

RESOLUTION NO. 19-2010

RESOLUTION RELATING TO \$2,905,000 RURAL IMPROVEMENT DISTRICT NO. 2009-01 BONDS, FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR

This Resolution was introduced by _____; moved by Commissioner _____ and seconded by Commissioner _____. The Resolution was adopted _____.

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

Section 1. Recitals.

1.01. Resolution of Intention. On May 26, 2009, the Board passed its Resolution No. 16-2009, (the "Resolution of Intention"), by which this Board declared its intention to create Rural Improvement District No. 2009-01 (the "District"), for the purpose of making pavement improvements for the benefit of the District. The Resolution of Intention designated the number of the District, described the boundaries thereof, and stated the general character of improvements to be made to the intersection of State Highway 64 and Ousel Falls Road and to Ousel Falls Road and South Fork Road in the County, including the costs of design, administration and financing (the "Improvements") and an approximate estimate of the costs thereof, in accordance with the provisions of Montana Code Annotated, Title 7, Chapter 12, Part 21, as amended (the "Act"). By the Resolution of Intention this Board also declared its intention to cause the cost and expense of making the Improvements benefiting the District to be assessed against the properties included within the boundaries of the District in accordance with the methods of assessment authorized in Section 7-12-2151, Montana Code Annotated, and as set forth in the Resolution of Intention.

1.02. Notices. Notice of the passage of the Resolution of Intention was authorized by Resolution No. 23-2009 and was given by two publications in the Madisonian, a weekly newspaper published within the County. A copy of the Notice of the passage of the Resolution of Intention was also mailed to all persons, firms or corporations or the agents thereof having real property within the District, listed in their names upon the last completed assessment roll for state, county and school district taxes, at their last known addresses. The notice for the District described the general character of the Improvements proposed to be made therein or therefor, stated the estimated costs of such Improvements and the method of assessment of such costs against properties in the District, designated the time when and the place where the Board would hear and pass upon all protests made against the making of the Improvements or the creation of the District, and referred to the Resolution of Intention as being on file in the office of the Clerk and Recorder of the County for a description of the boundaries of the District, all in accordance with the provisions of the Resolution of Intention.

1.03. Creation of District. At the times and places specified in the notice hereinabove described, this Board met to hear, consider and pass upon all protests made against the making of the Improvements and the creation of the District, and, after consideration thereof, it was determined and declared that insufficient protests against the creation of the District or the proposed work had been filed in the time and manner provided by law by the owners of the property to be assessed for the Improvements in the District, and this Board did therefore by Resolution No. 30-2009, adopted on August 11, 2009, create the District according to the boundaries described therein and ordered the proposed Improvements in the District. The remaining portion of the costs of the Improvements are to be provided by Gallatin County, Montana from the issuance of its Rural Improvement District No. 395 bonds in the principal amount of \$1,765,000 (the "Gallatin County RID 395 Bonds") payable from special assessments against certain properties in Gallatin County that are also benefited by the Improvements. Gallatin County has created its Rural Improvement District No. 395 and has authorized, sold and is simultaneously issuing its Gallatin County RID 395 Bonds.

1.04. Construction Contracts. Plans and specifications for construction of the Improvements were prepared by the County's consulting engineers and were thereupon examined and approved by this Board. Advertisements for bids for construction of the Improvements was published in the official newspaper of the County in accordance with the provisions of Montana Code Annotated, Section 7-12-2132, after which the bids theretofore received were opened and examined. After referring the bids to the County's consulting engineer it was determined that the lowest responsible bids for constructing the Improvements in accordance with the approved plans and specifications were the bids of Knife River for reconstruction and paving of the Ousel Falls Road from the State Highway 64 intersection and to the South Fork Road; to JEM Contracting for the reconstruction and paving on the South Fork Road and a portion of Ousel Falls Road; and Sime Construction, Inc. for the reconstruction of State Highway 64 and Ousel Falls Road. Contracts for the construction of the Improvements were therefore awarded to said bidders, subject to the bidders having executed and filed bonds satisfactory to this Board and in the form and manner provided by Montana Code Annotated, Title 18, Chapter 2, Part 2. Total cost of the Improvements is estimated to be \$4,670,000 and will be paid by the Bonds and the Gallatin County RID No. 395 Bonds.

1.05. Considerations for Pledge of Revolving Fund. As indicated in Section 9 of Resolution No. 16-2009, the County has taken into consideration the factors required by Section 7-12-2185, MCA, and has determined it is in the best interest of the County and the District to pledge the use of the County's Rural Improvement District Revolving Fund (the "Revolving Fund") in support of the District.

1.06. Costs. Included as part of the costs of the Improvements are the costs and expenses connected with and incidental to the formation of the District, including costs of preparation of plans, specifications, maps, profiles, engineering superintendence and inspection, preparation of assessment rolls, expenses of making the assessments, the cost of work and materials under the construction contract, the deposit to the Revolving Fund, a deposit to the Reserve Account and costs of financing:

Bond Reserve (2%)	\$58,100
Revolving Fund Deposit	145,250
Underwriter's Discount (1.35%)	39,218
Construction and Contingency	2,105,080
Engineering/Design & Inspection	381,777
Preliminary Engineering	35,000
County Administration Fee	58,000
Bond Counsel	24,400
Financial Advisor	25,000
County Legal and Advertising	12,000
Miscellaneous Costs of Issuance & Rounding	21,175
TOTAL	\$2,905,000

The Board anticipates paying the District's portion of the costs of the Improvements through the issuance of \$2,905,000 Rural Special Improvement District 2009-01, Series 2010 Bonds (the "Bonds").

