

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of City of Great Falls, Montana (the "City"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "RESOLUTION RELATING TO \$630,000 SPECIAL IMPROVEMENT DISTRICT NO. 1301 BONDS; AWARDING THE SALE THEREOF AND APPROVING THE OFFICIAL STATEMENT RELATING THERETO" (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 May 3, 2005, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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 and seal officially this \_\_\_\_\_ day of May, 2005.

(SEAL)

\_\_\_\_\_  
Carolyn Horst, Deputy City Clerk

RESOLUTION NO. 9479

RESOLUTION RELATING TO \$630,000 SPECIAL  
IMPROVEMENT DISTRICT NO. 1301 BONDS; AWARDING  
THE SALE THEREOF AND APPROVING THE OFFICIAL  
STATEMENT RELATING THERETO

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

1. This Commission on April 19, 2005 adopted Resolution No. 9474 providing for the public sale of \$630,000 Special Improvement District No. 1301 Bonds (the "Bonds") to finance a portion of the costs of certain local improvements to be undertaken in or for the benefit of Special Improvement District No. 1301. Notice of the sale has been duly published in accordance with Montana Code Annotated, Sections 7-12-4204, 7-7-4252 and 17-5-106. Pursuant to the notice of sale, one sealed bid or bid transmitted electronically through Parity™ for the purchase of the Bonds were received (or accessed) at or before the time specified for receipt of bids. The bids have been opened and publicly read and considered, and the purchase price, interest rates and net interest cost under the terms of the bid has been determined.

2. The bid of D.A. Davidson & Co., of Great Falls, Montana (the "Purchaser"), attached as Exhibit A, to purchase the Bonds of the City, is hereby determined to comply with the terms and conditions of sale, and to be the lowest, most reasonable bid for the purchase of the Bonds. The bid of the Purchaser is hereby accepted by the Commission and the sale of the Bonds is hereby awarded to the Purchaser. The bid security of the Purchaser shall be retained pending delivery of the payment for the Bonds and the bid security of all other bidders shall be promptly returned.

3. The City Controller is hereby authorized and directed to execute on behalf of the City a contract for the sale of the Bonds with the Purchaser.

4. The Preliminary Official Statement relating to the Bonds, dated April 20, 2005, 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 and to deliver to the Purchaser within seven business days after the date of adoption of this resolution copies of the Official Statement in accordance with the terms and conditions of sale, supplemented so as to contain the terms of the Bonds as set forth in this resolution and the reoffering and other information provided by the Purchaser for inclusion in the Official Statement.

5. This Commission shall prescribe the form and security for the Bonds in a subsequent resolution.

Passed by the City Commission of City of Great Falls, Montana, this 3rd day of  
May, 2005.

\_\_\_\_\_  
Randy Gray, Mayor

ATTEST:

\_\_\_\_\_  
Carolyn Horst, Deputy City Clerk

APPROVED FOR LEGAL CONTENT:

\_\_\_\_\_  
Dave Gliko, City Attorney

EXHIBIT A  
WINNING BID

**NEW ISSUE  
BOOK-ENTRY ONLY**

**NOT RATED  
BANK QUALIFIED**

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, under existing laws, regulations, rulings and decisions, assuming compliance with certain covenants, interest on the Bonds is excludable from gross income of the recipient for purposes of federal income taxation and State of Montana individual income taxation. Interest is not an item of tax preference in determining federal alternative minimum tax applicable to individuals. Interest is includable, however, in the computation of the alternative minimum taxable income of corporations for purposes of the alternative minimum tax imposed under the Internal Revenue Code. The City has designated the Bonds "Qualified Tax-Exempt Obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (See "Tax Exemption and Related Considerations" herein.)*

**\$630,000**

**CITY OF GREAT FALLS, MONTANA  
SPECIAL IMPROVEMENT DISTRICT NO. 1301 BONDS**

**Dated: May 15, 2005**

**Due: August 1, as shown on the inside cover**

The City of Great Falls, Montana (the "City") provides this Official Statement in connection with the issuance of its Special Improvement District No. 1301 Bonds (the "Bonds"). The Bonds mature on August 1 in each of the years and amounts set forth on the following page and will bear interest from May 15, 2005 to their respective maturities or prior dates upon which they have been duly called for redemption at the rates per annum TO BE DETERMINED AT THE COMPETITIVE SALE OF THE BONDS ON MAY 3, 2005 at 11:00 A.M. (M.D.T.).

The Bonds will be issued under a book-entry system, initially registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in the principal amount of \$5,000 within a single maturity or integral multiples thereof. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical bond certificates. Interest on the Bonds will be payable semi-annually on each February 1 and August 1, commencing February 1, 2006. The City will appoint a bank or trust company to serve as Registrar and Paying Agent (the "Registrar") for the Bonds. The principal of and interest on the Bonds will be payable by the Registrar to DTC, which will in turn remit such principal and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. (See "The Bonds - Book-Entry Form" herein.)

The Bonds are special, limited obligations of the City, payable solely from the collection of special assessments to be levied by the City against the assessable property benefited by the improvements in Special Improvement District No. 1301 (the "District") and, under certain circumstances, from the money on deposit with the City pursuant to a security agreement with Centene Corporation ("Centene") entitled the Centene Corporation Undeveloped Property Within the Medical Technology Park Security Agreement as described herein (the "Security Agreement") and from the Special Improvement District Revolving Fund of the City (the "Revolving Fund"). The special assessments securing the Bonds will be a lien against one undeveloped parcel of property in the District. The Bonds are being issued in accordance with the provisions of Title 7, Chapter 12, Parts 41 and 42, Montana Code Annotated, for the purpose of financing the costs of improvements in the District together with the City's payment in advance of Bond closing of \$337,060.87. The City's payment is equal to the assessments that would have levied against a parcel in the District owned by the Great Falls Port Authority for its share of the Improvements, incidental costs and costs of issuance had the City not agreed to prepay the amount prior to closing (the "Payment in Lieu of Assessments"). The general character of the improvements consists of roadway, storm drainage, sewer and water utility improvements to portions of 26th Street South and 23rd Street South (the "Improvements"). Proceeds of the Bonds will also be used to fund a contribution to the Revolving Fund and to pay the underwriter's discount. Proceeds of the Bonds and of the City's Payment in Lieu of Assessments will be used to pay costs associated with the sale and issuance of the Bonds. The Bonds are not general obligations of **the City and the taxing power of the City, except to the extent described in "Security and Sources of Payment – Revolving Fund" herein, is not pledged to the payment of principal thereof or interest thereon.** The Bonds are subject to mandatory and optional redemption as described herein. (See "Security" and "Redemption/Notice of Redemption" herein.)

The Bonds are offered when, as and if issued by the City, subject to prior sale, to withdrawal or modification of the offer without notice, and to the opinion as to validity and tax exemption of the Bonds by Dorsey & Whitney LLP, Missoula, Montana and Minneapolis, Minnesota, Bond Counsel. The Bonds, in definitive form, are expected to be available for delivery through DTC on or about May 24, 2005.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.*

**Financial Advisor  
D.A. DAVIDSON & CO.**

*This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. The securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.*

**\$630,000**  
**City of Great Falls, Montana**  
**Special Improvement District No. 1301 Bonds**

MATURITY SCHEDULE

DATED: May 15, 2005  
DUE: August 1, as shown below

Year	Amount	Interest Rate	Yield to Maturity	Price (% of Par)	CUSIP <sup>1</sup>
2006	\$25,000	%	%	%	
2007	30,000				
2008	35,000				
2009	35,000				
2010	35,000				
2011	40,000				
2012	40,000				
2013	40,000				
2014	45,000				
2015	45,000				
2016	45,000				
2017	50,000				
2018	50,000				
2019	55,000				
2020	60,000				

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<sup>1</sup> The CUSIP numbers are included on the inside cover of this Preliminary Official Statement for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.



**CITY OF GREAT FALLS, MONTANA**

2 Park Drive South  
P.O. Box 5021  
Great Falls, Montana 59403  
(406) 758-7701

**City Officials:**

Mayor.....	Randy Gray
City Commission.....	Bill Beecher
	Sandy Hinz
	Diane Jovick-Kuntz
	John Rosenbaum
City Manager.....	John Lawton
City Attorney.....	David Gliko
City Clerk.....	Peggy Bourne
Fiscal Services Director/City Controller.....	Coleen Balzarini
Public Works Director.....	Jim Rearden

**Financial Advisor**

D.A. DAVIDSON & CO.  
529 East Main Street  
Bozeman, Montana 59715

**Bond Counsel**

DORSEY & WHITNEY LLP  
Millennium Building  
125 Bank Street, Suite 600  
Missoula, Montana 59802



No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. The information in this Official Statement was obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereby shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. D.A. Davidson & Co. is employed as financial advisor to the City in connection with the issuance of the Bonds. The financial advisor's fee for services rendered with respect to the sale of Bonds is contingent upon issuance and delivery of the Bonds. D.A. Davidson & Co. may submit bids for the Bonds either independently or as a member of a syndicate organized to submit a bid for the Bonds.

The Underwriter has reviewed the information in the Official Statement in accordance with and as a part of its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The following descriptions of summaries of the Bonds and Bond Resolution and all references to other documents or materials not claiming to be quoted in full are only brief outlines of some of the provisions and do not claim to summarize or describe all provisions thereof. Copies of such documents may be obtained from the issuer or Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

In connection with the offering and issuance of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "projection," "budget" or other similar words.

The CUSIP numbers are included on the inside cover of this Official Statement for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

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**\$630,000 City of Great Falls, Montana  
Special Improvement District No. 1301 Bonds**

**SUMMARY STATEMENT**

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement.

ISSUER.....The City of Great Falls, Montana (the “City”) is located in north central Montana and had a 2003 estimated population of 56,155 as reported by the U.S. Census Bureau, a decrease of approximately (0.94)% since the 2000 Census. (See “The City of Great Falls” herein.)

INTEREST/

REDEMPTION .....Interest is payable semi-annually each February 1 and August 1, commencing February 1, 2006. For so long as the Bonds are held in book-entry format, principal and interest payments will be made as described under the heading “The Bonds - Book-Entry System”. The Bonds are subject to mandatory and optional redemption. (See “Redemption” herein.)

AUTHORITY

FOR ISSUANCE.....The Bonds are being issued pursuant to Title 7, Chapter 12, Parts 41 and 42 of the Montana Code Annotated (the “Act”) and to a resolution to be duly adopted by the City Commission of the City of Great Falls on or about May 17, 2005 (the “Bond Resolution”). The Bond Resolution authorizes the issuance of the Bonds and the levy of assessments against one undeveloped parcel of property in the District. (See “Authorization” herein.)

SOURCE OF

REPAYMENT.....The Bonds are special, limited obligations of the City, payable solely from the collection of special assessments to be levied upon one undeveloped parcel of property within the District and under certain circumstances, from money on deposit with the City pursuant to a security agreement with Centene Corporation (“Centene”) entitled the Centene Corporation Undeveloped Property Within the Medical Technology Park Security Agreement as described herein (the “Security Agreement”) and from the Special Improvement District Revolving Fund of the City (the “Revolving Fund”), subject to the limitations contained in the Security Agreement and the Act, respectively. The special assessments that will secure the Bonds will be a lien against one undeveloped parcel of property in the District. (See “Security and Sources of Payment” and “Risk Factors” herein.)

USE OF

PROCEEDS .....The proceeds of the Bonds will be used for the purpose of financing the costs of improvements in the District together with the City’s payment in advance of Bond closing of \$337,060.87. The City’s payment is equal to the assessments that would have levied against a parcel in the District owned by the Great Falls Port Authority for its share of the Improvements, incidental costs and costs of issuance had the City not agreed to prepay the amount prior to closing (the “Payment in Lieu of Assessments”). The general character of the improvements consists of roadway, storm drainage, sewer and water utility improvements to portions of 26<sup>th</sup> Street South and 23<sup>rd</sup> Street South (the “Improvements”). Proceeds of the Bonds will also be used to fund a contribution to the Revolving Fund and to pay the underwriter’s discount. Proceeds of the Bonds and of the City’s Payment in Lieu of Assessments will be used to pay costs associated with the sale and issuance of the

Bonds.

## THE BONDS

### Description of the Bonds

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for DTC as securities depository of the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only (unless otherwise requested by the Underwriter), and in the principal amount of \$5,000 within a single maturity and in integral multiples thereof. The Bonds will be dated, as originally issued, as of May 15, 2005. The Bonds shall mature on August 1 in the years and amounts set forth on the inside cover hereof and shall bear interest from the date of original issue to their respective maturities, or prior dates upon which they have been duly called for redemption, at the interest rates per annum to be determined at the COMPETITIVE SALE OF THE BONDS ON MAY 3, 2005 at 11:00 A.M. (M.D.T).

Interest on the Bonds will be payable semi-annually on February 1 and August 1, commencing February 1, 2006, by wire transfer on the Interest Payment Dates to Cede & Co. Interest on the Bonds will be payable to the Beneficial Owners of record as of the close of business on the 15th day of the month immediately preceding an interest payment date. Principal and interest payments to the Beneficial Owners of the Bonds are to be made as described herein under “Book-Entry Only System”.

### Registrar

The City will appoint a bank or trust company to serve as Registrar and Paying Agent (the “Registrar”) for the Bonds.

### Redemption and Notice of Redemption

***Mandatory Redemption.*** The Bonds will be subject to mandatory redemption, in whole or in part, on any interest payment date, whenever, after payment of principal of or interest on the Bonds on such date, there are funds available for this purpose in the District Fund from the payment of current or delinquent special assessments or from the prepayment of special assessments levied in the District or from unexpended proceeds of the Bonds. Property owners may, as a matter of law, prepay their assessments in whole, at any time after the assessment is levied, by payment of the remaining principal amount on the special assessments, with interest accrued and to accrue thereon through the next date on which interest on the Bonds is payable. The redemption price is equal to the amount of the principal installment or installments of the Bonds to be redeemed plus interest accrued thereon to the date of redemption.

***Optional Redemption.*** The Bonds are also subject to redemption at the option of the City from sources of funds available therefor other than the prepayment of special assessments or unexpended proceeds on any date; provided, however, that the City has agreed not to call for redemption Bonds from the proceeds of refunding bonds prior to August 1, 2010. The Bonds maturing on or after August 1, 2011 are subject to redemption at the option of the City on August 1, 2010 and on any date thereafter at a price equal to the principal amount being redeemed plus interest accrued to the date of redemption, without premium, from the proceeds of refunding bonds.

***Selection of Bonds for Redemption.*** If less than all of the Bonds are to be redeemed, the Bonds are to be redeemed in order of their stated maturities. If less than all Bonds of a stated maturity are to be redeemed, the Bonds of such maturity shall be selected for redemption in \$5,000 principal amounts selected by the Registrar by lot or other manner it deems fair. The owner of any Bond redeemed in part shall receive, upon surrender of such Bond to the Registrar, one or more new Bonds in authorized denominations equal in principal amount to the unredeemed portion of such Bond so surrendered.

***Notice and Effect of Redemption:*** Notice of redemption will be given not less than 30 days before the date of redemption by first-class mail to the registered owners of the Bonds to be redeemed at their addresses as they appear on the bond register maintained by the Registrar. Interest on principal installments of Bonds called for redemption will cease to accrue on the dated fixed for redemption if funds are available to pay the redemption price.

