

[OPTION A – PREPAYMENT OF SERIES 2003 BOND]

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Big Sky County Water & Sewer District No. 363, Montana (the "District"), hereby certify that the attached resolution is a true copy of Resolution No. 13-03 entitled: "RESOLUTION RELATING TO FIRST AMENDED AND RESTATED GENERAL OBLIGATION BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM); AMENDING AUTHORIZING RESOLUTIONS ADOPTED AUGUST 29, 2002, MAY 20, 2003, AND JULY 17, 2007 AND BONDS" (the "Resolution"), on file in the original records of the District in my legal custody; that the Resolution was duly adopted by the Board of Directors of the District at a meeting on July 16, 2013, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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: Nes Hoble, Dick East, Jeff Daniels, Tom Reeves  
Bill Sharpshin, Brian Wheeler; voted against the same: \_\_\_\_\_  
\_\_\_\_\_; abstained from voting thereon: \_\_\_\_\_  
\_\_\_\_\_; or were absent: Paul Cronin.

WITNESS my hand officially this 16 day of July, 2013.

  
Secretary

RESOLUTION NO. 13-03

RESOLUTION RELATING TO FIRST AMENDED AND  
RESTATED GENERAL OBLIGATION BONDS (DNRC  
DRINKING WATER STATE REVOLVING LOAN  
PROGRAM); AMENDING AUTHORIZING RESOLUTIONS  
ADOPTED AUGUST 29, 2002, MAY 20, 2003, AND JULY 17,  
2007 AND BONDS

BE IT RESOLVED by the Board of Directors of the Big Sky County Water & Sewer District No. 363, Montana (the "Issuer"), as follows:

Section 1. Recitals.

1.01. Issuance of Bonds. Under the authority conferred by Montana Code Annotated, Title 7, Chapter 13, Parts 22 and 23, as amended (the "Act") and the provisions of the Act and an election duly conducted on February 27, 2002, the Issuer was authorized to issue and sell its general obligation bonds in the maximum principal amount of \$2,500,000 payable during a term not exceeding twenty years from their date of issue, to provide funds to pay costs of certain improvements to the Issuer's water system (the "System") and costs of the issuance and sale of the bonds. In accordance with that authorization and pursuant to Resolution Nos. 02-08 and 03-02, adopted by the Board of Directors of the District on August 29, 2002 and May 20, 2003, respectively, the Issuer authorized the issuance of its \$534,000 General Obligation Bond (DNRC Drinking Water Revolving Loan Program), Series 2002 (the "Series 2002 Bond"), and its \$1,996,000 General Obligation Bond (DNRC Drinking Water Revolving Loan Program), Series 2003 (the "Series 2003 Bond") to finance improvements consisting of the acquisition, construction and installation of various improvements of the water system and related improvements (collectively, the "2002-2003 Project") as part of the System, as more particularly described in Resolution Nos. 02-08 and 03-02.

Pursuant an election duly conducted on December 5, 2006, the Issuer was authorized to issue and sell its general obligation bonds in the maximum principal amount of \$5,000,000 payable during a term not exceeding twenty years from their date of issue, to provide funds to pay costs of certain improvements to the System and costs of the issuance and sale of the bonds. In accordance with that authorization and pursuant to Resolution No. 07-03, adopted by the Board of Directors of the Issuer on July 17, 2007, the Issuer authorized the issuance of its \$5,000,000 General Obligation Bond (DNRC Drinking Water State Revolving Loan Program), Series 2007 (the "Series 2007 Bond") to finance improvements consisting of the acquisition, construction and installation of various improvements of the water system and related improvements (collectively, the "2007 Project") as part of the System, as more particularly described in Resolution No. 07-03.

The Series 2002 Bond, the Series 2003 Bond, and the Series 2007 Bond (collectively, the "Prior Bonds") were purchased and are currently held by the Department of Natural Resources and Conservation of the State of Montana (the "DNRC"). The Prior Bonds comprise the total principal amount of general obligation bonds authorized to be issued by the Issuer with respect to the System as of the date hereof. Terms with initial capital letters used but not defined herein

have the meanings given them in Resolution Nos. 02-08, 03-02, and 07-03 (collectively, the "Original Resolution").