1.07. Sale and Issuance of Bonds. Pursuant to Resolution No. 16-2010, adopted May 18, 2010, the Board called for the public sale of the Bonds. Advertisements for bids for the purchase of the Bonds were published in the Madisonian in accordance with the provisions of Montana Code Annotated, Sections 7-12-2172, 7-7-4252 and 17-5-106. Pursuant to Resolution No. 18-2010, the Board authorized the sale of the Bonds to D.A. Davidson & Co. (the "Purchaser"), as the lowest responsible bidder pursuant to which the Purchaser agreed to purchase the Bonds at a purchase price of \$2,865,782.50 on the delivery date of the Bonds (estimated to be June 22, 2010), at a true interest cost on the Bonds of 5.556923% according to the maturities and interest rates referenced in Section 2.01 hereof and upon the further terms set forth in this Resolution.

Section 2. The Bonds.

2.01. Principal Amount, Maturities, Denominations, Date, Interest Rates. For the purpose of paying a portion of the costs and expenses incurred in construction of the Improvements, including incidental expenses and costs of issuance and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the proposal described in Section 1.07, the County shall forthwith issue and deliver to the Purchaser the Bonds payable solely from the Rural Improvement District No. 2009-01 Fund (the "District Fund"). The Bonds shall be dated, as originally issued, and be registered as of their date of delivery and shall each be in the denomination of \$5,000 or any integral multiple thereof, provided that no single Bond shall represent more than one maturity. The Bonds shall mature, subject to redemption, on July 1 in the years and principal amounts set forth below, and shall bear interest from the date of original registration until paid or duly called for redemption at the rates per annum set forth opposite such years and amounts, respectively:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$95,000	2.00%
2012	100,000	2.40%
2013	105,000	2.75%
2014	105,000	3.10%
2015	110,000	3.40%
2016	115,000	3.80%
2017	120,000	4.10%
2018	120,000	4.30%
2019	130,000	4.50%
2020	135,000	4.70%

\$770,000 in a Term Bond due July 1, 2025 at an interest rate of 5.50%

\$1,000,000 in a Term Bond due July 1, 2030 at an interest rate of 6.00%

The Term Bonds are subject to mandatory sinking fund redemption prior to maturity on July 1, in the years 2021, 2022, 2023 and 2024 and on July 1, in the years 2026, 2027, 2028 and 2029 as follows:

\$770,000 Principal Amount Term Bond

Due July 1, 2025	
Mandatory Sinking Fund	
Redemption Dates	Redemption Amount
July 1, 2021	\$140,000
July 1, 2022	145,000
July 1, 2023	155,000
July 1, 2024	160,000
July 1, 2025	170,000

\$1,000,000 Principal Amount Term Bond
Due July 1, 2030

Mandatory Sinking Fund	
Redemption Dates	Redemption Amount
July 1, 2026	\$180,000
July 1, 2027	190,000
July 1, 2028	200,000
July 1, 2029	210,000
July 1, 2030	220,000

2.02. Interest Calculation and Payment Dates. Interest on the Bonds shall be payable on each January 1 and July 1, commencing January 1, 2011, to the owners of record thereof as such appear on the Bond Register at the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

2.03. Form of Bond, Method of Payment. The Bonds shall be issued only in fully registered form. The form of the Bond is attached hereto as Exhibit A. The interest on and the principal of each Bond shall be payable by check, draft or wire-transfer from the Registrar (as hereinafter defined).

2.04. Registration. The County has appointed U.S. Bank, National Association, with its corporate trust office in Seattle, Washington, to act as registrar, transfer agent and paying agent (the "Registrar"). The County reserves the right to appoint a bank, trust company or financial institution as successor bond registrar, transfer agent or paying agent, as authorized by the Model Public Obligations Registration Act of Montana, Montana Code Annotated, Title 17, Chapter 5, Part 11, as amended (the "Registration Act"), but the County agrees to pay the reasonable and customary charges of the Registrar for the services performed. This Section 2.04 establishes a system of registration for the Bonds as defined in the Registration Act and is intended to be in accordance with DTC procedures, if the Bonds are in book-entry form, as described in Section 2.08 hereof.

The effect of registration and the rights and duties of the County and the Registrar with respect thereto shall be as follows:

(a) Bond Register. The Registrar shall keep at its office a bond register in which the Registrar shall provide for the registration of the Bonds and the registration of transfers and exchanges of the Bonds entitled to be registered, transferred or exchanged.

(b) Transfer. Upon surrender to the Registrar for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, or upon compliance with DTC procedure for book-entry form Bonds, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer of any Bond or principal amount thereof selected or called for redemption. No transfer or exchange of a Bond shall affect its order of registration for purposes of redemption pursuant to Section 2.05.

(c) Exchange. Whenever any Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver (through DTC procedures if in book-entry form) one or more new Bonds of a like aggregate principal amount, interest rate and maturity and representing the same principal amount, as requested by the registered owner or the owner's attorney duly authorized in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly canceled by the Registrar (through DTC procedures if in book-entry form).

