

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of Madison County Montana (the "County"), hereby certify that the attached resolution is a true copy of Resolution No. 43-2007 entitled: "RESOLUTION AUTHORIZING A PROJECT UNDER MONTANA CODE ANNOTATED, TITLE 90, CHAPTER 5, PART 1, AS AMENDED, AND THE ISSUANCE AND SALE OF UP TO \$4,500,000 HOSPITAL FACILITIES FIRST MORTGAGE REVENUE NOTE (MADISON VALLEY HOSPITAL AND CLINIC PROJECT), SERIES 2008A, AND UP TO \$2,000,000 HOSPITAL FACILITIES FIRST MORTGAGE REVENUE NOTE (MADISON VALLEY HOSPITAL AND CLINIC PROJECT), SERIES 2008B, TO FINANCE THE SAME; APPROVING THE FORM OF DOCUMENTATION IN CONNECTION THEREWITH; AND AUTHORIZING THE EXECUTION AND DELIVERY OF THE NOTES AND RELATED DOCUMENTATION" (the "Resolution") on file in the original records of the County in my legal custody; that the Resolution was duly adopted by the Board of County Commissioners of the County at a regular meeting on December 27, 2007, and that the meeting was duly held by the Board of County Commissioners 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 Commissioners voted in favor thereof: _____; voted against the same: _____; abstained from voting thereon: _____; or were absent: _____.

WITNESS my hand officially this _____ day of December, 2007.

County Clerk and Recorder

RESOLUTION NO. 43-2007

RESOLUTION AUTHORIZING A PROJECT UNDER MONTANA CODE ANNOTATED, TITLE 90, CHAPTER 5, PART 1, AS AMENDED, AND THE ISSUANCE AND SALE OF UP TO \$4,500,000 HOSPITAL FACILITIES FIRST MORTGAGE REVENUE NOTE (MADISON VALLEY HOSPITAL AND CLINIC PROJECT), SERIES 2008A, AND UP TO \$2,000,000 HOSPITAL FACILITIES FIRST MORTGAGE REVENUE NOTE (MADISON VALLEY HOSPITAL AND CLINIC PROJECT), SERIES 2008B, TO FINANCE THE SAME; APPROVING THE FORM OF DOCUMENTATION IN CONNECTION THEREWITH; AND AUTHORIZING THE EXECUTION AND DELIVERY OF THE NOTES AND RELATED DOCUMENTATION

BE IT RESOLVED by the Board of County Commissioners (the “Board”) of Madison County, Montana (the “County”), as follows:

Section 1. Authorization and Recitals.

1.01. General Authority. The County is authorized by Montana Code Annotated, Title 90, Chapter 5, Part 1, as amended (the “Act”), to issue revenue bonds or notes for the purpose of defraying the costs of acquiring and improving projects consisting of real and personal properties suitable for use as hospitals and clinics, and to loan the proceeds of such bonds or notes to an entity that owns and operates a hospital and clinic facility to pay such costs upon such terms and conditions as the governing body shall deem advisable and as shall not conflict with the provisions of the Act.

1.02. Proposed Project and Notes. Representatives of Madison Valley Hospital, Inc., a Montana nonprofit corporation (the “Borrower”), have proposed that the County, acting under and pursuant to the Act, issue its Hospital Facilities First Mortgage Revenue Note (Madison Valley Hospital and Clinic Project), Series 2008A, in the maximum principal amount of \$4,500,000 (the “Series 2008A Note”), and its Hospital Facilities First Mortgage Revenue Note (Madison Valley Hospital and Clinic Project), Series 2008B, in the maximum principal amount of \$2,000,000 (the “Series 2008B Note”), for the purpose of defraying a portion of the costs of designing, constructing, equipping, and furnishing a new Madison Valley Hospital and Clinic in replacement of its existing facilities in Ennis, Montana, and making related improvements (the “Project”). Big Sky Western Bank, a Montana banking corporation, Bozeman, Montana office (the “Lender”), has agreed to purchase the Series 2008A Note and the Series 2008B Note (collectively, the “Notes”) subject to the terms and conditions set forth in a letter of terms and conditions of the Lender, dated as of September 17, 2007, accepted by the Borrower September 18, 2007 (the “Commitment Letter”). The Project will be located on property adjacent to the existing hospital at 217 N. Main Street (on Highway 287 North) in Ennis, Montana. Under the proposal, the proceeds of the Series 2008A Note and the Series 2008B Note (collectively, the

“Notes”) will be loaned to the Borrower pursuant to a Loan Agreement between the County and the Borrower (the “Loan Agreement”), the Borrower will agree to apply the proceeds to the payment of costs of the Project and to repay the loan at such times and in such amounts to provide for the prompt payment of the principal of and interest on the Notes, and the Borrower will be obligated to pay all costs of acquiring and constructing the Project in excess of the proceeds of the Notes available therefor. Pursuant to an Assignment of Loan Agreement (the “Assignment”), the County will assign certain of its interests in the Loan Agreement to the Lender. The actual disbursement of the proceeds of the Notes will be governed by a Disbursing Agreement between the County, Borrower, and Lender, including any amendments thereof or supplements thereto (the “Disbursing Agreement”). The Borrower’s obligation under the Loan Agreement will be secured by a Combination Trust Indenture, Security Agreement and Fixture Filing Statement between the Borrower, as grantor, the Lender, as beneficiary, and American Land Title Company (or another acceptable entity), as trustee, including any amendments thereof or supplements thereto (the “Trust Indenture”), and a Security Agreement between Borrower and Lender, including any amendments thereof or supplements thereto (the “Security Agreement”). Security interests will be perfected by filing and/or recording Uniform Commercial Code financing statements (the “UCC Financing Statements”).

