

YAKIMA VALLEY LIBRARIES

) RESOLUTION
) # 10-016

WHEREAS, the Board of Trustees (the "Board") of Yakima Rural County Library District (doing business as Yakima Valley Libraries) (the "District") has determined that it is in the best interest of the District to issue a limited general obligation bond in the principal amount of \$2,000,000 (the "Bond") to finance improvements to existing library facilities and the development of a new library (the "Project"); and

WHEREAS, the District has received a proposal from KeyBank National Association (the "Bank") to purchase the Bond; and

WHEREAS, the District now desires to issue the Bond for sale to the Bank on the terms approved herein;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF YAKIMA RURAL COUNTY LIBRARY DISTRICT, YAKIMA COUNTY, WASHINGTON, as follows:

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

Bank means KeyBank National Association.

Board of Trustees means the duly constituted Board of Trustees as the general legislative authority of the District.

Bond means the Yakima Rural County Library District, Yakima County, Washington, Limited General Obligation Bond, 2010, issued pursuant to this resolution.

Bond Register means the registration books maintained by the Registrar setting forth the names and addresses of owners of the Bond in compliance with Section 149 of the Code.

Bond Registrar means The Bank of New York Mellon, the fiscal agency of the State of Washington whose duties include registering and authenticating the Bond, maintaining the Bond Register, transferring ownership of the Bond, and paying the principal of the Bond.

Bond Year means each one-year period that ends on the date selected by the District. The first and last Bond Years may be short periods. If no day is selected by the District before the earlier of the final maturity date of the Bond or the date that is five years after the date of issuance of the Bond, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bond.

Code means the federal Internal Revenue Code of 1986 as amended from time to time, and the applicable regulations thereunder.

Designated Representative means the Interim Director of the District and any successor to the functions of such office.

District means Yakima Rural County Library District, Yakima County, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

Maturity Date means December 1, 2016.

Net Proceeds, when used with reference to the Bond, means the principal amount of the Bond, plus accrued interest and original issue premium, if any, and less original issue discount, if any.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, limited liability company, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

Project mean the acquisition, construction and equipping a new regional library and renovation of the downtown Yakima library.

Purchaser means the Bank, or its permitted successors and assigns, as determined by the Designated Representative.

Purchase Offer means the financing proposal of the Bank dated November 22, 2010.

Treasurer means the Yakima County Treasurer, as *ex officio* treasurer of the District, or any successor to the functions of the Treasurer.

Section 2. Authorization of Bond. For the purpose of financing the costs of the Project and paying costs of issuance, the District shall issue a limited general obligation bond in the principal amount of \$2,000,000. The Bond shall be a general obligation of the District and shall be designated “Yakima Rural County Library District, Yakima County, Washington, Limited General Obligation Bond, 2010.” The Bond shall be dated as of the date of its delivery, shall be fully registered as to both principal and interest, shall be issued as a single fully registered bond, shall be numbered in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification, and shall bear interest calculated on the basis of actual number of days over a year of 360 days, payable semi-annually on each June 1 and December 1, commencing June 1, 2011, at the Bank Qualified Tax-Exempt rate approved by the Designated Representative and specified in the Purchase Offer. Principal of the Bond shall be payable in annual installments (mandatory sinking fund redemption) on each December 1, commencing December 1, 2011, to the Maturity Date in the amounts and on the dates set forth below:

Principal Installment Dates (December 1)	Principal Amounts
2011	\$320,000
2012	325,000
2013	330,000
2014	335,000
2015	340,000
2016	350,000

Section 3. Registration and Payments.

(a) **Registrar/Bond Register.** The District hereby requests that the Treasurer adopt the system of registration approved by the Washington State Finance Committee, which utilizes the fiscal agency of the State of Washington in New York, New York, as registrar, authenticating agent,

paying agent and transfer agent (collectively, the “Bond Registrar”). The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Bond (the “Bond Register”), which Bond Register shall be open to inspection by the District. The Bond Registrar is authorized, on behalf of the District, to authenticate and deliver the Bond transferred or exchanged in accordance with the provisions of such Bond and this resolution and to carry out all of the Bond Registrar’s powers and duties under this resolution. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bond.

Principal of and interest on the Bond shall be payable in lawful money of the United States of America. Installments of principal of and interest on the Bond shall be paid by electronic transfer on the date due to the Purchaser; *provided, however*, that upon payment by the District of the final installment of principal and all accrued interest on the Bond, the Purchaser shall present and surrender the Bond at the principal office of the Bond Registrar for cancellation in accordance with law.

Principal of and interest on the Bond shall be payable in lawful money of the United States of America. Installments of principal of and interest on the Bond shall be paid by electronic transfer on the date due to the Purchaser; *provided, however*, the final installment of principal on the Bond shall be payable only upon presentation and surrender of the Bond by the Purchaser at the principal office of the Bond Registrar.

