
[Draft 10/4/07]

DEVELOPMENT AGREEMENT

between

SAFEWAY INC. and ST. PATRICK HOSPITAL AND HEALTH SCIENCES CENTER

and

THE CITY OF MISSOULA

Dated as of October 1, 2007

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DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT, dated as of October 1, 2007, by and between ST. PATRICK HOSPITAL AND HEALTH SCIENCES CENTER, a not for profit corporation, whose principal business address is 500 West Broadway, P.O. Box 4587, Missoula, Montana 59806-4587 (referred to in this Agreement as the "Hospital"), and SAFEWAY, INC, a Delaware corporation whose principal business address is 5918 Stoneridge Mall Road, Pleasanton, CA 94588 (referred to in this Agreement as "Safeway"), and the CITY OF MISSOULA, MONTANA (the "City"), (collectively, "the Parties").

WITNESSETH:

WHEREAS, the Hospital owns certain property (the "Hospital Property") which is adjacent to City of Missoula-owned parcels formerly occupied by the City's vehicle maintenance and repair shops (the City-owned property is commonly known as the "City Shop's Site"); and

WHEREAS, after advertising for responses to a Request for Proposals pursuant to Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, as amended (the "Act"), the Missoula City Council (the "City Council") of the City of Missoula (the "City") did on August 7, 2000 direct the City's Administration to negotiate with the Hospital for the purchase and development of the City Shop's Site; and

WHEREAS, the City of Missoula and Hospital entered into that certain Buy/Sell Agreement dated as of August 29, 2004 (the "City/Hospital Buy/Sell Agreement"), pursuant to which the City agreed to sell the City Shop's Site to the Hospital in order for the Hospital to convey the Hospital Property as defined herein, the City Shop's Site and the vacated streets and alleys (the "Project Site") to Safeway to construct a new grocery store and related improvements therein; and

WHEREAS, Safeway has entered into an Exchange Agreement with Hospital dated as of July 20, 2004 which has been updated and amended through an amended agreement dated as of October 15, 2007 (the "Safeway/Hospital Exchange Agreement", pursuant to which Safeway agreed to acquire the Project Site in exchange for certain property owned by Safeway subject to certain performance by Hospital and other conditions precedent; and

WHEREAS, the Project Site as defined herein is located within Urban Renewal District (URD II) which was created by City Council Ordinance No. 2803 as amended (the "Ordinance"). The Ordinance authorizes the MRA to exercise certain urban renewal activities within URD II pursuant to title 7, Chapter 15, Parts 42 and 43 of Montana Codes Annotated (the "Act"); and

WHEREAS, upon the recommendation of the MRA, the City Council, pursuant to Ordinance No. 3266, recognized that the Project will serve the long-term planning objectives of the City and the community in a manner consistent with the City's Urban Renewal District II Plan adopted December 16, 1991 (the Plan and all adopted amendments is hereinafter referred to as the "Urban Renewal Plan") and the public purposes and provisions of applicable ordinances, laws, and requirements, and is therefore consistent with the Act, and declared the Project an Urban Renewal Project; and

WHEREAS, pursuant to Ordinance No. 3234 adopted by the City Council on September 22, 2003 (the "Rezoning Ordinance"), entitled *An Ordinance to Rezone Property Described as Blocks 47 and 48, W.J. McCormick's Addition as well as a Portion of Nora Street, the Platted Alleys, and a 20-Foot Wide Portion of Pine Street Within and Adjacent to Blocks 47 and 48 of W.J. McCormick's Addition* ("Broadway-Scott Gateway Special District"), the Project Site was rezoned with the following three subdistricts:

Subdistrict A is the portion of the Site to be developed for the Safeway Store and other retail uses, also defined herein as the Land;

Subdistrict B consists of the north 40 feet of lots 1-10 of Block 47, W.J. McCormick's Addition plus the adjacent 20 feet of vacated West Pine Street right-of-way; and

Subdistrict C consists of the north 10 feet of lots 2-8 of Block 48, W.J. McCormick's Addition plus the adjacent 20 feet of Pine Street right-of-way.

Subdistricts B and C are collectively referred to as the "Residential Zoned Areas"; and,

WHEREAS, the Hospital submitted an application for tax increment financing assistance to the MRA dated May 10, 2004, for portions of Phase I of the Project as defined herein, such request was reviewed and approved by the Missoula Redevelopment Agency Board of Commissioners at its regular meeting on June 17, 2004; and

WHEREAS, pursuant to Ordinance No. 3266 the Council set forth its intention to issue tax increment bonds to finance a portion of Phase I; and,

WHEREAS, to facilitate completion of the Project, on September 22, 2003, the City Council adopted Resolution No. 6711, closing and vacating all that portion of platted Nora Street right-of-way situated between Blocks 47 and 48 of McCormick Addition to the City of Missoula, and between the northerly right-of-way line of West Broadway and the southerly right-of-way line of Pine Street; and all the platted alley rights-of-way situated within Blocks 47 and 48 between the westerly boundary line of Block 47 and the easterly boundary line of Block 48; and the southerly 20 feet of the Pine Street right-of way adjacent and contiguous to Blocks 47 and 48 situated between the easterly right-of-way line of Scott Street and the westerly right-of-way line of Blanche Street also known as the Bitterroot Branch of the Montana Rail Link Railroad; all in the W. J. McCormick's Addition, subject to the conditions of Resolution No. 6711; and,

WHEREAS, the termination dates of the City/Hospital Buy/Sell Agreement and vacations of public rights of way approved by Resolution 6711 were subsequently extended by Resolution Nos. 6736, 6741, 6767, 6915, 7090, and most recently through Resolution No. 7236 to July 1, 2008; and

WHEREAS, the Parties are ready to proceed with Project as herein described.

NOW THEREFORE, the City, pursuant to the Act, the Hospital and the Company, each in consideration of the representations, covenants and agreements of the other, as set forth herein, mutually represent, covenant and agree as follows:

Section 1. Definitions; Rules of Interpretation; Exhibits.

1.1. Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context hereof clearly requires otherwise, the following terms have the meanings assigned to them, respectively:

“Act” means Montana Code Annotated, Title 7, Chapter 15, Parts 42 and 43, including any amendment thereof.

“Actual Taxable Value” means the taxable value of the Taxable Property as shown on or calculated from the assessment roll last equalized before the date of reference.

“Agreement” means this Development Agreement, including any amendment hereof or supplement hereto entered into in accordance with the provisions hereof and of the Bond Resolution.

“Assessed Market Value” means the assessed value of Taxable Property as determined by the Department of Revenue.

“Base Taxable Value” means the Actual Taxable Value of the Taxable Property as of January 1, 1991, as such value is adjusted as part of the “base taxable value” of the District from time to time in accordance with the Act.

“Bonds” means the Tax Increment Urban Renewal Revenue Bonds (Urban Renewal District II - Safeway Inc. Project) Series 2007 issued in the aggregate principal amount of \$1,500,000.

“Bond Purchase Agreement” means the agreement between the City and Original Purchaser setting forth the terms and conditions for the sale of the bond.

“Bond Resolution” means the Resolution of the City authorizing the issuance of the Bonds and approving the Indenture, the Guaranty Agreement and the Development Agreement.

“Business Day” means any day other than a Saturday, Sunday, or other day on which the Trustee is not open for business.

“Certificate of Survey” means the Certificate of Survey attached hereto as Exhibit A created to reconfigure the boundaries of the property of the Project Site and creating four separate parcels: Parcel A, B, C and Parcel D.

“City” means the City of Missoula, Montana, or any successors to its functions hereunder.

“City Representative” means the Mayor, the Director of the MRA or any other person authorized by the City Council to act on the City’s’ behalf.

“City Shop’s Site” means the land, building, auxiliary storage sheds, and other appurtenances within the Project Site previously owned by City.

“Closing Date” means the date on which the Series 2007 Bonds are initially issued and delivered to the Original Purchaser thereof.

“Completed Cost of Phase II” means all costs incurred by Safeway in designing and constructing Phase II of the Project, together with any other improvements Safeway may elect to make on the Land consistent with the Rezoning Ordinance.

“Construction Plans” means the plans prepared by or for the Hospital for the improvements constituting Phase I in detail sufficient to obtain construction or building permits from the City in the normal course of business.

“City Council” means the governing body of the City of Missoula.

“Deficiency Amount” means the amount calculated in accordance with Section 7.3 of this Agreement.

“Deficiency Payment” means the payments of the Deficiency Amount required to be made by the Guarantor pursuant to Section 7.3 of this Agreement and the Guaranty Agreement.

“Demolition” means the demolition and removal of the City Shop’s and auxiliary sheds and related improvements, the Existing Residential Buildings and improvements, including but not limited to: utility lines and services, retaining walls, foundations, parking lots, former foundations, fencing, sidewalks, curbs, and other permanent items.

“Department of Revenue” means the Department of Revenue of the State of Montana.

“District” means the City of Missoula’s Urban Renewal District II (URD II), whose district boundaries are fully described in the Urban Renewal Plan, as amended.

“Environmental Work Plan” means that certain work plan dated _____ prepared by MCS, Inc. and approved by Safeway and the City, pursuant to which certain known or suspected environmental contamination on the Project Site will be removed or otherwise appropriately addressed.

“Equipment” means the items of furniture, equipment and other personal property to be acquired and installed by Safeway on the Land or in the Improvements pursuant to this Agreement, as further described on Exhibit B hereto.

“Excess Tax Increment” means, with respect to a Fiscal Year, the amount of Tax Increment collected by the City in such Fiscal Year that exceeds the amounts required to be credited to the Bond Fund from such Fiscal Year tax payments or that are applied or to be applied to the payment of the fees and charges of the Trustee accrued or payable from such Fiscal Year.

“Existing Residential Buildings” means those single-family and multi-family residential buildings currently located on Lots 1, 2, 3, 4 and 5 of Block 48 within W.J. McCormick’s Addition or Parcels B and C on Exhibit A.

“Guaranty Agreement” means the agreement executed by the Guarantor in favor of the City in substantially the form attached hereto as Exhibit E.

