



Item: Resolution 10000, Resolution relating to amending and restated Water System Revenue Bonds (DNRC Water State Revolving Loan Program)

From: Melissa Kinzler, Fiscal Services Director

Initiated By: Fiscal Services

Presented By: Melissa Kinzler, Fiscal Services Director

Action Requested: Adoption of Resolution 10000

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (adopt/deny) Resolution 10000.”

2. Mayor calls for a second, discussion, public comment, and calls for the vote.

Staff Recommendation: Staff recommends adoption of Resolution 10000 (Resolution), authorizing the amendment and restatement of Water System Revenue Bonds, Series 2000 and Series 2008.

Background: The City of Great Falls was approached by the Montana Department of Natural Resources (DNRC) in July, 2012 about reducing interest rates for outstanding loans under the State revolving loan fund programs. The City currently has three water bonds under the program, Series 2000 at an interest rate of 4%, Series 2008 at 3.75%, and Series 2009B at 1.75%. The Series 2000 bonds qualify for the reduction of interest rate from 4.00% to 2.00% and the Series 2008 bonds qualify for the reduction of interest rate from 3.75% to 3% saving the City an estimated \$375,038. The Series 2009B will remain at the current rate. The Resolution also addresses the City's plan on using the cost savings to call and payoff the Series 2002A Bonds (with maturities in 2013, 2014, 2015, and 2016) on December 31, 2012. The Series 2002A bonds with interest rates from 4.4% to 4.7% will no longer be outstanding, saving additional interest. An additional principal payment on the Series 2008 Bonds will also be paid. The reduction in the interest rate and payoff on the bonds will require less cash reserves which is where the cash will come from to make the payments. The Resolution also amends Section VI of the 2008 Resolution and Section 5.26 of the 2002 Resolution regarding indemnification.

Dorsey & Whitney, LLC will serve as bond counsel. In this capacity, they prepare necessary documents requiring action by the City Commission, staff, and the DNRC. They will provide

assurance that the procedures used to issue the bonds are in compliance with rules and regulations regarding the issuance of tax exempt revenue bonds. They will and also insure the City is in compliance with existing bond ordinances of the outstanding Water System Revenue Bonds.

Fiscal Impact: Total savings in interest on the Series 2000 and 2008 Bonds will be \$375,038. The cost of issuance will be \$5,000.

Alternatives: The City Commission may deny passage of the Resolution and the lowering of the interest rate.

Attachments/Exhibits: Resolution 10000

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Great Falls, Montana (the "City"), hereby certify that the attached resolution is a true copy of Resolution No. 10000, entitled: "RESOLUTION RELATING TO AMENDED AND RESTATED WATER SYSTEM REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Commission of the City at a meeting on November 20, 2012, and that the meeting was duly held by the City Commission 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 Commission Members voted in favor thereof: _____
_____; voted against
the same: _____; abstained from voting thereon: _____
_____; or were absent: _____
_____.

WITNESS my hand officially this 20th day of November, 2012.

Lucy Hallett, Deputy City Clerk

RESOLUTION NO. 10000

RESOLUTION RELATING TO AMENDED AND RESTATED WATER SYSTEM REVENUE BONDS (DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)

BE IT RESOLVED by the City Commission of the City of Great Falls, Montana (the “City”), as follows:

Section 1. Recitals.

1.01. Issuance of Bonds. Pursuant to Resolution No. 9226 adopted by the City Commission on May 7, 2002 (the “2002 Resolution”), as amended and supplemented by Resolution No. 9755 adopted on June 17, 2008 (the “2008 Resolution”) and Resolution No. 9842 adopted on July 7, 2009 (collectively, the “Prior Resolutions”), the City authorized the issuance of its First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2000, in the maximum principal amount of \$3,000,000 (the “First Amended and Restated Series 2000 Bond”) and its Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008, in the maximum principal amount of \$4,010,000 (the “Series 2008 Bond”), in order to finance improvements (collectively, the “Improvements”) to its municipal water distribution system (the “System”), as more particularly described in the Prior Resolutions. The First Amended and Restated Series 2000 Bond and the Series 2008 Bond (collectively, the “Prior Bonds”) were originally issued as of May 15, 2002 and July 17, 2008, respectively, and were purchased and are currently held by the Department of Natural Resources and Conservation of the State of Montana (the “DNRC”). There are no other bonds or indebtedness of the City that are outstanding and payable from revenues of the System, except the City’s Water System Revenue Refunding Bonds, Series 2002A, issued in the maximum principal amount of \$8,030,000 (the “Series 2002A Bond”) and Water System Revenue Bond, Series 2009B (DNRC Drinking Water State Revolving Loan Program), issued in the maximum principal amount of \$333,700 (the “Series 2009B Bond”). Terms with initial capital letters used but not defined herein have the meanings given them in the Prior Resolutions.

