

APPENDIX A

DESCRIPTION OF THE PROJECT

The East Rapid City Water System Expansion Project consists of the expansion of the City's drinking water system, as described in the Borrower's Facilities Plan dated _____, 2014.

The Borrower hereby certifies that the description of the property, improvements and activities set forth above constitutes an accurate description of the property, improvements and activities the costs of which are being financed, refinanced or reimbursed pursuant to the attached Loan Agreement. In case any portion of the Project is being refinanced, an accurate description of such debt and the dates on which it will be paid from proceeds of the Loan are also set forth above.

CITY OF RAPID CITY, SOUTH DAKOTA,
Borrower

By _____
Mayor

Dated: _____, 2018.

APPENDIX B

FORM OF BORROWER BOND

FOR VALUE RECEIVED, the undersigned, the City of Rapid City, South Dakota (the “Borrower”), promises to pay, but only from the sources described herein, to the order of the South Dakota Conservancy District (the “District”), or its successors and assigns, the principal sum equal to the sum of the amounts entered on Schedule A hereto under “Total Amount Advanced,” less the amount of principal forgiven pursuant to Section 4.2 of the Loan Agreement, with interest on each such amount from the date such amount is advanced hereunder at the rate of [2.25%] per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge on the outstanding principal amount of this Borrower Bond at a rate of [.50%] per annum. The said principal and interest and Administrative Expense Surcharge shall be payable in quarterly installments, each payable on the first day of February, May, August and November of each year (each such date for payment of principal, interest or Administrative Expense Surcharge is referred to herein as a “Loan Payment Date”) commencing on the first Loan Payment Date occurring after the Initial Loan Amortization Date plus an initial payment representing accrued interest and Administrative Expense Surcharge payable on the Initial Loan Amortization Date, all subject to revision as required by Section 5.1 of the Loan Agreement (as defined below) if the Initial Loan Amortization Date occurs before [_____, 201_]. Each installment shall be in the amount set forth opposite its due date in Schedule B hereto under “Payment Amount.” The portion of each such payment consisting of principal, the portion consisting of interest and the portion consisting of Administrative Expense Surcharge shall be as set forth in Schedule B hereto.

Upon each disbursement of Loan amounts to the Borrower pursuant to the Loan Agreement described below, the District shall enter (or cause to be entered) the amount advanced on Schedule A under “Advances” and the total amount advanced under the Loan Agreement, including such disbursement under “Total Amount Advanced.” The District shall prepare Schedule B and revised Schedules B, or cause Schedule B and revised Schedules B to be prepared, as provided in Sections 4.2 and 5.1 of the Loan Agreement described below. Schedule B shall be calculated and recalculated on a substantially level annual debt service basis assuming a combined interest and Administrative Expense Surcharge rate of [3.00%] per annum. Past-due payments of (i) principal and interest and (ii) the Administrative Expense Surcharge shall bear interest at the rate of [8%] per annum, compounded on each Loan Payment Date, until paid. Interest on the unpaid principal amount hereof and Administrative Expense Surcharge shall be calculated on the basis of a 360-day year made up of 12 months of 30 days each.

All payments under this Borrower Bond shall be payable at the principal corporate trust office of U.S. Bank National Association, in Seattle, Washington, or such other place as the District may designate in writing.

This Borrower Bond is issued pursuant to and is secured by a certain Loan Agreement, dated the date hereof (the “Loan Agreement”), by and between the Borrower and the District, the terms and provisions of which are incorporated herein by reference. This Borrower Bond is further secured by the Collateral Documents and other Loan Documents, each of which terms have the meanings assigned thereto in the Loan Agreement.

The Borrower shall not prepay any principal payment set forth on Schedule B to the Borrower Bond any more than 15 days prior to the due date set forth in such Schedule B, unless the District consents in writing to such prepayment. If the District consents to a prepayment, such prepayment must be accompanied by payment of accrued interest and Administrative Expense Surcharge to the date of prepayment on the amount of principal prepaid. If the Loan is prepaid in part, principal payments shall be reduced in inverse order of maturity. A prepayment without the District's consent shall be returned to the Borrower.

To secure the Borrower's obligation to pay all amounts payable under this Borrower Bond the Borrower irrevocably pledges to the District all income and revenues of the System, including, without limitation, fees charged to the users for System service, penalties, and hook-up fees, sign-up fees, proceeds of business interruption insurance, proceeds of the sale of property constituting part of such system and investment income on all such revenues, provided there shall be excluded from such pledge the proceeds of any grant or loan from the State or the United States, and any investment income thereon, to the extent such exclusion is a condition to such grant or loan.

All payments of principal of and interest on this Borrower Bond and other payment obligations of the Borrower hereunder shall be limited obligations of the Borrower payable solely out of the income and revenues described in the preceding paragraph and shall not be payable out of any other revenues of the Borrower. The obligations of the Borrower under this Borrower Bond shall never constitute or give rise to a pecuniary liability of the Borrower or a charge against its general credit or taxing power. The issuance of this Borrower Bond will not cause the indebtedness of the Borrower to exceed any constitutional or statutory limitation of indebtedness.

