

DEVELOPMENT SERVICES CENTER

Growth Management Department

City of Rapid City

300 Sixth Street, Rapid City, SD 57701-2724

Phone: (605) 394-4120

Fax: (605) 394-6636

Web: www.rcgov.com

**APPLICATION FOR
TAX INCREMENT
FINANCING**

LEGAL DESCRIPTION

Legal Description *(Attached additional sheets as necessary)*

Lots 1-17 of Block 1 & Lots 1R-7 of Block 2 of The Villaggio at Golden Eagle

Location The Villaggio at Golden Eagle

Size of Site-Acres 12.13 acres

APPLICANT

Name Villaggio LLC Phone 348-0542

Address 3006 W. St. Louis Fax 348-1250

City, State, Zip Rapid City SD 57702

PROJECT PLANNER - AGENT

Name Spetch Consulting Phone 721-4040

Address _____ Fax _____

City, State, Zip RAPID CITY SD 57702

[Handwritten Signature]

10-28-09

RECEIVED

| | | | |
|--------------------------|------|--------------------------|------|
| Property Owner Signature | Date | Property Owner Signature | Date |
| | | | |

NOV 25 2009

| | | | |
|---|------|---|------|
| Applicant Signature <i>(if difference from Property Owner)</i> | Date | Applicant Signature <i>(if difference from Property Owner)</i> | Date |
| Print Name: <u>Member</u> | | Print Name: <u>Rapid City Growth Management Department</u> | |
| Title* <u>Jennifer Landguth</u> | | Title* | |

*required for Corporations, Partnerships, Etc.

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An application for the use of Tax Increment Financing must include the following information or the project will not be processed. **Attachments may be provided in order to fully provide the following information.**

| APPLICATION INFORMATION <i>(attach additional sheets as necessary)</i> | Submitted |
|--|-------------------------------------|
| 1. A detailed project description. | <input checked="" type="checkbox"/> |
| 2. Purpose of the Tax Increment Financing. | <input checked="" type="checkbox"/> |
| 3. List of project costs to be funded by the Tax Increment Financing including identification of typical developer costs, exceptional costs and oversizing costs. The applicant shall provide written justification when the sum of the Necessary and Convenient Costs and Contingency Cost line items exceed 10% of the total Project Costs. The proposed project costs shall include an itemized list of all Estimated Costs, including the Professional Fees. | <input checked="" type="checkbox"/> |
| 4. A preliminary development financing plan, including sources of funds, identification of lender, interest rates, financing costs and loan terms. | <input checked="" type="checkbox"/> |
| 5. The applicant shall identify all persons and entities that have an interest in the project and/or in the entity applying for the tax increment financing district. The disclosures shall require identification of all members of an LLC or LLP, other partners, investors, shareholders and directors of a corporation or any other person who has a financial interest in the project or in the entity applying for the tax increment financing. This provision requires identification of all persons who have an interest in the project, including those whose interest exists through, an LLC, LLP, corporation (whether as a director or shareholder) or other legal entity. The applicant shall be under a continuing obligation to update this disclosure within thirty (30) days of any changes throughout the application process and throughout the | <input checked="" type="checkbox"/> |

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| | |
|---|-------------------------------------|
| life of the developer's agreement. If the applicant is a publicly traded company, the applicant shall be deemed to have complied with this provision if it has provided the City a copy of its most recent annual report with the application. | |
| 6. A pro forma indicating projected costs and revenues. | <input checked="" type="checkbox"/> |
| 7. A statement and demonstration that the project would not proceed without the use of Tax Increment Financing. | <input checked="" type="checkbox"/> |
| 8. A statement identifying the specific Statutory, Other Local and Discretionary evaluation criteria that the applicant believes the request meets. <i>(Please refer to the Tax Increment Financing Guide for specific evaluation criteria).</i> | <input checked="" type="checkbox"/> |
| 9. Conceptual plans, sketches, maps or site plans for the project. | <input checked="" type="checkbox"/> |
| 10. A development time schedule including specific phasing of improvements and project costs. | <input checked="" type="checkbox"/> |
| 11. A list of the specific public improvements and a list of the specific private improvements proposed to be constructed along with the project. | <input checked="" type="checkbox"/> |
| 12. Corporation, LLC, partnership papers or other business documents identifying the parties with ownership interest in the corporation and property involved in the project, including land ownership, contract for deed or other contractual information relating to control of the property and the applicant's ability to complete the project. | <input checked="" type="checkbox"/> |
| 13. A financial statement of the corporation, partnership, or individual for the most recent five years or life of the company. | <input checked="" type="checkbox"/> |
| 14. A copy of the proposed wage scale, employee benefits package, and full and part time employment levels or, in the case of an affordable housing project, a copy of the applicable federal housing grant program. | <input checked="" type="checkbox"/> |
| 15. The applicant shall notify by certified, return receipt mail every owner of property contained within the proposed boundaries of a tax increment district and shall notify by first class mail every owner of property that is adjacent to the proposed boundaries of the tax increment district. The notification shall contain the proposed boundaries as well as a description of the proposed improvements. The Growth Management Department shall provide the applicant with a list of property owners to be notified. The return receipts shall be directed to the Growth Management Department. The applicant shall pay a fee of \$20.00 per list for the cost of compiling the two property owners lists. | <input checked="" type="checkbox"/> |
| 16. A \$1,000 non-refundable application fee. | <input checked="" type="checkbox"/> |
| 17. Other information that may be required by the Tax Increment Finance Project Review Committee. | <input checked="" type="checkbox"/> |

Tax Incremental Financing Reallocation Request

**Prepared by
VILLAGGIO, LLC**

**For
City Infrastructure Improvements on
Vineyard Lane and Golden Eagle Drive
And The Villaggio at Golden Eagle
And Catron Blvd**

CONFIDENTIAL

November 2009

November 23, 2009

Dear TIF Committee members,

We, Villaggio LLC the developers and property owners of The Villaggio, are coming before you to ask for a reallocation of costs for Tax Increment District #61 only as they pertain to the work that was required to be done by Signature Development LLC for TID #61. The project has been purchased and assumed by the Villaggio, LLC. The principals of Signature Development LLC are the same principals as the Villaggio LLC. We are asking for this reallocation of costs base on actual project costs for work that has been installed, paid for and is now operational.

This TIF directly benefited the City of Rapid City as the funding allowed for a sewer line to extend East on Catron Blvd. The line will continue to be built to the East to provide a loop for the southeast side of Rapid City.

The need for reallocation is largely due to additional requirements by the City of Rapid City for controls on the lift station and other technical requirements and the extraordinarily long time it took to get the controls, have them installed by the contractor and then the City trained on the system and then to accept the system. Other costs were shifted according to actual costs incurred.

Per your request please find the following documents.

1. A detailed Project Description – see attachment #1 and #2

This was originally submitted and approved. Please find attached the original approved request as well as the Project Plan prepared by The City of Rapid City. Attachment #1 is the Tax Incremental Financing Request Prepared August 2006. Attachment #2 is the Project Plan as prepared by The City of Rapid City.

The original request is stated as follows:

Tax Increment Financing for Vineyard Lane and Golden Eagle Drive adjacent to The Villaggio at Golden Eagle is intended to provide funds so that Signature Development LLC can pay for and install sewer which will extend from The Villaggio to Catron Boulevard, storm sewers, natural gas & power, installation, paving, curb and gutters of Vineyard Lane and Golden Eagle Drive, the relocation of an existing fire hydrant and sidewalks on both sides of the roads. The entrance from Catron Boulevard to Vineyard Lane will be realigned on property owned by the City of Rapid City. Both roads will be brought to current City standards and dust will be eliminated.

All of the work to be done is outside the boundaries of The Villaggio development.

We are not asking for any funding for work to be done within The Villaggio. Signature Development LLC is installing a dry sewer system in The Villaggio. The Villaggio was approved with septic systems, as sewer is not available within 500 feet of the property

Without the TIF, we will not install sewer or sidewalks along Golden Eagle Drive and Vineyard Lane. If the TIF is approved, this area will be ready for connection as well as adjacent areas that will be developing when the sewer trunk line is extended East on Catron Boulevard, toward Vineyard Lane.

Neither of the current property owners, The City nor The Police Officer's Association has the incentive to install these improvements at this time and may not have the financial resources. Once again, infrastructure in The Villaggio proper is NOT included in this TIF request.

Regardless of whether the TIF is approved, Signature Development must install and pave Vineyard Lane and Golden Eagle Drive from Villaggio Lane to Vineyard Lane as well as move the hydrant, grade the road and provide for the storm sewers. We will pay these costs with or without the TIF.

The total lineal feet of street to be installed is estimated at 1159 lineal feet, 2693 lineal feet of curb and gutter.

The off site sidewalks to be installed will be approximately 2155 lineal feet and located on the both sides of the roads.

The Villaggio was initially approved for septic system usage. Only later after meetings with Growth Management did the idea surface to explore using a TIF to extend sewer service from where it terminated at Sheridan Lake Road and Catron Blvd. In August of 2006, we agreed to put together the Tax Incremental Financing Request. We were the first to go through the new formatting procedure. Exhibit #1.

It was during a meeting with the TIF committee and City Staff that the issue of extending the sewer main was mentioned and in what I remember as a whirlwind, we, as the developer agreed to enter into a TIF agreement not only for the work to be done on the

police officers property but also extending the sewer lines and contributing to the trunk line. After the meeting and subsequent approval by the City Council, we, as the developer were now responsible for financially backing a much more extensive and expensive TIF that has allowed for the extension of City sewer through the police officers property, the elimination of septic systems in a new subdivision and a connection onto Catron Boulevard that has allowed for a sewer trunk line that will extend east on Catron Boulevard and provide a loop to the eastern edge of Rapid City

- 2. Purpose of the Tax Increment Financing** – The purpose of the Tax Increment Financing was to provide for Sewer and sidewalks along Golden Eagle Drive and Vineyard Lane on property owned by the Police Officer’s Association which would connect to Catron Boulevard and to provide sewer along Catron Blvd. The TIF allowed for a sewer trunk line that will extend east on Catron Boulevard and provide a loop to the eastern edge of Rapid City. The Villaggio was approved for septic system usage originally
- 3. List of project costs to be funded by the Tax Increment Financing including identification of typical developer costs, exceptional costs and over sizing costs** - Please see the items below. Included you will find the existing effective “Developer I Funded Project Reallocation Costs”, as well as the proposed reallocation of costs and the amount of overage or under runs. We are not asking for any additional funds only a reallocation based on actual.

PROJECT PLAN

#3

TAX INCREMENT DISTRICT #61

VILLAGGIO @ GOLDEN EAGLE

| CURRENTLY EFFECTIVE DEVELOPER I FUNDED PROJECT REALLOCATION COSTS: | | OVER/UNDER | PROPOSED REALLOCATION |
|---|-----------------------|---------------|--------------------------|
| SEWER LIFT STATION = | \$242,516.00 | \$5,985.06 | \$248,501.06 |
| DETENTION CELL = | \$9,792.00 | \$6,407.35 | \$16,199.35 |
| WATER MAINS = | \$9,193.39 | \$6,986.20 | \$16,179.59 |
| STREETS/SIDEWALKS = | \$181,194.99 | \$12,494.59 | \$193,689.58 |
| STORM SEWER = | \$16,285.47 | \$872.78 | \$17,158.25 |
| TRAFFIC CONTROL = | \$1,489.89 | -\$1,489.89 | \$0.00 |
| SEWER MAINS = | \$25,564.18 | \$0.00 | \$25,564.18 |
| CIVIL ENGINEERING SERVICES | \$0.00 | \$75,512.25 | \$75,512.25 |
| FINANCING INTEREST | \$478,243.38 | \$0.00 | \$478,243.38 |
| CONTINGENCY COSTS | \$60,000.00 | -\$60,000.00 | \$0.00 |
| NECESSARY/CONVENIENT | \$168,484.00 | -\$46,768.34 | \$121,715.66 |
| TOTAL | \$1,192,763.30 | \$0.00 | \$1,192,763.30 |

4. A preliminary development financing plan, including sources of funds, identification of lender, interest rates, financing costs and loan terms.

Please see #3 attached from US Bank. The above and pages 15 thru 18 and pages 20-22 of The Tax Increment District 61 Project Plan. As of November 5, 2009, the amount on the TIF line including interest is \$673085.64 plus accumulated interest the current rate is 8.25% with termination of advances on 12-01-2010. Please note that we, as the developer, have not advanced the total amount of TIF reimbursement costs. When the reallocation is approved a new, LOWER rate can be implemented which will speed up the payback time period.

5. Property and entity owners:

The owners of the property and the development is Villaggio LLC, owner are Jeff Lage and Jennifer Landguth.

6. A pro forma indicating projected costs and revenues.

Please see the Project Plan prepared and approved by the City and the following pro forma. PLEASE NOTE SALES PROJECTIONS HAVE SUBSTANTIALLY REDUCED BECAUSE OF THE DRASTIC CHANGE IN THE HOUSING MARKET. THIS HAS RESULTED IN A CONSIDERABLE REDUCTION IN THE SALES AND ASKING PRICE OF LOTS. See attachment #4

7. A statement and demonstration that the project would not proceed without the use of Tax Increment Financing.

As the undeveloped property for The Villaggio at Golden Eagle was farther than 500 feet from existing sewer, according to City statute, a developer is not required to install sewer within a subdivision or sidewalks on the adjacent property not owned by the developer. The subdivision was approved with a septic systems for each lot. Without the TIF for the sewer line and lift station these items would not have been installed and there would be 24 new septic systems within the boundaries of Rapid City proper.

As the developer, we assumed a liability of \$1,192,763.30 that we are responsible to pay back for this City infrastructure that was not required.

As the developer, we paid for and installed the road, grading, curb and gutter, water lines and dry storm sewers without the TIF.