### **Book-Entry Form**

When the Bonds are issued, ownership interest will be available to purchasers only through a book-entry system (the “Book-Entry System”) maintained by DTC or such other depository institution designated by the City pursuant to the Bond Resolution. If the Bonds are removed from the Book-Entry System and delivered to the persons named as the registered owners of the Bonds on the registration records maintained by the Registrar (the “Registered Owners”) in physical form, as described below, the discussion herein of the Book-Entry System will not apply. The following information has been provided by DTC, and the City makes no representation as to the accuracy or completeness thereof.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.
2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. “Direct Participants” include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the

DTC system is also available to others, such as U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard and Poor’s highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners are, however, expected to receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.
4. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.
6. Redemption notices, if any, shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor such other DTC nominee), will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested, by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the City on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,”



and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.
10. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.
11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

## **Authorization**

***Constitutional.*** Article VII, Section 5(2) of the Montana Constitution empowers the Montana legislature to authorize the creation of special improvement districts for capital improvements and maintenance and to authorize the assessment of the cost thereof against benefited property. Nevertheless, to effectuate the prohibition in both the United States and Montana Constitutions that private property not be taken for public use without just compensation, courts have required that the amount of a special assessment levied against a particular lot or property not substantially exceed the special benefit conferred on that lot or property by the improvements with respect to which the assessment is levied.

***Statutory.*** Title 7, Chapter 12, Parts 41 and 42 of the Montana Code Annotated (the "Act") authorizes Montana cities to create special improvement districts for the purpose of ordering the construction or maintenance of certain local improvements, including street, sidewalk, curb, gutter, alley approach, water system, storm sewer and sanitary sewer improvements or to purchase existing improvements. Montana statutes provide for the levy of special assessments in such districts to pay the cost of improvements. A special improvement district may be created only after notice of the governing body's intention to create the district has been published in a local newspaper and mailed to the owners of all real property in the district, a public hearing has been held, and, in most cases, the owners of property representing more than 50% of the costs to be assessed for the cost of the improvements have failed to protest against the proposed work or creation of the district. The Act requires the bids for contracts for construction of the improvements and for the sale of the special improvement district bonds to be issued to finance the cost of the improvements be let competitively after published notice.

**City Resolutions.** On March 15, 2005, the City Commission adopted Resolution No. 9457, a Resolution of Intention to Create Special Improvement District No. 1301 (the “Resolution of Intention”). The Notice of Passage of the Resolution of Intention was subsequently mailed to each property owner within the District. On March 20 and March 27, 2005, the notice was also published in the *Great Falls Tribune* setting April 5, 2005, as the date for holding a public hearing for the creation of the District. Within the protest period, no protests were filed with the Clerk of the Commission by the property owners to be assessed for the total costs of the Improvements against properties in the District, as originally proposed. The District was created pursuant to Resolution No. 9469 adopted by the City Commission on April 5, 2005.

The City Commission has therefore adopted such resolutions and has duly taken the proceedings necessary to create the District to finance construction of the Improvements. By adopting the Bond Resolution prior to the date of issuance of the Bonds, the City Commission will have authorized the issuance of the Bonds and covenanted to levy special assessments against benefited property in the District in an aggregate principal amount not less than the aggregate principal amount of the Bonds.

### **Security and Sources of Payment**

**Special, Limited Obligations.** The Bonds are payable primarily from the collections of outstanding special assessments levied on Lot 1A (as hereinafter defined) within the District benefited by the Improvements. Pursuant to the Bond Resolution, all collections of such special assessments are to be deposited into the District Fund and are pledged to payment of the principal of and interest on the Bonds. In the event money on hand in the District Fund is insufficient to pay principal of or interest on the Bonds when due, the City Commission will transfer to the District Fund money on deposit with the City pursuant to the Security Agreement with Centene to satisfy the deficiency, subject to the terms and conditions of the Security Agreement. (See the description of the Security Agreement under “Security and Sources of Payment” herein). In the event money on hand in the District Fund and money available through the Security Agreement are insufficient to pay principal and interest on the Bonds when due, the City Commission will covenant in the Bond Resolution to order the transfer of available money on deposit in the City’s Revolving Fund to the District Fund to satisfy the deficiency. The City has also agreed to provide funds for the Revolving Fund by levying a tax or making a loan from the General Fund to the Revolving Fund, subject to the limitations contained in the Act. (See “Risk Factors” herein.)

**Apart from money raised to fund the Revolving Fund, payment of the principal of and interest on the Bonds will not be made out of any funds raised by taxation by the City. The Bonds are not general obligations of the City, the State of Montana or any political subdivision thereof and do not represent a charge upon their general credit, but are payable solely from the sources specified herein. Bondholders should be aware of the limitations with respect to funding the Revolving Fund as described under “Risk Factors – The Bonds – Limitations of the Revolving Fund” herein.**

**Special Assessments.** In the Bond Resolution, the City covenants to take all action necessary for the valid levy of special assessments against one undeveloped property in the District described as the Medical Technology Park Subdivision, Lot 1A, Cascade County, Montana (“Lot 1A”). The Great Falls Port Authority owns the other property in the District, which is described as the Medical Technology Park Subdivision, Lot 1B, Cascade County, Montana (“Lot 1B”). The Great Falls Port Authority will cause the City to pay in advance of closing of the Bonds an amount equal to the assessment that would have been levied against Lot 1B had such prepayment not been made prior to Bond closing for Lot 1B’s share of the construction of the Improvements, incidental costs and costs of

issuance in the amount of \$337,060.87 (the ‘Payment in Lieu of Assessments’). The City has agreed to pay a larger proportionate share of the costs based on square footage. The District consists of two abutting parcels of property, Lot 1A with 15.746 acres and Lot 1B with 8.047 acres. Lot 1A is owned by Centene and will be undeveloped as of the date of issuance of the Bonds. Lot 1B is or will be improved with an office building, parking lot, and associated improvements owned by the Great Falls Port Authority and leased to Centene. (See “The District” herein.)

Subject to annual amortization over the then remaining term, the outstanding special assessments on Lot 1A will be payable in substantially equal semiannual installments of principal and interest on November 30 and May 31 of each fiscal year, and shall become delinquent on such date unless paid in full. The special assessments will bear interest on the balance thereof remaining unpaid at an annual rate equal in a fiscal year, to the sum of (i) the average annual interest rate borne by the Bonds over the then remaining term plus (ii)  $\frac{1}{2}$  of 1% per annum.

A special assessment constitutes a prior lien upon and against the property against which it is levied, from and after the date of passage of the resolution levying the assessment, which lien may be extinguished only by payment of the assessment with all penalties, costs and interest, except as hereinafter described. Delinquent installments of special assessments bear interest at rates established by Montana law, which have changed from time to time. Current law provides that delinquent installments of a special assessment bear interest at a rate of  $\frac{5}{6}$  of 1% per month, and a penalty of 2%. The lien of a special assessment is junior and subordinate to State property tax liens, even if the special assessment lien attaches first, and federal property tax liens for which the underlying federal tax was assessed before certification of the amount of the delinquent assessment and penalty. The lien of the special assessment attaches for each installment in the year in which it is levied. The lien may also be subordinate to the lien of mortgages securing other municipal bonds (there are no such liens in the case of the Bonds), including those issued on behalf of private entities, filed of record before the attachment of the installment of the special assessment lien.

In the event of a delinquency in the payment of a special assessment installment, the City Commission, at its option and by resolution, may declare all unpaid installments of the special assessment to be delinquent. If the delinquency is not paid, the property subject to the lien is to be sold by the county in which the property is located (for the City, Cascade County, Montana (the “County”)) in the same manner that real property is sold for delinquent property taxes. The tax sale proceeding is the exclusive remedy for the collection of special assessments; neither the City nor the County may sue or otherwise proceed directly against the owner of the property for the payment of delinquent special assessments. If no good faith purchaser bids at the tax sale, the land is deemed sold to the County and the County receives a tax sale certificate without advancing funds therefore. A property tax lien of the County acquired in this manner must be assigned to a third party upon payment of all delinquent taxes and assessments, including penalties, interest and costs.

Whenever property subject to the lien of delinquent special assessments has been deemed sold to the County and not assigned, the City may request that the County assign all of the County’s rights to the property to the City, upon payment by the City of any delinquent taxes (excluding assessments) and costs, without penalty or interest. Property thus sold to the City must be held in trust by the City for the special improvement district sinking fund into which the delinquent special assessments are payable. The City may, if the property is not redeemed from the tax sale within the period hereinafter described, assign its rights in the property upon payment by the assignee of the purchase price paid by the City, the delinquent assessments, interest on the purchase price and delinquent assessments at the rate of  $\frac{5}{6}$  of 1% a month, and penalties and interest as provided by law. An assignment by the City in this manner discharges the trust upon deposit of the amount of delinquent assessments and the interest accrued thereon into the special improvement district sinking fund. The City may sell or lease the property so acquired in the same manner as

the County may sell or lease tax-deed property. All money received by the City from the sale or lease of such land, after the costs of sale, not to exceed \$25, must be paid into the special improvement district sinking fund to the extent of delinquent assessments, interest and penalties. The surplus, if any, must be paid to the Revolving Fund if it secures the payment of the special assessments.

The County is not required to take a tax deed on any property for which it holds a tax sale certificate. If the County takes a tax deed it must, within six months after acquiring title, conduct an auction sale of the property. The property may not be sold for less than its fair market value. In calculating the fair market value, the County is to subtract the principal amount of the outstanding assessments that are a lien on the land from the unencumbered value of the land, but the minimum sale price for a property may not be less than \$10. If no bids are received at the sale, the County must conduct another auction sale within six months or may sell the property at private sale at not less than 70% of the appraised value thereof. Tax-deed property may thus be sold at or less than its fair market value which may be less than the amount of the outstanding delinquent special assessments thereon.

Property subject to a property tax or assessment lien may be redeemed by the owner, the occupant, a mortgagee, a contract vendor or any other interested party within 36 months after the date of the tax sale or within 60 days after notice of application for a tax deed, whichever is later; provided, however, that if the property is subdivided as a residential or commercial lot upon which no habitable dwelling or commercial structure is situated, redemption must be made within 24 months after the date of the tax sale or within 60 days after notice of application for a tax deed, whichever is later. In the event of foreclosure of the assessment lien when the City Commission has not declared all unpaid installments of special assessments due and payable, the issuance of the tax deed conveys title to the property subject to the lien of future installments of the special assessment.

**Enforcement of a special assessment lien may be a lengthy process, and no assurance can be given that proceeds from the sale or redemption of the property will be available in amounts or at times sufficient to pay the principal of or interest on the Bonds.**

*Security Agreement.* On April 15, 2005, the Centene Corporation Undeveloped Property within the Medical Technology Park Security Agreement was reached and signed between Centene Corporation, a Delaware Corporation (“Centene”), and the City (the “Security Agreement”) regarding a deposit of monies that secures in part the repayment of assessments against Lot 1A.. Centene requested the creation of the District, and for and in consideration of the establishment of the District and pursuant to the City’s Special Improvement District Policy regarding increased security for assessments on undeveloped property, agreed to deposit with the City cash in the amount of \$179,687 to guarantee payment of the assessments as Lot 1A is currently undeveloped. Such deposit of \$179,687 equals approximately 20% of outstanding principal and estimated interest due on the Bonds. The City has waived its Special Improvement District Policy and Procedure requirement of securing an amount sufficient to guarantee payment of 33% of the principal and interest of the bonds for undeveloped property.

The term of the deposit shall be through July 1, 2020 unless otherwise terminated upon release or early satisfaction of the assessment obligation. The City shall have the right to draw upon the deposited money to satisfy a delinquent assessment should the assessment be delinquent for 30 days or more. However, the City must give Centene written notice of such delinquency and notice of the City’s intent to draw upon such deposit to satisfy such delinquency.

This security will be retained until 1) 50% of Lot 1A becomes developed with occupied structures as determined on a square footage basis and 2) the delinquency rate is less than 10% of the assessments for the most recent two consecutive years. Should Centene further divide or sell portions of the undeveloped property, the City will retain a proportionate share of the security to cover the outstanding assessments. The amount of credit shall be reduced by an amount corresponding to the assessment against each undeveloped parcel transferred to a third party or whenever an undeveloped parcel's assessment is paid in full. In the event of a transfer to a third party, the City will obtain an agreement similar to the Security Agreement on such undeveloped property with that party. Prior to a reduction in credit, the City and Centene must agree and acknowledge such reduction and release in writing. Centene has not publicly announced plans for Lot 1A. There can be no assurance that Centene will develop Lot 1A or will not subdivide or convey all or a portion of Lot 1A. However, the Great Falls Port Authority has a right of first purchase with respect to Lot 1A for a 5-year period under the terms and conditions of a Restated and Amended Development Agreement between the Great Falls Development Authority, Inc., the Great Falls Port Authority and Centene (the "Development Agreement").

**Revolving Fund.** The Bonds are also being issued under the provisions of the Special Improvement District Revolving Fund Law (Montana Code Annotated, Sections 7-12-4221 through 7-12-4229 et. seq.). This law provides for the creation of a revolving fund by any city that has created a special improvement district. The City has created the Special Improvement District Revolving Fund (the "Revolving Fund") for the purpose of loaning monies to special improvement district funds of the City whenever there are insufficient funds available to pay special improvement district bonds and warrants or any interest thereon. The Bonds will be secured by the Revolving Fund.

Money for shortfalls in the Revolving Fund is provided by a transfer of monies from the City's General Fund or by the levy of an ad valorem tax on all taxable property in the City as necessary to meet the financial requirements of the Revolving Fund; provided that no such loan from the General Fund or tax levy in any fiscal year may cause the balance in the Revolving Fund to exceed 5% of the principal amount of the City's then outstanding special improvement district bonds and warrants secured thereby nor may any such tax levy or loan in a single fiscal year equal in aggregate more than 5% of the principal amount of the City's then outstanding bonds or warrants secured by the Revolving Fund. Loans to a special improvement district fund from the Revolving Fund constitute a lien upon the special improvement district fund, payable from excess funds remaining after the payment of the outstanding bonds and any interest thereon.

In the event money on hand in the District Fund and, to the extent available, money on deposit pursuant to the Security Agreement are insufficient to pay principal of or interest on the Bonds when due, the City Commission will covenant in the Bond Resolution to issue annual orders authorizing loans from the Revolving Fund to the District Fund to satisfy any deficiency in the District Fund from which the Bonds are payable if necessary to pay principal of and interest on the Bonds, to the extent funds are available. The City has further agreed to provide funds for the Revolving Fund, as are necessary to cause such payment, by making a loan from the General Fund to the Revolving Fund or by levying a tax upon all taxable property within the City of Great Falls in accordance with the Special Improvement District Revolving Fund Law. In the Bond Resolution, the City will covenant, subject to the foregoing limitations, to maintain or restore the balance in the Revolving Fund at or to an amount equal to 5% of the outstanding principal amount of the bonds or warrants of the City secured thereby.

Any property tax levy to be made by the City to provide funds for the Revolving Fund is subject to levy limits under current law (including Senate Bill 184, adopted by the Montana Legislature in 1999 (now codified at 15-10-420 Montana Code Annotated)). The City has agreed in the Bond Resolution to levy property taxes to provide funds

for the Revolving Fund to the extent described above and, if necessary, to reduce other property tax levies correspondingly to meet its obligations with respect to the Revolving Fund. (See “Risk Factors” and Appendix A– “Financial Operations, Sources of Revenue and Budgeting Process” and “Valuations, Assessments and Reassessment of Property for Taxation Purposes” herein.)

Since 1983, Montana law has authorized the City, as part of the cost of an improvement, to deposit up to 5% of the principal amount of special improvement district bonds and warrants in the Revolving Fund if such bonds and warrants are secured by the Revolving Fund. The City generally has required such deposit in connection with the issuance of special improvement district bonds and warrants, excluding refunding bonds. For bonds issued for districts created after March 24, 1995, a 5% contribution to the Revolving Fund has been required by law for any bonds secured by the Revolving Fund. As of the date of issuance of the Bonds, the City will deposit an amount equal to 5% of the principal amount of the Bonds (\$31,500) from the proceeds of the Bonds into the Revolving Fund.