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

1.03. Reduction in Interest Rate on Prior Bonds. It is proposed that debt service on the Prior Bonds be reduced in accordance with the interest rate reduction proposal under the IUP, thereby reducing the interest rate on (i) the First Amended and Restated Series 2000 Bond from four percent (4.00%) per annum to two (2.00%) per annum from and after the date of delivery of the Second Amended and Restated Series 2000 Bond; and (ii) the Series 2008 Bond from three and three-quarters percent (3.75%) per annum to three percent (3.00%) per annum from and after the date of delivery of the First Amended and Restated Series 2008 Bond.

1.04. Redemption of Series 2002A Bonds. In connection with the reduction in interest rates on the First Amended and Restated Series 2000 Bond and the Series 2008 Bond, it is proposed that the Series 2002A Bonds with maturities on and after August 1, 2013 (the “Series 2002A Refunded Bonds”) be redeemed on December 31, 2012. Thereafter, the Series 2002A Bonds would no longer be outstanding.

Section 2. Amendment of Prior Resolutions and Prior Bonds.

2.01. Authorization for Amendment. The City in Section 9.02 of the 2002 Resolution reserved the right to amend the 2002 Resolution or any Supplemental Resolution with the consent of the Holders of all Bonds issued thereunder and affected thereby. Amendment of the 2002 Resolution and the 2008 Resolution and the also requires the consent of the DNRC.

2.02. Consent of DNRC. The DNRC has agreed to the amendment of the 2002 Resolution and the 2008 Resolution and the Prior Bonds in order to effect the reduction in interest rates described in Section 1.03 of this Resolution.

2.03. Amendment of the Prior Resolutions. Pursuant to the authority cited in Sections 2.01 and 2.02 of this Resolution:

(a) The 2002 Resolution is hereby amended effective as of the date of delivery of the Second Amended and Restated Series 2000 Bond (as hereinafter defined) to read as follows:

(i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the First Amended and Restated Series 2000 Bond are hereby amended to read 2.00% per annum, instead of 4.00% per annum; (ii) all references to the interest rate on the First Amended and Restated Series 2000 Bond exclusive of any surcharges are hereby amended to read 1.25% per annum, instead of 2.00% per annum; (iii) the administrative expense surcharge on the First Amended and Restated Series 2000 Bond will continue in effect at 0.75% per annum; and (iv) the loan loss reserve surcharge will discontinue and be of no further effect; and

(ii) the total principal amount of the Second Amended and Restated Series 2000 Bond is \$1,487,000.

(b) Section 5.26 of the 2002 Resolution is hereby amended effective as of the date of delivery of the Second Amended and Restated Series 2000 Bond to read as follows:

“The Borrower shall, to the extent permitted by law, indemnify and save harmless the DNRC, and the DEQ and their officers, employees and agents (each an “Indemnified Party” or, collectively, the “Indemnified Parties”) against and from any and all claims, damages, demands, expenses, liabilities and losses of every kind asserted by or on behalf of any Person arising out of the acts or omissions of the Borrower or its employees, officers, agents, contractors, subcontractors, or consultants in connection with or with regard or in any way relating to the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation or financing of the 2000 Project. The Borrower shall also, to the extent permitted by law, indemnify and save harmless the Indemnified Parties against and from all costs, reasonable attorneys’ fees, expenses and

liabilities incurred in any action or proceeding brought by reason of any such claim or demand. If any proceeding is brought against an Indemnified Party by reason of such claim or demand, the Borrower shall, upon notice from an Indemnified Party, defend such proceeding on behalf of the Indemnified Party.”

