

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of Yellowstone County, Montana (the "County"), hereby certify that the attached resolution is a true copy of Resolution # 12-17, entitled: "RESOLUTION RELATING TO RURAL SPECIAL IMPROVEMENT DISTRICT NO. 803; DECLARING IT TO BE THE INTENTION OF THE BOARD OF COUNTY COMMISSIONERS TO CREATE RURAL SPECIAL IMPROVEMENT DISTRICT NO. 803 FOR THE PURPOSE OF UNDERTAKING CERTAIN LOCAL IMPROVEMENTS AND FINANCING THE COSTS THEREOF AND INCIDENTAL THERETO THROUGH THE ISSUANCE OF RURAL SPECIAL IMPROVEMENT DISTRICT BONDS SECURED BY THE COUNTY'S RURAL SPECIAL IMPROVEMENT DISTRICT REVOLVING FUND AND TO CREATE MAINTENANCE DISTRICT NO. 803M FOR THE PURPOSE OF MAINTAINING THE LOCAL IMPROVEMENTS" (the "Resolution"), on file in the original records of the County in my legal custody; that the Resolution was duly adopted by the Board of County Commissioners of the County at a meeting on April 3, 2012, and that the meeting was duly held by the Board of County Commissioners 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 Commissioners voted in favor thereof: _____
_____ ; voted against the same: _____
_____ ; abstained from voting thereon: _____ ; or were
absent: _____.

WITNESS my hand officially this ____ day of _____, 2012.

Jeff Martin
County Clerk and Recorder

RESOLUTION # 12-17

RESOLUTION RELATING TO RURAL SPECIAL IMPROVEMENT DISTRICT NO. 803; DECLARING IT TO BE THE INTENTION OF THE BOARD OF COUNTY COMMISSIONERS TO CREATE RURAL SPECIAL IMPROVEMENT DISTRICT NO. 803 FOR THE PURPOSE OF UNDERTAKING CERTAIN LOCAL IMPROVEMENTS AND FINANCING THE COSTS THEREOF AND INCIDENTAL THERETO THROUGH THE ISSUANCE OF RURAL SPECIAL IMPROVEMENT DISTRICT BONDS SECURED BY THE COUNTY'S RURAL SPECIAL IMPROVEMENT DISTRICT REVOLVING FUND AND TO CREATE MAINTENANCE DISTRICT NO. 803M FOR THE PURPOSE OF MAINTAINING THE LOCAL IMPROVEMENTS

BE IT RESOLVED by the Board of County Commissioners (the "Board") of Yellowstone County (the "County"), Montana, as follows:

Section 1. Proposed Improvements; Intention To Create Districts. Pursuant to Section 7-12-2102, Montana Code Annotated, and a petition signed by certain owners of the lots, tracts and parcels to be benefited, the County proposes to undertake certain local improvements (the "Improvements") to benefit certain property located in the County. The Improvements consist of designing, engineering, and construction and reconstruction of roadways in and adjacent to the Indian Cliff Subdivision and related improvements, as more particularly described in Section 5. It is the intention of this Board to create and establish in the County under Montana Code Annotated, Title 7, Chapter 12, Part 21, as amended (the "Act"), a rural special improvement district (the "District") for the purpose of financing the costs of the Improvements benefiting the District and paying costs incidental thereto, including costs associated with the sale and the security of rural special improvement district bonds drawn on the District (the "Bonds"), the creation and administration of the District, the funding of a deposit to the County's Rural Special Improvement District Revolving Fund (the "Revolving Fund") and the establishment of a reserve account securing the Bonds in the District fund (the "Reserve Account"). The total estimated costs of the Improvements, including costs incidental thereto, are \$1,717,155.43, which costs are to be paid from rural special improvement district bonds hereinafter described in an estimated total principal amount of \$1,717,155.43 (the "Bonds"). The Bonds are to be payable primarily from special assessments to be levied against property in the District, which property will be specially benefited by the Improvements in an amount not less than \$1,717,155.43. It is also the intention of this Board to create and establish in the County under the Act, a rural special improvement maintenance district (the "Maintenance District") for the purpose of maintaining the Improvements.

