

BYLAW 2

OF THE NORTH RED DEER RIVER WATER SERVICES COMMISSION hereinafter referred to as the "Commission" IN THE PROVINCE OF ALBERTA

THIS BYLAW AUTHORIZES THE BOARD OF THE COMMISSION TO INCUR AN INDEBTEDNESS FROM THE COMMUNITY SAVINGS, BY THE ISSUANCE OF A REVOLVING LINE OF CREDIT AND A CAPITAL LOAN TO FINANCE THE CONSTRUCTION OF THE REGIONAL WATER LINE

WHEREAS, the board of the Commission has decided to issue a bylaw pursuant to Sections 256 and 257 of the Municipal Government Act to authorize short term financing to construct a capital property.

In order to finance short term obligations, it will be necessary for the Commission to borrow up to the aggregate amount of Eight million dollars (\$8,000,000.00) on the terms and conditions referred to in this Bylaw.

The Municipality will repay the indebtedness by making monthly interest payments on the amount borrowed at the COMMUNITY SAVINGS not to exceed the prime lending rate as established by COMMUNITY SAVINGS from time to time. Such interest will be calculated daily and due and payable on the last day of each and every month.

THEREFORE, the Board of the North Red Deer River Water Services Commission duly assembled enacts as follows:

1. That the North Red Deer River Water Services Commission borrow from time to time from the COMMUNITY SAVINGS, a sum or sums not exceeding the aggregate amount of Eight Million Dollars (\$8,000,000.00) which the Board deems necessary to expend to meet expenditures during construction of the waterline.
2. That for the purpose of financing short term obligations, the sum of Two Million dollars (\$2,000,000.00) be borrowed from the COMMUNITY SAVINGS by way of an authorized overdraft lending loan and Eight million Dollars (\$8,000,000.00) capital loan on the credit and security as promised in the agreement between the COMMUNITY SAVINGS and the North Red Deer River Water Services Commission which is to be paid with sources of money from:
 - a) Provincial Grant monies
 - b) Alberta Capital Authority.
3. The revolving line of credit loan shall bear interest on the amount drawn, not exceeding the 0.25% below the prime rate as set by the COMMUNITY SAVINGS from time to time and interest shall be payable on a monthly basis on the amount drawn.
4. The capital loan shall bear interest on the amount drawn, not exceeding the prime rate as set by the COMMUNITY SAVINGS from time to time and interest shall be payable on a monthly basis on the amount drawn.

5. The loan shall be payable in lawful money of Canada at the COMMUNITY SAVINGS in the Town of Lacombe.
6. The loan shall be signed by the Chairman and the Manager of the Commission and the Manager shall affix the corporate seal of the Commission to the loan papers.
7. The indebtedness is contracted on the credit and security as outlined in the Security Documents section of the Banking Agreement.
8. The net amount realized by the issuance of the loan authorized under this bylaw shall be applied only for the purpose for which the indebtedness was created.
9. The Board of the North Red Deer River Water Services Commission shall review the terms and conditions set out in this bylaw periodically as determined by the COMMUNITY SAVINGS.
10. That nothing herein contained shall waive, prejudicially affect or exclude any right, power, benefit or security by statute, common-law or otherwise given to or implied in favor of the said Bank.
11. In the event that the Municipal Government Act permits extension of the term of the loan and in the event the board of the Commission decides to extend the loan and COMMUNITY SAVINGS is prepared to extend the loan, any renewal or extension, bill, debenture, promissory note, or other obligation executed by the officers designated in paragraph 3 hereof and delivered to COMMUNITY SAVINGS will be valid and conclusive proof as against the Corporation of the decision of the Board to extend the loan in accordance with the terms of such renewal or extension, bill, debenture, promissory note, or other obligation, and COMMUNITY SAVINGS will not be bound to inquire into the authority of such officers to execute and deliver any such renewal extension document or security.
12. This Bylaw comes into force on the final passing thereof.

Certificate

WE HEREBY CERTIFY that the foregoing resolution was duly passed by the Board of the North Red Deer River Water Services Commission therein mentioned at a duly and regularly constituted meeting thereof held on the _____ at which a quorum was present, as entered in the minutes of the said Commission, and that the Bylaw has come into force and is still in full force and effect.


WITNESS our hands and seal of the Commission this

READ A FIRST TIME THIS 22nd day of September 2005.

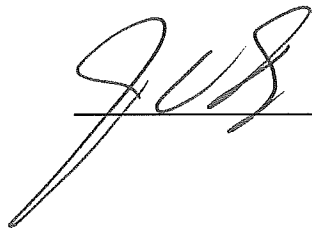
READ A SECOND TIME THIS 22nd day of September 2005.

PRESENTED FOR THIRD AND FINAL READING THIS 22nd day of September 2005.

