



Item: Resolution 9960, Ratifying the sale and prescribing the form, terms and the security of the \$855,000 Tax Increment Urban Renewal Refunding Bonds, Series 2012

From: Lois Thomas, Staff Accountant

Initiated By: Bond Counsel

Presented By: Melissa Kinzler, Fiscal Services Director

Action Requested: Adopt Resolution 9960

1. Commissioner moves:

“I move that the City Commission (adopt/deny) Resolution 9960.”

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

Staff Recommendation: Staff recommends the City Commission adopt Resolution 9960.

Background: On March 20, 2007 the City Commission approved Ordinance 2967 which established the Great Falls West Bank Urban Renewal Plan. This plan included a tax increment financing provision to give the City an additional funding tool in the redevelopment effort. Ordinance 3027, adopted by the City Commission on December 16, 2008 and Ordinance 3035, adopted May 5, 2009 by the City Commission, approved the West Bank Properties Projects for specific planned public infrastructure within the District Boundaries, and authorized the reimbursement to West Bank Properties, LLC for the cost from District tax increment revenue. Resolution 9843, adopted by the City Commission, October 20, 2009 authorized a note up to \$900,000 for these improvements.

A development agreement between West Bank Properties, LLC and the City of Great Falls was approved by the City Commission at the same time. As part of the agreement, the City agreed to use its “best efforts” to issue additional bonds in a principal amount sufficient to redeem the Series 2009 Note and to pay the cost associated therewith as soon as sufficient Tax Increment was available and market conditions reasonably allowed the issuance of additional bonds.

Resolution 9958, adopted February 7, 2012, established the terms and conditions for a private, negotiated sale up to \$900,000 in Tax Increment Refunding Revenue Bonds (Refunding Bonds) and approved D.A. Davidson & Company as underwriter to the sale. The Refunding Bonds will refund the note for West Bank Properties, LLC. The tax increment generated annually from property improvements within the district, based on reports from the Department of Revenue has

been determined to adequately pay the principal and interest of the Refunding Bonds for the terms of the debt.

On February 14, 2012, the City Manager and Fiscal Services Director entered into and executed a Bond Purchase Agreement with the Underwriter on behalf of the City. The purchase price, redemption features, interest rate and other terms and conditions of the sale of the Bonds are as follows:

- (1) the aggregate principal amount of the Refunding Bonds is \$855,000;
- (2) the final stated maturity date of the Refunding Bonds is July 1, 2032;
- (3) the average coupon rate of the bonds is 3.59%;
- (4) the purchase price was not less than 98.25% of the principal amount of the Refunding Bonds, exclusive of original issue discount or premium, if any; and
- (5) all costs of issuing the Refunding Bonds (including, without limitation, the fees and expenses of bond counsel, the fees of the Paying Agent and Registrar, if any, and the costs of printing the Preliminary Official Statement, the Official Statement and the Refunding Bonds) shall be paid by the City from the proceeds of the Refunding Bonds.

The Bond Purchase agreement met all terms and limitations set forth in Resolution 9958. The closing and delivery of the funds will take place March 1, 2012.

Concurrences: Representatives from Fiscal Services have been working with bond counsel throughout the entire process.

Fiscal Impact: The Refunding Bonds will be repaid from tax increment generated annually from property improvements within the district.

Alternatives: The City Commission could choose to not approve Resolution 9960.

Attachments/Exhibits: Resolution 9960

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. 9960 entitled: "RESOLUTION RELATING TO \$855,000 TAX INCREMENT URBAN RENEWAL REFUNDING REVENUE BONDS, SERIES 2012 (WEST BANK URBAN RENEWAL DISTRICT); RATIFYING THE SALE AND PRESCRIBING THE FORM AND TERMS THEREOF AND THE SECURITY THEREFOR" (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 regular meeting on February 21, 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 Commissioners voted in favor thereof: _____
_____ ; voted against the same: _____
_____ ; abstained from voting thereon: _____ ; or were absent: _____.

WITNESS my hand officially this 21st day of February, 2012.

Lisa Kunz, City Clerk

RESOLUTION NO. 9960

RESOLUTION RELATING TO \$855,000 TAX INCREMENT
URBAN RENEWAL REFUNDING REVENUE BONDS,
SERIES 2012 (WEST BANK URBAN RENEWAL DISTRICT);
RATIFYING THE SALE AND PRESCRIBING THE FORM
AND TERMS THEREOF AND THE SECURITY THEREFOR

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

Section 1. Authorizations and Findings.

1.01 Authorization. Under the provisions of Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended (the “Act”), the City is authorized to create urban renewal areas, prepare and adopt an urban renewal plan therefor and amendments thereto, undertake urban renewal projects therein, provide for the segregation and collection of tax increment with respect to taxes collected in such areas, issue its bonds to pay the costs of such projects and to refund bonds previously issued under the Act and pledge to the repayment of the bonds the tax increment and other revenues derived from projects undertaken within the urban renewal area.

1.02 Prior City Actions. Pursuant to the Act and Ordinance No. 2967 adopted on March 20, 2007, the City created the City of Great Falls West Bank Urban Renewal District (the “District”) as an urban renewal area and approved the West Bank Urban Renewal Plan for the District (the “Urban Renewal Plan”). The Urban Renewal Plan provides for the segregation and collection of Tax Increment with respect to the District. The District and the Urban Renewal Plan have been duly and validly created and adopted in strict accordance with applicable provisions of the Act and are in full force and effect.

1.03 The Series 2009A Bonds. Pursuant to the Act and Resolution No. 9815 adopted by the Commission on July 21, 2009 (the “Original Resolution”), the City issued its \$2,000,000 Tax Increment Revenue Bonds, Series 2009A (Federal Courthouse/4th Avenue NW Project) (the “Series 2009A Bonds”), payable from Tax Increment of the District, of which \$1,950,000 aggregate principal amount remains outstanding. Terms used with initial capital letters but not defined herein have the meanings given them in the Original Resolution.