(c) The 2008 Resolution is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2008 Bond (as hereinafter defined) to read as follows:

(i) all references to the aggregate interest rate, or that interest rate that includes the interest rate and all surcharges, on the Series 2008 Bond are hereby amended to read 3.00% per annum, instead of 3.75% per annum; (ii) all references to the interest rate on the Series 2008 Bond exclusive of any surcharges will continue in effect at 2.00% per annum; (iii) the administrative expense surcharge on the Series 2008 Bond will continue in effect at 0.75% per annum; and (iv) all references to the loan loss reserve surcharge on the Series 2008 Bond are hereby amended to read 0.25% per annum, instead 1.00% per annum; and

(ii) the total principal amount of the First Amended and Restated Series 2008 Bond is \$3,225,000.

(d) Article VI of the 2008 Resolution is hereby amended effective as of the date of delivery of the First Amended and Restated Series 2008 Bond to read as follows:

“The Borrower shall, to the extent permitted by law, indemnify and save harmless the DNRC, and the DEQ and their officers, employees and agents (each an “Indemnified Party” or, collectively, the “Indemnified Parties”) against and from any and all claims, damages, demands, expenses, liabilities and losses of every kind asserted by or on behalf of any Person arising out of the acts or omissions of the Borrower or its employees, officers, agents, contractors, subcontractors, or consultants in connection with or with regard or in any way relating to the condition, use, possession, conduct, management, planning, design, acquisition, construction, installation or financing of the 2008 Project. The Borrower shall also, to the extent permitted by law, indemnify and save harmless the Indemnified Parties against and from all costs, reasonable attorneys’ fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. If any proceeding is brought against an Indemnified Party by reason of such claim or demand, the Borrower shall, upon notice from an Indemnified Party, defend such proceeding on behalf of the Indemnified Party.”

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

2.04. Amendment of Forms of Bonds. Pursuant to the authority cited in Sections 2.01 and 2.02 of this Resolution, effective as of the date of delivery, the Second Amended and Restated Series 2000 Bond attached as Exhibit C to the 2002 Resolution is hereby amended and restated in its entirety substantially as set forth on the attached Appendix A (the “Second Amended and Restated Series 2000 Bond”) and the Series 2008 Bond attached as Appendix B to

the Series 2008 Resolution is hereby amended and restated in its entirety substantially as set forth on the attached Appendix B (the “First Amended and Restated Series 2008 Bond”).

2.05. Effect of Amendments. Except as amended by Sections 2.03 and 2.04 of this Resolution, the Prior Resolutions shall remain in full force and effect as amended by Sections 2.03 and 2.04 of this Resolution for the benefit of the holders from time to time of the Second Amended and Restated Series 2000 Bond, the Series 2002A Bonds, the First Amended and Restated Series 2008 Bond, the Series 2009B Bond and any other Bonds now outstanding and any Additional Bonds that may be issued thereunder.

Section 3. Preparation and Delivery of Amended and Restated Bonds. The Second Amended and Restated Series 2000 Bond and the First Amended and Restated 2008 Bond (collectively, the “Amended and Restated Bonds”) shall be prepared under the direction of the City Fiscal Services Director and shall be executed on behalf of the City by the signatures of the Mayor, the City Manager, the City Fiscal Services Director and the City Clerk and sealed with the official corporate seal of the City. When the Amended and Restated Bonds have been executed, the City Fiscal Services Director shall cause them to be dated as of the date of delivery and delivered to the DNRC, as purchaser thereof, in anticipation of the surrender of the Prior Bonds.