Section 2. Number of District. The District, if the same shall be created and established, shall be known and designated as Rural Special Improvement District No. 803 of Yellowstone County, Montana. If the District shall be created and established, simultaneously therewith the Maintenance District shall be created and established and shall be known as Rural Special Improvement Maintenance District No. 803M of Yellowstone County, Montana.

Section 3. Boundaries of District. The limits and boundaries of the District are depicted on a map attached as Exhibit A hereto (which is hereby incorporated herein and made a part hereof) and more particularly described by the legal description of the lots within the District on Exhibit B hereto (which is hereby incorporated herein and made a part hereof), which boundaries are designated and confirmed as the boundaries of the District. A listing of each of the properties in the District and a description thereof is shown on Exhibit B hereto. None of the properties in the District is located within the limits of the City of Billings or other municipality.

Section 4. Benefited Property. The properties included within the District described in Section 3 and as shown on Exhibits A and B are hereby declared to be the properties which will be benefited by the Improvements located therein or serving such properties and will be assessed for the costs of the Improvements and incidental costs as described in Sections 1 and 7. The Board declares that all of the property in the District subject to assessment is benefited by the Improvements, not just the property abutting such Improvements, and the contemplated work of improvement, in the opinion of the Board, is of more than local or ordinary public benefit.

Section 5. General Character of the Improvements. The general character of the Improvements is design, engineering, construction, and reconstruction of roads in or serving the Indian Cliffs Subdivision and adjacent areas, including Apache Trail, GrosVentre Trail, Cheyenne Trail, Arapaho Lookout, Arapaho Trail, Nez Perce Lookout, Piegan Trail, Cherokee Trail, Mescalero Trail, Kiowa Trail, Chippewa Trail, Iroquois Trail, and Pawnee Trail, and related improvements.

Section 6. Engineer and Estimated Cost. DOWL HKM, of Billings, Montana, shall be the Engineer for the District. The Engineer has estimated that the cost of the Improvements, including all incidental costs, is \$1,717,155.43, as shown in Exhibit C.

Section 7. Assessment Methods.

7.1. Equal Assessments. Each lot, tract, or parcel of land in the District will be assessed an equal amount based upon the total cost of the Improvements and costs incidental thereto, which is estimated to be \$1,717,155.43. By dividing this estimated cost equally among all properties in the District, the assessment per lot, tract or parcel is estimated to be \$12,008.08.

If an increase occurs in the number of benefited lots, tracts, or parcels within the boundaries of the District during the term of the Bonds, the Board will recalculate the amount assessable to each lot, tract or parcel. The recalculation will be based on the amount of the District's outstanding principal of and interest on the Bonds for the current fiscal year and the County will spread the assessments across the District based on the number of benefited lots, tracts, or parcels within the boundaries of the District as of the July 1 following the action that resulted in the increase in the number of benefited lots, tracts, or parcels, all as provided in Section 7-12-2151(4), M.C.A. In doing so, the Board will comply with Sections 7-12-2158 through 7-12-2160, M.C.A.

From and after creation of the District the lien of the special assessments to pay or finance the costs of the Improvements and incidental costs is not extinguished or diminished by the combination or consolidation of multiple lots into fewer lots; accordingly, the area consisting

of the combined or consolidated lot or lots will be assessed in an amount equal to the amount it would have been assessed had the combination or consolidation of lots not occurred.

7.2. Assessment Methodology Equitable and Consistent with Benefit. This Board hereby determines that the method of assessment and the assessment of costs of the specific Improvements against the properties benefited thereby as prescribed in this Section 7 are equitable and in proportion to and not exceeding the special benefits derived from the Improvements by the lots, tracts and parcels to be assessed therefor within the District. The assessment methodology described in this Section 7 is the same methodology included in petitions for creation of the District submitted by owners of property within the District.