The Notes will be a special, limited obligation of the County payable solely from and secured by the payments to be made by the Borrower under the Loan Agreement and proceeds and revenues from the Project and will not constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

1.03 Parity Agreement. The Borrower has obtained from the United States of America, acting through its Rural Housing Service, USDA (“USDA”), a Letter of Conditions, dated July 17, 2007, as such letter may be amended or supplemented (the “Letter of Conditions”), pursuant to which the USDA has agreed to make a loan to the Borrower (the “USDA Loan”) in the maximum principal amount of \$2,000,000, on the date on which the Project is completed or amortization of principal of and interest on the Series 2008A Note commences, the proceeds of which are to be used by the Borrower to pay and redeem in full the Series 2008B Note.

Pursuant to the Parity Agreement between the Borrower, the County, the USDA, and the Lender (the “Parity Agreement”), the Borrower, the County, the USDA, and the Lender have agreed that the loan evidenced by the Series 2008A Note and the USDA Loan, when consummated, shall be equally and ratably secured, both as to payment and as to the trust indenture lien and the mortgage lien in and security interest in and to the real and personal property (including the accounts receivable, general intangibles and contract rights of the Borrower) included in the Mutual Project (as that term is defined in the Parity Agreement).

1.04. Prior Approval and Public Hearing. This Board called a public hearing on the Project and the issuance of up to \$6,500,000 principal amount of revenue notes in one or more series, as required by the Act. The hearing was duly noticed and held October 9, 2007, at which time all interested persons were given an opportunity to appear and be heard.

1.05. Documentation. Draft forms of the following documents (collectively, the “Loan Documents”) relating to the Project have been prepared and submitted to this Board, and are hereby directed to be filed with the County Clerk and Recorder:

- (a) the Notes;
- (b) the Loan Agreement;
- (c) the Assignment of Loan Agreement;
- (d) the Trust Indenture;
- (e) the Security Agreement;
- (f) the Disbursing Agreement;
- (g) the Parity Agreement; and

(h) the Employment Preference and Prevailing Wage Agreement to be entered into between the Borrower and the County (the “Employment Agreement”), implementing the requirements of Section 90-5-114 of the Act.

Draft forms of the Series 2008A Note and the Series 2008B Note are attached to this Resolution as Exhibit A and Exhibit B, respectively, and are hereby incorporated herein and made a part hereof.

1.06. Offer to Purchase. The County and the Borrower have received an offer from the Lender to purchase the Series 2008A Note at a price of up to \$4,500,000 and the Series 2008B Note at a price of up to \$2,000,000, no interest to accrue thereon to the date of delivery thereof and only as to the amounts advanced thereunder. The Borrower has recommended to this Board that the offer be accepted.

Section 2. Findings.

It is hereby found, determined and declared that:

- (a) the Project comprises real and personal properties contemplated by the Act;
- (b) in authorizing the Project the County’s purpose is, and in its judgment the effect thereof will be, to promote the public welfare of the County and its residents by encouraging the retention, expansion and development of services to citizens within the County;
- (c) the financing of the Project, the issuance and sale of the Notes, the execution and delivery of the Notes, the Loan Agreement, the Assignment, the Disbursing Agreement, the Parity Agreement, and the Employment Agreement and all other acts and things required under the Constitution and laws of the State of Montana to make the

Notes, the Loan Agreement, the Assignment, the Disbursing Agreement, the Parity Agreement, and the Employment Agreement valid and binding special, limited obligations of the County in accordance with their terms, are authorized by the Act;

(d) the issuance and sale of the Notes, the acquisition of the Project and the financing of the Project by the County for the benefit of the Borrower is in the public interest of the County and its citizens;

(e) it is desirable that the Borrower be authorized, subject to the terms and conditions set forth in the Loan Agreement, which terms and conditions the County determines to be necessary, desirable and proper, to provide for the construction of the Project by such means as shall be available to the Borrower and in the manner determined by the Borrower, and with or without advertisement for bids as required for the construction and acquisition of municipal facilities, but subject to the requirements of Section 90-5-114 of the Act;

(f) it is desirable that the Notes be issued by the County upon the terms set forth in this resolution under the provisions of which certain of the County's interests in the Loan Agreement, and its interest in all loan repayments thereunder, will be assigned and pledged to the Lender as security for the payment of principal, interest, redemption premiums, if any, and other amounts payable under the Notes by the County;

(g) the loan repayments and other amounts to be paid by the Borrower under the Loan Agreement are sufficient (1) to pay the total principal, premium, if any, and interest on the Notes as they mature and (2) to pay all other costs and expenses of the County in connection with the Project and the issuance of the Notes; and the Loan Agreement also provides that the Borrower is required to pay or cause to be paid all expenses of the operation and maintenance of the Project including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and special assessments, if any, levied upon or with respect to the Project site and payable during the term of the Loan Agreement; and

(h) under the provisions of Montana Code Annotated, Sections 90-5-103 and 90-5-104, and as provided in the Loan Agreement and stated on the face of the Notes, the Notes are special, limited obligations of the County payable solely from loan repayments to be made by the Borrower (except to the extent payable from proceeds of the Notes) and do not constitute a pecuniary liability of the County or a charge against its general credit or taxing powers.