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that DTC procedures have been followed or, if not in book-entry form, that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The County and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the County upon such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer of Bonds or exchange of Bonds (except an exchange upon a partial redemption of a Bond), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost Stolen or Destroyed Bonds. In case any Bond not issued in book-entry form shall become mutilated or be destroyed, stolen or lost the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the County and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the County. If the mutilated, destroyed, stolen or lost Bond has already matured or such Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

2.05. Redemption.

(a) Mandatory Redemption. If on any interest payment date there will be a balance in the District Fund after payment of the principal and interest due on all Bonds drawn against it, either from the prepayment of special assessments levied in the District or from the transfer of surplus money from the Construction Account to the Principal Subaccount as provided in Section 3.03 or otherwise, the County, through the Registrar, shall call for redemption, as described in Subsection 2.05(c) hereof, on the interest payment date the outstanding Bonds, or portions thereof, in authorized denominations which, together with the interest thereon to the interest payment date, will equal the amount of such funds on deposit in the District Fund on that date. The redemption price shall equal the amount of the principal amount of the Bonds to be redeemed plus interest accrued to the date of redemption.

(b) Optional Redemption. The Bonds maturing on and after July 1, 2018 are subject to redemption, in whole or in part, at the option of the County from sources of funds available therefor other than those described in Subsection (a) of this Section 2.05, including, without limitation, from the proceeds of refunding rural special improvement district bonds or warrants, on July 1, 2017 and any date thereafter. The redemption price shall equal the principal amount of the Bonds to be redeemed plus interest accrued to the date of redemption.

(c) Selection of Bonds for Redemption; Partial Redemption. If less than all of the Bonds are to be redeemed, Bonds shall be redeemed in order of the stated maturities beginning with the earliest maturity or sinking fund redemption with respect to a Term Bond. If less than all Bonds of a stated maturity are to be redeemed, the Bonds of such maturity shall be selected for redemption in \$5,000 principal amounts selected by the Registrar by lot or other manner it deems fair. Upon partial redemption of a Bond, a new Bond will be delivered to the registered owner without charge, representing the remaining principal amount thereof outstanding.

(d) Notice and Effect of Redemption. The date of redemption shall be fixed by the County Clerk and Recorder, who shall give 45 days notice thereof to the Registrar and the Registrar shall give notice, by first class mail, postage paid, or by other means required by the securities depository, to the owner of owners of such Bonds at their addresses shown on the bond register, of the Bonds or portions thereof to be redeemed and the date on which payment will be made, which date shall be not less than thirty (30) days after the date of mailing notice. On the date so fixed interest on the Bonds or portions thereof so redeemed shall cease.

2.06. Form. The Bonds shall be in substantially the form set forth in Exhibit A hereto, and by this reference made a part hereof, with such modifications as are permitted by the Act.

2.07. Execution, Registration and Delivery. The Bonds shall be executed on behalf of the County by the signatures of the Chairperson of the Board of County Commissioners and the County Clerk and Recorder and sealed with the official seal of the County; provided that the signatures and the corporate seal may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this resolution unless a certificate of authentication and registration on such Bond has been duly executed by the manual signature of the Registrar. The executed certificate of

authentication and registration on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. The Bonds shall be registered in order of their serial numbers by the Registrar, as attested by the Certificate of Authentication and Registration, as of their date of delivery. When the Bonds have been so executed, authenticated and registered, they shall be delivered (or retained by the Registrar pursuant to DTC procedures) upon payment of the purchase price by the Purchaser in accordance with the Purchaser's bid, attached to Resolution No. 18-2010. The Purchaser shall not be obligated to see to the application of the purchase price.

2.08. **Book Entry System.** When the Bonds are issued, ownership interest will be available to purchasers only through a book-entry system (the "Book-Entry System") maintained by DTC (as herein defined) or such other depository institution designated by the County. If the Bonds are removed from the Book-Entry System and delivered to the persons named as the registered owners of the Bonds on the registration records maintained by the Registrar (the "Registered Owners") in physical form, as described in Section 2.04 hereof, the discussion herein of the Book-Entry System will not apply.

(a) The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

(b) DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

(c) Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

(d) To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co., or such other nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

(e) Conveyance of notice and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

(f) Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

(g) Neither DTC nor Cede & Co. (nor such other DTC nominee), will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual

procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

(h) Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

(i) A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant to a tender/remarketing agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the tender/remarketing agent. The requirement for physical delivery of Bonds in connection with an optional tender or mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the tender/remarketing agent's DTC account.

(j) DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

(k) The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

(l) In the event the County determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of Bond certificates, the County may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the County and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (m) hereof.

(m) In the event that any transfer or exchange of Bonds is permitted under paragraph (l) hereof such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this Resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this Resolution shall also apply to all matters relating thereto, including, without limitations, the printing of such Bonds in the form of Bond certificates and the method of payment of principal of and interest on such Bonds in the form of Bond certificates.

Section 3. District Fund, Accounts and Revolving Fund Loans.

3.01. District Fund. There is hereby created and established the District Fund designated as the "Rural Improvement District No. 2009-01 Fund," which shall be maintained by the Treasurer on the books and records of the County separate and apart from all other funds of the County. Within the District Fund there shall be maintained separate accounts for the District, designated as the "Construction Account," the Debt Service Account (within which are the "Principal Subaccount" and "Interest Subaccount"), and the "Reserve Account."

