

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of Big Sky County Water & Sewer District No. 363, Montana (the "District"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO THE WATER SYSTEM; CREATING SPECIAL FUNDS AND ACCOUNTS FOR THE ADMINISTRATION OF MONEY DERIVED THEREFROM AND DEFINING THE TERMS AND THE MANNER OF PAYMENT OF \$5,000,000 GENERAL OBLIGATION BOND (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM), SERIES 2007" (the "Resolution"), on file in the original records of the District in my legal custody; that the Resolution was duly adopted by the Board of Directors of the District at a regular meeting on July 17, 2007, and that the meeting was duly held by the Board of Directors and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed. I further certify that, upon vote being taken on the Resolution at said meeting, the following Directors voted in favor thereof: President Packy Cronin, Secretary Dick Fast, Dick Allgood, Jeff Daniels, Bill Olson, William Shropshire and Gary McRae; voted against the same: _____; abstained from voting thereon: _____; or were absent: _____.

WITNESS my hand and seal officially this 17 day of July, 2007.

Attest

Dick Fast, Secretary

RESOLUTION NO. 07-03

BOND RESOLUTION

relating to

\$5,000,000
GENERAL OBLIGATION BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM), SERIES 2007

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

Adopted: July 17, 2007

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“Act” means Montana Code Annotated, Title 75, Part 5, Chapter 11, as amended from time to time.

“Administrative Expense Surcharge” means a surcharge on the Loan charged by the DNRC to the Borrower equal to three quarters of one percent (0.75%) per annum on the outstanding principal amount of the Loan, payable by the Borrower on the same dates that payments of interest on the Loan are due.

“Authorized DNRC Officer” means the Director or Deputy Director of the DNRC, and, when used with reference to an act or document, also means any other individual authorized by the Director of the DNRC to perform such act or sign such document.

“Board” means the Board of Directors of the Borrower.

“Bond” means the \$5,000,000 General Obligation Bond (DNRC Drinking Water State Revolving Loan Program), Series 2007, issued to the DNRC to evidence the Loan pursuant to this Resolution.

“Bond Counsel” means any Counsel acceptable to the DNRC which is nationally recognized as bond counsel. Counsel is nationally recognized as bond counsel if it has rendered a legal opinion as to the validity and enforceability of state or municipal bonds and as to the exclusion of interest thereon from gross income for federal income tax purposes (short-term issues excluded) during the two-year period preceding the date of determination.

“Borrower” means Big Sky County Water & Sewer District No. 363.

“Business Day” means any day which is not a Saturday or Sunday and is not a day on which banks in Montana are authorized or required by law to close.

“Closing” means the date of delivery of the Bond to the DNRC.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral Documents” means any security agreement, guaranty or other document or agreement delivered to the DNRC securing the obligations of the Borrower under this Resolution and the Bond. If no Collateral Documents secure such obligations, any reference to Collateral Documents in this Resolution shall be without effect.

“Committed Amount” means the amount of the Loan committed to be lent by the DNRC to the Borrower pursuant to Section 4.1, as such amount may be reduced pursuant to Sections 3.2, 3.4, and 4.5.

“Construction Fund” means the Fund established pursuant to Section 10.1.

“Consultant” means a nationally recognized consultant or firm of consultants, or an independent engineer or firm of independent engineers, or an Accountant, which in any case is qualified and has skill and experience in the preparation of financial feasibility studies or

“Loan Loss Reserve Surcharge” means a fee equal to one percent (1.00%) per annum on the outstanding principal amount of the Loan, payable on the same dates that payments of interest on the Loan are due.

“Meadow Village Well Project” means that portion of the Project consisting of constructing and installing piping to wells installed in Mountain Village and related appurtenances for distribution purposes to form a part of the System and costing an estimated amount of approximately \$800,000.

“Opinion of Counsel” means a written opinion of Counsel.

“Person” means any Private Person or Public Entity.

“Private Person” means an individual, corporation, partnership, limited liability company, limited liability partnership, association, joint venture, joint stock company or unincorporated organization, except a Public Entity.

“Program” means the Drinking Water State Revolving Loan Program established by the Act.

“Project” means the facilities, improvements and activities financed, refinanced or the cost of which is being reimbursed to the Borrower with proceeds of the Loan, described in Exhibit A hereto.

“Public Entity” means a municipality, town, county, school district, political or administrative subdivision of State government, irrigation district, drainage district or other public body established by State law.