1.04 The West Bank Properties Project. Pursuant to the Act and the procedures contained in the Urban Renewal Plan, as amended by Ordinance No. 3027 adopted on December 16, 2008, the City designated and approved, following a duly noticed public hearing, the West Bank Properties Project consisting of developing in the District a mixed use commercial project, including a Staybridge Hotel complex and sites for a restaurant, office building and retail shops, located generally along the east side of 3rd Street NW between 1st and 3rd Avenues NW as an urban renewal project (the “West Bank Properties Project”) and authorized the use of tax increment revenues in an amount not to exceed \$900,000 to pay for or reimburse West Bank Properties, LLC (the “Developer”) for the costs of designing, constructing and installing the

following infrastructure improvements (the “Tax Increment Financing Infrastructure Improvements”):

- i. moving and/or burying the existing power lines, cable lines and telephone lines;
- ii. rerouting and extending existing gas lines;
- iii. installing water, sanitary sewer and storm sewer facilities as required by the City;
- iv. installing street and roadway improvements and adjacent curbs, gutters and sidewalks within the interior confines of the West Bank Properties Project; and
- v. in the event the Developer acquires the property in the District currently owned by Pizza Hut, designing and constructing underground power lines and other City utilities running across such property.

1.05 The Series 2009 Note. Pursuant to the Act and the Original Resolution, as supplemented by Resolution No. 9843 adopted by the Commission on October 20, 2009 (together with the Original Resolution, the “Series 2009 Note Resolution”), the City issued to the Developer its \$761,463 West Bank Urban Renewal Area Tax Increment Subordinate Lien Revenue Note (the “Series 2009 Note”), payable from Tax Increment of the District on a subordinate lien basis, of which \$753,141 aggregate principal amount remains outstanding. The Series 2009 Note is a Subordinate Obligation, issued pursuant to Section 4.04 of the Original Resolution.

1.06 Development Agreement. The City and the Developer entered into a Development Agreement, dated as of October 20, 2009 (the “Development Agreement”), pursuant to which the City agreed to use its best efforts to issue Additional Bonds in a principal amount sufficient to redeem the Series 2009 Note and to pay the costs associated therewith as soon as sufficient Tax Increment is available and market conditions reasonably allow.

1.07 Additional Bonds. The City has reserved the right under Sections 4.02 and 4.03 of the Original Resolution to issue Additional Bonds for the purpose of refunding Subordinate Obligations, which Additional Bonds may be made payable from and secured by the Tax Increment on a parity with the Outstanding Bonds, upon compliance with the provisions of Section 4.01, 4.02 and 4.03 of the Original Resolution. Pursuant to the terms of the Series 2009 Note Resolution, the Series 2009 Note has heretofore been called for redemption on March 1, 2012, subject to the closing of the sale of the Series 2012 Bonds.

1.08 Estimated Costs of the Refunding. The estimated costs of refunding the outstanding principal amount of the Series 2009 Note, making a deposit to the Reserve Account and paying costs of issuance of the Series 2012 Bonds to be authorized herein are as follows:

| | |
|--------------------------------|--------------|
| Refunding of Series 2009 Note | \$753,141.00 |
| Costs of Issuance of the Bonds | 29,754.90 |
| Underwriter’s Discount | 14,962.50 |
| Reserve Account | 59,635.00 |

1.09 Available Tax Increment. Based on Tax Increment of \$350,285 received in 2011 and projected Tax Increment of \$356,757 in 2012, the City estimates that the Tax Increment to be received from the District will be at least \$350,000 per year. The maximum aggregate annual debt service on the Series 2009A Bonds and the Series 2012 Bonds is \$216,165. Accordingly, the estimated Tax Increment to be received from the District will be sufficient to pay the maximum aggregate annual debt service on the Series 2009A Bonds and the Series 2012 Bonds. In addition, the Tax Increment received in 2011 (\$350,285) was equal to at least 140% of the maximum Principal and Interest Requirements for any future calendar year (\$216,165) with respect to the Series 2009A Bonds and the Series 2012 Bonds.

The Tax Increment received by the City in 2011 (\$350,285) and the Tax Increment estimated to be received in the next succeeding three Fiscal Years (\$350,000), adjusted as hereinafter provided, is estimated to be equal to at least 140% of the maximum Principal and Interest Requirements for any future calendar year with respect to the Series 2009A Bonds and the Series 2012 Bonds. In estimating the Tax Increment to be received in any future Fiscal Year, the City has assumed that: (1) 90% of the Taxes levied in the District will be collected in any Fiscal Year, (2) no Taxes delinquent in a prior Fiscal Year will be collected in any subsequent Fiscal Year, and (3) there will be no increase in the Tax Increment to be received in any future Fiscal Year resulting from projected inflation in property values or projected increases in Taxes.

1.10 Authorization and Sale of Series 2012 Bonds; Official Statement. This Commission determined by Resolution No. 9958 adopted on February 7, 2012 (the "Parameters Resolution") that it is in the best interests of the City that the City issue its Series 2012 Bonds, as authorized by Section 7-15-4301(1)(b) of the Act and the Resolution, in order to provide funds to refund the outstanding principal amount of the Series 2009 Note, to make a deposit to the Reserve Account and to pay costs of issuance of the Series 2012 Bonds. Pursuant to the Parameters Resolution, this Commission authorized the negotiated sale of the Series 2012 Bonds to D.A. Davidson & Co., of Great Falls, Montana (the "Original Purchaser"), and authorized the City Manager and the City Fiscal Services Director to enter into a Bond Purchase Agreement with the Original Purchaser (the "Bond Purchase Agreement"). Pursuant to the Bond Purchase Agreement, dated as of February 14, 2012, the Original Purchaser agreed to purchase the Series 2012 Bonds at the aggregate purchase price of \$842,530.90 (representing the par amount of the Bonds, less Underwriter's compensation of \$14,962.50 plus a reoffering premium of \$2,493.40), subject to the terms and conditions of the Bond Purchase Agreement and the Resolution. The terms of the purchase and sale of the Series 2012 Bonds as reflected in the Bond Purchase Agreement are consistent with the Parameters Resolution. The Preliminary Official Statement relating to the Series 2012 Bonds, dated February 8, 2012, is hereby approved and the determination of the Financial Services Director that the Preliminary Official Statement has been deemed final for purposes of SEC Rule 15c2-12(b)(1) is hereby ratified and confirmed. The Official Statement relating to the Series 2012 Bonds, dated February 14, 2012, and substantially in the form of the Preliminary Official Statement with such changes therein as the City Financial Services Director may approve, is hereby approved. The officers of the City are hereby

authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

Section 2. Findings and Determinations. It is hereby found, determined and declared by this Commission as follows:

(a) The conditions precedent to the issuance of the Series 2012 Bonds under the Resolution have or shall be met prior to the issuance of the Series 2012 Bonds and no default under the Original Resolution has occurred and is continuing which would not be cured upon the issuance of the Series 2012 Bonds and application of the proceeds thereof;

(b) The estimated Tax Increment to be received by the City from the District, as set forth in Section 1.09, and pledged to the payment of the Series 2012 Bonds will be sufficient to pay the principal thereof and interest thereon when due and;

(c) It is in the best interests of the City to issue and sell the Series 2012 Bonds in order to refund the outstanding principal amount of the Series 2009 Note, to make a deposit to the Reserve Account and pay costs of issuance of the Series 2012 Bonds, as provided in this Supplemental Resolution, and the aggregate principal amount of the Series 2012 Bonds is sufficient therefor.

Section 3. The Series 2012 Bonds.

3.01 Denomination, Maturities, Payment and Date of Series 2012 Bonds. The Series 2012 Bonds to be issued hereunder, in the aggregate principal amount of \$855,000, shall be denominated “Tax Increment Urban Renewal Revenue Refunding Bonds, Series 2012 (West Bank Urban Renewal District),” shall be issued as fully registered bonds of single Stated Maturities in any denomination which is an integral multiple of \$5,000. The Series 2012 Bonds shall mature on July 1 in the years and principal amounts set forth below, and Series 2012 Bonds maturing in such years and principal amounts shall bear interest from the date of original issue until paid or duly called for redemption (including mandatory sinking fund redemption as to the term bond maturing in 2032) at the rates per annum set forth opposite such years and amounts, respectively:

| <u>Stated Maturity (July 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Stated Maturity (July1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|---|-----------------------------|--------------------------|--|-----------------------------|--------------------------|
| 2013 | \$35,000 | 2.000% | 2021 | \$ 40,000 | 3.000% |
| 2014 | 35,000 | 2.000 | 2022 | 40,000 | 3.200 |
| 2015 | 35,000 | 2.000 | 2023 | 40,000 | 3.350 |
| 2016 | 35,000 | 2.000 | 2024 | 45,000 | 3.450 |
| 2017 | 35,000 | 2.000 | 2025 | 45,000 | 3.550 |
| 2018 | 35,000 | 2.150 | 2026 | 45,000 | 3.700 |
| 2019 | 35,000 | 2.450 | 2032* | 315,000 | 4.000 |
| 2020 | 40,000 | 2.800 | | | |

*Term Bond subject to mandatory sinking fund redemption as set forth in Section 3.02 below

Interest shall be calculated on the basis of a year of 360 days composed of twelve 30-day months.

The Series 2012 Bonds shall be issuable only in fully registered form, and the ownership of the Series 2012 Bonds shall be transferred only upon the Bond Register maintained by the Bond Registrar hereinafter described. Principal of and interest on the Series 2012 Bonds are payable in lawful money of the United States of America. Principal and premium, if any, shall be payable by check or draft drawn on the Paying Agent hereinafter described upon presentation and surrender of the Series 2012 Bonds at maturity or upon redemption at the principal office of the Paying Agent. Interest on the Series 2012 Bonds shall be payable semiannually on each January 1 and July 1 in each year, commencing July 1, 2012, by check or draft of the Paying Agent mailed to the owners of record thereof as such appear in the Bond Register as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a Business Day.

Each Series 2012 Bond shall bear an original issue date as of the date of its delivery, which is expected to be on or about March 1, 2012. Upon delivery of the Series 2012 Bonds to the Original Purchaser thereof pursuant to Section 3.05 or upon the delivery of Series 2012 Bonds upon a transfer or exchange pursuant to Section 3.02, the Bond Registrar shall date each such Series 2012 Bond so delivered as of the date of its authentication.

3.02 System of Registration. The City shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent for the Series 2012 Bonds (the "Bond Registrar"). This Section 3.02 shall establish a system of registration for the Series 2012 Bonds as defined in the Model Public Obligations Registration Act of Montana, and shall govern in the event provisions of the Resolution relating to registration, transfer or exchange of Series 2012 Bonds are inconsistent herewith, except as otherwise provided in Section 3.08. The effect of registration and the rights and duties of the City and the Bond Registrar with respect thereto shall be as follows:

(a) Bond Register. The Bond Registrar shall keep at its principal office a Bond Register in which the Bond Registrar shall provide for the registration of ownership of Series 2012 Bonds and the registration of transfers and exchanges thereof.

(b) Transfer. Upon surrender for transfer of any Series 2012 Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Bond Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Series 2012 Bonds of the same series and a like aggregate principal amount, interest rate and maturity as requested by the transferor. The Bond Registrar may, however, close the books for registration of the transfer of any Series 2012 Bond or portion thereof selected or called for redemption.

(c) Exchange. Whenever any Series 2012 Bond is surrendered by the registered owner for exchange, the Bond Registrar shall authenticate and deliver one or more new Series 2012 Bonds of the same series and a like aggregate principal amount, interest rate and maturity, as requested by the registered owner or the owner's attorney in writing.

(d) Cancellation. All Series 2012 Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Bond Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Series 2012 Bond is presented to the Bond Registrar for transfer, the Bond Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Series 2012 Bond or separate instrument of transfer is legally authorized. The Bond 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 City and the Bond Registrar may treat the Person in whose name any Series 2012 Bond is at any time registered in the Bond Register as the absolute owner of such Series 2012 Bond, whether such Series 2012 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on such Series 2012 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 City upon such Series 2012 Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Series 2012 Bonds (except upon a partial redemption of a Series 2012 Bond pursuant to Section 3.04), the Bond Registrar may impose a charge upon the owner thereof sufficient to reimburse the Bond 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 Series 2012 Bonds. In case any Series 2012 Bond shall become mutilated or be lost, stolen or destroyed, the Bond Registrar shall deliver a new Series 2012 Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Series 2012 Bond or in lieu of and in substitution for any such Series 2012 Bond lost, stolen or destroyed, upon the payment of the reasonable expenses and charges of the Bond Registrar in connection therewith; and, in the case of a Series 2012 Bond lost, stolen or destroyed, upon filing with the Bond Registrar of evidence satisfactory to it that such Series 2012 Bond was lost, stolen or destroyed, and of the ownership thereof, and upon furnishing to the Bond Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Bond Registrar shall be named as obligees. All Series 2012 Bonds so surrendered to the Bond Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, lost, stolen or destroyed Series 2012 Bond has already matured or such Series 2012 Bond has been called for redemption in accordance with its terms, it shall not be necessary to issue a new Series 2012 Bond prior to payment.