“Guarantor” means Safeway Inc.

“Guarantor Reimbursements” means the payments to be paid to Guarantor for Deficiency Payments it has made under the Guaranty Agreement, pursuant to Section 7.3 below and Section 2.2 of the Guaranty Agreement.

“Hospital” means St. Patrick Hospital and Health Sciences Center, a Montana nonprofit corporation whose principal place of business is 500 West Broadway, Missoula, Montana.

“Improvements” means the approximately 55,000 square foot Safeway supermarket facility to be constructed by the Company on the Land pursuant to this Agreement, as further described on Exhibit B hereto.

“Incremental Taxable Value” means the amount, if any, by which the Actual Taxable Value of all Taxable Property, as of the date of reference, exceeds the Base Taxable Value.

“Indenture” means the Indenture of Trust entered into between the City and the Trustee dated as of October 1, 2007.

“Interest Payment Date” means each March 1 and September 1 commencing March 1, 2010 and continuing through March 1, 2031 with the final Interest Payment on July 1, 2031.

“Land” means Parcels A and D as shown on Exhibit A, the land on which the Safeway Facilities are to be constructed.

“Missoula Redevelopment Agency or MRA” means the City of Missoula Redevelopment Agency, a City agency, governed by an appointed five-member Board of Commissioners and created by City Council Resolution Number 3779, in accordance with the provisions of the Montana Urban Renewal Law (Title 7, Chapter 15, Parts 42 and 43, Montana Code Annotated), to effectuate urban renewal activities within the District.

“MRL Bitterroot Branch Line” means that railroad right-of-way, tracks, and ballast located within Parcel A as shown on Exhibit A hereto (including the vacated Blanche Street) and owned by Montana Rail Link.

“Nora Street” means that portion of Nora Street lying between the Montana Rail Link Bitterroot Branch Line and Scott Street in Missoula, Montana and which is identified as vacated through City Council Resolution No. 6711.

“Original Purchaser” means St. Patrick Hospital and Health Sciences Center, a Montana not for profit corporation whose principal business address is 500 West Broadway, P.O. Box 4581, Missoula, MT 59806.

“Outstanding” means, with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under this Indenture, except:

- (i) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;
- (iii) Bonds which have been defeased within the meaning of Section 602; and
- (iv) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to this Indenture;

Provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Hospital or any Affiliate of the Hospital shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee’s right so to act with respect to such Bonds and that the pledgee is not the Hospital or any other obligor upon the Bonds or any Affiliate of the Hospital or such other obligor.

“Phase I,” “Phase I of the Project” or “Phase I Improvements” means that portion of the Project consisting of:

- (a) Acquisition of City Shop’s Site by the Hospital;
- (b) Remediation, removal, or mitigation of contaminated soils on the Project Site including remediation of the City Shop’s Site and facilities (the City Shop’s Site Remediation) and other environmental response activities in accordance with the Environmental Work Plan;
- (c) Relocation of eligible tenants from the Existing Residential Buildings in accordance with local, State, and federal guidelines as applicable;
- (d) Any required lead paint or asbestos mitigation related to the removal of building improvements on the Project Site in accordance with applicable local, State, and federal regulations;

(e) Construction or installation of Public Improvements including relocation, upgrade, or installation of certain utilities including electrical service, gas service, water service (adequate for both potable uses and fire suppression), storm and sanitary sewer service and communications services as well as construction of street boulevards, right-of-way landscaping, curbs, gutters, and sidewalks along Scott Street, West Broadway, and West Pine Street, along with a public trail along the MRL Bitterroot Branch Line;

(f) Site grading and compaction for the uses intended by Phase II and development of the Residential Zoned Areas; and

(g) Construction of retaining walls, parking surfaces, drainage systems, landscaping, lighting, and other improvements related to the parking areas intended for Phase II and certain site work in accordance with plans approved by the Hospital and Safeway pursuant to the building permits to be obtained for the Project.

“Phase II” or “Phase II of the Project” means the construction and equipping of the Safeway Facilities.

“Pledged Revenues” means each installment of Tax Increment and Deficiency Payments received by the City or Trustee and other revenues, if any, pledged to the payment or security of Outstanding Bonds pursuant to the Trust Indenture.

“Prevailing Wage Rates” means the Montana Prevailing Wage Rate for public works projects as published from time to time by and available from the Montana Department of Labor and Industry, Research and Analysis Bureau, P.O. Box 1728, Helena, MT 59624, telephone (800) 541-3904.

“Principal Payment Date” means the date on which a payment of principal is due whether at stated maturity or mandatory sinking fund payment date, commencing September 1, 2010.

“Project” means completion of Phase I and Phase II.

“Project Site” means as of the date of this Agreement, the City Shop’s Site, the Hospital Property comprising Blocks 47 and 48 of McCormick’s Addition to the Town of Missoula, and the vacated and to be vacated adjacent public rights of way all of which constitutes the Broadway-Scott Gateway Special District approved by the City Council pursuant to Zoning Ordinance No. 3224 and consisting of Zoning Subdistricts A, B and C as more fully described in Zoning Ordinance No. 3224. After the filing and recording of the Certificate of Survey Amending Blocks 47 and 48 of W.J. McCormick’s Addition to the Town of Missoula, attached hereto as Exhibit A (the “Amended Plat”), “Project Site” shall mean the area depicted and legally described on Exhibit A and consisting of Parcels A, B, C and D, each as depicted and legally described on Exhibit A.

“Public Improvements” means all relocation, upgrade, or installation of certain utilities including electrical service, gas service, water service (adequate for both potable uses and fire suppression), storm and sanitary sewer service, and communications services as well as construction of street repairs, street boulevards, right-of-way landscaping and public amenities,

curbs, gutters, and sidewalks along Scott Street, West Broadway, and West Pine Street, along with a public trail along the MRL Bitterroot Branch Line.

“Reimbursement Revenues” means reimbursements currently being received by the City pursuant to Senate Bill 184 enacted in the 1999 Legislative Session and codified at Section 15-1-112, MC., and Bill 124 enacted in the 2001 Legislative Session and codified at 15-1-120 through 1-1-122, MCA., and any future revenue received by the City to reimburse it for loss of tax increment revenue.

“Relocation of Tenants” means relocation assistance or compensation of eligible persons displaced as a result of the Project.

“Residential Zoned Areas” means Parcels B and C as shown on Exhibit A.

“Safeway Facility” or “Safeway Facilities” means the Land, the Improvements, the Equipment, and other real and personal property located on the Land, as such may at any time exist, as further described on Exhibit B hereto.

“Safeway Improvements” means the approximately 55,000 square foot grocery store and related improvements to be constructed by the Safeway on the Land pursuant to this Agreement, as further described on Exhibit B hereto and such other Improvements as Safeway may choose to construct on the Land.

“Safeway Inc.” means a Delaware corporation licensed to do business in the State of Montana, whose principal business address is 5918 Stoneridge Mall Road, Pleasanton, CA 94588, and for purposes of this Agreement, other than Section 7.3, its successors and assigns.

“Scott Street” means that portion of Scott Street lying between West Pine Street and West Broadway in Missoula, Montana.

“Site Preparation” means site work, including soil and fill importation; shaping of the Project Site to accommodate Phase I, Phase II, and later uses of zoning Subdistricts B and C; compaction of structural fill material; and construction of retaining walls integral to creating the Project Site’s zoning Subdistricts.

“Series 2006 Bonds” means the City’s \$3,600,000 Tax Increment Urban Renewal Revenue Bonds, Series 2006 (Urban Renewal District II).

“Series 2007 Bonds” means the City’s Taxable Tax Increment Urban Renewal Bonds (Urban Renewal District II – Safeway Inc. Project) Series 2007 issued by the City pursuant to the Indenture in the maximum authorized principal amount of \$1,500,000.

“State” means the State of Montana.

“Tax Increment” means the tax increment received by the City pursuant to the Act and the Plan from the extension of levies of Taxes , against the Incremental Taxable Value of the Taxable Property within the District (both real and personal) and shall include any payments in

lieu of taxes attributable to the incremental taxable value, Reimbursement Revenues, and all payments received by the City designated as replacement revenues for lost Tax Increment.

“Tax Increment Financed Improvements” means the work activities and the Phase I Improvements eligible to be financed from the proceeds of the Bonds, as shown on Exhibit C.

“Taxable Property” means the real property constituting the Project Site and all real and personal property located thereon and subject to Taxes, including the Safeway Improvements and the Equipment and any additional improvements thereon.

“Taxes” means all taxes levied on an ad valorem basis by any Taxing Jurisdiction against the Taxable Property and shall include all payments in lieu of taxes or beneficial use taxes received by the City with respect to the Incremental Taxable Value of the Taxable Property.

“Taxing Jurisdiction” means the State, the City, the County of Missoula, any school district, political subdivision or other government entity that levies or hereafter levies, during any Fiscal Year during which the tax increment provision of the District is effective under the Act, ad valorem taxes against real or personal property in the District, exclusive of the six-mill levy levied by the State for University purposes.

“Termination Date of District” means the earlier of July 1, 2031, or when the principal of and interest on the Series 2007 Bonds and all Guarantor Reimbursements have been paid in full.

“Trustee” means U.S. Bank National Association, in Seattle, Washington, or any successor Trustee appointed under the Indenture.

“Unavoidable Delays” means a delay resulting from acts of God, strikes by organizations not in privity of contract with the affected party, fire, flood, discovery or uncovering of pre-existing Environmentally Regulated Substances on the Land, unusually severe weather for the geographical area in which the Land is located, sabotage, embargo, riot, war, court injunction or order, breakage or loss during transportation or storage of equipment or materials from suppliers, delays by acts or orders of any governmental body or changes in laws or government regulations, but only if the event is not foreseeable or, if foreseeable, it is beyond the control of the affected party.

“West Broadway” means that portion of West Broadway lying between the Montana Rail Link Bitterroot Branch Line and Scott Street in Missoula, Montana.

“West Pine Street” means that portion of West Pine Street lying between the Montana Rail Link Bitterroot Branch Line and Scott Street in Missoula, Montana as narrowed by vacation through City Council Resolution No. 6711.

