

City of Billings, Montana
(the "City")

Recovery Zone Facility Bond Application Form

A. Applicant Information

- 1. Applicant name Zootist Hotel, LLC
- 2. Address 19 N. Broadway, Billings, MT 59101
- 3. Phone 406-867-6767
- 4. Email zootist@zootist.com
- 5. Taxpayer I.D. number 26-4269938
- 6. Contact person Leesa W. Gregory

Contact information if different from applicant information above:
555 Zoot Enterprises Lane, Bozeman, MT 59718; 406-556-8886;
leesa.gregory@zootweb.com

- 7. Type of entity Corporation Limited liability company
 Partnership Individual

State of organization Montana

Date of organization February 17, 2009

- 8. Nature of business Hotel and restaurant ownership and management

9. Ownership

<u>Name of each owner</u>	<u>% owned</u>	<u>Address</u>
Michael L. Nelson	10%	19 N. Broadway Billings, MT 59101
Christopher T. Nelson	90%	555 Zoot Enterprises Lane Bozeman, MT 59718

B. Project Information

1. Description of Project :

Zootist Hotel, LLC is in the process of renovating the Northern Hotel in downtown Billings, Montana. Zootist Hospitality, LLC will be the entity that operates the day to day functions of the Northern Hotel. The Northern Hotel will be the principal meeting place of western conferences, district conventions, social gatherings and operate with a service-driven organizational structure. It will have 160 hotel rooms and approximately 10,000 square feet of meeting space, complete with a full-service restaurant, lounge and casual diner. Given its prime downtown location, the Northern Hotel will bring energy and life to downtown Billings, likely sparking more businesses who want to serve the patrons of the hotel. The Northern Hotel plans to hire approximately 100 employees when fully staffed. This brings multiple benefits to Billings, including high paying jobs, tax revenue to the city and state, potential housing needs (and thus stimulus) for employees who relocate, and more money spent in Billings. Additionally, the renovation of the Northern Hotel will generate jobs in the Billings area for the vendors necessary to complete the renovation. Zoot Construction, Inc., is the general contractor for the renovation of the Northern Hotel. To date, it has hired 9 employees. Zootist Hospitality, LLC has 3 full time employees. The Hotel has hired A&E Architects to design the renovation, AD Creative to help with brand name, Mitch Thompson Interiors to decorate the property, a local asbestos abatement company, and purchased material from several local vendors. Additionally, a local law firm has helped with various aspects of the contracts of these vendors. Already, the renovations of the Hotel have created additional jobs, income and tax revenue for Downtown Billings.

2. Components of Project* (check all that apply):

- Acquisition of property
- New construction
- Reconstruction, renovation or improvements

*Refinancing of existing facilities not available under recovery zone facility bond rules

3. Size of facility to be constructed or renovated (sq. ft., number of rooms, floors, etc) 10 floors, 160 guest rooms, more than 10,000 square feet of meeting space, 1 restaurant, 1 café, lobby/gathering area, retail shop

4. Location of Project (incl. street address and legal description) 19 N. Broadway, Billings, MT 59101 Billings Original Townsite 613, S03, T01 S, R26, E, Block 109; LOT 013-018

5. Project commencement date Summer 2009

6. Estimated Project costs:

Land acquisition	\$ 2.45 million
Site development	\$
New construction	\$
Acquisition of building	\$ included in \$2.45 million
Reconstruction/renovation	\$ 15 million
Equipment and machinery	\$ (included in \$15 million)
Furniture and fixtures	\$ 4 million
Professional fees	\$ (included in \$15 million)
Other (specify): FF&E	\$
	\$
	\$
	\$
	\$
Total Project cost	\$21.45 million

7. Proposed amount of Recovery Zone Bond issue \$20 million

8. Does Applicant have a written commitment from the lender to make a loan or to underwrite or purchase bonds? No.

Name of proposed lender or underwriter of bonds and contact person to be determined

9. Public and economic benefit of Project:

Number of expected jobs created during construction 20-30

Level of pay \$15-\$30/hr.