Section 3. Authorization and Approval of the Project and Documents. The County is hereby authorized to finance all or a part of the cost of the Project, and to pledge and assign the Loan Agreement and the loan repayments due thereunder, all as provided in the Notes, Loan Agreement, Assignment, Disbursing Agreement, Parity Agreement, Employment Agreement, and any UCC Financing Statements. The Project and the issuance of the Notes to finance the cost thereof are hereby approved. The forms of the Notes, Loan Agreement, Assignment, Disbursing Agreement, Parity Agreement, and Employment Agreement referred to in Section

1.05 are approved, subject to such modifications as are deemed appropriate and approved by the County Attorney, Chair of the Board, County Treasurer and County Clerk and Recorder, or any of them, which approval shall be conclusively evidenced by execution of the Notes, Loan Agreement, Assignment, Disbursing Agreement, Parity Agreement, and Employment Agreement by the Chair of the Board, the County Clerk and Recorder, and the County Treasurer, or any of them. The Notes, Loan Agreement, Assignment, Disbursing Agreement, Parity Agreement, and Employment Agreement are authorized and directed to be executed and delivered in the name and on behalf of the County by the Chair of the Board, the County Treasurer, and County Clerk and Recorder, or any of them. Moreover, the County Attorney, Chair, County Treasurer, County Clerk and Recorder, and other officers of the County, or any of them, are authorized to review, and the Chair, County Treasurer, and County Clerk and Recorder, or any of them, are authorized and directed to execute and deliver, any additional documents as may be necessary or appropriate for the County to execute and deliver in connection with the Loan Documents or loan evidenced by the Notes, and the approval of such documents by the Board shall be presumed and conclusively evidenced by the execution of such documents by the Chair of the Board, the County Treasurer, and County Clerk and Recorder, or any of them. In the event of the absence or inability of the Chair, County Treasurer, or County Clerk and Recorder to execute and deliver any of the foregoing documents, another member of the Board in the case of the Chair, and the deputy officer or in-absentia officer in the case of the County Treasurer or County Clerk and Recorder, are authorized to execute and deliver such documents. Copies of all of the documents shall be delivered, filed and recorded as provided therein.

Section 4. The Notes: Terms, Sale and Execution.

4.01. Issuance. In anticipation of the collection of revenues of the Project, the County shall proceed forthwith to issue its Hospital Facilities First Mortgage Revenue Note (Madison Valley Hospital and Clinic Project), Series 2008A, in the maximum principal amount of \$4,500,000, in substantially the form attached as Exhibit A, and upon the terms set forth in said form and this Resolution, and its Hospital Facilities First Mortgage Revenue Note (Madison Valley Hospital and Clinic Project), Series 2008B, in the maximum principal amount of \$2,000,000, in substantially the form attached as Exhibit B, and upon the terms set forth in said form and this Resolution, provided that all conditions to the issuance of the Notes required of the Lender and the USDA and to ensure that the Notes bear interest at a tax-exempt rate have been satisfied.

4.02. Terms. The Series 2008A Note shall be in the maximum principal amount of \$4,500,000, and the Series 2008B Note shall be in the maximum principal amount of \$2,000,000, and the Notes shall bear interest as set forth therein and shall be dated as of their date of delivery to the Lender.

4.03. Prepayment. The principal of the Notes shall be subject to prepayment at times and upon the terms and conditions set forth in the Notes.

4.04. Registration of Transfer. The County will cause to be kept at the office of the County Clerk and Recorder a Note Register in which, subject to such reasonable regulations as it may prescribe, the County shall provide for the registration of transfers of ownership of the

Notes, as more fully prescribed in the Notes. The County Clerk and Recorder is hereby appointed Note Registrar for this purpose.

4.05. Sale. The proposal of the Lender to purchase the Series 2008A Note at the price of up to \$4,500,000 and the Series 2008 B Note at the price of up to \$2,000,000 is hereby found and determined to be reasonable and is hereby accepted. The Chair of the Board, County Treasurer, and County Clerk and Recorder (or, in their absence or inability to execute documents, the County officers noted in Section 3) are hereby authorized and directed to prepare and execute the Notes as prescribed herein and in the Notes and to deliver them to the Lender, together with a certified copy of this resolution, and such other certificates, documents and instruments as may be appropriate to effect the transaction herein contemplated.

4.06. Qualified Tax-Exempt Obligation. The Series 2008A Note and the Series 2008B Note are each hereby designated as a “qualified tax-exempt obligation” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. The County does not reasonably anticipate that the aggregate principal amount of qualified tax-exempt obligations issued in 2008 by it and issuers “subordinate” to it will exceed \$10,000,000. The County has not issued or designated other tax-exempt obligations in 2008.

PASSED AND APPROVED by the Board of County Commissioners of the Madison County, this 27th day of December, 2007.

Chair, Board of County Commissioners

Attest:

County Clerk and Recorder

EXHIBIT A

DRAFT FORM OF SERIES 2008A NOTE

UNITED STATES OF AMERICA
STATE OF MONTANA
MADISON COUNTY

Hospital Facilities First Mortgage Revenue Note
(Madison Valley Hospital and Clinic Project), Series 2008A

No. R-1 \$4,500,000.00

<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
Variable	\$4,500,000	[June 10, 2039]	[January __, 2008]

AS SET FORTH MORE PARTICULARLY BELOW, THIS NOTE IS NOT A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COUNTY AND IT DOES NOT CONSTITUTE OR GIVE RISE TO PECUNIARY LIABILITY OF THE COUNTY.