- 1.2. Rules of Interpretation (1) This Agreement shall be interpreted in accordance with and governed by the laws of the State without giving effect to the conflicts-of-laws principles thereof.

(2) The words “herein,” “hereof” and words of similar import, without reference to any particular section or subdivision, refer to this Agreement as a whole rather than to any particular section or subdivision hereof.

(3) References herein to any particular section or subdivision hereof are to the section or subdivision of this instrument as originally executed.

(4) Any terms not defined herein but defined in the Indenture of Trust shall have the same meanings herein unless the context hereof clearly requires otherwise.

(5) “Or” is not exclusive but is intended to contemplate or encompass one, more or all of the alternatives conjoined.

1.3. Exhibits. The following Exhibits are attached to and by reference made a part of this Agreement:

Exhibit A: Legal Description of Project Site;

Exhibit B: Description of the Safeway Project Including Improvements and Equipment;

Exhibit C: Tax Increment Financed Improvements;

Exhibit D: Budget for Phase I, Source and Uses;

Exhibit E: Form of Guaranty Agreement;

Exhibit F: Form of Indenture of Trust;

Exhibit G: Schedule of Payment on the Bonds; and

Exhibit H: Form of Request for Payment or Reimbursement of Costs

Section 2. Representations

2.1. City Representations. The City hereby represents as follows:

(a) Pursuant to the Act, and after public hearing duly called and held, the City by the Ordinance has approved the Project as an Urban Renewal Project, has determined that certain costs of Phase I of the Project are eligible to be financed from Tax Increment, and has authorized the issuance of the Bonds under the Indenture to pay part of the costs of the construction, acquisition and financing of the Phase I Improvements shown on Exhibit B hereto.

(b) The City is authorized by law to enter into this Agreement and to adopt the Bond Resolution and to carry out its obligations hereunder and thereunder and to issue the Bonds.

(c) The Department of Revenue has certified to the City that the Base Taxable Value of the Project Site, as of January 1, 1991 is \$33,843.

(d) The Department of Revenue has advised the City that the estimated Assessed Market Value of land within the Project Site that was tax exempt as of January 1, 2007 (the "Exempt Land") and therefore not included in the Incremental Taxable Value as of January 1, 2007 is approximately \$8.00 a square foot. Upon the transfer of the Project Site including the Exempt Land to Safeway, the Exempt Land will be placed on the tax rolls at its Assessed Market Value and the taxes will be prorated from that date.

(e) The MRA working in conjunction with the Department of Revenue and Safeway have estimated that the annual amount of taxes to be paid by Safeway with respect to the Safeway Facilities will be at least equal to the amount paid for the other Missoula Safeway store located at Reserve and Highway 93 South (the "Reserve Street Store").

(f) A total of 729.58 mills will be levied against all real and personal taxable property on the Project Site for Fiscal Year 2007-2008.

(g) Based on the representations of the Department of Revenue as to the Base Value, the Incremental Taxable Value of District after the Exempt Land is added to the tax rolls, and the projected Assessed Market Value of the Safeway Improvements, Equipment and Personal Property based on the Assessed Market Value of the Reserve Street Store and assuming an annual mill levy of 729.58, it is estimated that the annual Tax Increment to be derived from the Project once the Safeway Facilities are completed and fully placed on the tax rolls as of January 1, 2009, will be approximately \$135,798, commencing Fiscal Year 2009-2010, increasing to \$163,045 for Fiscal Year 2014 through 2015.

(h) The maximum annual debt service on the Bonds as shown on Exhibit G excluding the initial interest payment of \$253,233.33 is \$142,477.50.

(i) Based on the foregoing, the City believes that the total amount of Tax Increment to be derived by the Project will be adequate over the term of the Bonds to pay the principal of and interest thereon.

(j) The MRA is authorized to act on behalf of the City with respect to implementation of this Agreement.

(k) The projections do not include any Tax Increment that may be generated from the redevelopment of the Residential Zoned Areas which shall also be pledged to the repayment of the Bonds.

2.2. Hospital Representations. The Hospital hereby represents as follows:

(a) The Hospital is a non-profit corporation duly incorporated, validly existing and in good standing under the laws of the State of Montana and is duly qualified to do business in the State. The Hospital has the power to enter into this Agreement and by all necessary corporate action has duly authorized the execution and delivery of this Agreement.

(b) The Hospital has adequate financial capability to perform its obligations under this Agreement, the City/Hospital Buy/Sell Agreement, and the Safeway/Hospital Exchange Agreement.

(c) The Hospital has examined the title to the City Shop's Site, and has agreed to purchase the City Shop's Site, based on such examination, subject only to those easements, restrictions and encumbrances listed on the title report issued by Western Title & Escrow dated as of July 27, 2007 hereto, consistent with the provisions of the City/Hospital Buy/Sell Agreement.

(d) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, the City/Hospital Buy/Sell Agreement, the Safeway/Hospital Exchange Agreement, nor the fulfillment of or compliance with the terms and conditions of this Agreement, the City/Hospital Buy/Sell Agreement, or the Safeway/Hospital Exchange Agreement, is prohibited or limited by, conflicts with or results in a breach of the terms, conditions or provisions of the certificate of incorporation or bylaws of Safeway or any evidence of indebtedness, agreement or instrument of whatever nature to which Safeway is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(e) There is no action, suit, investigation, or proceeding now pending or, to the knowledge of the Hospital, threatened against or affecting the Hospital or its business, operations, properties, or condition (financial or otherwise) before or by any governmental department, commission, board, authority, or agency, or any court, arbitrator, mediator or grand jury, which could, individually or in the aggregate, materially and adversely affect the ability of the Hospital to perform its obligations under this Agreement, the City/Hospital Buy/Sell Agreement or the Safeway/Hospital Exchange Agreement.

(f) The Hospital acknowledges that the estimates of Tax Increment revenue set forth in Section 2.1 are estimates based on certain representations and assumptions and that the City has no control over any of the variables and assumptions set forth in that section or the amount of Tax Increment to be received.

2.3. Safeway Representations. Safeway hereby represents as follows:

(a) Safeway is a corporation duly incorporated, validly existing and in good standing under the laws of the State of the State of Delaware and is duly qualified to do business in the State. Safeway has the power to enter into this Agreement and by all

necessary corporate action has duly authorized the execution and delivery of this Agreement.

(b) Safeway has examined the title to the Project Site as disclosed in the title report issued by Western Title & Escrow dated as of July 27, 2007 and has determined it suitable for its Facilities, notwithstanding the easements, restrictions and encumbrance described therein.

(c) Other than the completion of construction of the Phase I Improvements by the Hospital, Safeway has waived the conditions precedent to its obligations to proceed with the property exchange contemplated in the Safeway/Hospital Exchange Agreement.

(d) Safeway estimates the total capital costs of the Safeway Improvements will not be less than \$10,248,545 (the Estimated Completed Costs of Construction), and expects, subject to Unavoidable Delays, issuance of permits and performance by the Hospital of its obligations under the Safeway/Hospital Exchange Agreement, to complete the Safeway Improvements and install all Equipment by December 30, 2008.

(e) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prohibited or limited by, conflicts with or results in a breach of the terms, conditions or provisions of the certificate of incorporation or bylaws of Safeway or any evidence of indebtedness, agreement or instrument of whatever nature to which Safeway is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(f) There is no action, suit, investigation, or proceeding now pending or, to the knowledge of Safeway, threatened against or affecting Safeway or its business, operations, properties, or condition (financial or otherwise) before or by any governmental department, commission, board, authority, or agency, or any court, arbitrator, mediator or grand jury, which could, individually or in the aggregate, materially and adversely affect the ability of Safeway to complete the activity.

(g) Safeway has reviewed and approved the form of the Indenture. Safeway acknowledges that the Series 2007 Bonds are special, limited obligations of the City, and shall not be payable from any funds of the City other than the Pledged Revenues. Safeway approves of the sale of the Bonds to the Original Purchase under the terms and conditions of Section 3.11 hereof and the Indenture.

(h) After consultation with architects, engineers, and contractors, Safeway is not aware of any license, consent, approval, or permit of any local, state or federal agency or other governmental body which must be obtained before constructing the Safeway Improvements and placing the Facilities in operation which cannot be obtained in due course and in a timely fashion so that the Safeway Facilities may be constructed on or before December 30, 2008.

(i) Safeway acknowledges that the estimates of Tax Increment revenue set forth in Section 2.1 are estimates based on certain representations and assumptions and that the City has no control over any of the assumptions or variables set forth in that section or the amount of Tax Increment to be received.

Section 3. Phase I - Hospital Undertakings.

3.1. Covenant of Hospital to Commence Phase I. On the terms and conditions of the City/Hospital Buy/Sell Agreement, the City has agreed to convey and Hospital has agreed to acquire the City Shop's Site from the City with intent to complete Phase I of the Project and transfer the Project Site to Safeway. The Hospital shall proceed to acquire the City Shop's Site upon the waiver by Safeway of all conditions under the Safeway/Hospital Exchange Agreement. The Hospital hereby agrees and commits to City that the Hospital shall, subject to Unavoidable Delays, within 180 days of taking possession of the City Shop's Site, complete as much of the Phase I Improvements as is required to satisfy the applicable conditions precedent set forth in the Safeway/Hospital Exchange Agreement for Safeway to take title to the Project Site. The City acknowledges that the Hospital and Safeway have agreed that certain aspects of Phase I may be scheduled to be completed at a later date.

3.2. Date for Construction of Phase I Improvements. The Hospital shall begin Phase I of the Project within 90 days after execution of this Development Agreement or the waiver of all MRA or City conditions under this Agreement and waiver by Safeway of applicable conditions under the Safeway/Hospital Exchange Agreement. The Hospital will cause Phase I activities to proceed in an efficient and timely manner, including Relocation of Tenants from Existing Residential Buildings.