“Recycled Moneys” means money on hand in the Revolving Fund derived from the repayment of loans under the Program.

“Regulations” means the Treasury Regulations, whether final, temporary or proposed, promulgated under the Code.

“Reserve Amounts” means any undisbursed Committed Amount which will or may be required to pay any remaining costs of the Project upon completion thereof as provided in Section 3.4(a).

“State” means the State of Montana.

“State Bonds” means the State’s General Obligation Bonds (Drinking Water State Revolving Fund Program), issued pursuant to the Indenture.

“System” means the existing municipal water system of the Borrower and all extensions, improvements and betterments thereof hereafter constructed and acquired, including the Project.

“Trustee” means U.S. Bank National Association, in Seattle, Washington, or any successor trustee under the Indenture.

System, to adopt this Resolution and to enter into the Collateral Documents and to issue the Bond and to carry out and consummate all transactions contemplated by this Resolution, the Bond and the Collateral Documents;

- (iii) is a Governmental Unit and a Public Entity; and
- (iv) has taken all proper action to authorize the execution, delivery and performance of its obligations under this Resolution, the Bond and the Collateral Documents and the incurrence of the Debt evidenced by the Bond in the maximum amount of the Committed Amount.

(b) Pending Litigation. There is no litigation or proceeding pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower in any court or before or by any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the existence, corporate or otherwise, of the Borrower, or the ability of the Borrower to make all payments and otherwise perform its obligations under this Resolution, the Bond and the Collateral Documents, or the financial condition of the Borrower, or the transactions contemplated by this Resolution, the Bond and the Collateral Documents or the validity and enforceability of this Resolution, the Bond and the Collateral Documents.

(c) Borrowing Legal and Authorized. The adoption of this Resolution, the execution and delivery of the Bond and the Collateral Documents and the consummation of the transactions provided for in this Resolution, the Bond and the Collateral Documents and compliance by the Borrower with the provisions of this Resolution, the Bond and the Collateral Documents:

- (i) are within the powers of the Borrower and have been duly authorized by all necessary action on the part of the Borrower; and
- (ii) do not and will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any resolution, indenture, loan agreement or other agreement or instrument (other than this Resolution and any Collateral Documents) to which the Borrower is a party or by which the Borrower or its property may be bound, nor will such action result in any violation of the provisions of any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Borrower, its properties or operations are subject.

(d) No Defaults. No event has occurred and no condition exists that, upon execution and delivery of the Bond and the Collateral Documents, would constitute a default under this Resolution or the Collateral Documents. The Borrower is not in violation of any term of any agreement, bond resolution, trust indenture, charter or other instrument to which it is a party or by which it or its property may be bound which violation would materially and adversely affect

water quality standards regarding the System, of which the DNRC and DEQ are aware; and

(2) has obtained all licenses, permits, franchises or other governmental authorizations necessary to the ownership of the System and the operation thereof.

Section 2.2. Covenants.

(a) Insurance. The Borrower at all times shall keep and maintain with respect to the System property and casualty insurance and liability insurance with financially sound and reputable insurers, or self-insurance as authorized by State law, against such risks and in such amounts, and with such deductible provisions, as are customary in the State in the case of entities of the same size and type as the Borrower and similarly situated and shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for all such insurance. Each policy must provide that it cannot be cancelled by the insurer without giving the Borrower and the DNRC 30 days' prior written notice. The Borrower shall give the DNRC prompt notice of each insurance policy it obtains or maintains to comply with this Section 2.2(a) and of each renewal, replacement, change in coverage or deductible under or amount of or cancellation of each such insurance policy and the amount and coverage and deductibles and carrier of each new or replacement policy. Such notice shall specifically note any adverse change as being an adverse change. The Borrower shall deliver to the DNRC at Closing a certificate providing the information required by this Section 2.2(a).

(b) Right of Inspection and Notice of Change of Location. The DNRC, the DEQ and the EPA and their designated agents shall have the right at all reasonable times during normal business hours and upon reasonable notice to enter into and upon the property of the Borrower for the purpose of inspecting the System or any or all books and records of the Borrower relating to the System.