However because our development benefits adjacent property owners, these items should be included in the TIF for reimbursement. The benefited properties are those owned by The City of Rapid City, The Police Officers Association, the Burr/Ham property, the adjacent Mazzio Property, the George Property and the adjacent property owned by Phil Olsen. As stated earlier, neither The City nor the Police Officers Association had an incentive to install these services nor do we believe that they have funds available to install the public services that this TIF will ensure.

8. A statement identifying the specific Statutory, other Local and Discretionary evaluation criteria that the applicant believes the request meets: (from the original request)

The mandatory criteria that this project meets are item 1C. , 2., 3.,
Stated as: An open area which because of the need for infill development and cost effective use of existing utilities and services, obsolete platting, diversity of ownership, deterioration of structures or site improvements, or otherwise is determined to be blighted, substantially impairs or arrests the sound growth of the community.

This is especially pertinent with the ownership of this property by The City of Rapid City and the non-profit Police Officers Association and the use of their party house by the public for events as well as the use by law enforcement. It most definitely meets the goals of the City's Comprehensive Plan and will not result in the net loss of pre-existing tax revenues.

The other criteria that this project meets are 1., 2., 3.,
It is not economically feasible or required by us for our development.

The project will eliminate future septic systems in this area.
The project does not deal with retail or service businesses

The discretionary criteria that this meets is 2.5.9.
All TIF proceeds are used for the construction of public improvements

The Police Officers Association's party house is used by the public and accessed on a rough road and the Association does not have the funds or incentive to install the infrastructure. The costs for the work are not required by us for our development

9. Conceptual plans, sketches, maps or site plans for the project:

Please see the information on the Project Plan prepared by the City.

The plans were approved by the City of Rapid City, the individual projects constructed and accepted.

10. Time Line:

The project is completed and operational and has been since accepted by the City. There was an approximate 14 month delay in the final acceptance of the system due to additional controls that were required for the lift station along with training of City staff. This delay added additional costs and time delay.

11. Public Improvements which will be constructed along with the project.

The private improvements that were NOT funded through the TIF and are dedicated to the public included:

- Road – Montebello Court, Villaggio Lane within the subdivision

- Curb and gutter within the subdivision

- Sidewalks within the subdivision

- Water Lines within the subdivision

- Sewer lines within the subdivision along

- All the site work, engineering work within the subdivision

- Additional costs include all sales and excise tax

All improvements requested for the TIF were public improvements

- Roads - Public Roads including Vineyard Lane and Golden Eagle Drive

- Sewer - Public Sewer along Vineyard Lane, Villaggio Lane and Golden Eagle Drive as well as providing or a trunk line along Catron Blvd. A City Lift station was installed as well.

- Storm Sewer - along Vineyard Lane, Villaggio Lane and Golden Eagle Drive.

- Detention cell installed

- Sidewalks – these were construction along Vineyard Lane, Villaggio Lane and Golden Eagle Drive these were constructed along Golden Eagle Drive

- Signs Installed as required by City codes

Lighting – none installed

12. LLC papers and other pertinent papers

See attachment #5

13. A Financial statement:

Please see the attachment #6. As a small private business, this is very confidential. Please use discretion.

14. A copy of the proposed wage scale, employee benefits package and full and part time employment levels.

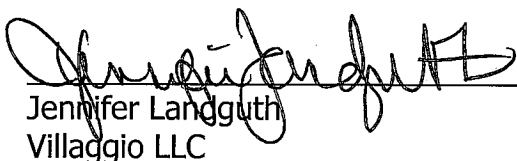
The project is completed and this information is not available for all the dozens of subcontractors and suppliers who worked on the project. Estimated pay ranges from \$15.00 to \$150.00 hour.

15. Notification:

Notifications will be sent upon receipt of the "mailing list" from Growth Management.

16. Fee: This has been paid

Respectfully submitted,


Jennifer Langguth
Villaggio LLC

| | |
|---------------|--|
| Attachment #1 | Tax Increment Financing Request – Original August 2006 |
| Attachment #2 | Project Plan Prepared by City of Rapid city |
| Attachment #3 | US Bank financing letter |
| Attachment #4 | TID #61 Proforma |
| Attachment #5 | LLC Documentation |
| Attachment #6 | Financials |

ATTACHMENT #1

TAX INCREMENT FINANCING REQUEST – ORIGINAL AUGUST 2006

Tax Incremental Financing Request

**Prepared by
Signature Development Company LLC**

**For
City Infrastructure Improvements on
Vineyard Lane and Golden Eagle Drive
And The Villaggio at Golden Eagle**

CONFIDENTIAL

August 2006

August 1, 2006

Dear members of the TIF committee,

This is a Tax Increment Financing request by Signature Development Company LLC for property adjacent to The Villaggio at Golden Eagle. The Villaggio at Golden Eagle is a 12.13 acre housing development that has been subdivided into a twenty one home sites. The homes in this area will be custom homes in the \$400,000.00 + price range.

The Villaggio is located off Catron Boulevard and Golden Eagle Drive just past the Police Officer Association's party house. The area of the TIF would include Vineyard Lane and Golden Eagle Drive with the revenue being generated with the homes within the boundaries of The Villaggio located on Villaggio Lane and Montebello Court as well as adjacent property owned by Arlene Ham-Burr, Dawn Mazzio, and Abnor George.

Introduction:

Tax Increment Financing at The Villaggio at Golden Eagle will allow for City infrastructure to be installed on property owned by The City of Rapid City and the non-profit Police Officers Association. The sewer and sidewalks, along with the roads and storm sewers will improve Rapid City utility services to property owners south of Rapid City. Undeveloped property to the west, east and north will benefit from this TIF when they develop in the future. Currently one of the parcels to the north is for sale and without the TIF, development will be limited in this fast growing, desirable area of Rapid City..

The biggest benefit to the City is that a Sewer system will be installed thus allowing for the elimination of septic tanks in this area. We are pursuing this TIF financing as a means to provide for a future orderly growth in this area with necessary utilities.

Section One: A detailed project description

Tax Increment Financing for Vineyard Lane and Golden Eagle Drive adjacent to The Villaggio at Golden Eagle is intended to provide funds so that Signature Development LLC can pay for and install sewer which will extend from The Villaggio to Catron Boulevard, storm sewers, natural gas & power, installation, paving, curb and gutters of Vineyard Lane and Golden Eagle Drive, the relocation of an existing fire hydrant and sidewalks on both sides of the roads. The entrance from Catron Boulevard to Vineyard Lane will be realigned on property owned by the City of Rapid City. Both roads will be brought to current City standards and dust will be eliminated.

All of the work to be done is outside the boundaries of The Villaggio development.

We are not asking for any funding for work to be done within The Villaggio. Signature Development LLC is installing a dry sewer system in The Villaggio. The Villaggio was approved with septic systems, as sewer is not available within 500 feet of the property

Without the TIF, we will not install sewer or sidewalks along Golden Eagle Drive and Vineyard Lane. If the TIF is approved, this area will be ready for connection as well as adjacent areas that will be developing when the sewer trunk line is extended East on Catron Boulevard, toward Vineyard Lane.

Neither of the current property owners, The City nor The Police Officer's Association has the incentive to install these improvements at this time and may not have the financial resources. Once again, infrastructure in The Villaggio proper is NOT included in this TIF request.

Regardless of whether the TIF is approved, Signature Development must install and pave Vineyard Lane and Golden Eagle Drive from Villaggio Lane to Vineyard Lane as well as move the hydrant, grade the road and provide for the storm sewers. We will pay these costs with or without the TIF.

The total lineal feet of street to be installed is estimated at 1159 lineal feet, 2693 lineal feet of curb and gutter.

The off site sidewalks to be installed will be approximately 2155 lineal feet and located on the both sides of the roads.

We will have over sizing costs within the Villaggio in the amount of _____ that are to be reimbursed by The City to Signature Development.

Section Two: Development financing plan, including sources of funds and loan terms

Signature Development LLC has a working relationship with US Bank. Signature Development has secured, see attached letter, a line of credit in the amount of \$350,000.00 to provide for the costs associated with the items to be included in the TIF.

| | |
|-------------------|------------------------------|
| Source of Funds - | US Banks |
| Loan Terms: | Variable based on prime -.25 |
| Maturity: | Estimated at 15 years |
| Payments: | Semi annually |
| Fees: | None |

The balance of the development costs will be funded through financing with US Bank and cash. The interest rate that we are setting for repayment is 9.5%

The items and cost for the TIF request is as follows:

GRADING

| | |
|--------------------------------|-------------|
| Topsoil, stockpile and replace | \$5,000.00 |
| Excavation embankment | \$25,000.00 |
| Seeding | \$2,500.00 |

10- INCH WATER

| | |
|---|------------|
| 10" PVC water main with bedding | \$873.90 |
| 10" gate valve with box | \$1,571.50 |
| 10" X 10" X 10" tee | \$3,261.40 |
| 10" cap | \$191.61 |
| Salvage existing fire hydrant and Aux valve | \$366.08 |
| Fire hydrant with Aux valve and lead | \$2,928.90 |

SANITARY SEWER

| | |
|---|-------------|
| 8" PVC sewer main (6'-12') with bedding | \$40,853.25 |
| Standard manhole 48" dia. (0'-6') | \$15,324.40 |
| Overdepth sewer manhole | \$5,304.42 |
| 8" PVC sewer termination riser | \$364.72 |
| 6" PVC sewer service line | \$642.30 |

STREETS/SIDEWALKS

| | |
|---------------------------------------|-------------|
| Base Course | \$35,519.29 |
| Asphalt concrete | \$57,300.96 |
| Concrete curb and gutter, type B66 | \$49,926.27 |
| Concrete curb and gutter, type BL66 | \$676.00 |
| Concrete sidewalk 4" | \$53,967.72 |
| Concrete fillet and pan reinforced 6" | \$3,750.45 |

DRAINAGE/STORM SEWER

| | |
|---------------------------------|------------|
| Type "E" inlet, 10' | \$3,891.58 |
| Type "B" inlet with vaned grate | \$5,442.12 |
| 24" RCP, Class II | \$302.88 |
| 18" RCP, Class II | \$3,899.70 |
| 12" RCP, Class II | \$1,797.50 |
| 24" RCP, FE | \$535.53 |
| Riprap | \$416.16 |
| Erosion control, temporary | \$1,000.00 |
| 3" rock construction entrance | \$800.00 |

PAVEMENT MARKING/TRAFFIC CONTROL

| | |
|-------------------------|------------|
| Regulatory signs | \$739.89 |
| Provisions for lighting | \$1,300.00 |

ENGINEERING, UTILITIES & CONTINGENCY

Engineering, Utilities, price increases, contingency \$24,551.47

TOTAL ESTIMATED COST \$350,000.00

The total project is to be funded with a combination of Tax Increment Financing and private funding. The TIF portion of the project, before financing is \$350,000.00

TOTAL TAX INCREMNT BORROWING \$350,000.00

Of the above estimated costs, the following will be installed regardless of the tax increment financing:

GRADING

| | |
|--------------------------------|-------------|
| Topsoil, stockpile and replace | \$5,000.00 |
| Excavation embankment | \$25,000.00 |
| Seeding | \$2,500.00 |

STREETS

| | |
|---------------------------------------|-------------|
| Base Course | \$35,519.29 |
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| Erosion control, temporary | \$1,000.00 |
| 3" rock construction entrance | \$800.00 |

PAVEMENT MARKING/TRAFFIC CONTROL

| | |
|-------------------------|------------|
| Regulatory signs | \$739.89 |
| Provisions for lighting | \$1,300.00 |

Total \$199,798.33

Because the adjacent properties as well as the city of Rapid City are benefiting from the improvements that we are installing and financing, we want to include all the roads, engineering, water, storm sewers and all other items detailed above in the TIF request. This is a direct benefit to The Police Officers Assoc., The Ham/Burr property and The City.

Section Four: Pro forma indicating projected costs and revenues.

The total costs for the development without the extension of sewer, gas and power lines, sidewalks, moving of the hydrant on Vineyard Lane and Golden Eagle Drive is estimated at \$1,650,000.00. Costs with the sidewalks and sewer are \$1,800,000 The TIF request is for 20% of the total costs.

We anticipate 6 homes to be built in 2007, 7 homes to be built in 2008 and 8 homes to be built in 2009 and 2010. Taking an average of \$500,000 for the homes \$10,500,000.00 will be added to the tax basis. This is for revenue in The Villaggio only. Depending on what happens on the Burr property, the George property and the Mazzio property these numbers could be upwards of \$30,000,000.00.

The prepayment and exact revenue calculations are to be generated by Karen Bulman. See the data sheet attached and prepared by Karen Bulman on The Villaggio only.

For the TIF area:

| | |
|--|--|
| Costs are estimated at | \$1,550,000.00 |
| *interest affects costs | |
| Revenue on land sales | \$3,045,000.00 |
| Gross Income | \$1,495,000.00 |
| Less income taxes, overhead costs, realtor commissions, property taxes | \$ 672,750.00 |
| Income | \$ 822,250.00 based on 5 years \$164,500.00 per year |
| *Best case scenario | |

Rising interest rates, rising fuel prices, sale of new homes and general cooling in the economy affect sales

Section Five: Statement and demonstration that the project would not proceed with the use of TIF.

We will not install the sewer or sidewalks without the TIF. We are not required to do so and as such we do not have an incentive without financial support to install these items.

We will pay and install the road, grading, curb and gutter, storm sewers with or without the TIF. However because our development benefits adjacent property owners we feel that these items should be included in the TIF and repaid to us. The benefited properties are those owned by The City of Rapid city, The Police Officers Association, the Burr/Ham property, the adjacent Mazzio Property and the George Property.

As stated earlier, neither The City nor the Police Officers Association has an incentive to install these services nor do we believe that they have funds available to install the public services that this TIF will ensure.