3.03 Initial Bond Registrar and Paying Agent. The City hereby appoints U. S. Bank National Association, of Seattle, Washington, as the initial Bond Registrar and the Paying Agent for the Series 2012 Bonds. The City reserves the right to appoint a successor Bond Registrar or Paying Agent, and the City agrees to pay the reasonable and customary charges of the Bond Registrar and the Paying Agent for the services performed. Upon merger or consolidation of a bank or trust company that is acting as the Bond Registrar or the Paying Agent, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Bond Registrar or Paying Agent, as the case may be. The City reserves the right to remove any Bond Registrar or Paying Agent upon 30 days' notice and upon the appointment of a successor Bond Registrar or Paying Agent, in which event the predecessor Bond Registrar or Paying Agent shall deliver all cash and Series 2012 Bonds in its possession as Bond Registrar or Paying Agent to the successor Bond Registrar or Paying Agent and shall deliver the Bond Register to the successor Bond Registrar. On or before each principal or interest due date, without further order of this Commission, the Fiscal Services Director shall transmit to the Bond Registrar, solely from money in the Bond Account of the Tax Increment Fund available therefor, money sufficient for the payment of all principal, premium, if any, and interest then due on the Series 2012 Bonds.

3.04 Redemption.

(a) Optional Redemption. The Series 2012 Bonds with stated maturities in years 2012 through 2022 shall not be subject to redemption prior to maturity, but Series 2012 Bonds having stated maturities in the years 2023 and any date thereafter, will be subject to redemption and prepayment at the option of the City, in whole or in part, and if in part in principal amounts and from Stated Maturities selected by the City (or, if no designation is made, in inverse order of Stated Maturities), and within a Stated Maturity in \$5,000 principal amounts selected by the Bond Registrar by lot or such other manner it deems fair, on July 1, 2022 and any date thereafter, at a price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium.

(b) Mandatory Sinking Fund Redemption. The Series 2012 Bond having a Stated Maturity in 2032 is a "Term Bond" and is subject to mandatory sinking fund redemption prior to maturity on July 1 in the respective years and the respective principal amounts set forth below, in \$5,000 principal amounts selected by the Bond Registrar, by lot or other manner it deems fair, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the redemption date:

| 2032 Term Bond | |
|--|----------------------|
| Mandatory Sinking Fund Redemption Dates | Redemption Amount |
| July 1, 2027 | \$45,000 |
| July 1, 2028 | 50,000 |
| July 1, 2029 | 50,000 |
| July 1, 2030 | 55,000 |
| July 1, 2031 | 55,000 |

July 1, 2032*

60,000

*Maturity

The Bond Registrar shall select the Term Bond to be redeemed on each Sinking Fund Payment Date in accordance with this Section 3.04, and the Term Bond selected by the Bond Registrar shall become due and payable on such date. The City may reduce the amount of any Mandatory Sinking Fund Payment payable on any Sinking Fund Payment Date or Dates by an amount equal to the principal amount of Outstanding Term Bond then to be redeemed that shall be surrendered uncanceled by the City to the Bond Registrar; provided that the City shall have surrendered such Term Bond to the Bond Registrar not less than forty-five days before the first such Sinking Fund Payment Date, together with a City Certificate stating its election to use such Term Bond for such purpose and designating the Sinking Fund Payment Date or Dates as to which such credit is to be applied (if no such designation is made, such credits shall be applied in inverse order of Sinking Fund Payment Dates). In such case, the City may reduce the amount of Series 2012 Bonds to be redeemed on the Sinking Fund Payment Date or Dates so determined by the principal amount of Term Bond so surrendered by the City.

If a Term Bond is redeemed at the option of the City pursuant to Subsection (a) of this Section 3.04, the Term Bond so optionally redeemed may, at the option of the City, be applied as a credit against any subsequent Mandatory Sinking Fund Payment or Payments with respect to Term Bond, such credit to be equal to the principal amount of such Term Bond redeemed pursuant to Subsection (a) of this Section 3.04; provided that the City shall have delivered to the Bond Registrar not less than forty-five (45) days before the first such Sinking Fund Payment Date a City Certificate stating its election to apply such Term Bond as such a credit and designating the Sinking Fund Payment Date or Dates as to which such credit is to be applied (if no such designation is made, such credits shall be applied in inverse order of Sinking Fund Payment Dates). In such case, the City may reduce the amount of Series 2012 Bonds to be redeemed on the Sinking Fund Payment Date or Dates so determined by the principal amount of Series 2012 Bonds of the same Stated Maturity so redeemed pursuant to Subsection (b) of this Section 3.04.

Any credit given to Mandatory Sinking Fund Payments pursuant to this Section 3.04(b) shall not affect any other Mandatory Sinking Fund Payments, which shall remain payable as otherwise provided in this Section 3.04(c), unless and until another credit is given in accordance with the provisions hereof.

(c) Notice of Redemption. The Fiscal Services Director shall give notice thereof to the Bond Registrar at least forty-five days prior to the date of redemption. The Bond Registrar shall, at least thirty days prior to the designated redemption date, cause notice of redemption to be mailed, by first class mail, to the registered owners of each Series 2012 Bond to be redeemed at their addresses as they appear on the Bond Register described in Section 3.02, but no defect in or failure to give such mailed notice shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. The notice of redemption shall specify the redemption date, redemption price, the numbers, interest rates and CUSIP numbers of the Series 2012 Bonds to be

redeemed and the place at which the Series 2012 Bonds are to be surrendered for payment, which is the principal office of the Bond Registrar. Notice of the call of any Series 2012 Bond for redemption having been mailed as herein provided, and funds sufficient for the payment thereof with accrued interest having been deposited with the Paying Agent on or before the redemption date, interest on such Series 2012 Bond shall cease to accrue on said date, and the Owner shall have no further rights with respect thereto or under the Resolution except to receive the redemption price so deposited.