(c) Further Assurance. The Borrower shall execute and deliver to the DNRC all such documents and instruments and do all such other acts and things as may be necessary or required by the DNRC to enable the DNRC to exercise and enforce its rights under this Resolution, the Bond and the Collateral Documents and to realize thereon, and record and file and re-record and refile all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the DNRC to validate, preserve and protect the position of the DNRC under this Resolution, the Bond and the Collateral Documents.

(d) Additional Agreements. The Borrower covenants to comply with all representations, covenants, conditions and agreements, if any, set forth in Appendix C hereto.

(e) Financial Information. The Borrower agrees that for each fiscal year it shall furnish to the DNRC and the DEQ, promptly when available:

(1) the preliminary budget for the System, with items for the Project shown separately; and

(2) when adopted, the final budget for the System, with items for the Project shown separately.

(i) Compliance with DEQ Requirements. The Borrower shall comply with plan, specification and other requirements for public water systems established by the DEQ, as required by Section 75-6-224(1)(h).

ARTICLE III USE OF PROCEEDS; THE PROJECT

Section 3.1. Use of Proceeds. The Borrower shall apply the proceeds of the Loan from the DNRC solely as follows:

(a) The Borrower shall apply the proceeds of the Loan solely to the financing, refinancing or reimbursement of the costs of the Project as set forth in Appendix A hereto and this Section 3.1. The Loan will be disbursed in accordance with Article IV hereof and Article VII of the Indenture. If the Project has not been completed prior to Closing, the Borrower shall, as quickly as reasonably possible, complete the Project and expend proceeds of the Bond to pay the costs of completing the Project.

(b) No portion of the proceeds of the Loan shall be used to reimburse the Borrower for costs paid prior to the date of adoption of this Resolution of a Project the construction or acquisition of which occurred or began earlier than June 1, 1993. In addition, if any proceeds of the Loan are to be used to reimburse the Borrower for Project costs paid prior to the date of adoption of this Resolution, the Borrower has complied in respect of such expenditures with the requirements of Section 1.150-2 of the Treasury Department, Income Tax Regulations, as amended or any successor regulation thereto.

(c) Any Debt to be refinanced with proceeds of the Loan was incurred after June 1, 1993 for a Project the construction or acquisition of which began after June 1, 1993. No proceeds of the Loan shall be used for the purpose of refinancing an obligation the interest on which is exempt from federal income tax or excludable from gross income for purposes of federal income taxation unless the DNRC has received an Opinion of Bond Counsel, satisfactory to it, to the effect that such refinancing will not adversely affect the exclusion of interest on the State Bonds from gross income for purposes of federal income taxation.

Section 3.2. The Project. Set forth in Appendix A to this Resolution is a description of the Project, which describes the property which has been or is to be acquired, installed, constructed or improved and the other activities, if any to be funded from the Loan (the Project may consist of more than one facility or activity). The Project may be changed and the description thereof in Appendix A may be amended from time to time by the Borrower but only after delivery to the DNRC of the following:

(a) A certificate of the Borrower setting forth the amendment to Appendix A and stating the reason therefor, including statements whether the amendment would cause an increase or decrease in the cost of the Project, an increase or decrease in the amount of Loan proceeds which will be required to complete the Project and whether the change will materially accelerate or delay the construction schedule for the Project;

(b) A written consent to such change in the Project by an Authorized DNRC Officer;

Reserved Amount is not later needed, the Borrower shall so inform the DNRC and release such amount. If Appendix A describes two or more separate projects as making up the Project, a separate completion certificate shall be delivered for each.

(b) If all or any portion of the Project is cancelled or cut back or its costs are reduced or for any other reason the Borrower will not require the full Committed Amount, the Borrower shall promptly notify the DNRC in writing of such fact and release the portion of the Committed Amount which will not be needed.

ARTICLE IV THE LOAN

Section 4.1. The Loan; Disbursement of Loan. Subject to Section 4.5 below, the DNRC has agreed to lend to the Borrower, from time to time as the requirements of this Section 4.1 are met, an amount up to \$5,000,000 (the "Committed Amount") for the purposes of financing, refinancing or reimbursing the Borrower for the costs of the Project; provided the DNRC shall not be required to loan any proceeds of the State Bonds to the Borrower after December 31, 2008. The Committed Amount may be reduced as provided in Sections 3.2 and 3.4. The Loan shall be disbursed as provided in this Section 4.1. The DNRC intends to disburse the Loan through the Trustee.

