

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Billings, Montana (the "City"), hereby certify that the attached resolution is a true copy of Resolution No.10-18978, entitled: "RESOLUTION AUTHORIZING A PROJECT UNDER MONTANA CODE ANNOTATED, TITLE 90, CHAPTER 5, PART 1, AS AMENDED, AND THE ISSUANCE AND SALE OF UP TO \$1,790,000 ECONOMIC DEVELOPMENT REVENUE NOTE (COR ENTERPRISES QUALIFIED 501(C)(3) PROJECT), SERIES 2010, TO FINANCE THE SAME; APPROVING THE FORM OF DOCUMENTATION IN CONNECTION THEREWITH; AND AUTHORIZING THE EXECUTION AND DELIVERY OF THE NOTE AND RELATED DOCUMENTATION" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a regular meeting on August 23, 2010, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Ronquillo, Gaghen, Pitman, McFadden, Ruegamer, McCall, Ulledalen, Astle, and Clark; voted against the same: none; abstained from voting thereon: none; or were absent: Cimmino.

WITNESS my hand officially this 23rd day of August, 2010.

Cari Martin

City Clerk



RESOLUTION NO. 10-18978

RESOLUTION AUTHORIZING A PROJECT UNDER MONTANA CODE ANNOTATED, TITLE 90, CHAPTER 5, PART 1, AS AMENDED, AND THE ISSUANCE AND SALE OF UP TO \$1,790,000 ECONOMIC DEVELOPMENT REVENUE NOTE (COR ENTERPRISES QUALIFIED 501(C)(3) PROJECT), SERIES 2010, TO FINANCE THE SAME; APPROVING THE FORM OF DOCUMENTATION IN CONNECTION THEREWITH; AND AUTHORIZING THE EXECUTION AND DELIVERY OF THE NOTE AND RELATED DOCUMENTATION

BE IT RESOLVED by the City Council (the “Council”) of the City of Billings, Montana (the “City”), as follows:

Section 1. Authorization and Recitals.

1.01. General Authority. The City is authorized by Title 90, Chapter 5, Part 1, as amended, Montana Code Annotated (the “Act”), to issue and sell revenue bonds for the purpose of defraying the cost of acquiring or improving any project, defined to include any land, any building or other improvement and any other real or personal properties deemed necessary in connection therein, which shall be suitable for use for commercial, manufacturing, agricultural or industrial enterprises; recreation or tourist facilities; local, state and federal governmental facilities; multifamily housing, hospitals, long-term care facilities or medical facilities; higher education facilities; electric energy generation facilities; family services provider facilities; and any combination of these projects; and to lease such projects, or to loan the proceeds of such bonds, to others upon such terms and conditions as the City may deem advisable. A family services provider means an organization, including a nonprofit corporation, that provides human services for children and adults, including but not limited to early care services for children, youth services, health services, social services, habilitative services, rehabilitative services, preventive care, and supportive services, and training, educational, and referral activities in support of human services.

1.02. Proposed Project and Note. Representatives of Community Option Resource Enterprises, Inc., a Montana nonprofit corporation (the “Borrower”), a nonprofit, social services agency that provides vocational and supported living services to adults with disabilities, have proposed that the City, acting under and pursuant to the Act, issue an Economic Development Revenue Note (COR Enterprises Qualified 501(c)(3) Project), Series 2010, in the maximum principal amount of \$1,790,000 (the “Note”), the proceeds of which will be loaned by the City to the Borrower to finance a portion of the costs of designing and constructing a new facility to be owned by the Borrower for its tax-exempt purpose, such facility to include office space, production areas and treatment areas, as well as related improvements (the “Project”). The Project will be owned and operated by the Borrower and will be located at Lots 6, 7 and 8 of Woodland Commerce Park Subdivision on Lampman Drive in Billings, Montana. First Interstate Bank, a Montana banking corporation (the “Lender”), has agreed to purchase the Note

