

HOUSING AUTHORITY OF THE COUNTY OF KING

RESOLUTION NO. 5288

A RESOLUTION providing for the issuance of the Authority's Non-Revolving General Purposes Line of Credit Revenue Note, 2010, in the principal amount of not to exceed \$2,800,000, to finance and/or refinance the acquisition, construction and rehabilitation of housing and related facilities, including but not limited to the Meadows on Lea Hill apartment complex in Auburn, Washington; determining the form, terms and covenants of the note; creating a note redemption fund; and approving the sale and providing for the delivery of the note to U.S. Bank National Association.

Adopted June 16, 2010

This document was prepared by:

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WHEREAS, pursuant to 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 acquired a 90-unit apartment complex in Auburn, Washington, known as Meadows on Lea Hill Apartments ("Meadows on Lea Hill") in 2006; and

WHEREAS, to finance the acquisition and subsequent rehabilitation of Meadows on Lea Hill, the Authority assumed the obligations of the prior owner of Meadows on Lea Hill under loan documents evidencing the loan of proceeds of a tax-exempt bond issued by the Washington State Housing Finance Commission, and made draws on an existing tax-exempt line of credit; and

WHEREAS, the bond issued by the Washington State Housing Finance Commission was scheduled to mature on June 1, 2010, and the Authority made a draw on the Authority's Revolving Line of Credit Revenue Note, 2008 (Wonderland Project) to provide the funds with which to retire said bond; and

WHEREAS, the Board of Commissioners of the Authority has determined that it is necessary and advisable that the Authority borrow money to finance and/or refinance the

acquisition, construction and rehabilitation of housing and related facilities, including Meadows on Lea Hill, all to provide housing for low-income persons within King County, Washington; and

WHEREAS, U.S. Bank National Association (the "Bank") is expected to offer to extend a line of credit evidenced by a non-revolving line of credit note of the Authority, on terms described herein, to provide money for those purposes; 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 U.S. Bank National Association, 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, and applicable rules and regulations promulgated thereunder.

"Draws" means incremental draws upon the Note.

"General Revenues" means the rent, fees and other revenues of the Authority from any source, except those revenues which are prohibited from being used for the purpose of paying the principal of and interest on the Note under the provisions of any law, regulation, contract, covenant, resolution or deed of trust (including restrictions relating to funds available to the Authority under the U.S. Housing Act of 1937).

“Letter of Interest” means the letter of interest to the Authority from the Bank dated May 14, 2010, as it may be amended or supplemented (including by a proposal or commitment letter), describing certain terms and conditions upon which the Bank may offer to purchase the Note.

“Note” means the Authority’s General Purposes Non-Revolver Line of Credit Revenue Note, 2010, authorized by this resolution.

“Note Fund” means the Authority’s General Purposes Non-Revolver Line of Credit Revenue Note Fund, 2010, 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.

“Prime Rate” means the rate of interest designated and published by the Bank as its prime rate, as such prime rate may change from time to time. The Prime Rate is not necessarily the lowest rate charged by the Bank on its loans and is set by the Bank in its sole discretion, and the Bank may make loans based on other rates as well. The Prime Rate will not change more often than once each day, and will change automatically and correspondingly on the date of each announced change in the Prime Rate by the Bank.

“Project” means the acquisition, construction and rehabilitation of housing and related facilities, including but limited to Meadows on Lea Hill, but specifically excluding the making of loans to non-governmental entities or the financing of housing or related facilities to be used in the trade or business of non-governmental entities unless the Authority has received written confirmation from its Bond Counsel to the effect that the use of proceeds of Draws on the

Note for such purpose will not cause interest on Draws on the Note to be included in gross income for federal income tax purposes.

Section 2. Authorization and Description of Note. For the purpose of providing funds with which to finance and/or refinance all or part of the costs of the Project and pay costs of issuing and interest on the Note, 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 Letter of Interest, and shall issue the Note in a principal amount of not to exceed \$2,800,000.

The Note shall be designated the Non-Revolving General Purposes Line of Credit Revenue Note, 2010, of the Authority; shall be issued in registered form; shall be dated as of its date of delivery to the Bank; and shall mature one year from its delivery date, unless extended as hereinafter permitted (as such date may be extended from time to time, the "Maturity Date").

The Authority may make Draws upon the Note in any amount on any business day during the term of the Note for the purposes identified above, subject to the terms of the Letter of Interest. No Draw may exceed the total amount of the costs to be paid from such Draw, and the proceeds of each Draw shall be used immediately to pay those costs, or to reimburse the Authority for such costs paid by the Authority as described in the tax exemption and nonarbitrage certificate executed in connection with the 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 \$2,800,000.

Each Draw shall bear interest at a rate equal to 60% of the Prime Rate, as it may change from time to time. Interest on each Draw shall accrue from the date of that Draw and shall be computed on the principal amount of the Draw outstanding.

Principal of the Note, together with all accrued and unpaid interest thereon, is payable on the Maturity Date.

If the Note is not paid when properly presented at its Maturity Date, the Authority shall be obligated to pay interest on the Note at the rate of interest thereon from and after the Maturity Date until the Note, both principal and interest, is paid in full; provided, however, if the Note remains unpaid ten calendar days after its Maturity Date, the Authority shall thereafter be obligated to pay interest on the Note at the rate per annum equal to 150% of the rate which would otherwise be in effect, until the Note is paid in full.