(a) In consideration of the issuance of the Bond by the Borrower, the DNRC shall make, or cause the Trustee to make, a disbursement of all or a portion of the Loan upon receipt of the following documents:

(1) an Opinion of Bond Counsel as to the validity and enforceability of the Bond as a general obligation of the Borrower and stating in effect that interest on the Bond is not includable in gross income for purposes of federal income taxation, in form and substance satisfactory to the DNRC;

(2) the Bond, fully executed and authenticated;

(3) a certified copy of this Resolution;

(4) any other security instruments or documents required by the DNRC or DEQ as a condition to their approval of the Loan;

(5) if all or part of a Loan is being made to refinance a Project or reimburse the Borrower for the costs of a Project paid prior to the Closing, evidence, satisfactory to the DNRC and the Bond Counsel referred to in (1) above, (A) that the acquisition or construction of the Project was begun no earlier than June 1, 1993 or the debt was incurred no earlier than June 1, 1993, (B) of the Borrower's title to the Project, (C) of the costs of such Project and that such costs have been paid by the Borrower and (D) if any proceeds of the Loan are to be used to reimburse the Borrower for Project costs paid prior to the date of adoption of this Resolution, the Borrower has complied in respect of such expenditures with the requirements of Section 1.150-2 of the Treasury Department, Income Tax Regulations, as amended or any successor regulation thereto;

available to the DNRC. The DNRC will use its best efforts to obtain an acceleration of such schedule if necessary.

(g) Upon making each Loan disbursement, the Trustee shall note such disbursement on Schedule A to the Bond.

(h) The Borrower further acknowledges and agrees that any portions of the Loan representing capitalized interest shall be advanced only on Payment Dates and shall be transferred by the Trustee on the Payment Date directly to the Debt Service Account. The amount of any such transfer shall be a credit against the interest payments due on the Bond and interest thereon shall accrue only from the date of transfer.

Section 4.2. Commencement of Loan Term. The Borrower's obligations under this Resolution and the Collateral Documents shall commence on the date hereof unless otherwise provided in this Resolution. However, the obligation to make payments under Article V hereof shall commence only upon the first disbursement by the Trustee of Loan proceeds.

Section 4.3. Termination of Loan Term. The Borrower's obligations under this Resolution and the Collateral Documents shall terminate upon payment in full of all amounts due under the Bond and this Resolution; provided, however, that the covenants and obligations provided in Article VII and Section 12.4 shall survive the repayment of the Bond.

Section 4.4. Loan Closing Submissions. On or prior to the Closing, the Borrower will have delivered to the DNRC and the Trustee the closing submissions required by Section 7.05 of the Indenture.

Section 4.5. Meadow Village Well Project. The Borrower has received and awarded construction bids for the entire Project, with the exception of the Meadow Village Well Project. The Borrower expects to obtain DEQ approval of and advertise for and award construction bids on the Meadow Village Well Project by December 31, 2007 and, while it desires to complete the Mountain Village Well Project by December 31, 2007, circumstances may not permit it to complete the Meadow Village Well Project until June 2008. The Borrower understands and agrees that the DNRC shall have no obligation to advance any of the Committed Amount related to the Meadow Village Well Project until the DEQ and other regulatory agencies or bodies have approved such Project, a bid or bids have been awarded with respect hereto, and work has been commenced and costs have been incurred in respect of the Meadow Village Well Project. Thus, notwithstanding any provision herein to the contrary, the portion of the Committed Amount attributable to the Meadow Village Well Project will not be available to the District until conditions set forth in this paragraph are satisfied.

ARTICLE V REPAYMENT OF LOAN

Section 5.1. Repayment of Loan. The Borrower shall repay the amounts lent to it pursuant to Section 4.1 hereof, plus interest on the unpaid amounts lent at the rate of two percent (2.00%) per annum, in semiannual Loan Repayments. In addition, the Borrower shall pay an Administrative Expense Surcharge on the outstanding principal amount of the Loan at the rate of seventy-five hundredths of one percent (0.75%) per annum and a Loan Loss Reserve Surcharge

Section 5.2. Additional Payments. The Borrower shall also pay, within 30 days after receipt of a bill therefor, from any legally available funds therefor, including proceeds of the Loan, if the Borrower so chooses, all reasonable expenses of the DNRC and the Trustee in connection with the Loan, the Collateral Documents and the Bond, including, but not limited to:

(1) the cost of reproducing this Resolution, the Collateral Documents and the Bond;

(2) the fees and disbursements of Bond Counsel and other Counsel utilized by the DNRC and the Trustee in connection with the Loan, this Resolution, the Collateral Documents and the Bond and the enforcement thereof; and

(3) all taxes and other governmental charges in connection with the execution and delivery of the Collateral Documents or the Bond, whether or not the Bond is then outstanding, including all recording and filing fees relating to the Collateral Documents and the pledge of the State's right, title and interest in and to the Bond, the Collateral Documents and this Resolution under the Board Resolution (and with the exceptions noted therein) and all expenses, including attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof or thereof.

