

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Lockwood Area/Yellowstone County Water and Sewer District, Montana (the "District"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION OF THE LOCKWOOD AREA/YELLOWSTONE COUNTY WATER AND SEWER DISTRICT RELATING TO ITS PHASE III SEWER SUBDISTRICT; APPROVING LEVIES OF SPECIAL ASSESSMENTS WITHIN THE PHASE III SEWER SUBDISTRICT FOR THE PURPOSE OF REPAYING SPECIAL ASSESSMENT BONDS THAT WILL BE ISSUED TO FINANCE A PORTION OF THE COST OF CERTAIN LOCAL IMPROVEMENTS CONSISTING OF EXTENDING A SEWER COLLECTION SYSTEM TO SERVE THE PHASE III SEWER SUBDISTRICT" (the "Resolution"), on file in the original records of the District in my legal custody; that the Resolution was duly adopted by the Board of Directors of the District at a meeting on July 13, 2022, and that the meeting was duly held by the Board of Directors 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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, the following Directors voted in favor thereof: CARL PETERS, MERRILL WALKER, CARLOTTA HECKER, STU DEANS AND SCOT BOWEN; voted against the same: NONE; abstained from voting thereon: NONE; or were absent NONE.

WITNESS my hand officially this 13TH day of July, 2022.

Carlotta Hecker
Secretary



RESOLUTION NO. 176

RESOLUTION OF THE LOCKWOOD AREA/YELLOWSTONE COUNTY WATER AND SEWER DISTRICT RELATING TO ITS PHASE III SEWER SUBDISTRICT; APPROVING LEVIES OF SPECIAL ASSESSMENTS WITHIN THE PHASE III SEWER SUBDISTRICT FOR THE PURPOSE OF REPAYING SPECIAL ASSESSMENT BONDS THAT WILL BE ISSUED TO FINANCE A PORTION OF THE COST OF CERTAIN LOCAL IMPROVEMENTS CONSISTING OF EXTENDING A SEWER COLLECTION SYSTEM TO SERVE THE PHASE III SEWER SUBDISTRICT

WHEREAS, the Lockwood Area/Yellowstone County Water and Sewer District, Montana (the "District") is a county water and sewer district, validly organized pursuant to Title 7, Chapter 13, Parts 22 and 23, Montana Code Annotated (the "Act"); and

WHEREAS, the District was incorporated on January 23, 1997 and is located within the boundaries of Yellowstone County, a political subdivision of the State of Montana; and

WHEREAS, pursuant to Resolution No. 171, adopted by the Board of Directors of the District (the "Board") on April 13, 2022, the District, following a public hearing, created the Phase III Sewer Subdistrict; and

WHEREAS, the District proposes to undertake additional improvements to the sewer system consisting of expanding the sewer collection system by installing gravity sewer mains, manholes, service line stubouts, lift stations, and other appurtenances (the "Phase III Sewer Improvements"); and

WHEREAS, the total estimated cost of the Phase III Sewer Improvements, including associated costs of financing, is approximately \$26,082,400 and costs in excess of the Bonds will be paid from a Montana Coal Endowment Program grant in the amount of \$750,000, and a DNRC Renewable Resource grant in the amount of \$125,000; and

WHEREAS, the District has also received notification of an award of an ARPA competitive grant in the amount of \$2,000,000, which it intends to use to offset costs of the Phase III Sewer Improvements and related costs and to hold in reserve for budgeting purposes in the event that the actual cost of the Phase III Sewer Improvements exceeds the estimated cost of such improvements; and

WHEREAS, the District proposes to issue special assessment bonds in one or more series and to one or more purchasers in an aggregate principal amount not to exceed \$25,207,400 (collectively, the "Bonds") to pay a portion of the costs of the Phase III Sewer Improvements; and

WHEREAS, it will be necessary for the District to collect sufficient revenues to repay the Bonds; and

WHEREAS, the Board has determined that it is in the best interest of the District and owners of property in the Phase III Sewer Subdistrict and the users of the System to pay the

capital costs of the Phase III Sewer Improvements through a special assessment to be levied against each tax code or property in the Phase III Sewer Subdistrict to be benefitted by the Phase III Sewer Improvements; and

WHEREAS, pursuant to Section 7-13-2333, M.C.A. and as provided in Sections 7-13-2280 through 7-13-2290, M.C.A., the District is authorized to levy special assessments against property located in the Phase III Sewer Subdistrict and benefitted by the Phase III Sewer Improvements and pledge the collections of the special assessments with any other revenue of the District to the payment of its special assessment bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the District as follows:

Section 1. Passage of Resolution of Intention. This Board, on May 11, 2022, adopted Resolution No. 172 (the "Resolution of Intention"), pursuant to which this Board declared its intention to undertake certain local improvements consisting of extending a sewer collection system to serve the Phase III Subdistrict and to undertake to authorize special assessments to finance a portion of the cost thereof and incidental thereto through the issuance of special assessment bonds.