As of March 17, 2005, the aggregate principal amount of outstanding special improvement district bonds and warrants of the City secured by the Revolving Fund equaled \$745,000, not including the Bonds. Also as of this date, the City had a cash balance of \$246,530 in its Revolving Fund. Following the issuance of the Bonds in the principal amount of \$630,000, the City’s cash balance in the Revolving Fund will equal approximately \$278,030 and will represent approximately 20.22% of the total outstanding bonds and warrants of the City secured by the Revolving Fund, including the Bonds (for a total of \$1,375,000).

Montana law regards as surplus money funds on deposit in the Revolving Fund in excess of the amount of proceeds of special improvement district bonds deposited therein, 5% of the principal amount of the special improvement district bonds and warrants of the City secured thereby and then outstanding, and the amount then necessary for the payment or redemption of outstanding bonds or the interest thereon. The City Commission may transfer such surplus money to the General Fund of the City upon vote of all members of the City Commission, or apply such surplus moneys to the purchase of property that is then encumbered with delinquent special assessments, either at a sale of the property for delinquent taxes or assessments, from the County. The proceeds of the disposition of such property or tax certificates are to be deposited in the Revolving Fund.

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The following table sets forth for each of the last nine fiscal years at fiscal year end (and as of March 17, 2005) the cash balance in the City’s Revolving Fund, the principal amount of outstanding bonds and warrants secured thereby, not including the Bonds, and the cash balance expressed as a percentage of such outstanding principal amount.

Fiscal Year End (June 30)	Revolving Fund Cash Balance	Principal Amount of Bonds	Percentage*
March 17, 2005	\$246,530	\$745,000	33.09%
2004	432,266	880,000	49.12
2003	433,300	1,184,000	36.60
2002	432,055	1,698,500	25.44
2001	353,015	2,027,000	17.42
2000	519,080	2,515,500	20.64
1999	496,470	3,100,610	16.01
1998	532,331	3,771,220	14.12
1997	723,979	3,570,220	20.28
1996	696,610	3,765,500	18.50

\* Under Montana law, funds in excess of 5% of the principal amount of special improvement district bonds and warrants of the City secured thereby and then outstanding are regarded as surplus money and can be transferred from the Revolving Fund as described above.

When money is lent from the Revolving Fund to a special improvement district fund, the Revolving Fund has a lien therefor on all money thereafter deposited in the special improvement district fund to the extent of the loan plus interest accrued thereon at the rate of interest borne by the bond with respect to which the loan was made. The loan is to be repaid upon order by the City Commission whenever there is money in the special improvement district fund not necessary for the payment of principal of or interest on bonds payable from the special improvement district fund. Any money remaining in a special improvement district fund after payment of the principal of and interest on all bonds payable therefrom and repayment of any loans to the Revolving Fund are to be transferred to the Revolving Fund; provided that proceeds of special improvement district bonds remaining on deposit in the Revolving Fund may, in the discretion of the City Commission, be disbursed to the owners of the property in the District in proportion to the original assessment levied against such property or transferred to the General Fund of the City.

The Revolving Fund secures, equally and ratably, a number of special improvement district bonds and warrants of the City. The City is obligated to loan money from the Revolving Fund to the funds of these districts in the event of delinquencies in the payment of special assessments levied therein. If the amount on hand in the Revolving Fund is insufficient to make loans at any time required, the City is obligated to advance funds to each of the special improvement district funds then incurring a deficiency, pro rata, in proportion to the amount of the deficiency in the special improvement district fund.

The adequacy of money in the Revolving Fund available to be lent to the District Fund to satisfy a deficiency arising from delinquencies in collections of special assessment levied on the benefited property in the District is affected by a number of factors that the City has no control over, including, without limitation, the following:

- (1) the amount of delinquent special assessments in other special improvement district funds of the City from which then outstanding special improvement district bonds or warrants are payable and which are secured by the Revolving Fund;
- (2) the principal amount of special improvement district bonds or warrants of the City secured by the Revolving Fund and then outstanding, which limits the amount that may be levied or lent from the Revolving Fund;
- (3) the amounts of delinquencies in the collection of property taxes levied by the City for purposes of meeting the financial requirements of the Revolving Fund, which may or may not be levied in an amount to anticipate any shortfalls arising from the nonpayment of property taxes; and
- (4) the rate of interest earned on balances from time to time on deposit in the Revolving Fund.

The delinquency rate in the payment of any special assessments depends on a variety of factors, which may vary in importance in each special improvement district. Such factors include, among others, the extent and character of development of property in the district, the financial circumstances of the owners of the property, the amount of the special assessment and other special assessments and property taxes levied against the property in relation to the market value of the property, the value and marketability of the property, permitted uses of the property under applicable zoning and land use ordinances, the availability of or need for other public improvements or utilities serving the property and local and national economic conditions.

Although, as described in the preceding paragraphs, funds raised by taxation for the Revolving Fund may, subject to limitation, be applied to the payment of principal of or interest on the Bonds in the event of delinquencies in the payment of special assessments levied against benefited property in the District, no assurance can be given that such money will be available in amounts or at times sufficient to provide for the prompt payment of such principal and interest. The Bonds and interest thereon are payable from special assessments levied against benefited property in the District and those considering an investment in the Bonds should look to the property owners of the assessable property as providing the principal security for payment of the Bonds. (See "The District" herein.)



## **RISK FACTORS - THE BONDS**

Prospective investors in the Bonds should carefully consider the following risk factors, not intended to be inclusive, as well as the other information contained in this Official Statement.

### **1. Special, Limited Obligations of the City**

The Bonds are payable primarily from the collections of outstanding special assessments levied on Lot 1A. In addition, the City has a Security Agreement (see “Security Agreement herein) with Centene whereby an amount equal to \$179,687 is on deposit with the City for purposes of securing a portion of the assessments backing the Bonds in the event Centene is delinquent in the payment of special assessments securing the Bonds for 30 or more days. Some or the entire amount deposited under the Security Agreement is subject to being released upon the occurrence of certain events described in the Security Agreement (see the description of the Security Agreement under the Section “Security and Sources of Payment” herein). While the City will also agree in the Bond Resolution that it will make loans or advances from available funds in the Revolving Fund of the City to the District Fund from which the Bonds are payable, if necessary to pay principal and interest on the Bonds, no assurance can be given that such money will be available in amounts or at times sufficient to provide for the prompt payment of such principal and interest.

**The Bonds are not general obligations of the City, the State of Montana or any political subdivision thereof and do not represent a charge upon their general credit, but are payable solely from the sources specified herein.** (See “Security and Sources of Payment” herein.)

### **2. Special Assessments and the Potential Inadequacy Thereof**

The Bonds and interest thereon are payable primarily from the outstanding special assessments levied against Lot 1A, and those considering an investment in the Bonds should look to the property owners and the property assessed as providing the principal security for payment of the Bonds. Only Lot 1A, which is undeveloped, is subject to assessment for the repayment of the Bonds. Centene is under no obligation to develop Lot 1A or restricted from subdividing or conveying Lot 1A. There can be no assurance that Lot 1A will be developed or that it will not be subdivided or sold. However, the Great Falls Port Authority has a right of first purchase with respect to Lot 1A for a 5-year period under the terms and conditions of a the Development Agreement. (See “The District” herein.)

Under Montana law, if an installment of a special assessment is not paid in full when due, the delinquent installment bears a penalty and interest at a delinquent rate and, if not paid, the property is sold at tax sale. The property owner has up to three years in most cases to redeem the property from the tax sale. As a result of this and of factors relating to the character and ownership of the assessed property, the collections of the special assessments by the City may not be sufficient to pay principal of and interest on the Bonds when due. The special assessments levied to pay principal and interest on the Bonds will, however, bear interest at a rate  $\frac{1}{2}$  of 1% in excess of the average interest rate on the outstanding Bonds, which amount will be applied to the payment of principal of and interest on the Bonds. (See “Security and Sources of Payment” herein.)

### **3. Limitations of the Revolving Fund**

Pursuant to the Act, the City Commission has created the Revolving Fund for the purpose of securing payment of special improvement district bonds and warrants of the City, including the Bonds. Under the Act, the balance in the Revolving Fund may not be increased in a fiscal year by funds derived from taxation or by loans from the General Fund of the City to a balance exceeding 5% of the aggregate principal amount of the City's outstanding bonds and warrants secured thereby, nor may such tax levies or loans from the General Fund for such purpose exceed in the aggregate in any single fiscal year 5% of the aggregate principal amount of the then outstanding bonds and warrants of the City secured thereby.

Any property tax levy to be made by the City to provide funds for the Revolving Fund is subject to levy limits under current law (including Senate Bill 184, adopted by the Montana Legislature in 1999). The City is not authorized to levy an additional or excess tax for purposes of funding the Revolving Fund. The primary source of money to fund the Revolving Fund is amounts available in the City's General Fund or the City's regular (non-voted) property tax. (See Appendix A – "Valuations, Assessments and Reassessment of Property for Taxation Purposes" herein for a discussion of the City's regular property tax collection limitations and procedures.) Because regular property tax revenues are the primary source of revenues to operate the City, a pledge to fund the Revolving Fund has the potential to directly affect the City's operating budget. Consequently, any money budgeted to fund the Revolving Fund is necessarily diverted from other City services. The City has agreed in the Bond Resolution to levy property taxes to provide funds for the Revolving Fund to the extent described above and, if necessary, to reduce other property tax levies correspondingly to meet applicable levy limits.

All bonds and warrants of the City secured by the Revolving Fund are equally and ratably secured by moneys on deposit in the Revolving Fund. Therefore, the City may from time to time create additional special improvement districts or sidewalk, curb, gutter and alley approach projects and issue bonds drawn against such special improvement districts or warrants secured by assessments levied against lots benefited by such projects that will be secured on a parity with the Bonds and other special improvement district bonds now outstanding. The timeliness of the payment of special assessments in special improvement districts of the City and in special improvement districts created in the future, which depends on, among other things, the degree of development in the special improvement district and the market value of the lots in relation to the amount of the assessment, may affect the adequacy of the Revolving Fund to make loans to the District Fund in amounts necessary to pay debt service on the Bonds when due. If the amount on hand in the Revolving Fund is insufficient to make loans at any time required to special improvement district funds secured thereby, the City is obligated to advance money to each of the special improvement district funds then incurring a deficiency, pro rata, in proportion to the amount of the deficiency in the special improvement district fund.

The Act requires that prior to issuing bonds secured by a revolving fund, a municipality must take into consideration the following items: the estimated market value of the lots in the district at the time the district is created in comparison to the estimated market value of the lots after the improvements are made; the district's diversity of ownership of property; the amount of special assessments per lot in comparison to the estimated market value per lot after the improvements are made; the amount of any outstanding special assessments against property in the district; the amount of delinquencies in the payment of outstanding special assessments or property taxes levied against property in the district; the public benefit of the proposed improvements; and in the case of a district created to make improvements in a newly platted subdivision, the prior subdivision development experience and credit history of the developer and any contribution by property owners to the costs of the improvements or any security given by property owners to secure payment of special assessments levied in the district. See "Outstanding Special

Improvement District Bonds and the Revolving Fund” herein.

The liability of the Revolving Fund terminates on the earlier of: (1) the date on which all bonds or warrants of the issue and interest on the bonds or warrants have been fully paid or discharged in a bankruptcy case in which the special improvement district is the debtor; or (2) the date that is the later of: (a) the final stated maturity date of the bonds or warrants; or (b) the date on which all special assessments levied in the district have been either paid or discharged.

#### **4. Bankruptcy Proceedings**

A city is authorized under Montana law to file a petition for relief as a debtor under Chapter 9 of the United States Bankruptcy Code for the adjustment of its debts. A recent decision of a United States Bankruptcy Court held that a Montana municipality may file a petition on behalf of a special improvement district of the municipality. In the event of a district’s insolvency and if the city were to successfully file a petition under the Bankruptcy Code on behalf of the district, the Bankruptcy Code could limit the ability of bondholders to seek judicial action to enforce the lien of special assessments against benefited property.

As part of the bankruptcy proceeding, the city would have to file a plan for adjustment of the debts of the districts. Any plan, in order to be confirmed by the bankruptcy court, would have to be determined to be in the best interests of creditors and feasible, and either be accepted by the creditors of each class impaired thereby or, if not so accepted, be determined to be fair and equitable and not to discriminate unfairly in favor of any class of claims or interests. Consequently, it is possible that a plan of adjustment could be confirmed by a bankruptcy court without the consent of all bondholders that would, among other things, extend the time for payment of principal of or interest on the bonds, reduce the interest payable on the bonds below the originally stated rates of interest or reduce the amount of principal payable on the bonds.

In the event that a property owner is the subject of a bankruptcy proceeding, it is possible that the lien of special assessments levied against the owner’s property in a special improvement district may be discharged in the bankruptcy proceeding without payment or provision for payment of the special assessment in full.

#### **5. Likelihood of Redemption**

Property owners may, as a matter of law, prepay their assessments in whole, at any time after the assessment is levied, by payment of the assessment, with interest accrued and to accrue thereon through the next date on which interest on the Bonds is payable. The City is required by law to redeem, on any interest payment date, outstanding principal installments of the Bonds in order of their registration, in an amount which, together with the interest thereon to the date of redemption, will equal the amount on deposit in the District Fund from the prepayment of special assessments or from unexpended Bond proceeds. The City has agreed not to call for redemption Bonds from the proceeds of refunding bonds prior to August 1, 2010. However, the City has the option to redeem Bonds maturing on and after August 1, 2011 on August 1, 2010 and on any date thereafter in order of principal installments from proceeds of refunding special improvement district bonds or other legally available sources. Consequently, there can be no assurance the Bonds will remain outstanding to their stated maturity dates.

## **6. Concentration of Ownership of Property**

Only Lot 1A, which is undeveloped, will have special assessments levied against it for the repayment of the Bonds. Centene owns Lot 1A, which comprises approximately 685,896 square feet or 66.18% of the total area in square feet of the real property contained within Lot 1A and Lot 1B in the District. Lot 1A will be assessed \$630,000, an amount equal to the principal amount of the Bonds, plus interest thereon. Centene has not publicly announced any plans for Lot 1A. Centene is under no obligation to develop Lot 1A and is not restricted from subdividing or conveying all or a portion of Lot 1A. Centene has stated that it has no intention to develop or subdivide and convey Lot 1A at this time. However, there can be no assurance that Lot 1A will not be subdivided or conveyed in whole or part during the term the Bonds will be outstanding.

The Great Falls Port Authority owns Lot 1B, which comprises approximately 350,529 square feet or 33.82% of the total area in square feet of the real property contained within Lot 1A and Lot 1B in the District. The Great Falls Port Authority will cause the City to pay in advance of closing of the Bonds an amount equal to the assessment that would have been levied against Lot 1B had such prepayment not been made prior to Bond closing for Lot 1B's share of the construction of the Improvements, incidental costs, and costs of issuance in the amount of \$337,060.87 (the "Payment in Lieu of Assessments"). The City has agreed to pay a larger proportionate share of the costs based on square footage. Lot 1B is or will be improved with an office-building, parking lot, and associated improvements owned by the Great Falls Port Authority and leased to Centene.

See "The District" herein for a further description of the property in the District.

## **7. Absence of Rating**

The Bonds have not been rated by a rating agency and there is no expectation that the Bonds will be assigned a rating in the future. The absence of a rating may adversely affect the marketability of the Bonds in the secondary market.