RECEIVED THIRD AND FINAL READING THIS 22nd day of September 2005



CHAIRMAN



MANAGER

OFFICER'S CERTIFICATE

NORTH RED DEER RIVER WATER SERVICES COMMISSION

RE: Commitment letter (the "Credit Agreement") dated July 4, 2005 issued by Community Credit Union Ltd. (the "Lender") to North Red Deer River Water Services Commission (the "Commission") and accepted July 15, 2005 by the Commission, as amended, supplemented, restated and replaced from time to time

TO: The Lender

AND TO: Parlee McLaws llp

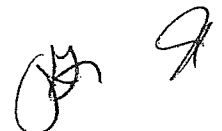
DATE: *September 23*, 2005

The undersigned, being duly appointed as Chairman of the Commission, hereby certifies on behalf of the Commission on the basis of my personal knowledge of the business and affairs of the Commission with respect to the facts stated herein, that, as of the date hereof:

1. I have read and am familiar with the provisions of the Credit Agreement.
2. I have made or caused to be made such examinations or investigations and have obtained such professional advice as are, in my opinion, necessary to make these statements.
3. The Commission is a validly existing corporation incorporated pursuant to the provisions of the *Municipal Government Act* effective June 9, 2004.
4. The Commission has not taken any steps to terminate its existence, to amalgamate, to continue in any other jurisdiction or to change its corporate existence, as the case may be, in any way since the date of its incorporation. The Commission has not received any notice or other communication from any person or governmental authority indicating that there exists any situation which, unless remedied, could result in the termination of the existence of the Commission.
5. Annexed hereto as Appendix B is a true and complete copy of a by-law (the "Authorizing By-Law") of the board of directors of the Commission pertaining to the loan and security arrangements contemplated in the Credit Agreement, which by-law has been duly and validly passed in accordance with applicable law, constituting authority for the Commission to, inter alia, execute and deliver the Credit Agreement and the security required pursuant to the Credit Agreement, (collectively the "Credit Documents"). The Authorizing By-Law is the latest by-law of the Commission pertaining to the subject matter thereof and the same is in full force and effect, unamended, as of the date hereof.

(Signature) 9

6. Excepting the provisions of the *Municipal Government Act* and the Regulations thereto, there are no provisions in the By-Laws of the Commission, in any other agreement to which the Commission is a party or otherwise bound, which restrict or limit the power of the Commission:
- (a) borrow money upon the credit of the Commission;
 - (b) issue, reissue, sell or pledge debt obligations of the Commission;
 - (c) grant to a lender or other creditor, in the form of a mortgage, pledge, assignment, security interest or otherwise in any or all of the present or future property of the Commission to secure any obligations of the Commission;
 - (d) delegate the powers referred to above to a director, officer or committee of directors of the Commission.
7. The books and corporate records of the Commission which have been made available to Ross, Todd & Co. are the original minute books and the original corporate records of the Commission and contain all by-laws of the Commission and minutes, or certified copies thereof, of all proceedings of the directors (and any committees thereof) of the Commission to the date hereof which are true, complete and correct in form and substance, and there are no other by-laws, meetings, resolutions or proceedings of the shareholders or directors (and any committees thereof) of the Commission, to the date hereof not reflected in such register, minute books and corporate records.
8. The execution, delivery and performance of the Credit Documents and the consummation of the transactions contemplated therein do not and will not conflict with, result in any breach or violation of, or constitute a default under:
- (a) the terms, conditions or provisions of the constating documents or by-laws of, or declaration relating to, the Commission;
 - (b) any law, regulation, judgment, decree or order binding on or applicable to the Commission or by which the Commission benefits or to which any of its property is subject;
 - (c) any material agreement, lease, license, permit or other instrument to which the Commission is a party or is otherwise bound or by which the Commission benefit or to which any of its property are subject,
- and do not require the consent or approval of any other party or any governmental body, agency or authority except as set forth elsewhere herein.
9. Neither the adoption or ratification by the Commission of the Credit Agreement nor the authorization, execution or delivery of any of the Credit Documents nor



the consummation of the transactions therein contemplated nor the fulfillment of the terms, conditions and provisions thereof

- (a) will result in the creation or imposition of any mortgage, lien, charge or encumbrance or security interest of any nature whatsoever upon any property or assets of the Commission (except in favour of the Lender) under any agreement, indenture or other instrument to which the Commission is a party or by which its property or undertaking may be charged or affected; or
 - (b) will violate any judgment, injunction, determination or award to which the Commission is subject.
- 10. The Commission is duly qualified, registered or licensed to carry on business in all jurisdictions where such qualification, registration and licensing is required. The Commission has all requisite corporate capacity, power and authority to own, hold under license or lease its properties, to carry on its business as now conducted and to otherwise enter into, and carry out the transactions contemplated by the Credit Documents.
 - 11. Annexed hereto as Appendix B is a true copy of a list of all the directors and officers of the Commission. Appendix B also contains the office and true signatures of all persons who have executed the Credit Documents.
 - 12. There are no actions, suits, inquiries, claims or proceedings (whether or not purportedly on behalf of the Commission) commenced, pending or threatened against or affecting the Commission, or its assets, undertaking or property before any government, parliament, legislature, regulatory authority, agency, commission, board or court or before any private arbitrator, mediator or referee except as disclosed on Appendix C annexed hereto.
 - 13. The Commission is not in violation of any mortgage, franchise, license, judgment, decree, order, statute, rule or regulation relating in any way to the Commission, to the operation of its business or to its undertaking, property or assets. The Commission has all necessary licenses, permits and consents to operate its business where and in the manner they are currently being operated.


