

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5159
(Springwood Apartments Project Bridge Notes)

A RESOLUTION of the Housing Authority of the County of King providing for the issuance of line of credit revenue notes of the Authority draws on which may not exceed an aggregate principal amount of \$40,000,000 (of which not more than \$30,000,000 may be outstanding at any one time), which notes shall be issued in two series to provide bridge financing for the renovation of the Springwood Apartments located in Kent, Washington; determining the form, terms and covenants of the notes; creating a note redemption fund; approving the forms of a loan agreement, a regulatory agreement and a deed of trust relating to the project to be financed; authorizing the execution and delivery of the loan agreement, the regulatory agreement, the notes, the deed of trust and other agreements, documents and certificates; and approving the sale and providing for the delivery of the notes 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 line of credit evidenced by two line of credit notes 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 Notes.

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

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

“County Loan” means any King County Housing Finance Program loan that is available for funding of the Project.

“Deed of Trust” means the leasehold deed of trust 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 Notes.

“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 Notes 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.

“Interest Period” means each one- to 12-month period beginning on each LIBOR Reset Date, the length to be determined by the Authority no later than 12:00 noon Pacific time three LIBOR Banking Days prior to the date of such LIBOR Reset Date, provided that absent such a determination by the Authority for any subsequent Interest Period the length of such Interest Period shall be of the same length as the immediately preceding Interest Period. The first day of an Interest Period must be a LIBOR Banking Day. The date of the last day of an Interest Period and the actual number of days during an Interest Period will be determined by the Bank using the practices of the London interbank market. No Interest Period may extend beyond the Maturity Date.

“LIBOR Banking Day” means a day other than a Saturday or a Sunday on which the Bank is open for business, and which is also a London Banking Day.

“LIBOR Fixed Rate” means, for any applicable Interest Period, the rate per annum equal to the British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by the Bank from time to time) at approximately 11:00 a.m. London time, two London Banking Days before the commencement of the Interest Period, for U.S. Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the rate for that Interest Period will be determined by such alternate method as reasonably selected by the Bank.

“LIBOR Reset Date” means, with respect to the first Interest Period for any Draw, the date of such Draw and, with respect to subsequent Interest Periods, the first day of that Interest Period.

“LIBOR Tax-Exempt Note Rate” means a rate per annum equal to 65% of the LIBOR Fixed Rate, plus 1.65%.

“LIBOR Taxable Note Rate” means a rate per annum equal to the LIBOR Fixed Rate plus 0.90%.

“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.

“London Banking Day” means a day on which banks in London are open for business and dealing in offshore dollars.

“Notes” means, collectively, the Tax-Exempt Note and the Taxable Note.

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

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

“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.

“Prime Tax-Exempt Note Rate” means a rate per annum equal to 65% of the Prime Rate, minus 0.25%.

“Prime Taxable Note Rate” means a rate per annum equal to Prime Rate minus 2.00%.

“Project” means, depending on the context, (1) the 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 November 15, 2007, proposing the terms under which the Bank may purchase the Notes, and any amendment thereof or supplement thereto or any commitment letter issued by the Bank in connection with the Notes.

“Regulatory Agreement” means the Regulatory Agreement executed by the LLC for the benefit of the Authority governing the use of the Project, and including any supplements or amendments thereto made in conformity herewith and therewith.

“State Loan” means any State of Washington Housing Trust Fund loan that is available for funding of the Project.

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

“Tax-Exempt Note” means the Line of Credit Bridge Note, 2008, Series A (Tax-Exempt) (Springwood Apartments Project), of the Authority issued pursuant to this resolution.

“Tax-Exempt Note Account” means the account of that name within the Note Fund.

“Tax-Exempt Project” means any capital purpose in connection with the Project which qualifies for tax-exempt financing.

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

“Taxable Note Account” means the account of that name within the Note Fund.

Section 2. Authorization and Description of Notes. For the purpose of making the Loan to the LLC to provide bridge financing for the Project, including payment of interest on the Notes, 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 Notes in accordance with the terms of this resolution.

The Notes shall be designated the Line of Credit Bridge Notes, 2008, Series A (Tax-Exempt) and Series B (Taxable) (Springwood Apartments Project), of the Authority; shall be issued in registered form; shall be dated their date of delivery to the Bank; and shall mature on June 1, 2010 (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 Notes beyond the Maturity Date specified herein for up to three additional years, as long as no other terms of the Notes or this resolution are revised and as long as any extension fee and legal expenses payable to the Bank in connection with such extension do not

exceed \$50,000, 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 Notes, (i) if the Draw is to bear interest based on LIBOR Fixed Rate, on any LIBOR Banking Day that is at least three London Banking Days prior to the date for which payment of such Draw is requested, or (ii) if the Draw is to bear interest based on the Prime Rate, by 1:00 on any business day for which payment of such Draw is requested. Draws on the Tax-Exempt Note may be used only to finance the Tax-Exempt Project and to pay interest on the Tax-Exempt Note and costs of issuing the Tax-Exempt Note. Draws on the Taxable Note may be used only to finance the Project and to pay interest on the Notes and costs of issuing the Notes.