MADISON COUNTY, MONTANA, a political subdivision organized and existing under the laws of the State of Montana (the "County"), for value received, hereby promises to pay to Big Sky Western Bank, a Montana banking corporation (the "Holder"), or registered assigns, at its office in Bozeman, Montana, or such other place as the Holder may designate in writing, solely from the source and in the manner hereinafter provided, the principal sum of Four Million Five Hundred Thousand and No One-Hundredths Dollars (\$4,500,000.00), or such lesser amount as shall be advanced and outstanding hereunder, with interest on the outstanding principal balance at a rate determined as hereinafter provided, subject to the terms and provisions of this Note. Such principal and interest shall be payable in any coin or currency which at the time of payment is legal tender for the payment of public and private debts in the United States of America. This Note is payable in the following amounts and at the following times:

(a) on [March 10, 2008] and continuing on the 10th day of each month thereafter to but excluding the month containing the Amortization Date, interest only on the principal amount advanced and outstanding hereunder at the Initial Rate (defined below) shall be due and payable;

(b) on the Amortization Date and continuing on the 10th day of each month thereafter to and including the Maturity Date (defined below), the amount necessary to amortize over a term beginning on the tenth day of the month immediately preceding the Amortization Date and through and including the Maturity Date, in equal monthly payments, the outstanding principal balance of this Note, together with interest thereon to accrue at the annual interest rate set forth

below, shall be due and payable, provided that the amount of each monthly installment from and after the Amortization Date and from and after each Rate Adjustment Date (defined below) shall be calculated at the interest rate in effect on such date, so that there is due and payable an amount necessary to amortize, in equal monthly payments over the number of installments then remaining in the term ending on the Maturity Date, the then outstanding principal balance plus interest to accrue thereon at the interest rate then in effect; and

(c) the entire outstanding principal balance and interest, if not sooner paid, shall be paid in full on the thirtieth anniversary of the tenth day of the month immediately preceding the month containing the Amortization Date, but in any event no later than [June 10, 2039] (the “Maturity Date”).

As used herein, the following terms have the following meanings:

The interest rates set forth in this paragraph are subject to adjustment upon a Determination of Taxability (defined below). The outstanding and unpaid principal balance of this Note bears interest from the Date of Original Issue set forth above, to and including the date that is the tenth anniversary of the tenth day of the month immediately preceding the month containing the Amortization Date, but in any event no later than [June 10, 2019] (such date, the “Initial Adjustment Date”), at the rate of [5.80]% per annum (the “Initial Rate”). On the Initial Adjustment Date, but in any event no later [June 10, 2019], and on the tenth anniversary of the Initial Adjustment Date, but in any event no later than [June 10, 2029] (each such date, a “Rate Adjustment Date”), the interest rate shall be adjusted to a rate equal to the then prevailing [Federal Home Loan Bank 10-Year-Long-Term Amortizing Rate plus 0.33%][OR 5-YEAR OPTION?]. As of each Rate Adjustment Date the Holder shall determine the interest rate effective on such Rate Adjustment Date and the amount of the monthly installments payable while such interest rate is in effect, and give the County and the Borrower (defined below) written notice of the interest rate and monthly payment so determined, and such interest rate and monthly installment amount shall be conclusive absent manifest error.

As used herein, the following terms have the following meanings:

“Amortization Date” means the tenth day of the second calendar month following the month containing the Completion Date; provided, however, if the Completion Date occurs on the first to and including the tenth day of the month, the Amortization Date shall be the tenth day of the first calendar month following the month containing the Completion Date; and, provided, further, however, if the Completion Date has not occurred by [June 10, 2009], the Amortization Date shall be [July 10, 2009].

“Borrower” means Madison Valley Hospital, Inc., a Montana nonprofit corporation, or any qualified successor or assign under the Loan Agreement.

“Business Day” means any day other than a Saturday or Sunday or other day on which commercial banks in the County in which the principal office of the Lender is located are not open for business.

“Completion Date” means the date of completion of the Project established under Section 4.03 of the Loan Agreement.

“Date of Taxability” shall have the meaning ascribed to it in the Loan Agreement.

“Determination of Taxability” shall have the meaning ascribed to it in the Loan Agreement.

“Disbursing Agreement” means the Disbursing Agreement of even date herewith between the County, Holder, and Borrower.

“Federal Home Loan Bank 10-Year-Long-Term Amortizing Rate” means the annual rate of interest published by [_____]. If the Federal Home Loan Bank 10-Year-Long-Term Amortizing Rate shall cease to exist, then [_____].

“Loan Agreement” means the Loan Agreement, of even date herewith, between the County and the Borrower, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

“Note” means this Hospital Facilities First Mortgage Revenue Note (Madison Valley Hospital and Clinic Project), Series 2008A, in the maximum principal amount of \$4,500,000.

“Payment Date” means a date on which a payment of principal or interest or both is due under this Note.

“Security Agreement” means the Security Agreement of even date herewith by Borrower for the benefit of Holder, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

“Tax Exempt Rate” means the Initial Rate as adjusted from and after each Rate Adjustment Date, absent any Determination of Taxability.

“Trust Indenture” means the Combination Trust Indenture, Security Agreement and Fixture Filing Statement of even date herewith by Borrower for the benefit of Holder and with [American Land Title Company] as Trustee, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

In the event that the interest on this Note shall become includable in gross income for purposes of federal income taxation pursuant to a Determination of Taxability, the interest rate specified above shall be increased, retroactively effective from and after the Date of Taxability, to equal the sum of (i) the Tax-Exempt Rate in effect under this Note from and after the Date of Taxability, plus (ii) 2% per annum (such sum, the “Taxable Rate”). The County shall, solely from payments required to be made by the Borrower, (I) immediately upon demand pay to the Holder and to each prior Holder since the Date of Taxability an amount equal to the amount by which the interest accrued retroactively at the Taxable Rate from the Date of Taxability to the date of payment exceeds the amount of interest actually accrued hereunder at the Tax-Exempt Rate and paid to the Holder and any such prior Holder during said period, and (II) thereafter pay to the Holder payments of principal and interest on subsequent Payment Dates in amounts

computed at the Taxable Rate. Such obligation of the County shall survive the payment in full of the principal amount of this Note.