# **THE IMPROVEMENTS**

## **General Description**

The proceeds of the Bonds will be used to finance the costs of improvements in the District together with the City's payment in advance of Bond closing of \$337,060.87. The City's payment is equal to the assessments that would have levied against a parcel in the District owned by the Great Falls Port Authority for its share of the Improvements, incidental costs and costs of issuance had the City not agreed to prepay the amount prior to closing (the "Payment in Lieu of Assessments"). The general character of the improvements consists of roadway, storm drainage, sewer and water utility improvements to portions of 26<sup>th</sup> Street South and 23<sup>rd</sup> Street South (the "Improvements"). Proceeds of the Bonds will also be used to fund a contribution to the Revolving Fund. Proceeds of the Bonds and of the City's Payment in Lieu of Assessments will be used to pay costs associated with the sale and issuance of the Bonds. The Bonds will be payable primarily from special assessments to be levied against Lot 1A in the District.

The general character of the improvements in the District consists of roadway, storm drainage, sewer and water

utility improvements to portions of 26<sup>th</sup> Street South and 23<sup>rd</sup> Street South (the “Improvements”). The Improvements will serve the land at 26<sup>th</sup> Street South and 23<sup>rd</sup> Street South, which will be known as the “Medical Technology Park”. As of March 23, 2005, the City has received bids for the construction of the Improvements. On April 5, 2005, the City awarded the construction contract to Phillips Construction. The Improvements are expected to commence on or about May 3, 2005 and be completed by July 15, 2005.

## Sources and Uses of Funds

The proceeds of the Bonds (less accrued interest) and the City’s Payment in Lieu of Assessments will be used as shown in the table below.

<i>Sources of Funds</i>	Centene	The City <sup>2</sup>	Total
Proceeds of the Bonds	\$630,000.00	\$0.00	\$630,000.00
City’s Payment in Lieu of Assessments	0.00	\$337,060.87	337,060.87
<b>Total Sources of Funds</b>	<b>\$630,000.00</b>	<b>\$337,060.87</b>	<b>\$967,060.87</b>
<i>Application of Funds:</i> <sup>1</sup>			
Costs of Construction, Contingency and Engineering	\$576,648.36	\$329,964.51	\$906,612.87
Deposit to Revolving Fund (5.0%)	31,500.00	0.00	31,500.00
Underwriter’s Discount (up to 1.5%)	9,450.00	0.00	9,450.00
Costs of Issuance of the Bonds <sup>3</sup>	12,401.64	7,096.36	19,498.00
<b>Total Application of Funds:</b>	<b>\$630,000.00</b>	<b>\$337,060.87</b>	<b>\$967,060.87</b>

<sup>1</sup> Preliminary; subject to change based on final construction costs and the final Underwriter’s Discount bid at the Bond Sale.

<sup>2</sup> The City has agreed to pay a larger proportionate share of the costs based on square footage. See “Assessment Method” herein.

<sup>3</sup> Includes the Financial Advisor fees, Bond Counsel fees, costs of printing and distributing the Preliminary and Final Official Statements, Paying Agent and Registrar fees, advertising costs, and any miscellaneous costs.

## Assessment Method

Lot 1A will be assessed for its share of the costs of the Improvements, incidental costs, Revolving Fund contribution, Underwriter’s Discount and costs of issuance from which it derives a benefit and Lot 1B will make a Payment in Lieu of Assessments equal to its share of the Improvements, incidental costs and costs of issuance from which it derives a benefit. The costs of the Improvements will be assessed using an area method of assessment. The City has determined the area of each lot, tract or parcel, based on current recorded plats and certificates of survey for each lot, tract or parcel of land in the District.

The total area of the District to be assessed for purposes of securing the Bonds is 685,896 square feet (i.e. the square footage of Lot 1A). According to estimates in the Resolution of Intent to Create the District, the amount of the assessment to be levied against each square foot of assessable property in the District shall not exceed \$1.142. Based on the amount of the construction bids and additional incidental costs and costs of issuing the Bonds, the estimated amount of the assessment to be levied against each square foot of assessable property in the District securing the Bonds (Lot 1A), exclusive of interest, is approximately \$0.9185. The special assessments for the

Improvements in the District are payable over a term not exceeding 15 years, each in substantially equal semi-annual principal and interest installments. The Payment in Lieu of Assessments is equal to \$0.9616 per square foot. The City has agreed to pay a higher proportionate share per square foot. The District was created with Lot 1A having 612,587 in square feet rather than the corrected amount of 685,896. Because the total costs per square foot are less than the original estimates of an amount not to exceed \$1.142 for both Lot 1A and Lot 1B, the principal amount of assessment will remain at \$630,000 for Lot 1A and the Payment in Lieu of Assessment will remain at \$337,060.87 for Lot 1B, which amounts are based on the square footage figures in the Resolution of Intent. (See “Assessment Method” herein.)

## **THE DISTRICT**

### **Description of Assessed Property**

The District includes approximately 24 acres of property in the area of 26<sup>th</sup> Street South and 23<sup>rd</sup> Street South that will be known as the “Medical Technology Park”. This area of Great Falls is generally located west of the Benefis Hospital on the south side of Great Falls. The District is comprised of two parcels and two property owners, with each property owner, Centene and The Great Falls Port Authority, owning one parcel of land. Centene requested the creation of the District for purposes of constructing the Improvements.

Lot 1A will be assessed a total principal amount of \$630,000 based upon the area of 685,896 square feet (15.746 acres) of land in the District. The City will prepay the costs attributable for Lot 1B’s share of the Improvements, incidental costs and costs of issuance in the amount of \$337,060.87 (the “Payment in Lieu of Assessments”). Lot 1B is owned by the Great Falls Port Authority and consists of 350,529 square feet (8.047 acres) of land. Only the assessment against Lot 1A will pay debt service on the Bonds. As of the date of this Official Statement, Lots 1A and 1B have no assessments outstanding and no taxes have been levied against the property in the District.

As of the date of issuance of the Bonds there will be no fully developed property in the District. The estimated 2004 market value of the property in the District is based upon the purchase price of the property in the amount of \$550,000. Following completion of the Improvements, the City estimates that the market value of Lot 1A will be greater than the amount of the corresponding assessments against Lot 1A. Lot 1B will be improved with a substantially completed office building and associated improvements by July of 2005 as described below.

The building to be occupied and leased by the Great Falls Port Authority to Centene that will be constructed on Lot 1B is estimated to be valued at \$4,614,190 as of completion of phase one of the project, which is anticipated to be July 31, 2005. Because of the Payment in Lieu of Assessments, Lot 1B will not have any assessments outstanding securing the Bonds. Lot 1A, owned by Centene, is expected to remain undeveloped in the near term. Because Centene’s undeveloped property will be levied assessments that will secure the Bonds, the City has an additional deposit under a Security Agreement with Centene in amount equal to approximately 20% of the principal and estimated interest due on the Bonds (\$179,687). This amount will be on deposit with the City for the purpose of paying debt service on the Bonds in the event Centene is 30 or more days delinquent in paying assessments against Lot 1A, subject to the terms of the Security Agreement, which contemplates release of the deposit or a portion thereof upon the occurrence of certain events. (See the description of the Security Agreement between Centene and the City as described in the section “The Bonds – Security and Sources of Payment” herein.)

## Property Owners in the District

The following table lists the two property owners in the District and certain details regarding Lot 1A and Lot 1B. **Because of the City’s Payment in Lieu of Assessments on Lot 1B, only Lot 1A, which consists of the undeveloped property currently owned by Centene, will secure the Bonds.**

Property Owner	Number of Parcels	Total Market Value for Tax Purposes <sup>2</sup>	Total Area Subject To Assessment (sq. ft)	Total Principal Amount of Assessment <sup>3</sup>	Percent of Bonds
1. Centene Corporation	1	\$349,825.87	685,896	\$630,000.00	<b>100%</b>
2. The Great Falls Port Authority <sup>1</sup>	1	200,174.13	350,529	337,060.87 <sup>4</sup>	<b>0%</b> <sup>3</sup>
<b>Total</b>	<b>2</b>	<b>\$550,000.00</b>	<b>1,036,425</b>	<b>\$976,060.87</b>	<b>100%</b>

<sup>1</sup> As a general matter, property owned by The Great Falls Port Authority is not subject to property taxes but is subject to special improvement district assessments. The Payment in Lieu of Assessments will be for Lot 1B’s share of the costs of the Improvements, incidental costs and costs of issuance but will not include any allocated costs for the Underwriter’s Discount or for the Revolving Fund.

<sup>2</sup> Following completion of the Improvements, the market value of Lot 1A will be greater than the assessments against Lot 1A. The building to be constructed as of July 31, 2005 on Lot 1B and leased by Centene as described below (see “The District – Centene Corporation”) is expected to be valued at \$4,614,190 based on an independent appraisal. Lot 1A is expected to remain undeveloped in the near term.

<sup>3</sup> The City has agreed to pay a larger proportionate share of the costs based on square footage. (See “Assessment Method” herein.)

<sup>4</sup> The Great Falls Port Authority will cause the City to prepay an amount equal to the principal amount of the assessment that would have been levied against Lot 1B for its share of the costs of the Improvements, certain incidental costs and costs of issuance in advance of the closing of the Bonds and therefore such amount will not secure the Bonds.

Source: The City

## Centene Corporation

Centene, which manages Medicare and other health-care programs for a number of states, opened its claims processing center in Great Falls in November of 2004 in temporary headquarters in downtown Great Falls. Centene plans to cause the building of a 43,633 square-foot claims center and a 5,000 square foot freestanding day care center to be completed in phases on Lot 1B. The office building will be owned by the Great Falls Port Authority and leased to Centene under a 20-year lease agreement. Under the lease agreement, Centene has an option to purchase Lot 1B and improvements thereon and may sublet the premises and assign the lease with the consent of the Great Falls Port Authority, which consent will not be unreasonable withheld. There can be no assurance that the lease agreement will remain in effect for 20 years or that Centene will not acquire or subsequently convey Lot 1B or that the lease premises will not be sublet or that the lease will not be assigned. While Centene currently owns Lot 1A, which is undeveloped and is the only property in the District subject to assessment for the repayment of the Bonds, no restrictions on subdivision or transfer of Lot 1A exist and there can be no assurance that Centene will not transfer all or a portion of Lot 1A. However, the Great Falls Port Authority has a right of first purchase with respect to Lot 1A for a 5-year period under the terms and conditions of the Development Agreement.

The first phase of construction, projected to be completed by July 31, 2005, is a 43,633 square foot two-story office building, of which 16,560 square feet will be finished office area and 27,073 square feet will be unfinished office area. Site improvements to be completed in the first phase include approximately 77,000 square feet of asphalt paving providing for 120 parking spaces and approximately 52,000 square feet of landscaping and related improvements. Phase two, projected to be completed by October of 2006, is to include the construction of finished office area for an additional 10,633 square feet (leaving 16,440 square feet of unfinished area). Phase two also includes the construction of a 5,000 square foot freestanding day care center. Phase three, projected to be completed by October 2007, is to include the construction of finished office area for an additional 10,882 square feet. Phase four, projected to be completed by October 2008, is to include the construction of finished office area in the remaining 5,558 square feet. The total building area upon completion of construction will be 48,633 square feet (including day care center). In addition to the finished building area an additional 15,600 square feet of asphalt parking will be constructed in the later phases providing for 133 more parking spaces.

The claims center is expected to employ up to 250 people. The City, through The Great Fall Port Authority, purchased 10 acres of undeveloped land adjacent to the property owned by Centene, which will be annexed in the future and is part of the property known as the “Medical Technology Park”, in an effort to market such property to other medical technology related companies.

Centene was originally founded by an inner-city hospital in Milwaukee, Wisconsin to respond to a state Medicaid managed care initiative. In 2001, Centene became a publicly traded company on the Nasdaq National Market. In October 2003, Centene became a publicly traded company on the New York Stock Exchange. Corporate headquarters for Centene are located in St. Louis, Missouri. Centene provides multi-line managed care programs and related services to individuals receiving benefits under Medicaid, including Supplemental Security Income and the State Children’s Health Insurance Programs. Centene currently operates health plans in Indiana, Kansas, Missouri, New Jersey, Ohio, Texas, and Wisconsin. In addition, Centene contracts with other healthcare organizations to provide specialty services including behavioral health, nurse triage and treatment compliance. The Great Falls operation is one of two claims centers operated by Centene. The other claims center, employing about 160 people, is located in Farmington Missouri.

Centene is a publicly traded company on the New York Stock Exchange under the common stock symbol of “CNC”. As of March 22, 2005 Centene had 41.45 million shares of stock outstanding and a market capitalization of \$1.19 billion (based on a stock price of \$28.80 on 3/22/05). Centene recently reported its 22nd consecutive quarter of increased profitability. As of year ended December 31, 2004, Centene and its subsidiaries had revenues of \$1.00 billion, a 30.04% increase over the prior year period. Net earnings for this period were \$44.31 million, an increase over the prior year period of 37.32%. For more information on Centene, “see [www.centene.com](http://www.centene.com)”.

## **OUTSTANDING SPECIAL IMPROVEMENT DISTRICT BONDS AND THE REVOLVING FUND**

### **General Information**

In addition to the District, the City has created 6 special improvement and sidewalk districts, which have outstanding special assessment bonds and warrants drawn against them and which are secured by the Revolving Fund. The City had cash on hand in its Revolving Fund in the amount of \$246,530 as of March 17, 2005, which amount secured \$745,000 in outstanding special improvement district bonds of the City, not



including the Bonds. After giving effect to the issuance of the Bonds, the City will have approximately \$278,030 on hand in its Revolving Fund which amount will secure approximately \$1,375,000 in principal amount of outstanding bonds and warrants of the City (a percent of 20.22%).

### **Future Financing**

The City ordinarily creates special improvement districts or undertakes sidewalk, curb and gutter projects at the request of property owners. As a result, the City cannot predict with any certainty the number of special improvement districts to be created or sidewalk, curb, gutter and alley approach projects to be undertaken in the future or the principal amount of bonds to be issued, although it is clear that additional districts and projects will be created and undertaken and additional bonds and warrants will be issued in the future.

### **Policy Statement Regarding Creation of Special Improvement Districts**

On November 20, 1990, the City Commission adopted a Special Improvement District Policy to provide for the orderly and economical financing of improvements in the City through the use of special improvement districts and at the same time minimize the financial risk to taxpayers in the City arising from unpaid or delinquent assessments within such districts.

Under the terms of the Special Improvement District Policy and Procedures, a special improvement district cannot be created or bonds secured by the Revolving Fund cannot be sold for districts with fewer than 50% of the lots containing occupied structures (“Undeveloped Districts”), unless the developer of such district posts additional security in an amount sufficient to guarantee payment of 33% of the principal and interest on the bonds. However, with respect to the District and the Bonds, the City has waived the deposit of 33% to guarantee payment and pursuant to an agreement reached between Centene and the City. Instead, Centene has agreed to deposit with the City cash in the amount of \$179,687 to guarantee payment of the assessments as a portion of the property benefiting from the Improvements owned by Centene. Such deposit is equal to approximately 20% of the principal and estimated interest on the Bonds and may be released upon the occurrence of certain events. (See the description of the Security Agreement as described in the section “Security and Sources of Payment” herein.)

The Special Improvement District Policy and Procedures is a statement of policy only and its provision can be waived the City Commission in a particular instance or the Special Improvement District Policy may be amended at any time without notice to or the consent of the owners of any Bonds.

## Summary of Outstanding Special Improvement Districts

The following table sets forth the special improvement districts with bonds outstanding as of March 1, 2005 or those districts with assessments still outstanding.

Bond Issue	Original Amount	Maturity Date	Bonds Outstanding	Cash Balance	Assessments Outstanding	Delinquent Assessments <sup>1</sup>
SID No. 1210	\$409,000	7/1/09	\$45,000	\$6,785	\$57,471	\$250
SID No. 1248	888,900	7/1/06	70,000	6,813	46,916	1,357
SID No. 1266	636,000	7/1/13	165,000	21,320	144,749	9,620
SID No. 1271	555,000	7/1/09	30,000	15,911	58,998	77
SID No. 1268	858,000	7/1/10	245,000	17,440	305,352	46
SID No. 1285 <sup>2</sup>	285,000	8/15/06	0	112,143	29,500	0
SID No. 1275	547,000	8/1/13	190,000	19,005	158,700	137
<b>Total</b>	<b>\$6,043,000</b>		<b>\$745,000</b>	<b>\$199,417</b>	<b>\$801,686</b>	<b>\$11,487</b>

<sup>1</sup> As of the date of issuance of the Bonds, delinquent assessments for special improvement districts within the City comprised approximately 0.19% of the original principal amount of Bonds issued.