Section 2. Notice and Public Hearing. Notice of passage of the Resolution of Intention was duly published and mailed in all respects in accordance with law, and on July 13, 2022, this Board conducted a public hearing on the on the special assessments. At the hearing, this Board heard and passed on all protests made during the period ended 30 days after the first date of publication of the notice of passage of the Resolution of Intention (the "Protest Period"). The meeting of this Board at which this resolution is adopted is the first regular meeting of the Board following the expiration of the Protest Period.

Section 3. Protests. Within the Protest Period, 42 protests were filed. This Board has considered the protests submitted to the proposed assessments and other comments made at the public hearing. This Board hereby determines that the assessment of costs of the Phase III Sewer Improvements against the properties benefitted thereby as prescribed by the Resolution of Intention is equitable and in proportion to and does not exceed the special benefits derived from the Phase III Sewer Improvements by each tax code in the Phase III Sewer Subdistrict to be assessed therefor within the District, and the special assessments to be levied by this Resolution are in accordance with the assessment method and do not exceed the amounts prescribed by the Resolution of Intention. The protests are found to be less than 50% of the costs of the Phase III Sewer Improvements to be financed with the Bonds and therefore insufficient to defeat the proposed method of assessment described in the Resolution of Intention. The Board finds that under Section 7-13-2282, M.C.A., it is authorized to proceed with the assessment methodology and the assessments as described in the Resolution of Intention and this Resolution to pay the Bonds.

Section 4. Capital Costs; Assessments.

4.01. Estimated Costs of Capital Improvements. The total cost of the Phase III Sewer Improvements is estimated to be approximately \$26,082,400. Costs of Phase III Sewer

Improvements to be assessed against the properties in the Phase III Sewer Subdistrict benefited by the Phase III Sewer Improvements, including all incidental costs to be assessed against properties in the Phase III Sewer Subdistrict benefited by the Phase III Sewer Improvements, are estimated not to exceed \$25,207,400.

4.02. Property to be Assessed. All property capable of being served by the Phase III Sewer Improvements within the boundaries of the Phase III Sewer Subdistrict will benefit from the Phase III Sewer Improvements and will be assessed for the Phase III Sewer Improvements. Exhibit A hereto (which is hereby incorporated herein and made a part hereof) contains a description of each tax code or property in the Phase III Sewer Subdistrict to be assessed and the name and address of the owner of such tax code, if known. The term "tax code" as used in this resolution means the lot, tract, or parcel of real property that bears or is designated by a particular Tax ID number, as shown on the attached Exhibit A. The estimated total principal amount of the assessment against each tax code or property and the day when semi-annual payments of principal of and interest on the assessment becomes delinquent are also provided or described in Exhibit A.

4.03. Assessment Methodology. Each tax code or property in the Phase III Sewer Subdistrict will be assessed an equal amount based upon the total cost of the Phase III Sewer Improvements and costs incidental thereto to be financed by the Bonds, which is estimated to be \$25,207,400. By spreading the amount equally among all tax codes or properties in the Phase III Sewer Subdistrict, the total principal amount of the assessment per tax code or property in the Phase III Sewer Subdistrict is estimated to be \$32,276.

If an increase occurs in the number of tax codes within the boundaries of the Phase III Sewer Subdistrict during the term of the Bonds, the Board will recalculate the amount assessable to each tax code or property. The recalculation will be based on the amount of the outstanding principal of and interest on the Bonds for the fiscal year and the District will spread the assessments across the Phase III Sewer Subdistrict based on the number of benefited tax codes within the boundaries of the District as of the July 1 following the action that resulted in the increase in the number of tax codes or properties.