3.3. Conditions and Obligations for Construction of Phase I of the Project. Not all Phase I Project costs are eligible to be paid from the proceeds of the 2007 Bonds. The Phase I Project components eligible to be financed from the proceeds of the Series 2007 Bonds and the estimated costs thereof are shown on Exhibit C hereto, and are referred to as the Tax Increment Financed Improvements or Eligible Project Costs. The total costs of the Phase I work and the source of funds available for payment of those costs are shown on Exhibit D. The Hospital has the obligation under the Safeway/Hospital Exchange Agreement to complete all Phase I Improvements other than the City Shop's Site Remediation. The City and the Hospital have agreed to share the costs of the City Shop's Site Remediation as set forth in Section 3.4 of this Agreement. Consequently, the City and the MRA have determined that it is in the best interest of the Project as to timing, coordination, and cost efficiencies if all Phase I Improvements are designed and constructed by the Hospital rather than the MRA entering into separate engineering and construction agreements for the Tax Increment Financed Improvements and the City Shop's Site Remediation. The Hospital understands that the City and MRA are obligated to follow certain laws with respect to the expenditure of public funds which includes the proceeds of the Series 2007 bonds. In furtherance of those requirements, the Hospital agrees that in the awarding of contracts or subcontracts for the Tax Increment Financed Improvements and the City Shop's Site Remediation that: (i) it will assure its contractor competitively bids the subcontracts for each of those components and (ii) it will assure that its contractor and subcontractors pay the Montana Prevailing Wage on such contracts or subcontracts related to Tax Increment Financed Improvements and the City Shop's Site, and will provide to the MRA

all documentation requested to verify the Hospital's and its contractor's compliance with the foregoing requirements. The Hospital acknowledges that a violation of this requirement shall result in the proceeds of the Bonds not being available to pay or reimburse the Hospital for Phase I costs. The City acknowledges that in the event the Hospital does not complete Phase I, Safeway may complete the work with Safeway's contractors, and unless Safeway seeks reimbursement of the costs associated with such work from the City it shall not be subject to Prevailing Wage, competitive bidding, or any similar requirements, nor shall Safeway be liable for any violations by the Hospital.

3.4. Estimate and Payment of Costs of Phase I. Based on its "fixed price contract" and fixed unit price contracts the Hospital estimates that the total costs of Phase I will be \$2,267,000 as shown on Exhibit D, including the costs of the City Shop's Site Remediation. The Hospital agrees to pay all costs of Phase I in excess of the proceeds of the Bonds, except that the City has agreed to contribute \$55,000 toward the costs of the City Shop's Site Remediation. It is also understood by the Parties that the Hospital may undertake certain of the Phase I work in advance of the availability of the proceeds of the Bonds and will be reimbursed from the proceeds of the Bonds as received, for Eligible Project Costs.

3.5. Environmental Work Plan, Demolition and Site Preparation. In order to prepare the Project Site for construction of Phase II and the development of the Residentially Zoned Parcels, the Hospital must undertake the Environmental Work Plan ("Demolition and Site Preparation"). The Hospital has received professional environmental analyses which have determined that certain portions of the Project Site require environmental remediation, for which Hospital's consultants prepared the Environmental Work Plan. The Hospital shall assume all responsibility for Environmental Work Plan and activities related to the Project and shall hold the MRA and the City of Missoula harmless for any liability due to improper removal and disposal of hazardous materials, inappropriate disposal of materials by its designers, engineers, contractors or subcontractors. Hospital will investigate and wherever possible utilize affordable demolition techniques that preserve or recycle building materials for later use on the Project Site or by others off of the Project Site, move or relocate structures rather than destroy, and use demolished materials for fill, walls or other items as deemed appropriate by a professional engineer and approved by Safeway.

The Existing Residential Buildings may not be demolished or disconnected from utilities such as power, natural gas, and communications until Relocation of Tenants is certified to be complete by the Hospital.

3.6. Utility Relocation, Installation, Upgrade Extension, and Construction of Other Public Improvements. The Hospital shall construct or otherwise provide certain Public Improvements necessary for construction of Phase II and for the development of the Residential Zoned Areas. The Hospital shall be responsible for coordinating and completing relocation or vacation of utilities and creation and recording of any necessary utility easements in the area of the Project Site and will be responsible for assuring the various Subdistricts of the Project Site are served by water, sanitary sewer, storm drainage, electrical, gas, and communication utilities. The Public Improvements include the relocation, installation, upgrade, extension, and construction of certain utilities, along with the construction of Public Improvements including

sidewalks; curbs; gutters; trails; and, as necessary, repair or reconstruction of West Broadway, Scott and Pine Streets.

3.7. Relocation of Tenants. Certain tenants occupying the Existing Residential Buildings displaced as a result of the Project have been identified as eligible for relocation assistance or compensation pursuant to Montana law. The Hospital shall be responsible for the Relocation of Tenants and has, with the approval of the MRA, entered into an agreement with the Missoula Housing Authority (MHA) to perform the Relocation of Tenant activities. Determination of eligibility for relocation assistance or compensation; consideration of specific material and work items for assistance or compensation; and quantifying values, amounts and limits of assistance or compensation shall be made in substantial accordance with standards of the federal Uniform Relocation Policy produced by the U.S. Department of Housing and Urban Development (HUD). The cost of Relocation of Tenants shall include the MRA approved fees of the MHA.

Relocation assistance or compensation amounts to eligible tenants shall be based on the recommendation of MHA and made pursuant to relocation agreements to be entered into by the Hospital and the individual tenants or persons or entities legally responsible for the tenants (the “Relocation Agreements”).

3.8. Proof of Financial Ability to be Provided by the Hospital. Attached hereto as Exhibit D is a complete budget showing all estimated costs of Phase I of the Project, and all the sources of funding for Phase I of the Project, including an amount for a reasonable contingency. The amounts in the budget are based on fixed price contracts and fixed unit price contracts the Hospital has entered into with its contractor, in compliance with the conditions of Section 3.3 hereto.

The Hospital has provided to the MRA proof that has been deemed satisfactory to the MRA that it has the financial capacity to complete the Phase I Improvements. If there is an increase in the costs of the Phase I Improvements as shown on Exhibit D that cannot be covered by the contingency amount, the Hospital shall notify the City and Safeway of the increase and submit additional evidence in a form acceptable to the City that it can cover the additional costs and complete Phase I.

3.9. Reimbursement of Costs. Reimbursement by the MRA to the Hospital for costs associated with the Environmental Work Plan, Demolition and Site Preparation, Public Improvements Work, and Relocation of Tenants will be based on actual paid invoices issued by the Hospital’s consultants, contractors and subcontractors or the utility company. The MRA and the Hospital understand and acknowledge that cost of permits and fees, costs of professional consultants, design, engineering, bid specifications, soils, material compaction, testing and engineering oversight related costs are eligible project costs and are included in the estimated costs of Tax Increment Financed Improvements as shown on Exhibit C and total Phase I costs on Exhibit D.

3.10. Contractor Wage Rates During Phase I of the Project. The Hospital agrees to hire only contractors who, along with each of their subcontractors, pay their employees the State Prevailing Wage Rates for work related to all Tax Increment Financed Improvements.

Failure of the Hospital's contractors and subcontractors to pay the State Prevailing Wage Rates shall be considered a breach of this Agreement and the City shall be entitled to exercise any and all measures to assure compliance and retroactive compensation plus interest to employees not paid in accordance with this Agreement, and recovery of any penalty or fine assessed by the State attributed to the Hospital's failure to pay Prevailing Wage Rates.

3.11. Purchase of Bonds. The Hospital hereby agrees with the City and Safeway that it will purchase the Bonds in the principal amount of \$1,500,000. The Bonds shall be sold to the Hospital at par and shall bear interest at a rate to be determined five Business Days prior to closing on the Bonds. The interest rate will be fixed as of that date at a rate equal to 260 basis points over the Ten-Year U.S. Treasury rate, but in no event less than six and seventy-five one hundredths percent (6.75%) per annum nor greater than seven and one tenths percent (7.1%) per annum. The Bonds shall be dated as of their date and delivery and shall accrue interest from the date of delivery. The Bonds shall be issued pursuant to the terms and conditions as set forth in the Indenture of Trust, which is attached to this agreement as Exhibit F, the terms of which of have been approved by the Hospital and Safeway.

The Hospital acknowledges that the Bonds are special, limited obligations of the City, and shall not be payable from any funds of the City other than the Pledged Revenues.

The Hospital's agreement to purchase the Bonds is subject to the following conditions: (i) the execution and delivery by Safeway of the Guaranty Agreement in the form attached hereto as Exhibit E; (ii) delivery of authorizing resolutions and incumbency certificates demonstrating that the persons signing the Guaranty Agreement and the Development Agreement on behalf of Safeway are duly authorized to do so; (iii) the opinion of Dorsey & Whitney that the Bonds are legal and binding special obligations of the City enforceable with their terms; and (iv) that closing on the Bonds occurs within 45 days of the execution of this Agreement. In the event that the Bonds are not closed within 45 days of the Agreement and parties are desirous that the Bonds be issued, the parties shall mutually agree upon a revised interest rate.

Section 4. City Undertakings.

4.1. Tax Increment Bonds. The City agrees to issue the Bonds payable from Tax Increment Revenues derived from the Project Site in a principal amount not to exceed \$1,500,000 subject to the satisfaction of all conditions precedent specified herein. The Bonds will be sold to the Hospital on terms set forth in Section 3.11 of this Agreement and the Indenture of Trust to be entered into between the City and U.S. Bank National Association, as Trustee, in substantially the form attached hereto as Exhibit F ("the Indenture").

4.2. The Proceeds of the Bonds. The proceeds of the Bonds will be expended for the purposes in the estimated amounts shown on Exhibit C. Amounts not needed for any particular category of Improvements may be used for the other Improvements shown on Exhibit C.

4.3. Vacation of Streets and Alleys. Simultaneous with the purchase of the City Shop's Site, the City shall take any action that may be required to effectuate the vacation of public rights of way to be vacated pursuant to Resolution No. 6711.

4.4. Contribution by City. Simultaneously with the closing of the Bonds, the City will transfer the sum of \$55,000 to the Trustee for deposit in the Project Fund as its share of the costs of the City Shop's Site Remediation.