Section Six: A statement identifying the specific evaluation criteria that the applicant believes the request meets:

The mandatory criteria that this project meets are item 1C. , 2., 3.,
Stated as: An open area which because of the need for infill development and cost effective use of existing utilities and services, obsolete platting, diversity of ownership, deterioration of structures or site improvements, or otherwise is determined to be blighted, substantially impairs or arrests the sound growth of the community.

This is especially pertinent with the ownership of this property by The City of Rapid City and the non-profit Police Officers Association and the use of their party house by the public for events as well as the use by law enforcement. It most definitely meets the goals of the City's Comprehensive Plan and will not result in the net loss of pre-existing tax revenues.

The other criteria that this project meets are 1., 2., 3.,
It is not economically feasible or required by us for our development.
The project will eliminate future septic systems in this area.
The project does not deal with retail or service businesses

The discretionary criteria that this meets is 2.5.9.
All TIF proceeds are used for the construction of public improvements
The Police Officers Association's party house is used by the public and accessed on a rough road and the Association does not have the funds or incentive to install the infrastructure.
The costs for the work are not required by us for our development

Section Eight: Preliminary Plans for the project.

Once the TIF is approved we will proceed with the engineered plans. A map is attached that shows the area for the sewer and sidewalks.

See the TIF map with the estimated costs listed above.

Section Nine: Public Improvements which will be constructed along with the project.

- Roads
- Sewer
- Storm Sewer

- Sidewalks
- Gas lines
- Power lines
- Signs
- Lighting

Construction on the TIF would proceed upon approval. The adjacent construction on The Villaggio at Golden Eagle began August 1, 2006. If approved in a timely manner the utilities would be installed in conjunction with those at The Villaggio. If too much time lapses in approval and costs escalate due to remobilization etc, the TIF may be withdrawn

Section Ten: Corporation or partnership papers.

Attached

Section Eleven: Audited financial statement of the corporation or partnership for the most recent five calendar years of the life of the company.

We do not believe that these are applicable for this application as financials have been reviewed by US Bank to provide the bank financing which has been secured. (see attached letter)

Section Twelve: Wages

Not applicable

Section Thirteen: Other information

We thank you for your time and consideration of this TIF request which will be of great benefit to south Rapid City and the orderly growth of this area with vital infrastructure and pedestrian friendly sidewalks.

Thank you,

Jennifer Landguth, Owner

Jeff Lage, Owner

ATTACHMENT #2

PROJECT PLAN PREPARED BY CITY OF RAPID CITY

PROJECT PLAN

TAX INCREMENT DISTRICT #61
VILLAGGIO
CITY OF RAPID CITY

Prepared by the

Rapid City Growth Management Department
September 2006

INTRODUCTION

Tax Increment Financing is a method of financing improvements and development in an area which has been determined to be blighted according to the criteria set forth in SDCL 11-9. All this is done without incurring a general obligation for the taxpayers of the entire City.

The assessed value of a district is determined by the South Dakota Department of Revenue at the time the district is created by the City Council. This valuation is termed the Tax Increment Base Valuation for the district, or simply the "base valuation." As the property taxes for the property are paid, that portion of the taxes paid on the Base Valuation continue to go to those entities, (City, County, School, etc.), which levy property taxes.

When in succeeding years, the assessed valuation of the district increases, the total property taxes paid by the owners of property in the district will increase accordingly. That increase in taxable valuation is the "increment." When the tax bills are paid, only that portion of the tax bill which results from the Base Valuation, is paid to the taxing entities. The remainder of the tax bill, known as the tax increment, is deposited in a special fund. It is this plan which determines how these accumulated funds will be used. It is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. The creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment.

This financing method is invaluable for encouraging growth and development of blighted properties with special re-development problems, since the amount of funds available for use by the project plan is directly related to the increase in valuation which a given project or development will create.

OVERVIEW

This plan proposes that a Tax Increment District be created to assist in the development of infrastructure adjacent to the Villaggio at Golden Eagle and property owned by the City of Rapid City. The Tax Increment Funds would be utilized for Vineyard Lane and Golden Eagle Drive, Promise Road and the extension of water, sewer, sidewalks, storm sewer, and a detention cells and sewer lift stations. The proposed boundaries are located adjacent to Catron Boulevard, east of Sheridan Lake Road and west of U.S. Highway 16. The estimated cost of the improvements is \$1,110,777.35. In addition, a future phase has been included for a turn lane on Catron Boulevard, located east of Sheridan Lake Drive, for a total of \$253,000. However, a funding source has not been identified for the turn lane.

The Tax Increment Financing Committee met on September 1, 2006 to discuss this proposed Project Plan for Tax Increment District #61 and recommended approval of the Project Plan. The Tax Increment District will be financed by the developer and the City.

The development of the public improvements will enhance the ability for new development to occur in this area increasing the community's economic vitality and expanding the City's property tax base. Additionally, the potentially unsafe conditions associated with septic tanks will be removed.

The first applicant's share of the estimated cost of the improvements will be financed at an estimated 9.5% interest rate. The second applicant's share of the estimated cost of the improvements will be financed at an estimated 9% interest rate. The City's estimated cost will be financed at a 6% interest rate. All project expenditures must be completed within five years of the creation of the district. Should the tax increment revenues exceed the anticipated loan payments, the district debt would be retired early resulting in the full value of the property being returned to the tax rolls more quickly.

PROJECT PLAN SUMMARY

This plan establishes the total project costs, as well as the Tax Increment District funded costs.

Elements of the Project Plan

This Project Plan, as required by SDCL 11-9-13, will address the following elements:

- 1) Public Works and Other Improvements;
- 2) Economic Feasibility Study;
- 3) Project Costs;
- 4) Fiscal Impact Statement; and,
- 5) Financing Method Description.

Additionally, the following exhibits are offered:

- I. General Vicinity map;
- II. Tax Increment District Boundary Map;
- III. Map of Existing Zoning;
- IV. Map of Existing Land Use; and,
- V. Map of Public and Other Improvements.

The Statement of Method for Relocating Displaced Persons, as well as the Statement of Changes Needed in Master Plan, Building Codes and Ordinances do not apply to this Project Plan and have not been included in this document.

ELEMENTS OF THE PROJECT PLAN

1. PUBLIC WORKS AND OTHER IMPROVEMENTS

The project plan includes \$1,363,777.35 in capital costs associated with funding the streets and public improvements.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Sixty One has been created in accordance with SDCL 11-9-2 to 11-9-11. A vicinity map as well as a boundary map is attached. As of this date, the assessed valuation for the proposed district is projected as \$1,973,605. In accordance with SDCL 11-9-20, the certification of the base value has been received from the South Dakota Department of Revenue following creation and approval of the district by the City Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY IN TID #61

\$ 1,973,605

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

| | |
|---|---------------|
| Estimated Assessed Value of District | \$ 1,973,605 |
| Estimated Assessed Value of project (year 20) | \$ 34,535,000 |
| Other Anticipated Increases in Assessed Value | \$ 0 |
| Estimated Increase in Assessed Value of Land* | \$ 0 |
| Estimated Total Valuation (year 20) | \$ 36,508,605 |

*For purposes of this Tax Increment District, the increase in land value is not included in these estimates. Any additional value will pay off the loan earlier than anticipated.

Revenue Estimates from Tax Increments

The Plan anticipates 16 semi-annual payments over 8 years; however, because of the uncertainty associated with the development, the plan identifies a 20 year payback schedule. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2005 Owner Occupied Tax Levies and Percentage of Total Levy

| <u>Taxing Entity</u> | <u>Tax Levy</u> | <u>Percentage of Total Levy</u> |
|---------------------------------|-----------------|---------------------------------|
| Rapid City Area School District | 9.9925 | 56.4% |
| Pennington County | 4.6746 | 26.4% |
| City of Rapid City | 3.0322 | 17.1% |
| West Dakota Water District | .0297 | .1% |
| Total Mill Levy | 17.7290 | 100% |

Anticipated 2005 Owner Occupied Tax Rate: 0.0177290

2005 Non Agriculture Tax Levies and Percentage of Total Levy

| <u>Taxing Entity</u> | <u>Tax Levy</u> | <u>Percentage of Total Levy</u> |
|---------------------------------|-----------------|---------------------------------|
| Rapid City Area School District | 16.0081 | 67.4% |
| Pennington County | 4.6746 | 19.7% |
| City of Rapid City | 3.0322 | 12.8% |
| West Dakota Water District | .0297 | .1% |

Total Mill Levy 23.7446 100%

Anticipated 2005 Non Agriculture Tax Rate: 0.0237446

The estimated tax increment available to pay for project costs in the Plan can be calculated by multiplying the anticipated tax rate by the increment in valuation. This calculation results in the following tax increments, which become available as taxes are paid for the applicable periods.

PROJECTED TAX INCREMENT INCOME

| <u>ASSESSMT DATE</u> | <u>YEAR TAXES PAID</u> | <u>PROJECTED INCREMENT IN VALUATION</u> | <u>TAX INCREMENT PAYMENTS</u> | <u>TOTAL</u> |
|----------------------|------------------------|---|-------------------------------|--------------|
| Nov 2006 | 2008 | \$ 2,790,000(OO) | \$ 49,464 | \$ 49,464 |
| Nov. 2007 | 2009 | \$ 7,065,000(OO) | \$ 125,254 | \$ 125,254 |
| Nov. 2008 | 2010 | \$ 13,175,000(OO) \$ 12,500,000(NA) | \$ 233,579 \$ 296,808 | \$ 530,387 |
| Nov. 2009 | 2011 | \$ 16,855,000(OO) \$ 12,500,000(NA) | \$ 298,822 \$ 296,808 | \$ 595,630 |
| Nov. 2010 | 2012 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov. 2011 | 2013 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov. 2012 | 2014 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2013 | 2015 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2014 | 2016 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2015 | 2017 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2016 | 2018 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2017 | 2019 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2018 | 2020 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |

Tax Increment District 61
Project Plan

| | | | | |
|-------------|------|--|--------------------------|------------|
| Nov 2019 | 2021 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2020 | 2022 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2021 | 2023 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2022 | 2024 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2023 | 2025 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2024 | 2026 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |
| Nov 2025 | 2027 | \$ 20,535,000(OO) \$ 14,000,000(NA) | \$ 364,065 \$ 332,424 | \$ 696,489 |

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/27:
\$ 12,444,559

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2005 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$1,363,777.35 included in the Project Plan are for Vineyard Lane and Golden Eagle Drive, Promise Road, and the extension of water, sewer, sidewalks, storm sewer, sewer lift station and detention cell, and a future turn lane on Catron Boulevard.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate used for this projection by the first applicant is 9.5% and 9% by the second applicant. The anticipated interest rate used for this projection is 6% for the City. It is estimated that the financing costs will total \$897,419.56 for Phase I. The financing costs for Phase II will total \$264,214.63. If a lower interest rate is obtained, the project costs will be repaid more quickly and the property will be returned to the tax rolls sooner.

Professional Service Costs – No professional service costs are anticipated in this Project Plan.

Relocation Costs – No relocation costs are anticipated in the Project Plan.

Organizational Costs – No organizational costs are anticipated in the Project Plan.

Tax Increment District 61
Project Plan

Contingency Costs – Contingency costs in the amount of \$153,300.11 are anticipated in the Project Plan.

Necessary and Convenient Payments – Necessary and convenient costs in the amount of \$300,000 are anticipated in the Project Plan.

Imputed Administrative Costs – All Tax Increment District actions require municipal staff time to prepare and enact. The City shall be reimbursed on October 1, 2011, for its administrative costs in the amount of \$2,050. However, in no case shall the City be reimbursed less than \$1 on October 1, 2011.

TOTAL ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

| | |
|----------------------------------|-----------------|
| Capital Costs: | |
| Sewer Mains | \$ 174,010.86 |
| Sewer Lift Stations | \$ 404,700.00 |
| Detention Cells | \$ 94,362.75 |
| Water Mains | \$ 9,193.39 |
| Vineyard Lane/Golden Eagle Drive | \$ 181,194.99 |
| Storm Sewer | \$ 16,285.47 |
| Traffic Control | \$ 1,489.89 |
| Turn Lane | \$ 253,000.00 |
| Promise Road | \$ 229,540.00 |
| Financing Costs: | |
| Financing interest | \$ 1,161,634.19 |
| Contingency Costs: | \$ 153,300.11 |
| Relocation Costs: | \$ 0 |
| Organizational Costs: | \$ 0 |
| Necessary and Convenient Costs: | \$ 300,000.00 |
| TOTAL | \$ 2,978,711.65 |
| Imputed Administrative Costs* | |
| City of Rapid City | \$ 2,050 |

*The imputed administrative costs are interest-free, are not included in the total project costs, and are to be paid from the balance remaining in the TID #61 fund available to the City Finance Officer on October 1, 2011.

