HOME FINANCE AGENCY
Community Facilities Administration

By /s/ Pere Seward
Acting Commissioner
LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of August 1, 1957, by and between the State Board of Higher Education of the State of Oregon, acting for and on behalf of Eastern Oregon College of Education, a public educational institution of higher learning, located at La Grande, Oregon, as to Unit No. 1, and Southern Oregon College of Education, a public educational institution of higher learning located at Ashland, Oregon, as to Unit No. 2 (herein called the "Borrower"), and the United States of America (herein called the "Government"), WITNESSETH:

Section 1. Amount, Purchase Price, and Purpose. Subject to the Terms and Conditions (dated 8-56) attached hereto and made a part hereof (with the exception of Sections 19, 32, 33, 39, 41 and 42 thereof, which have been deleted) and the provisions of this Agreement, the Borrower will sell and the Government, acting by and through the Housing and Home Finance Administrator (herein called the "Administrator"), will purchase $1,100,000 aggregate principal amount of the obligations of the Borrower described below (herein called the "Bonds"), or such lesser amount thereof as the Administrator estimates will be required, together with Borrower's funds provided from other sources, to pay the development cost of the Project (estimated to be $1,174,457) hereinafter described, at a price equal to the principal amount thereof plus accrued interest, the proceeds of the sale of such Bonds to be used solely for the development of said Project.
Section 2. **Description of Bonds.** The Bonds which the Borrower agrees to sell and the Government agrees to purchase are described as follows:

(a) **Designation:** State of Oregon State Board of Higher Education Building Bonds, Series 1957-A.

(b) **Date:** April 15, 1957.

(c) **Principal Amount:** $1,100,000, being all of an authorized issue of such Bonds.

(d) **Denomination:** $1,000; however, until such time as the purchaser or purchasers of the Bonds request(s) the preparation of the definitive Bonds, a single Bond or Bonds shall be issued in an amount equal to the Bonds contracted for by said purchaser or purchasers.

(e) **Type:** Negotiable, serial, coupon Bonds.

(f) **Interest Rate:** 2-7/8% per annum, payable semi-annually on October 15, and April 15, in each year, first interest payable October 15, 1957.

(g) **Maturities:** April 15, in years and amounts as follows:

<table>
<thead>
<tr>
<th>Year(s)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-1963</td>
<td>$24,000</td>
</tr>
<tr>
<td>1964-1967</td>
<td>30,000</td>
</tr>
<tr>
<td>1968-1977</td>
<td>34,000</td>
</tr>
<tr>
<td>1978-1983</td>
<td>48,000</td>
</tr>
<tr>
<td>1984-1987</td>
<td>64,000</td>
</tr>
</tbody>
</table>

(h) **Numbers:** 1 to 1,100 inclusive, in order of maturity.

(i) **Security:** General obligation of the State of Oregon (for the payment of which the faith and credit of the State are pledged).

(j) **Place and Medium of Payment:** Payable as to both principal and interest at the office of the Treasurer of the State of Oregon in any coin or currency which, on the respective dates of payment of such principal and interest, is legal tender for the payment of debts due the United States of America.

(k) **Registerability:** Registerable, at the option of the holder, as to principal only if sold to the State of Oregon or to the United States Government or any agency thereof.
(1) Redemption Provisions: Bonds numbered 1 through 216 inclusive, maturing April 15, 1960 through April 15, 1967 inclusive, to be non-callable. Bonds numbered 217 through 1,100 inclusive, maturing April 15, 1968 through April 15, 1987 inclusive, to be callable at the option of the Borrower in whole or in part and in regular numerical order on any interest payment date during the entire life of the loan, upon at least thirty (30) days' prior notice, at par plus accrued interest to the date of redemption.

Section 3. Sale of Bonds. The Bonds will be sold by the Borrower at public sale, the call for bids specifying that bids will be received and considered on the following basis:

For (1) all maturities in the years 1960 through 1972, (2) all maturities in the years 1973 through 1987, and (3) the entire issue.

In the event any of the Bonds are awarded to the Government, the Borrower shall, when they are ready, deliver all such Bonds to the Government at such time as the Government shall designate.