Section 8. Method of Financing; Payment of Assessments for Repayment of Bonds. The County will issue the Bonds in an aggregate principal amount not to exceed \$1,717,155.43 to finance the costs of the Improvements, including costs incidental thereto. Principal of and interest on the Bonds will be paid from special assessments levied against the property in the District and such payment will be secured, in part, by the Reserve Account. The special assessments for the costs of the Improvements benefiting the District and costs incidental thereto shall be payable over a term not exceeding 20 years, each in equal semiannual installments of principal, plus interest as allowed by law, or equal semiannual payments of principal and interest as allowed by law, as this Board shall prescribe in the resolution authorizing the issuance of the Bonds. Property owners have the right to prepay assessments as provided by law. The estimated total principal amount of special assessments for undertaking the Improvements against each property in the District is estimated to be \$12,008.80. In the event the District is created and the Bonds are issued, the special assessments levied against property in the District will be stated as semiannual installments of principal and interest.

Section 9. Pledge of Revolving Fund; Findings and Determinations. This Board finds it is in the public interest, and in the best interest of the County and the District, to secure payment of principal of and interest on the Bonds by the Revolving Fund and hereby authorizes the County to enter into the undertakings and agreements authorized in Section 7-12-2185, M.C.A., in respect of the Bonds.

In determining to authorize such undertakings and agreements, this Board has taken into consideration the following factors and based on the attached Exhibit B:

(a) Estimated Market Value of Parcels. The estimated market value of the lots, parcels or tracts in the District as of February 8, 2012, as estimated by the Montana Department of Revenue (the "DOR") (the appraiser for property tax purposes), is set forth in Exhibit B hereto. The special assessments to be levied against each lot, parcel or tract in the District, as calculated under Section 7, are less than the increase in estimated market value of the lot, parcel or tract as a result of the construction of the Improvements.

(b) Diversity of Property Ownership. There are 143 assessable lots, tracts and parcels in the District, of which approximately 141 are owned by individuals and 2 are owned by Three Hens LLP. Multiple lot ownership accounts for approximately 12.6% of the District lots, tracts and parcels, with 18 owners owning two lots each. The balance of the lots are in single ownership. There are 36 undeveloped lots in the District. The ownership of the properties

within the District as reflected in the County's property ownership records as of March 2012 is shown on Exhibit B.

(c) Comparison of Special Assessments and Property Taxes and Market Value. Information showing market value information for properties within the District is set forth on Exhibit B. Other than special assessments levied pursuant to RSID #650M, a rural maintenance district, the County is not aware of any special assessments currently levied against properties in the District. The total value of all lots, tracts or parcels in the District as shown on the assessment rolls of the Montana Department of Revenue as of the date of adoption of this resolution is approximately \$36,190,800. The assessed value of the lots ranges from approximately \$197 to \$558,000. Of the 143 lots, tracts and parcels in the District, one has an estimated market value ascribed by the Montana Department of Revenue that is less than the total estimated principal amount of the assessment against each lot, parcel or tract, but only because it is currently assessed as agricultural property.

(d) Delinquencies. Information showing tax delinquency information for properties within the District as of February 8, 2012 is shown in Exhibit B. Four of the 143 lots have tax delinquencies as of February 8, 2012.

(e) The Public Benefit of the Improvements. The Improvements will result in safer and more usable roads within and adjacent to the Indian Cliffs Subdivision in the County and are of benefit to County residents as well as of special benefit to the District.

(f) Reserve Account. The County plans to establish a 3% reserve in the amount of \$51,514.66 in the Reserve Account in the District fund. This reserve will be utilized to fund any debt service deficiencies related to this District before resorting to the Revolving Fund.

(g) Petition. The owners of the majority of the lots, tracts, and parcels in the District have petitioned the County for creation of the District.