subject to the terms and conditions set forth in a Commitment Letter (the “Commitment Letter”). Under the proposal, the proceeds of the Note will be loaned to the Borrower pursuant to a Loan Agreement between the City and the Borrower (the “Loan Agreement”), the Borrower will agree to apply the proceeds of the Note to the payment of costs of the Project and to repay the loan at such times and in such amounts to provide for the prompt payment of the principal of and interest on the Note, and the Borrower will be obligated to pay all costs of designing and constructing the Project in excess of the proceeds of the Note available therefor. Pursuant to an Assignment of Loan Agreement (the “Assignment”), the City will assign certain of its interests in the Loan Agreement to the Lender. The actual disbursement of the proceeds of the Note will be governed by a Construction Loan Agreement between the Borrower and Lender, including any amendments thereof or supplements thereto (the “Construction Loan Agreement”). The Borrower’s obligation under the Loan Agreement will be secured by a Combination Trust Indenture, Security Agreement and Fixture Financing Statement among the Borrower, as grantor, the Lender, as beneficiary, and William D. Lamdin III, an attorney licensed to practice law in the State of Montana, as trustee, including any amendments thereof or supplements thereto (the “Trust Indenture”).

The Note is a special, limited obligation of the City payable solely from the payments to be made by the Borrower under the Loan Agreement pledged to the Lender and will not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taking powers.

1.03. Prior Approval and Public Hearing. This Council called a public hearing on the Project and the issuance of up to \$1,790,000 principal amount of Economic Development Revenue Note (COR Enterprises Qualified 501(c)(3) Project), Series 2010, as required by the Act. The hearing was duly noticed and held July 12, 2010, at which time all interested persons were given an opportunity to appear and be heard.

1.04. Documentation. Draft forms of the following documents relating to the Project have been prepared and submitted to this Council, and are hereby directed to be filed with the City Clerk:

- (a) the form of the Note;
- (b) the Loan Agreement;
- (c) the Assignment;
- (d) the Trust Indenture;
- (e) the Construction Loan Agreement; and
- (f) the Employment Preference and Prevailing Wage Agreement to be entered into between the Borrower and the City (the “Employment Agreement”), implementing the requirements of Section 90-5-114 of the Act.

The form of the Note is attached to this Resolution as Exhibit A and hereby incorporated herein and made a part hereof.

1.05. Offer to Purchase. The City and the Borrower have received an offer from the Lender to purchase the Note at a price of \$1,790,000, no interest to accrue thereon to the date of delivery thereof. The Borrower has recommended to this Council that the offer be accepted.

Section 2. Findings.

It is hereby found, determined and declared that:

- (a) the Project comprises real and personal properties contemplated by the Act;
- (b) in authorizing the financing of a portion of the costs of the Project, the City's purpose is to promote the general welfare of the City, to provide employment and educational opportunities for its residents, to encourage energy efficiencies in the new construction of facilities, to aid in economic development and to further the purposes and policies of the Act;
- (c) the financing of the Project, the issuance and sale of the Note, the execution and delivery of the Loan Agreement and the Assignment, and all other acts and things required under the Constitution and laws of the State of Montana to make the Note, the Loan Agreement and the Assignment valid and binding special, limited obligation of the City in accordance with their terms, are authorized by the Act;
- (d) the issuance and sale of the Note and the financing of a portion of the cost of the Project by the City for the benefit of the Borrower is in the public interest of the City and its citizens;
- (e) it is desirable that the Borrower be authorized, subject to the terms and conditions set forth in the Loan Agreement, which terms and conditions the City determines to be necessary, desirable and proper to provide for the construction of the Project by such means as shall be available to the Borrower and in the manner determined by the Borrower, and with or without advertisement for bids as required for the construction and acquisition of municipal facilities, but subject to the requirements of Section 90-5-114 of the Act;
- (f) it is desirable that the Note be issued by the City upon the terms set forth in this Resolution and that certain of the City's interests in the Loan Agreement, including its interest in all loan repayments thereunder, be assigned and pledged to the Lender as security for the payment of principal of, premium, if any, interest on and other amounts payable under the Note by the City;
- (g) the loan repayments and other amounts to be paid by the Borrower under the Loan Agreement are sufficient (1) to pay the total principal of, premium, if any, and interest on the Note as it matures and (2) to pay all other costs and expenses of the City in connection with the Project and the issuance of the Note; and the Loan Agreement also provides that the Borrower is required to pay or cause to be paid all expenses of the operation and maintenance of the Project including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property

arising from the operation thereof, and special assessments levied upon or with respect to the Project site and payable during the term of the Loan Agreement; and

(h) under the provisions of Montana Code Annotated, Sections 90-5-103 and 90-5-104, and as provided in the Loan Agreement and stated on the face of the Note, the Note is a special, limited obligation of the City payable solely from payments to be made by the Borrower under the Loan Agreement pledged to the Lender and does not constitute a pecuniary liability of the City or a charge against its general credit or taxing powers.