4.5. Reimbursement of Costs. MRA shall reimburse the Hospital for Tax Increment Financed Improvements costs as follows:

(a) Reimbursement will be made to Hospital by the MRA or by the Trustee on the MRA's direction upon completion of approved Phase I Improvements upon the submission of a signed Form of Request for Payment or Reimbursement of Cost in substantially the form attached as Exhibit H hereto accompanied by the invoices and lien waivers from the contractors or subcontractors performing work to be paid or reimbursed.

(b) The MRA will cause reimbursement for all properly submitted and allowable expenses to be paid within 30 days of submittal, subject to compliance with City accounts payable procedures and Trustee requirements.

(c) Ten percent of each invoiced amount shall be withheld by the MRA or by the Trustee on the MRA's direction and will be paid or reimbursed upon completion and acceptance of Tax Increment Financed Improvements.

Section 5. Safeway Undertakings

5.1. Responsibility for Construction of Phase II of the Project. Safeway has applied for a building permit for the Safeway Facilities. Safeway hereby agrees and commits to the City that, on receipt of the necessary building permits; satisfaction of the conditions of the Safeway/Hospital Exchange Agreement; and the Hospital's conveyance of title to the Project Site to Safeway, Safeway shall promptly commence and diligently prosecute to completion, subject to Unavoidable Delays, the construction of the Safeway Facilities, at a cost of not less than the Estimated Completed Cost of Construction. If the Bonds have been sold, failure to commence construction of the Safeway Facilities within 120 days of receipt of a City building permit for the Safeway Facilities and satisfaction of all the above conditions, other than attributable to Unavoidable Delays, will constitute an abandonment of Phase II of the Project and Event of Default under Section 8.2 hereof.

5.2. Payments. Safeway agrees to make all payments as set forth in Section 7 hereof.

5.3. Assignability, Unconditional Obligation. Safeway may assign this Agreement or any of its obligations hereunder or under the Guaranty to a third party provided that such assignment shall not alter, release, relieve or diminish Safeway's obligations hereunder or under the Guaranty Agreement. General Provisions Applicable to Project

6.1. Project Work. No Project work may interfere with the Relocation of Tenants. Certain Environmental Work Plan, Demolition, Site Preparation and other Phase I Improvements may commence or be performed concurrently with Relocation of Tenants as long as those activities do not unduly interfere with or disturb tenants by way of excessive dust or noise, extensive interruption of basic utilities, or interfering with access to their residences prior to actual relocation.

Parts of Phase I may be completed in subsequent phases as required by the efficient completion of the Project. However, such changes in scheduling of work items do not, unless agreed upon in writing by Safeway, change oversight, contracting, or payment responsibilities of the Hospital or MRA for Phase I Improvements. Certain work activities contained in Phase II may be commenced or completed during Phase I as required by the reasonable construction sequencing of the Project.

6.2. Preparation, Review and Approval of Construction Plans. In connection with Phase I and Phase II of the Project, the Hospital and Safeway respectively, at their sole expense, shall prepare and submit construction plans, drawings, and related documents for each portion of the Project to the appropriate City officials for architectural, engineering or land use review and written approval. Hospital and Safeway acknowledge that no review or approval by MRA officials may be in any way construed by the Hospital or Safeway to replace, override, or be in lieu of any required review, inspection, or approval by the City Building Office, or any other building construction official review or approvals required by any State laws or local ordinances or regulations.

6.3. Insurances and Indemnification. The Hospital and Safeway shall provide in their construction contracts with all of their respective contractors that such contractors are to be covered by a Worker's Compensation insurance program with the State of Montana, a private insurance carrier, or an approved self-insurance plan in accordance with Montana State law. The Hospital agrees that MRA, the City, its employees, and/or agents have no liability for accidents arising out of Phase I design and construction that are attributable to Hospital or its agents' acts or conduct and shall agree to indemnify and hold the City harmless from any and all claims or actions arising therefrom. Safeway agrees that MRA, the City, its employees, and/or agents, have no liability for accidents arising from the design or construction of Phase II that are attributable to Safeway or its agents, acts or conduct and shall agree to indemnify and hold the City harmless from any and all claims or actions arising therefrom. Safeway and the Hospital have agreed that by providing Tax Increment Bonds to finance Phase I of the Project, neither the City or MRA incur any liability for the Project as a result of such assistance.

6.4. Affirmative Action Policy and Civil Rights. Hospital and Safeway agree to require their respective contractors to be in compliance with Title 49, Montana Code Annotated, regarding Project related activities during the duration of the Project.

Section 7. Sources of Repayment, The Bonds, Covenants to Pay Taxes, Enter into Guaranty Agreement.

7.1. Tax Increment Projections. (a) The Parties acknowledge and agree that the payment of the principal and interest on the Bonds is intended to be paid from Tax Increment Revenue derived as a result of the Project. The Parties have agreed that the first interest payment on the Bonds will not be due until March 1, 2010. The Parties acknowledge and agree, based on the assumptions and estimates set forth in Section 2.1 hereof, that the total Tax Increment anticipated to be received from the Project during the term of the Bonds will be sufficient to pay the principal and interest on the Bonds during the term of the Bonds.

7.2. Taxes. (a) As long as Safeway owns the Facilities or is otherwise obligated to pay Taxes on the Facilities, Safeway shall pay or cause to be paid when due and prior to the imposition of penalty all Taxes and all installments of special assessments payable with respect to its Facilities and the real property on which they are located.

(b) Safeway agrees not to seek, through administrative or judicial review or otherwise, any abatement, deferral or waiver of property taxes lawfully payable with respect to the Facilities or contest any such property taxes or the valuation of properties comprising the Facilities for tax purposes if the effect thereof would be to reduce the amount of Tax Increment to be received in a Fiscal Year of the City to an amount less than the amount of debt service payable on the Bonds from such Fiscal Year Tax Increment collections. The Parties agree and acknowledge that this section is not intended to preclude Safeway from taking advantage of reductions in tax rates, tax exemptions or other tax breaks authorized by the Montana legislature for similarly situated tax payers. Safeway acknowledges that a reduction of its tax obligations by such legislative action does not in any way diminish or alter its obligations under Section 7.3 hereof or the Guaranty Agreement, if Notice and Demand is made. The City and MRA agree that the sole remedy for a breach of the covenant set forth in this Section 7.2(b) shall be the City's ability to protest to the Department of Revenue Safeway's petition for reduction of its tax obligations by reference to this covenant, unless the breach results in a deficiency in the Tax Increment, in which case the City may proceed under the Guaranty Agreement.

7.3. Guaranty Agreement. (a) Notice of Tax Increment Deficiency Amount and Demand for Payment (the "Notice and Demand"). Subject to the provisions of Section 7.1 hereof, it is the intention of the City and Safeway that debt service on the Bonds will be paid from the Tax Increment. Parties recognize that the Tax Increment actually due or received particularly in Fiscal Years 2008 and 2009 may not be in amounts sufficient to pay the principal and interest on the Bonds as due. In order to issue and sell the Bonds, it is necessary that additional security for the Bonds be provided. So long as the Bonds are Outstanding, in the event that the Tax Increment collected by the City in any Fiscal Year, together with amounts on hand in the Bond Fund, if any, is less than the amount required to pay the principal of and interest on Outstanding Bonds payable during the twelve-month period commencing on March 1 of such Fiscal Year and ending on the next succeeding March 1 (the "Deficiency Amount"), Safeway must agree to pay such Deficiency Amount and evidence that obligation by the execution and delivery of the Guaranty Agreement in the form as attached hereto as Exhibit E.

Under State law, the Department of Revenue generally uses the value of taxable property as of January 1 of each year to determine the amount of taxes to be billed for the next Fiscal Year. The Department of Revenue certifies the assessed Market Value and the Taxable Value of property as it existed on January 1 of each calendar year on or about August 1 of the same year so that each Taxing Jurisdiction can fix the number of mills to be levied for its purposes. Safeway should receive notice of its Taxes for a Fiscal Year on or about October 30, which Taxes are payable in equal installments on November 30 and May 31 of the Fiscal Year. The City has directed the Trustee pursuant to Section 504 of the Indenture to determine the Deficiency Amount thirty-five (35) Business Days prior to any Interest Payment Date and to send Notice of the Deficiency and Demand for Payment of the Deficiency Amount in substantially the form of the Exhibit B to the Guaranty Agreement stating the amount of the Deficiency and specifying the Deficiency Payment Date to the Guarantor, so that the Guarantor receives the Notice and Demand at least thirty (30) Business Days prior to the Deficiency Payment Date. The Deficiency Payment Date shall be not less than two nor more than five Business Days prior to the Interest Payment Date.

A Deficiency Amount not paid when due shall continue as an obligation of the Guarantor and provided that Notice and Demand has been given as specified herein and in the Guaranty Agreement shall bear interest at the rate on the Bonds. The Guarantor shall pay the Deficiency Amount directly to the Trustee, which shall upon receipt be deposited in the Bond Fund and applied to the payment of the principal and interest on the Outstanding Bonds when due or otherwise in accordance with the terms of the Indenture.

(b) Excess Tax Increment Uses. To the extent that in any Fiscal Year there is Excess Tax Increment, the City shall cause the Trustee to use the Excess Tax Increment to the extent available to make Guarantor Reimbursements, or at the option of the Guarantor cause the Excess Tax Increment to be retained to make principal and interest payments coming due on the Bonds in future years. The City at the direction of the Guarantor shall cause the Excess Tax Increment not required to make Guarantor Reimbursements to be retained in the Excess Tax Increment Fund until the amount therein equals the maximum annual debt service on the Bonds (the "Reserve Limitation"). The Guarantor must notify the City thirty (30) days prior to any Interest Payment Date of its desire for the City to use the Excess Tax Increment or apply the Reserve Limitation to the prepayment of the Bonds. Excess Tax Increment in excess of the Reserve Limitation shall be used to prepay the Bonds in accordance with the terms of the Indenture.