Section 5.3. Prepayments. The principal installments of the Bond with stated maturities on or after January 1, 2018 shall each be subject to redemption at the option of the Borrower, in whole or in part, in inverse order of stated maturities and in \$1,000 principal amounts, on July 1, 2017, and any Payment Date thereafter at a price equal to the principal amount of the Bond to be redeemed with interest accrued to the redemption date. At least thirty days prior to the designated redemption date, the Secretary shall cause notice of redemption to be mailed, by first class mail, to the registered owner of the Bond at its address as it appears on the bond register, but no defect in or failure to give such mailed notice shall affect the validity of proceedings for the redemption of any principal installment not affected by such defect or failure. The notice of redemption shall specify the redemption date, redemption price and the principal installments of the Bond to be redeemed. Notice of redemption having been given as aforesaid, the Bonds or principal installments thereof so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the Borrower shall default in the payment of the redemption price) the Bond or principal installments thereof shall cease to bear interest. Any prepayment must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Bond is prepaid in part pursuant to this Section 5.3, such prepayments shall be applied to principal payments in inverse order of maturity.

Section 5.4. Obligations of Borrower Unconditional. The obligations of the Borrower to make the payments required by this Resolution and the Bond and to perform its other agreements contained in this Resolution, the Bond and Collateral Documents shall be absolute and unconditional, except as otherwise provided herein or in such documents. The Borrower (a) shall not suspend or discontinue any payments provided for in this Resolution and the Bond, (b) shall perform all its other agreements in this Resolution, the Bond and the Collateral Documents

Borrower and not by any other Person. Any portion of the Project being financed shall be acquired by and shall, during the term of the Loan, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the Project or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted hereunder and if such organization agrees with the DNRC to comply with Sections 2.2(h), 2.2(i) and 6.3 hereof and if the DNRC receive an Opinion of Bond Counsel that such transfer will not violate the Act or the Safe Drinking Water Act or adversely affect the exclusion of interest on the Bonds from gross income or purposes of federal income taxation. In addition, except as otherwise provided herein or in any Collateral Documents, the Borrower may sell or otherwise dispose of any portion of the Project which has become obsolete or outmoded or is being replaced or for other reasons is not needed by the Borrower or beneficial to the general public or necessary to carry out the purposes of the Safe Drinking Water Act.

(d) At the Closing of the Loan the DNRC will, if necessary to obtain the Opinion of Bond Counsel described in Section 7.05(a) of the Indenture, deliver to the Borrower instructions concerning compliance by the Borrower with the arbitrage rebate requirements of Section 148 of the Code (the "Arbitrage Rebate Instructions"). The Borrower shall comply with the Arbitrage Rebate Instructions, if any, delivered to it by the DNRC at Closing, as such Instructions may be amended or replaced by the DNRC from time to time. The Arbitrage Rebate Instructions may be amended or replaced by new Arbitrage Rebate Instructions delivered by the DNRC and accompanied by an Opinion of Bond Counsel to the effect that the use of said amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of interest on the State Bonds or any Additional State Bonds (except Additional State Bonds the interest on which the State did not intend to be excluded from gross income for federal income tax purposes) from gross income of the recipients thereof for federal income tax purposes.

(e) The Borrower agrees that during the Loan Term it will not contract with or permit any Private Person to manage the Project or any portion thereof except according to a written management contract which complies with the following provisions:

(1) If any contract between the Borrower and the Private Person with respect to the Project provides for compensation based on a percentage of fees charged for services rendered by the Private Person, the contract may not exceed a term of five years (including any renewal options). At least 50% of the compensation to the Private Person must be based upon a periodic fixed fee. In addition, the Borrower must be able to cancel the contract without penalty or cause at the end of any three-year period of the contract term. The compensation must be reasonable, and it may not be based on a percentage of the net profits of the Project or the System or any portion thereof or any other division or activity of the Borrower.