The Authority finds that the interest rate formula described in the Letter of Interest is in the best interest of the Authority.

The Executive Director is authorized, without further action of the Board but with the consent and approval of the Bank, which may be withheld in its sole discretion, to (A) extend the maturity date of the Note to any date up to and including December 31, 2016, as long as the interest rate formulae applicable to the Note upon extension do not produce rates (calculated using index rates as of the effective date of the extension) more than two percent per annum greater than the previous interest rate formulae for the Note (calculated using index rates as of the date of the most recent Board approval (whether approval of issuance, extension or other modification) of the Note), and except as otherwise authorized by this resolution, all other material terms of the Note and this resolution remain unchanged; (B) increase the principal amount of the Note to an amount not to exceed \$5,000,000; (C) revise the Note to permit principal amounts to be re-drawn (*i.e.* to make the Note “revolving”) up to a maximum amount outstanding at any time of not to exceed \$5,000,000; (D) modify the unused commitment fee; and (E) do everything necessary in connection with one or more such extensions of maturity

and/or modifications of the terms of the Note, including but not limited to execution of any and all documents in connection with such extensions or modifications and payment of reasonable renewal fees, reasonable fees of counsel to the Bank and principal and/or interest payments on the Note as may be required by the Bank.

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

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 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 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 Prepayment of Note. The Authority reserves the right to prepay all or a portion of the principal of the Note without premium or penalty at any time upon three business days' notice to the Bank. 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 and is to be known as the Non-Revolving General Purposes Line of Credit Revenue Note Fund, 2010. 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 revenues derived the Project, from any obligations issued to finance and/or refinance the Project, and from General Revenues, if necessary, and from any other money of the Authority available therefor, amounts sufficient to pay the principal of and interest on the Note when due.

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 Note. At its option, the Authority may pledge any portion of the General Revenues to the payment of other obligations of the Authority, such payments to have priority over the payments to be made on the Note with respect to that portion of the General Revenues so pledged.

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 (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 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 Non-Revolving General Purposes Line of Credit Revenue Note, 2010, of the Authority described in the Note Resolution.



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 notes 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. Preservation of Tax Exemption for Interest. The Authority covenants that it will take all actions necessary to prevent interest on the 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 Note or other funds of the Authority treated as proceeds of the Note at any time during the term of the Note which would cause interest on the Note to be included in gross income for federal income tax purposes. The Authority also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the Note, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the 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 Note from being included in gross income for federal income tax purposes.

Section 10. Designation of the Note as a “Qualified Tax-Exempt Obligation.” The Authority has determined and certifies that (a) the Note is not a “private activity bond” within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the Authority and all entities subordinate to the Authority (including any entity that the Authority controls, which derives its authority to issue tax-exempt obligations from the Authority or that issues tax-exempt obligations on behalf of the Authority) will issue during the calendar year in which the Note is issued will not exceed \$30,000,000; and (c) the amount of tax-exempt obligations, including the Note but excluding qualified 501(c)(3) bonds, designated by the Authority as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Note is issued, does not exceed \$30,000,000. The Authority designates the Note as a “qualified tax-exempt obligation” for the purposes of Section 265(b)(3) of the Code.

Section 11. Authorization of Documents and Execution Thereof. The Authority authorizes and approves the execution and delivery of, and the performance by the Authority of its obligations contained in, the Note 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 to execute the Note 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 or modification of the terms of the Note 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 12. Approval of Transaction. The Bank has offered to purchase the Note at a price of par, under the terms and conditions contained in this resolution and the Letter of Interest, including the payment of (i) a fee to the Bank as described in the Letter of Interest, or such other fee amount as may be agreed to by the Bank and the Executive Director, (ii) the reasonable fees and expenses of the Bank's legal counsel, and any other out-of-pocket costs incurred by the Bank, each payable at closing, and (iii) an unused commitment fee to be paid quarterly in arrears in the amount of 30 basis points (0.30%) per annum calculated on the amount by which the maximum principal amount of the Note exceeds the daily outstanding amount of the Note. The Board finds that the Bank's offer is in the best interest of the Authority and accepts such offer, and covenants that it will comply with all terms and conditions of the Letter of Interest. The Authority covenants that except to the extent that any such requirement is waived by the Bank, the Authority will provide audited annual financial statements of the Authority to the Bank within 330 days of the end of each fiscal year of the Authority.

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 a duly authorized Deputy Executive Director 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.

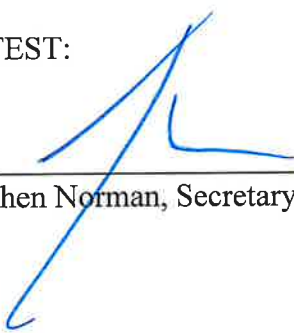
Section 15. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

ADOPTED by the Board of Commissioners of the Housing Authority of the County of King at a regular open special public meeting this 16th day of June, 2010.

HOUSING AUTHORITY OF THE COUNTY OF
KING

By: 
Nancy Holland-Young, Chair

ATTEST:


Stephen Norman, Secretary-Treasurer

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. 5288 (the "Resolution") is a true and correct copy of the resolution of the Board of Commissioners of the Authority, as adopted at a special meeting of the Authority held on the 16th day of June, 2010, 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 16th day of June, 2010.



Stephen Norman
Executive Director