(c) City Not To Take Action To Reduce Tax Increment. The City agrees that it will take no action that would limit the amount of Tax Increment below the amount that would be generated absent such actions. In the event that at any time following the date hereof: (i) either (A) the Act is amended in such a manner as to reduce Tax Increment, or (B) Tax Increment is reduced as a result of changes in the law regarding the privilege of public entities to levy real property taxes; and (ii) in lieu of such reduced Tax Increment, the City is authorized to receive and receives revenues in any form in substitution for the lost Tax Increment which additional revenues the City is authorized to spend for the same purposes and under the same conditions that apply to Tax Increment ("Reimbursement Revenues"), then the share of such additional revenues attributable to the reduced Tax Increment shall be deemed to be Tax Increment for all purposes of this Agreement, subject, however, to the application of those revenues to the payment of Outstanding Bonds as provided in Section 504 of the Indenture.

(d) Execution and Delivery of the Guaranty. The execution and delivery of the Guaranty Agreement by Safeway in substantially the form attached hereto as Exhibit E is a condition precedent to the City's issuance of the Bonds.

7.4. Guarantor's Right to Terminate Guaranty. The Guarantor may terminate its obligation to pay Deficiency Amounts under Section 7.3 and the Guaranty Agreement by depositing with the Trustee the amount necessary to pay the full principal of and interest due on the Bonds through the next Interest Payment Date no later than fifteen (15) days prior to such Interest Payment Date. If such deposit is made, the Trustee shall redeem the Bonds on such Interest Payment Date in accordance with Article 6 of the Indenture.

The Guarantor shall also have the right to terminate the Guaranty if the Hospital fails to consummate the exchange contemplated in the Safeway/Hospital Exchange Agreement, including if such exchange is not consummated due to Hospital's failure to carry out its construction obligations of Phase I. Until the Exchange is closed, Hospital agrees to retain ownership of the Bonds, and not to pledge, hypothecate or otherwise transfer any interest therein to any third party. If Safeway and the Hospital determine that the Exchange will not close, they shall jointly notify the City and request that the City direct the Trustee to release the Guaranty Agreement.

Section 8. Default and Remedies.

8.1. Events of Default by the Hospital. Each of the following events shall constitute an event of default by the Hospital under this Agreement:

(1) Failure by the Hospital, upon notice from either the City or Safeway and a 30 day opportunity to cure, to substantially satisfy, perform, or discharge any material duty or obligation of the Hospital under this Agreement in all material aspects any obligation or agreement on its part to be observed or performed under this agreement, covenant, condition, contained in this Agreement in a timely manner.

(2) The Hospital shall:

(i) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Code, as amended or under any similar federal or state law; or

(ii) make an assignment for the benefit of its creditors; or

(iii) admit in writing its inability to pay its debts generally as they become due; or

(iv) be adjudicated a bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Hospital, as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof; or a receiver, trustee or liquidator of the Hospital, or of the Facility, or part thereof, shall be appointed in any proceeding brought against the

Hospital, and shall not be discharged within ninety (90) days after such appointed, or if the Hospital, shall consent to or acquiesce in such appointment.

Provided however, that a default under this Agreement by the Hospital shall not be deemed a default by any successor Hospital which is not then in default of its obligations hereunder, and a default by a successor Hospital in an obligation owed directly to the City under this Agreement shall not be deemed a default by the Hospital.

8.2. Events of Default by Safeway. Each of the following events shall constitute an event of default by Safeway under this Agreement:

(1) Abandonment of the Project as provided in Section 5.1 hereof.

(2) Safeway shall:

(i) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Code, as amended or under any similar federal or state law; or

(ii) make an assignment for the benefit of its creditors; or

(iii) admit in writing its inability to pay its debts generally as they become due; or

(iv) be adjudicated a bankrupt or insolvent; or if a petition or answer proposing the adjudication of Safeway, as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof; or a receiver, trustee or liquidator of Safeway, or of the Facility, or part thereof, shall be appointed in any proceeding brought against Safeway, and shall not be discharged within ninety (90) days after such appointed, or if Safeway, shall consent to or acquiesce in such appointment.

8.3. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 hereof by the Hospital shall have happened and be subsisting, the City may take whatever action at law or in equity which may appear necessary or appropriate to collect the amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Hospital under this Agreement. In the event that the Hospital is not able to complete the Phase I Improvements and deliver the Project Site to Safeway as contemplated by the Safeway/Hospital Exchange Agreement (and Safeway has not elected to complete the Phase I Improvements itself, the Hospital agrees that the City shall have an option to purchase the property constituting the City Shop's Site from the Hospital. The Hospital shall notify the City within thirty (30) days of its determination that it will not be able to meet the conditions of the Safeway/Hospital Exchange Agreement and that Safeway has not elected to complete Phase I and accept the Project Site. The City shall notify the Hospital within ninety (90) days of receipt of that notice of its interest and intention to purchase the City Shop's Site. The Hospital and the City shall agree upon a final purchase price that will compensate the Hospital for the purchase price of the City Shop's Site cover all costs that the Hospital has incurred solely with respect to the City Shop's Site, including the costs of environmental,

engineering, remediation, and demolition work; cover the costs of vacating the plat creating the Site; and cover the costs of removing any improvements that had been installed in rights of way if it is necessary that such improvements be removed. If the City and the Hospital are not able to agree on the price for the repurchase of the City Shop's Site, the City and the Hospital agree to submit the issue to mediation and arbitration pursuant to Sections 8.7 and 8.8 of this Agreement.

Whenever any Event of Default referred to in Section 8.2 hereof by Safeway shall have happened, the City's sole remedy shall be to declare all principal and interest on the Bonds to be immediately due and payable and collect the full amount due and owing from the Guarantor under the Guaranty Agreement. In the event that the Bonds are accelerated and the Guarantor satisfies such accelerated obligation pursuant to the Guaranty, the Guarantor shall continue to be entitled to Guarantor Reimbursements until termination of the District.

8.4. Manner of Exercise. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute unless otherwise specifically indicated herein. Notwithstanding the foregoing, the only remedy against Safeway for breach of the terms hereof shall be to enforce the Guaranty in accordance with its terms; to accelerate the Bonds in the case of a default described in Section 8.2, or to deny a petition for reduction of Taxes, in the case of a default of the covenant contained in Section 5.3. Any and all amounts received by the City resulting from the exercise of any remedy hereunder shall after payment of attorneys' fees and all other costs and expenses incurred as a result of such exercise shall be applied as provided in Section 706 of the Indenture. Any amounts received from the acceleration of the Bonds shall be deposited in the Bond Fund.

8.5. Attorneys' Fees and Expenses. If a Party should default under any of the provisions of this Agreement and the non-defaulting Party should employ attorneys or incur other expenses for the enforcement of performance of any obligation or agreement on the part of the defaulting Party, the defaulting Party will on demand and receipt of an accounting therefor pay to the non-defaulting Party the reasonable fees of such attorneys and such other expenses so incurred.

8.6. Hospital and Safeway's Remedies. Nothing contained in this Section 8.6 shall be construed to release the City from the performance of any of its agreements in this Agreement, and if the City should fail to perform any such agreement, Safeway and the Hospital may, subject to the limitations of Section 9.4 hereof, institute such action against the City as Safeway or the Hospital may deem necessary for damages (subject to the limits of Section 9.3) or to compel performance.

8.7. Mediation. In the event the City and the Hospital are unable to agree upon the repurchase price for the City Shop's Site as proscribed in Section 8.3 of this Agreement the MRA and the Hospital agree to try in good faith to settle the dispute by mediation to be administered by the American Arbitration Association under its Commercial Mediation Rules. The parties will submit to mediation before resorting to binding arbitration under this Agreement. For purposes of selecting a mediator, the MRA and the Hospital will first attempt to agree upon one neutral individual to mediate the matter. If the MRA and the Hospital are unable

to agree upon a mediator, then the MRA and the Hospital will each select one individual to assist in the selection of a mediator, and the selected individuals will then agree upon and appoint a single mediator who will attempt to resolve the matter on behalf of the parties. In order to qualify and serve as mediator, an individual must not be employed by the City or the Hospital, and the individual must have expertise in the subject matter of the mediation.

8.8. Arbitration. If the City and the Hospital are unable to agree upon the repurchase price for the City Shop's Site by mediation under the immediately preceding section of this Agreement, then the City and the Hospital agree that the event of default, dispute or controversy will be resolved by binding arbitration administered by the American Arbitration Association in accordance with its Arbitration Rules for the Real Estate Industry and the Uniform Arbitration Act, Montana Code Annotated §§ 27-5-111, et- seq., as amended from time to time. The agree to submit the event of default, dispute, or controversy to binding arbitration in the following manner:

(a) The City and the Hospital will first attempt to select and agree upon a neutral individual to arbitrate the matter. If the City and the Hospital are unable to agree upon such an arbitrator, then the City and the Hospital will each select one individual to assist in the selection of an arbitrator, and the selected individuals will then agree upon and appoint a final arbitrator who will hear and resolve the matter on behalf of the City and the Hospital. In order to qualify and serve as an arbitrator, an individual must not be employed by the City or the Hospital, and the individual must have expertise in the subject matter of the arbitration.

(b) The arbitrator's sole decision under this Agreement is to determine the repurchase price for the City Shop's Site as proscribed in Section 8.4 and will conduct the arbitration proceedings in accordance with the American Arbitration Association Arbitration Rules for the Real Estate Industry then in effect, except where this Agreement makes a special provision.

(c) The arbitrator's decision will be conclusive and binding upon the City and the Hospital, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction over the parties.

Section 9. General Provisions.

9.1. Conflicts of Interest; City's Representatives Not Individually Liable. No member, officer or employee of the City shall have any personal interest, direct or indirect, in this Agreement or the Project, nor shall any such member, officer or employee participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership, or association in which he or she is, directly or indirectly, interested. No member, officer or employee of the City or the MRA shall be personally liable to Safeway or the Hospital in the event of any default under or breach of this Agreement by the City, or for any amount which may become due to Safeway or the Hospital for any obligation issued under or arising from the terms of this Agreement, except for any fraudulent misrepresentation made by any such member, officer or employee in violation of the first sentence of this Section 9.1.