3.02. Deposit and Use of Bond Proceeds. From the \$2,865,782.50 net proceeds of the Bonds received from the Purchaser, the Treasurer shall pay the costs of issuance of the Bonds, the County's administrative and legal fees and costs and deposit \$145,250 into the County's Revolving Fund (defined in Section 3.06), and \$58,100 in the Reserve Account. The balance of such proceeds shall be credited to the Construction Account to be used solely for the purposes described in Section 3.03.

3.03. Construction Account. There shall be credited to the Construction Account the proceeds from the sale of the Bonds as provided in Section 3.02. Any earnings on investment of money in a Construction Account shall be retained therein. All costs and expenses of constructing the Improvements, including engineering fees, to be paid from proceeds of the Bonds in and for the benefit of the District shall be paid from time to time as incurred and allowed from the Construction Account in accordance with the provisions of applicable law, and money in the Construction Account shall be used for no other purpose;

provided that upon completion of the Improvements in or for the benefit of the District and after all claims and expenses with respect to such Improvements have been fully paid and satisfied, any money remaining in said Construction Account shall be transferred to the Principal Subaccount of the Debt Service Account and used to redeem Bonds as provided in Section 3.04.

3.04. Debt Service Account. Money in the Debt Service Account shall be used only for payment of the principal of and interest on the Bonds as such payments become due or to redeem Bonds.

Upon collection of the installment of principal and interest due on November 30th and May 31st of each fiscal year on the special assessments to be levied with respect to the Improvements in the District, the Treasurer shall credit to the Interest Subaccount of the Debt Service Account so much of said special assessments as is collected as interest payment and the balance thereof to the Principal Subaccount of the Debt Service Account. Any installment of any special assessment paid prior to its due date with interest accrued thereon to the next succeeding interest payment date shall be credited with respect to principal and interest payments in the same manner as other assessments are credited. All money in the Debt Service Account shall be used first to pay interest due on the Bonds, and any remaining money shall be used to redeem Bonds or principal amounts thereof in accordance with Section 2.05 and Section 2.01 with respect to the mandatory sinking fund redemption of the Term Bonds; provided that any money transferred to the Principal Subaccount of the Debt Service Account from the Construction Account pursuant to Section 3.03 shall be applied to redeem Bonds or principal amounts thereof to the extent possible on the next interest payment date for which notice of redemption may properly be given pursuant to Section 2.05.

3.05. Reserve Account. If the Treasurer determines, as described in Section 3.06, prior to a Bond payment date, there is insufficient money on hand in the Principal or Interest Subaccounts in the Debt Service Account in the District Fund to pay the principal of or interest on the Bonds when due, the Reserve Account will be used to satisfy such deficiency, to the extent funds are available. Money in the Reserve Account will not be replenished if used. The County will not apply any of the Reserve Account balance to pay the principal of or interest on any County obligation other than the Bonds. Any money remaining in the District Fund, after payment of the principal of and interest on all Bonds and repayment to the Revolving Fund of any loans made to the District Fund, and amounts remaining on deposit in the Reserve Account are to be transferred to the Revolving Fund. If money in the Reserve Account is insufficient to satisfy any deficiency in the Bond payments due from the District Fund, then, after expending all funds in the Reserve Account, the Board shall make a loan from the Revolving Fund to the District Fund, as described in Section 3.06.

3.06. Loans from Revolving Fund. The Board shall annually or more often if necessary issue an order authorizing a loan or advance from the Rural Improvement District Revolving Fund of the County (the "Revolving Fund"), created by County Resolution No. 8-99, as amended by County Resolution No. 17-2010, to the District in an amount sufficient to make good any deficiency then existing in the Interest Subaccount and shall issue an order authorizing a loan or advance from the Revolving Fund to the District in an amount sufficient to make good any deficiency then existing in the Principal Subaccount, in such order, and in each case to the extent that money is available in the Revolving Fund. A deficiency shall be deemed to exist in the Principal Subaccount or the Interest Subaccount if the money on deposit therein on any June 15th or December 15th (excluding amounts in the Principal Subaccount representing prepaid special assessments) is less than the amount necessary to pay Bonds due (other than upon redemption), and interest on all Bonds payable, on the next succeeding interest payment date.

The County hereby agrees to provide funds for the Revolving Fund by levying a tax or making a loan from the General Fund as authorized by Section 7-12-2182, Montana Code Annotated. The County also agrees, if necessary due to limitations on the County's ability to levy the maximum number of mills under Section 15-10-420 Montana Code Annotated, to reduce other property tax levies correspondingly to meet the covenant made in the preceding sentence. The County further agrees that in the event that the balance on hand in the Revolving Fund fifteen days prior to any date when interest is due on rural improvement district bonds or warrants of the County is not sufficient to make good all deficiencies then existing in the rural improvement district funds for which the County has covenanted to make loans from the Revolving Fund, the balance on hand in the Revolving Fund shall be allocated to the funds of the rural improvement districts in which such deficiencies then exist in proportion to the amounts of the deficiencies on the respective dates of receipt of such money, until all interest accrued on such rural improvement district bonds or warrants of the County has been paid. The County further agrees that on any date when all accrued interest on rural improvement district bonds and warrants of the County payable from funds for which the County has covenanted to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be lent or advanced to the rural improvement district funds for payment and redemption of bonds to the extent the rural improvement district funds are deficient for such purpose, and, if money in the Revolving Fund is insufficient therefor, pro rata, in an amount proportionate to the amount of such deficiency.