DEVELOPER FUNDED PROJECT COSTS:

| | |
|--------------------|---------------|
| Capital Costs: | |
| Sewer Lift Station | \$ 150,000.00 |
| Detention Cell | \$ 9,792.00 |
| Water Mains | \$ 9,193.39 |
| Streets/Sidewalks | \$ 181,194.99 |

Tax Increment District 61
Project Plan

| | |
|---------------------------------|-----------------|
| Storm Sewer | \$ 16,285.47 |
| Traffic Control | \$ 1,489.89 |
| Sewer Mains | \$ 25,564.18 |
| Financing Costs: | |
| Financing interest | \$ 478,243.38 |
| Contingency Costs: | \$ 60,000.00 |
| Relocation Costs: | \$ 0 |
| Organizational Costs: | \$ 0 |
| Necessary and Convenient Costs: | \$ 261,000.00 |
| TOTAL | \$ 1,192,763.30 |

DEVELOPER II FUNDED PROJECT COSTS:

| | |
|---------------------------------|-----------------|
| Capital Costs: | |
| Sewer Lift Station | \$ 254,700.00 |
| Detention Cell | \$ 84,570.75 |
| Promise Road | \$ 229,540.00 |
| Sewer Mains | \$ 53,190.00 |
| Financing Costs: | |
| Financing interest | \$ 383,025.45 |
| Contingency Costs: | \$ 93,300.11 |
| Relocation Costs: | \$ 0 |
| Organizational Costs: | \$ 0 |
| Necessary and Convenient Costs: | \$ 0 |
| TOTAL | \$ 1,098,326.31 |

CITY FUNDED PROJECT COSTS (Phase I):

| | |
|--|-----------------|
| Capital Costs: | |
| Sewer Mains in Catron Blvd. to Vineyard Lane | \$ 67,594.52 |
| Financing Costs: | |
| Financing interest | \$ 36,150.73 |
| Contingency Costs: | \$ 0 |
| Relocation Costs: | \$ 0 |
| Organizational Costs: | \$ 0 |
| Necessary and Convenient Costs: | \$ 39,000.00 |
| TOTAL | \$ 142,745.25 |
| <u>TOTAL PHASE I COSTS:</u> | \$ 2,433,834.86 |

CITY FUNDED PROJECT COSTS (Phase II):

| | |
|---|--------------|
| Capital Costs: | |
| Sewer Mains in Catron BLvd. from Vineyard Lane to Golden Eagle Drive | \$ 27,662.16 |
| Financing Costs: | |
| Financing interest | \$ 15,956.97 |
| Contingency Costs: | \$ 0 |
| Relocation Costs: | \$ 0 |
| Organizational Costs: | \$ 0 |
| Necessary and Convenient Costs: | \$ 0 |
| TOTAL | \$ 43,619.13 |

DEVELOPER FUNDED PROJECT COSTS (Phase II):

| | |
|-----------------------------------|-----------------|
| Capital Costs: | |
| Turn Lanes on Catron Boulevard | \$ 253,000.00 |
| Financing Costs: | |
| Financing interest | \$ 248,257.66 |
| Contingency Costs: | \$ 0 |
| Relocation Costs: | \$ 0 |
| Organizational Costs: | \$ 0 |
| Necessary and Convenient Costs: | \$ 0 |
| TOTAL | \$ 501,257.66 |
| TOTAL PHASE II COSTS: | \$ 544,876.79 |
| TOTAL PHASE I AND PHASE II COSTS: | \$ 2,978,711.65 |

4. FISCAL IMPACT STATEMENT

The impact on taxing entities can be derived from determining the tax increment anticipated during the life of the district. The true impact on taxing entities of the Plan is the increase in valuation of the property within the Tax Increment District. The taxing entities are only foregoing that income during the life of the district and will realize that income as soon as the debt from the project costs in the Plan is retired. The purpose of this Plan is to encourage that increase in valuation.

At first glance it may appear that the negative impact on the various entities is notable. But when it is considered that without the use of the Tax Increment Finance proposed in this plan it is very likely that there would be no increase in the taxable value of the property within this district or, at least, any increase would be significantly delayed, the impact can be considered truly positive.

NET IMPACT ON TAXING ENTITIES

| Year | Valuation | Schools | County | City | Water | Total |
|------|------------------|---------|-----------|-----------|--------|------------|
| Paid | Increase | | | | | |
| 2008 | \$ 2,790,000(OO) | \$0 | \$ 13,058 | \$ 8,458 | \$ 49 | \$ 49,464 |
| 2009 | \$ 7,065,000(OO) | \$0 | \$ 33,067 | \$ 21,418 | \$ 125 | \$ 125,254 |
| 2010 | \$13,175,000(OO) | \$0 | \$ 61,664 | \$ 39,942 | \$ 233 | \$ 233,579 |
| | \$12,500,000(NA) | \$0 | \$ 58,471 | \$ 37,991 | \$ 296 | \$ 296,808 |
| 2011 | \$16,855,000(OO) | \$0 | \$ 78,889 | \$ 51,098 | \$ 298 | \$ 298,822 |
| | \$12,500,000(NA) | \$0 | \$ 58,471 | \$ 37,991 | \$ 296 | \$ 296,808 |
| 2012 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2013 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2014 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2015 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2016 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2017 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2018 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2019 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2020 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2021 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2022 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2023 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2024 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2025 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2026 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |
| 2027 | \$20,535,000(OO) | \$0 | \$ 96,113 | \$ 62,255 | \$ 364 | \$ 364,065 |
| | \$14,000,000(NA) | \$0 | \$ 65,487 | \$ 42,550 | \$ 332 | \$ 332,424 |

*The Plan anticipates 16 semi-annual payments over 8 years; however, the district may run up to 20 years to insure repayment of the project costs.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the applicants. The applicants will be responsible for any interest payments due that are not available from Tax Increment District #61. If the tax increment revenues exceed the anticipated loan payments, the debt will be retired early.

The debt on the Tax Increment District Project Costs covered in the Plan will be retired by deposits made in the Tax Increment District as taxes are paid on the property in succeeding years. The City of Rapid City Finance Officer will make the disbursements from that fund in accordance with this Plan. In Phase I, forty six percent of the revenues received will be disbursed to each developer for project costs incurred by the developers and eight percent will be disbursed to the City of Rapid City for project costs incurred by the City. In Phase II, ninety percent of the revenues received will be disbursed to the developer for project costs incurred by the developer and ten percent will be disbursed to the City of Rapid City for project costs incurred by the City. According to SDCL 11-9-25, positive tax increments will be allocated to that fund until the debt from the project costs is retired or fifteen years following the last expenditure from the Project Plan whichever comes first. The final payment from this Plan is scheduled to be made on June 1, 2014; however, the district may run the full 20 years if necessary to insure repayment.

There are five projected amortization rate schedules listed below. Schedule #1 shows the amount to be borrowed by the first applicant for Phase I using a 9.5% interest rate. Schedule #2 shows the amount to be borrowed by the second applicant for Phase I using a 9% interest rate. Schedule #3 shows the amount to be borrowed by the City for Phase I using a 6.0% interest rate. Schedule #4 shows the amount to be borrowed by the City for Phase II using a 6.0% interest rate. Schedule #5 shows the amount to be borrowed by a future applicant for Phase II using a 9.0% interest rate.

PROJECTED AMORTIZATION RATE

Schedule #1:

TABLE

| No. | Payment Date | Beginning Balance | Interest | Total Due | Capital Int Payment | Tax Inc Payment | Total Pay | Loan Balance | Cumulative Interest |
|-----|--------------|-------------------|-----------|------------|---------------------|-----------------|------------|--------------|---------------------|
| 1 | 12/1/2006 | 714,519.92 | 33,939.70 | 748,459.62 | 33,939.70 | 0.00 | 33,939.70 | 748,459.62 | 33,939.70 |
| 2 | 6/1/2007 | 748,459.62 | 35,551.83 | 784,011.45 | 35,551.83 | 0.00 | 35,551.83 | 784,011.45 | 69,491.53 |
| 3 | 12/1/2007 | 784,011.45 | 37,240.54 | 821,251.99 | 37,240.54 | 0.00 | 37,240.54 | 821,251.99 | 106,732.07 |
| 4 | 6/1/2008 | 821,251.99 | 39,009.47 | 860,261.46 | 27,632.75 | 11,376.72 | 39,009.47 | 848,884.74 | 145,741.54 |
| 5 | 12/1/2008 | 848,884.74 | 40,322.03 | 889,206.77 | 28,945.31 | 11,376.72 | 40,322.03 | 877,830.05 | 186,063.57 |
| 6 | 6/1/2009 | 877,830.05 | 41,696.93 | 919,526.97 | 12,888.51 | 28,808.42 | 41,696.93 | 890,718.55 | 227,760.49 |
| 7 | 12/1/2009 | 890,718.55 | 42,309.13 | 933,027.69 | 13,500.71 | 28,808.42 | 42,309.13 | 904,219.27 | 270,069.63 |
| 8 | 6/1/2010 | 904,219.27 | 42,950.42 | 947,169.68 | 0.00 | 121,988.00 | 121,988.00 | 825,181.68 | 313,020.04 |
| 9 | 12/1/2010 | 825,181.68 | 39,196.13 | 864,377.81 | 0.00 | 121,988.00 | 121,988.00 | 742,389.81 | 352,216.17 |
| 10 | 6/1/2011 | 742,389.81 | 35,263.52 | 777,653.33 | 0.00 | 136,995.00 | 136,995.00 | 640,658.33 | 387,479.69 |
| 11 | 12/1/2011 | 640,658.33 | 30,431.27 | 671,089.60 | 0.00 | 136,995.00 | 136,995.00 | 534,094.60 | 417,910.96 |
| 12 | 6/1/2012 | 534,094.60 | 25,369.49 | 559,464.09 | 0.00 | 160,192.00 | 160,192.00 | 399,272.09 | 443,280.45 |
| 13 | 12/1/2012 | 399,272.09 | 18,965.42 | 418,237.51 | 0.00 | 168,708.10 | 168,708.10 | 249,529.41 | 462,245.87 |

Tax Increment District 61
Project Plan

| | | | | | | | | | |
|----|-----------|------------|-----------|------------|------|------------|------------|-----------|------------|
| 14 | 6/1/2013 | 249,529.41 | 11,852.65 | 261,382.06 | 0.00 | 174,122.00 | 174,122.00 | 87,260.06 | 474,098.52 |
| 15 | 12/1/2013 | 87,260.06 | 4,144.85 | 91,404.91 | 0.00 | 91,404.91 | 91,404.91 | 0.00 | 478,243.37 |
| 16 | 6/1/2014 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 478,243.37 |
| 17 | 12/1/2014 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 478,243.37 |
| 18 | 6/1/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 478,243.37 |

Schedule #2:

TABLE

| No. | Payment Date | Beginning Balance | Interest | Total Due | Capital Int Payment | Tax Inc Payment | Total Pay | Loan Balance | Cumulative Interest |
|-----|--------------|-------------------|-----------|------------|---------------------|-----------------|------------|--------------|---------------------|
| 1 | 12/1/2006 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | 6/1/2007 | 715,300.86 | 32,188.54 | 747,489.40 | 32,188.54 | 0.00 | 32,188.54 | 747,489.40 | 32,188.54 |
| 3 | 12/1/2007 | 747,489.40 | 33,637.02 | 781,126.42 | 33,637.02 | 0.00 | 33,637.02 | 781,126.42 | 65,825.56 |
| 4 | 6/1/2008 | 781,126.42 | 35,150.69 | 816,277.11 | 23,773.97 | 11,376.72 | 35,150.69 | 804,900.39 | 100,976.25 |
| 5 | 12/1/2008 | 804,900.39 | 36,220.52 | 841,120.91 | 24,843.80 | 11,376.72 | 36,220.52 | 829,744.19 | 137,196.77 |
| 6 | 6/1/2009 | 829,744.19 | 37,338.49 | 867,082.68 | 8,530.07 | 28,808.42 | 37,338.49 | 838,274.26 | 174,535.26 |
| 7 | 12/1/2009 | 838,274.26 | 37,722.34 | 875,996.60 | 8,913.92 | 28,808.42 | 37,722.34 | 847,188.18 | 212,257.60 |
| 8 | 6/1/2010 | 847,188.18 | 38,123.47 | 885,311.65 | 0.00 | 121,988.00 | 121,988.00 | 763,323.65 | 250,381.07 |
| 9 | 12/1/2010 | 763,323.65 | 34,349.56 | 797,673.21 | 0.00 | 121,988.00 | 121,988.00 | 675,685.21 | 284,730.63 |
| 10 | 6/1/2011 | 675,685.21 | 30,405.83 | 706,091.04 | 0.00 | 136,995.00 | 136,995.00 | 569,096.04 | 315,136.46 |
| 11 | 12/1/2011 | 569,096.04 | 25,609.32 | 594,705.37 | 0.00 | 136,995.00 | 136,995.00 | 457,710.37 | 340,745.79 |
| 12 | 6/1/2012 | 457,710.37 | 20,596.97 | 478,307.33 | 0.00 | 160,192.00 | 160,192.00 | 318,115.33 | 361,342.75 |
| 13 | 12/1/2012 | 318,115.33 | 14,315.19 | 332,430.52 | 0.00 | 168,708.10 | 168,708.10 | 163,722.42 | 375,657.94 |
| 14 | 6/1/2013 | 163,722.42 | 7,367.51 | 171,089.93 | 0.00 | 171,089.93 | 171,089.93 | 0.00 | 383,025.45 |
| 15 | 12/1/2013 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 383,025.45 |
| 16 | 6/1/2014 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 383,025.45 |
| 17 | 12/1/2014 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 383,025.45 |
| 18 | 6/1/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 383,025.45 |

Schedule #3:

TABLE

| No. | Payment Date | Beginning Balance | Interest | Total Due | Capital Int Payment | Tax Inc Payment | Total Pay | Loan Balance | Cumulative Interest |
|-----|--------------|-------------------|----------|------------|---------------------|-----------------|-----------|--------------|---------------------|
| 1 | 12/1/2006 | 106,594.52 | 3,197.84 | 109,792.36 | 3,197.84 | 0.00 | 3,197.84 | 109,792.36 | 3,197.84 |
| 2 | 6/1/2007 | 109,792.36 | 3,293.77 | 113,086.13 | 3,293.77 | 0.00 | 3,293.77 | 113,086.13 | 6,491.61 |
| 3 | 12/1/2007 | 113,086.13 | 3,392.58 | 116,478.71 | 3,392.58 | 0.00 | 3,392.58 | 116,478.71 | 9,884.19 |
| 4 | 6/1/2008 | 116,478.71 | 3,494.36 | 119,973.07 | 1,515.80 | 1,978.56 | 3,494.36 | 117,994.51 | 13,378.55 |
| 5 | 12/1/2008 | 117,994.51 | 3,539.84 | 121,534.35 | 1,561.28 | 1,978.56 | 3,539.84 | 119,555.79 | 16,918.39 |
| 6 | 6/1/2009 | 119,555.79 | 3,586.67 | 123,142.46 | 0.00 | 5,010.16 | 5,010.16 | 118,132.30 | 20,505.06 |
| 7 | 12/1/2009 | 118,132.30 | 3,543.97 | 121,676.27 | 0.00 | 5,010.16 | 5,010.16 | 116,666.11 | 24,049.03 |
| 8 | 6/1/2010 | 116,666.11 | 3,499.98 | 120,166.09 | 0.00 | 21,215.00 | 21,215.00 | 98,951.09 | 27,549.01 |
| 9 | 12/1/2010 | 98,951.09 | 2,968.53 | 101,919.63 | 0.00 | 21,215.00 | 21,215.00 | 80,704.63 | 30,517.55 |
| 10 | 6/1/2011 | 80,704.63 | 2,421.14 | 83,125.76 | 0.00 | 23,825.00 | 23,825.00 | 59,300.76 | 32,938.68 |
| 11 | 12/1/2011 | 59,300.76 | 1,779.02 | 61,079.79 | 0.00 | 23,825.00 | 23,825.00 | 37,254.79 | 34,717.71 |
| 12 | 6/1/2012 | 37,254.79 | 1,117.64 | 38,372.43 | 0.00 | 27,860.00 | 27,860.00 | 10,512.43 | 35,835.35 |

Tax Increment District 61
Project Plan

| | | | | | | | | | |
|----|-----------|-----------|--------|-----------|------|-----------|-----------|------|-----------|
| 13 | 12/1/2012 | 10,512.43 | 315.37 | 10,827.80 | 0.00 | 10,827.80 | 10,827.80 | 0.00 | 36,150.72 |
| 14 | 6/1/2013 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 36,150.72 |
| 15 | 12/1/2013 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 36,150.72 |
| 16 | 6/1/2014 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 36,150.72 |

Schedule #4:

TABLE

| No. | Payment Date | Beginning Balance | Interest | Total Due | Capital Int Payment | Tax Inc Payment | Total Pay | Loan Balance | Cumulative Interest |
|-----|--------------|-------------------|----------|-----------|---------------------|-----------------|-----------|--------------|---------------------|
| 1 | 12/1/2006 | 27,662.16 | 829.86 | 28,492.02 | 829.86 | 0.00 | 829.86 | 28,492.02 | 829.86 |
| 2 | 6/1/2007 | 28,492.02 | 854.76 | 29,346.79 | 854.76 | 0.00 | 854.76 | 29,346.79 | 1,684.63 |
| 3 | 12/1/2007 | 29,346.79 | 880.40 | 30,227.19 | 880.40 | 0.00 | 880.40 | 30,227.19 | 2,565.03 |
| 4 | 6/1/2008 | 30,227.19 | 906.82 | 31,134.00 | 906.82 | 0.00 | 906.82 | 31,134.00 | 3,471.84 |
| 5 | 12/1/2008 | 31,134.00 | 934.02 | 32,068.02 | 934.02 | 0.00 | 934.02 | 32,068.02 | 4,405.86 |
| 6 | 6/1/2009 | 32,068.02 | 962.04 | 33,030.07 | 962.04 | 0.00 | 962.04 | 33,030.07 | 5,367.91 |
| 7 | 12/1/2009 | 33,030.07 | 990.90 | 34,020.97 | 990.90 | 0.00 | 990.90 | 34,020.97 | 6,358.81 |
| 8 | 6/1/2010 | 34,020.97 | 1,020.63 | 35,041.60 | 1,020.63 | 0.00 | 1,020.63 | 35,041.60 | 7,379.44 |
| 9 | 12/1/2010 | 35,041.60 | 1,051.25 | 36,092.84 | 1,051.25 | 0.00 | 1,051.25 | 36,092.84 | 8,430.68 |
| 10 | 6/1/2011 | 36,092.84 | 1,082.79 | 37,175.63 | 1,082.79 | 0.00 | 1,082.79 | 37,175.63 | 9,513.47 |
| 11 | 12/1/2011 | 37,175.63 | 1,115.27 | 38,290.90 | 1,115.27 | 0.00 | 1,115.27 | 38,290.90 | 10,628.74 |
| 12 | 6/1/2012 | 38,290.90 | 1,148.73 | 39,439.63 | 1,148.73 | 0.00 | 1,148.73 | 39,439.63 | 11,777.47 |
| 13 | 12/1/2012 | 39,439.63 | 1,183.19 | 40,622.81 | 1,183.19 | 0.00 | 1,183.19 | 40,622.81 | 12,960.65 |
| 14 | 6/1/2013 | 40,622.81 | 1,218.68 | 41,841.50 | 1,218.68 | 0.00 | 1,218.68 | 41,841.50 | 14,179.34 |
| 15 | 12/1/2013 | 41,841.50 | 1,255.24 | 43,096.74 | 0.00 | 25,683.91 | 25,683.91 | 17,412.83 | 15,434.58 |
| 16 | 6/1/2014 | 17,412.83 | 522.39 | 17,935.22 | 0.00 | 17,935.22 | 17,935.22 | 0.00 | 15,956.97 |
| 17 | 12/1/2014 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15,956.97 |
| 18 | 6/1/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15,956.97 |

Schedule #5:

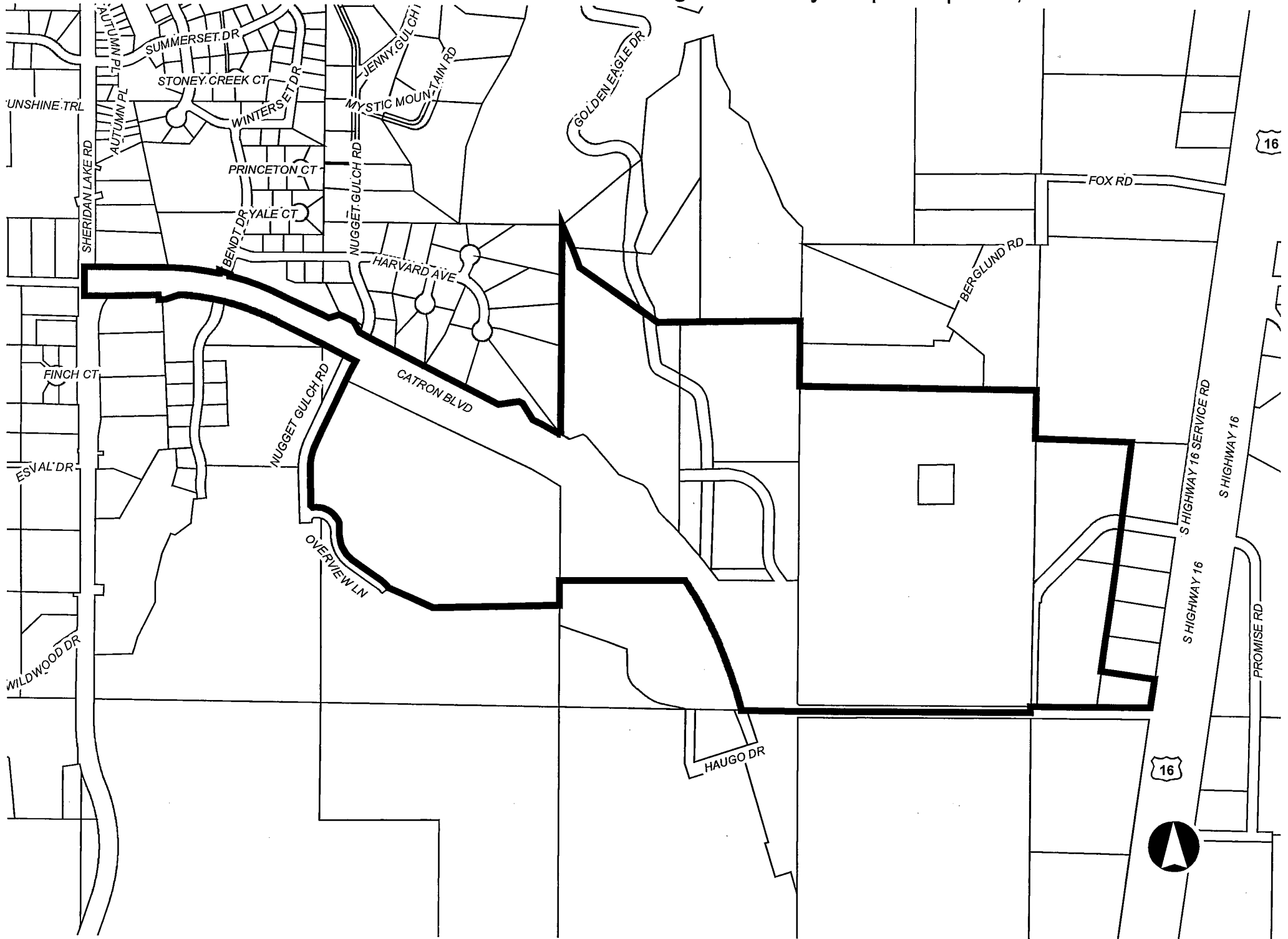
TABLE

| No. | Payment Date | Beginning Balance | Interest | Total Due | Capital Int Payment | Tax Inc Payment | Total Pay | Loan Balance | Cumulative Interest |
|-----|--------------|-------------------|-----------|------------|---------------------|-----------------|-----------|--------------|---------------------|
| 1 | 12/1/2006 | 253,000.00 | 11,385.00 | 264,385.00 | 11,385.00 | 0.00 | 11,385.00 | 264,385.00 | 11,385.00 |
| 2 | 6/1/2007 | 264,385.00 | 11,897.33 | 276,282.33 | 11,897.33 | 0.00 | 11,897.33 | 276,282.33 | 23,282.33 |
| 3 | 12/1/2007 | 276,282.33 | 12,432.70 | 288,715.03 | 12,432.70 | 0.00 | 12,432.70 | 288,715.03 | 35,715.03 |
| 4 | 6/1/2008 | 288,715.03 | 12,992.18 | 301,707.21 | 12,992.18 | 0.00 | 12,992.18 | 301,707.21 | 48,707.21 |
| 5 | 12/1/2008 | 301,707.21 | 13,576.82 | 315,284.03 | 13,576.82 | 0.00 | 13,576.82 | 315,284.03 | 62,284.03 |
| 6 | 6/1/2009 | 315,284.03 | 14,187.78 | 329,471.81 | 14,187.78 | 0.00 | 14,187.78 | 329,471.81 | 76,471.81 |
| 7 | 12/1/2009 | 329,471.81 | 14,826.23 | 344,298.04 | 14,826.23 | 0.00 | 14,826.23 | 344,298.04 | 91,298.04 |
| 8 | 6/1/2010 | 344,298.04 | 15,493.41 | 359,791.46 | 15,493.41 | 0.00 | 15,493.41 | 359,791.46 | 106,791.46 |
| 9 | 12/1/2010 | 359,791.46 | 16,190.62 | 375,982.07 | 16,190.62 | 0.00 | 16,190.62 | 375,982.07 | 122,982.07 |
| 10 | 6/1/2011 | 375,982.07 | 16,919.19 | 392,901.26 | 16,919.19 | 0.00 | 16,919.19 | 392,901.26 | 139,901.26 |
| 11 | 12/1/2011 | 392,901.26 | 17,680.56 | 410,581.82 | 17,680.56 | 0.00 | 17,680.56 | 410,581.82 | 157,581.82 |
| 12 | 6/1/2012 | 410,581.82 | 18,476.18 | 429,058.00 | 18,476.18 | 0.00 | 18,476.18 | 429,058.00 | 176,058.00 |
| 13 | 12/1/2012 | 429,058.00 | 19,307.61 | 448,365.61 | 19,307.61 | 0.00 | 19,307.61 | 448,365.61 | 195,365.61 |