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 \$40,000,000, except that the aggregate principal amount of Draws outstanding may not exceed \$30,000,000. In addition, Draws on the Tax-Exempt Note plus the original principal amount of any tax-exempt bonds issued for the Project shall not exceed \$50,000,000.

Each Draw on the Tax-Exempt Note shall bear interest at either the Prime Tax-Exempt Note Rate or the LIBOR Tax-Exempt Note Rate, with such interest rate option chosen by the Executive Director or his or her designee at the time of each Draw. Each Draw on the Taxable Note shall bear interest at either the Prime Taxable Note Rate or the LIBOR Taxable Note Rate, with such interest rate option chosen by the Executive Director or his or her designee at the time of each Draw. Libor Fixed Rate Draws shall each be in amounts of \$100,000 or greater. Interest on each Draw 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. Interest on each Note shall be payable quarterly in arrears on the first business day of each January, April, July and October after the date of issue of that Note, unless the timing for any such payment is extended by the Bank. Draws may be used to pay interest on the Notes. Principal of the Notes, together with all accrued and unpaid interest thereon, is payable on the Maturity Date.

Notwithstanding the foregoing, if the Authority provides a contingent loan agreement with King County, Washington, to provide credit support for the Notes, the interest rates described above shall be reduced as negotiated by the Executive Director of the Authority with the Bank. The Board authorizes the Executive Director to negotiate such reduction in interest rates, if applicable.

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 Notes at a rate equal to 3.0% per annum in excess of the interest rate otherwise applicable under the Notes until the Notes, both principal and interest, as the case may be, are paid in full. If the interest on the Tax-Exempt Note is determined to be included in gross income for federal income tax purposes, then the outstanding amount of the Tax-Exempt Note shall be deemed to be (and to have been) an amount outstanding under the Taxable Note retroactive to the date of taxability, and the Authority shall pay to the Bank the difference between the interest actually paid with respect to that Note and the interest that would have been paid had the outstanding amounts accrued interest at a rate equal to 3.0% per annum in excess of the interest rate that had been applicable under the Tax-Exempt Note during such period.

The Authority finds that the fixing of the above interest rate indices is in the best interest of the Authority. Interest on the Taxable 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 Notes 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 Notes. The Executive Director of the Authority shall serve as Note Registrar for the Notes. 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 Notes (the "Note Register"), which shall contain the name and mailing address of the registered owner of the Notes. The Note Registrar is authorized, on behalf of the Authority, to authenticate and deliver the Notes in accordance with the provisions of the Notes and this resolution, to serve as the Authority's paying agent for the Notes and to carry out all of the Note Registrar's powers and duties under this resolution.

The Notes shall be issued only in registered form as to both principal and interest and recorded on the Note Register. The Notes may not be assigned or transferred by the Bank, except that the Bank may assign or transfer the Notes 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 Notes shall be payable in lawful money of the United States of America solely out of the applicable account within Note Fund.

Payment of interest on each interest payment date, and of principal at maturity or prepayments of principal, shall be paid by check or draft of the Authority mailed or by immediately available funds delivered on or before each interest payment date or 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 Notes the registered owner shall surrender the Notes 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 Notes. The Authority reserves the right and option to prepay the Notes, in whole or in part, at any time prior to the Maturity Date at par plus accrued interest to the date of prepayment, subject to the payment of a potential prepayment fee as described in the Proposal Letter. In addition, the Authority shall cause the LLC to repay the Loan from Tax Credit Equity and/or, if required, from proceeds of the State Loan and/or the County Loan, and shall use such Loan repayments to repay the Notes, such prepayments to be made within five days of receipt of such funds, except that such prepayments may be deferred by not more than 30 days to the end of the then current Interest Period to avoid payment of the prepayment fee. The Bank may in its sole discretion waive any prepayment fee. Written notice to the Bank of any intended prepayment or redemption of the Notes shall not be required. Interest on the Notes or the portion thereof so prepaid shall cease to accrue on the date of such prepayment.

Section 7. Note Fund; Security for the Notes. The Note Fund is created as a special fund of the Authority designated the Line of Credit Bridge Note Fund, 2008 (Springwood Apartments Project), consisting of the Tax-Exempt Note Account and the Taxable Note Account. The Note Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the

Notes. The Authority pledges to deposit into the Note Fund, from Loan payments (whether derived from Tax Credit Equity, the State Loan, the County Loan or otherwise), and from its General Revenues, if necessary, amounts sufficient to pay the principal of and interest on the Notes when due. 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, State Loan proceeds, County Loan proceeds and other property as security for the Notes.