The Government will submit its bid for the Bonds and such bid will be for all of the Bonds at their par value, plus accrued interest, at the rate of two and seven-eighths per centum (2-7/8%) per annum on all or any one or more of the above blocks of Bonds. In the event any other bidder or bidders offer to purchase all the Bonds, or any portion of the Bonds in blocks as specified at any interest cost of not more than two and seven-eighths per centum (2-7/8%) per annum, the Bonds or any such portion thereof shall be sold to such bidder or bidders. In the event of a sale of all the Bonds to a purchaser or purchasers other than the Government, this Agreement shall terminate except with respect to obligations hereunder between the Borrower and the Government as of the date of such sale of the Bonds. In the event any of the Bonds are awarded to the Government, it is agreed that the obligations hereunder shall continue in the same manner.
as if all the Bonds were sold to the Government. In the event no bid is received from a bidder or bidders other than the Government within the terms herein specified, all the Bonds shall be sold to the Government. It is agreed and understood that so long as the Government owns any of such Bonds it will waive the non-callable provisions and publication of notice of call applicable thereto.

In the event the Government is awarded all or part of the Bonds, the Borrower, at the option of the purchaser(s), shall issue single Bonds with face values in the amount of the respective purchases in lieu of individual denominations Bonds. Such single Bonds shall be non-negotiable, registered as to principal and interest and payable as directed by the purchasers, but otherwise complying with the description set forth in Section 2 hereof. The Borrower shall covenant that if such a single Bond is issued, it shall upon request of the holder of a single Bond, issue at its own expense and within 90 days from the date of such request, negotiable bearer coupon Bonds in denominations of $1,000, as described in Section 2 hereof, in aggregate amount equal to the amount of the single Bond still outstanding.

The printing of text of single Bonds shall be of type composition on paper of sufficient weight and strength to prevent deterioration throughout the life of the loan. The Bonds shall conform in size to standard practice and contain the approved maturity schedule for payment of principal.

Section 4. Description of the Project. The Project shall consist of:

Unit No. 1: Eastern Oregon College of Education: Dormitory to house approximately 73 men students and 73 women students and a housemother, including dining facilities for approximately 136 students, with kitchen adequate for future 136 additional students; all together with necessary appurtenant facilities.

Unit No. 2: Southern Oregon College of Education: Dormitory to house approximately 140 men students, two counselors and a housemother, and a commons building to provide dining facilities
for 350 students with kitchen adequate for future additional
300 students; all together with necessary appurtenant facilities.

Section 5. Audit and Inspection Expenses. The amount of the fixed
fee for the audit and inspection expenses referred to in Section 36 of the
attached Terms and Conditions shall be $5,642.

Section 6. Special Conditions. In the event the Government is awarded
any of the Bonds, all of the covenants and conditions contained herein shall
remain in full force and effect except to the extent hereafter modified,
with the approval of the Government by the revisions of the Resolutions
authorizing the issuance of the Bonds.

The Government's obligation to purchase the Bonds of the Borrower is
subject to the following special conditions:

(a) Section 6. Payment of Bonds of the Terms and Conditions (8-56)
attached hereto is hereby amended by addition of the following sen-
tence: The Government agrees to accept the signature of the Disburs-
ing Officer or the Comptroller of the Oregon State System of Higher
Education on the Certificate of Depository normally required as a
part of the requisition referred to above in this Section.

(b) Section 11. Security of the Terms and Conditions (8-56) attached
hereto is hereby amended to read as follows: The Borrower shall
include in the proceedings for the authorization, issuance, sale and
security of the Bonds a statement or statements that such Bonds are
to be issued or are issued by the State of Oregon in conformance to
its Constitution and under and by virtue of and in all respects in
full and strict compliance with its laws and that the faith and
credit of the State of Oregon are irrevocably pledged to the punctu-
tual payment of the interest upon and the principal of the Bonds
as the same become due and payable respectively.

(c) Section 28. Retention of Title of the Terms and Conditions (8-56)
attached hereto is hereby amended to read as follows: So long as
the Government holds any of the Bonds, the Borrower shall not dis-
pose of its title to the Project or to any useful part thereof,
including any facility necessary to the operation and use thereof,
and the lands and interests in lands comprising their sites, ex-
cept as permitted in this Loan Agreement and the Bond authorizing
proceedings.
(d) Section 15. **Construction by Contract of the Terms and Conditions** (8-56) is hereby amended to permit the Borrower to manufacture and install fixed equipment, such as desks and wardrobes, with its own forces.