(2) If any contract between the Borrower and the Private Person with respect to the Project provides for compensation based on a periodic flat fee, the compensation must be reasonable and the contract may not exceed a term of five years (including any renewal options). In addition, the Borrower must be able to cancel the contract without penalty or cause at the end of any three-year period of the contract term. If the contract provides for automatic increases in the periodic flat fee, the increases may not exceed the percentage increases determined by particular external standards for computing such

Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time (such financial statements to relate to a fiscal year or any period therein for which they are customarily prepared by the Borrower, and, if for a fiscal year and so requested by the DNRC, subject to an audit report and opinion of an accountant or government auditor, as permitted or required by the laws of the State. The Borrower will also provide, with any information so furnished to the DNRC, a certificate of its President and Secretary to the effect that, to the best of their knowledge, such information does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein to make the statements made, in light of the circumstances under which they are made, not misleading.

ARTICLE VII INDEMNIFICATION OF DNRC, DEQ AND TRUSTEE

The Borrower shall indemnify and save harmless the DNRC, DEQ and their officers, employees and agents (each an "Indemnified Party" or, collectively, the "Indemnified Parties") against and from any and all claims, damages, demands, expenses, liabilities and losses of every kind asserted by or on behalf of any Person arising out of the acts or omissions of the Borrower or its employees, officers, agents, contractors, subcontractors, or consultants in connection with or with regard or in any way relating to the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation or financing of the 2007 Project. The Borrower shall also indemnify and save harmless the Indemnified Parties against and from all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. If any proceeding is brought against an Indemnified Party by reason of such claim or demand, the Borrower shall, upon notice from an Indemnified Party, defend such proceeding on behalf of the Indemnified Party.

ARTICLE VIII ASSIGNMENT

Section 8.1. Assignment by Borrower. The Borrower may not assign its rights and obligations under this Resolution or the Bond.

Section 8.2. Assignment by DNRC. The DNRC will pledge its rights under and interest in this Resolution, the Bond and the Collateral Documents (except to the extent otherwise provided in the Indenture) as security for the payment of the State Bonds.

Section 8.3. State Refunding Bonds. In the event the State Bonds and Additional State Bonds are refunded by bonds which are not Additional State Bonds, all references in this Resolution to State Bonds and Additional State Bonds shall be deemed to refer to the refunding bonds and any bonds of the State on a parity with such refunding bonds (together, the "Refunding Bonds") or, in the case of a crossover refunding, to the State Bonds and Additional State Bonds and the Refunding Bonds. In the event the State Bonds are refunded by an issue of Additional State Bonds, all references in this Resolution to the State Bonds shall be deemed to refer to such Additional State Bonds or, in the case of a crossover refunding, both the State Bonds and such Additional State Bonds.

(the "Registrar"), as Bond Registrar, has duly noted the transfer on the Bond and recorded the transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. The Borrower shall be entitled to deem and treat the person in whose name the Bond is registered as the absolute owner of the Bond for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the Borrower's liability upon such Bond to the extent of the sum or sums so paid.

Section 9.6. Execution and Delivery. The Bond shall be executed on behalf of the Borrower by the manual signatures of the President and the Secretary. Any or all of such signatures may be affixed at or prior to the date of delivery of the Bond. The Bond shall be sealed with the corporate seal of the Borrower. In the event that any of the officers who shall have signed the Bond shall cease to be officers of the Borrower before the Bond is issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the Bond may be signed by an authorized official who did not hold such office on the date of adoption of this Supplemental Resolution. The Bond shall be delivered to the DNRC, or its attorney or legal representative.

Section 9.7. Form. The Bond shall be prepared in substantially the form attached as Appendix B.

ARTICLE X SECURITY FOR THE BOND; CONSTRUCTION FUND AND DEBT SERVICE FUND

Section 10.1. Construction Fund. There is hereby created a special fund to be designated as the "2007 Construction Fund" (the "Construction Fund"), to be held and administered by the Secretary separate and apart from all other funds of the Borrower. The Borrower hereby appropriates to the Construction Fund: (a) the proceeds of the sale of the Bond, and (b) all income derived from the investment of amounts on hand in the Construction Fund. The Construction Fund shall be used solely to defray expenses of the Project, including but not limited to the transfer to the Debt Service Fund described in Section 10.2 of amounts sufficient for the payment of interest and principal, if any, due upon the Bond prior to the completion and payment of all costs of the Project. Upon completion and payment of all costs of the Project, any remaining proceeds of Bond in the Construction Fund shall be credited and paid to the Debt Service Fund.