The Commission's chief executive office and head office is located at:

5432 – 56 Avenue
Lacombe, Alberta
T4L 1E9

- 14. I have furnished this certificate with the intent that it may be relied upon by the Lender as a basis for providing the loan facilities contemplated in the Credit Agreement, and by Parlee McLaws llp in connection with the delivery of opinion letters to the Lender.



CERTIFIED by the undersigned this 22 day of September 2005,
2005.


Name: JUDY GORDON
Title: _____

**APPENDIX A
AUTHORIZING BY-LAW**

**BY-LAW
OF
NORTH RED DEER RIVER WATER SERVICES COMMISSION
(the "Commission")**

WHEREAS the Commission is a corporation incorporated pursuant to the provisions of the *Municipal Government Act* (Alberta).

AND WHEREAS the Commission accepted an offer of credit facilities from COMMUNITY CREDIT UNION (the "Lender") upon the terms and conditions and for the purposes outlined in that certain commitment letter issued by the Lender dated July 4, 2005 and accepted July 15, 2005 by the Commission (the "Commitment Letter").

AND WHEREAS the Commission has requested the Lender to make advances to the Commission in accordance with and upon the terms and conditions set forth in the Commitment Letter, a copy of which has been delivered to and reviewed by counsel for the Commission and the Commission's officers.

NOW THEREFORE BE IT RESOLVED:

1. That the Commission does hereby ratify and confirm the acceptance of the credit facilities in the amounts and upon the terms and conditions set forth in the Commitment Letter.
2. That the Commission is hereby authorized to borrow under and make other utilizations of the credit facilities established pursuant to the Commitment Letter to the maximum amount of such facilities, all in accordance with and upon the terms and conditions set forth therein.
3. That as security for the due payment and performance of the Commission's obligations under and pursuant to the Commitment Letter, the Commission execute and deliver to the Lender the securities specified in the Commitment Letter (the "Securities").
4. That each of the Commitment Letter and the Securities shall be in such form and content as may be approved by the officers of the Commission signing the same on behalf



of the Commission, such approval to be conclusively evidenced by their signature to the Commitment Letter and the Securities.


5. That the Securities be under the seal of the Commission and be signed by the Chairman of the Commission or any one director of the Commission.

6. That the Chairman of the Commission or any one director of the Commission be and is hereby authorized and directed for and on behalf of and in the name of the Commission to do, sign and execute under the corporate seal of the Commission or otherwise, all such other documents, securities, instruments, evidences of indebtedness and other instruments as in their opinion may be necessary or which may be required by the Lender either to secure, evidence or give effect to the terms, conditions and other matters contemplated by the Commitment Letter.

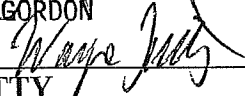
7. That the Chairman of the Commission or any one director of the Commission be and he is hereby authorized and directed for and on behalf of and in the name of the Commission to sign and execute under the corporate seal of the Commission or otherwise any certificate required of an officer of the Commission pursuant to the Commitment Letter or contemplated thereby.

This By-Law may be executed in several counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

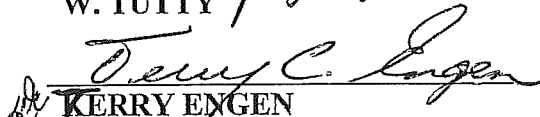
DATED this 22 day of _____, September 2005,
2005.



JUDY GORDON



W. TUTTY



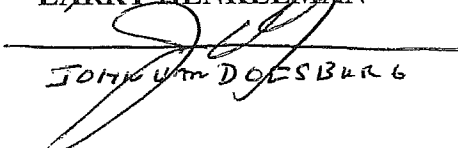
KERRY ENGEN



GORDON SVENNINGSSEN



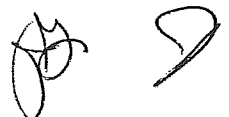
LARRY HENKELMAN



JOHN VAN DOESBURG

APPENDIX B
OFFICERS AND DIRECTORS

Chairperson



1 Judy Gordon

Board of Directors:

- 2 W. Tutty
- 3 Kerry Engen
- 4 Gordon Svenningson
- 5 Larry Henkelman

MAN 4652 - John VanDusen

**APPENDIX C
ACTIONS, CLAIMS OR PROCEEDINGS**

NIL