In addition to the notice prescribed by the preceding paragraph, the Fiscal Services Director shall also give, or cause the Bond Registrar to give, notice of the redemption of any Series 2012 Bond or Bonds or portions thereof at least 35 days before the Redemption Date by certified mail, telecopy or express delivery service to the Original Purchaser of the Series 2012 Bonds and all registered securities depositories then in the business of holding substantial amounts of obligations of the character of the Series 2012 Bonds (such depositories now being The Depository Trust Company, of New York, New York) and the one or more national information services that disseminate information regarding municipal bond redemptions; provided that any defect in or any failure to give any notice of redemption prescribed by this paragraph shall not affect the validity of the proceedings for the redemption of any Series 2012 Bond or portion thereof.

3.05 Execution and Delivery of Series 2012 Bonds. The Series 2012 Bonds shall be forthwith prepared for execution under the direction of the City Fiscal Services Director, at the expense of the City, and shall be executed on behalf of the City and authenticated as provided in Section 2.05 of the Original Resolution. When the Series 2012 Bonds have been fully executed and authenticated, they shall be delivered by the Bond Registrar to the Original Purchaser thereof upon payment of the purchase price in accordance with the contract of sale heretofore made and executed, and the Original Purchaser thereof shall not be obligated to see to the application of the purchase price.

3.06 Form of Series 2012 Bonds. The Series 2012 Bonds shall be in substantially the form set forth in Exhibit A hereto (which is hereby incorporated herein and made a part hereof), with such appropriate variations, omissions and insertions as are permitted or required by the Resolution.

3.07 Transcript Certification. The officers of the City are directed to furnish to the Original Purchaser of the Series 2012 Bonds and to Bond Counsel certified copies of all proceedings and information in their official records relevant to the authorization, sale and issuance of the Series 2012 Bonds, and such certificates and affidavits as to other matters appearing in their official records or otherwise known to them as may be reasonably required to evidence the validity and security of the Series 2012 Bonds, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the City as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

3.08 Securities Depository.

(a) For purposes of this Section 3.08, the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series 2012 Bond, the Person in whose name such Series 2012 Bond is recorded as the beneficial owner of such Series 2012 Bond by a Participant on the records of such Participant, or such Person’s subrogee.

“CEDE & Co.” shall mean CEDE & CO., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2012 Bonds.

“DTC” shall mean The Depository Trust Company, of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series 2012 Bonds as securities depository.

“Representation Letter” shall mean the Blanket Issuer Letter of Representation executed by the City to DTC pursuant to which the City agrees to comply with DTC’s Operational Arrangements.

(b) The Series 2012 Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series 2012 Bond shall be issued in the principal amount of each Stated Maturity of the Series 2012 Bonds. Upon initial issuance, the ownership of such Series 2012 Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. The Bond Registrar, Paying Agent and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2012 Bonds registered in its name for the purposes of payment of the principal of or interest on the Series 2012 Bonds, selecting the Series 2012 Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series 2012 Bonds under the Resolution, registering the transfer of Series 2012 Bonds, and for all other purposes whatsoever; and neither the Bond Registrar, Paying Agent nor the City shall be affected by any notice to the contrary. Neither the Bond Registrar, Paying Agent nor the City shall have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Series 2012 Bonds under or through DTC or any Participant, or any other Person which is not shown on the Bond Register as being a registered owner of any Series 2012 Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Series 2012 Bonds, with respect to any notice which is permitted or required to be given to owners of Series 2012 Bonds under the Resolution, with respect to the selection by DTC or any Participant of any Person to receive payment in the event of a partial redemption of the Series 2012 Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series 2012 Bonds. So long as any Series 2012 Bond is registered in the name of Cede & Co., as nominee of DTC, the Paying Agent shall pay all principal of and interest on such Series 2012 Bond, and shall give all notices with respect to such Series 2012 Bond, only to Cede & Co. in accordance with DTC’s Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and

discharge the City's obligations with respect to the principal of and interest on the Series 2012 Bonds to the extent of the sum or sums so paid. No Person other than DTC shall receive an authenticated Series 2012 Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series 2012 Bonds will be transferable to such new nominee in accordance with paragraph (d) hereof.

(c) In the event the City determines to discontinue the book-entry only system, the City may notify DTC and the Bond Registrar and Paying Agent, whereupon DTC shall notify the Participants of the availability through DTC of Series 2012 Bonds in the form of certificates. In such event, the Series 2012 Bonds will be transferable in accordance with paragraph (d) hereof. DTC may determine to discontinue providing its services with respect to the Series 2012 Bonds at any time by giving notice to the City, the Paying Agent and the Bond Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Series 2012 Bonds will be transferable in accordance with paragraph (d) hereof.

(d) In the event that any transfer or exchange of Series 2012 Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Bond Registrar of the Series 2012 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Resolution. In the event Series 2012 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 Series 2012 Bonds, or another securities depository as owner of all the Series 2012 Bonds, the provisions of the Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series 2012 Bonds in the form of bond certificates and the method of payment of principal of and interest on such Series 2012 Bonds in the form of bond certificates.

3.09 Application of Proceeds and Other City Funds. The City shall deposit the proceeds of the sale of the Series 2012 Bonds as follows:

(a) Deposit \$59,635 to the Reserve Account to cause the balance to equal the Reserve Requirement in respect of the Series 2012 Bonds;

(b) Deposit \$753,141 to the 2009 Subordinate Lien Note Account, in trust for the holder of the Series 2009 Note, for the redemption of the Series 2009 Note on March 1, 2012; and

(c) Deposit the balance of the proceeds of the Series 2012 Bonds in the Construction Account in the Tax Increment Fund to be used to pay costs of issuance of the Series 2012 Bonds; provided that amounts remaining after the payment of costs of issuance of the Series 2012 Bonds shall be transferred to the Interest Account in the Bond Account to pay interest due on the Series 2012 Bonds on the first interest payment date.