1.02. Interest Rate Reduction. Pursuant to the Intended Use Plan for fiscal years 2013 and 2014 (the "IUP") for the Drinking Water State Revolving Loan Program (the "Program"), the DNRC and the Department of Environmental Quality of the State of Montana have determined that it is in the best interests of borrowers of loans made under the Program and the Program to reduce the interest rates available under the Program.

1.03. Reduction in Interest Rate on Prior Bonds. It is proposed that debt service on the Prior Bonds be reduced in accordance with the interest rate reduction proposal under the IUP, thereby reducing the interest rate on (i) the Series 2002 Bond from four percent (4.00%) per annum to two percent (2.00%) per annum from and after the date of delivery of the First Amended and Restated Series 2002 Bond; (ii) the Series 2003 Bond from four percent (4.00%) per annum to two percent (2.00%) per annum from and after the date of delivery of the First Amended and Restated Series 2003 Bond; and (iii) the Series 2007 Bond from three and three-quarters percent (3.75%) per annum to two and one-quarter percent (2.25%) per annum from and after the date of delivery of the First Amended and Restated Series 2007 Bond.

## Section 2. Amendment of Certain Provisions of the Original Resolution.

2.01. Authorization. The Issuer, in Section 12.4 of each of Resolution Nos. 02-08, 03-02, and 07-03, reserved the right to amend each such resolution upon notice to and with the consent of the DNRC.

2.02. Consent of DNRC. The DNRC has agreed to the amendment of certain provisions of such resolution in connection with the determination to reduce certain interest rates under the Program.

2.03. Amendment of Original Resolution. Pursuant to the authority cited in Sections 2.01 and 2.02 of this resolution,

(a) Resolution No. 02-08 is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2002 Bond (as hereinafter defined) to read as follows:

(1) (i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2002 Bond are hereby amended to read 2.00% per annum, instead of 4.00% per annum; (ii) all references to the interest rate on the Series 2002 Bond exclusive of any surcharges are hereby amended to read 1.25% per annum instead of 2.25% per annum; (iii) the administrative expense surcharge on the Series 2002 Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2002 Bond are hereby amended to read 0.00% per annum, instead of 1.00% per annum; and

(2) the total principal amount of the First Amended and Restated Series 2002 Bond is \$319,000.

(b) Resolution No. 03-02 is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2003 Bond (as hereinafter defined) to read as follows:

(1) (i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2003 Bond are hereby amended to read 2.00% per annum, instead of 4.00% per annum; (ii) all references to the interest rate on the Series 2003 Bond exclusive of any surcharges are hereby amended to read 1.25% per annum instead of 2.25% per annum; (iii) the administrative expense surcharge on the Series 2003 Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2003 Bond are hereby amended to read 0.00% per annum, instead of 1.00% per annum; and

(2) the total principal amount of the First Amended and Restated Series 2003 Bond is \$1,127,000.

(c) Resolution No. 07-03 is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2007 Bond (as hereinafter defined) to read as follows:

(1) (i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2007 Bond are hereby amended to read 2.25% per annum, instead of 3.75% per annum; (ii) all references to the interest rate on the Series 2007 Bond exclusive of any surcharges are hereby amended to read 1.25% per annum instead of 2.00% per annum; (iii) the administrative expense surcharge on the Series 2007 Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2007 Bond are hereby amended to read 0.25% per annum, instead of 1.00% per annum; and

(2) the total principal amount of the First Amended and Restated Series 2007 Bond is \$3,867,000.

(d) Except as expressly noted herein, other interest rates or surcharges are not adjusted, including, without limitation, interest on past-due amounts.

2.04. Amendment of Forms of Bonds. Pursuant to the authority cited in Sections 2.01 and 2.02 of this resolution, effective as of the date of delivery of each series of amended and restated bonds, the Series 2002 Bond attached as Appendix B to Resolution No. 02-08 is hereby amended and restated in its entirety substantially as set forth on the attached Appendix A (the "First Amended and Restated Series 2002 Bond"), the Series 2003 Bond attached as Appendix B to Resolution No. 03-02 is hereby amended and restated in its entirety substantially as set forth on the attached Appendix B (the "First Amended and Restated Series 2003 Bond"), and the Series 2007 Bond attached as Appendix B to Resolution No. 07-03 is hereby amended and restated in its entirety substantially as set forth on the attached Appendix C (the "First Amended and Restated Series 2007 Bond").