Section 4. Covenants of the County.

4.01. Compliance with Resolution. The County will hold the District Fund and the Revolving Fund as trust funds, separate and apart from all of its other funds, and the County, its officers and agents, will comply with all covenants and agreements contained in this resolution. The provisions hereinabove made with respect to the District Fund and the Revolving Fund are in accordance with the undertaking and agreement of the County made in connection with the public offering of the Bonds and the sale of the Bonds as set forth in Section 1.07.

4.02. Construction of Improvements. The County will do all acts and things necessary to enforce the provisions of the construction contracts and bonds referred to in Section 1.04 and to ensure the completion of the Improvements for the benefit of the District in accordance with the plans and specifications and within the time therein provided, and will pay all costs thereof promptly as incurred and allowed, out of the Construction Account and within the amount of the proceeds of the Bonds appropriated thereto. The County confirms that Gallatin County has authorized the issuance of and has sold its RID No. 395 Bonds in the principal amount of \$1,765,000 for the payment of Gallatin County's portion of the Improvements.

4.03. Levy of Assessments. The County will do all acts and things necessary for the final and valid levy of special assessments upon all assessable real property within the boundaries of the District in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States in the aggregate principal amount of \$2,905,000.

Such special assessments shall be levied on the basis prescribed in the Resolution of Intention as authorized by Section 7-12-2151, MCA, and shall be payable in equal semiannual installments of principal and interest. The unpaid installments of the assessments shall bear interest at an annual rate determined each fiscal year equal to the average annual interest rate borne by the then outstanding Bonds plus one-half of one percent per year as required by Section 7-12-2176, MCA. The assessments will be payable in installments on the 30th day of November in each of years 2010 through 2029 and on the 31st day of May in the years 2011 through 2030, inclusive, if not theretofore paid, and shall become delinquent on such dates unless paid in full. The payment due on any installment date shall be the amount necessary to amortize, over the term of the Bonds in equal semiannual payments, the principal amount of the assessment, together with interest to accrue thereon over said term at the interest rate thereon (including the one-half of one percent required by Section 7-12-2176, MCA); provided that the amount of each such installment shall be adjusted each fiscal year to an amount equal to the amount necessary to amortize fully the then outstanding principal amount of the assessment (excluding any delinquent amounts), plus interest accrued at the interest rate described above in the number of installments then remaining until May 31, 2030. There shall be included in the first installment payment interest on the entire assessment from the date of delivery of the Bonds to January 1, 2011. The assessments shall constitute a lien upon and against the property against which they are made and levied, which lien may be extinguished only by payment of the assessment with all penalties, costs and interest provided in Section 7-12-2168, MCA. No tax deed issued with respect to any lot or parcel of land shall operate as payment of any installment of the assessment thereon which is payable after the execution of such deed, and any tax deed so issued shall convey title subject only to the lien of said future installments, as provided in Section 15-18-214, MCA.

4.04. Reassessment. If at any time and for whatever reason any special assessment herein agreed to be levied is held invalid, the County and this Commission, its officers and employees, will take all steps necessary to correct the same and to reassess and re-levy the same, including the ordering of work, with the same force and effect as if made at the time provided by law, ordinance or resolution relating thereto, and will reassess and re-levy the same with the same force and effect as an original levy thereof, as authorized in Section 7-12-2165, MCA. Any special assessment, or reassessment or re-levy shall, so far as is practicable, be levied and collected as it would have been if the first levy had been enforced including the levy and collection of any interest accrued on the first levy.

If proceeds of the Bonds, including investment income thereon, are applied to the redemption of such Bonds, as provided in Sections 7-12-2173 and 7-12-2174, MCA, or if refunding bonds are issued and the principal amount of the outstanding Bonds of the District is decreased or increased, the County will reduce or increase, respectively, the assessments levied in the District and then outstanding pro rata by the principal amount of such prepayment or the increment above or below the outstanding principal amount of bonds represented by the refunding bonds. The County and this Board, its officers and employees will reassess and re-levy such assessments, with the same effect as an original levy, in such reduced or increased amounts in accordance with the provisions of Sections 7-12-2159 through 7-12-2160, MCA.

4.05. Absence of Litigation. There is now no litigation pending or, to the best knowledge of the County, threatened, questioning the validity or regularity of the creation of the District, the contracts for construction of the Improvements or the undertaking and agreement of the County to levy special assessments therefor and to make good any deficiency in the collection thereof through the levy of taxes for and the making of advances from the Revolving Fund, or the right and power of the County to issue the Bonds or in any manner questioning the existence of any condition precedent to the exercise of the County's powers in these matters. If any such litigation should be initiated or threatened, the County will forthwith notify in writing the Purchaser, and will furnish the Purchaser a copy of all documents, including pleadings, in connection with such litigation.

4.06. Waiver of Penalty and Interest. The County covenants not to waive the payment of penalty or interest on delinquent assessments levied on property in the District for costs of the Improvements, unless the County determines, by resolution of the Board, that such waiver is in the best interest of the owners of the outstanding Bonds.

4.07. Acceleration of all Installments upon Delinquency. In the event of a delinquency in the payment of a special assessment installment, the Board may, at its discretion and by subsequent resolution, declare all unpaid assessments from such delinquent taxpayer on such benefited property to be delinquent. If the delinquency is not paid, the property subject to the lien of the special assessment may be sold by the County in the same manner real property is sold for delinquent property taxes.