Section 4. Redemption of Series 2002A Refunded Bonds. The Series 2002A Refunded Bonds are hereby called for redemption on December 31, 2012. The City Fiscal Services Director shall forthwith transmit to U.S. Bank National Association, Seattle, Washington, as registrar and paying agent for the Series 2002A Bonds, the notice of redemption attached hereto as Appendix C and cause to be deposited with such registrar and paying agent the amount necessary, without regard to investment earnings thereon, to redeem the Series 2002A Refunded Bonds at a redemption price equal to the principal amount of the Series 2002A Refunded Bonds, together with interest accrued thereon to December 31, 2012, without premium.

Section 5. Debt Service Account; Reserve Account. The City Fiscal Services Director is authorized and directed to transfer amounts in the Debt Service Account to pay interest owing on the Prior Bonds as of the date of delivery of the Amended and Restated Bonds. The City Fiscal Services Director is further authorized and directed to transfer amounts made available in the Reserve Account because of the foregoing interest rate adjustments to the Debt Service Account to prepay any one or more Prior Bonds or any other Bonds outstanding as of the date of delivery of the Amended and Restated Bonds, to pay costs of issuance of the Amended and Restated Bonds, or to any other eligible fund or account or for any other eligible purpose, as described more particularly in certificates or documents delivered in conjunction with the delivery of the Amended and Restated Bonds.

Section 6. Tax Matters.

6.01. General Covenants. The City covenants and agrees with the owners from time to time of the Amended and Restated Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Amended and Restated Bonds to become includable in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”), and applicable Treasury Regulations

(the “Regulations”), and covenants to take any and all actions within its powers to ensure that the interest on the Amended and Restated Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations. The Improvements and the System are each owned and maintained by the City and available for use by members of the general public on a substantially equal basis. The City agrees not to enter into any lease, use or other agreement with any non-governmental person relating to the use of the Improvements or the System or security for the payment of the Amended and Restated Bonds which might cause the Amended and Restated Bonds to be considered “private activity bonds” or “private loan bonds” within the meaning of Section 141 of the Code.

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

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

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

6.05. No Bank Qualification or Counting Toward Qualified Small City Status. Because the reissuance effected by the Amended and Restated Bonds is a deemed current refunding and the principal amount of the Amended and Restated Bonds does not exceed the principal amount of the outstanding Prior Bonds, pursuant to Section 265(b)(3)(C)(ii)(III) of the Code, the Amended and Restated Bonds is hereby not taken into account in determining the City’s status as a qualified small issuer under Section 265(b)(3) of the Code.

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

Section 7. Certification and Effective Date.

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

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

Adopted by the City Commission of the City of Great Falls, Montana, on this 20th day of November, 2012.

Mayor

Attest: _____
Deputy City Clerk

(SEAL)

APPROVED FOR LEGAL CONTENT:

City Attorney

APPENDIX A

[FORM OF SECOND AMENDED AND RESTATED SERIES 2000 BOND]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CASCADE

CITY OF GREAT FALLS

SECOND AMENDED AND RESTATED
WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
SERIES 2000

No. R-3

\$1,487,000

FOR VALUE RECEIVED, THE CITY OF GREAT FALLS, MONTANA (the “Borrower”), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the “DNRC”), or its registered assigns, solely from the Debt Service Account of its Water System Fund, the principal amount of ONE MILLION FOUR HUNDRED EIGHTY-SEVEN THOUSAND DOLLARS (\$1,487,000), with interest thereon from the date hereof at the rate of one and twenty-five hundredths percent (1.25%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum. Principal, interest and Administrative Expense Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a “Loan Repayment Date”), commencing January 1, 2013. Each installment shall reflect interest and surcharges at an aggregate rate of two percent (2.00%) per annum and shall be in the amount set forth opposite its due date in Schedule A hereto under “Total Loan Payment.” The portion of each such payment consisting of principal, the portion consisting of interest and the portion consisting of Administrative Expense Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, interest and Administrative Expense Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest and Administrative Expense Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$3,000,000 (the “Series 2000 Bond”). The Series 2000 Bond is issued to refinance costs of construction of certain improvements to the water system of the Borrower (the “System”). The Series 2000 Bond is 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 7, Parts 44 and 45, as amended, and ordinances and

resolutions duly adopted by the governing body of the Borrower, including Resolution No. 9226 (the "Original Resolution"), adopted by the City Commission on May 7, 2002, as amended and supplemented by Resolution Nos. 9755, 9842 and 10000, adopted June 17, 2008, July 7, 2009 and November 20, 2012, respectively (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The Series 2000 Bond is issuable only as a single, fully registered bond. The Series 2000 Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding First Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008 (the "Series 2008 Bond"), and Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2000 Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Outstanding Bonds (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2000 Bond.