Section 4. Redemption of Series 2009 Note. Simultaneously with the delivery of the Series 2012 Bonds, the Fiscal Services Director, as Paying Agent for the Series 2009 Note, shall cause to be deposited in the 2009 Subordinate Lien Note Account created pursuant to the Series 2009 Note Resolution a sum equal to the amount on hand in the City's debt service fund for the Series 2009 Note and proceeds of the Series 2012 Bonds necessary to pay, without regard to investment earnings thereon, the redemption price of the Series 2009 Note to be redeemed on March 1, 2012, which redemption price is equal to the principal amount of the Series 2009 Note plus interest accrued thereon through March 1, 2012. Such amounts shall be held in the 2009 Subordinate Lien Note Account in trust for the holder of the Series 2009 Note. The Series 2009 Note has heretofore been called for redemption on March 1, 2012, subject to the closing of the sale of the Series 2012 Bonds, at a redemption price equal to the principal amount thereof with interest accrued to the date of redemption, without premium, payable from the proceeds of the Series 2012 Bonds deposited into the Series 2009 Subordinate Lien Note Account.

Section 5. Tax Covenants.

5.01 General Covenant. The City covenants and agrees with the owners from time to time of the Series 2012 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 Series 2012 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 Series 2012 Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

5.02 Arbitrage Certification. The City Manager and the Fiscal Services Director, being among those officers of the City charged with the responsibility for issuing the Series 2012 Bonds pursuant to the Resolution, are authorized and directed to execute and deliver to the Original Purchaser thereof a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(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 Series 2012 Bonds, it is reasonably expected that the proceeds of the Series 2012 Bonds will be used in a manner that would not cause the Series 2012 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

5.03 Arbitrage Rebate. The City acknowledges that the Series 2012 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 Series 2012 Bonds from gross income for federal income tax purposes, unless the Series 2012 Bonds qualifies for the exception from the rebate requirement under Section 148(f)(4)(B) of the Code and no "gross proceeds" of the Series 2012 Bonds (other than amounts constituting a "bona fide debt service fund") arise during or after the expenditure of the sale proceeds thereof. In furtherance of the foregoing, the Fiscal Services Director is hereby authorized and directed to execute a Rebate Certificate, substantially in the form of the Rebate Certificate to be 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.

5.04 Information Reporting. The City shall file with the Secretary of the Treasury, not later than May 15, 2012, a statement concerning the Series 2012 Bonds containing the information required by Section 149(e) of the Code.

5.05 Qualified Tax-Exempt Obligations. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the City hereby designates the Series 2012 Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. To date in 2012, the City has not designated any obligations in 2012 other than the Series 2012 Bonds under Section 265(b)(3). The City 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 (including refunding obligations as provided in Section 265(b)(3) of the Code and including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) and 145(a) of the Code) will be issued by or on behalf of the City and all “subordinate entities” of the District in 2012 in an amount greater than \$10,000,000.

Section 6. Continuing Disclosure.

To provide for the public availability of certain information relating to the Series 2012 Bonds and the security therefor and to permit the Original Purchaser and other participating underwriters in the primary offering of the Series 2012 Bonds to comply with amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the “Rule”), which will enhance the marketability of the Series 2012 Bonds, the City hereby makes the following covenants and agreements (the “Disclosure Covenants”) for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2012 Bonds. The Tax Increment Fund of the City and the City are the only “obligated persons” in respect of the Series 2012 Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made.

If the City fails to comply with any provisions of this Section 6, any Person aggrieved thereby, including the 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 agreement or covenant contained in this Section 6, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 6 constitute a default under the Series 2012 Bonds or under any other provision of the Resolution.

As used in this Section 6, “Owner” or “Bondowner” means, in respect of a Series 2012 Bond, the registered owner or owners thereof appearing in the Bond Register maintained by the Bond Registrar or any “Beneficial Owner” (as hereinafter defined) thereof, if such Beneficial Owner provides to the Bond Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Bond Registrar. As used herein, “Beneficial Owner” means, in respect of a Series 2012 Bond, any Person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2012 Bond (including Persons or entities holding Series 2012 Bonds through nominees, depositories

or other intermediaries), or (b) is treated as the owner of the Series 2012 Bond for federal income tax purposes.

6.01 Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

(1) on or before 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2012, the following financial information and operating data in relating to the District and the City for the preceding Fiscal Year of the City as hereinafter specified (the “Disclosure Information”).

The Disclosure Information comprises the following (subject to modification as described below):

(A) the audited financial statements of the City for such fiscal year and the audit report and opinion of the accountant or government auditor relating thereto, as permitted or required by the laws of the State of Montana, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the City, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the City Finance Director; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information of the type set forth below contained in the Official Statement for such fiscal year or for the period most recently available, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the City Finance Director to the best of his or her knowledge which certification may be based on the reliability of information obtained from third party sources:

(1) updated figures for the City for the then current fiscal year relating to Tax Increment revenue, investment earnings, debt service and debt service coverage and incremental taxable value, amount of Tax Increment resulting from property tax levy and Tax Increment actually received of the type contained under the captions “Estimated Debt Service Requirements and Coverage,” “West Bank Urban Renewal District—Property

Tax Levies in the District,” “—Major Taxpayers in the District,” “—Comparison of Incremental Taxable Value of the District to City Taxable Value” and a financial statement regarding the District Tax Increment Fund;

- (2) updated figures for the City for the then current fiscal year to include information relating to the market value and taxable value of taxable property in the District in format similar to the table on page 18 of the Official Statement in the section “West Bank Urban Renewal District—Value of Property in the District”; and
- (3) updated figures for the City for the then current fiscal year to include information relating to identification of the ten taxpayers in District with the largest taxable value of property by name, type of property and taxable value in format similar to the table on page 21 of the Official Statement in the section West Bank Urban Renewal District—Major Taxpayers in the District.”

Notwithstanding the foregoing paragraph, if the audited financial statements from which such extracts are to be taken are not available by the date specified, the City shall provide on or before such date extracts from unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to each of the repositories hereinafter referred to under subsection (b) or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The City shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be material, 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 this Section 6.02 is amended in accordance with its terms, then the City shall 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.