5.01. Use of Improvements. The Improvements will be owned and operated by the County and available for use by members of the general public on a substantially equal basis. The County shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the Improvements or security for the payment of the Bonds which might cause the Bonds to be considered "private activity bonds" or "private loan bonds" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").

5.02. General Covenant. The County covenants and agrees with the owners from time to time of the 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 Bonds to become includable in gross income for federal income tax purposes under 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 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

5.03. Arbitrage Certification. The chairperson of the Board and the County Clerk and Recorder, being the officers of the County charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and Section 1-148(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds, it is reasonably expected that the proceeds of the Bonds will be used in a manner that would not cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

5.04 Arbitrage Rebate.

The County hereby represents and covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by Section 148(f) of the Code with respect to the Bonds. The County also agrees that it will not invest the proceeds of the Bonds at a sale of interest that will exceed the "yield" on the Bonds, as determined under Section 148 of the Code.

5.05. Information Reporting. The County shall file with the Secretary of the Treasury, not later than August 15, 2010, a statement concerning the Bonds containing the information required by Section 149(e) of the Code.

5.06. "Qualified Tax-Exempt Obligations." Pursuant to Section 265(b)(3)(B)(ii) of the Code, the County hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The County hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (excluding refunding obligations as provided in Section 265(b)(3)(c)(ii)(III) of the Code excluding other "private activity bonds," as defined in Sections 141(a) and 145(a) of the Code but including "qualified 501(c)(3) Bonds") will be issued by or on behalf of the County and all "subordinate entities" of the County in calendar year 2010 in an amount greater than \$30,000,000. Thus far in calendar year 2010 the County has issued no tax-exempt obligations and intends to issue, in addition to the Bonds, no additional bonds in calendar year 2010.

5.07. Arbitrage Rebate Exemption.

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

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

(2) The aggregate face amount of all "tax-exempt bonds" (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds) issued by or on behalf of the County and all subordinate entities thereof during calendar year 2010 is reasonably expected not to exceed \$5,000,000, as described above in section 5.06.

Section 6. Authentication of Transcript.

The officers of the County are hereby authorized and directed to furnish to the Purchaser and to bond counsel certified copies of all proceedings relating to the issuance of the Bonds and such other certificates and affidavits as may be required to show the right, power and authority of the County to issue the Bonds, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the County as to the truth of the statements purported to be shown thereby.

Section 7. Discharge.

7.01. General. When the liability of the County on all Bonds issued under and secured by this resolution has been discharged as provided in this Section 7, all pledges, covenants and other rights granted by this resolution to the owners of such obligations shall cease.

7.02. Payment. The County may discharge its liability with reference to any Bond or installment of interest thereon which is due on any date by on or before the Business Day (a day other than a Saturday or Sunday on which banks are generally open for business in Montana) prior to the principal or interest payment date by depositing with the Registrar funds sufficient, or, if a County officer is the Registrar, mailing to the registered owner of such Bond a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full; or if any Bond or installment of interest thereon shall not be paid when due, the County may nevertheless discharge its liability with reference thereto by depositing with the Registrar funds sufficient, or, if a County officer is the Registrar, by mailing to the registered owner thereof a check or draft in a sum sufficient and providing proceeds available, for the payment thereof in full with interest accrued to the date of such deposit or mailing.

7.03. Prepayment. Except as otherwise provided in Section 2.05 hereof, the County may also discharge its obligations with respect to any Bonds called for redemption on any date when they are prepayable according to their terms, by on or before that date depositing with the Registrar funds sufficient, or, if a County officer is the Registrar, mailing to the registered owner of such Bond a check or a draft in a sum sufficient and providing proceeds available, for the payment of the principal and interest which are then due; provided that notice of such redemption has been duly given as provided herein or irrevocably provided for.

7.04. Escrow. The County may also at any time discharge its liability in its entirety with reference to the Bonds, subject to Section 2.05 hereof and the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal and interest to become due on all Bonds on or before maturity or, if any Bond has been duly called for redemption or notice of such redemption has been irrevocably provided for, on or before the designated redemption date.

Section 8. Continuing Disclosure.

8.01. Purpose and Beneficiaries. In order to permit participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the County covenants and agrees, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, to provide certain specified information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system website ("EMMA"), and to provide notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The County is the only "obligated person" with respect to the Bonds within the meaning of the Rule and, giving effect to the issuance of the Bonds, there will be more than \$10 million in principal amount of municipal securities outstanding on the date of issuance of such Bonds as to which the County is an obligated person excluding municipal securities exempt from the Rule under paragraph (d)(1) thereof. The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth below.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or this Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the County to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

If the County fails to comply with any of the Disclosure Covenants, any person aggrieved thereby, including the Beneficial Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any such covenant contained herein, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default thereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under the Disclosure Covenants constitute a default under the Bonds or under any other provision of this Resolution.