All payments of principal and interest shall be applied first to interest due on the outstanding principal amount hereof and thereafter in reduction of the principal amount hereof. Interest payments shall be computed on the basis of a 365-day year. If any Payment Date is not a Business Day, such payment shall be payable on the next succeeding Business Day.

This Note is subject to prepayment, in whole or in part, from and after the tenth day of the calendar month immediately preceding the Amortization Date on each Payment Date, upon at least 30 days prior written notice to Holder, such notice specifying all the necessary details of the proposed prepayment. Any partial prepayment shall be applied in inverse order of principal installment payable hereunder and no partial prepayment shall postpone, defer or reduce the amount of monthly installments otherwise payable hereunder. If this Note then bears interest at the Tax-Exempt Rate and is prepaid from and after the tenth day of the month immediately preceding the Amortization Date to and including _____ 9, [2014], in whole at any time or in part from time to time in inverse order of maturity, a prepayment premium shall be due and owing to the Holder in accordance with the Prepayment Prices (expressed as percentages of the principal amount of this Note so redeemed) set forth below, together with the entire principal amount redeemed and interest accrued on the principal amount redeemed to the date fixed for prepayment.

Prepayment Dates Inclusive	Prepayment Price
[_____ 10, 2009 to _____ 9, 2010	105%
_____ 10, 2010 to _____ 9, 2011	104%
_____ 10, 2011 to _____ 9, 2012	103%
_____ 10, 2012 to _____ 9, 2013	102%
_____ 10, 2013 to _____ 9, 2014	101%
_____ 10, 2014 and thereafter]	100%

If this Note bears interest at the Taxable Rate at the time of prepayment, there shall not be a prepayment premium.

This Note constitutes an issue in the maximum authorized face amount of \$4,500,000. This Note is issued by the County pursuant to the authority granted by Montana Code Annotated, Title 90, Chapter 5, Part 1, as amended (the “Act”), for the purpose of providing funds for a project, as defined in the Act, consisting of improvement on the land of a hospital and clinic facility to be located next to the existing hospital at 217 N. Main Street (Highway 287 North) in Ennis, Montana (the “Project”) to be owned and operated by Borrower and paying necessary expenses incidental thereto, such funds to be loaned by the County to the Borrower pursuant to the Loan Agreement and advanced pursuant to the Disbursing Agreement, thereby assisting activities in the public interest and for the public welfare of the County and the State of Montana. This Note is secured by the Trust Indenture and the Security Agreement. The disbursement of proceeds of this Note is subject to the terms and conditions of the Loan Agreement and the

Disbursing Agreement. All of the agreements, conditions, covenants, provisions, and stipulations contained in the Loan Agreement, Disbursing Agreement, Trust Indenture and Security Agreement and resolutions of the County relating to this Note and the Project are hereby made a part hereof to the same extent and with the same force as of they were set forth fully herein.

This Note shall be registered and shall be transferable upon the books of the County at the office of the County Clerk and Recorder, Madison County, Montana, by the Holder hereof in person or by its attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the County Clerk and Recorder, duly executed by the Holder or its duly authorized attorney. Upon such transfer, the County Clerk and Recorder will note the date of registration and the name and address of the new Holder upon the books of the County and in the registration blank appearing below. Alternatively, the County will, at the request and expense of the Holder, issue a new note or notes in an aggregate principal amount equal to the unpaid principal balance of this Note, and of like tenor except as to number, principal amount and the number and amount of the installments payable thereunder, and registered in the name of the Holder or such transferee as may be designated by the Holder. The County may deem and treat the person in whose name this Note is last registered upon the books of the County with such registration also noted on the Note, as the absolute owner hereof, whether or not this Note is overdue, for the purpose of receiving payment of or on account of the principal balance, prepayment price, late charges or interest and for all other purposes, and all such payments so made to the Holder or upon its order shall be valid and effectual to satisfy and discharge the liability upon this Note to the extent of the sum or sums so paid, and the County shall not be affected by any notice to the contrary.

Time is of the essence under this Note. Failure to make any payment under this Note within ten (10) days after the date on which such payment is due shall constitute an event of default under this Note (an "Event of Default"). An Event of Default shall also include any Event of Default under the Loan Agreement, Trust Indenture, Security Agreement or Disbursing Agreement, or any other event that entitles the Holder to accelerate payment under the Loan Agreement, Trust Indenture, Security Agreement or Disbursing Agreement. Upon the occurrence of an Event of Default, the Holder may at its right and option (subject, however, to such notice as may be required under the Loan Agreement) enforce any right conferred upon Holder under this Note, the Loan Agreement, Trust Indenture, Security Agreement or Disbursing Agreement and pursue any other right or remedy allowed by law or equity. Without limitation of the foregoing, upon the occurrence of an Event of Default, the Holder may at its right and option (subject, however, to such notice as may be required under the Loan Agreement) declare immediately due and payable the principal balance of this Note and interest accrued thereon to the date of declaration of such default, together with any reasonable attorneys' fees incurred by the Holder in collecting or enforcing payment thereof, whether suit be brought or not, and all other sums due hereunder or under the Loan Agreement, Trust Indenture, Security Agreement or Disbursing Agreement, anything to the contrary therein notwithstanding, and payment thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Note, the Loan Agreement, Trust Indenture, Security Agreement or the Disbursing Agreement.