Section 4. Prepayment. The District reserves the right to prepay principal of the Bond in advance of the scheduled payments, in whole, on any banking day, as set forth in the Purchase Offer. Upon such prepayment, the District shall pay to the Purchaser on demand as a prepayment fee any resulting loss or expense incurred by the Purchaser, including without limitation any loss or expense incurred in obtaining, liquidating or reemploying deposits from third parties.

Section 5. Form of Bond. The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. R-1 \$2,000,000

STATE OF WASHINGTON
YAKIMA RURAL COUNTY LIBRARY DISTRICT, YAKIMA COUNTY
LIMITED GENERAL OBLIGATION BOND, 2010

INTEREST RATE: _____ %
 MATURITY DATE: December 1, 2016
 REGISTERED OWNER: KeyBank National Association
 PRINCIPAL AMOUNT: TWO MILLION AND NO/100 DOLLARS

YAKIMA RURAL COUNTY LIBRARY DISTRICT, YAKIMA COUNTY, WASHINGTON (the “District”), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount specified above in the principal installment payments specified below until the Maturity Date specified above, together with interest thereon, at the Interest Rate specified above. Interest shall be calculated on the basis of actual number of days over a year of 360 days, and payable on each June 1 and December 1, commencing June 1, 2011.

Yakima Valley Libraries – Resolution #10-016 LTGO Bond 2010

Principal Installment Dates (December 1)	Principal Amounts
2011	\$320,000
2012	325,000
2013	330,000
2014	335,000
2015	340,000
2016	350,000

Both principal of and interest on this bond are payable in lawful money of the United States of America. Installments of the principal of and interest on this bond shall be paid by check or draft mailed on the date such principal and interest is due or by electronic funds transfer made on the date such interest is due to the registered owner or nominee at the address appearing on the Bond Register. Upon final payment of all installments of principal and interest thereon, this bond shall be submitted to the Bond Registrar for cancellation and surrender.

This bond is issued pursuant to Resolution No. 10-015 of the District (the “Bond Resolution”), to provide funds to finance improvements to existing library facilities and to acquire, construct and equip a new regional library. Capitalized terms appearing on this bond and not otherwise defined herein shall have the meanings given such terms in the Bond Resolution.

The District reserves the right to prepay principal of this bond in advance of the scheduled payments set forth above, in whole, on any banking day upon payment of any prepayment fee as set forth in the Bond Resolution.

This bond may not be sold or transferred by the Registered Owner except to a successor to the business or assets of the Registered Owner.

This bond is not a “private activity bond” as such term is defined in the Internal Revenue Code of 1986, as amended (the “Code”). The District has designated this bond as a “qualified tax-exempt obligation” under Section 265(b) of the Code for investment by financial institutions.

To pay installments of principal of and interest on this bond as the same shall become due, the District hereby irrevocably covenants that it will use money in the District’s General Fund, as necessary, or other funds legally available therefor. This bond does not require approval by a vote of the electors of the District. Accordingly, the District is not obligated to levy taxes to pay principal of and interest on this bond. The full faith, credit and resources of the District are hereby irrevocably pledged for the prompt payment of such principal and interest.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the President of the Board by the Bond Registrar or its duly designated agent.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this bond have happened, been done and performed and that the issuance of this bond does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the District may incur.

IN WITNESS WHEREOF, Yakima County Rural Library District, Yakima County, Washington, has caused this bond to be executed by the manual or facsimile signatures of the President and Secretary of its Board of Trustees as of this _____ day of December, 2010.

YAKIMA RURAL COUNTY LIBRARY
DISTRICT, YAKIMA COUNTY, WASHINGTON

By _____/s/
President, Board of Trustees

ATTEST:

_____/s/
Secretary, Board of Trustees

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____, 2010

This bond is the Limited General Obligation Bond, 2010 of the District dated December __, 2010 described in the within-mentioned Bond Resolution.

WASHINGTON STATE FISCAL AGENCY
as Bond Registrar

By _____
Authorized Signer

Section 6. Execution of Bond. The Bond shall be executed on behalf of the District with the manual or facsimile signatures of the President and Secretary of its Board of Trustees.

The Bond shall not be valid or obligatory for any purpose or entitled to the benefits of this resolution unless the Certificate of Authentication in the form hereinbefore recited, has been manually executed by the Bond Registrar. Such Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this resolution.

In case either of the officers who shall have executed the Bond shall cease to be officer or officers of the District before the Bond so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the District, such Bond may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the District as though those who signed the same had continued to be such officers of the District.

Section 7. Pledge of Funds and Credit; Covenant Regarding Additional Debt. To pay principal of and interest on the Bond as the same shall become due, the District hereby irrevocably covenants that it will use money in the District’s General Fund, as necessary, or other funds legally available therefor. The Bond does not require approval by a vote of the electors of the District. Accordingly, the District is not obligated to levy taxes to pay principal of and interest on the Bond. The full faith, credit and resources of the District are hereby irrevocably pledged for the prompt payment of such principal and interest.