The Borrower may prepay the principal of the Series 2000 Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest and Administrative Expense Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2000 Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The Series 2000 Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2000 Bond is registered as the absolute owner hereof, whether this Series 2000 Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2000 Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the gross revenues of the System will be paid, and a separate and special Debt Service Account in the Water System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the

next twelve months with respect to all Bonds payable from the Debt Service Account; that the Borrower has created a Reserve Account in the Water System Fund into which shall be paid additional Net Revenues, after required credits to the Debt Service Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in the current or any future fiscal year; that the Debt Service Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Debt Service Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this Series 2000 Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2000 Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this Series 2000 Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2000 Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Great Falls, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, City Manager, City Fiscal Services Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 16th day of January, 2013.

Mayor

(SEAL)

City Manager

City Fiscal Services Director

City Clerk

REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Fiscal Services Director as bond registrar (the “Registrar”), has duly noted the transfer on the Bond and recorded the transfer on the Registrar’s registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower’s liability upon the Bond to the extent of the sum or sums so paid.

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Great Falls, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Fiscal Services Director</u>
<u>January 16, 2013</u>	<u>Department of Natural Resources and Conservation</u> <u>1625 Eleventh Avenue</u> <u>Helena, MT 59620</u>	<u></u>

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND
REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The City Fiscal Services Director of the City of Great Falls, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

Date of Transfer	Name of New Registered Holder	Signature of Bond Registrar

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____
_____ the within Bond and does hereby irrevocably
constitute and appoint _____ attorney to transfer the Bond on
the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SCHEDULE A

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Total Loan Payment</u>
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APPENDIX B

[FORM OF FIRST AMENDED AND RESTATED SERIES 2008 BOND]

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CASCADE

CITY OF GREAT FALLS

FIRST AMENDED AND RESTATED
WATER SYSTEM REVENUE BOND
(DNRC DRINKING WATER STATE REVOLVING LOAN PROGRAM)
SERIES 2008

No. R-2

\$3,225,000

FOR VALUE RECEIVED, THE CITY OF GREAT FALLS, MONTANA (the “Borrower”), a duly organized municipal corporation and political subdivision of the State of Montana, acknowledges itself to be specially indebted and, for value received, hereby promises to pay to the Department of Natural Resources and Conservation of the State of Montana (the “DNRC”), or its registered assigns, solely from the Debt Service Account of its Water System Fund, the principal amount of THREE MILLION TWO HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$3,225,000), with interest thereon from the date hereof at the rate of one and two percent (2.00%) per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge and a Loan Loss Reserve Surcharge on the outstanding principal amount of this Bond at the rates of seventy-five hundredths of one percent (0.75%) per annum and twenty-five hundredths of one percent (0.25%) per annum, respectively. Principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be payable in semiannual installments payable on each January 1 and July 1 (each a “Loan Repayment Date”), commencing January 1, 2013. Each installment shall reflect interest and surcharges at an aggregate rate of three percent (3.00%) per annum and shall be in the amount set forth opposite its due date in Schedule A hereto under “Total Loan Payment.” The portion of each such payment consisting of principal, the portion consisting of interest, the portion consisting of Administrative Expense Surcharge and the portion consisting of and Loan Loss Reserve Surcharge shall be as set forth in Schedule A hereto. Past-due payments of principal, interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall bear interest at the rate of ten percent (10.00%) per annum, until paid. Interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge shall be calculated on the basis of a 360-day year comprising 12 months of 30 days each. All payments under this Bond shall be made to the registered holder of this Bond, at its address as it appears on the Bond register, in lawful money of the United States of America.