Section 3. Authorization and Approval of the Project and Documents. The City is hereby authorized to issue the Note to finance a portion of the cost of the Project and to assign and pledge the Loan Agreement, including the loan repayments thereunder, to the Lender all as provided in the Loan Agreement and the Assignment. The Project and the issuance of the Note to finance a portion of the cost thereof are hereby approved. The forms of the Note, Loan Agreement, Assignment and Employment Agreement referred to in Section 1.04 are approved, subject to such modifications as are deemed appropriate and approved by the Mayor, Financial Services Manager and City Clerk, which approval shall be conclusively evidenced by execution of the Note, Loan Agreement, Assignment and Employment Agreement by the Mayor and Financial Services Manager, with the City Clerk's attestation. The Note, Loan Agreement, Assignment and Employment Agreement are authorized and directed to be executed and delivered in the name and on behalf of the City by the Mayor and Financial Services Manager, with the City Clerk's attestation. Copies of all of the documents shall be delivered, filed and recorded as provided therein.

Section 4. The Note; Terms, Sale and Execution.

4.01. Issuance. In anticipation of the collection of revenues of the Borrower, the City shall proceed forthwith to issue an Economic Development Revenue Note (COR Enterprises Qualified 501(c)(3) Project), Series 2010, in the maximum principal amount of \$1,790,000, in substantially the form attached as Exhibit A, and upon the terms set forth in said form and this Resolution.

4.02. Terms. The Note shall be in the maximum principal amount of \$1,790,000, shall bear interest as set forth in the Note and shall be dated as of its date of delivery to the Lender.

4.03. Prepayment. The principal of the Note shall be subject to prepayment at times and upon the terms and conditions set forth in the Note.

4.04. Registration of Transfer. The City will keep at the office of the Financial Services Manager a Note Register in which, subject to such reasonable regulations as it may prescribe, the City shall provide for the registration of transfers of ownership of the Note, as more fully prescribed in the Note. The Financial Services Manager is hereby appointed Note Registrar for this purpose.

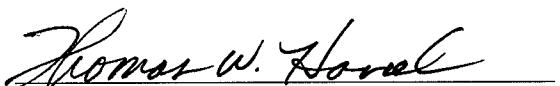
4.05. Sale. The proposal of the Lender to purchase the Note at the price of \$1,790,000 is hereby found and determined to be reasonable and is hereby accepted. The Mayor, Financial Services Manager and City Clerk are hereby authorized and directed to prepare and execute the Note as prescribed herein and in the Note and to deliver it to the Lender, together with a certified

copy of this Resolution, and such other certificates, documents and instruments as may be appropriate to effect the transaction herein contemplated.

4.06. Qualified Tax-Exempt Obligation.

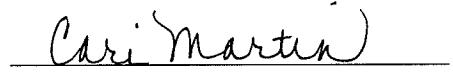
The City hereby acknowledges and approves of the Borrower's designation of the Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(G)(ii) of the Internal Revenue Code of 1986, as amended (the "Code"). The limitation set forth in Section 265(b)(3)(G)(i) of the Code is attributed to the Borrower.

PASSED AND ADOPTED by the City Council of the City on this 23rd day of August, 2010.



Thomas W. Hanel
Thomas W. Hanel, Mayor

Attest:



Cari Martin
Cari Martin, City Clerk

(SEAL)



EXHIBIT A

FORM OF NOTE

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF YELLOWSTONE

CITY OF BILLINGS

Economic Development Revenue Note
(COR Enterprises Qualified 501(c)(3) Project), Series 2010

No. R-1 \$1,790,000

<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
Variable	\$1,790,000	June 1, 2031	September __, 2010

AS SET FORTH MORE PARTICULARLY BELOW, THIS NOTE IS NOT A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY AND IT DOES NOT CONSTITUTE OR GIVE RISE TO PECUNIARY LIABILITY OF THE CITY.