The District hereby covenants not to incur any additional limited general obligation debt or other senior or parity debt in excess of \$250,000 annually, without the prior written consent of the Bank.

Section 8. Tax Covenants; Bank Qualified Designation.

(a) *Arbitrage Covenant.* The District hereby covenants that it will not make any use of the proceeds of sale of the Bond or any other funds of the District that may be deemed to be proceeds of such Bond pursuant to Section 148 of the Code that will cause the Bond to be an “arbitrage bond” within the meaning of said section and said regulations. The District will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bond) and the applicable Regulations thereunder throughout the term of the Bond.

The District further covenants that it will not take any action or permit any action to be taken that would cause the Bond to constitute a “private activity bond” under Section 141 of the Code.

(b) *Private Person Use Limitation for Bond.* The District covenants that for as long as the Bond is outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Bond to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bond in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the District) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The District further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bond is to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bond in a Bond Year are (under the terms of this resolution or any underlying arrangement) directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the District) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the projects financed or refinanced with Bond proceeds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bond used for the state or local governmental use portion of the project to which the Private Person Use of such portion of such projects relates. The District further covenants that it will comply with any limitations on the use of the project by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bond. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bond.

(c) *Designation under Section 265(b)(3).* The District hereby designates the Bond as a “qualified tax-exempt obligation” under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions.

Section 9. Application of Bond Proceeds. The West Valley Library Capital Building Fund (the “Construction Account”) shall be created within the District fund. All proceeds received from the sale of the Bond shall be deposited to the Construction Account and shall be used, together with interest earnings and other moneys on deposit therein and available therefor, for the payment of costs of the Project (including but not limited to costs of issuance of the Bond, including payment of the Bank origination fee of \$2,000 and bank counsel fee of \$1,500). All moneys held in the Construction Account may be invested in any legal investment for the District’s funds.

Section 10. Sale of the Bond. The District hereby ratifies and confirms its acceptance of the Purchase Offer, under the terms and conditions thereof as provided in this resolution. The Designated Representative and other proper District officials are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Bond to the Bank and for the proper application and use of the proceeds of sale thereof. The District shall pay an origination fee

to the Bank and fees of Bank counsel as specified in the Purchase Offer, which shall be payable upon the closing and delivery of the Bond.

Section 11. Exemption from Ongoing Disclosure; Annual Financial Statements. The District is exempt from the ongoing disclosure requirements of Securities and Exchange Commission Rule 15c2-12 by reason of the exemption set forth in subsection (d)(i) of that rule with respect to the issuance of securities in authorized denominations of \$100,000 or more. The District covenants to provide to the Bank a copy of the District's annual audited financial statements within 30 days after the District's receipt of the audit opinion of the Washington State Auditor.

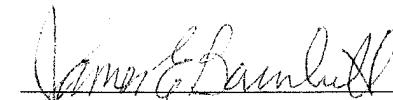
Section 12. Lost, Stolen or Destroyed Bond. In case the Bond shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond of like date and tenor to the owner upon the owner paying the expenses and charges of the District and upon its filing with the Bond Registrar evidence satisfactory to the Bond Registrar that such Bond was actually lost, stolen or destroyed and of its ownership thereof, and upon furnishing the District with indemnity satisfactory to the District.

Section 13. Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the District shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bond.

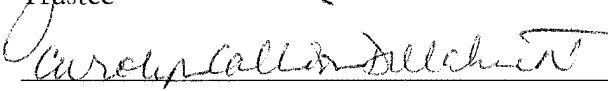
Section 14. Repeal of Resolution No. 10-011. The Board of Trustees hereby repeals Resolution No. 10-011 in its entirety.

Section 15. Effective Date. This resolution shall become effective immediately upon its passage as provided by law.


ADOPTED by the Board of Trustees at a special meeting held this 7th day of December, 2010.



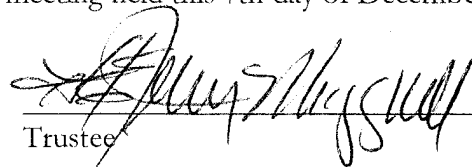
Trustee



Trustee



Trustee



Trustee

Trustee

CERTIFICATE

I, the undersigned, Secretary of the Board of Trustees of Yakima County Rural Library District, Yakima County, Washington, (the "District") and keeper of the records of the Board of Trustees (the "Board"), DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 10-016 of the Board (the "Resolution"), duly passed at a special meeting thereof held on the 7th day of December, 2010.

2. That said 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 legal quorum was present throughout the meeting and a legally sufficient number of members of the Board 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 7th day of December, 2010.


Secretary, Board of Trustees