As used herein, "Owner" or "Bondowner" means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

8.02. Information to be Disclosed. The County will provide either directly or indirectly through an agent designated by the County, the following information at the following times and in the following manner:

Annual Information. At least annually to the MSRB through EMMA in an electronic format as prescribed by the MSRB the information (the "Disclosure Information") of the type described below, which information may be unaudited and shall be for the most recent fiscal year of the County:

- (1) updated information for the then most recent completed fiscal year concerning the Revolving Fund Cash Balance and outstanding Bonds secured thereby;

- 2) a description of any special improvement district bonds issued during the fiscal year;
- 3) updated information for the then most recent completed fiscal year concerning special improvement district assessment billings and collections; and
- 4) updated information for the then most recent completed fiscal year concerning a Statement of Changes in Fund Balance of the Revolving Fund;
- 5) the market and taxable valuations of the County for the then current fiscal year; and
- 6) tax collection information for the then most recent completed fiscal year in format similar to the table on page A-13 of the Official Statement for the Bonds in the section captioned "Tax Collections".

The Disclosure Information will be provided to the MSRB after the end of each fiscal year of the County (currently, a fiscal year ending June 30), as such fiscal year may be changed as required or permitted by State law, commencing with the County's fiscal year ending June 30, 2010; and may be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the internet website of the MSRB or filed with the Securities Exchange Commission (the "SEC").

If any part of the Disclosure Information is changed because it is no longer compiled or available or can no longer be generated because the operations of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such discontinued operations have been replaced by other operations of the County in respect of which data is not included in the Disclosure Information and the County determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Disclosure Covenants are amended as permitted by this Resolution, then the County will include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Certain Material Events. In a timely manner to the MSRB through EMMA in an electronic format as prescribed by the MSRB, if any, notice of the occurrence of any of the following events which is a Material Fact:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

Certain Other Information. In a timely manner to the MSRB through EMMA in an electronic format as prescribed by the MSRB notice of the occurrence of any of the following events or conditions:

- (1) the failure of the County to provide the Disclosure Information at the time specified under "Annual Information" herein;

- (2) the amendment or supplementing of the Disclosure Covenants pursuant to the Bond Resolution, together with a copy of such amendment or supplement and any explanation provided by the County under "Amendments" herein;
- (3) the termination of the obligations of the County under the Disclosure Covenants pursuant to the Bond Resolution; and
- (4) any change in the fiscal year of the County.

8.03. Manner of Disclosure. The County agrees to make available the information described herein under "Information To Be Disclosed" to the following entities by electronic, telecopy, overnight delivery, mail or other means, as appropriate:

- (A) the information described under "Information To Be Disclosed - Certain Material Events" and "Information To Be Disclosed - Certain Other Information", to the MSRB through EMMA in an electronic format as prescribed by the MSRB;
- (B) the information described under "Information To Be Disclosed – Annual Information", to the MSRB through EMMA in an electronic format as prescribed by the MSRB;
- (C) the information described under "Information To Be Disclosed" to any rating agency then maintaining a rating of the Bonds and, at the expense of such Bondowner, to any Bondowner who requests in writing such information at the time of the transmission under clauses (A) or (B) above as the case may be, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released; and
- (D) all documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

8.04. Term. The Disclosure Covenants are to remain in effect until all Bonds have been paid or defeased under this Resolution.

8.05. Amendments; Interpretation. The Disclosure Covenants and the form and requirements of the Disclosure Information may be amended or supplemented by the County from time to time, without notice to or the consent of the Bondowner of any Bonds, by resolution or ordinance of the County filed in the County accompanied by an opinion of Bond Counsel, who may rely on certificates of the County Clerk and others and the opinion may be subject to customary qualification to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the County or the type of operations conducted by the County, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule, assuming that such provisions apply to the Bonds. If the disclosure information is so amended, the County agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

The Disclosure Covenants are entered into as a continuing disclosure undertaking to provide continuing disclosure identical to that required by the continuing disclosure provisions of the Rule and should be construed so the undertaking would satisfy the requirements of paragraph (b)(5) of the Rule, assuming it was otherwise applicable to the Bonds.

8.06. Further Limitation of Liability of County. None of the agreements or obligations of the County contained in this Section 8 shall be construed to constitute an indebtedness of the County within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the general credit or taxing powers of the County.

Section 9. Repeals and Effective Date.

9.01. Repeal. All provisions of other resolutions and other actions and proceedings of the County and this Board that are in any way inconsistent with the terms and provisions of this resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this resolution.

9.02. Effective Date. This resolution shall take effect immediately upon its passage and adoption by this Commission.

Passed and Adopted by the Board of County Commissioners of Madison County, Montana, this 15 day of June, 2010.

James P. Hart, Chairman

ATTEST:

Peggy Kaatz, County Clerk and Recorder

EXHIBIT A

[Face of the Bond]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF MADISON

RURAL IMPROVEMENT DISTRICT NO. 2009-01 BOND

Interest at the rate per annum specified below Payable
January 1, 2011, and semiannually thereafter on the
1st day of July and the 1st day of January in each year.