IN WITNESS WHEREOF, this Agreement has been executed in the name and on behalf of the United States of America, Housing and Home Finance Administrator, by the undersigned Regional Administrator, and in the name of the State Board of Higher Education of the State of Oregon, acting for and on behalf of Eastern Oregon College of Education, a public educational institution of higher learning located at La Grande, Oregon, as to Unit No. 1, and Southern Oregon College of Education, a public institution of higher learning located at Ashland, Oregon, as to Unit No. 2, by the undersigned President of said Board, and under its official seal, attested by its Secretary.

**UNITED STATES OF AMERICA**
Housing and Home Finance Administrator
Community Facilities Commissioner

By ____________________________
Regional Administrator

**STATE OF OREGON**
STATE BOARD OF HIGHER EDUCATION

By ____________________________
President

(S E A L)

ATTEST:

______________________________
Secretary
Section 1. Definitions. As used in these Terms and Conditions: "Government" means the United States of America generally, and specifically the Housing and Home Finance Agency or its successor to the powers exercisable under Title IV of the Housing Act of 1950, as amended; "Administrator" means the Housing and Home Finance Administrator, or his successor, or the Community Facilities Commissioner or such other person as may be duly authorized to act in said capacity; "Project" means the structure or structures which the Government has agreed to aid in financing under the Loan Agreement; "Loan Agreement" means the contract between the Government and the Borrower pertaining to the Government's loan for the Project and includes both these Terms and Conditions and the contract instrument or instruments of which these Terms and Conditions constitute a part; "Borrower" means the educational institution designated in the Loan Agreement; "Bonds" mean the Bonds which the Government agrees to purchase under the Loan Agreement; and "Costs of the development of the Project" means the cost of construction work at the Project site, cost of necessary architectural/engineering services, cost of providing the necessary fixed equipment, legal, administrative and clerical costs, cost of land acquisition, necessary travel expenses, Government audit and inspection costs, interest during construction, and other necessary miscellaneous expenses as determined by the Administrator.

Section 2. Prerequisites to Government's Obligations. The Government shall be under no obligation to the Borrower, under the Loan Agreement, to disburse any funds thereunder, if:

(a) Representations. Any representation made by the Borrower in its loan application or any supplement thereto or amendment thereof, or in any document submitted to the Government in connection with such application or loan, shall be incorrect or incomplete in any material respect, or the Administrator determines that the Borrower has failed to proceed promptly with Project financing or construction;

(b) Financial Condition. The financial condition of the Borrower shall have changed unfavorably in a material degree from its condition as theretofore represented to the Government;
(c) **Concurrence by Government.** The Borrower, having submitted to the Government the documents mentioned in Section 14 hereof, shall have proceeded without having been advised by the Administrator or his duly authorized representative that the same are satisfactory and in compliance with the provisions hereof; it being the purpose of this provision to insure that no action will be taken in the development of the Project which would result in a legal or contractual violation rendering it impossible for the Government to make the loan hereunder or for the parties to accomplish the objects of the Loan Agreement.

Section 3. **Furnishings and Moveable Equipment.** The Borrower shall, on or before substantial completion of the Project, provide from sources other than the loan hereunder, and from sources and in a manner which will not jeopardize the security of the Bonds, the furnishings and moveable equipment necessary to the full enjoyment of the use, occupancy and operation of the Project.

Section 4. **Project Site.** The Project shall be located on lands of the Borrower, at a site to be approved by the Government.

Section 5. **Title Evidence.** The Borrower shall furnish the Government satisfactory evidence of its ownership of the Project site.

Section 6. **Payment of Bonds.** The Borrower shall promptly initiate and prosecute to completion all proceedings necessary to the authorization, issuance, and sale of the Bonds and to the security thereof. When the said proceedings have been completed to the point of but not including the delivery of the Bonds to the Government, the Borrower may file a requisition requesting the Government to take up and pay for the Bonds. The requisition shall be supported by a signed certificate of purposes in which must appear in reasonable detail the purposes for which the proceeds of the Bonds covered by the requisition are to be used, and by such additional data as the Administrator shall require in order to determine whether it is obligated under the provisions of the applicable Loan Agreement to honor such requisition. If the Government is so obligated, it will promptly take up and pay for the Bonds covered by such requisition, within the limitations, however, specified in the Loan Agreement.