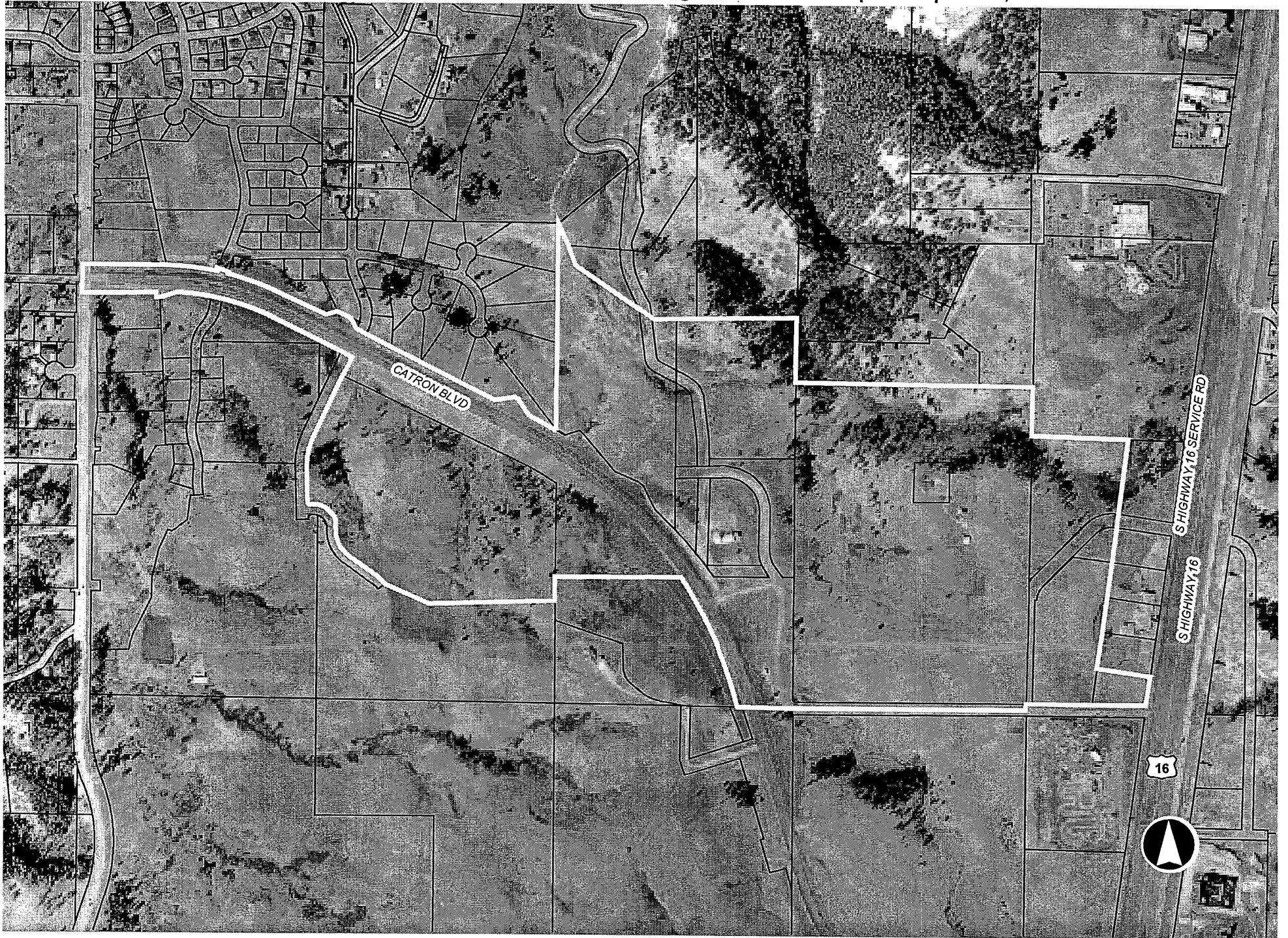
Tax Increment District 61
Project Plan

| | | | | | | | | | |
|----|-----------|------------|-----------|------------|-----------|------------|------------|------------|------------|
| 14 | 6/1/2013 | 448,365.61 | 20,176.45 | 468,542.07 | 20,176.45 | 0.00 | 20,176.45 | 468,542.07 | 215,542.07 |
| 15 | 12/1/2013 | 468,542.07 | 21,084.39 | 489,626.46 | 0.00 | 231,155.18 | 231,155.18 | 258,471.28 | 236,626.46 |
| 16 | 6/1/2014 | 258,471.28 | 11,631.21 | 270,102.49 | 0.00 | 270,102.49 | 270,102.49 | 0.00 | 248,257.67 |
| 17 | 12/1/2014 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 248,257.67 |
| 18 | 6/1/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 248,257.67 |

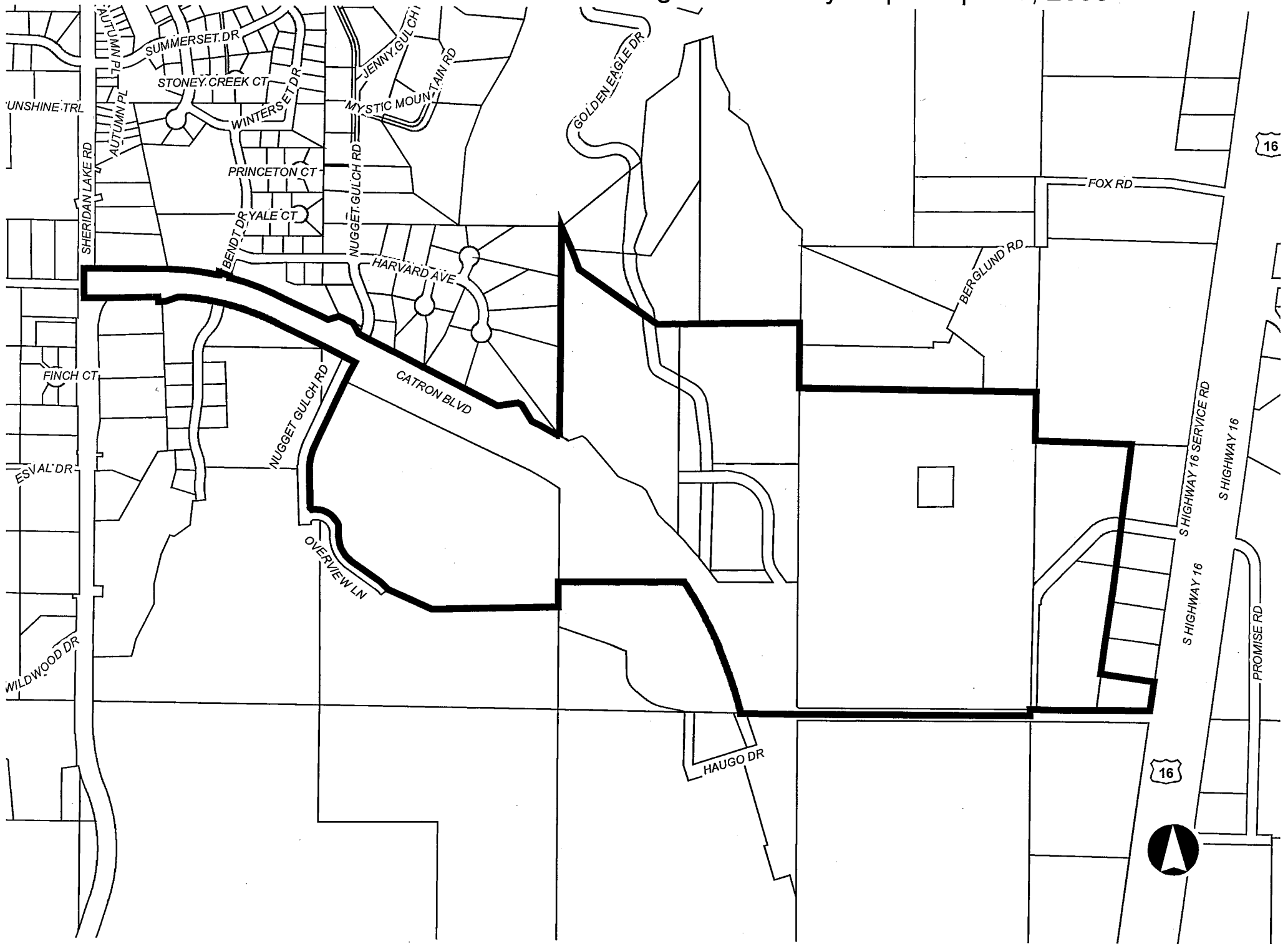
Tax Increment District No. 61 - Villagio - Vicinity Map - Sept. 27, 2006



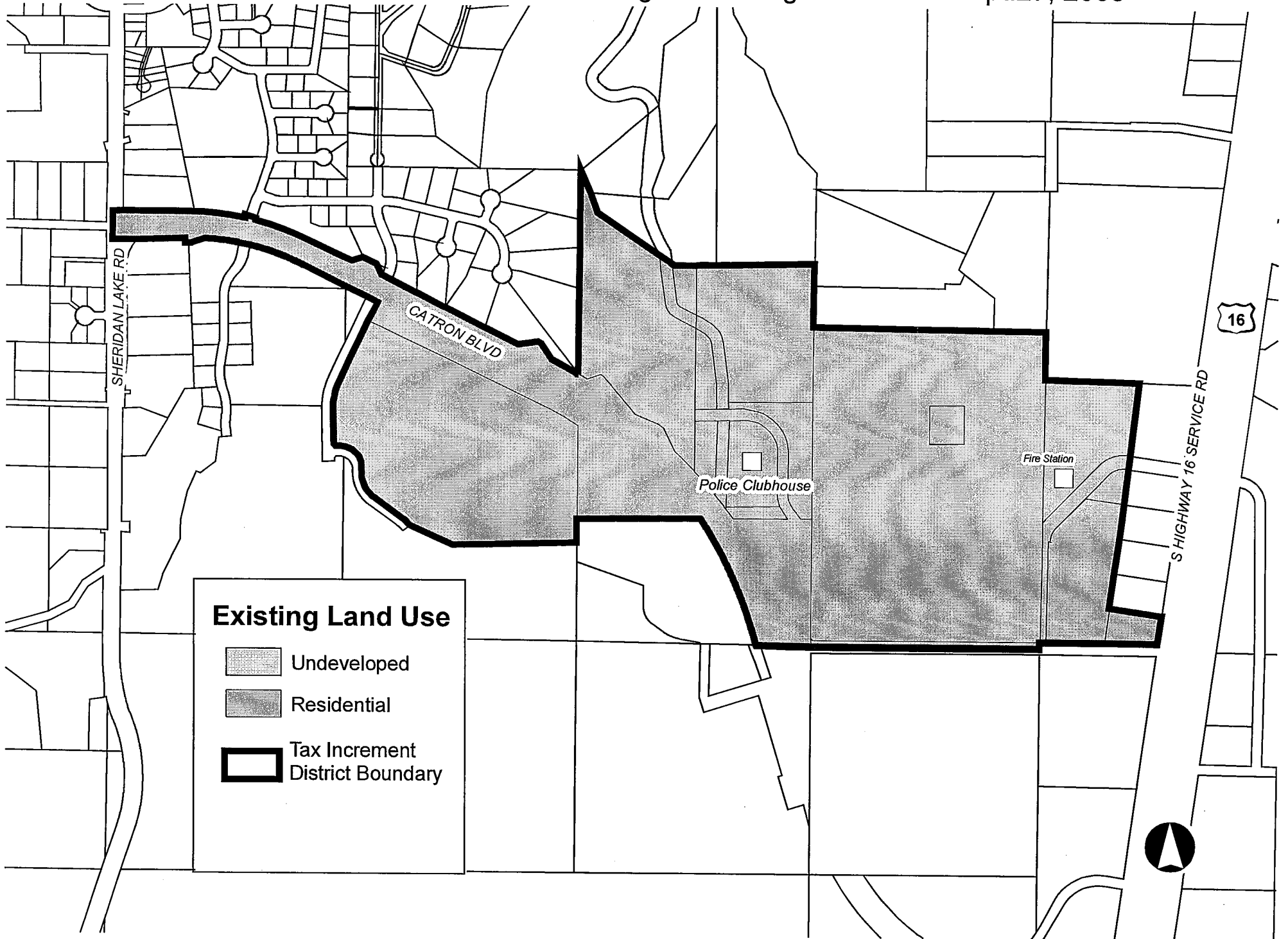
Tax Increment District No. 61 - Villagio - Aerial Map - Sept. 27, 2006



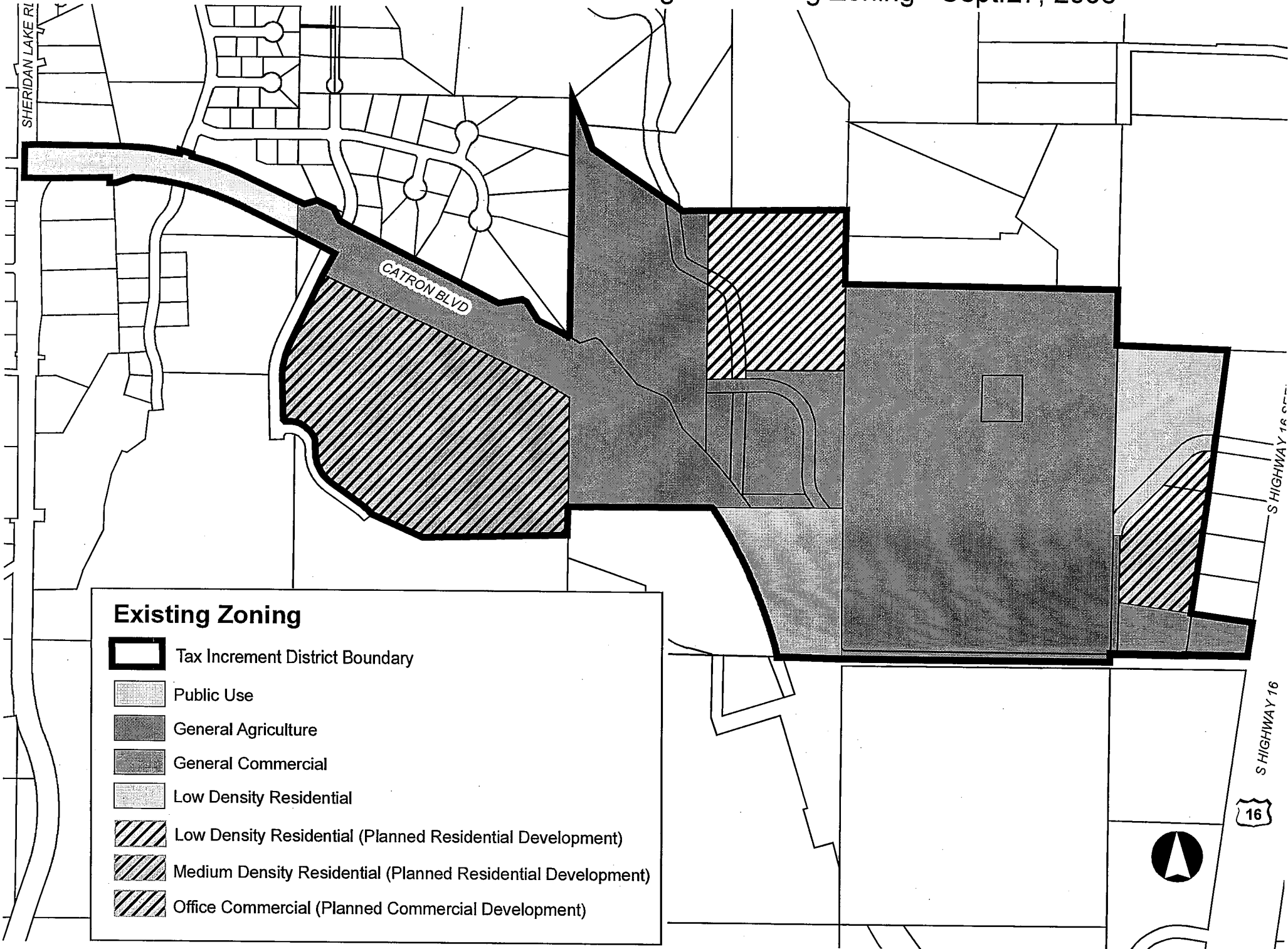
Tax Increment District No. 61 - Villagio - Boundary Map - Sept. 27, 2006