Section 10. Maintenance District. If the District is created, it is the intent of this Board to create simultaneously the Maintenance District for the purpose of assessing the costs of maintaining, preserving or repairing the Improvements in accordance with the provisions of Sections 7-12-2161 through 7-12-2163, M.C.A. Maintenance may include but is not limited to chip sealing, snow removal and sanding, minor drainage improvements, and minor repairs needed to preserve road improvements. The boundaries of the Maintenance District shall be coterminous with the District. The engineer's estimate of average annual costs of maintenance of the Improvements is initially estimated to be \$23,725. Maintenance of the Improvements will be assessed on an equal lot basis. Based on 143 lots, the estimated cost and the corresponding annual assessment for maintenance of the Improvements is \$166 per lot, tract or parcel for the first year of maintenance. Each year the County will determine the annual costs for the maintenance of the Improvements and may adjust the annual maintenance assessment in accordance with Section 7-12-2161, M.C.A.

Section 11. Reimbursement Expenditures.

11.1. Regulations. The United States Department of Treasury has promulgated final regulations governing the use of proceeds of tax-exempt bonds, all or a portion of which are to

be used to reimburse the County for project expenditures paid by the County prior to the date of issuance of such bonds. Those regulations (Treasury Regulations, Section 1.150-2) (the “Regulations”) require that the County adopt a statement of official intent to reimburse an original expenditure not later than 60 days after payment of the original expenditure. The Regulations also generally require that the bonds be issued and the reimbursement allocation made from the proceeds of the bonds within 18 months (or three years, if the reimbursement bond issue qualifies for the “small issuer” exception from the arbitrage rebate requirement) after the later of (i) the date the expenditure is paid or (ii) the date the project is placed in service or abandoned, but (unless the issue qualifies for the “small issuer” exception from the arbitrage rebate requirement) in no event more than three years after the date the expenditure is paid. The Regulations generally permit reimbursement of capital expenditures and costs of issuance of the bonds.

11.2. Prior Expenditures. Other than (i) expenditures to be paid or reimbursed from sources other than the Bonds, (ii) expenditures constituting preliminary expenditures within the meaning of Section 1.150-2(f)(2) of the Regulations, or (iii) expenditures in a “de minimus” amount (as defined in Section 1.150-2(f)(1) of the Regulations), no expenditures for the Improvements have been paid by the County before the date 60 days before the date of adoption of this resolution.

11.3. Declaration of Intent. The County reasonably expects to reimburse the expenditures made for costs of the Improvements out of the proceeds of Bonds in an estimated maximum aggregate principal amount of \$1,717,155.43 after the date of payment of all or a portion of the costs of the Improvements. All reimbursed expenditures shall be capital expenditures, a cost of issuance of the Bonds or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Regulations.

11.4. Budgetary Matters. As of the date hereof, there are no County funds reserved, allocated on a long-term basis or otherwise set aside (or reasonably expected to be reserved, allocated on a long-term basis or otherwise set aside) to provide permanent financing for the expenditures related to the Improvements, other than pursuant to the issuance of the Bonds. The statement of intent contained in this resolution, therefore, is determined to be consistent with the County’s budgetary and financial circumstances as they exist or are reasonably foreseeable on the date hereof.

11.5. Reimbursement Allocations. The County Treasurer shall be responsible for making the “reimbursement allocations” described in the Regulations, being generally the transfer of the appropriate amount of proceeds of the Bonds to reimburse the source of temporary financing used by the County to make prior payment of the costs of the Improvements. Each allocation shall be evidenced by an entry on the official books and records of the County maintained for the Bonds or the Improvements and shall specifically identify the actual original expenditure being reimbursed.