2.05. Effect of Amendments. Except as amended by Sections 2.03 and 2.04 of this resolution, the Original Resolution shall remain unamended and, from and after the date of delivery of the First Amended and Restated Bonds (as hereinafter defined), shall continue in full

force and effect as amended by Sections 2.03 and 2.04 of this resolution for the benefit of the holders from time to time of the First Amended and Restated Bonds (as hereinafter defined).

Section 3. Preparation and Delivery of First Amended and Restated Bonds. The First Amended and Restated Series 2002 Bond, the First Amended and Restated Series 2003 Bond, and the First Amended and Restated Series 2007 Bond (collectively, the "First Amended and Restated Bonds") shall be prepared under the direction of the Secretary of the Issuer and shall be executed on behalf of the Issuer by the signatures of the President and the Secretary of the Issuer. When the First Amended and Restated Bonds have been executed, the Secretary of the Issuer shall cause them to be dated as of the date of delivery and delivered to the DNRC, as purchaser thereof, in anticipation of the surrender of the corresponding Prior Bonds. The Secretary of the Issuer is hereby authorized and directed to act as Registrar for the First Amended and Restated Bonds.

Section 4. Debt Service Fund. The Secretary of the Issuer is authorized and directed to transfer amounts in the Debt Service Fund to pay interest owing on the Prior Bonds as of the date of delivery of the First Amended and Restated Bonds. The Issuer will pay costs of issuance of the First Amended and Restated Bonds from funds it has on hand and available therefor.

Section 5. Tax Matters.

5.01. General Covenants. The Issuer covenants and agrees with the owners from time to time of the First Amended and Restated Bonds 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 First Amended and Restated Bonds to become includable in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury Regulations (the "Regulations"), and covenants to take any and all actions within its powers to ensure that the interest on the First Amended and Restated Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations. The 2002-2003 Project, the 2007 Project, and the System are each owned and maintained by the Issuer and available for use by members of the general public on a substantially equal basis. The Issuer agrees not to enter into any lease, use or other agreement with any non-governmental person relating to the use of the 2002-2003 Project, the 2007 Project or the System or security for the payment of the First Amended and Restated Bonds which might cause the First Amended and Restated Bonds to be considered "private activity bonds" or "private loan bonds" within the meaning of Section 141 of the Code.

5.02. Arbitrage Rebate. The Issuer acknowledges the First Amended and Restated Bonds are subject to the rebate requirements of the Section 148(f) of the Code. The Issuer covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Treasury Regulations to preserve the exclusion of interest on the First Amended and Restated Bonds from gross income for federal income tax purposes. In furtherance of the foregoing, the President and the Secretary are hereby authorized and directed to execute a Rebate Certificate, substantially in the form of the Rebate Certificate prepared by Bond Counsel, and the Issuer hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

5.03. Certification. The President and the Secretary of the Issuer, being the officers of the Issuer charged with the responsibility for issuing the First Amended and Restated Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the DNRC certifications to satisfy the provisions of Sections 1.148-2(b) of the Treasury Regulations relating to a reasonable expectation that the proceeds of the First Amended and Restated Bonds will be used in a manner that will not cause them to be arbitrage bonds.

5.04. Information Reporting. The Issuer shall file with the Secretary of the Treasury, not later than August 15, 2013, a statement concerning the First Amended and Restated Bonds containing the information required by Section 149(e) of the Code.

5.05. No Bank Qualification or Counting Toward Qualified Small Issuer Status. Because the reissuance effected by the First Amended and Restated Bonds is a deemed current refunding and the principal amount of the First Amended and Restated Bonds does not exceed the principal amount of the outstanding Prior Bonds, pursuant to Section 265(b)(3)(C)(ii)(III) of the Code, the First Amended and Restated Bonds are hereby not taken into account in determining the Issuer's status as a qualified small issuer under Section 265(b)(3) of the Code. The First Amended and Restated Bonds are not designated as "qualified tax-exempt obligations."