(2) In a timely manner, notice of the occurrence of any of the following events:

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults, if material;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (G) Modifications to rights of security holders, if material;
- (H) Bond calls, if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy or sell a 2012 Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed under the Disclosure Covenants or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a 2012 Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

- (A) the failure of the City to provide the Disclosure Information at the time specified under “Annual Information” above;
- (B) the amendment or supplementing of the Disclosure Covenants pursuant to the Resolution, together with a copy of such amendment or

supplement and any explanation provided by the City under the Disclosure Covenants;

(C) the termination of the obligations of the City under the Disclosure Covenants pursuant to the Resolution;

(D) any change in the Fiscal Year of the City; or

(E) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared.

6.02 Manner of Disclosure. The City agrees to make available to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system website (“EMMA”), in an electronic format as prescribed by the MSRB the information described under “Information To Be Disclosed.” All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

6.03 Term; Amendments; Interpretation.

(1) The covenants of the City in this Section 6 shall remain in effect so long as any Series 2012 Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this Section 6 shall terminate and be without further effect as of any date on which the City files in the office of the City Clerk an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this Section 6 will not cause participating underwriters in the primary offering of the Series 2012 Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This Section 6 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to or the consent of the Owners of any Series 2012 Bonds, by a resolution of the Commission filed in the office of the City Clerk accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, 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 City, the District or the Tax Increment Fund or the type of operations conducted by the City or the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this Section 6 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2012 Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City 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.

(3) This Section 6 is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

6.04 Further Limitation of Liability of City. In and to the extent the limitations of liability contained in Section 6.01 are not effective, anything contained in this Section 6 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 6, the City has not obligated itself except with respect to the Tax Increment and other amounts specifically pledged under the Resolution. None of the agreements or obligations of the City contained herein shall be construed to constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the general credit or taxing powers of the City.

Section 7. Effective Date. This Supplemental Resolution shall be in full force and effect from and after its final passage and approval according to law.

Adopted by the City Commission of the City of Great Falls, Montana, on this 21st day of February, 2012.

Michael J. Winters, Mayor

Attest:

Lisa Kunz, City Clerk

(Seal of the City)

APPROVED FOR LEGAL CONTENT:

James W. Santoro, City Attorney

EXHIBIT A

FORM OF SERIES 2012 BOND

UNITED STATES OF AMERICA
STATE OF MONTANA
COUNTY OF CASCADE

CITY OF GREAT FALLS

TAX INCREMENT URBAN RENEWAL REVENUE REFUNDING BOND
SERIES 2012 (WEST BANK URBAN RENEWAL DISTRICT)

No. _____ \$ _____

| <u>Interest Rate</u> | <u>Stated Maturity</u> | <u>Date of Original Issue</u> | <u>CUSIP</u> |
|----------------------|------------------------|-------------------------------|--------------|
| % | July 1, 20__ | March 1, 2012 | 390466 |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: AND NO/100 DOLLARS

FOR VALUE RECEIVED, THE CITY OF GREAT FALLS (the "City"), a duly organized municipal corporation located in Cascade County, Montana, acknowledges itself to be specially indebted and hereby promises to pay to the registered owner specified above or registered assigns, solely from the Tax Increment received by the City from certain taxable property in its City of Great Falls West Bank Urban Renewal District (the "District") which has been pledged and appropriated for the payment hereof as stated below, the principal amount specified above on the maturity date specified above, or, if this Bond is prepayable as stated below, on an earlier date on which it shall have been duly called for redemption, with interest thereon from the date of original issue hereof, or such later date to which interest hereon has been paid or duly provided for, until the principal amount is paid or until this Bond, if prepayable, has been duly called for redemption, at the annual rate specified above. Interest hereon is payable semiannually on January 1 and July 1 in each year, commencing July 1, 2012, by check or draft drawn on U.S. Bank National Association, in Seattle, Washington, as Bond Registrar, Transfer Agent and Paying Agent, or its successor designated under the Resolution described herein (the "Bond Registrar"), mailed to the registered owner of this Bond as such appears of record in the Bond Register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. The principal of this Bond is payable upon presentation and surrender hereof at maturity or earlier redemption at the principal office of the Bond Registrar. Such principal and interest are payable in lawful money of the United States of America.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Bond Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the City.

This Bond is one of a duly authorized issue of Bonds of the City designated as “Tax Increment Urban Renewal Revenue Refunding Bonds” (the “Series 2012 Bonds”), issued pursuant to Resolution No. 9815, adopted by the City Commission on July 21, 2009 (the “Original Resolution”), as supplemented by Resolution No. 9960, adopted by the City Commission on February 21, 2012 (the “Supplemental Resolution” and, together with the Original Resolution, the “Resolution”), copies of which are on file with the City, pursuant to which reference is hereby made for a description of the nature and extent of the security, the respective rights thereunder of the Owners of the Bonds and the City and the terms upon which the Bonds are to be issued and delivered. Terms used with initial capital letters but not defined herein have the meanings given them in the Resolution. The Series 2012 Bonds are issued by the City for the purpose of refunding the City’s outstanding principal amount of West Bank Urban Renewal Area Tax Increment Subordinate Lien Revenue Note (the “Series 2009 Note”), making a deposit to the Reserve Account and paying costs of issuance of the Series 2012 Bonds.

The Series 2012 Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Montana, particularly Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended (the “Act”), and pursuant to the Resolution. The Bonds are payable solely and ratably from Tax Increment received by the City and resulting from the extension of ad valorem taxes levied by certain Taxing Bodies against the incremental taxable value of properties within the District pursuant to the Act, except that under certain conditions as described in the Resolution, the Bonds may be payable from replacement revenues, if any, provided in the event of the abolition or substantial elimination of property taxation in Montana.

The Bonds are not general obligations of the City and the City’s general credit and taxing powers are not pledged to the payment of the Bonds or the interest thereon. The Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitations.

The Series 2012 Bonds with stated maturities in years 2012 through 2022 shall not be subject to redemption prior to maturity, but Series 2012 Bonds having stated maturities in the years 2023 and any date thereafter, will be subject to redemption and prepayment at the option of the City, in whole or in part, and if in part in principal amounts and from Stated Maturities selected by the City (or, if no designation is made, in inverse order of Stated Maturities), and within a Stated Maturity in \$5,000 principal amounts selected by the Bond Registrar by lot or such other manner it deems fair, on July 1, 2022 and any date thereafter, at a price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, without premium.

