

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5158

(Springwood Apartments Project Taxable Acquisition Bridge Note)

A RESOLUTION of the Housing Authority of the County of King providing for the issuance of a line of credit revenue note of the Authority in the principal amount of not to exceed \$2,750,000, to provide bridge financing for the acquisition, for federal tax purposes, of the Springwood Apartments located in Kent, Washington; determining the form, terms and covenants of the note; creating a note redemption fund; approving the forms of a loan agreement and a deed of trust relating to the project to be financed; authorizing the execution and delivery of the loan agreement, the note, the deed of trust and other agreements, documents and certificates; and approving the sale and providing for the delivery of the note to Bank of America, N.A.

ADOPTED April 21, 2008

This document was prepared by:

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WHEREAS, pursuant to RCW 35.82.070 and RCW 35.82.130, the Housing Authority of the County of King (the "Authority") is authorized to issue revenue bonds and notes from time to time and to use the proceeds of those obligations for any of its corporate purposes; and

WHEREAS, the Authority has formed Soosette Creek LLC, a Washington limited liability company of which the Authority is the managing member (the "LLC"), to accomplish the restructuring of the underlying ownership of the Springwood Apartments located in Kent, Washington (the "Project"), in order to recapitalize the Project and finance necessary renovations, upgrades and physical improvements, which Project will be leased by the LLC from the Authority to provide housing for low-income persons; and

WHEREAS, the Board of Commissioners of the Authority has determined that it is necessary and advisable that the Authority borrow money to provide bridge financing for the Project; and

WHEREAS, Bank of America, N.A., has proposed to extend a taxable line of credit evidenced by a line of credit note on the terms set forth in this resolution to provide money for that purpose; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF KING as follows:

Section 1. Definitions. As used in this resolution, the following words have the following meanings:

“Authority” means the Housing Authority of the County of King, a public body corporate and politic duly organized and existing under and by virtue of the laws of the State of Washington.

“Bank” means Bank of America, N.A., as registered owner of the Note.

“Board” means the Board of Commissioners of the Authority.

“Code” means the Internal Revenue Code of 1986, as amended.

“Deed of Trust” means the Leasehold Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing (Springwood Apartments Project – Acquisition Bridge Note) under which the LLC will be the grantor and the Authority will be the beneficiary, encumbering the LLC’s leasehold interest in the Project, and including any supplements or amendments thereto made in conformity herewith and therewith.

“Draws” means incremental draws upon the Note.

“General Revenues” means all revenues of the Authority from any source, but only to the extent that those revenues are available to pay debt service on the Note and are not now or hereafter pledged, by law, regulation, contract, covenant, resolution, deed of trust or

otherwise (including restrictions relating to funds made available to the Authority under the U.S. Housing Act of 1937), solely to another particular purpose.

“Lease” means the lease by and between the Authority and the LLC relating to the lease of the Project to the LLC, and including any supplements or amendments thereto made in conformity herewith and therewith.

“Loan” means the loan of Note proceeds to the LLC.

“Loan Agreement” means the Loan Agreement by and between the Authority and the LLC relating to the Loan, and including any supplements or amendments thereto made in conformity herewith and therewith.

“Note” means the Taxable Non-Revolving Line of Credit Acquisition Bridge Note, 2008 (Springwood Apartments Project), of the Authority issued pursuant to this resolution.

“Note Fund” means the Authority’s Taxable Non-Revolving Line of Credit Acquisition Bridge Note Fund, 2008 (Springwood Apartments Project), created by this resolution for the purpose of paying principal of and interest on the Note.

“Note Register” means the books or records maintained by the Note Registrar containing the name and mailing address of the registered owner of the Note.

“Note Registrar” means the Executive Director of the Authority.

“LLC” means Soosette Creek LLC, a Washington limited liability company of which the Authority is the managing member.

“Prime Rate” means the rate of interest publicly announced from time to time by the Bank as its Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank’s Prime Rate.