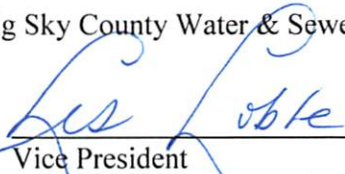
Section 6. Program Covenants. The Issuer agrees that (i) neither it nor any "related person" to the Issuer (within the meaning of Section 147(a)(2) of the Code) shall, whether pursuant to a formal or informal arrangement, acquire bonds issued by the State under the Trust Indenture for the Program in an amount related to the amount of the First Amended and Restated Bonds; and (ii) the issuance of the First Amended and Restated Bonds constitutes a "deemed" refunding of the Prior Bonds effective as of the date of delivery of the First Amended and Restated Bonds and for federal arbitrage purposes the DNRC shall be deemed to have relented the proceeds of the Prior Bonds under the Program to the Issuer effective as of such date.


#### Section 7. Certification and Effective Date.

7.01. Certification. The officers of the Issuer are authorized and directed to prepare and furnish to the DNRC and to the attorneys rendering an opinion as to the legality of the First Amended and Restated Bonds, certified copies of all ordinances, resolutions and records and such other certificates, affidavits and other instruments as may be required to evidence the validity, status of tax-exempt interest, or marketability of the First Amended and Restated Bonds and all such certified copies, certificates and affidavits shall constitute representations of the Issuer as to the truth of all statements of fact contained therein.

7.02. Effective Date. This resolution shall be in full force and effect from and after its passage. The amendments effected by the First Amended and Restated Bonds noted herein, however, shall be effective only from and after the date of delivery of the First Amended and Restated Bonds.

Adopted by the Board of Directors of the Big Sky County Water & Sewer District No. 363, Montana, on this 16th day of July, 2013.

  
Vice President

Attest:   
Secretary



## Big Sky WSD Drinking Water Loans

Current Rates					New Rates				
	Series 2002 WRF-03045 \$534,000 @ 4%	Series 2003 WRF-03050 \$1,966,000 @ 4%	Series 2007 WRF-08109 \$5,000,000 @ 3.75%		Series 2002 WRF-03045 \$319,000 @ 2%	Series 2003 WRF-03050 \$1,127,000 @ 2%	Series 2007 WRF-08109 \$3,867,000 @ 2.25%		
				TOTAL				TOTAL	Difference
2014	18,317	67,133	166,422	251,872	16,658	60,392	155,253	232,303	19,569
2015	38,980	142,940	357,013	538,933	35,950	125,000	323,980	484,930	54,003
2016	38,880	143,100	356,763	538,743	35,350	124,910	323,535	483,795	54,948
2017	39,740	143,100	358,194	541,034	34,750	124,780	322,966	482,496	58,538
2018	38,540	142,940	357,269	538,749	36,140	124,610	323,285	484,035	54,714
2019	39,320	144,600	358,025	541,945	35,500	125,400	323,469	484,369	57,576
2020	39,080	144,040	357,425	540,545	34,860	125,130	323,518	483,508	57,037
2021	38,700	143,320	357,469	539,489	35,220	124,820	323,431	483,471	56,018
2022	39,320	144,420	358,119	541,859	35,550	124,470	323,210	483,230	58,629
2023	38,880	143,300	357,375	539,555	34,870	125,070	323,854	483,794	55,761
2024	19,380	144,000	357,256	520,636	18,180	62,620	323,340	404,140	116,496
2025		73,440	357,706	431,146			323,680	323,680	107,466
2026			357,706	357,706			323,874	323,874	33,832
2027			358,256	358,256			322,910	322,910	35,346
2028			179,300	179,300			161,800	161,800	17,500
2029									
Total	389,137	1,576,333	4,994,298	6,959,768	353,028	1,247,202	4,522,105	6,122,335	837,433

1,063.33  
3,756.67  
12,084.38  
16,904.38  
162,164.38

Actual Cash in Debt Service Reserve (DSR) \$ 484,369

Computed New Rate DSR Needed \$ (484,369)

Source of Funds \$ -

Less Cost of Issuance \$ -

Principal Paydown \$ -

Amount to Debt Service Account \$ -

COI of \$7,500 to be paid with other funds

188,948

141000 Prepayment Cost  
47,948