

DRAFT

**City of Rapid City
Community Express Revolving Line of Credit
May 23, 2006**

1. Summary of Terms

- Borrower:** City of Rapid City, South Dakota
- Rating of Borrower:** AAA by Moody's
- Type of Financing:** Revolving Line of Credit (the "Loan")
- Loan Amount:** \$3,000,000
- Maturity:** Five years from the date of closing
- Tax Status:** Taxable
- Interest Rate:** Variable interest rate based on 3 month LIBOR (as published in *The Wall Street Journal*) + 95 basis points, adjusted quarterly. The initial interest rate will be set when the first draw is made.
- Interest Rate Reset:** Interest rate will be reset quarterly on the first day of each calendar quarter (January 1, April 1, July 1, and October 1).
- Interest Payment:** Quarterly payments of interest to be paid in arrears on the first day of each calendar quarter and calculated on an actual/360 basis.
- Principal Payment:** Principal repayment will be due 30 days from the closing of permanent financing for any project financed with the proceeds of this Loan, in an amount equivalent to the amount borrowed for said project. Any advance not fully repaid after 24 months, will amortize with even quarterly payments over the remaining term of the Loan. Up to 10% of the loan (\$300,000) may be drawn for projects with a longer time horizon and, if specified at time of the draw, not be subject to 24-month principal acceleration. In any event, all outstanding principal, with accrued interest, will be due at Maturity.
- Prepayment:** Prepayment may occur at any time
- Use of Proceeds:** The loan proceeds will be used for housing projects in the City of Rapid City, SD. Uses may include strategic acquisitions, predevelopment expenses, housing-related infrastructure and/or construction financing. Closing costs associated with the credit facility are an eligible use of loan proceeds.
- Security/Recourse:** Recourse limited to non restricted assets. Borrower does **NOT** pledge its general obligation taxing authority to repay the Loan.
- Collateral:** None.

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Draw Period

Expiration: Six months prior to maturity date.

Legal Fees: All legal fees to be paid by the Borrower whether or not the deal closes.

Origination Fee: 100 basis points of the Loan amount, due and payable at closing.

Standby Fee: During the period from closing until the end of the draw period, the Borrower shall pay a standby fee (the "Standby Fee") to Fannie Mae on the "Undrawn Portion" of the Loan, which is an amount equal to the Loan less the outstanding unpaid principal balance of the promissory note evidencing the Loan at the time of calculation. The Standby Fee shall be an amount, per annum, equal to fifteen (15) basis points calculated on the Undrawn Portion, and shall be calculated monthly based on the Undrawn Portion as of the last day of the month, and shall be due and payable by the Borrower quarterly.

Required Due

Diligence

Documentation:

- A. A copy of the ratings memo from Moody's.
- B. A copy of Borrower's audited annual financial statements from each of the last three years.
- C. A copy of the borrower's current year budget.
- D. A copy of Borrower's Charter/organizational documentation.

Required Loan

Documentation:

- A. Loan and Security Agreement
- B. Promissory Note
- C. General Certificate of Borrower
- D. Required Consents
- E. Opinion of Borrower's Counsel
- F. Pending Litigation Report
- G. Collateral Documentation
- H. Request for Advance

Reporting

Requirements:

- A. Audited annual financial statements (within 180 days of fiscal year end).
- B. Annual Budget (on or before first day of each fiscal year).
- C. Project Status Report.

Loan Covenants:

- A. No Fannie Mae Foundation grants, loans or investments may be used by the Borrower to repay or facilitate the repayment of the Credit Facility.
- B. The Borrower will make timely payments of principal and interest.
- C. The Borrower will obey and comply with all laws, ordinances and regulations that may adversely affect its corporate existence or that may be ordered by a court or other governmental body.
- D. The Borrower will pay all of its debt obligations in accordance with the terms set forth in those obligations.

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- E. The Borrower will notify Fannie Mae in writing of any event of default within three days after obtaining knowledge of the event.
- F. Within 30 days of the commencement of a lawsuit that may materially impact the Borrower, the Borrower will notify Fannie Mae in writing of the suit.
- G. The Borrower will provide such information as Fannie Mae may request with reasonable promptness.
- H. The Borrower will maintain proper books and records.
- I. The Borrower shall cooperate with Fannie Mae with respect to any publicity relating to the Loan or projects funded with the Loan.
- J. The Borrower will not further encumber the collateral pledged to Fannie Mae.
- K. The Borrower shall maintain at all times long term issuer credit ratings at least equal to Moody's AAA. If the rating is downgraded by one notch then the interest rate on the Loan shall be increased by 25 basis points. If the credit rating is downgraded by two notches, the Loan shall become due and payable.

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