9.2. Rights Cumulative. The rights and remedies of the Parties of this Agreement, whether provided by law or by this Agreement, shall be cumulative, and the exercise by either Party of any one or more of such remedies shall not preclude the exercise by such Party, at the same or different times, of any other remedy for the same default or breach or of any of its remedies for any other default or breach of the Party subject to the limitation of remedies provided herein. No waiver made by such Party with respect to the performance or the manner or time thereof, of any obligation under this Agreement, shall be considered a waiver with respect to the particular obligation of the other Party or a condition to its own obligation beyond those expressly waived in writing and to the extent thereof, or a waiver in any respect in regard to any other rights of the Party making the waiver of any obligations of the other Party. Delay by a Party hereto instituting or prosecuting any cause of action or claim hereunder shall not be deemed a waiver of any rights hereunder.

9.3. Limitation on City Liability. No agreements or provisions contained in this Agreement or the Indenture nor any agreement, covenant or undertaking by the City contained in any document executed by the City in connection with the Project or the Bonds shall give rise to any pecuniary liability of the City or a charge against its general credit or taxing powers, or shall obligate the City financially in any way except with respect to the Trust Estate as defined in the Indenture. No failure of the City to comply with any term, condition, covenant or agreement herein shall subject the City to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the Trust Estate; and no execution on any claim, demand, cause of action or judgment shall be levied upon or collected from the general credit, general funds or taxing powers of the City (except as such constitute the Trust Estate). Nothing herein shall preclude a proper party in interest from seeking and obtaining specific performance against the City for any failure to comply with any term, condition, covenant or agreement herein; provided that no costs, expenses or other monetary relief shall be recoverable from the City except as may be payable from the Trust Estate. Notwithstanding any failure of the City to deposit any part of the Trust Estate with the Trustee, nor the use or expenditure of the funds constituting the Trust Estate or any part thereof, nor the commingling of Trust Estate funds with other City funds, recourse may be had against the City, and monetary damages may be awarded in any action arising out of this Agreement, up to the amount of the Trust Estate, to the extent the Trust Estate funds have not been used to pay the Bond or other proper expenses of the Indenture.

9.4. Assignment and Delegation. This Agreement is unique between the City, Hospital, and Safeway and, except as provided and allowed in this Agreement; no party may assign any rights or privileges, or delegate any duties or obligations under this Agreement without first obtaining the written consent of the other party. During Phase I, the MRA will not unreasonably refuse to consent to an assignment and delegation of the Hospital's rights, privileges, duties and obligations hereunder if the Hospital provides the MRA with adequate guarantees and assurances that the duties and obligations of the Hospital will be timely, as well as fully satisfied and discharged in accordance with this Agreement by a proposed assignee or delegatee or successor in interest to the Hospital of equal or better financial resources and expertise than those of the Hospital. Safeway may assign its rights and obligations hereunder,

but will at all times have primary liability under the Guaranty Agreement and Section 7.3 of this Agreement.

9.5. Successors Bound By Agreement. This Agreement will inure to the benefit of and be binding upon the Parties to this Agreement and their respective successors in interest and permitted assignees.

9.6. Prior Agreements. This Agreement supersedes, merges, and voids any and all prior discussions, negotiations, agreements, and undertakings between the parties with respect to the subject matter of this Agreement. The parties waive and release each other from any claims, actions, or causes action which relate in any manner to any prior discussions, negotiations, agreements, and undertakings between the parties with respect to the subject matter of this Agreement.

9.7. Entire Agreement. This Agreement, including any exhibits and attachments hereto, embodies the entire agreement and understanding of the parties with respect to its subject matter. There are no restrictions, promises, representations, warranties, covenants, or undertakings other than those expressly set forth or referred to in this Agreement, provided that the Safeway/Hospital Exchange Agreement and the Hospital/City Buy/Sell remain separate agreements between the parties thereto. All parties shall be prohibited from offering into evidence in any arbitration or civil action any terms, conditions, understandings, warranties, statements or representations, whether oral or written, that are not contained in this Agreement. No party will be bound by any terms, conditions, understandings, warranties, statements or representations, whether oral or written, that are not contained in this Agreement.

9.8. Original Copies of Agreement. This Agreement shall be executed in five (5) original copies. When fully executed, one original copy shall be provided to each party hereto.

9.9. Amendments, Changes and Modifications. This Agreement may be amended or any of its terms modified only by written amendment authorized and executed by the Parties hereto and subject to the limitations contained in the Indenture.\

9.10. Amendment of Indenture. The Indenture may not be amended without the approval of the Guarantor.

9.11. Headings. The headings of articles and sections in this Agreement are inserted for convenience of reference only and do not limit or amplify the terms and provisions of the Agreement in any manner. The headings will be ignored and will not affect the construction of any provisions of this Agreement.

9.12. Notice. Any formal notice, demand or communication required or permitted by the terms of this Agreement to be given to the City, Safeway, or the Hospital will be in writing and will be delivered to such party either: (i) by personal hand-delivery; or (ii) by depositing the same in the United States mail, certified mail with return receipt requested, addressed to such person at the address named below, with postage prepaid thereon. Notice will be deemed complete upon receipt of the notice pursuant to any of the foregoing methods of notice. The

parties to this Agreement may hereafter designate in writing a different address or person to whom such notice will be given.

If to:

City:
City of Missoula
ATTN: City Finance Director
435 Ryman
Missoula, MT 59802

With a copy to:

MRA:
Missoula Redevelopment Agency
ATTN: Ellen Buchanan, Director
123 West Spruce
Missoula, Montana 59802

Hospital:
St. Patrick Hospital
ATTN: Virginia Iverson, Vice President
P.O. Box 4587
Missoula, Montana 59806

Safeway:
Safeway Inc. Real Estate Dept.
1121 124th Ave NE
Bellevue WA 98005-2101 (personal delivery)
or
P.O. Box 85001
Bellevue, WA 98015-8501 (US mail)

With a copy to:

Real Estate Law Division
Safeway Inc
5918 Stoneridge Mall Rd.
Pleasanton CA 94588-3229

If the mailing address of any of the Parties to the Agreement changes, notice of such change must be give to all parties as soon as is practicable.

9.13. Severability. If any provision of this Agreement is declared void or held invalid, such provision will be deemed severed from this Agreement and, the remaining provisions of this Agreement will otherwise remain in full force and effect.

9.14. Benefit and Binding Effect. This Agreement shall be binding upon, and will extend to and inure to the benefit of, the parties hereto and their respective successors, assigns, heirs, devisees and personal representatives, including any entity with which the Hospital may merge or consolidate or to which substantially all of its assets may be transferred.

9.15. Duplicate Originals Or Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

9.16. Place of Performance. The place of performance of this Agreement will be in the City of Missoula, Missoula County, Montana.

9.17. Governing Law. This agreement and the legal relations between the parties hereto will be governed by and construed in accordance with the laws of the State of Montana, without giving effect to any choice of law statutes, rules, or principles.

The , City, Safeway, and the Hospital execute this Agreement to be effective as of _____, 2007.

CITY OF MISSOULA

By: _____
Mayor

Attest:

By: _____
City Clerk

ST. PATRICK HOSPITAL
A Montana Non-Profit

By: _____
Chief Executive Officer

SAFEWAY INC.

By: _____
Its Assistant Vice-President

By: _____
Its Assistant Secretary

State of Montana)

)ss.

County of Missoula)

On this _____ day of _____, 2007, before me the undersigned, a notary for the State of Montana, personally appeared _____, known to me to be the person who executed the within instrument and acknowledged to me that he has executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

(SEAL)

Notary Public for the State of _____
Residing at _____
My commission expires _____

State of Montana)

)ss.

County of Missoula)

On this _____ day of _____, 2007, before me the undersigned, a notary for the State of Montana, personally appeared _____, known to me to be the person who executed the within instrument and acknowledged to me that he has executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

(SEAL)

Notary Public for the State of _____
Residing at _____
My commission expires _____

State of Montana)

)ss.
County of Missoula)

On this _____ day of _____, 2007, before me the undersigned, a notary for the State of Montana, personally appeared _____, known to me to be the person who executed the within instrument and acknowledged to me that he has executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

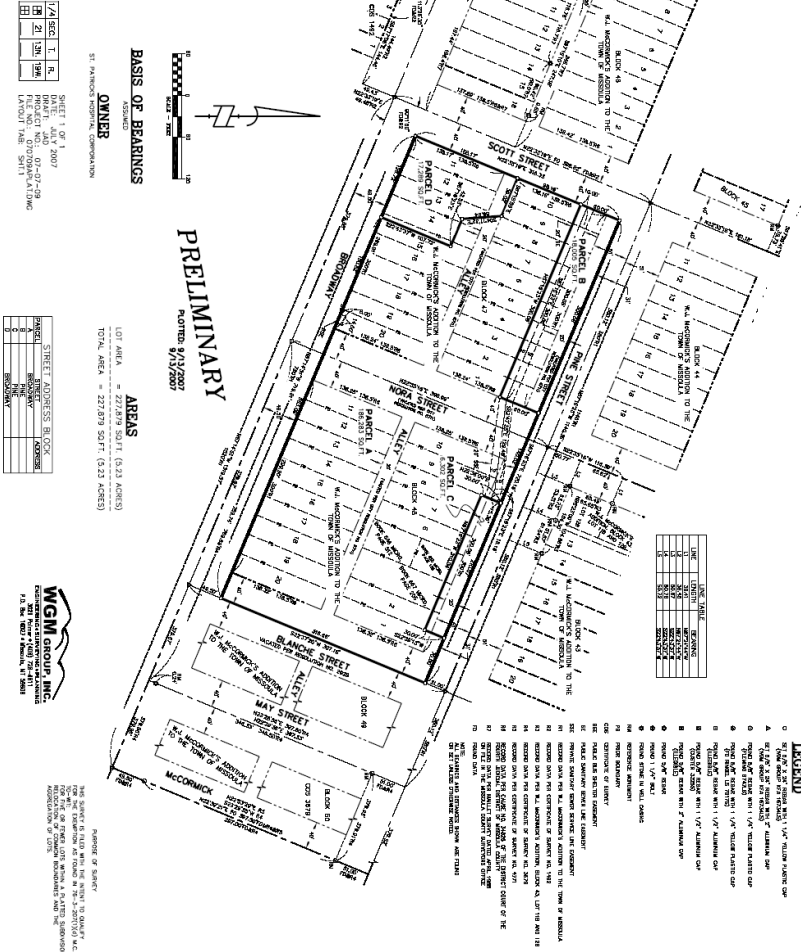
(SEAL)