The Authority reserves without limitation the right to issue other obligations, the principal of and interest on which are to be paid from the General Revenues on a parity with payments on the Notes, provided that such issuance does not cause an event of default under the Notes. At its option, the Authority may pledge any revenues that comprise a portion of the General Revenues to the payment of other obligations, such payments to have priority over the payments to be made on the Notes with respect to that portion of the General Revenues.

The Notes shall not be a debt of King County, the State of Washington or any political subdivision thereof, and each 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 Notes nor in any event shall principal of and interest on the Notes be payable out of any funds other than the Note Fund of the Authority established herein. The owner of the Notes 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 Notes. The Authority has no taxing power.

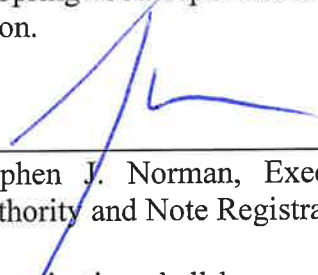
Neither the Authority (except to the extent of the pledge of its General Revenues) nor any of the Commissioners, officers or employees of the Authority shall be personally liable for the payment of the Notes.

Section 8. Form and Execution of Notes. The Notes shall be prepared in forms 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 Notes shall bear a Certificate of Authentication in the following form:

CERTIFICATE OF AUTHENTICATION

This Note is the fully registered Line of Credit Bridge Note, 2008 [Series A (Tax-Exempt)/Series B (Taxable)] (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 Notes ceases to be an officer of the Authority authorized to sign notes before the Notes are authenticated or delivered by the Note Registrar or issued by the Authority, the Notes 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 Notes. The Notes also may be signed on behalf of the Authority by any person who, on the actual date of signing of the Notes, 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 Notes.

Section 9. Preservation of Tax Exemption for Interest on Tax-Exempt Note. The Authority covenants that it will take all actions necessary to prevent interest on the Tax-Exempt Note from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Tax-Exempt Note or other funds of the Authority treated as proceeds of the Tax-Exempt Note at any time during the term of the Tax-Exempt Note which would cause interest on the Tax-Exempt Note to be included in gross income for federal income tax purposes. The Authority also covenants that, to the extent arbitrage rebate requirement of Section 148 of the Code is applicable to the Tax-Exempt Note, it will take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Tax-Exempt Note, including the calculation and payment of any penalties that the Authority has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Tax-Exempt Note from being included in gross income for federal income tax purposes.

Section 10. Proposal Letter Reporting Requirements; Covenants. The Authority covenants and agrees for so long as the Notes remain 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);
- Within 45 days of adoption, the Authority's annual budget; and
- Within 180 days each fiscal year end, the LLC's internally prepared annual report on the operating results of the Project.

The Authority covenants that:

- It will cause the LLC to preserve and maintain the Project;
- It will not sell or dispose of any material portion of the Project, or permit the LLC to sell or dispose of its interest in any material portion of the Project, without the prior written consent of the Bank; and
- It will establish, maintain and collect rents and charges sufficient for payment of (a) all costs of operation and maintenance of the Project, and (b) for payment of all amounts which the Authority is obligated to pay from its General Revenues.

Section 11. Authorization of Documents and Execution Thereof. The Board approves the Loan Agreement, the Regulatory 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 Notes, the Loan Agreement, the Regulatory 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 Notes. The appropriate Authority officials are authorized and directed to do everything necessary for the issuance, execution and delivery of the Notes. The Executive Director of the Authority is authorized and directed to do everything necessary for the issuance, execution and delivery of the Notes and, on behalf of the Authority or the LLC, as applicable, to execute and deliver the Loan Agreement, the Regulatory Agreement, the Deed of Trust and any other documents reasonably required to be executed in connection with the issuance of the Notes, and to ensure the proper use and application of the proceeds of the Notes and to effect any extension of the maturity of the Notes as described in Section 2.

The Notes 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 Notes.

Section 12. Approval of Transaction. The Bank has proposed to purchase the Notes 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 not to exceed \$50,000 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 13. 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 14. 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.

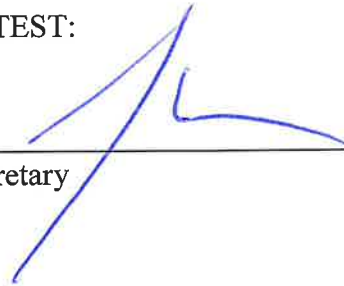
Section 15. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

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:


Secretary

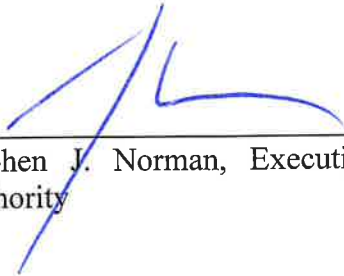
CERTIFICATE

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. 5159 (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