The CITY OF BILLINGS, YELLOWSTONE COUNTY, MONTANA, a municipal corporation and political subdivision organized and existing under the laws of the State of Montana and a home rule charter (the "City"), for value received, hereby promises to pay to First Interstate Bank, a Montana banking corporation (the "Holder"), or registered assigns, at its office in Billings, Montana, or such other place as the Holder may designate in writing, solely from the source and in the manner hereinafter provided, the principal sum of One Million Seven Hundred Ninety Thousand Dollars (\$1,790,000), or such lesser amount as shall be advanced and outstanding hereunder, with interest on the outstanding principal balance at a rate determined as hereinafter provided, subject to the terms and provisions of this Note. Such principal, premium and interest shall be payable in any coin or currency which at the time of payment is legal tender for the payment of public and private debts in the United States of America. This Note is payable in the following amounts and at the following times:

(a) on October 1, 2010 and continuing on the 1st day of each calendar month thereafter prior to but excluding the calendar month containing the Amortization Date (defined below), interest only on the principal amount advanced and outstanding hereunder at the Initial Rate (defined below) shall be due and payable;

(b) on the Amortization Date and continuing on the 1st day of each calendar month thereafter to and including the Maturity Date set forth above, in the amount, determined in the sole discretion of the Lender, necessary to amortize over a term beginning on the Amortization Date and through and including the Maturity Date, in equal monthly installments, the outstanding principal balance of this Note, together with interest hereon to accrue at the annual interest then in effect, shall be due and payable; and

(c) the entire outstanding principal balance and interest, if not sooner paid, shall be paid in full on the Maturity Date.

If a default by Borrower under Section 4.16 of the Loan Agreement has occurred and is continuing, upon 30 days notice from Lender, principal on this Note shall become immediately due and payable in an amount, determined in the sole discretion of the Lender, such that after re-amortization of the outstanding principal balance of this Note, together with interest hereon to accrue at the annual interest rate then in effect, a default under Section 4.16 of the Loan Agreement no longer exists; provided that no such prepayment shall be required if Borrower has adequate reserves on hand, determined in the sole discretion of the Lender; provided, however, that such prepayment shall be required if Borrower has been in default under Section 4.16 of the Loan Agreement for a period of three consecutive years, regardless of the adequacy of reserves on hand. Following any such prepayment, this Note shall be due and payable on the 1st day of the calendar month immediately following the date of such prepayment (the "Re-Amortization Date") and continuing on the 1st day of each calendar month thereafter to and including the Maturity Date set forth above, in the amount, determined in the sole discretion of the Lender, necessary to amortize over a term beginning on the Re-Amortization Date and through and including the Maturity Date, in equal monthly installments, the remaining outstanding principal balance of this Note, together with interest hereon to accrue at the annual interest rate then in effect.

The interest rates set forth in this paragraph are subject to adjustment upon a Determination of Taxability (defined below). The outstanding and unpaid principal balance of this Note bears interest from the Date of Original Issue set forth above to and including May 31, 2016 at the rate of 4.75% per annum (the "Initial Rate"). On June 1, 2016, June 1, 2021 and June 1, 2026 (each such date, a "Rate Adjustment Date"), the annual interest rate shall be adjusted to a rate equal to the sum of (A) 1.31% and (B) the FHLB Five Year Intermediate Term Rate (defined below) in effect on such Rate Adjustment Date. The interest rate adjustment will be calculated by the Lender in its sole discretion and such amount will be rounded to the nearest 0.125%. As of each Rate Adjustment Date the Holder shall determine the interest rate effective on such Rate Adjustment Date and the amount of the monthly installments payable while such interest rate is in effect, and give the City and the Borrower (defined below) written notice of the interest rate and monthly installment so determined, and such interest rate and monthly installment amount shall be conclusive absent manifest error.

Capitalized terms used herein but not otherwise defined shall have the meanings assigned to them in the Loan Agreement. As used herein, the following terms have the following meanings:

"Amortization Date" means June 1, 2011 or such other date as the City, the Borrower and the Lender may agree.

"Borrower" means Community Option Resource Enterprises, Inc., a Montana nonprofit corporation, or any qualified successor or assign under the Loan Agreement.

"Business Day" means any day other than a Saturday or Sunday or other day on which commercial banks in the city in which the principal office of the Lender is located are not open for business.

"Construction Loan Agreement" means the Construction Loan Agreement of even date herewith, between the Borrower and the Lender, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

"Date of Taxability" shall have the meaning ascribed to it in the Loan Agreement.

"Determination of Taxability" shall have the meaning ascribed to it in the Loan Agreement.