Notary Public for the State of _____
Residing at _____
My commission expires _____

EXHIBIT A

LEGAL DESCRIPTION OF THE PROJECT SITE

PART OF
W.J. MCCORMICK'S ADDITION TO THE TOWN OF MISSOULA, BLOCKS 47 & 48
 REMAINING BLOCKS 47 AND 48 OF W.J. MCCORMICK'S ADDITION TO THE TOWN OF MISSOULA,
 LOCATED IN THE NORTHWEST 1/4 OF SECTION 21,
 T. 13 N., R. 19 W., PRINCIPAL MERIDIAN, MONTANA



DATE: 9/13/2007
 DRAWN BY: J. R. ...
 CHECKED BY: ...
 SCALE: AS SHOWN

PRELIMINARY
 NORTH 9/13/2007

AREAS
 LOT AREA = 222,491 SQ.FT. (5.21 ACRES)
 TOTAL AREA = 222,491 SQ.FT. (5.21 ACRES)

OWNER
 ST. PATRICKS HOSPITAL, CORPORATION

LEGEND
 1. 1/4\"/>

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 TOTAL AREA = 222,491 SQ.FT. (5.21 ACRES)

OWNER
 ST. PATRICKS HOSPITAL, CORPORATION

DATE: 9/13/2007
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OWNER
 ST. PATRICKS HOSPITAL, CORPORATION

EXHIBIT B

DESCRIPTION OF THE SAFEWAY PROJECT
INCLUDING IMPROVEMENTS AND EQUIPMENT

SAFEWAY STORE EQUIPMENT:

Equipment Costs	\$ 2,600,000
Casework	
Millwork	
Refrigeration Systems	
Equipment Install	\$ 585,000
Equipment IT	\$ 225,000
Hardware	
Install	
Contingency	\$ 341,000
Total Store Equipment:	<u>\$ 3,751,000</u>

SAFEWAY STORE BUILDING:

Construction Improvements	\$ 5,234,000
Construction Interest	\$ 120,000
Building and Site Improvement Contingency	\$ 568,400
Miscellaneous (i.e., Overhead, Preliminary Costs, etc.)	\$ 575,145
Total Store Building Improvements:	<u>\$ 6,497,545</u>
<u>TOTAL STORE COST:</u>	<u>\$10,248,545</u>

EXHIBIT C

TAX INCREMENT FINANCED IMPROVEMENTS

Environmental Remediation	\$250,000
Environmental Survey	\$60,000
Demolition and Removal of Structures.....	\$164,000
Post-Demolition Site Restoration including Retaining Walls	\$157,000
Sewer Relocation	\$50,000
Utilities Relocation & Upgrade	\$50,000
Storm Drainage System Upgrade.....	\$20,000
Curbs, Gutters, Sidewalks.....	\$175,000
R-O-W Landscape and Irrigation & RR Trail	\$161,000
Percentage of Design, Engineering, Survey and Contractor Fee for Above Items.	\$134,000
<u>Relocation of Tenants</u>	<u>\$100,000</u>
<u>Sub Total.....</u>	<u>\$1,321,000</u>
Contingency (10%)	\$132,000
<u>Bond, Legal, Other Related Costs.....</u>	<u>\$47,000</u>
Estimated Total	\$1,500,000

EXHIBIT D

BUDGET FOR PHASE I, SOURCE AND USES

Sources:

Bond Proceeds	\$1,500,000
MRA cash Contributions	\$46,828
Hospital Cash Contributions	\$1,725,372
Total Sources	\$3,272,200

Uses:

Purchase City Property	\$845,000
Bond Issuance Costs	\$50,000
Tenant Relocation	\$100,000
Environmental Remediation	\$241,735
Demolition Costs	\$197,966
Site Improvements	\$1,505,437
Design, engineering, & contractor fees	\$224,062
Contingency (5%)	\$108,000
Total Uses	\$3,272,200

EXHIBIT EFORM OF GUARANTY AGREEMENT

EXHIBIT F
FORM OF INDENTURE OF TRUST

EXHIBIT G

SCHEDULE OF PAYMENT ON THE BONDS

Dated: 10/15/2007 *Strging Debt Service Schedule* 1
 Delivered: 10/15/2007 *Safeway St. Pats*

Fiscal Yr	Coupon Date	Zer Cpn	Cpn Rate	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Cap Int	DbtSvcRsv Int & Prin	Constr. Fund Interest	Net Semi-Annl Dbt Svc	Net Fiscal Dbt Svc
8	3/1/08										
9	9/1/08										
9	3/1/09										
10	9/1/09										
10	3/1/10				253,233.33	253,233.33				253,233.33	253,233.33
11	9/1/10	N	7.100	15,000.00	53,250.00	68,250.00				68,250.00	
11	3/1/11	N	7.100	15,000.00	52,717.50	67,717.50				67,717.50	135,967.50
12	9/1/11	N	7.100	15,000.00	52,185.00	67,185.00				67,185.00	
12	3/1/12	N	7.100	20,000.00	51,652.50	71,652.50				71,652.50	138,837.50
13	9/1/12	N	7.100	20,000.00	50,942.50	70,942.50				70,942.50	
13	3/1/13	N	7.100	20,000.00	50,232.50	70,232.50				70,232.50	141,175.00
14	9/1/13	N	7.100	20,000.00	49,522.50	69,522.50				69,522.50	
14	3/1/14	N	7.100	20,000.00	48,812.50	68,812.50				68,812.50	138,335.00
15	9/1/14	N	7.100	20,000.00	48,102.50	68,102.50				68,102.50	
15	3/1/15	N	7.100	20,000.00	47,392.50	67,392.50				67,392.50	135,495.00
16	9/1/15	N	7.100	25,000.00	46,682.50	71,682.50				71,682.50	
16	3/1/16	N	7.100	25,000.00	45,795.00	70,795.00				70,795.00	142,477.50
17	9/1/16	N	7.100	25,000.00	44,907.50	69,907.50				69,907.50	
17	3/1/17	N	7.100	25,000.00	44,020.00	69,020.00				69,020.00	138,927.50
18	9/1/17	N	7.100	25,000.00	43,132.50	68,132.50				68,132.50	
18	3/1/18	N	7.100	25,000.00	42,245.00	67,245.00				67,245.00	135,377.50
19	9/1/18	N	7.100	30,000.00	41,357.50	71,357.50				71,357.50	
19	3/1/19	N	7.100	30,000.00	40,292.50	70,292.50				70,292.50	141,650.00
20	9/1/19	N	7.100	30,000.00	39,227.50	69,227.50				69,227.50	
20	3/1/20	N	7.100	30,000.00	38,162.50	68,162.50				68,162.50	137,390.00
21	9/1/20	N	7.100	30,000.00	37,097.50	67,097.50				67,097.50	
21	3/1/21	N	7.100	35,000.00	36,032.50	71,032.50				71,032.50	138,130.00
22	9/1/21	N	7.100	35,000.00	34,790.00	69,790.00				69,790.00	
22	3/1/22	N	7.100	35,000.00	33,547.50	68,547.50				68,547.50	138,337.50
23	9/1/22	N	7.100	35,000.00	32,305.00	67,305.00				67,305.00	
23	3/1/23	N	7.100	40,000.00	31,062.50	71,062.50				71,062.50	138,367.50
24	9/1/23	N	7.100	40,000.00	29,820.00	69,820.00				69,820.00	
24	3/1/24	N	7.100	40,000.00	28,222.50	68,222.50				68,222.50	137,865.00
25	9/1/24	N	7.100	45,000.00	26,802.50	71,802.50				71,802.50	
25	3/1/25	N	7.100	45,000.00	25,205.00	70,205.00				70,205.00	142,007.50
26	9/1/25	N	7.100	45,000.00	23,607.50	68,607.50				68,607.50	
26	3/1/26	N	7.100	45,000.00	22,010.00	67,010.00				67,010.00	135,617.50
27	9/1/26	N	7.100	50,000.00	20,412.50	70,412.50				70,412.50	
27	3/1/27	N	7.100	50,000.00	18,637.50	68,637.50				68,637.50	139,050.00
28	9/1/27	N	7.100	50,000.00	16,862.50	66,862.50				66,862.50	
28	3/1/28	N	7.100	55,000.00	15,087.50	70,087.50				70,087.50	136,950.00
29	9/1/28	N	7.100	55,000.00	13,135.00	68,135.00				68,135.00	
29	3/1/29	N	7.100	60,000.00	11,182.50	71,182.50				71,182.50	139,317.50
30	9/1/29	N	7.100	60,000.00	9,052.50	69,052.50				69,052.50	
30	3/1/30	N	7.100	60,000.00	6,922.50	66,922.50				66,922.50	135,975.00
31	9/1/30	N	7.100	65,000.00	4,792.50	69,792.50				69,792.50	
31	3/1/31	N	7.100	70,000.00	2,485.00	72,485.00				72,485.00	142,277.50
32	9/1/31										
				1,500,000.00	1,662,760.83	3,162,760.83	0.00	0.00	0.00	3,162,760.83	

True Interest Cost (TIC)	6.9919252	Arbitrage Yield Limit (AYL)	6.9919252
Net Interest Cost (NIC)	7.1000000	Arbitrage Net Interest Cost (ANIC)	7.1000000

Prepared by: :MUNIDB
 Prepared on: 9/11/2007 11:59 11.94f Rpt 14 - 1 - :SAFEWAY-2007-I

EXHIBIT H
FORM OF REQUEST FOR PAYMENT OR REIMBURSEMENT OF COSTS