“Project” means, depending on the context, (2) the acquisition, for federal tax purposes, and rehabilitation of the Springwood Apartments located at 27360 129th Place SE, Kent, Washington, to be leased, together with the underlying property, by the LLC from the Authority, or (2) the Springwood Apartments.

“Proposal Letter” means the letter to the Authority from the Bank dated April 17, 2008, proposing the terms under which the Bank may purchase the Note, and any amendment thereof or supplement thereto or any commitment letter issued by the Bank in connection with the Note.

“Tax Credit Equity” means amounts received by the LLC as equity contributions from the investor member of the LLC.

Section 2. Authorization and Description of Note. For the purpose of making the Loan to the LLC to provide bridge financing for the acquisition of the Project, including acquisition-related costs (i.e., title insurance, escrow, legal fees, loan fees, etc.), the Authority may borrow money from time to time pursuant to a line of credit extended by the Bank under the terms of this resolution and the Proposal Letter, and shall issue the Note in an aggregate principal amount not to exceed \$2,750,000.

The Note shall be designated the Taxable Non-Revolver Line of Credit Acquisition Bridge Note, 2008 (Springwood Apartments Project), of the Authority; shall be issued in registered form; shall be dated its date of delivery to the Bank; and shall mature on October 25, 2008 (the “Maturity Date”). The Executive Director of the Authority is authorized, without further action of the Board but with the consent and approval of the Bank, to extend the maturity date of the Note beyond the Maturity Date specified herein for up to three additional years and to provide for monthly or quarterly payments of interest on the Note, as long as no other terms of

the Note or this resolution are revised and as long as any extension fee and legal expenses in connection with such extension do not exceed \$5,000, and to do everything necessary for the execution and delivery of such documents as are useful or necessary to such extension of maturity.

The Authority may request Draws upon the Note by 1:00 on any business day for which payment of such Draw is requested to finance the acquisition of the Project and to pay costs of issuance of the Note. Draws shall be recorded in such form as the Authority and the Bank may agree. Draws shall be limited to an aggregate principal amount of \$2,750,000.

Each Draw on the Note shall bear interest at a rate per annum equal to the Prime Rate, minus 2.00%, which interest shall accrue from the date of that Draw and shall be computed on the basis of a 360-day year and actual number of days elapsed for the actual number of days the principal amount is outstanding. Principal of and accrued interest on the Note is payable in full on the Maturity Date.

If there occurs any nonpayment of principal, interest, fees or other amounts when due, then the Bank may provide notice of such default to the Authority, and the Authority shall be obligated to pay interest on the Note at a rate equal to 3.0% per annum in excess of the interest rate otherwise applicable under the Note until the Note, both principal and interest, as the case may be, is paid in full.

The Authority finds that the fixing of the above interest rate index is in the best interest of the Authority. Interest on the Note will not be excluded from gross income of the registered owner for federal income tax purposes.

Section 3. Designation of Officers to Make Draws. The Board authorizes the Executive Director or his or her designee to make Draws against the Note in such amounts and at such

times as he or she may determine hereafter, those Draws to be made in accordance with the terms and provisions set forth herein and in the Proposal Letter.

Section 4. Note Registrar: Registration and Transfer of Note. The Executive Director of the Authority shall serve as Note Registrar for the Note. The Note Registrar shall keep, or cause to be kept, at his or her office in Tukwila, Washington, sufficient books for the registration of the Note (the "Note Register"), which shall contain the name and mailing address of the registered owner of the Note. The Note Registrar is authorized, on behalf of the Authority, to authenticate and deliver the Note in accordance with the provisions of the Note and this resolution, to serve as the Authority's paying agent for the Note and to carry out all of the Note Registrar's powers and duties under this resolution.

The Note shall be issued only in registered form as to both principal and interest and recorded on the Note Register. The Note may not be assigned or transferred by the Bank, except that the Bank may assign or transfer the Note to any successor to the business and assets of the Bank.