“FHLB Five Year Intermediate Term Rate” means the annual rate of interest published by the Federal Home Loan Bank of Seattle, in its money rate tables, as the ‘Intermediate/Long-Term, Fixed-Rate Advance, Bullet: 5 Year’ or if more than one rate is published on any day, the highest of such published rates; provided, however, that if the Federal Home Loan Bank of Seattle ceases publication, Holder and Borrower will designate, in substitution of the Federal Home Loan Bank of Seattle, another publication, consistent with industry standards, as the source for the then prevailing interest rate.

“Loan Agreement” means the Loan Agreement, of even date herewith, between the City and the Borrower, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

“Net Operating Income” shall have the meaning ascribed to it in the Loan Agreement.

“Note” means this Economic Development Revenue Note (COR Enterprises Qualified 501(c)(3) Project), Series 2010, in the maximum aggregate principal amount of \$1,790,000.

“Payment Date” means a date on which a payment of principal or interest or both is due under this Note.

“Tax Exempt Rate” means the Initial Rate as adjusted from and after each Rate Adjustment Date, absent any Determination of Taxability.

In the event that the interest on this Note shall become includable in gross income for purposes of federal income taxation pursuant to a Determination of Taxability, the interest rate specified above shall be increased, from the Date of Taxability, to an annual rate (as adjusted on each Rate Adjustment Date) equal to the sum of (A) ____% and (B) the FHLB Five Year Intermediate Term Rate in effect on such Rate Adjustment Date (such rate, the “Taxable Rate”). The City shall, solely from payments required to be made by the Borrower, (a) immediately upon demand pay to the Holder and to each prior Holder since the Date of Taxability an amount equal to the amount by which the interest accrued at the Taxable Rate from the Date of Taxability to the date of payment exceeds the amount of interest actually accrued hereunder at the Tax-Exempt Rate and paid to the Holder and any such prior Holder during said period, and (b) thereafter pay to the Holder payments of principal and interest on subsequent Payment Dates in amounts computed at the Taxable Rate. Such obligation of the City shall survive the payment in full of the principal amount of this Note.

All payments of principal and interest shall be applied first to interest due on the outstanding principal amount hereof and thereafter in reduction of the principal amount hereof. Interest payments shall be computed on the basis of a 365-day year and the actual number of days elapsed. If any Payment Date is not a Business Day, such payment shall be payable on the next succeeding Business Day.

This Note is subject to prepayment, in whole or in part, at the option of the Borrower on each Payment Date, upon at least 30 days prior written notice to the Holder, such notice specifying all the necessary details of the proposed prepayment. Any partial prepayment shall be applied in inverse order of principal installments payable hereunder and no partial prepayment shall postpone, defer or reduce the amount of monthly installments otherwise payable hereunder. If this Note is prepaid, in whole or in part, from the proceeds of a loan obtained from other than the Lender or its successors that results in such loan being held by a bank or financial institution or lender other than the Lender or its successors, a prepayment premium equal to 103% (expressed as a percentage of the principal amount of this Note so redeemed) shall be due and owing to the Holder, together with the entire principal amount redeemed and interest accrued on the principal amount redeemed to the date fixed for prepayment.

If the Facilities are destroyed or damaged or all or any portion of the Facilities have been taken pursuant to the exercise of the power of eminent domain and the Net Proceeds of any insurance claim or condemnation award are applied by the Holder to the payment of this Note pursuant to the terms of Article Five of the Trust Indenture, such proceeds shall be applied in prepayment of all or a portion of the Loan, as provided in the immediately preceding paragraph, but without prepayment premium.

This Note constitutes an issue in the maximum authorized face amount of \$1,790,000. This Note is issued by the City pursuant to the authority granted by Montana Code Annotated, Title 90, Chapter 5, Part 1, as amended (the "Act"), for the purpose of financing a portion of the costs of designing and constructing a new facility for the purpose of providing vocational and supported living services to adults with disabilities, which shall include office space, production areas and treatment areas, as well as related improvements, to be constructed at Lots 6, 7 and 8 of Woodland Commerce Park Subdivision on Lampman Drive in Billings, Montana to be owned and operated by Borrower and paying costs of associated with the financing of the Project, such funds to be loaned by the City to the Borrower pursuant to the Loan Agreement and advanced pursuant to the Construction Loan Agreement, thereby assisting activities in the public interest and for the public welfare of the City and the State of Montana. This Note is secured by the Trust Indenture. The disbursement of proceeds of this Note is subject to the terms and conditions of the Loan Agreement and the Construction Loan Agreement. All of the agreements, conditions, covenants, provisions, and stipulations contained in the Loan Agreement, Construction Loan Agreement, Trust Indenture and resolutions of the City relating to this Note and the Project are hereby made a part hereof to the same extent and with the same force as of they were set forth fully herein.