Tax Increment District No. 61 - Villagio - Existing Land Use - Sept.27, 2006



Tax Increment District No. 61 - Villagio - Existing Zoning - Sept.27, 2006



Existing Zoning

-  Tax Increment District Boundary
-  Public Use
-  General Agriculture
-  General Commercial
-  Low Density Residential
-  Low Density Residential (Planned Residential Development)
-  Medium Density Residential (Planned Residential Development)
-  Office Commercial (Planned Commercial Development)



16

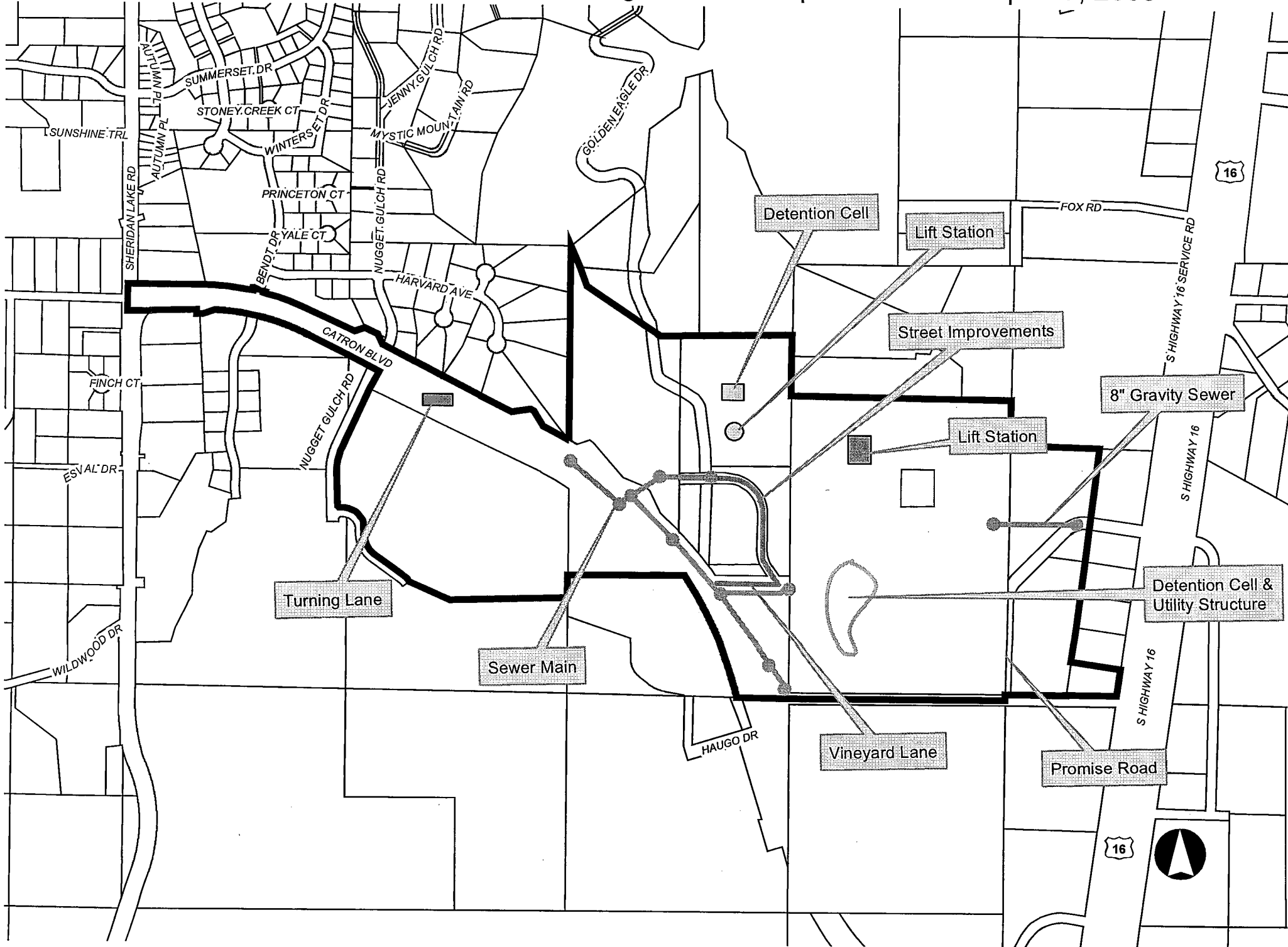
S HIGHWAY 16

S HIGHWAY 16

SHERIDAN LAKE RD

CATRON BLVD

Tax Increment District No. 61 - Villagio - Public Improvements - Sept. 27, 2006



ATTACHMENT #3

US BANK FINANCING LETTER



All of us serving you™

P.O. Box 90
701 Saint Joseph Street
Rapid City, SD 57709

#3

November 23, 2009

Jennifer Landguth, President
VILLAGGIO LLC
3006 West St. Louis Street
RAPID CITY SD 57702-8168

Dear Jennifer:

The purpose of this letter is to provide in writing, for discussion purposes only, the basic terms and conditions upon which U.S. Bank National Association ("Bank") may be willing to consider certain financing facilities for VILLAGGIO LLC. It is not a commitment, but serves as an outline providing the basis for further discussion. A summary of these terms, intended to be indicative, but not exhaustive, follows:

FOR DISCUSSION PURPOSES ONLY

**FACILITY #1
TAX INCREMENT FINANCING (TIF)**

Borrower: Currently under SIGNATURE DEVELOPMENT COMPANY LLC – Proposed transfer to VILLAGGIO LLC

Amount: \$927,446.00

Interest Rate: **Current** – 8.25%
Proposed – To be Determined

Maturity: **Multiple-Advance Termination Date** – 12-01-2010
Final Maturity Date of the Note – 12-01-2014

Amortization: Currently, semi-annual interest-only payments. Beginning 06-01-2011, semi-annual principle and interest payments.

Collateral: Note is secured by an assignment of the positive tax increment proceeds from the Tax Increment District Fund as outlined in a Security Agreement dated March 5, 2007.

Guaranties: Joint and several guaranties from Jennifer Landguth and Jeffrey S. Lage.

Note: The maturity dates, amortization schedule, collateral, and guaranties will the remain the same after the proposed transfer to VILLAGGIO LLC

ATTACHMENT #4

TID #61 PROFORMA

FOR: City of Rapid City
 300 Sixth Street
 Rapid City, South Dakota 57701

BY: Villaggio LLC

PROJECT: Tax Increment #61

DATE: 5-Nov-09

Pro Forma

| | Sales projects Aug-06 | Sales Projections Nov-09 | With TID in place Nov-09 | Without TIF and as approved Using Septics Only |
|--|--------------------------|-----------------------------|-----------------------------|---|
| Lot Sales - Projected and sold (1) | 2,887,000 | 2,225,950 | 2,225,950 | 2225950 |
| Closing and sales fees (2) | 259,830 | 200,336 | 200,336 | 200,336 |
| Development costs including land (3) | 1,099,773 | 1,099,773 | 1,099,773 | 1,099,773 |
| TIF costs to date submitted (4) | 586,758 | 586,758 | 0 | 0 |
| TIF Interest to November 5, 2009 (4) | 86,318 | 86,318 | 0 | 0 |
| Additional costs to be submitted for TID (4) | 127,761 | 127,752 | 0 | 0 |
| Balance of Interest on TID (4) | 391,955 | 391,955 | 0 | 0 |
| Misc. (5) | 803,266 | 803,266 | 803,266 | 803,266 |
| Expenses | 3,355,661 | 3,296,158 | 2,103,375 | 2,103,375 |
| Income/Loss | -468660.64 | -1,070,208 | 122575.5 | 122575.5 |
| Profit Percentage | -16% | -48% | 6% | 6% |

- (1) Prices have been reduced on lots since the start of the TID due to downtown in housing to try and drive sales.
- (2) Closing fees are roughly 0.9% of lot sales.
- (3) Development costs include all private improvements and land (curb and gutter, asphalt, water, sewer, etc.)
- (4) Costs are assumed to be zero with TIF in place.
- (5) Annual Operating expenses, taxes, property taxes, interest expenses

If Sewer was not extended and septic systems were used as approved these amounts would not be applicable

**With TIF in place the Developer receives a 6% return on investment.
 Without the use of a TIF and using septic systems receives a 6% return**

ATTACHMENT #5

LLC DOCUMENTATION

**ARTICLES OF ORGANIZATION
OF
VILLAGGIO, LLC**

I, the undersigned, acting as the organizer of a limited liability company under the South Dakota Limited Liability Company Act, do hereby adopt the following Articles of Organization for such limited liability company:

ARTICLE ONE

The name of the Limited Liability Company is **VILLAGGIO, LLC**.

ARTICLE TWO

The address of the initial designated office of the Limited Liability Company is 3006 West St. Louis Street, Rapid City, South Dakota 57702.

ARTICLE THREE

The name and street address of the initial agent for service of process of the Limited Liability Company is Jennifer Landguth, 3006 West St. Louis Street, Rapid City, South Dakota 57702.

The name and address of each organizer is as follows:

Jennifer Landguth, 3006 West St. Louis Street, Rapid City, South Dakota 57702.

ARTICLE FOUR

The company will be member managed.

ARTICLE FIVE

The period of duration of this Limited Liability Company is perpetual unless an earlier dissolution of the Limited Liability Company is provided for in accordance with the provisions of its operating agreement.

ARTICLE SIX

No members of the Limited Liability Company shall be liable in their capacity as members for any debts, obligations or liabilities of the company.

**OPERATING AGREEMENT OF
VILLAGGIO, LLC**

This Operating Agreement of Villaggio, LLC (the "Company"), is made and entered into by the Members of the Company pursuant to the South Dakota Limited Liability Company Act (the "Act") and shall be effective as of the date of this Agreement.

ARTICLE I.

DEFINITIONS

"ACT" means the South Dakota Limited Liability Act, Ch. 47-34A, of the South Dakota Codified Laws, as amended from time to time.

"AGREEMENT" means this Restated Operating Agreement, and any amendments thereto.

"ARTICLES" means the Articles of Organization filed with the South Dakota Secretary of State for the purpose of forming the Company.

"CAPITAL ACCOUNT" means the Capital Account to be established for each member in accordance with Section 4.2.

"CAPITAL CONTRIBUTION" means the tangible or intangible property or other benefit to the Company, including money, promissory notes, services performed, or other agreements to contribute cash or property, or contracts for services to be performed, contributed to the Company by a Member.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMPANY" means Villaggio, LLC, formed and constituted and governed under and pursuant to the Act, the Articles, and this Agreement, as such limited liability company may from time to time be constituted.

"DISTRIBUTION" means a transfer of money, property, or other benefit from the Company to a Member in the Member's capacity as a Member, or to a Transferee of the Member's Distributional Interest.

"DISTRIBUTIONAL INTEREST" means all of a Member's interest in Distributions by the Company.

"FISCAL YEAR" shall mean the fiscal year of the Company which shall be the calendar year.

"MAJORITY IN INTEREST OF THE MEMBERS" means, unless otherwise provided in this Agreement, one or more Members having greater than 50 percent of the Membership Interests in the Company.

"MEMBER" means any Person executing this Agreement as of the date of this Agreement as a Member or hereafter admitted to the Company as a Member as provided in this Agreement, but does not include any Person who has ceased to be a Member of the Company.

"MEMBERSHIP INTEREST" means a Member's aggregate rights in the Company, including, without limitation, the Member's Distributional Interest, and the right to vote and participate, if any, in the management of the Company. A Member's Membership Interest shall equal the same percentage as the Member's Distributional Interest as set forth on Exhibit A.

"NET CASH FLOW" means for each Fiscal Year or other period of the Company, the gross cash receipts of the Company from all sources, but excluding any amounts, such as gross receipts taxes, that are held by the Company as a collection agent or in trust for others or that are otherwise not unconditionally available to the Company, less all amounts paid by or for the account of the Company during the same Fiscal Year (including, without limitation, payments of principal and interest on any Company indebtedness, and less any amounts determined by the Members to be necessary to provide a reasonable reserve for working capital needs or any other contingencies of the Company. Net Cash Flow shall be determined in accordance with the cash receipts and disbursements method of accounting and otherwise in accordance with generally accepted accounting principles, consistently applied. Net Cash Flow shall not be reduced by depreciation, amortization, depletion, similar allowances or other non-cash items, but shall be increased by any reduction of reserves previously established. Net Cash Flow shall not include Capital Contributions or financing proceeds.

"PERSON" means any association, corporation, individual, partnership, joint venture, association, corporation, trust, estate, limited liability company, limited liability partnership, limited partnership, business trust, or any other legal entity.

"PROFITS" or "LOSSES" means for any Fiscal Year or portion thereof, the taxable income or taxable loss of the Company for such fiscal year or portion thereof, as determined for federal income tax purposes.

"PROPERTY" means all real, personal and mixed properties, cash, assets, interests and rights of any type owned by the Company. All assets acquired with Company funds or in exchange for Company Property shall be Company Property.

"REGULATIONS" shall mean the regulations, including temporary regulations, promulgated under the Code, as such regulations may be amended from time to time (including the corresponding provisions of any future regulations).

"TRANSFER" includes an assignment, conveyance, deed, bill of sale, lease, mortgage, security interest, encumbrance and gift.

"TRANSFeree" means any Person to whom a Member's Distributional Interest has been transferred.