<sup>2</sup> The cash balance for SID no. 1285 is due to the payment of delinquent assessments.

Source: The City Finance Department

## Special Improvement District Assessment Billings and Collections

Set forth in the following table are the special improvement district assessment billing and collection history for the City for the fiscal years ending June 30, 2000 through 2004.

Fiscal Year	Assessment Billing	Collections in Year Assessed		Total Annual Collections <sup>1</sup>	
		Amount	Percent	Amount	Percent
2003/04	\$354,498	\$352,851	99.5%	\$403,390	113.8%
2002/03	384,350	380,132	98.9	428,319	111.4
2001/02 <sup>2</sup>	430,304	503,829	117.1	650,593	151.2
2000/01	495,006	431,286	87.1	496,817	100.4
1999/00	529,388	517,522	97.8	659,626	124.6

<sup>1</sup> Includes principal and interest assessed and delinquent assessment collections.

<sup>2</sup> In 2001/02, collections were higher than normal because the delinquent assessments were brought current on the majority of SID 1285.

Source: The City

## Statement of Changes in Fund Balance of the Revolving Fund

Set forth in the following table is a summary of the changes in fund balance of the Revolving Fund for the period June 30, 2000 through June 30, 2004. Amounts shown in “Loan to Districts” below consist of loans from the Revolving Fund to the City’s various Special Improvement District Debt Service Funds. (See “Summary of Outstanding Special Improvement Districts” herein).

	1999/00	2000/01	2001/02	2002/03	2003/04
Beginning Balance - July 1	\$771,096	\$757,599	\$514,315	\$469,467	\$469,136
Receipts Over Disbursements	<u>(13,497)</u>	<u>(243,284)</u>	<u>(44,848)</u>	<u>(330)</u>	<u>(34,472)</u>
Ending Balance – June 30	<u>\$757,599</u>	<u>\$514,315</u>	<u>\$469,467</u>	<u>\$469,137</u>	<u>\$434,663</u>
Assets:					
Cash	\$519,080	\$353,015	\$432,055	\$433,300	\$432,266
Loans to Districts	231,216	158,893	33,196	33,196	0
Assessments Receivable	81,995	47,644	33,110	15,355	5,444
Accrued Interest	<u>6,664</u>	<u>1,556</u>	<u>1,359</u>	<u>2,641</u>	<u>2,398</u>
Total Assets	<u>\$838,955</u>	<u>\$561,108</u>	<u>\$499,720</u>	<u>\$484,492</u>	<u>\$440,108</u>
Total Liabilities (deferred revenue)	<u>\$81,356</u>	<u>\$46,793</u>	<u>\$30,253</u>	<u>\$15,355</u>	<u>\$5,444</u>
Total Fund Balances	<u>\$757,599</u>	<u>\$514,315</u>	<u>\$469,467</u>	<u>\$469,137</u>	<u>\$434,664</u>
Total Liabilities/Fund Balances	<u>\$838,955</u>	<u>\$561,108</u>	<u>\$499,720</u>	<u>\$484,492</u>	<u>\$440,108</u>

## QUALIFIED TAX-EXEMPT OBLIGATIONS

The City has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). Accordingly, financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(b) of the Code as if they were acquired on August 7, 1986 for purposes of partial deductibility of interest carrying costs. Non-compliance with certain requirements of the Code may cause the Bonds retroactively to lose their character as qualified tax-exempt obligations.

## TAX EXEMPTION AND RELATED CONSIDERATIONS

### Tax Exemption

In the opinion of Dorsey & Whitney LLP, as Bond Counsel, under federal and state laws, regulations, rules and decisions in effect on the date of their issuance, interest on the Bonds is not includable in gross income for federal income tax purposes or for State of Montana individual income tax purposes. Interest on the bonds is not excludable, however, from the computation of income for purposes of the Montana corporate income tax and the Montana corporate license tax. Certain provisions of the Internal Revenue Code of 1986, as amended (the “Code”), however, impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain not includable in federal gross income for purposes of federal income taxation.

Noncompliance with such requirements by the City may cause the interest on the Bonds to be includable in federal gross income retroactive to the date of issuance of the Bonds, prospectively or retroactive to the date of issuance of the Bonds. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes includable in federal gross income or Montana individual income taxation.

### **Related Federal Tax Considerations**

Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes applicable to all taxpayers, but such interest is includable in book income and in earnings and profits in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account interest on the Bonds in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to taxation under Section 1375 of the Code for an S corporation that has accumulated earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income. Interest on the Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest on the Bonds that is received or accrued during the taxable year.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Bonds. Prospective purchasers or Bondholders should consult their tax advisors with respect to collateral tax consequences, including without limitation the determination of gain or loss on the sale of a Bond, the calculations of alternative minimum tax liability, the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Bonds, and the state and local tax rules.

Section 265 of the Code denies a deduction of interest on indebtedness incurred or continued to purchase or carry the Bonds. Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. Federal law also restricts the deductibility of other expenses allocable to the Bonds. (See “Qualified Tax-Exempt Obligations” herein.)

### **LITIGATION**

There is no controversy or litigation of any nature now pending, or to the knowledge of the City, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, or any proceedings of the City taken with respect to the issuance or sale thereof.

### **NO CONFLICTS OF INTEREST**

The City is not aware of the existence of any actual or potential conflict of interests, breach of duty or less than arm’s-length transaction regarding the selection of the underwriter of the Bonds, the City’s engineer and other

participants in the offering of the Bonds. D.A. Davidson & Co. as Financial Advisor has obtained written permission from the City to submit a bid in its behalf at the public sale for the purchase of the Bonds.

### **UNDERWRITING**

\_\_\_\_\_ (the “Underwriter”) has agreed, subject to the terms of the Notice of Sale, to purchase the Bonds from the City at an aggregate purchase price of \_\_\_\_\_% of the par value of the Bonds, plus accrued interest. The Bonds are being offered for sale to the public at the price shown on the inside cover of this Official Statement. The initial offering price is subject to change after the date hereof.

### **COMMITMENT TO PROVIDE CONTINUING DISCLOSURE**

Although bidders and other participating underwriters in the primary offering of the Bonds need not comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”), because the aggregate principal amount of the Bonds and any other securities required to be integrated with the Bonds is less than \$1,000,000, to enhance the marketability of the Bonds, the City will covenant and agree in the Bond Resolution, for the benefit of the Owners (as hereinafter defined) from time to time of any Bonds which are Outstanding, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix C to this Official Statement.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a fault on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price. The City has not failed to comply with the requirements of any previous undertaking specified in paragraph (b)(5)(i) of Rule 15c2-12.

### **DISCLOSURE STATEMENT**

The City will deliver to the Underwriter at the time of the delivery of the Bonds statements substantially to the effect that the information contained in this Official Statement, and in any supplements or amendments hereto, delivered by the City (which shall be deemed an original part hereof for the purposes of such statement) did not, as of the date of sale of the Bonds to the Underwriter, and do not, as of the date of delivery of the Bonds to the Underwriter(s), contain any untrue statement of a material fact or omit to state a material fact where necessary to make a statement therein not misleading in light of the circumstances under which it was made.

### **ADDITIONAL INFORMATION AND MISCELLANEOUS**

The descriptions herein of the Bond Resolution and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents and contracts,

copies of which are available, upon request and upon payment to the City a charge for copying, mailing and handling, from the City. Additional information concerning the Bonds, the City and the District may be obtained by contacting the City, 2 Park Drive South, P.O. Box 5021, Great Falls, Montana 59403, Attn., City Clerk, telephone (406) 771-1181.

The summaries and descriptions contained in this Official Statement and the Appendices hereto of the provisions of the Bonds, the Bond Resolution and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. This Official Statement is not to be construed as a contract or agreement between the City and the Underwriter(s) or holders of any of the Bonds.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact. No representation is made that any of such statements will be realized.

### **APPROVAL OF OFFICIAL STATEMENT**

The City, through a duly authorized official, has deemed this Preliminary Official Statement “final” as of its date, except for the omission of information dependent on the pricing of this issue, for purposes of compliance with Securities and Exchange Commission Rule 15c2-12.

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF GREAT FALLS, MONTANA

By: \_\_\_\_\_  
Randy Gray  
Mayor

ATTEST:

By: \_\_\_\_\_  
Peggy Bourne  
Clerk

**APPENDIX A**

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**City General and Financial Information**

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*The information presented under this heading is provided to give prospective investors an overview of the general organization and economic status of the City. However, inclusion of this information is not intended to imply that owners of the Bonds will be able to look to any fund other than the District Fund or the Revolving Fund for payment of the Bonds. The Bonds are not general obligations of the City and the unlimited taxing powers of the City are not pledged to the payment of principal thereof or interest thereon. (See “Security for the Bonds” herein.)*

## THE CITY - GENERAL INFORMATION

### General

The City of Great Falls (the “City”) is the County Seat of Cascade County (the “County”) and is the third largest city in the State. Located on the Missouri River in north central Montana, the City lies approximately 50 miles east of the Continental Divide, 120 miles south of the Canadian border, approximately 80 miles northeast of the City of Helena, the State’s Capital, and 180 miles northwest of the City of Billings, the largest city in Montana. The City encompasses an area over 17 square miles with an estimated 2003 population of 56,155 as reported by the U.S. Census Bureau. The economy of the area is based largely on two factors: agriculture and Department of Defense activities. Due to its close proximity between two National Parks, “Yellowstone” and “Glacier”, tourism is increasing in economic importance. See “Appendix B – Economic and Demographic Information” herein.

### Government

The City is a municipal corporation organized under the laws of the State of Montana in 1888. The City Charter was adopted June 3, 1986, and became effective July 1, 1986. A Commission/Manager form of government governs the City with a five member Commission comprised of a Mayor and four Commissioners. The City’s executive, legislative, and policy-making body is the City Commission who are elected every four years and serve overlapping four-year terms. The Mayor is a separately elected position, subject to two-year terms. The current Commission members and the expiration of their respective terms of office are as follows:

<u>Elected Official</u>	<u>Title</u>	<u>Years on Commission</u>	<u>Expiration of Term</u>	<u>Occupation</u>
Randy Gray	Mayor	8 years	12/31/05	Attorney
Bill Beecher	Commissioner	7 years	12/31/05	Financial Planner
Sandy Hinz	Commissioner	4 years	12/31/07	Retired
Diane Jovick-Kuntz	Commissioner	4 years	12/31/07	Marketing
John Rosenbaum	Commissioner	8 years	12/31/05	Contractor

The chief administrative officer of the City is the City Manager who is hired by, responsible to, and serves at the pleasure of the City Commission. The City Manager is responsible for carrying out Commission policy, administering the affairs of the City and directing, organizing, establishing, supervising and administering all departments, agencies, and offices of the City. The City Manager also prepares and presents the City budget to the City Commission for its approval and submits quarterly financial reports to the Commission.



Mr. John Lawton has served as the City Manager since 1990. Prior to working for the City, Mr. Lawton served as the Director of Finance and Administrative Services and later as Assistant City Manager for the City of Billings. In addition, Mr. Lawton was Director of Finance for the city of Rockville, Maryland for over five years and was the Vice President and Treasurer of Public Technology, Inc., which is the research division of the National League of Cities and of the International City Management Association. Mr. Lawton earned a Bachelor of Arts Degree in Political Science from George Washington University and a Master's Degree in Public Administration from Washington State University.

Ms. Coleen Balzarini has served as the City Controller since July 1992 and Director of Fiscal Services since January 1996. Ms. Balzarini first became employed by the City in 1989. Ms. Balzarini holds a Bachelor of Science Degree in Accounting from the College of Great Falls, holds a Master's Degree in Administrative Sciences, Public Administration from the University of Montana, and has been awarded the designation of Certified Public Finance Officer by the Government Finance Officer's Association of the United States and Canada.

**Principal Governmental Services**

The City provides a number of basic services to its residents which include police and fire protection, municipal water, sewer and sanitation systems, public works, transportation, planning, building inspection, zoning enforcement, public library, and parks and recreation.

**Employment and Employee Relations**

As of March 1, 2005, the City employed 515 full-time equivalent employees. State law requires municipalities to bargain collectively with formally recognized bargaining units. Currently, 8 unions represent approximately 80% of the City's employees. The City considers its employee relations to be satisfactory.

**Pension Plans**

All full-time City employees are eligible to participate in one of the cost-sharing retirement plans listed below. These multiple-employer plans are administered by the State of Montana for a number of public entities in the State. The City made the following contributions in fiscal year 2003/04 on behalf of the City employees who participated in the plans listed below.

	<u>Number of Participants</u>	<u>2003/04 City Contribution</u>
Public Employees' Retirement System (PERS)	345	\$714,522
Firefighters' Unified Retirement System (FURS)	64	385,791
Municipal Police Officers' Retirement System (MPORS)	79	468,322

## THE CITY - FINANCIAL INFORMATION

### Financial Operations, Sources of Revenue and Budgeting Process

**General.** Since their inception, Montana local governments have relied on local property taxes as the principal source for funding their general operations under rules prescribed by the State Legislature. Historically, cities were permitted by law to levy an all-purpose property tax not to exceed 65 mills, plus special purpose levies for pension, insurance, debt service, and other categories permitted by State law.

The mill levy rate (“mills”) is determined by dividing the tax receipts budgeted to be received by a taxing jurisdiction by the taxable value of all taxable property within such jurisdiction. The tax on each property is then determined by applying the mills to the taxable value of said property.

The fiscal year of the City and other taxing bodies in the State commences July 1 of each year and ends June 30 of the following year. Taxes are payable in two installments, due on November 30 and May 31 of each fiscal year. If not paid on or before these dates, taxes become delinquent and accrue interest at a rate of 5/6 of 1% per month from and after such delinquency until paid, plus 2% as a penalty.

The City’s budget for fiscal year July 1, 2004/05 imposed a total mill levy of 131.61 mills for all funds. The City’s budgeted General Fund revenues are estimated to be comprised of 48.5% local property tax receipts, 29.9% Entitlement Share from the State and 21.6% other sources. Other sources of funding for Montana cities include State, County, and Federal revenues, fines, special assessments, charges for services, license and permit fees and investment earnings. Local governments, even home rule municipalities, do not have the authority to impose taxes unless specifically granted by the State Legislature. (See “City General Fund Summary” herein.)

**Budget Process.** The financial operations of the City are conducted primarily through its General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund, Enterprise Funds, and Internal Service Funds. All revenues not attributable to any other fund are accounted for in the General Fund and recorded therein, and any lawful expenditure of the City may be made from its General Fund.

The Montana Municipal Budget Law stipulates that money, other than payments from agency funds, cannot be drawn from the city treasurer except pursuant to an appropriation. Therefore, a legally adopted budget is required for all funds, with the exception of agency funds. The City Manager is responsible for preparation of the preliminary annual budget. The City Commission modifies and/or approves this budget. The City Commission must meet prior to the budget adoption for the purpose of holding a public hearing on the final budget. This hearing can be continued until the budget is finally approved and adopted. State law requires that on or before the second Monday in August, the City Commission will fix the tax levy for each fund. The City Director of Finance forwards a copy of the final budget to the State Department of Commerce no later than October 1.