Section 5. Place, Manner and Medium of Payment. Both principal of and interest on the Note shall be payable in lawful money of the United States of America solely out of the Note Fund.

Payment of principal of and interest on the Note shall be paid by check or draft of the Authority mailed or by immediately available funds delivered on or before the maturity or prepayment date to the registered owner at the address appearing on the Note Register on the last day of the month preceding the payment date. Upon the final payment of principal of and interest on the Note the registered owner shall surrender the Note at the principal office of the Note Registrar in Tukwila, Washington, for destruction or cancellation in accordance with law.

Section 6. Optional and Mandatory Prepayment of Note. The Authority reserves the right and option to prepay the Note, without penalty, in whole or in part, at any time prior to the Maturity Date at par plus accrued interest to the date of prepayment. The Authority shall cause the LLC to repay the Loan from Tax Credit Equity and shall use such Loan repayments to repay the Note, such prepayments to be made within five days of receipt of such funds. Written notice to the Bank of any intended prepayment or redemption of the Note shall not be required. Interest on the Note or the portion thereof so prepaid shall cease to accrue on the date of such prepayment.

Section 7. Note Fund; Security for the Note. The Note Fund is created as a special fund of the Authority designated the Taxable Non-Revolving Line of Credit Acquisition Bridge Note Fund, 2008 (Springwood Apartments Project). The Note Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Note. The Authority pledges to deposit into the Note Fund, from Loan payments derived from Tax Credit Equity, amounts sufficient to pay the principal of and interest on the Note when due. The Note shall also be secured by an assignment to the Bank of the Authority's right to receive payments from the LLC under the Lease and the Loan Agreement and an assignment to the Bank of the Deed of Trust. The Authority shall not issue, and shall ensure that the LLC does not issue, any additional debt secured by a pledge of the Tax Credit Equity prior to or on a parity of lien with the lien of the Bank without the prior written consent of the Bank. The Bank has consented to the pledge of Tax Credit Equity to payment of the Authority's Non-Revolving Line of Credit Bridge Notes, Series A (Tax-Exempt) and Series B (Taxable) (Springwood Apartments Project). The Authority further covenants that it will cause the LLC to execute any documents reasonably

required by the Bank to effect the pledge of such Tax Credit Equity and property as security for the Note.

The Authority has not pledged its General Revenues to payment of the Note but may, in its discretion, use its General Revenues for that purpose.

The Note shall not be a debt of King County, the State of Washington or any political subdivision thereof, and the Note shall so state on its face. Neither King County, the State of Washington nor any political subdivision thereof (except the Authority from the sources specified herein) shall be liable for payment of the Note nor in any event shall principal of and interest on the Note be payable out of any funds other than the Note Fund of the Authority established herein. The owner of the Note shall not have recourse to any other fund of the Authority other than the Note Fund, or to any other receipts, revenues or properties of the Authority other than as described herein and in the Note. The Authority has no taxing power.

Neither the Authority nor any of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Note.

Section 8. Form and Execution of Note. The Note shall be prepared in a form consistent with the provisions of this resolution and state law, shall bear the manual or facsimile signatures of the Chair of the Board and Executive Director of the Authority and shall be impressed with the seal of the Authority or shall bear a facsimile thereof.

To be valid or obligatory for any purpose or entitled to the benefits of this resolution, the Note shall bear a Certificate of Authentication in the following form:

CERTIFICATE OF AUTHENTICATION

This Note is the fully registered Taxable Non-Revolving Line of Credit Acquisition Bridge Note, 2008 (Springwood Apartments Project), of the Authority described in the Note Resolution.



Stephen J. Norman, Executive Director of the
Authority and Note Registrar

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Note so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on the Note ceases to be an officer of the Authority authorized to sign the note before the Note is authenticated or delivered by the Note Registrar or issued by the Authority, the Note nevertheless may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as binding on the Authority as though that person had continued to be an officer of the Authority authorized to sign the Note. The Note also may be signed on behalf of the Authority by any person who, on the actual date of signing of the Note, is an officer of the Authority authorized to sign notes, although he or she did not hold the required office on the date of issuance of the Note.