"TRANSFEROR" means a Member who has transferred its Distributional Interest.

ARTICLE II.

ORGANIZATION

2.1 Name. The name of the Company is Villaggio, LLC.

2.2 Purpose. The Company is formed for the purpose of selling residential real estate and engaging in any lawful act or activity for which limited liability companies may be formed under the Act.

2.3 Place of Business. The principal place of business of the Company shall be located at 3006 West Saint Louis Street, Rapid City, South Dakota 57702.

2.4 Registered Office and Registered Agent. The address of Company's registered office in the state of South Dakota shall be 3006 West Saint Louis Street, Rapid City, South Dakota 57702. The Company's registered agent for service of process in the state of South Dakota shall be Jennifer Landguth, 3006 West Saint Louis Street, Rapid City, South Dakota 57702.

2.5 Term. The term of the Company commenced on the date the South Dakota Secretary of State issued the Articles for the Company and shall continue in existence until such time as the Articles or this Agreement may specify.

2.6 Qualification in Other Jurisdictions. The Members shall cause the Company to be qualified, formed, reformed, or registered under assumed or fictitious names statutes or similar laws in any jurisdiction, if such qualification, formation, reformation or registration is necessary in order to protect the limited liability of the Members or to permit the Company lawfully to transact business.

ARTICLE III.

MEMBERSHIP

3.1 Initial Members. The initial Members of the Company are the Persons executing this Agreement as of the date of this Agreement as Members, each of which is admitted to the Company as Member.

3.2 Liability of Members. The debts, obligations, and liabilities of the Company, whether arising in contract, tort, or otherwise, are solely the debts, obligations, and liabilities of the Company. A Member is not personally liable for a debt, obligation, or liability of the Company solely by reason of being or acting as a Member. The failure of the Company to observe the usual Company formalities or requirements relating to the exercise of its Company powers or management of its business is not a ground for imposing personal liability on the Members for liabilities of the Company.

3.3 Nature of Interest. A Member is not a co-owner of, and has no transferable interest in, Company Property. A Member's Distributional Interest in the Company is personal property.

3.4 Transfers of Distributional Interests. A Distributional Interest is transferable in whole or in part. The Transfer of a Distributional Interest does not dissolve the Company.

3.5 Rights of Transferee to Become a Member. A Transferee of a Distributional Interest shall not be entitled to participate in the management or affairs of the Company or to exercise any rights or powers of a Member; however, the Transferee of a Distributional Interest may be admitted as a Member upon the vote or written consent of a Majority in Interest of the Members in the Company. A Transferee who becomes a Member shall, to the extent transferred, have the rights and powers, and shall be subject to the restrictions and liabilities of a Member under the Agreement. A Transferee who becomes a Member is liable for the Transferor Member's obligations to make contributions and obligations to return unlawful distributions, but the Transferee is not obligated for the Transferor Member's liabilities unknown to the Transferee at the time the Transferee becomes a Member.

3.6 Rights and Obligations of Transferor. A Transfer entitles the Transferee to receive, to the extent transferred, only the Distributions to which the Transferor would be entitled. A Transferee shall have no liability as a Member solely as a result of a Transfer.

Whether or not a Transferee of a Distributional Interest becomes a Member, the Transferor is not released from liability to the Company under the Agreement.

A Transferee who does not become a Member may not require access to information concerning the Company's transactions or inspect or copy any of the Company's records. A Transferee is entitled to receive, in accordance with the Transfer, distributions to which the Transferor would otherwise be entitled and receive, upon dissolution and winding up of the Company's business, the net amount otherwise distributable to the Transferor.

The Company need not give effect to a Transfer until it has notice of the Transfer.

3.7 Withdrawal of a Member. A Member may not withdraw from the Company without unanimous consent of all Members.

ARTICLE IV.

CONTRIBUTIONS, CAPITAL ACCOUNTS AND DISTRIBUTIONS

4.1 Capital Contributions. Each of the Members has made a Capital Contribution to the Company in the amount shown on Schedule A attached hereto.

4.2 Maintenance of Capital Accounts. A Capital Account shall be established in the Company's books for each Member in accordance with the Regulations. Each Member's Capital Account shall be credited with the Member's Capital Contribution. No Member shall be entitled to interest on his Capital Account or withdraw any part of his Capital Account, or receive a Distribution from the Company except as specifically provided herein or by law.

4.3 Allocations of Profits and Losses. The Profits and Losses of the Company shall be allocated on the basis of the amount of the Capital Contributions of each Member.

4.4 Allocations and Distributions of Net Cash Flow and Property. Any Distribution of Net Cash Flow during any Fiscal Year shall be in proportion to the Capital Contributions of each Member. Net Cash Flow shall be distributed to Members as often as determined by the Members, but not less often than annually.

4.5 Distribution Rules. Distributions may be made in cash or in kind. A Member, regardless of his Capital Contribution, has no right to demand and receive a Distribution from the Company in any form other than cash. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a Distribution to a Member, which Distribution would be unlawful under the Act.

ARTICLE V.
MANAGEMENT

5.1 Management by Members. The management of the Company's business shall be vested in the Members.

5.2 Powers of Members.

(a) The Members shall have the exclusive authority to manage the operations and affairs of the Company, shall have the power on behalf and in the name of the Company to carry out any and all of the objects and purposes of the Company, and shall have all authority, rights and powers conferred by law and those required or appropriate for the management of the Company business.

(b) Each Member agrees that all determinations, decisions and actions made or taken by the Members in accordance with this Agreement shall be conclusive and binding upon the Company and their respective successors, assigns and personal representatives.

5.3 Acts of Members. The Members are the agents of the Company for the purpose of its business, and the acts of the Members in carrying on the usual business of the Company shall bind the Company, unless (1) the Member has in fact no authority to act on behalf of the Company in the particular matter and (2) the person with whom the Member is dealing has knowledge of the fact that the Member has no such authority.

5.4 Expenses. The Company will pay, or will reimburse the Members for all costs and expenses arising in connection with the organization and operations of the Company.

5.5 Matters Requiring Unanimous Consent. Notwithstanding any other provision of this Agreement to the contrary, actions or decisions with respect to any of the following matters shall require the prior written consent of each Member:

(a) amendment of this Agreement, or the Company's Articles of Organization;
(b) the voluntary bankruptcy or entering into receivership of the Company;
(c) approval of any merger, consolidation, exchange or reclassification of interest or shares involving the Company, or any other form of reorganization or recapitalization involving the Company; and

(d) the dissolution or liquidation of the Company other than as set forth in this Agreement;

5.6 Indemnification. To the fullest extent permitted by law, the Company shall indemnify and hold harmless the Members from and against any and all losses, claims, damages, liabilities or expenses of whatever nature, as incurred, arising out of or relating to the fact that such party was or is a Member of the Company. Notwithstanding the foregoing, no indemnification may be made to or on behalf of a Member if a judgment or other final adjudication adverse to such Member establishes (1) that his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or (2) that the Member personally gained in fact a financial profit or other advantage to which the Member was not legally entitled.

ARTICLE VI.

RIGHTS, POWERS AND VOTING RIGHTS OF THE MEMBERS

6.1 Request for Vote. Any Member holding in the aggregate a Membership Interest which equals or exceeds ten percent (10%) of the total Membership Interest may call a meeting of the Members for a vote, or may call for a vote without a meeting, on any subject upon which the Members are entitled to vote. In either event, such Member shall establish a date for the meeting on which votes shall be counted and shall mail by first class mail a notice to all Members of the time and place of the Company meeting, if called, and the general nature of the

business to be transacted, or if no such meeting has been called, of the matter or matters to be voted on and the date which the votes will be counted.

6.2 Procedures. Each Member shall be entitled to cast one vote for each full one percent (1%) interest of such Member's Membership Interest: (i) at a meeting, in person, by written proxy or by a signed writing directing the manner in which he desires that his vote be cast, which writing must be received by the Company prior to such meeting, or (ii) without a meeting, by a signed writing directing the manner in which he desires that his vote be cast, which writing must be received by the Company prior to the date on which the votes of Members are to be counted. Only the votes of Members of record on the notice date, whether at a meeting or otherwise, shall be counted.

6.3 Action By Consent. Notwithstanding anything to the contrary contained in this Article VI, any action or approval required or permitted by this Agreement to be taken or given at any meeting of Members (whether by vote or consent), may be taken or given without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken or approval so given, shall be signed by Members owning Membership Interests having not less than the minimum number of votes that would be necessary to authorize or take such action or give such approval at a meeting at which all Members entitled to vote thereon were present and voted. Prompt notice of the taking of any action or the giving of any approval without a meeting by less than unanimous written consent shall be given to those Members who have not consented in writing.

ARTICLE VII.

DISSOLUTION OF COMPANY

7.1 Events of Dissolution. The Company shall be dissolved upon the happening of any of the following events:

- (a) The sale, exchange, or other disposition or transfer of all or substantially all of the assets of the Company;
- (b) Upon the unanimous consent of the Members; or
- (c) Subject to any provision of this Agreement that limits or prevents dissolution, the happening of any event that, under the Act causes the dissolution of a limited liability company.

7.2 Liquidation. Upon dissolution of the Company for any reason, the Company shall immediately commence to windup its affairs; provided, that anytime after dissolution and before winding up, the Members, by an affirmative vote of a Majority Interest of the Members may waive the right to have the Company's business wound up and the Company terminated, and resume carrying on the Company's business.

A reasonable period of time shall be allowed for the orderly termination of the Company business, discharge of its liabilities and distribution or liquidation of the remaining assets so as to enable the Company to minimize the normal losses attendant to the liquidation process. A full accounting of the assets and liabilities of the Company shall be taken and a statement thereof shall be furnished to each Member within thirty (30) days after the dissolution. The Company property and assets and/or the proceeds from the liquidation thereof shall be applied in the following order of priority:

- (a) First, payment of the debts and liabilities of the Company, in the order of priority provided by law (including any loans by any Member to the Company) and payment of the expenses of liquidation;
- (b) Second, setting up of such reserves as the Members may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company or any obligation or liability not then due and payable; and

(c) Third, to the Members in proportion to their Capital Contributions.

7.3 Articles of Termination. As soon as possible (but in no event later than ninety (90) days following the completion of the winding up of the Company), the Members or other appropriate representative of the Company shall execute articles of termination in the form prescribed by the Act and shall file the same with the office of the Secretary of State of the State of South Dakota.

ARTICLE VIII.

MISCELLANEOUS

8.1 Severability. If any term or provision of this Agreement is held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remainder of this Agreement.

8.2 General. This Agreement: (i) shall be binding on the personal representatives, estates, heirs and legal successors of each Member; (ii) be governed by and construed in accordance with the laws of the State of South Dakota (without regard to principles of conflict of laws); (iii) may be executed in more than one counterpart as of the day and year first above written; and (iv) contains the entire operating agreement with respect to the Company. The waiver of any of the provisions, terms or conditions contained in this Agreement shall not be considered as a waiver of any of the other provisions, terms or conditions hereof.

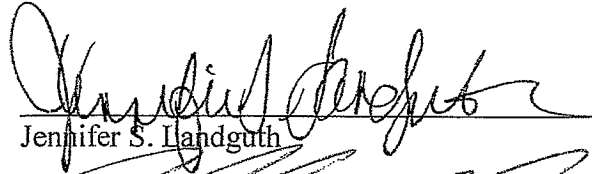
8.3 Notices, Etc. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given upon personal delivery, confirmation of telex or telecopy, or upon the fifth day following mailing by registered mail, postage prepaid:

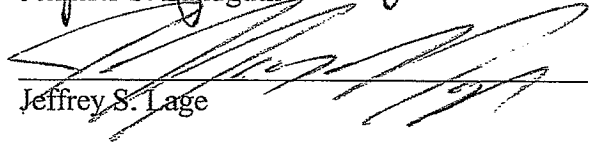
If to the Members:

As indicated on Schedule A attached hereto.

8.4 Amendment. This Agreement may only be amended by a written action of all the Members.

Dated as of this 29th day of September 2009.


Jennifer S. Landguth


Jeffrey S. Lage

SCHEDULE A

| <u>Name and Address</u> | <u>Distributional Interest</u> |
|--|--------------------------------|
| Jennifer S. Landguth 3006 West Saint Louis Street Rapid City, SD 57702 | 50% |
| Jeffrey S. Lage 3006 West Saint Louis Street Rapid City, SD 57702 | 50% |

ATTACHMENT #6

FINANCIALS

2:20 PM
11/23/09
Accrual Basis

Villaggio LLC
Balance Sheet
As of November 5, 2009

| | <u>Nov 5, 09</u> |
|---------------------------------------|----------------------------|
| ASSETS | |
| Current Assets | |
| Checking/Savings | |
| 1000 · US Bank Checking | 4,510.12 |
| Total Checking/Savings | <u>4,510.12</u> |
| Total Current Assets | 4,510.12 |
| Other Assets | |
| 1500 · Villaggio at Golden Eagle | 844,970.96 |
| 1550 · TIF Villaggio | 673,085.64 |
| Total Other Assets | <u>1,518,056.60</u> |
| TOTAL ASSETS | <u>1,522,566.72</u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Other Current Liabilities | |
| 2001 · Earnest Money | 5,000.00 |
| 2010 · Due to WCO | 1,300.00 |
| 2020 · TIF Loan Payable | 673,085.64 |
| 2040 · US Bank Line of Credit | 182,800.00 |
| Total Other Current Liabilities | <u>862,185.64</u> |
| Total Current Liabilities | <u>862,185.64</u> |
| Total Liabilities | 862,185.64 |
| Equity | |
| 3040 · Member 1 Equity | 331,085.48 |
| 3060 · Member 2 Equity | 331,085.48 |
| Net Income | <u>-1,789.88</u> |
| Total Equity | <u>660,381.08</u> |
| TOTAL LIABILITIES & EQUITY | <u>1,522,566.72</u> |