This Bond is one of an issue of Water System Revenue Bonds of the Borrower authorized to be issued in one or more series from time to time, and constitutes a series in the maximum authorized principal amount of \$4,010,000 (the “Series 2008 Bond”). The Series 2008 Bond is issued to refinance costs of construction of certain improvements to the water

system of the Borrower (the "System"). The Series 2008 Bond is 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 7, Parts 44 and 45, as amended, and ordinances and resolutions duly adopted by the governing body of the Borrower, including Resolution No. 9226 (the "Original Resolution"), adopted by the City Commission on May 7, 2002, as amended and supplemented by Resolution Nos. 9755, 9842 and 10000, adopted June 17, 2008, July 7, 2009 and November 20, 2012, respectively (as so amended and supplemented and as hereafter amended and supplemented in accordance with its terms, the "Resolution"). Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The Series 2008 Bond is issuable only as a single, fully registered bond. The Series 2008 Bond is issued on a parity and is equally and ratably secured by Net Revenues of the System with the Borrower's outstanding Second Amended and Restated Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2000 ("Series 2000 Bond"), and Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2009B (the "Series 2009B Bond") (all such Bonds, collectively, the "Outstanding Bonds").

Reference is made to the Resolution for a more complete statement of the terms and conditions upon which the Series 2008 Bond has been issued, the Net Revenues of the System pledged and appropriated for the payment and security thereof, the conditions upon which additional bonds may be issued under the Resolution and made payable from such Net Revenues on a parity with the Outstanding Bonds (collectively, the "Bonds") or otherwise, the conditions upon which the Resolution may be amended, the rights, duties and obligations of the Borrower, and the rights of the owners of the Series 2008 Bond.

The Borrower may prepay the principal of the Series 2008 Bond only if (i) it obtains the prior written consent of the DNRC thereto, and (ii) no Loan Repayment or Administrative Expense Surcharge or Loan Loss Reserve Surcharge is then delinquent. Any prepayment permitted by the DNRC must be accompanied by payment of accrued interest, Administrative Expense Surcharge and Loan Loss Reserve Surcharge to the date of prepayment on the amount of principal prepaid. If the Series 2008 Bond is prepaid in part, such prepayments shall be applied to principal payments in inverse order of maturity.

The Series 2008 Bond, including interest and any premium for the redemption thereof, are payable solely from the Net Revenues pledged for the payment thereof and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision.

The Borrower may deem and treat the person in whose name this Series 2008 Bond is registered as the absolute owner hereof, whether this Series 2008 Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and the Borrower shall not be affected by any notice to the contrary. The Series 2008 Bond may be transferred as hereinafter provided.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that the Borrower will prescribe and collect reasonable rates and charges for all services and facilities afforded by the System, including all additions thereto and replacements and improvements thereof, and has created a special Water System Fund into which the gross revenues of the

System will be paid, and a separate and special Debt Service Account in the Water System Fund, into which will be paid each month, from and as a first and prior lien on the Net Revenues of the System then on hand, an amount equal to not less than the sum of one-sixth of the interest to become due within the next six months and one-twelfth of the principal to become due within the next twelve months with respect to all Bonds payable from the Debt Service Account; that the Borrower has created a Reserve Account in the Water System Fund into which shall be paid additional Net Revenues, after required credits to the Debt Service Account sufficient to maintain a reserve therein equal to the maximum amount of principal and interest payable on the Bonds in the current or any future fiscal year; that the Debt Service Account will be used only to pay the principal of, premium, if any, and interest on the Bonds and any other additional Bonds issued pursuant to the Resolution on a parity therewith; that the rates and charges for the System will from time to time be made and kept sufficient, to provide gross income and revenues adequate to pay promptly the reasonable and current expenses of operating and maintaining the System and to produce during each fiscal year Net Revenues not less than 125% of the maximum annual principal and interest payable on the outstanding Bonds in the current or any future fiscal year; that additional bonds may be issued and made payable from the Debt Service Account on a parity with the outstanding Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Net Revenues of the System, unless the lien thereof shall be expressly made subordinate to the lien of the outstanding Bonds on such Net Revenues; that all provisions for the security of the holder of this Series 2008 Bond set forth in the Resolution will be punctually and faithfully performed as therein stipulated; that all acts, conditions and things required by the Constitution and laws of the State of Montana and the ordinances and resolutions of the Borrower to be done, to exist, to happen and to be performed in order to make this Series 2008 Bond a valid and binding special obligation of the Borrower according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required; and that this Series 2008 Bond and the interest hereon are payable solely from the Net Revenues of the System pledged and appropriated to the Debt Service Account and do not constitute a debt of the Borrower within the meaning of any constitutional or statutory limitation or provision and the issuance of the Series 2008 Bond does not cause either the general or the special indebtedness of the Borrower to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Great Falls, Montana, by its governing body, has caused this Bond to be executed by the signatures of its Mayor, City Manager, City Fiscal Services Director, and City Clerk, and has caused the official seal of the Borrower to be affixed hereto, and has caused this Bond to be dated as of the 16th day of January, 2013.