## **Valuations, Assessments and Reassessments of Property for Taxation Purposes**

**General Provisions.** As a general rule, all real and personal property in the State of Montana is subject to taxation by the State and its counties, municipalities and other political subdivisions to finance various general and special governmental functions. This rule is subject to exceptions in the case of specified classes of exempt property, including public property, property of churches, schools, hospitals, cemeteries and charities, household goods, certain agricultural products, automobiles, smaller trucks, business inventory, money and credits. Property is classified according to its use and character, and the different classes of property are taxed at different percentages of their market valuation.

All taxable property except farm land and mines is to be assessed at 100 percent of market value, as such market value is determined by the Montana Department of Revenue (the "Department of Revenue"). In practice, market value is generally less than the property's appraised value for resale purposes. The Montana Constitution requires that property tax values be equalized across the State. The Department of Revenue administers and supervises a program for the revaluation of all taxable property within classes three, four and ten property pursuant to a written plan. (See "Tax Rates – Calculation of Taxable Value" herein for discussion of classifications for property tax purposes). The plan provided that all class three, four and ten property in each county be revalued by January 1, 2003 and each succeeding six years, with the next reappraisal to be complete by January 1, 2008 effective for January 1, 2009. The resulting valuation changes must be phased in each year until the next reappraisal at a rate of 16.66% per year unless otherwise specified. Other property valuations are based on comprehensive appraisals of all taxable property performed by the Department of Revenue each year. The Department of Revenue is required by law to furnish market and taxable values to each taxing jurisdiction prior to the first Monday in August for purposes of preparing fiscal year budgets.

The fiscal year of the City and other taxing bodies in the State commences July 1 of each year and ends June 30 of the following year. Taxes are payable in two installments, due on November 30 and May 31 of each fiscal year. If not paid on or before these dates, taxes become delinquent and accrue interest at a rate of 5/6 of 1% per month from and after such delinquency until paid, plus 2% as a penalty.

The reductions in the rate of taxation for various classes of property resulted in a reduction of revenues for local governments, which the State attempted to reimburse to them or allow for increases above the statutory property tax limitations, in an effort to at least keep the level of local government support.

**Tax Rates - Calculation of Taxable Value.** The taxable value for property is determined by applying a statutorily established percentage ratio to the market value of the property according to a system of classification established by State statute. Currently, there are 13 classifications of property for tax purposes. For most Montana taxing jurisdictions, the bulk of the property tax base is in Class Four (residential and commercial); Class Five (livestock and personal property); Class Seven (property owned by rural cooperatives serving less than 15% of electricity consumers in an incorporated town; electric transformers and machines, electric light and power station machines, natural gas measuring and regulating station equipment owned by non-centrally assessed public utilities); Class Eight (mining and manufacturing machinery, fixtures, equipment); Class Nine (allocations for centrally assessed gas and electrical distribution systems); Class Twelve (centrally assessed railroad property); and Class Thirteen (electrical generation facilities and centrally assessed telecommunications companies).

The 1997 and 1999 Legislatures, in an effort to prevent large property tax increases from the 1997 reappraisal, provided for phased-in (1) market valuation exemptions and (2) property tax rate reductions. The 2003 Legislature adopted this same policy for the 2003 reappraisal and therefore any increases in valuation resulting from the reappraisal are to be phased-in each year at a rate of 16.66% until the next reappraisal. During this phase-in period, a portion of the market value of Class Four property will become exempt from taxation in the amounts of 31.0% in 2003, 31.4% in 2004, 32.0% in 2005, 32.6% in 2006, 33.2% in 2007 and 34.0% in 2008 and subsequent years for residential property (“homestead exemption”) and for commercial property (the “comstead exemption”) the annual exemptions are 13.0% in 2003, 13.3% in 2004, 13.8% in 2005, 14.2% in 2006, 14.6% in 2007 and 15.0% in 2008 and thereafter. The increase in exemption for Class Four property over a period of six years will also be matched with changes in the tax rate from the rate of 3.46% in 2002 to 3.40% in 2003 and adjusted downward each year as follows, 3.30% in 2004, 3.22% in 2005, 3.14% in 2006, 3.07% in 2007 and 3.01% in 2008 and thereafter. (Prior to 1999, the rate of taxation for Class Four property had been 3.86% for many years).

The 1999 Legislature also made many other significant revisions to property tax rates as applied to other classes of property. It reduced the tax rate on Class Eight property from 6% to 3% and provided that exempt Class Eight property valued (market) at \$5,000 or less be exempt from taxation. The tax rate on Class Thirteen property was reduced from 12% to 6%, the tax rate on Class Five property was reduced from 8% to 3% and the tax on Class Six property was eliminated. The 1999 Legislature also reduced the tax rate on automobiles and light trucks from 2% of the vehicle value to 1.4% with further reductions possible in the following years to prevent increases in revenue from this tax. The tax rate on forestland (Class Ten property) was reduced from 0.79% of its forest production value to 0.35%. The 2003 Legislature further reduced Class Eight property by 1% each year (it was 3% as of tax year 2003) until it reaches zero beginning with tax year 2004 if the percentage growth in inflation adjusted Montana wage and salary income meets certain targets.

***Reimbursement Provisions.*** The result of the tax changes by the 1999 and 2003 Legislatures described above is a reduction in the taxable valuation and ultimately the taxes received by local governments. However since enactment of such changes, the State has reimbursed local governments for property tax and other tax losses that are attributable to reductions in the tax rates on business equipment, oil and gas production, telecommunications property, electrical generating facilities, and mining transportation costs but will not reimburse local governments for property tax losses attributable to the reduction in the tax rates on residential and commercial real estate.

***2005 Legislative Session.*** The 2003 Legislature formed two committees: an interim property tax reappraisal committee and a tax reform study committee. The property tax reappraisal study committee, comprised of eight legislators, studied the effect of cyclical reappraisal and methods for mitigating changes in taxable value caused by cyclical reappraisal. A tax reform study committee, comprised of legislators and gubernatorial appointees from small business, large industry, agriculture and labor, examined taxation in Montana. Each committee submitted a report in November of 2004 that included recommendations and proposed legislation necessary to implement such proposals. The 2005 Legislature convened in January of 2005 and is expected to be in session 90 days so it is too soon to predict the outcome of any new proposed property tax legislation.

## **2001 Legislative Revisions to System of Municipal Finance**

Pursuant to HB 124 enacted by the 2001 Legislature effective, for the most part, July 1, 2001, the State replaced its

system of reimbursement for lost property tax revenue by local governments with a system of local government entitlements and block grants. Prior to HB124, local government personal property tax reduction reimbursements contained in HB20 and SB417 from prior sessions were being reduced 10% a year starting in fiscal 2000 and tax reduction reimbursements contained in SB184 from the 1999 Legislature were sunset June 30, 2001.

To fund the entitlements and block grant programs, the State will retain various tax and revenues for the general fund that were previously allocated to the local governments, including sources such as gaming revenues, beer and wine taxes, and automobile licensing and registration fees.

HB124 is expected to provide a more predicable, stable funding source for local government and more flexibility and decision making at the local level.

HB124 combines a number of different reimbursements and other revenue sources controlled by the State into one "Entitlement Share" which is not tied to any specific revenue source, but rather to the general economic condition of the State. This allows the State legislature to make tax changes and revenue reallocations without impacting the revenue for local government, since the local government "Entitlement Share" is not tied to any particular revenue source or revenue allocation. Therefore, the local government revenue base, which will vary with the State's economy, can continue at a fairly predictable level and not be radically changed every two years by the Legislature, by a decision of the Legislature to reduce or eliminate a source of taxation in which local governments rely. Ultimately, the Legislature still has the power to change the "Entitlement Share".

*Summary of HB124.* The main provisions of HB124 include:

1. Revenue that was appropriated to local governments from various sources will continue in a single statutory appropriation: certain motor vehicles; gaming; financial institutions; alcohol taxes; district court fees; other miscellaneous revenues; and SB184 reimbursements.
2. The entitlement share payment for local governments will provide for predictable, stable revenue flows based on previous revenue plus a growth factor allowing all areas of the State to share in the overall state revenue growth.
3. Ties the entitlement share growth rate to the Montana economy based on an annual calculation using Montana Gross State Product plus Montana Personal Income - 4 year average growth and the following percentages: cities-3.00%; consolidated governments-2.65%; counties-2.30%. Annual "growth" of the Entitlement Share is distributed 50% on population and 50% on each local government's share of the base year entitlement calculation.
4. A provision providing that if the future revenues fall below 95% of the base year revenues due to causes other than legislative action that local governments share in the revenue loss.
5. The State assumes financial liability for the portion of district courts and welfare expenses previously funded by counties.
6. Provides an overall property tax cap on local government growth but provides for growth at  $\frac{1}{2}$  the rate of inflation and provides new flexibility in levying the maximum number of mills.

7. Strengthens current law so that the state cannot put unfunded mandates on local governments and provides block grants for school districts and countywide school transportation and retirement funds.

The entitlement share is expected to grow at a rate of 2.3%-3.0% dependent upon the performance of the State economy. The City believes this growth rate is a more predictable revenue source than the various revenue sources assumed by the State. The City’s budget for fiscal year July 1, 2004/05 imposed a total mill levy of 131.61 mills for all funds. The City’s budgeted General Fund revenues are estimated to be comprised of 48.5% local property tax receipts, 29.9% Entitlement Share from the State and 21.6% other sources.

**Financial Summary**

(As of the date of issuance of the Bonds)

2003 Estimated Population .....	56,155
2004/05 Market Valuation.....	\$2,002,922,459
2004/05 Taxable Valuation (net of tax increment) .....	\$57,032,962
General Obligation Debt Outstanding (“Direct Debt”) .....	\$2,500,000
Total General Obligation Direct and Overlapping Debt Outstanding.....	\$10,761,341
Water Revenue Debt Outstanding .....	\$8,597,000
Storm Sewer Revenue Debt Outstanding.....	\$6,255,000
Tax Increment Debt Outstanding .....	\$5,175,000
Special Improvement Bonds Outstanding (Including the Bonds) .....	\$1,445,000

**Overlapping General Obligation Bonded Indebtedness**

	General Obligation Debt <u>Outstanding</u>	Outstanding Debt Chargeable ----- to Property Within City -----	
		Percent Allocable to City	Amount Allocable to City
Cascade County	11,750,000	60.73%	\$7,135,752
Great Falls School District No. 1	1,585,000	71.02	<u>1,125,589</u>
Total Overlapping Debt.....			\$8,261,341
Total Direct Debt.....			<u>2,500,000</u>
Total Direct and Overlapping Debt.....			<u>\$10,761,341</u>

## General Obligation Debt Ratios

Direct Debt Per Capita.....	\$45
Direct and Overlapping Debt Per Capita.....	\$192
Direct Debt to Market Valuation.....	0.12%
Direct and Overlapping Debt to Market Valuation.....	0.54%
Direct Debt to Taxable Valuation.....	4.38%
Direct and Overlapping Debt to Taxable Valuation.....	18.87%
Market Valuation Per Capita.....	\$35,668
Taxable Valuation Per Capita.....	\$1,016

## General Obligation Debt Limitations

Except for special provisions concerning general obligation indebtedness incurred for purposes of providing sewer and water service, the limit on aggregate outstanding and unpaid general obligation indebtedness for cities cannot exceed 1.51% of the total assessed value of taxable property as ascertained by the last assessment for state and county taxes. The 2004/05 total assessed valuation for the City was \$2,002,922,459. The total amount of debt the City may incur is according to State law is \$30,244,129. The City currently has \$2,500,000 in general obligation debt outstanding, leaving \$27,744,129 of debt capacity remaining. **Special Improvement District Bonds are not general obligations bonds and do not apply to the general obligation indebtedness outstanding or general obligation debt capacity remaining.**

## Trends in Property Valuations

Set forth in the following table are the market valuations and taxable valuations of real and personal property, including tax increment districts, located within the City for the fiscal years 2000/01 through 2004/05.

<u>Year</u>	<u>Market Valuation</u>	<u>Taxable Valuation<sup>1 3</sup></u>
2004/05	\$2,002,922,459	\$57,032,962
2003/04	2,236,550,799	57,996,462
2002/03	1,905,076,393 <sup>2</sup>	56,833,751
2001/02	2,149,482,413 <sup>3</sup>	57,434,977
2000/01	2,046,416,661 <sup>3</sup>	57,180,369

<sup>1</sup> Net of Tax Increment

<sup>2</sup> The decrease in market value for 2002/03 is attributable to a reporting change by the State Department of Revenue, which does not include the market value of exempt property in the total market valuation.

<sup>3</sup> The 1999 Legislature changed the formula for computing taxes. Due to the commercial and residential exemption schedule, if the increase in residential valuation is greater than the increase in commercial valuation, market valuation may increase while taxable valuation decreases. In addition, the 1999 Legislature changed the formula for computing property taxes. Taxable property values declined, tax rates increased and

property taxes remained the same. See “Valuations, Assessments and Reassessments of Property for Taxation Purposes” below.

Source: Department of Revenue – Cascade County

**Tax Levies**

The following table shows the mill rates per \$1,000 of taxable value of property for a resident of the City for fiscal years 2000/01 through 2004/05.

Taxing Entity	----- Fiscal Year -----				
	2000/01	2001/02	2002/03	2003/04	2004/05
State University Millage	6.00	6.00	6.00	6.00	6.00
State School Equalization	40.00	40.00	40.00	40.00	40.00
Assumed Public Assistance	9.00	0.00	0.00	0.00	0.00
Cascade County	87.44	98.55	101.73	111.22	107.70
County-wide School Levy	102.10	97.82	101.46	99.60	103.41
Great Falls School Districts	164.81	183.54	195.25	208.17	209.51
City of Great Falls	108.12	111.32	119.00	124.33	131.61
<b>Total</b>	<b>517.47</b>	<b>537.23</b>	<b>563.44</b>	<b>589.32</b>	<b>598.23</b>

Source: Department of Revenue – Cascade County

**Tax Collections**

Set forth in the following table are the real and personal property tax levies and collections for the City for the fiscal years ending June 30, 2000 through 2004. The tax levy for the City for the current fiscal year 2004/05 is \$8,297,805, net of tax increment.

Fiscal Year	Tax Levy <sup>1</sup>	Taxes Collected in Year Levied <sup>1</sup>		Total Annual Tax Collections <sup>1</sup>	
		Amount	Percent	Amount <sup>2</sup>	Percent <sup>2</sup>
2003/04	\$7,612,207	\$7,036,042	92.4%	\$7,620,717	100.11%
2002/03	7,189,079	6,523,929	90.8	7,037,971	97.9
2001/02	6,786,261	6,279,988	92.5	6,660,945	98.2
2000/01	6,552,605	6,230,233	95.1	6,909,538 <sup>3</sup>	105.5
1999/00	6,332,199	5,858,814	92.5	6,333,929	100.3

<sup>1</sup> Net of tax increment.

<sup>2</sup> Includes real and personal property collections, delinquencies, penalties and interest.

<sup>3</sup> Protested monies were authorized for distribution in the amount of \$347,665.



Source: City of Great Falls

## Major Taxpayers

The following table lists the largest taxpayers within the City for fiscal year 2004/05 in declining order of taxable valuation.

<u>Taxpayer</u>	<u>Business</u>	<u>Total 2004/05 Taxable Value</u>
1. Northwestern Energy <sup>1</sup>	Utility	\$2,762,769
2. Macerich Partnership, LP	Retail Shopping Mall	1,102,709
3. Quest	Telecommunications	1,027,464
4. Montana Refining Company	Petroleum Processing	688,514
5. General Mills, Inc.	Grain Storage/Processing	618,525
6. City of Great Falls (Pasta Montana)	Government	526,521
7. Burlington Northern Railroad	Railroad	346,559
8. Great Falls Gas	Utility	327,233
9. Wal-Mart	Retail/Grocery	293,221
10. Peak Medical	Healthcare	<u>278,042</u>
Total		<u>\$7,971,554<sup>2</sup></u>

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<sup>1</sup> Northwestern emerged from Chapter 11 Bankruptcy on November 1, 2004. Northwestern Energy filed for Chapter 11 bankruptcy in September 2003 and filed a plan of reorganization in the Bankruptcy Court and a hearing was held in June 2004. On October 20, 2004, the Bankruptcy Court entered a written order confirming the second amended and restated plan of reorganization with the effective date for emergence of Chapter 11 November 1, 2004.