This Note shall be registered and shall be transferable upon the books of the City at the office of the Financial Services Manager, City of Billings, Montana, by the Holder hereof in person or by its attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Finance Services Manager, duly executed by the Holder or its duly authorized attorney. Upon such transfer, the Finance Services Manager will note the date of registration and the name and address of the new Holder upon the books of the City and in the registration blank appearing below. Alternatively, the City will, at the request and expense of the Holder, issue a new Note in an aggregate principal amount equal to the unpaid principal balance of this Note, and of like tenor except as to principal amount and the number and amount of the installments payable hereunder, and registered in the name of the Holder or such transferee as may be designated by the Holder. The City may deem and treat the person in whose name this Note is last registered upon the books of the City with such registration also noted on this Note, as the absolute owner hereof, whether or not this Note is overdue, for the purpose of receiving payment of or on account of the principal balance, prepayment price, late charges or interest and for all other purposes, and all such payments so made to the Holder or upon its order shall be valid and effectual to satisfy and discharge the liability upon this Note to the extent of the sum or sums so paid, and the City shall not be affected by any notice to the contrary.

Time is of the essence under this Note. Failure to make any payment under this Note within 10 days after the date on which such payment is due shall constitute an event of default under this Note (an "Event of Default"). An Event of Default shall also include any event of default under the Loan Agreement, Assignment, Trust Indenture or Construction Loan Agreement, or any other event that entitles the Holder to accelerate payment under the Loan Agreement, Trust Indenture or Construction Loan Agreement. Upon the occurrence of an Event of Default, the Holder may at its right and option (subject, however, to such notice as may be required under the Loan Agreement) enforce any right conferred upon Holder under this Note, the Loan Agreement, Assignment, Trust Indenture or Construction Loan Agreement and pursue any other right or remedy allowed by law or equity. Without limitation of the foregoing, upon the occurrence of an Event of Default, the Holder may at its right and option (subject, however, to such notice as may be required under the Loan Agreement) declare immediately due and payable the principal balance of this Note and interest accrued hereon, together with any reasonable

attorneys' fees incurred by the Holder in collecting or enforcing payment hereof, whether suit be brought or not, and all other sums due hereunder or under the Loan Agreement, Assignment, Trust Indenture or Construction Loan Agreement, anything to the contrary herein or therein notwithstanding, and payment hereof and thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Note, the Loan Agreement, Trust Indenture or the Construction Loan Agreement.

If any payment required under this Note is not received by Holder within 10 days after the date on which such payment is due, Borrower shall pay to Holder on demand a late charge in an amount equal to the lesser of (i) five percent (5%) of the overdue payment or (ii) \$100. Borrower and Holder agree that the late charge is intended to reimburse Holder for the additional expense included in processing delinquent payments and not as a penalty. The imposition or collection of a late charge is in addition to and not in lieu of any other rights or remedies Holder may have as a result of late payment.