Section 7. **Opinion of Bond Counsel.** Simultaneously with the delivery of any of the Bonds to the Government, the Borrower shall furnish the Government the approving opinion of bond counsel of recognized standing in the financial markets of the United States, as determined by the Administrator, and covering generally all of the Bonds and, specifically and unqualifiedly, the Bonds then being delivered to the Government.

Section 8. **Construction Account.** The Borrower shall set up in a bank or banks which are members of the Federal Deposit Insurance Corporation, or with the fiscal agency of the Borrower fixed by law, a separate account or accounts (herein collectively called the "Construction Account") into which shall be deposited the proceeds from any temporary loans and the proceeds from the sale of the Bonds (except accrued interest payments) and the additional funds, if any,
required by the provisions of the applicable Loan Agreement to be furnished by the Borrower in order to assure the payment of all costs of the development of the Project. Moneys in the Construction Account shall be expended only for such purposes as shall have been previously specified in a signed certificate of purposes filed with and approved by the Administrator.

Where the Moneys on deposit in the Construction Account exceed the estimated disbursements on account of the Project for the next 90 days (3 months), the Borrower may invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than three (3) years after the date of such investment.

Any Moneys remaining in the Construction Account after all costs of the Project have been paid shall be promptly used for the redemption of Bonds: Provided, however, that any of such funds in an amount less than $1,000 shall be deposited in the Bond and Interest Sinking Fund Account.

Section 9. *Payment of Costs - Additional Funds.* The Borrower shall pay all costs of the development of the Project, and furnish from sources other than the Government, and from sources and in a manner which will not jeopardize the security of the Bonds, the additional funds, if any, which will be sufficient to finance the total development costs of the Project. Such additional funds, if any are required, shall be deposited into the Construction Account by the Borrower on its own initiative, and, in any event, promptly upon the request of the Government.

Section 10. *Legal Matters.* The Borrower shall furnish the Government a transcript of proceedings for the authorization, issuance, sale and security of the Bonds showing to the satisfaction of Counsel for the Government that the Bonds, when delivered and paid for, will constitute binding and legal obligations, payable and secured in accordance with their tenor, and that all proceedings for the financing and the acquisition, construction and development of the Project preliminary to the delivery of the Bonds to the Government have been had and adopted in due time, form, and manner as required by law.

Section 11. *Security.* The Borrower shall include in the proceedings for the authorization, issuance, sale, and security of the Bonds, provisions for the payment of the principal of and interest on the Bonds and for the security thereof of the nature required to assure such payment and to safeguard the loan hereunder, including, in case the Bonds are payable in whole or in part from any special sources or revenues, provisions designed to assure the production of such revenues and the application thereof to the extent required for the payment and security of the Bonds and interest thereon, including the maintenance of reasonable reserves.

Section 12. *Approvals and Permits.* The Borrower shall obtain all approvals and permits required by law as a condition precedent to the acquisition, construction, development, and operation of the Project.
Section 13. Supervision and Inspection. The Borrower shall provide and maintain on its own behalf competent and adequate architectural or engineering services covering the supervision and inspection of the development and construction of the Project.

Section 14. Submission of Proceedings, Contract and other Documents. The Borrower, unless otherwise instructed by the Government, shall submit to the Government:

(a) three copies of the proposed resolutions or ordinances for the authorization and issuance of the bonds, including any supplements or amendments thereto, prior to the adoption or enactment of any such resolutions or ordinances;

(b) two copies of all proposed contracts and proposed contract documents relating to the Project, prior to the invitation of bids thereon;

(c) a written statement concerning the proposed execution or award of each contract relating to the Project, before such execution and before the award thereof is approved;

(d) all proposed wage rates to be established by the Borrower pursuant to the provisions of Section 18 hereof, before such wage rates are put into effect;

(e) two sets of executed contract documents relating to the Project and three sets of conformed copies thereof, before any work, service, material or equipment is performed or furnished thereunder;

(f) a written statement concerning the proposed assignment of any interest in or part of any contract relating to the Project, before an assignment thereof is approved;

(g) a written statement concerning each proposed amendment, or proposed extra, change, or additional work order intended to affect any contract relating to the Project, before such amendment, or extra, change, or additional work order is executed or issued;

(h) such other data, reports, records, and documents relating to the construction and operation of the Project as the Government may require.