The Series 2012 Bond having a Stated Maturity in 2032 is a “Term Bond” and is subject to mandatory sinking fund redemption prior to maturity on July 1 in the respective years and the respective principal amounts set forth below, in \$5,000 principal amounts selected by the Bond Registrar, by lot or other manner it deems fair, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the redemption date:

| 2032 Term Bond | |
|--|----------------------|
| Mandatory Sinking Fund Redemption Dates | Redemption Amount |
| July 1, 2027 | \$45,000 |
| July 1, 2028 | 50,000 |
| July 1, 2029 | 50,000 |
| July 1, 2030 | 55,000 |
| July 1, 2031 | 55,000 |
| July 1, 2032* | 60,000 |
| *Maturity | |

The Bond Registrar shall select the Term Bond to be redeemed on each Sinking Fund Payment Date in accordance with Section 3.04 of the Supplemental Resolution, and the Term Bond selected by the Bond Registrar shall become due and payable on such date. The City may reduce the amount of any Mandatory Sinking Fund Payment payable on any Sinking Fund Payment Date or Dates by an amount equal to the principal amount of Outstanding Term Bond then to be redeemed that shall be surrendered uncanceled by the City to the Bond Registrar; provided that the City shall have surrendered such Term Bond to the Bond Registrar not less than forty-five days before the first such Sinking Fund Payment Date, together with a City Certificate stating its election to use such Term Bond for such purpose and designating the Sinking Fund Payment Date or Dates as to which such credit is to be applied (if no such designation is made, such credits shall be applied in inverse order of Sinking Fund Payment Dates). In such case, the City may reduce the amount of Series 2012 Bonds to be redeemed on the Sinking Fund Payment Date or Dates so determined by the principal amount of Term Bond so surrendered by the City.

If a Term Bond is redeemed at the option of the City pursuant to Subsection (a) of the Supplemental Resolution, the Term Bond so optionally redeemed may, at the option of the City, be applied as a credit against any subsequent Mandatory Sinking Fund Payment or Payments with respect to Term Bond, such credit to be equal to the principal amount of such Term Bond redeemed pursuant to the Resolution; provided that the City shall have delivered to the Bond Registrar not less than forty-five (45) days before the first such Sinking Fund Payment Date a City Certificate stating its election to apply such Term Bond as such a credit and designating the Sinking Fund Payment Date or Dates as to which such credit is to be applied (if no such designation is made, such credits shall be applied in inverse order of Sinking Fund Payment Dates). In such case, the City may reduce the amount of Series 2012 Bonds to be redeemed on the Sinking Fund Payment Date or Dates so determined by the principal amount of Series 2012 Bonds of the same Stated Maturity so redeemed pursuant to Subsection (b) of the Supplemental Resolution..

Any credit given to Mandatory Sinking Fund Payments pursuant to the Resolution shall not affect any other Mandatory Sinking Fund Payments, which shall remain payable as otherwise provided in the Resolution, unless and until another credit is given in accordance with the provisions hereof.

The Resolution permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the City and the Owners of the Bonds at any time without the consent of any Bondowners or with the consent of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding which are affected by such modifications. The Resolution also contains provisions permitting Owners of a majority in aggregate principal amount of the Bonds of all series at the time Outstanding, on behalf of all the Owners of all Bonds, to waive compliance by the City with certain provisions of the Resolution and certain past defaults under the Resolution and their consequences. Any such consent or waiver by the Owner of this Bond shall be conclusive and binding upon such Owner and on all future Owners of this Bond and of any Bond issued in lieu hereof, whether or not notation of such consent or waiver is made upon this Series 2012 Bond.

The Owner of this Bond shall have no right to enforce the provisions of the Resolution, or to institute action to enforce the covenants therein or take any action with respect to a default under the Resolution or to institute, appear in or defend any suit or other procedure with respect thereto except as provided in the Resolution.

This Series 2012 Bond is a negotiable investment security as provided in the Montana Uniform Commercial Code. As provided in the Resolution and subject to certain limitations set forth therein, this Series 2012 Bond is transferable upon the books of the City at the principal office of the Bond 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 Bond Registrar, duly executed by the registered owner or his attorney; and may also be surrendered in exchange for Series 2012 Bonds of other authorized denominations. Upon such transfer or exchange, the City will cause a new Series 2012 Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate 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 City, the Bond Registrar and Paying Agent may deem and treat the Person in whose name this Series 2012 Bond is registered as the absolute owner hereof, whether this Series 2012 Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City, the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Montana and ordinances and resolutions of the City to be done, to exist, to happen and to be performed in order to make this Series 2012 Bond a valid and binding special, limited obligation of the City in accordance with its terms have been done, do exist, have happened and have been performed as so required; that this Series 2012 Bond has been issued by the City in connection with the refinancing of an urban renewal project (as defined in the Act); that the City, in and by the Resolution, has validly made and

entered into covenants and agreements with and for the benefit of the Owners from time to time of all Bonds issued thereunder, including covenants that it will pledge, appropriate and credit the Tax Increment derived from properties in the District to the Tax Increment Bond Fund of the City; that Additional Bonds may be issued and made payable from the Tax Increment Bond Fund on a parity with the Series 2012 Bonds upon certain conditions set forth in the Resolution, but no obligation will be otherwise incurred and made payable from the Tax Increment, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2012 Bonds on the Tax Increment; that all provisions for the security of the Owners of the Bonds as set forth in the Resolution will be punctually and faithfully performed as therein stipulated; and that the issuance of the Series 2012 Bonds does not cause the obligations of the City to exceed any constitutional or statutory limitation.

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

IN WITNESS WHEREOF, the City of Great Falls, Montana, by its City Commission, has caused this Bond to be executed by the facsimile signatures of the Mayor, the City Manager, the Fiscal Services Director, and the City Clerk.

CITY OF GREAT FALLS, MONTANA

(Facsimile Signature)
Mayor

(SEAL)

(Facsimile Signature)
City Manager

(Facsimile Signature)
Fiscal Services Director

(Facsimile Signature)
City Clerk

Dated: _____

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Tax Increment Urban Renewal Revenue Bonds, Series 2012 (West Bank Urban Renewal District) delivered pursuant to the Resolution mentioned within.

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

By _____
Authorized Representative

