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March 31, 2023

VIA EMAIL

(bwheeler@bigskyresort.com)

Big Sky County Water and Sewer District
P.O. Box 160670
Big Sky, MT 59716
Attn: Brian Wheeler, President

Re: Little Coyote Pond Project

Dear Brian:

It is with profound disappointment that I write this letter. Notwithstanding our extensive negotiations during the '22 holiday season and the time and energy spent by our respective board of directors, it is painfully obvious that we are unable to finalize a written agreement based on the terms set forth in the written exchange of approved motions ("**Motions**"), a copy of which is attached for convenience.

As you know, the Motions were negotiated in furtherance of The Memorandum of Understanding between The Big Sky Owners Association ("**BSOA**") and The Big Sky County Water and Sewer District #363 ("**BSCWSD**") dated September 15, 2015 ("**MOU**"). As required by the MOU, BSCWSD and BSOA worked collaboratively on the Change Authorization that the State of Montana approved in October 2017. The MOU also provides that both parties will "move forward in good faith towards completion of the Project." In negotiating a definitive agreement as set forth in the Motions, BSCWSD has acted in a manner that no reasonable person would characterize as collaborative or in good faith.

The initial agreement drafted by BSCWSD failed to include many of the material deal points clearly set out in the Motions and overreached to include some not therein. That draft was so deficient that BSOA counsel questioned your counsel whether her initial draft was even based on the Motions. BSOA rewrote the agreement and returned a revised draft on February 3, 2023. Rather than address the BSOA draft, your counsel, some month and a half later (March 19th), simply returned her initial draft with revisions. That revised draft didn't even include the professional courtesy of red lined changes. At no time did BSCWSD ever respond to the BSOA draft. Apparently, Wednesday (3/29) you delivered an executed version of your counsel's 2nd draft which according to your email March 27th included additional changes. At no time did

BSCWSD provide a copy of what amounts to a 3rd draft for review, a red line version or simply advise of the additional changes that had been made.

Given the above, it is obvious that we are unable to complete a definitive agreement on or before March 31, 2023 at which time BSOA's approval of the terms set forth in the Motions expires.

In order to complete the transfer of rights necessary for BSOA to move forward and complete the Little Coyote Pond Project, BSOA will proceed pursuant to Paragraph 9 of the MOU which provides "(I)n the event the parties cannot agree upon the compensation to be paid by BSOA for any volume of water to be conveyed, the fair market value shall be determined by taking the average of two appraisals performed by qualified appraisers, with one appraisal commissioned by BSOA and the other commissioned by WSD (BSCWSD)". BSOA appoints Deborah Stephenson as its appraiser and will provide her appraisal as soon as possible.

Finally, I understand that a few months prior to the commencement of our negotiation, BSCWSD's general manager Ron Edwards and BSOA's executive director Suzan Scott discussed using the same appraiser to determine the water rights value in order to avoid duplicative costs. That is acceptable to BSOA. If acceptable to BSCWSD, please advise and BSOA will engage Ms. Stephenson. BSOA will advance the appraisal costs as a credit against the transfer fee. Please advise soonest.

Very truly yours,



Clay Lorinsky, Vice Chairman BSOA

cc: Dick Fast (fastski@3rivers.net)