Section 15. Construction by Contract. All work on the Project shall be done under contract and every opportunity shall be given for free, open, and competitive bidding for each and every construction, material, and equipment contract. The Borrower shall give such publicity by advertisements or calls for bids by it for the furnishing to it of work, labor, materials, and equipment as will provide adequate competition; and the award of each contract therefor shall be made to the lowest responsible bidder as soon as practicable: Provided, That in the selection of equipment or materials the Borrower may, in the interest of standardization or ultimate economy, if the advantage of such standardization or such ultimate economy is clearly evident, award a contract to a responsible bidder other than the lowest in price.
Section 16. Contract Security. The Borrower shall require that each construction contractor shall furnish a bond in an amount at least equal to 100 percent of his contract price as security for the faithful performance of his contract and for the payment of all persons performing labor and furnishing materials in connection therewith: Provided, That if applicable State law requires a separate bond for the protection of laborers and material men, the Borrower will require that each such contractor shall furnish a bond in the amount above stated for the faithful performance of his contract and a separate bond in an amount required by applicable State law but in no event less than 50 percent of his contract price for the payment of all persons performing labor and furnishing materials in connection with his contract.

Section 17. Contractor's Insurance.

A. The Borrower shall require that each of its construction contractors shall maintain, during the life of his contract, insurance as follows:

1. Compensation Insurance. Workman's Compensation and Employees Liability Insurance as required by applicable State or territorial law for all of such contractors' employees who will be engaged in work at the site of the Project and, if any part of such contractors' contract is sublet, the contractor shall require each subcontractor to maintain such insurance for all of the subcontractor's employees who will be so engaged unless the subcontractor's employees are protected by the principal contractor's insurance.

2. Liability Insurance. Public Liability and Property Damage Insurance in amounts deemed adequate by the Administrator for bodily injury and/or death, and for property damage, to protect such contractor from claims for damages for personal injury and/or death and damage to property of others which may arise from any operations under his contract whether such operations be by himself or by any subcontractor or anyone directly or indirectly employed by either of them; and on any part of the work which is sublet, the contractor shall require each subcontractor to maintain like insurance unless the subcontractor is covered by the contractor's Public Liability Insurance policy.

3. Proof of Carriage of Insurance. The contractor shall furnish the Borrower (owner) with certificates showing the type, amounts, class of operations covered, effective dates and dates of expiration of his insurance policies. Such certificates shall also contain substantially the following statement "The insurance covered by this certificate will not be cancelled or materially altered except after ten days written notice has been received by the owner".

B. At the option of the Borrower, the following insurance may be provided by the Borrower or its contractor:

1. Builders Risk Fire and Extended Coverage. Fire and Extended Coverage Insurance to protect the Borrower and the contractor and subcontractors against loss caused by the perils insured against in the amount of 100% of the insurable value of the Project.
including items of labor and materials in place or to be used as part of the permanent structure including surplus materials, temporary structures, and miscellaneous materials and supplies incident to the work.

Such insurance shall be maintained in full force and effect until the Project is accepted by the Borrower from its contractor. In the event the Borrower elects to provide such insurance, the bidding documents shall contain a notice to the bidders of such fact and that the cost of Fire and Extended Coverage Insurance shall be excluded from their respective contract bids.

If the Project is partially occupied prior to acceptance from the contractor, the Borrower shall obtain assurances of coverage during such period; and also obtain consent of the surety company to such prior occupancy.

Section 18. Wage Rates. The Borrower shall require all of its contractors engaged in work on the Project to comply with any applicable State law governing the payment of minimum rates of pay to workmen employed on the Project. In the absence of any such State law, the Borrower shall compile, and submit to the Administrator for his approval, a list of prevailing rates of pay for all laborers and mechanics to be employed on the construction of the Project (which list shall be based upon the wage rates prevailing for the same classes of laborers and mechanics employed in construction activities, similar in character to the Project in the area in which the Project is to be constructed). Upon obtaining the Administrator's approval of any such proposed minimum wage rates, or the rates required by applicable State law, the Borrower will include such list in all contracts calling for work on the Project and require adherence thereto. The borrower shall also require of its contractor that all such lists shall be posted at appropriate conspicuous points on the site of the Project. Unless otherwise required by law, wage rates need not be listed for non-manual workers, including executive, supervisory, administrative and clerical employees.