[If any payment required under this Note is not received by Holder within ten (10) days after the date on which such payment is due, Borrower shall pay to Holder on demand a late charge in an amount equal to the lesser of (i) five percent (5%) of the overdue payment, or (ii) \$100. Borrower and Holder agree that the late charge is intended to reimburse Holder for the additional expense included in processing delinquent payments and not as a penalty. The imposition or collection of a late charge is in addition to and not in lieu of any other rights or remedies Holder may have as a result of late payment.]

THIS NOTE IS NOT A GENERAL OBLIGATION OF THE COUNTY, BUT RATHER A SPECIAL, LIMITED OBLIGATION OF THE COUNTY AND SHALL NOT BE PAYABLE FROM NOR CHARGED UPON ANY FUNDS OF THE COUNTY OTHER THAN THE REVENUES UNDER THE LOAN AGREEMENT PLEDGED TO THE PAYMENT THEREOF, NOR SHALL THE COUNTY BE SUBJECT TO ANY LIABILITY THEREON. NO HOLDER OF THIS NOTE SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE COUNTY TO PAY THIS NOTE OR THE INTEREST OR ANY LATE CHARGES THEREON, NOR TO ENFORCE PAYMENT THEREOF AGAINST ANY PROPERTY OF THE COUNTY EXCEPT REVENUES UNDER THE LOAN AGREEMENT PLEDGED TO THE PAYMENT THEREOF. THIS NOTE SHALL NOT CONSTITUTE A CHARGE, LIEN, OR ENCUMBRANCE, LEGAL OR EQUITABLE, AGAINST THE GENERAL CREDIT OF THE COUNTY OR UPON ANY PROPERTY OF THE COUNTY, EXCEPT THE REVENUES UNDER THE LOAN AGREEMENT PLEDGED TO THE PAYMENT THEREOF. THIS NOTE, INCLUDING INTEREST, PREMIUM, IF ANY, AND LATE CHARGES, IF ANY, HEREON IS PAYABLE SOLELY FROM THE REVENUES UNDER THE LOAN AGREEMENT PLEDGED TO THE PAYMENT THEREOF. THIS NOTE SHALL NOT CONSTITUTE A DEBT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE STATE OF MONTANA, THE MADISON COUNTY OR ANY OTHER POLITICAL SUBDIVISION SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, INTEREST OR LATE CHARGES ON THE NOTE OR FOR THE PERFORMANCE OF ANY AGREEMENT OF ANY KIND WHATSOEVER THAT MAY BE UNDERTAKEN BY THE COUNTY. NEITHER THIS NOTE NOR ANY OF THE AGREEMENTS OR OBLIGATIONS OF THE COUNTY CONTAINED HEREIN OR IN THE LOAN AGREEMENT OR DISBURSING AGREEMENT SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER, NOR TO CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OR BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COUNTY. NO FAILURE OF THE COUNTY OR ANY PARTY TO COMPLY WITH ANY TERM, CONDITION, COVENANT OR AGREEMENT IN THIS NOTE, THE LOAN AGREEMENT OR THE DISBURSING AGREEMENT SHALL SUBJECT THE COUNTY TO LIABILITY FOR ANY CLAIM FOR DAMAGES, COSTS OR OTHER FINANCIAL OR PECUNIARY CHARGE, AND NO EXECUTION ON ANY CLAIM, DEMAND, CAUSE OF ACTION OR JUDGMENT SHALL BE LEVIED UPON OR COLLECTED FROM THE GENERAL CREDIT, GENERAL FUNDS OR TAXING POWERS OF THE COUNTY.

The Holder shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event.

It is intended that this Note is made with reference to and shall be construed as a Montana contract and governed by the laws of the State of Montana, without giving effect to the conflicts-of-law principles thereof.

This Note may not be amended, modified or changed nor shall any waiver of any provision hereof be effective, except only by an instrument in writing and signed by the party against whom enforcement of any waiver, amendment, change, modification or discharge is sought. No material modification of the terms and conditions of this Note shall be effective without the written consent of the County.

If any term of this Note, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Note shall be valid and enforceable to the fullest extent permitted by law.

The County has designated this Note as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen, and be performed precedent to or in the issuance of this Note do exist, have happened and have been performed in regular and due time, form and manner as required by law.

IN WITNESS WHEREOF, the County has caused this Note to be duly executed by its duly authorized officers and its official seal affixed all as of the ____ day of January, 2008.

MADISON COUNTY, MONTANA

By _____
Chair of the Board of Commissioners

(SEAL)

Attest: _____
County Clerk and Recorder

PROVISIONS AS TO REGISTRATION

NO WRITING HEREON EXCEPT BY
THE COUNTY CLERK AND RECORDER AS NOTE REGISTRAR

The ownership of the unpaid principal balance of this Note and the interest accruing thereon has registered on the books of the County in the name of the registered holder last noted below.

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of County Clerk and Recorder</u>
[_____, 2008]	Big Sky Western Bank 4150 Valley Commons Drive Bozeman, Montana 59771	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

EXHIBIT B

DRAFT FORM OF SERIES 2008B NOTE

UNITED STATES OF AMERICA
STATE OF MONTANA
MADISON COUNTY

Hospital Facilities First Mortgage Revenue Note
(Madison Valley Hospital and Clinic Project), Series 2008B

No. R-1 \$2,000,000

<u>Interest Rate Per Annum</u>	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
[5.80]%	\$2,000,000	[June 10, 2009]	[January __, 2008]

AS SET FORTH MORE PARTICULARLY BELOW, THIS NOTE IS NOT A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COUNTY AND IT DOES NOT CONSTITUTE OR GIVE RISE TO PECUNIARY LIABILITY OF THE COUNTY.