Section 12. Public Hearing; Protests. At any time within thirty (30) days from and after the date of the first publication of the notice of the passage and approval of this resolution, any owner of real property within the District subject to assessment and taxation for the cost and expense of making the Improvements may make and file with the County Clerk and

Recorder until 5:00 p.m., M.T., on the expiration date of said 30-day period (May 7, 2012), written protest against the proposed Improvements, or against the extension or creation of the District or both. Such protest must be in writing, identify the property in the District owned by the protestor and be signed by all owners of the property. The protest must be delivered to the County Clerk and Recorder, who shall endorse thereon the date of its receipt by him or her. This Board will, at its next regular meeting after the expiration of the thirty (30) days in which such protests in writing can be made and filed, proceed to hear all such protests so made and filed; which said regular meeting will be held on Tuesday, May 8, 2012 at 9:30 a.m., in the Commissioners' Board Room 403A, at the Yellowstone County Courthouse, 217 North 27th, in Billings, Montana.

Section 13. Notice of Passage of Resolution of Intention. The County Clerk and Recorder is hereby authorized and directed to publish or cause to be published a copy of a notice of the passage of this resolution in the *Billings Outpost*, a newspaper of general circulation in the County, on April 5, 2012 and April 12, 2012, in the form and manner prescribed by law, and to mail or cause to be mailed a copy of said notice to every person, firm, corporation, or the agent of such person, firm, or corporation having real property within the District listed in his or her name upon the last completed assessment roll for state, county, and school district taxes, at his last-known address, on or before the same day such notice is first published. A copy of this resolution, as approved, will be posted to the County website.

Section 14. Dissolution of RSID #650M If District Created. There currently exists a rural special improvement maintenance district designated RSID #650M, the boundaries of which are coterminous with the boundaries of the proposed District. If the District is created, RSID #650M shall be discontinued and dissolved and shall be succeeded by the Maintenance District. If and when the District (and thus the Maintenance District) is created, all assets of RSID #650M, including, without limitation, monies from assessments, shall be assigned and transferred from RSID #650M to the Maintenance District and all liabilities and obligations of RSID #650M shall be assumed by the Maintenance District. If the District is not created, RSID #650M will continue in force and effect.

PASSED AND ADOPTED by the Board of County Commissioners of Yellowstone County, Montana, this 3rd day of April, 2012.

Chair of the Board of County Commissioners

Attest:

County Clerk and Recorder

EXHIBIT A

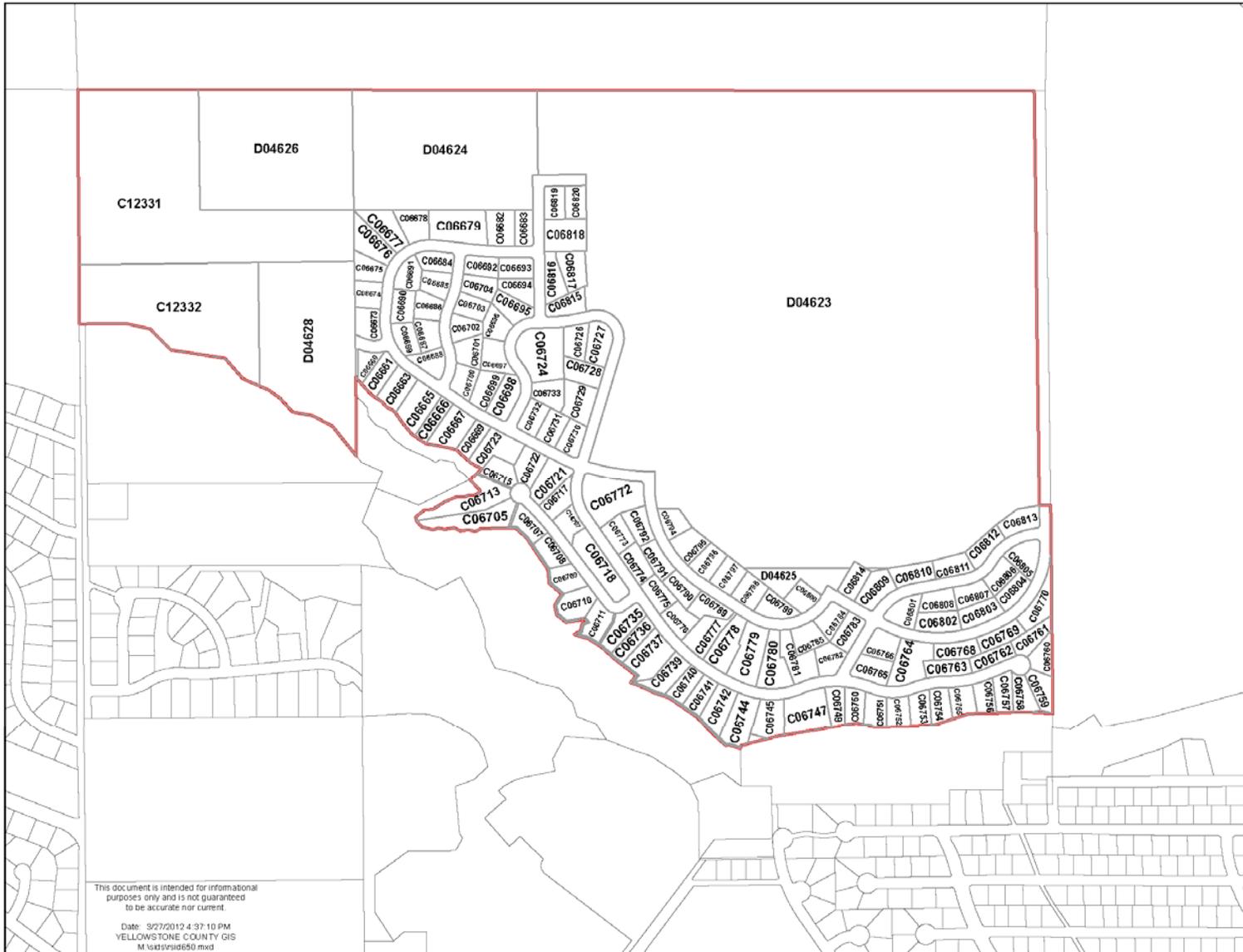


EXHIBIT C

INDIAN CLIFFS - PROPOSED ROAD CONSTRUCTION PROJECT

AS OF MARCH 13, 2012

ESTIMATE OF CONSTRUCTION AND ENGINEERING - including contingency (3/13/12 est.)	\$1,471,261.00
ESTIMATE OF BOND COUNSEL & FINANCIAL ADVISOR	\$20,000.00
COUNTY ADMIN FEE - BASE FEE (EXCLUDES 2% ADMIN FEE BELOW)	\$5,000.00
ESTIMATE OF MISC: OWNERSHIP REPORTS, ADVERTISING, PRINTING, & POSTAGE	<u>\$6,250.00</u>
SUBTOTAL CONSTRUCTION AND ADMINISTRATIVE	\$1,502,511.00
REVOLVING FUND BACKING OF DEBT -	
5% OF BOND ISSUE (MANDATORY- STATE LAW)	\$85,857.77
RESERVE FUND BACKING OF DEBT -	
3% OF BOND ISSUE (Dependent of % of property development within RSID)	\$51,514.66
75% developed - reserve at 3%	
COUNTY ADMINISTRATION - 2% OF BONDED AMOUNT	
2% OF BOND ISSUE	\$34,343.11
UNDERWRITERS ISSUANCE COSTS	
2.5% OF BOND ISSUE	\$42,928.89
SUBTOTAL BOND COSTS	\$214,644.43
TOTAL R.S.I.D. BOND COST	\$1,717,155.43
ESTIMATED NUMBER OF PROPERTIES (PER TAX CODES)	143
TOTAL ESTIMATED COST PER ASSESSMENT UNIT (EQUAL BASIS)	\$12,008.08