Section 19. Computation of Wages on 8 Hour Day. The Borrower shall require of its contractors (a) that the wages of every laborer and mechanic engaged in work on the Project shall be computed on a basic day rate of eight hours per day, eight hours of continuous employment, except for lunch periods, constituting a day's work; and (b) that work in excess of eight hours per day shall be permitted upon compensation at one and one-half times the basic rate of pay for all hours worked in excess of eight hours on any one day.

Section 20. Payment of Employees. The Borrower shall require of its contractors that all employees engaged in work on the Project be paid in full (less deductions made mandatory by law) not less often than once each week.

Section 21. Wage Underpayments and Adjustments. The Borrower shall require of each of its contractors that, in cases of underpayment of wages by the contractor, the Borrower may withhold from such contractor out of payments due, an amount sufficient to pay workers employed on the work covered by his contract the
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difference between the wages required to be paid under the contract and the wages
actually paid such workers for the total number of hours worked and may disburse
such amounts so withheld by it for and on account of the contractor to the
respective employees to whom they are due.

Section 22. Accident Prevention. The Borrower shall require of its contractors
that precaution shall be exercised at all times for the protection of persons
(including employees) and property, and that hazardous conditions be guarded
against or eliminated.

Section 23. Audit and Inspection. The Borrower shall require of its contractors
that the Administrator, or his authorized representatives, be permitted, and it
will itself permit them to inspect all work, materials, payrolls, records of
personnel, invoices of materials and other relevant data and records appertaining
to the development of the Project; and shall permit the Government to audit the
books, records, and accounts of the Borrower appertaining to the loan and the
development of the Project. The Borrower shall cause to be provided and main-
tained during the construction of the Project adequate facilities at the site
thereof for the use of the Administrator's representatives assigned to the Project.

Section 24. Reports, Records and Data. The Borrower shall submit, and shall
require each contractor and subcontractor on the Project to submit, to the Govern-
ment such schedules or quantities and costs, progress schedules, payrolls, reports,
estimates, records and miscellaneous data as may be required under applicable
Federal Statutes or rules and regulations promulgated thereunder.

Section 25. Payments to Contractors. Not later than the fifteenth day of each
calendar month the Borrower shall make a partial payment to each construction
contractor on the basis of a duly certified and approved estimate of the work per-
formed during the preceding calendar month by the particular contractor, but shall
retain until final completion and acceptance of all work covered by the particular
contract a reasonable amount, specified in the contract, sufficient to insure the
proper performance of the contract.

Section 26. Convict Made and Foreign Materials. The Borrower shall require of
its contractors that (a) no materials manufactured or produced in a penal or
correctional institution be incorporated into the Project; and (b) that only such
unmanufactured articles, materials, or supplies as have been mined or produced in
the United States of America, and only such manufactured articles, materials, or
supplies as have been manufactured in the United States of America, substantially
all from articles, materials or supplies mined, produced, or manufactured, as the
case may be, in the United States of America, shall be employed in the con-
struction of the Project. Exceptions to the foregoing shall be made only through
a change in the contract covering such exception.

Section 27. Kick-back Statute. The so-called Kick-back Statute, Public Law
No. 324, 73rd Congress, approved June 13, 1934 (48 Stat. 1948), and the regulations
issued pursuant thereto, are a part of these Terms and Conditions, and the Borrower
shall comply, and require each of its contractors employed in the construction,
prosecution, or completion of the Project to comply therewith, and to cause his
subcontractors to do likewise.
Section 28. **Retention of Title.** So long as the Government holds any of the Bonds, the Borrower shall not dispose of its title to the Project or to any facility the revenues of which are pledged as security for the Bonds, or to any useful part thereof, including any facility necessary to the operation and use thereof, and the lands and interests in lands comprising their sites, except as permitted in the Loan Agreement and the bond authorizing proceedings.

Section 29. **Signs.** The Borrower shall cause to be erected at the site of the Project signs, identifying the Project, and indicating the fact that the Government is participating in the development of the Project.