Section 10.2. Debt Service Fund. So long as any principal installments of the Bond are outstanding or interest thereon unpaid, the Treasurer shall maintain a separate and special 2007 General Obligation Debt Service Fund (the "Debt Service Fund") to be used for no purpose other than the payment of the principal of and interest on the Bond. The Borrower irrevocably appropriates to the Debt Service Fund: (a) all funds to be credited and paid thereto in accordance with the provisions of Section 10.1, (b) any taxes levied in accordance with this Resolution, (c) all income derived from the investment of amounts on hand in the Debt Service Fund, and (d) such other money as shall be received and appropriated to the Debt Service Fund from time to time.

ARTICLE XI TAX MATTERS

Section 11.1. Use of Project. The Project will be owned and operated by the Borrower and available for use by members of the general public on a substantially equal basis. The Borrower shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the Project or the System or security for the payment of the Bond which might cause the Bond to be considered a “private activity bond” or “private loan bond” within the meaning of Section 141 of the Code.

Section 11.2. General Covenant. The Borrower covenants and agrees with the owners from time to time of the Bond that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bond to become includable in gross income for federal income tax purposes under the Code and the Regulations, and covenants to take any and all actions within its powers to ensure that the interest on the Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

Section 11.3. Arbitrage Certification. The President and the Secretary, being the officers of the Borrower charged with the responsibility for issuing the Bond pursuant to this Resolution, are authorized and directed to execute and deliver to the DNRC a certificate in accordance with the provisions of Section 148 of the Code, and Sections 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Bond, it is reasonably expected that the proceeds of the Bond will be used in a manner that would not cause the Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations.

Section 11.4. Arbitrage Rebate Exemption.

(a) The Borrower hereby represents that the Bond qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the Borrower represents:

(1) Substantially all (not less than 95%) of the proceeds of the Bond (except for amounts to be applied to the payment of costs of issuance will be used for local governmental activities of the Borrower.

(2) The aggregate face amount of all “tax-exempt bonds” (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by or on behalf of the Borrower and all subordinate entities thereof during 2007 is reasonably expected not to exceed \$5,000,000. To date in 2007, the Borrower has issued no such tax-exempt bonds, and in the calendar years 2002 through 2006, the Borrower issued no tax-exempt bonds, except its \$534,000 General Obligation Bond (DNRC Drinking Water Revolving Loan Program), Series 2002, its \$7,000,000 General Obligation Bond (DNRC Revolving Loan Program), Series 2002, its \$1,996,000 General Obligation Bond (DNRC Drinking Water Revolving Loan Program), Series 2003, and its \$6,500,000 General Obligation Bond (DNRC Revolving Loan Program), Series 2003.

Section 12.2. Binding Effect. This Resolution shall inure to the benefit of and shall be binding upon the DNRC, the Borrower and their respective successors and assigns.

Section 12.3. Severability. If any provision of this Resolution shall be determined to be unenforceable at any time, it shall not affect any other provision of this Resolution or the enforceability of that provision at any other time.

Section 12.4. Amendments. This Resolution may not be effectively amended without the prior written consent of the DNRC.

Section 12.5. Applicable Law. This Resolution shall be governed by and construed in accordance with the laws of the State without giving effect to the conflicts-of-laws principles thereof.

Section 12.6. Captions; References to Sections. The captions in this Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Resolution. References to Articles and Sections are to the Articles and Sections of this Resolution, unless the context otherwise requires.

Section 12.7. No Liability of Individual Officers, Directors or Trustees. No recourse under or upon any obligation, covenant or agreement contained in this Resolution shall be had against any director, officer or employee, as such, past, present or future, of the DNRC, the DEQ or the Trustee, either directly or through the DNRC, the DEQ or the Trustee, or against any officer, or member of the governing body or employee of the Borrower, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such officer or member of the governing body or employee of the DNRC, the DEQ, the Trustee or the Borrower is hereby expressly waived and released by the Borrower and by the DNRC as a condition of and in consideration for the adoption of this Resolution and the making of the Loan.

Section 12.8. Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Resolution or the Bond, shall not be Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Resolution or the Bond.