No. R- _____ \$ _____

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
		June __, 2010	

REGISTERED OWNER:

PRINCIPAL AMOUNT:

Madison County, Montana (the "County"), through U.S. Bank National Association (the "Registrar and Paying Agent") will pay to the registered owner identified above, or registered assigns, on the maturity date specified above the principal amount specified above solely from the special assessments and funds hereinafter specified, as authorized by Resolution No. 19-2010 adopted June 15, 2010, (the "Bond Resolution"), all subject to the provisions hereinafter described relating to the redemption of this Bond before maturity. This Bond bears interest at the rate per annum specified above from the date of registration of this Bond, as expressed herein, or from such later date to which interest hereon has been paid or duly provided for, until the maturity date specified above or an earlier date on which this Bond shall have been duly called for redemption. Interest on this Bond is payable semiannually, commencing January 1, 2011, on the first day of July and the first day of January in each year, to the owner of record of this Bond appearing as such in the bond register as of the close of business on the 15th day (whether or not such is a business day) of the immediately preceding month. Interest on this Bond is payable by check, draft or wire-transfer from the Registrar and Paying Agent. The principal of and interest on this Bond are payable in lawful money of the United States of America.

This Bond is one of an issue in the aggregate principal amount of \$2,905,000 (the "Bonds"), all of like date of original issue and tenor, except as to serial number, denomination, date, interest rate and maturity date. The Bonds are issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 12, Part 21, as amended, to finance a portion of the costs of certain paving and road improvements (the "Improvements") for the special benefit of property located in Rural Improvement District No. 2009-01 of the County (the "District"). The Bonds are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof and originally in book-entry only form.

The remaining portion of the costs of the Improvements are to be provided by Gallatin County, Montana from the issuance of its Rural Improvement District No. 395 bonds in the principal amount of \$1,765,000 (the "Gallatin County RID 395 Bonds") payable from special assessments against certain properties in Gallatin County that are also benefited by the Improvements. Gallatin County has created its Rural Improvement District No. 395 and has authorized, sold and is simultaneously issuing its Gallatin County RID 395 Bonds.

This Bond is payable from the collection of a special assessment levied upon all benefited property in the District, in an aggregate principal amount of not less than \$2,905,000. Such assessments constitute a lien against the assessable real estate in the District, and the Bonds are not general obligations of the County. The principal of and interest on the Bonds are also payable from a non-replenishing reserve account originally in the amount of

\$58,100 and from loans made from the County's Rural Improvement District Revolving Fund, as provided in the Bond Resolution.

The principal of the Bonds is subject to mandatory redemption in order of their stated maturities, beginning with the earliest maturity or sinking fund redemption with respect to a Term Bond, if, after paying all principal and interest then due on the Bonds, there are funds to the credit of the Rural Improvement District No. 2009-01 District Fund of the County from the prepayment of assessments levied in the District or from surplus proceeds of the Bonds not required to pay costs of the Improvements, for the redemption thereof, and in the manner provided for the redemption of the same. The Bonds are subject to redemption at the option of the County from other sources of funds available therefor on any date; provided, however, that the Bonds are not subject to redemption from the proceeds of refunding bonds prior to July 1, 2017. The Bonds maturing on or after July 1, 2018 are subject to redemption at the option of the County on July 1, 2017 and any date thereafter. The redemption price is equal to the amount of the principal amount of the Bonds to be redeemed plus interest accrued thereon to the date of redemption. The date of redemption shall be fixed by the County through the Registrar and Paying Agent who shall give notice by first class mail, postage prepaid, to the owner or owners of such Bonds at their addresses shown on the bond register, the principal amount of Bonds to be redeemed and the date on which payment will be made, which date shall not be less than thirty days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed interest on the Bonds or principal amount thereof so redeemed shall cease to accrue. Upon partial redemption of any Bond, a new Bond will be delivered to the registered owner without charge, representing the remaining principal outstanding. Term Bonds with maturity dates of July 1, 2025 and July 1, 2030 will be subject to annual mandatory sinking fund redemption in the principal amounts set forth in the following schedule:

\$770,000 Principal Amount Term Bond	
Due July 1, 2025	
<u>Mandatory Sinking Fund</u>	
<u>Redemption Dates</u>	<u>Redemption Amount</u>
July 1, 2021	\$140,000
July 1, 2022	145,000
July 1, 2023	155,000
July 1, 2024	160,000
July 1, 2025	170,000

\$1,000,000 Principal Amount Term Bond	
Due July 1, 2030	
<u>Mandatory Sinking Fund</u>	
<u>Redemption Dates</u>	<u>Redemption Amount</u>
July 1, 2026	\$180,000
July 1, 2027	190,000
July 1, 2028	200,000
July 1, 2029	210,000
July 1, 2030	220,000

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the County at the office of the Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange, the County will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, representing the same principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

The County and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the County nor the Registrar shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this Bond have been properly done, happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions of Madison County, Montana, relating to the issuance thereof.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication and Registration herein shall have been executed by the manual signature of the Registrar.

IN WITNESS WHEREOF, Madison County, Montana, by its Board of County Commissioners, has caused this Bond and the certificate hereon to be executed by the Chairman of the Board of County Commissioners and the County Clerk and Recorder and bearing the official seal of the County.

MADISON COUNTY, MONTANA

County Clerk and Recorder

Chairman, Board of County Commissioners

(Seal)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds delivered pursuant to the Resolution mentioned herein.

U.S. Bank National Association
as Bond Registrar, Transfer Agent and
Paying Agent

By _____
Authorized Representative

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM: as tenants in common
- TEN ENT: as tenants by the entireties
- JT TEN: as joint tenants with right of survivorship and not as tenants in common
- (State) UTMA under Uniform Transfers to Minors Act
- (Cust)
- (Minor)

Additional abbreviations may also be used.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alternation, enlargement or any change whatsoever.

SIGNATURE GUARANTEED