Section 30. **Interest of Third Parties.** The Loan Agreement is not for the benefit of third parties, including the holders from time to time of any of the Bonds, and the Government shall be under no obligation to any such parties, whether or not indirectly interested in said Agreement, to pay any charges or expenses incident to compliance by the Borrower with any of its duties or obligations hereunder.

Section 31. **Bonus or Commission.** By execution of the Loan Agreement the Borrower represents that it has not paid and, also, agrees not to pay, any bonus, commission, or fee for the purpose of obtaining an approval of its application for the loan hereunder.

Section 32. **Insurance on Completed Project.**

A. **Fire and Extended Coverage.** Upon acceptance of the Project from the contractor, the Borrower shall, if such insurance is not already in force, procure Fire and Extended Coverage Insurance on the Project, and upon receipt of funds acquired pursuant to the Loan Agreement, the Borrower shall, if such insurance is not already in force, procure Fire and Extended Coverage Insurance on any other of its buildings, the revenues of which are pledged to the security of the loan hereunder. The foregoing Fire and Extended Coverage Insurance shall be maintained so long as any of the Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed 80 per centum (80%) of the full insurable value of the damaged building.

Where a Trustee is to be or has been designated in connection with the bond issue, each such insurance policy shall be acceptable to the Trustee and shall contain a clause making all losses payable to the Trustee as its interest may appear.

In the event of any damage to or destruction of any of said building or buildings, the Borrower shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof, or retire the outstanding Bonds.

B. **Boiler Insurance.** Upon acceptance of the Project from the contractor, the Borrower shall, if such insurance is not already in force, procure and maintain, so long as any of the Bonds are outstanding, Boiler Insurance covering any steam boilers servicing the Project, in a minimum amount of $50,000.00.
6. **Liability Insurance.** Upon receipt of any funds acquired pursuant to the Loan Agreement, the Borrower shall, if such insurance is not already in force, procure and maintain, so long as any of the Bonds are outstanding, Public Liability Insurance with limits of not less than $50,000.00 for one person and $100,000.00 for more than one person involved in one accident to protect the Borrower from claims for bodily injury and/or death which may arise from the Borrower's operations, including any use or occupancy of its grounds, structures and vehicles.

Section 33. **Use and Occupancy Insurance.** Immediately upon occupancy of any portion of the Project and so long thereafter as the funds and investments of the "Bond and Interest Sinking Fund Account" (which Account is to be maintained by the provisions of the Loan Agreement) are less than the maximum debt service reserve required by said provisions of the Loan Agreement, the Borrower shall procure and maintain Use and Occupancy Insurance on each building, the revenues of which are pledged to payment of the Bonds, in an amount sufficient to enable the Borrower to deposit in the Bond and Interest Sinking Fund Account, out of the proceeds of such insurance, an amount equal to the sum that would normally have been available for deposit in such Account from the revenues of the damaged building during the time the damaged building is non-revenue producing as a result of loss of use caused by the perils covered by Fire and Extended Coverage Insurance. Where a Trustee is to be or has been designated in connection with the bond issue, each such insurance policy shall be acceptable to the Trustee and shall contain a loss payable clause making any loss thereunder payable to the Trustee as its interest may appear.

Section 34. **Interest of Members of or Delegates to Congress.** No member of or delegate to the Congress of the United States shall be admitted to any share or part of this Agreement or to any benefit arising therefrom.

Section 35. **Prompt Procedure – Economic Construction.** The Borrower covenants and agrees that it will proceed promptly with all matters necessary to the financing and the development of the Project; and that the Project will be undertaken and developed in such a manner that economy will be promoted in such development and in the construction work; and that the Project will not be of elaborate or extravagant design or materials.

Section 36. **Audit and Inspection Expenses.** In determining the costs of the Project, there shall be included a sum to be specified in the Loan Agreement as the agreed fixed fee for payment of the Government's expense of supervising and inspecting the work appertaining to the development of the Project and of auditing the books, records, and accounts pertaining to the Project. The Government will bill the Borrower after award of the construction contract for such expense, and the Borrower will promptly make payment to the Government therefor, from the first funds received by it for construction of the Project, as part of the consideration for the loan hereunder and as a cost incident to the financing and development of the Project.
In the event of termination of this Agreement through the sale of all of the bonds to private purchasers, the Borrower shall be entitled to a refund of all or a proportionate part of the above fixed fee, dependent on whether the Government has rendered any service in inspecting the construction of the Project and in conducting audits of the Borrower's books, records, and accounts pertaining to the Project prior to or within a reasonable time after said sale of the Bonds. The refund shall be in such an amount as the Community Facilities Commissioner, Housing and Home Finance Agency, determines to be equitable under the circumstances.