Mayor

(SEAL)

City Manager

City Fiscal Services Director

City Clerk

REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the City Fiscal Services Director as bond registrar (the "Registrar"), has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The Borrower shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the Borrower's liability upon the Bond to the extent of the sum or sums so paid.

REGISTER

The ownership of the unpaid Principal Balance of this Bond and the interest accruing thereon is registered on the books of the City of Great Falls, Montana in the name of the registered holder appearing on the first page hereof or as last noted below:

<u>Date of Registration</u>	<u>Name and Address of Registered Holder</u>	<u>Signature of City Fiscal Services Director</u>
<u>January 16, 2013</u>	<u>Department of Natural Resources and Conservation 1625 Eleventh Avenue Helena, MT 59620</u>	<u></u>

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The City Fiscal Services Director of the City of Great Falls, Montana, acting as Bond Registrar, has transferred, on the books of the Borrower, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

<u>Date of Transfer</u>	<u>Name of New Registered Holder</u>	<u>Signature of Bond Registrar</u>
<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____
_____ the within Bond and does hereby irrevocably
constitute and appoint _____ attorney to transfer the Bond on
the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SCHEDULE A

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Expense Surcharge</u>	<u>Loan Loss Reserve Surcharge</u>	<u>Total Loan Payment</u>
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APPENDIX C

NOTICE OF REDEMPTION

**Water System Revenue Bonds, Series 2002A
(the “Series 2002A Bonds”)
Dated May 15, 2002
City of Great Falls, Montana**

NOTICE IS HEREBY GIVEN that the City of Great Falls, Montana (the “City”), has called for redemption the Series 2002A Bonds which mature on August 1 in the years and bear interest and CUSIP numbers as set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP No</u>
2013	\$165,000	4.40%	390478 AM7
2014	\$170,000	4.50	390478 AN5
2015	\$180,000	4.60	390478 AP0
2016	\$185,000	4.70	390478 AQ8

Such Bonds have been called for redemption on December 31, 2012, at the redemption price equal to the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

Holders of such Bonds maturing in said years should surrender their Bonds for payment to U.S. Bank National Association, as registrar and paying agent of the above-described Bonds, on or before said redemption date. Holders of such Bonds should surrender their Bonds for payment at U.S. Bank National Association, [address].

Important Notice:

We are required by law to withhold an applicable portion of the principal amount of your holdings redeemed unless we are provided with your social security number or federal employer identification number, properly certified. Accordingly, you are instructed to submit at the time of surrender of your Bonds a W-9 Form which may be obtained at a bank or other financial institution.

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, federal backup withholding tax will be withheld at the applicable backup withholding rate in effect at the time the payment is made if the tax identification number is not properly certified.

The registrar and paying agent shall not be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness indicated in this Redemption Notice. CUSIP numbers are included solely for the convenience of the Holders.

Interest on such Bonds shall cease to accrue on December 31, 2012, and the Holders thereof shall have no further rights with respect thereto except to receive the redemption price so deposited.

Dated: December 1, 2012

BY ORDER OF THE CITY COMMISSION
OF THE CITY OF GREAT FALLS, MONTANA

City Fiscal Services Director

U.S. BANK NATIONAL ASSOCIATION,
as Registrar and Paying Agent

By: _____