MADISON COUNTY, MONTANA, a political subdivision organized and existing under the laws of the State of Montana (the "County"), for value received, hereby promises to pay to Big Sky Western Bank, a Montana banking corporation (the "Holder"), or registered assigns, at its office in Bozeman, Montana, or such other place as the Holder may designate in writing, solely from the source and in the manner hereinafter provided, the principal sum of Two Million and No One-Hundredths Dollars (\$2,000,000.00), or such lesser amount as shall be advanced and outstanding hereunder, with interest on the principal amount advanced from the date of advance until all principal of and interest thereon is paid or discharged, subject to the terms and provisions of this Note. Such principal and interest shall be payable in any coin or currency which at the time of payment is legal tender for the payment of public and private debts in the United States of America. This Note is payable as follows: on [March 10, 2008] and continuing on the 10th day of each month thereafter until the tenth day of the calendar month immediately following the Completion Date (as hereinafter defined); provided, however, if the Completion Date has not occurred by June 10, 2009, then until June 10, 2009 (such date, whichever occurs first, the "Maturity Date"), interest only on the principal amount advanced and outstanding hereunder at the rate of [5.80%] per annum through and including the Maturity Date shall be due and payable, and on the Maturity Date the entire principal balance of this Note together with all interest accrued hereon, if not sooner paid, shall come due and shall be paid in full.

As used herein, the following terms have the following meanings:

"Borrower" means Madison Valley Hospital, Inc., a Montana nonprofit corporation, operating under the assumed business name of Madison Valley Hospital and Clinic, or any qualified successor or assign under the Loan Agreement.

“Business Day” means any day other than a Saturday or Sunday or other day on which commercial banks in the County in which the principal office of the Lender is located are not open for business.

“Completion Date” means the date of completion of the Project established under Section 4.03 of the Loan Agreement.

“Date of Taxability” shall have the meaning ascribed to it in the Loan Agreement.

“Determination of Taxability” shall have the meaning ascribed to it in the Loan Agreement.

“Disbursing Agreement” means the Disbursing Agreement of even date herewith among the County, Holder, and Borrower.

“Loan Agreement” means the Loan Agreement, of even date herewith, between the County and the Borrower, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

“Note” means this Hospital Facilities First Mortgage Revenue Note (Madison Valley Hospital and Clinic Project), Series 2008B, in the maximum principal amount of \$2,000,000.

“Note Account” means the account of that name established on the books and records of the Borrower, as described in the Loan Agreement.

“Payment Date” means a date on which a payment of principal or interest or both is due under this Note.

“Security Agreement” means the Security Agreement of even date herewith by Borrower for the benefit of Holder, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

“Tax-Exempt Rate” means the Initial Rate as adjusted from and after each Rate Adjustment Date, absent any Determination of Taxability.

“Trust Indenture” means the Combination Trust Indenture, Security Agreement and Fixture Filing Statement of even date herewith by Borrower for the benefit of Holder and with [American Land Title Company] as Trustee, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

“USDA” means the United States of America, acting through its Rural Housing Service, USDA.

“USDA Loan” means the loan from the USDA to the Borrower in the principal amount of up to \$2,000,000 to pay and redeem this Note in full.

In the event that the interest on this Note shall become includable in gross income for purposes of federal income taxation pursuant to a Determination of Taxability, the interest rate specified above shall be increased, retroactively effective from and after the Date of Taxability, to equal the sum of (i) the Tax-Exempt Rate in effect under this Note from and after the Date of Taxability, plus (ii) 2% per annum (such sum, the “Taxable Rate”). The County shall, solely from payments required to be made by the Borrower (defined below), (I) immediately upon demand pay to the Holder and to each prior Holder since the Date of Taxability an amount equal to the amount by which the interest accrued retroactively at the Taxable

Rate from the Date of Taxability to the date of payment exceeds the amount of interest actually accrued hereunder at the Tax-Exempt Rate and paid to the Holder and any such prior Holder during said period, and (II) thereafter pay to the Holder payments of principal and interest on subsequent Payment Dates in amounts computed at the Taxable Rate. Such obligation of the County shall survive the payment in full of the principal amount of this Note.

All payments of principal and interest shall be applied first to interest due on the outstanding principal amount hereof and thereafter in reduction of the principal amount hereof. Interest payments shall be computed on the basis of a 365-day year. If any Payment Date is not a Business Day, such payment shall be payable on the next succeeding Business Day.

This Note is subject to prepayment in whole [but not in part] at the option of the Borrower, on each Payment Date upon at least thirty (30) days' prior written notice to the Holder (or such shorter period of notice as may be acceptable to the Holder), at a price equal to the full principal amount prepaid with accrued interest on this Note to the date of such prepayment, without premium.

This Note constitutes an issue in the maximum authorized face amount of \$2,000,000. This Note is issued by the County pursuant to the authority granted by Montana Code Annotated, Title 90, Chapter 5, Part 1, as amended (the "Act"), for the purpose of providing funds for a project, as defined in the Act, consisting of the improvement on the land of a hospital and clinic facility to be located next to the existing hospital at 217 N. Main Street (Highway 287 North) in Ennis, Montana (the "Project") to be owned and operated by Borrower and paying necessary expenses incidental thereto, such funds to be loaned by the County to the Borrower pursuant to the Loan Agreement and advanced pursuant to the Disbursing Agreement, thereby assisting activities in the public interest and for the public welfare of the County and the State of Montana. This Note is secured by the Trust Indenture and the Security Agreement. The disbursement of proceeds of this Note is subject to the terms and conditions of the Loan Agreement and the Disbursing Agreement. All of the agreements, conditions, covenants, provisions, and stipulations contained in the Loan Agreement, Disbursing Agreement, Trust Indenture and Security Agreement and resolutions of the County relating to this Note and the Project are hereby made a part hereof to the same extent and with the same force as if they were set forth fully herein.