Benefits Sick leave, vacation, insurance

Number of expected long-term jobs created 100

Level of pay \$10-\$50/hr

Benefits sick leave, vacation, insurance, meals during work

Describe the Project's benefits to the city or neighborhood:

Our research indicates that more than 90% of our hotel patrons will come from outside of Montana. In addition, this project will create a significant positive economic impact to the region and state beyond the job creation involved by revitalizing a valuable and important piece of real estate in Downtown Billings.

The Northern Hotel has, for 117 years, occupied one-half block of prime real estate in Downtown Billings, and served as a historic landmark and travelers' oasis until its closing in September of 2007. Since this unceremonious shutdown, propelled by bankruptcy, this once majestic and vital building has sat vacant, attracting blight and creating a widening donut-hole in a Downtown that has been struggling, despite

setbacks, to revitalize. Many community leaders in Billings strongly believe that the success of the Northern Hotel is a prerequisite to the overall success of Downtown Billings, and ultimately, will greatly contribute to the economic vitality of the region and the state. These leaders understand the importance of vibrant urban centers to attracting a skilled workforce to the region, and envision that the Northern Hotel's economic impact will extend far beyond the primary effects of its employment and direct contributions of its guests. Members of the community of the city of Billings are behind our effort.

C. City's Note to Applicant

Upon receipt of a signed application and confirmation with Bond Counsel that the Project described in the Application is eligible for financing under the American Recovery and Reinvestment Act of 2009 as provided in Section 1400U-3 of the Internal Revenue Code of 1986, as amended, (the "Act") and meets the requirements of the City's Resolution NO. 09-18890 Establishing the Criteria for Financing as Recovery Zone Facility Bonds (the "City Resolution"), the City will proceed with the Application by having the City Council adopt a preliminary resolution calling for a public hearing on the Project and the issuance of the Bonds therefore (the "Project Resolution"). The Project Resolution will enable the Applicant to use proceeds of Bonds, when and if issued, to pay costs of the Project incurred after such date. Applicant should be aware that there are provisions of the Internal Revenue Code in addition to the Act that will affect the tax exemption on the proposed Project financing. Applicant should consult with Bond Counsel early and often in the process.

After the public hearing, if the City Commission determines that it the Project is in the public's best interest and satisfies the requirements of the City Resolution, it will adopt a resolution allocating authority for Recovery Zone Facility Bonds, which may be revoked if it appears that the Bond cannot be issued by December 31, 2010.

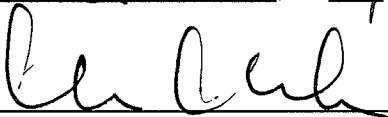
The City makes no representations that the financing provided under the Act would be in the Applicant's best interests.

D. Applicant Certification

I, the undersigned, certify to the City that I am authorized to execute and submit this application on behalf of the Applicant named above (the "Applicant"), and I further certify on behalf of the applicant as follows:

1. The Applicant has sufficient resources to obtain the necessary financing and undertake the Project described above (the "Project") and complete the closing of the Recovery Zone Facility Bond financing by December 31, 2010.
2. The Applicant believes that the Project is eligible for financing under the Act.
3. The Applicant acknowledges that it shall be responsible for all fees of the City and all fees and charges associated with the sale and issuance of the Bonds, as required by the City's Administrative Order No 111, a copy of which is attached to this Application.
4. The City shall not be responsible for, and the Applicant agrees to defend, indemnify and hold the City harmless from any losses or damage, liabilities, claims, settlements costs and expenses arising out of or related (i) to unavailability or loss of tax exempt status in respect of any bonds issued by the City pursuant to allocation of recovery zone facility bonding authority, (ii) the unavailability of financing for the Project, (iii) the creditworthiness of the Applicant, or (iv) any failure to complete the Project.

Signed this 9th day of December, 2009.


Signature

MICHAEL L. NELSON
Name

PRESIDENT
Title