Section 37. Construction Financing. If the Borrower wishes to start construction prior to the sale of the Bonds, it may do so after having furnished the Government with (1) a satisfactory preliminary opinion of Bond counsel; (2) evidence of its ability to finance on reasonable terms the cost of the Project up to the time the Bonds are ready for delivery; and (3) evidence of the receipt of firm bids establishing that the Project can be constructed within the approved estimated cost thereof.

In the event any loan under temporary financing should become due prior to the time when the Bonds are ready for delivery, the Borrower may apply to and, provided that the Borrower is in compliance with the Terms and Conditions of this Loan Agreement, receive from the Government an advance against the Bonds in an amount sufficient to liquidate such temporary loan.

If in the determination of the Community Facilities Commissioner the Borrower is unable to obtain interim financing on reasonable terms prior to Bond sale, the Community Facilities Commissioner will consider a request by the Borrower for temporary financial aid in order to avoid undue delay in the construction of the Project.

Any funds made available to the Borrower by the Government pursuant to this Section shall be repaid in full from the first proceeds derived from the sale of the Bonds, and shall bear interest at the rate per annum specified in Section 2 in the Loan Agreement from the date made available to the date of repayment. All funds obtained by the Borrower for temporary financing of the construction of the Project shall be deposited in the Construction Account described in Section 8 above and shall be disbursed therefrom only in accordance with the provisions of said Section 8.

Section 38. Non-Discrimination. The Borrower shall require that there shall be no discrimination against any employee who is employed in carrying out the Project, or against any applicant for such employment, because of race, religion, color or national origin. This provision shall include, but not be limited to, the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Borrower shall insert the foregoing provision of this Section in all its contracts for Project work and will require all of its contractors for such work to insert a similar provision in all subcontracts for Project work: Provided, That the foregoing provisions of this Section shall not apply to contracts or subcontracts for standard commercial supplies or raw materials. The Borrower shall post at the Project, in conspicuous places available for employees and applicants for employment, notices to be provided by the Community Facilities Administration setting forth the provisions of this non-discrimination clause.
Section 39. Parietal Rules. The Borrower shall establish and maintain throughout the life of the loan, such parietal rules, rental rates and charges for the use of the Project facilities and such other facilities the revenues of which are pledged in this Loan Agreement as may be necessary to (1) assure maximum occupancy and use of said facilities and (2) provide (a) the debt service on the Bonds, (b) the required reserve therefor and (c) the Building Maintenance and/or Equipment Reserve where such reserves are required pursuant to the Loan Agreement.

Section 40. Prerequisites to Loan Disbursements. The Borrower shall prior to filing any requisition for loan funds or requesting the Government's approval of any interim construction financing, present satisfactory evidence of its ability to provide (1) the movable equipment and furnishings required for the operation of the Project; (2) such funds as are necessary with the loan proceeds to assure completion of the Project; and (3) the Project site or sites free from all encumbrances.

Section 41. Investment of Funds. Moneys on deposit to the credit of the Bond and Interest Sinking Fund Account and/or the Building Maintenance and/or Equipment Reserve Account shall, upon request by the Borrower, be invested by the Trustee or other designated depository, in direct obligations of or obligations the principal of and the interest on which are guaranteed by the United States Government.

Section 42. Proper Records and Books. The Borrower shall covenant that it will keep accurate financial records and proper books relating to the Project and other facilities the revenues of which are pledged to secure the Bonds and such records and books shall be open to inspection by the Bondholders and their agents and representatives. It shall further covenant that not later than 90 days after the close of each fiscal year it will furnish to the Trustee and to any Bondholder who shall request same in writing, copies of audit reports prepared by an independent public accountant, or where appropriate, by the State auditing official, reflecting in reasonable detail the financial condition and record of operation of the Borrower, the Project, and other pledged facilities.