Section 9. Proposal Letter Reporting Requirements. The Authority covenants and agrees for so long as the Note remains outstanding to deliver to the Bank the following financial information and statements:

- Upon receipt, the Authority's annual state Audit Report;
- Within 180 days of each fiscal year end, the Authority's internally prepared annual financial statement;
- Within 60 days of the end of each quarter, the Authority's internally prepared quarterly financial statements (except fiscal year-end); and
- Within 45 days of adoption, the Authority's annual budget.

Section 10. Authorization of Documents and Execution Thereof. The Board approves the Loan Agreement and the Deed of Trust substantially in the forms on file with the Executive Director of the Authority, with such changes as the Executive Director of the Authority shall deem necessary or appropriate. The Authority authorizes and approves the execution and delivery of, and the performance by the Authority of its obligations contained in, the Note, the Loan Agreement and this resolution and the consummation by the Authority of all other transactions contemplated by this resolution in connection with the issuance of the Note. The appropriate Authority officials are authorized and directed to do everything necessary for the issuance, execution and delivery of the Note. The Executive Director of the Authority is authorized and directed to execute and deliver, on behalf of the Authority or the LLC, as applicable, the Note, the Loan Agreement, the Deed of Trust, an assignment of the Deed of Trust to the Bank and any other documents reasonably required to be executed in connection with the issuance of the Note, and to ensure the proper use and application of the proceeds of the Note and to effect any extension of the maturity of the Notes as described in Section 2.

The Note will be prepared at the Authority's expense and will be delivered to the Bank together with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the Note.

Section 11. Approval of Transaction. The Bank has proposed to purchase the Note at a price of par, under the terms and conditions contained in this resolution and the Proposal Letter, including the payment of an origination fee in the amount of \$2,750 and the reasonable legal fees and expenses of counsel to the Bank. The Board finds that the Bank's proposal is in the best interest of the Authority and authorizes the Executive Director of the Authority to accept an offer made on the same terms and conditions as contained in the Proposal Letter, and covenants that it

will comply with all terms and conditions of the Proposal Letter, including the covenants of the Authority and the Borrower contained therein.

Section 12. Acting Officers Authorized. Any action required by this resolution to be taken by the Chair of the Board or Executive Director of the Authority may in the absence of such person be taken by the duly authorized acting Chair of the Board or the Deputy Executive Director or Assistant Executive Director for Administrative Affairs of the Authority, respectively.

Section 13. Ratification and Confirmation. Any actions of the Authority or its officers prior to the date hereof and consistent with the terms of this resolution are ratified and confirmed.

Section 14. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of Commissioners of the Housing Authority of the County of King at a regular open public meeting this 21st day of April, 2008.

HOUSING AUTHORITY OF THE COUNTY OF
KING

By: 
Nancy Holland- Young Chair

ATTEST:


Stephen J. Norman, Secretary

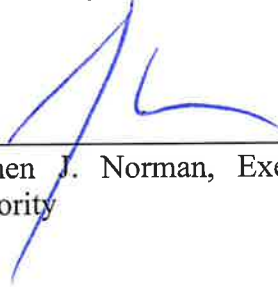
CERTIFICATE

I, the undersigned, the duly chosen, qualified and acting Executive Director of the Housing Authority of the County of King (the "Authority") and keeper of the records of the Authority, CERTIFY:

1. That the attached Resolution No. 5158 (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners (the "Board") of the Authority, as adopted at a meeting of the Authority held on April 21, 2008, and duly recorded in the minute books of the Authority.

2. That such meeting was duly convened and held in all respects in accordance with law, and, to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a majority of the members of the Board of Commissioners of the Authority present at the meeting voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of April, 2008.



Stephen J. Norman, Executive Director of the
Authority