The Borrower appropriates to the Note Account all of the proceeds of the USDA Loan upon the making thereof and such other funds as are available to the Borrower to pay the outstanding principal of and all interest accrued thereon on or before the Maturity Date. The failure of the USDA to make the USDA Loan on a timely basis shall not affect in any way the obligation of the Borrower to make payments hereunder in accordance with the terms of this Note.

This Note shall be registered and shall be transferable upon the books of the County at the office of the County Clerk and Recorder, Madison County, Montana, by the Holder hereof in person or by its attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the County Clerk and Recorder, duly executed by the Holder or its duly authorized attorney. Upon such transfer, the County Clerk and Recorder will note the date of registration and the name and address of the new Holder upon the books of the County and in the registration blank appearing below. Alternatively, the County will, at the request and expense of the Holder, issue a new note or notes in an aggregate principal amount equal to the unpaid principal balance of this Note, and of like tenor except as to number, principal amount and the number and amount of the installments payable thereunder, and registered in the name of the Holder or such transferee as may be designated by the Holder. The County may deem and treat the person in whose name this Note is last registered upon the books of the County with such registration also noted on the Note, as the absolute owner hereof, whether or not this Note is overdue, for the purpose of receiving payment of or on account of the principal balance, prepayment price, late charges or interest and for all other purposes, and all such payments so made to the

Holder or upon its order shall be valid and effectual to satisfy and discharge the liability upon this Note to the extent of the sum or sums so paid, and the County shall not be affected by any notice to the contrary.

Time is of the essence under this Note. Failure to make any payment under this Note within ten (10) days after the date on which such payment is due shall constitute an event of default under this Note (an "Event of Default"). An Event of Default shall also include any Event of Default under the Loan Agreement, Trust Indenture, Security Agreement or Disbursing Agreement, or any other event that entitles the Holder to accelerate payment under the Loan Agreement, Trust Indenture, Security Agreement or Disbursing Agreement. Upon the occurrence of an Event of Default, the Holder may at its right and option (subject, however, to such notice as may be required under the Loan Agreement) enforce any right conferred upon Holder under this Note, the Loan Agreement, Trust Indenture, Security Agreement or Disbursing Agreement and pursue any other right or remedy allowed by law or equity. Without limitation of the foregoing, upon the occurrence of an Event of Default, the Holder may at its right and option (subject, however, to such notice as may be required under the Loan Agreement) declare immediately due and payable the principal balance of this Note and interest accrued thereon to the date of declaration of such default, together with any reasonable attorneys' fees incurred by the Holder in collecting or enforcing payment thereof, whether suit be brought or not, and all other sums due hereunder or under the Loan Agreement, Trust Indenture, Security Agreement or Disbursing Agreement, anything to the contrary therein notwithstanding, and payment thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Note, the Loan Agreement, Trust Indenture, Security Agreement or the Disbursing Agreement.

[If any payment required under this Note is not received by Holder within ten (10) days after the date on which such payment is due, Borrower shall pay to Holder on demand a late charge in an amount equal to the lesser of (i) five percent (5%) of the overdue payment, or (ii) \$100. Borrower and Holder agree that the late charge is intended to reimburse Holder for the additional expense included in processing delinquent payments and not as a penalty. The imposition or collection of a late charge is in addition to and not in lieu of any other rights or remedies Holder may have as a result of late payment.]

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NOR ANY OF THE AGREEMENTS OR OBLIGATIONS OF THE COUNTY CONTAINED HEREIN OR IN THE LOAN AGREEMENT OR DISBURSING AGREEMENT SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS WHATSOEVER, NOR TO CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OR BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COUNTY. NO FAILURE OF THE COUNTY OR ANY PARTY TO COMPLY WITH ANY TERM, CONDITION, COVENANT OR AGREEMENT IN THIS NOTE, THE LOAN AGREEMENT OR THE DISBURSING AGREEMENT SHALL SUBJECT THE COUNTY TO LIABILITY FOR ANY CLAIM FOR DAMAGES, COSTS OR OTHER FINANCIAL OR PECUNIARY CHARGE, AND NO EXECUTION ON ANY CLAIM, DEMAND, CAUSE OF ACTION OR JUDGMENT SHALL BE LEVIED UPON OR COLLECTED FROM THE GENERAL CREDIT, GENERAL FUNDS OR TAXING POWERS OF THE COUNTY.

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The County has designated this Note as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen, and be performed precedent to or in the issuance of this Note do exist, have happened and have been performed in regular and due time, form and manner as required by law.

[Balance of page intentionally left blank]

IN WITNESS WHEREOF, the County has caused this Note to be duly executed by its duly authorized officers and its official seal affixed all as of the ____ day of January, 2008.

MADISON COUNTY, MONTANA

By _____
Chair of the Board of Commissioners

(SEAL)

Attest: _____
County Clerk and Recorder

PROVISIONS AS TO REGISTRATION

NO WRITING HEREON EXCEPT BY
THE COUNTY CLERK AND RECORDER AS NOTE REGISTRAR

The ownership of the unpaid principal balance of this Note and the interest accruing thereon has registered on the books of the County in the name of the registered holder last noted below.

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of County Clerk and Recorder</u>
[_____, 2008]	Big Sky Western Bank 4150 Valley Commons Drive Bozeman, Montana 59771	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____