<sup>2</sup> The top ten taxpayers according to taxable valuation in 2004/05 comprised approximately 14.0% of the City's 2004/05 taxable value net of tax increment of \$57,032,962.

Source: City of Great Falls

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## City General Fund Summary

The following table is a summary of the statements of revenues collected, expenditures paid, and changes in the General Fund balance for the fiscal years ended June 30, 2000 through 2004.

	Audited 1999/00	Audited 2000/01	Audited 2001/02 <sup>1</sup>	Audited 2002/03	Audited 2003/04
<b>Revenues:</b>					
Taxes	\$7,873,155	\$8,307,776	\$7,339,641	\$7,775,862	\$8,405,083
Licenses and permits	398,476	586,234	542,345	508,605	539,426
Intergovernmental	3,843,581	4,122,065	5,031,567	5,140,937	5,233,665
Charges for services	436,308	524,757	482,110	496,577	442,382
Fines and forfeitures	1,188,315	935,045	994,740	1,020,858	1,240,323
Investment Income	166,911	313,612	101,240	79,582	0
Internal Services	581,357	487,549	536,457	559,386	620,491
Other	212,843	275,263	121,307	427,836	367,579
<b>Total Revenue</b>	<b>\$14,700,946</b>	<b>\$15,552,301</b>	<b>\$15,149,407</b>	<b>\$16,009,643</b>	<b>\$16,848,949</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	\$1,717,136	\$1,644,605	\$1,785,015	\$1,761,440	\$1,793,526
Public safety	9,194,436	10,173,414	10,690,438	10,925,674	11,253,402
Culture and Recreation	1,167,589	1,258,309	1,249,839	1,228,668	1,287,731
Other	130	1,067	200	0	0
Capital outlay	2,450	202,588	15,718	15,279	198,962
Debt service	90,868	21,448	14,440	7,088	17,350
<b>Total Expenditures</b>	<b>\$12,172,609</b>	<b>\$13,301,431</b>	<b>\$13,755,650</b>	<b>\$13,938,149</b>	<b>\$14,550,971</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>\$2528,337</b>	<b>\$2,250,870</b>	<b>\$1,393,757</b>	<b>\$2,071,494</b>	<b>\$2,297,978</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$11,960	\$375,790	\$220,710	\$373,900	\$491,527
Transfers out	(2,283,534)	(2,458,277)	(1,824,306)	(3,096,261)	(3,077,575)
Sale of fixed assets	0	4,235	29,136	2,258	883
<b>Other Financing Sources (Uses)</b>	<b>\$(2,271,574)</b>	<b>\$(2,078,252)</b>	<b>\$(1,574,460)</b>	<b>\$(2,720,103)</b>	<b>\$(2,585,165)</b>
	)	)			
<b>Fund Balance (July 1)</b>	<b>\$5,022,509</b>	<b>\$4,839,540</b>	<b>\$5,012,158</b>	<b>\$4,880,639</b>	<b>\$4,232,030</b>
Residual Equity Transfer	(439,732)		49,184	0	0
<b>Fund Balance, June 30</b>	<b>\$4,839,540</b>	<b>\$5,012,158</b>	<b>\$4,880,639</b>	<b>\$4,232,030</b>	<b>\$3,944,843</b>

<sup>1</sup> As of fiscal year ended June 30, 2002 and for subsequent years, the City's financial statements are prepared according to the new requirements established by the Governmental Accounting Standards Board's Statement No. 34 ("GASB 34").

Source: The City's Comprehensive Annual Financial Reports and Financial Statements

**APPENDIX B**

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**Economic and Demographic Information**

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## ECONOMIC AND DEMOGRAPHIC INFORMATION

### The Local Economy

The economy of the area is based largely on two factors: agriculture and Department of Defense activities. Due to its close proximity between two National Parks, “Yellowstone” and “Glacier”, tourism is increasing in economic importance.

### Agriculture

The economy of the City of Great Falls (the “City”) and Cascade County (the “County”) benefit significantly from agriculture. Farming and ranching operations provide employment for 1,288 persons in the County and related enterprises furnish jobs for many more. As of 2002, the last agricultural census, 1,037 farms encompassing 1,388,530 acres of farmland were located in the County. The County consistently ranks as one of the top counties in the State in total cash receipts from agricultural marketings. The County ranked 10<sup>th</sup> out of the 56 counties in the State in total cash receipts from agricultural marketing in 2001, 15<sup>th</sup> in 2000, 7<sup>th</sup> in 1999, 8<sup>th</sup> in 1998 and 6<sup>th</sup> in 1997. Below are summarized cash receipts figures for agricultural marketings in the County for the years shown according to the Montana Agriculture Statistics Service.

	----- Cash Receipts (in thousands) -----				
Sources	1997	1998	1999	2000	2001
Livestock and Products	\$42,510	\$31,335	\$32,474	\$35,241	\$35,287
Crops	33,309	29,989	24,917	19,883	15,503
Government Payments	7,047	10,871	14,530	15,037	15,663
<b>TOTALS</b>	<b>\$82,866</b>	<b>\$72,195</b>	<b>\$71,921</b>	<b>\$70,161</b>	<b>\$66,453</b>

Major crops of the area include winter wheat, barley, oats and alfalfa hay. In 2002, the County ranked 3<sup>rd</sup> in the production of winter wheat, 6<sup>th</sup> in the production of barley and 9<sup>th</sup> in the production of all hay. Great Falls is situated at the southern end of a geographical triangle running between Havre, Montana to the northeast and Shelby, Montana to the northwest. This area is known as the “Golden Triangle” and is known for its hard winter wheat. Approximately two-thirds of the grain marketed in the State is grown in this area. Consequently, Great Falls is the center for a 14 county region for storage, transportation, processing and marketing of grain and livestock feed products.

Major livestock and livestock products of the area include hogs, pigs, cattle and calves. As of December 1, 2002, Cascade County ranked 6<sup>th</sup> out of 56 counties in Montana for the total number of hogs and pigs. As of January 1, 2003, Cascade County ranked 10<sup>th</sup> for the number of head of cattle and calves and 8<sup>th</sup> for the production of all sheep and lambs.

International Malting Co. is building a \$60 million barley malting plant located on the north side of Great Falls in the newly formed Agri-Business Park. The City issued bonds in early 2005 in the amount of \$5,005,000 of which a portion of the proceeds will be used to finance sanitary sewerage improvements that will be made available to the Agri-Business Park and others in the immediate vicinity. The plant is expected to open mid-2005 and will employ approximately 25 permanent employees.

**Government.** Government at all levels represents the largest component of the Cascade County economy. In 2002, government and governmental enterprises provided approximately 19% of total full and part-time employment in the County according to the State Department of Labor and Industry. Government also provided 31% of non-farm personal income in the County. The County, the City and the local school districts are all major employers in the area.

Malmstrom Air Force Base (“Malmstrom”) is located a half mile east of the City and as of January of 2005 was manned by approximately 4,307 civilian employees and military personnel, making it the largest employer in the County. In addition, approximately 1,406 other workers in the area work at Malmstrom under private contracts with Malmstrom. Malmstrom is the center of the largest intercontinental ballistic missile complex in the world. It is the headquarters of the 341st Missile Wing (Air Force Space Command) whose mission is to operate the 200 underground Minuteman missile sites in Montana. The entire missile complex covers a section of central Montana totaling over 23,000 square miles throughout nine counties. All personnel manning this complex are assigned to Malmstrom.

The military construction appropriations bill approved in September 2004 by the Senate contained \$51.4 million for Montana, \$36.6 million of it for Great Falls’ projects. Included is \$29.9 million to build 115 replacement family housing units at Malmstrom, \$5.6 million to build a corrosion control facility to help military personnel modernize and care for Minuteman III missiles and other equipment, \$200,000 for better traffic access for Malmstrom housing, and \$900,000 to the Montana Air National Guard for a security police annex.

The entire payroll and direct spending in the area, including construction, utility bills and service contracts at Malmstrom currently accounts for approximately \$312 million in contributions to the local economy, of which approximately \$200 million is derived from military and civilian payroll. Officials at Malmstrom represent that impact figures have not been compiled since realignment of certain missions in 1995, which sent the 43<sup>rd</sup> Air Refueling Group to another air base. The transfer resulted in the loss of approximately 468 military jobs. An alternate mission was secured, a new mobile civil engineering squadron, the “RED HORSE” unit, which is stationed at Malmstrom. In October 1998, the squadron became fully operational, creating an estimated 4,040 new military jobs. Malmstrom will receive approximately 284 additional active-duty personnel, with the remaining positions being filled by the Montana Air National Guard.

The future of the missile wing’s mission, which accounts for the majority of the personnel and activity at Malmstrom, was solidified by Malmstrom Closure and Realignment Commission’s decision to move Minuteman III missiles from North Dakota to Montana, a decision that is consistent with earlier Pentagon recommendations. All missile sites in Montana have been converted from Minuteman II missiles to Minuteman III missiles. The conversion was completed in May 1998.

In addition, the City of Great Falls is headquarters for the 120th Fighter Interceptor Group of the Montana Air National Guard (MANG) that occupies 42 buildings and related facilities atop Gore Hill. MANG employs 979 members at the site, of which approximately 350 are full-time and 630 are traditional guardsmen. Twenty jets and one other aircraft are utilized at the Great Falls facility. The Guard significantly contributes to the local economy in the form of payroll and local purchases, most recently estimated to equal \$59 million.

## **Transportation**

The City is a major transportation center for north central Montana and is served by Burlington Northern Railroad, four airlines (Delta, Northwest, Horizon and Big Sky), two bus lines and many truck lines. The City is the hub of four highways bisecting the State; U.S. Highways 87, 89 and 91 (Interstate 15) are north and south spokes while State Highway 200 constitutes the shortest east-west route through Montana.

The Great Falls International Airport Authority is the primary air carrier airport in central Montana and serves a large air trade area encompassing 12 counties. The airport, located about three miles southwest of downtown Great Falls, occupies about 1,762 acres of land. The average elevation of the airport is 3,674 feet above mean sea level. GFIAA completed a new 78,000 square foot cargo sort facility for the Federal Express hub servicing Montana and Canada in June of 2000. The state-of-the-art tilt-up concrete facility has a glycol containment facility, a truck wash bay and a 65,000 square foot warehouse sort area.

The passenger terminal building, completed in 1975, contains approximately 120,000 square feet on two levels and four air carrier aircraft gate positions. While the size of the existing facility is expected to be adequate for the foreseeable future, a major facility upgrade was completed in 2003, which included updated security checkpoints and dining facilities.

## **Trade Center**

The City is a wholesale, retail, financial, transportation and service center for 12 surrounding counties in the State. These counties have an estimated population of 180,000 including the 80,000 residents of Cascade County. In 2002, the wholesale and retail trade industries comprised 17% of the County's total employment and 9.6% of the County's total personal income contributed by all industries.

Also contributing to the City's status as a trade center and becoming an increasingly more important component of the area's economy is tourism. Visitors are attracted to the City because of the City's location 120 miles south of the Canadian border, 140 miles southeast of Glacier National Park and 223 miles north of Yellowstone National Park. A new Lewis and Clark Interpretive Center consisting of 5,500 square feet of gallery opened in early 1998.

Nationally affiliated retail chain stores located in the City include Sear's Roebuck and Co., J.C. Penney & Co., K-Mart, Wal-Mart, Albertson's, Target, Shopko, Herbergers, and Sam's Club. In addition, a new \$20 million Market Place Shopping Center accommodates numerous retailers such as Barnes & Noble, Office Max, Pier 1 Imports, Old Navy, Famous Footwear, Smiths, Michaels, Carmike Theatres, Furniture Row, PetCo, Golden Corral, McDonalds, First Interstate Bank and a Tony Roma's that opened in November 2004. A new 130,000 square foot Home Depot opened November of 2000 and a new Hampton Inn was completed in June of 2003. In March 2005, Ross Dress for Less ("Ross") with 586 stores nationwide agreed to lease 30,000 sq ft of space from Macerich Co. (in the Holiday Village Mall) that has been vacant since Albertson's left that location in 1999. Ross is expected to employ approximately 50 people at it Great Falls location.

The site will undergo remodeling prior to the stores anticipated opening in early 2006. Another 6,000 sq ft of space between Ross and Osco Drug will be converted into additional storefront space. No tenant has committed to this space.

## **Health Care Services**

A significant portion of the residents of north central Montana rely on the substantial modern medical facilities in the City, such as Benefis Health Care (“Benefis”) which owns and operates an acute care hospital and related facilities principally on two campuses, one of which is the former Columbus Hospital and the other of which is the former Montana Deaconess Medical Center. The merger of Columbus and Montana Deaconess and the subsequent name change to Benefis became effective July 1, 1996. Benefis is currently licensed to operate 535 acute care and pediatric beds. Benefis just completed a \$20 million Operating Theater. The Operating Theater includes 8 state-of-the-art operating rooms and is expected to provide greater satisfaction for the patients and physicians and staff. In addition, Benefis began a long-term building plan, which is not expected to be completed until 2010. The construction plan also includes construction of a Heart/Vascular Tower and shell space above surgery expansion, a new medical office building space on the east campus, remodeling of existing nursing units on the east and west campuses, new entries and public space on east campus, new entry on west campus and additional parking on both campuses.

Excavation began in July 2004 for the Sletten Regional Cancer Institute, an \$18 million regional cancer treatment facility. In addition, the Great Falls Clinic is constructing a \$20 million medical specialty building.

Centene Corporation (“Centene”), a medical claims processing center, is currently constructing a two-story claims center building consisting of 43,633 square feet that will be finished in phases with the first phase completed by the end of July 2005. Centene expects to employ 250 people at its Great Falls operation. The City, through The Great Falls Port Authority, purchased 10 acres of undeveloped land adjacent to the property owned by Centene, which will be known as the “Medical Technology Park”, in an effort to market such property to other medical technology related companies. (See “The District – Centene Corporation” herein)

Other local medical facilities include a comprehensive health care facility at Malmstrom Air Force Base, six medical clinics and the largest nursing home in the State. Health care services contributed close to 11.7% of the County’s total personal income in 2002. The service industry in aggregate contributed 22.6% of the County’s total personal income and 38.9% of total employment, the most of all industries.

## **Education**

The University of Great Falls (formerly the College of Great Falls), founded in 1932, is a fully accredited, four-year liberal arts university located in the City. It is one of three private colleges in the State. The University of Great Falls had approximately 900 students enrolled and approximately 126 people employed full and part-time as of fall 2004.

The University of Montana, Montana State University and University of Southern California all offer advanced degrees through Malmstrom Air Force Base. Undergraduate courses are available from MSU Northern.



## Population Trends

Historical population figures for the City of Great Falls, Cascade County and the State of Montana are set forth below to show population trends in the area and the State.

Year	City of Great Falls	Percent of Change	Cascade County	Percent of Change	State of Montana	Percent of Change
2003*	56,155	(0.94)%	79,561	(0.99)%	917,621	1.71%
2000	56,690	0.43	80,357	3.43	902,195	12.91
1990	56,447	(5.69)	77,691	(3.70)	799,065	1.60
1980	56,596	--	80,696	--	786,690	--

\* Intercensal estimate as of July 1, 2003.

Source: State of Montana, Department of Commerce, Census and Economic Information Center

## Major Employers

The major employers in the County as of January 2005 were as follows.