The lien of the special assessments to pay or finance the costs of the Phase III Sewer Improvements and incidental costs is not extinguished or diminished by the combination or consolidation of multiple tax codes or properties into fewer tax codes or properties; accordingly, the area consisting of the combined or consolidated tax codes or properties will be assessed in an amount equal to the amount it would have been assessed had the combination or consolidation of tax codes or properties not occurred.

4.04. Assessment Methodology Equitable and Consistent with Benefit. Pursuant to the Resolution of Intention, which constituted the preliminary resolution setting forth its intention to levy special assessments within the District, this Board determined to levy special assessments to pay the costs of the Phase III Sewer Improvements on the basis or bases therein provided as authorized by the Act.

Section 5. Levy of Assessments. The special assessments for the costs of the Phase III Sewer Improvements shall be levied and assessed against each tax code in the Phase III Sewer

Subdistrict in accordance with the method of assessments referred to in Section 4.03. Such assessments shall be payable over a term not exceeding 40 years, each in equal semiannual installments of principal, plus interest, or substantially equal semiannual payments of principal and interest, 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. Assessments collected in excess of amounts then owing on the Bonds will be applied to prepay the Bonds.

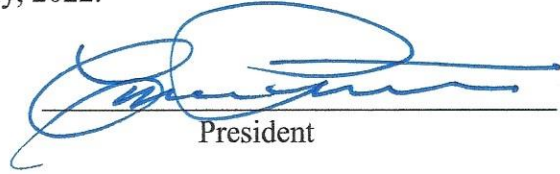
Exhibit A to this Resolution (which is hereby incorporated herein and made a part hereof) contains a description of each tax code in the Phase III Sewer Subdistrict to be assessed and the name of the owner of such tax code, if known, the amount of each partial payment of the special assessment, and the day when each such partial payment shall become delinquent (the "Assessment Roll").

Section 6. Certification of Assessments. A copy of this resolution, including Exhibit A hereto, certified by the Secretary shall be delivered to the County Clerk and Recorder within two days after the adoption hereof and no later than July 15, 2022.

Section 7. Further Actions. Officers of the District and the County are further authorized and directed to take all actions as may be required by law to assure that the special assessments levied by this resolution are duly certified, assessed and collected in accordance with law.

Section 8. Timing of Initial Special Assessments; Subsequent Resolution. Passage of this resolution is necessary for the District to commence work on the Phase III Sewer Improvements in earnest. In the absence of the authority to levy special assessments, the funding agencies or other financial institutions that will purchase the Bonds lack the assurances they need to commit to provide financing. With the authority to levy special assessments resulting from the District's special assessment proceedings, the District can instruct its engineer to perform complete design services for the Phase III Sewer Improvements and to prepare bid packages for the construction of the Phase III Sewer Improvements, which design work will take several months. Construction of the Phase III Sewer Improvements will take more than one year and could take more than two years. In addition, because of the requirements of funding agencies, interim financing in the form of one or more series of bond anticipation notes is expected to be required. Because one or more series of the Bonds may not be issued until substantial completion of the Phase III Sewer Improvements, the initial levy of the special assessments authorized hereby might not be made on the tax rolls for approximately three or four years from the date hereof, recognizing that the precise timing of the initial levy of special assessments cannot be known at this time. By this Resolution, the Board is authorized to levy the special assessments as and when needed to pay debt service on the Bonds in accordance with this Resolution; provided, however, the actual levy of assessments to pay debt service on the Bonds will be made pursuant to a subsequent resolution or resolutions when the form, amounts, and details of the Bonds are known, at which time the amounts of the assessments, including, without limitation, the interest rate thereon, will be fixed and caused to be placed on property tax statements.

ADOPTED by the Board of Directors of the Lockwood Area/Yellowstone County Water and Sewer District, Montana, this 13th day of July, 2022.



President

Attest:



Secretary

EXHIBIT A

FINAL ASSESSMENT ROLL AND AMOUNTS OF PAYMENTS

Special assessments are due semiannually in each November and May during the term of the Bonds. Assessments are considered delinquent if not paid before each November 30 and May 31 throughout the term of the Bonds.

Dollar amounts shown on the following table are total principal amounts of special assessments and exclude interest on the principal amount of the assessments. Special assessments will be spread in semiannual installments of principal and interest over a term of up to 40 years. The interest rate on the principal amount special assessments is expected to be 50 basis points (0.50%) above the average annual interest rate on each series of special assessment bonds.