THIS NOTE IS NOT A GENERAL OBLIGATION OF THE CITY, BUT RATHER A SPECIAL, LIMITED OBLIGATION OF THE CITY AND SHALL NOT BE PAYABLE FROM NOR CHARGED UPON ANY FUNDS OF THE CITY OTHER THAN PAYMENTS TO BE MADE BY THE BORROWER UNDER THE LOAN AGREEMENT PLEDGED TO THE PAYMENT HEREOF, NOR SHALL THE CITY BE SUBJECT TO ANY LIABILITY HEREON. NO HOLDER OF THIS NOTE SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE CITY TO PAY THIS NOTE OR THE INTEREST OR ANY LATE CHARGES HEREON, NOR TO ENFORCE PAYMENT HEREOF AGAINST ANY PROPERTY OF THE CITY EXCEPT PAYMENTS TO BE MADE BY THE BORROWER UNDER THE LOAN AGREEMENT PLEDGED TO THE PAYMENT HEREOF. THIS NOTE SHALL NOT CONSTITUTE A CHARGE, LIEN, OR ENCUMBRANCE, LEGAL OR EQUITABLE, AGAINST THE GENERAL CREDIT OF THE CITY OR UPON ANY PROPERTY OF THE CITY, EXCEPT THE PAYMENTS TO BE MADE BY THE BORROWER UNDER THE LOAN AGREEMENT PLEDGED TO THE PAYMENT HEREOF. THIS NOTE, INCLUDING INTEREST, PREMIUM, IF ANY, AND LATE CHARGES, IF ANY, HEREON IS PAYABLE SOLELY FROM THE PAYMENTS TO BE MADE BY THE BORROWER UNDER THE LOAN AGREEMENT PLEDGED TO THE PAYMENT HEREOF. THIS NOTE SHALL NOT CONSTITUTE A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE STATE OF MONTANA OR ANY OTHER POLITICAL SUBDIVISION SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, INTEREST OR LATE CHARGES ON THIS NOTE OR FOR THE PERFORMANCE OF ANY AGREEMENT OF ANY KIND WHATSOEVER THAT MAY BE UNDERTAKEN BY THE CITY. NEITHER THIS NOTE NOR ANY OF THE AGREEMENTS OR OBLIGATIONS OF THE CITY CONTAINED HEREIN OR IN THE LOAN AGREEMENT OR ASSIGNMENT SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER, NOR TO CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OR BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY. NO FAILURE OF THE CITY OR ANY PARTY TO COMPLY WITH ANY TERM, CONDITION, COVENANT OR AGREEMENT IN THIS NOTE, THE LOAN AGREEMENT OR THE ASSIGNMENT SHALL SUBJECT THE CITY TO LIABILITY FOR ANY CLAIM FOR DAMAGES, COSTS OR OTHER FINANCIAL OR PECUNIARY CHARGE, AND NO EXECUTION ON ANY CLAIM, DEMAND, CAUSE OF ACTION OR JUDGMENT SHALL BE LEVIED UPON OR COLLECTED FROM THE GENERAL CREDIT, GENERAL FUNDS OR TAXING POWERS OF THE CITY.

The Holder shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

It is intended that this Note is made with reference to and shall be construed as a Montana contract and governed by the laws of the State of Montana, without giving effect to the conflicts-of-law principles thereof.

This Note may not be amended, modified or changed nor shall any waiver of any provision hereof be effective, except only by an instrument in writing and signed by the party against whom enforcement of any waiver, amendment, change, modification or discharge is sought. No material modification of the terms and conditions of this Note shall be effective without the written consent of the Lender.

If any term of this Note, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Note shall be valid and enforceable to the fullest extent permitted by law.

The City hereby designates, and acknowledges and approves of the Borrower's designation of, the Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(G)(ii) of the Internal Revenue Code of 1986, as amended (the "Code"). The limitation set forth in Section 265(b)(3)(G)(i) of the Code is attributed to the Borrower.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen, and be performed precedent to or in the issuance of this Note do exist, have happened and have been performed in regular and due time, form and manner as required by law.

IN WITNESS WHEREOF, the City has caused this Note to be duly executed by its duly authorized officers and its official seal affixed all as of the day of September, 2010.

CITY OF BILLINGS, MONTANA

By _____
Mayor

By _____
Financial Services Manager

Attest: _____
City Clerk

(SEAL)

REGISTRATION AND TRANSFER

This Note shall be fully registered as to both principal and interest. No transfer of this Note shall be valid unless and until (1) the registered holder of this Note, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Note, and (2) the Financial Services Manager, as Registrar, has duly noted the transfer on this Note and recorded the transfer on the Registrar's registration books. The City shall be entitled to deem and treat the person in whose name this Note is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of this Note shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge liability upon this Note to the extent of the sum or sums so paid.

REGISTER

The ownership of the unpaid principal balance of this Note and the interest accruing thereon is registered on the books of the City of Billings, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of Financial Services Manager</u>
September __, 2010	First Interstate Bank West Billings Office 2501 Central Avenue Billings, Montana 59107	_____

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The Financial Services Manager of the City, acting as Registrar, has transferred, on the books of the City, on the date last noted below, ownership of the principal amount of and the accrued interest on this Note to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

<u>Date of Transfer</u>	<u>Name of New Registered Holder</u>	<u>Signature of Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

FORM OF ASSIGNMENT

For value received, this Note is hereby transferred and assigned by the undersigned holder, without recourse, to _____ on this _____ day of _____, _____.

By: _____
(Authorized Signature)

For: _____
(Holder)