Employer	Type of Business	Approx. Number of Employees
1. Malmstrom Air Force Base	Military	4,307 <sup>1</sup>
2. Benefis Health Care Center	Healthcare	2,406
3. Great Falls Public Schools	Education	1,655
4. Montana Air National Guard	Military	1,000
5. Great Falls Clinic	Healthcare	750
6. National Electronics Warranty	Call Center	650
7. Wal-Mart	Retail/Grocery Chain	600
8. City of Great Falls	Government	460
9. Cascade County	Government	450
10. Sletten Construction Co.	Construction	375

<sup>1</sup> Includes military and civilian personnel.

Source: Census & Economic Information Center, Montana Department of Commerce and telephone survey.

## Building Permits

Set forth in the following table are the trends in building permits for the City for the past five years.

Calendar Year	New Commercial Permits		Residential and Other Permits	
	Number	Value	Number	Value
2003	21	\$14,264,095	537	\$32,912,658
2002	25	44,007,013	509	44,664,032
2001	26	19,030,864	540	31,481,830
2000	22	22,380,159	451	32,972,543
1999	28	19,779,343	499	31,533,516

Source: City of Great Falls

### Labor Force and Unemployment

The table below shows Cascade County employment figures as well as State of Montana and United States unemployment rates since 1994.

Year	Labor Force	Employment	----- Unemployment Rates -----		
			Cascade County	State of Montana	United States
2003	36,527	34,853	4.6%	4.7%	6.0%
2002	36,898	35,315	4.3	4.6	5.8
2001	36,961	35,286	4.5	4.6	4.8
2000	37,372	35,467	5.1	5.0	4.0
1999	37,546	35,527	5.4	5.2	4.2
1998	38,425	36,302	5.5	5.6	4.5
1997	37,786	35,783	5.3	5.4	4.9
1996	36,974	35,221	4.7	5.3	5.4
1995	36,861	34,850	5.5	5.9	5.6
1994	36,946	35,127	4.9	5.1	6.1

Source: Montana Department of Labor and Industry

### Personal Income Trends

The following table shows total and per capita personal income growth in Cascade County since 1993.

Year	Total Personal Income (000's)	Percent Change	Per Capita Income	Percent Change
2002	\$2,112,966	3.91%	\$26,546	4.02%
2001	2,033,430	3.32	25,521	3.98
2000	1,968,099	4.91	24,545	5.45
1999	1,875,979	1.78	23,276	1.92
1998	1,843,256	4.95	22,838	5.15
1997	1,756,252	3.19	21,719	5.19
1996	1,701,806	2.14	20,646	3.90
1995	1,666,166	5.15	20,616	5.19
1994	1,584,571	0.94	19,599	0.09
1993	1,569,881	6.05	19,581	4.67

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System

## Employment by Major Industry

The table below sets forth the total number of full-time and part-time employees in Cascade County for the years and industries shown.

	1998	1999	2000	2001	2002
<b>Employment by Place of Work:</b>					
Total Employment	48,650	48,267	48,647	48,856	49,197
<b>By Type:</b>					
Wage and Salary	39,381	39,229	39,224	39,595	39,523
Proprietor	9,269	9,038	9,323	9,261	9,674
Farm	1,010	1,022	1,011	999	1,017
Non-Farm	8,259	8,016	8,312	8,262	8,657
<b>By Industry:</b>					
Farm	1,273	1,264	1,296	1,260	1,288
Non-Farm	47,377	47,003	47,351	47,596	47,909
Private	38,133	37,696	38,046	38,196	38,542
Ag. Services, Forestry, Fish. & Other	516	(D)	(D)	(D)	(D)
Mining	137	(D)	(D)	(D)	(D)
Utilities	*	*	*	191	194
Construction	2,587	2,811	2,687	2,863	2,750
Manufacturing	1,504	1,505	1,439	1,092	1,055
Transportation and Public Utilities	1,962	2,012	2,062	*	*
Wholesale Trade	2,145	2,022	1,930	1,560	1,542
Retail Trade	10,404	9,890	10,163	7,053	6,843
Transportation and Warehousing	*	*	*	1,369	1,283
Information	*	*	*	823	850
Finance, Insurance & Real Estate	3,861	3,780	4,089	4,441	4,631
Services	15,017	15,063	15,052	*	*
Professional and Technical Services	*	*	*	2,047	2,122
Management of Companies	*	*	*	114	114
Administrative and Waste Services	*	*	*	1,574	1,477
Educational Services	*	*	*	850	835
Healthcare and Social Assistance	*	*	*	6,205	6,697
Art, Entertainment and Recreation	*	*	*	1,242	1,410
Accommodation and Food Services	*	*	*	3,979	3,974
Other Services	*	*	*	2,481	2,488
Government & Government Enterprises	9,244	9,307	9,305	9,400	9,367
Federal/Civilian	1,472	1,459	1,531	1,472	1,496
Military	3,969	3,961	3,905	3,962	3,997
State and Local	3,803	3,887	3,869	3,966	3,874

\* Prior to 2001 estimates were based on Standard Industrial Classification. The 2001 estimates and succeeding years will be based on North American Industry Classification.

(D) Not shown to avoid disclosure of confidential information, but he estimates for this item are includes in the totals.  
Source: U.S. Department of Commerce, Regional Economic Information System, Bureau of Economic Analysis.

## Earnings By Industry

The following table shows Cascade County wage and salary, labor and proprietors' earnings by major industry type for the years 1998 through 2002. Figures shown are in thousands.

	1998	1999	2000	2001	2002
Total Personal Income	\$1,843,806	\$1,875,979	\$1,968,099	\$2,033,430	\$2,112,966
Earnings by Industry:					
Farm	10,778	10,880	4,787	5,535	5,337
Non-farm	1,282,788	1,326,185	1,372,962	1,421,781	1,489,022
Private	907,483	937,821	961,167	994,774	1,028,041
Ag. Services, Forestry and Fishing	6,077	(D)	(D)	(D)	(D)
Mining	3,719	(D)	(D)	(D)	(D)
Utilities	*	*	*	13,760	14,800
Construction	84,211	98,629	98,304	41,390	41,174
Manufacturing	45,187	47,669	48,604	4,519	4,521
Transportation and Utilities	72,062	73,452	75,095	*	*
Wholesale Trade	74,604	72,748	70,500	61,447	64,678
Retail Trade	160,067	154,661	163,551	135,649	138,490
Transportation and Warehousing	*	*	*	54,304	52,892
Information	*	*	*	27,606	29,381
Finance, Insurance and Real Estate	104,344	105,336	108,991	108,698	111,521
Services	357,212	374,077	384,107	*	*
Professional and Technical Services	*	*	*	80,013	84,062
Management of Companies	*	*	*	5,783	3,953
Administrative and Waste Services	*	*	*	29,345	25,661
Educational Services	*	*	*	10,297	9,865
Healthcare and Social Assistance	*	*	*	224,276	248,152
Arts, Entertainment and Recreation	*	*	*	13,649	15,902
Accommodation and Food Services	*	*	*	46,296	46,267
Other Services	*	*	*	39,928	42,428
Government	375,305	388,364	411,795	427,007	460,981
Federal/Civilian	81,079	81,764	90,950	90,825	97,390
Military	175,575	183,588	192,073	202,601	225,174
State and Local	118,651	123,012	128,772	133,581	138,417

\* Prior to 2001 estimates were based on Standard Industrial Classification. The 2001 estimates and succeeding years will be based on North American Industry Classification.

(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

Source: U.S. Department of Commerce Regional Economic Information System Bureau of Economic Analysis



**APPENDIX C**

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**Continuing Disclosure**

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## CONTINUING DISCLOSURE

### **Purpose and Beneficiaries**

Although bidders and other participating underwriters in the primary offering of the Bonds need not comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”), because the aggregate principal amount of the Bonds and any other securities required to be integrated with the Bonds is less than \$1,000,000, to enhance the marketability of the Bonds, the City will covenant and agree in the Bond Resolution, for the benefit of the Owners (as hereinafter defined) from time to time of any Bonds which are Outstanding, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The City is the only “obligated persons” in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made.

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

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

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

### **Information To Be Disclosed**

The City will provide, in the manner set forth under “Manner of Disclosure” below, either directly or indirectly through an agent designated by the City, the following information at the following times:

**Annual Information.** On or before 270 days after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 2005, the following financial information and operating data in respect of the City (the

“Disclosure Information”):

(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 for required funds, 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 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 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 information for the then most recent completed fiscal year as provided in the table on page 11 of the section captioned “Revolving Fund” concerning the Revolving Fund Cash Balance and outstanding Bonds secured thereby;
- 2) a description of any special improvement district bonds issued during the fiscal year;
- 3) updated information for the then most recent completed fiscal year in format similar to the table on page 22 in the section captioned “Special Improvement District Assessment Billings and Collections”; and
- 4) updated information for the then most recent completed fiscal year as provided in the table on page 23 in the section captioned “Statement of Changes in Fund Balance of the Revolving Fund”;
- 5) the market and taxable valuations of the City for the then current fiscal year; and
- 6) tax collection information for the then most recent completed fiscal year in format similar to the table on page A-10 in the section captioned “Tax Collections”.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required as part of the Disclosure Information and, within 10 days after the receipt of the audited financial statements, 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 then nationally recognized municipal securities information repository under the Rule (collectively, the “National Repositories”) and to any state

information depository then designated or operated by the State of Montana as contemplated by the Rule (the “State Depository”) or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board (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 Districts and the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City include 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 determine that certain specified data regarding such replacement operations would be a Material Fact (as hereinafter defined), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

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

***Certain Material Events.*** In a timely manner, notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):

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

As used herein, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy or sell a 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, a “Material Fact” is also an event that would be deemed “material” for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

***Certain Other Information.*** In a timely manner, notice of the occurrence of any of the following events or conditions:

- (1) the failure of the City to provide the Disclosure Information at the time specified under “Annual Information” herein;
- (2) the amendment or supplementing of the Disclosure Covenants pursuant to the Bond Resolution, together with a copy of such amendment or supplement and any explanation provided by the City under “Amendments” herein;
- (3) the termination of the obligations of the City under the Disclosure Covenants pursuant to the Bond Resolution; and
- (4) any change in the fiscal year of the City.

### **Manner of Disclosure**

The City agrees to make available the information described herein under “Information To Be Disclosed” to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

- (A) the information described under “Information To Be Disclosed - Annual Information” to each of the then nationally recognized municipal securities information repository under the Rule and to any state information depository then designated or operated by the State of Montana as contemplated by the Rule (the “State Depository”), if any;
- (B) the information described under “Information To Be Disclosed - Certain Material Events” and “Information To Be Disclosed - Certain Other Information”, to the Municipal Securities Rulemaking Board and to the State Depository, if any; and
- (C) the information described under “Information To Be Disclosed” to any rating agency then maintaining a rating of the Bonds and, at the expense of such Bondowner, to any Bondowner who requests in writing such information at the time of the transmission under clauses (A) or (B) above as the case may be, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

### **Term**

The Disclosure Covenants are to remain in effect until all Bonds have been paid or defeased under the Bond Resolution.

### **Amendments; Interpretation**

The Disclosure Covenants 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 Bondowner of any Bonds, by resolution or ordinance of the Commission filed in the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the Finance Director and others and the opinion may be subject to customary qualification to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City, Districts or the Sinking Fund and the Revolving Fund of the City or the type of operations conducted by the City or the Districts, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule, assuming that such provisions apply to the Bonds. If the disclosure information is so amended, the 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.

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

#### **Further Limitation of Liability of City**

In and to the extent the limitations of liability contained in “Purpose and Beneficiaries” are not effective, anything contained in this section “Continuing Disclosure” to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in the Disclosure Covenants, the City has not obligated itself except with respect to assessments and the Revolving Fund. 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.

**APPENDIX D**

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**Form of Legal Opinion**

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[draft form of bond counsel opinion]

[to be dated the date of issuance of the Bonds]

City of Great Falls  
Great Falls, Montana

[Purchaser]

Re: \$625,264 Special Improvement District No. 1301 Bonds  
City of Great Falls, Montana

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Great Falls, Montana (the “City”) in connection with the authorization, issuance and sale by the City of the obligations described above, dated, as originally issued, as of May 15, 2005 (the “Bonds”). In that capacity, we have examined certified copies of certain proceedings taken, and certain certificates and affidavits furnished, by the City in the authorization, sale and issuance of the Bonds, including a certified copy of a resolution adopted by the City Commission of the City on \_\_\_\_\_, 2005, establishing the form and terms of the Bonds (the “Bond Resolution”). As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, certificates and affidavits and on the basis of existing law, it is our opinion that:

1. The City has validly created Special Improvement District No. 1301 (the “District”), provided for the construction of various improvements of special benefit to the District and has covenanted to levy special assessments for the portion of the costs of the improvements and incidental costs to be paid from proceeds of the Bonds, estimated at \$625,264, against each benefited lot or parcel of land within the District that has not contributed to the costs of the improvements as of the date of issuance of the Bonds. The special assessments are to be payable in installments, with interest on the balance of the special assessments remaining unpaid, and collections of such special assessments are to be deposited in the Special Improvement District No. 1301 Fund of the City (the “District Fund”). The principal of and interest on the Bonds are payable solely from the District Fund.

The payment of principal of and interest on the Bonds is also secured by amounts held under a security agreement between the City and Centene Corporation (the “Security Agreement”), but we express no opinion as to the validity or enforceability of the Security Agreement. As provided in the Security Agreement, all or a portion of the amount held thereunder may be released upon certain conditions.



2. The City has also validly established a Special Improvement District Revolving Fund (the “Revolving Fund”) to secure the payment of certain of its special improvement district bonds and warrants, including the Bonds. The City has agreed, to the extent permitted by Montana Code Annotated, Title 7, Chapter 12, Parts 41 and 42, as amended and as applicable to the Bonds (the “Act”), to issue orders annually authorizing loans or advances from the Revolving Fund to the District Fund, in amounts sufficient to make good any deficiency in the District Fund to pay principal of or interest on the Bonds after depletion of amounts held under the Security Agreement, to the extent that funds are available in the Revolving Fund, and to provide funds for the Revolving Fund by annually making a tax levy or loan from its general fund in an amount sufficient for that purpose, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the City’s then outstanding special improvement district bonds and warrants secured thereby and subject to the durational limitations specified in the Act.

Any property tax levy to be made by the City to provide funds for the Revolving Fund is subject to levy limits under current law. The City has agreed in the Bond Resolution to levy property taxes to provide funds for the Revolving Fund to the extent described in the immediately preceding paragraph and, if necessary, to reduce other property tax levies correspondingly to meet applicable levy limits.

The Bonds are not general obligations of the City and, except to the extent described in this paragraph (2), the taxing power of the City is not pledged to the payment of the principal thereof or the interest thereon.

3. The Bonds and the Bond Resolution are valid and binding special, limited obligations of the City enforceable in accordance with their terms and the provisions of the Constitution and laws of the State of Montana now in force, including the Act.

4. Interest on the Bonds: (a) is not includable in gross income for federal income tax purposes; (b) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers; and (c) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax.

5. The City has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986.

6. Interest on the Bonds is not includable in gross income for State of Montana individual income tax purposes, but is includable in the computation of income for purposes of the Montana corporate income tax and the Montana corporate license tax.

The opinions expressed in paragraphs 1, 2 and 3 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors’ rights and principles of equity, whether considered at law or in equity.

The opinions expressed in paragraphs 4 and 5 above are subject to the condition of the City's compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes, and the Bonds be and continue to be qualified tax-exempt obligations. The City has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income, retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to the owners of the Bonds.

We express no opinion with respect to the accuracy, completeness or sufficiency of the Official Statement or any other offering materials relating to the Bonds.

Dated: \_\_\_\_\_, 2005.

Very truly yours,