Section 12.9. Right of Others To Perform Borrower's Covenants. In the event the Borrower shall fail to make any payment or perform any act required to be performed hereunder, then and in each such case the DNRC or the provider of any Collateral Document may (but shall not be obligated to) remedy such default for the account of the Borrower and make advances for that purpose. No such performance or advance shall operate to release the Borrower from any such default and any sums so advanced by the DNRC or the provider of any Collateral Document shall be paid immediately to the party making such advance and shall bear interest at the rate of ten percent (10%) from the date of the advance until repaid. The DNRC and the provider of any Collateral Document shall have the right to enter the Project or the facility or

APPENDIX A

Description of the Project

Designing, constructing, and installing improvements to the District's water system, consisting of a water line project for Mountain Meadow, a water system rehabilitation project for Hidden Village, and a well project for Meadow Village, and more particularly involving connecting the Mountain Village, Lone Moose Meadows, Aspen Grove, and Meadow Village water systems into one system using 8-inch steel pipe; drilling two new Meadow Village production wells and connecting them to the system; and water system mainline replacement work, all to provide the District with a redundant water supply system and improve the public water system to distribute water during peak demands; and related improvements.

This Bond constitutes a series in the maximum authorized principal amount of \$5,000,000 (the "Bond"), authorized by the favorable vote of more than the requisite majority of the qualified electors of the Borrower voting on the question of the issuance thereof at an election duly held, issued to finance costs of the construction of certain improvements to the water system of the Borrower (the "System") and to pay costs of issuance of the Bond. The Bond is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 13, Parts 22 and 23, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower. The Bond is issuable only as a single, fully registered bond.

Reference is made to Resolution No. 07-03, duly adopted by the governing body of the Borrower on July 17, 2007 (the "Resolution"), for a more complete statement of the terms and conditions upon which the Bond has been issued, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the City, and the rights of the owners of the Bond.

The principal installments of this Bond with stated maturities on or after January 1, 2018 are subject to redemption at the option of the Borrower, in whole or in part, in inverse order of maturities and in \$1,000 principal amounts within a maturity, on July 1, 2017 and any Payment Date thereafter, at a redemption price equal to the principal amount of the Bond to be redeemed with accrued interest to the date of redemption. Any prepayment must be accompanied by payment of accrued interest and Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. Notice of redemption will be mailed at least 30 days before the redemption date to the registered owner of this Bond. This Bond or principal installments thereof so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption have been duly deposited and, except for the purpose of payment, shall no longer be secured by the Resolution and shall not be deemed Outstanding under the Resolution.

The Borrower may deem and treat the Person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary.

This Bond has been designated by the Borrower as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Montana to be done, to exist, to happen and to be performed precedent to and in the issuance of this Bond, in order to make it a valid and binding general obligation of the Borrower according to its terms, have been done, do exist, have happened and have been performed in regular and due time, form and manner as so required; that an annual ad valorem tax will be duly levied on all of the taxable property in the Water System Jurisdictional Area of the Borrower sufficient to pay the interest hereon when it falls due and also to pay and discharge the principal of this Bond at maturity; and that the issuance of this Bond does not cause the indebtedness of the Borrower to exceed any constitutional or statutory limitation.

REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the Secretary of the Borrower as bond registrar (the “Registrar”), has duly noted the transfer on the Bond and recorded the transfer on the Registrar’s registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower’s liability upon the Bond to the extent of the sum or sums so paid.

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the Big Sky County Water and Sewer District No. 363, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of</u> <u>Registration</u>	<u>Name and Address</u> <u>of Registered Holder</u>	<u>Signature of</u> <u>District Secretary</u>
_____, 2007	<u>Department of Natural</u> <u>Resources and</u> <u>Conservation</u> <u>1625 Eleventh Avenue</u> Helena, MT 59620	_____

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND
REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The Secretary of Big Sky County Water & Sewer District No. 363, Gallatin and Madison Counties, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

<u>Date of Transfer</u>	<u>Name of New Registered Holder</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

SCHEDULE A
SCHEDULE OF AMOUNTS ADVANCED

<u>Date</u>	<u>Advances</u>	<u>Total Amount Advanced</u>	<u>Notation Made By</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

APPENDIX C

ADDITIONAL AGREEMENTS AND REPRESENTATIONS
OF THE BORROWER

NONE