This Borrower Bond is issued pursuant to South Dakota Codified Laws Chapters 9-40 and 6-8B and any acts amendatory thereto and a resolution of the Borrower adopted on [_____], 2018 and is subject to all the provisions and limitations of such Chapters 9-40 and 6-8B, all amendatory acts and such Resolution and by this reference, all provisions and limitations of the Resolution and SDCL chapter 9-40, and all amendments to SDCL chapter 9-40 shall become a part of this Borrower Bond as if set forth at length herein. Accordingly, pursuant to SDCL 9-40-18 the taxing powers of the Borrower may not be used to pay any Loan Payment, and no funds or property of the Borrower other than those referred to in the preceding paragraph may be used to pay Loan Payments, except as may be otherwise provided by law.

In the event of default in the payment of this Borrower Bond and if the same is collected by an attorney at law, the Borrower agrees to pay all costs of collection, including a reasonable attorneys' fee.

The Borrower hereby waives presentment for payment, demand, protest, notice of protest and notice of dishonor.

This Borrower Bond and all instruments securing the same are to be construed according to the laws of the State of South Dakota. Signed and sealed this ___ day of _____, 2018.

[SEAL]

CITY OF RAPID CITY, SOUTH DAKOTA

Attest:

By: _____
City Administrator

By _____
Mayor

Countersigned by:

Resident Attorney

Date of Authentication: [____], 2018

Authenticated by:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Representative

Pursuant to the Amended and Restated Master Trust Indenture dated as of July 1, 2004, by and between the District and The First National Bank in Sioux Falls, as Trustee, a First Amendment to Amended and Restated Master Trust Indenture dated October 1, 2005, a Second Amendment to Amended and Restated Master Trust Indenture dated April 1, 2006, a Third Amended and Restated Master Trust Indenture dated March 1, 2008, the Series 2008 Supplemental Indenture dated March 1, 2008, a Fourth Amended and Restated Master Trust Indenture dated August 1, 2009, a Fifth Amended and Restated Master Trust Indenture dated September 1, 2010, and a First Amendment to Fifth Amended and Restated Master Trust Indenture dated February 17, 2015 (the “Indenture”), and Section 8.1 of the Loan Agreement, the District hereby assigns, grants and conveys any and all of the District’s rights, title and interest in this Borrower Bond to U.S. Bank National Association and any successor Trustee, except as otherwise provided in the Granting Clauses of the Indenture.

Dated: [_____], 2018.

SOUTH DAKOTA CONSERVANCY
DISTRICT

Attest:

By: _____
Its: Secretary

By: _____
Its: Chairman

(SEAL)

SCHEDULE A

SCHEDULE OF AMOUNTS ADVANCED

<u>Date</u>	<u>Amount of Advance</u>	<u>Principal Forgiveness</u>	<u>Amount of Loan Principal</u>	<u>Notation Made By</u>
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SCHEDULE B

<u>Payment Number</u>	<u>Payment Date</u>	<u>Payment Amount</u>	<u>Interest and Administrative Surcharge</u>	<u>Principal Paid</u>	<u>Remaining Balance</u>
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APPENDIX B-1

FORM OF FIRST PARAGRAPH OF BORROWER BOND

FOR VALUE RECEIVED, the undersigned, the City of Rapid City, South Dakota (the "Borrower"), promises to pay, but only from the sources herein described, to the order of the South Dakota Conservancy District (the "District"), or its successors and assigns, the principal sum of \$950,000, less the amount of principal forgiveness pursuant to Section 4.2 of the Loan Agreement, with interest on each such amount from the date of this Borrower Bond at the rate of [2.25%] per annum on the unpaid balance until paid. In addition, the Borrower shall pay an Administrative Expense Surcharge on the outstanding principal amount of this Borrower Bond at a rate of [0.50%] per annum. The said principal and interest and the Administrative Expense Surcharge shall be payable in quarterly installments, each payable on the first day of February, May, August and November of each year (each such date for payment of principal, interest or Administrative Expense Surcharge is referred to herein as a "Loan Payment Date") commencing on the first Loan Payment Date after the Closing Date. Each installment shall be in the amount set forth opposite its due date in Schedule A hereto under "Payment Amount." The portion of each such payment consisting of principal, and the portion consisting of the combined interest and Administrative Expense Surcharge shall be as set forth in Schedule A hereto. Past-due payments of (i) principal and interest and (ii) Administrative Expense Surcharge shall bear interest at the rate of [8%] per annum, compounded on each Loan Payment Date, until paid. Interest and Administrative Expense Surcharge shall be calculated on the basis of a 360-day year made up of 12 months of 30 days each.

APPENDIX C

ADDITIONAL REPRESENTATIONS AND COVENANTS

APPENDIX D

OPINION OF BOND COUNSEL
(Revenue Obligation)

[NOTE: any of the opinions given below may be given in reliance upon the opinion of another Bond Counsel; and one Bond Counsel may give some of the opinions and another Bond Counsel may give others.]

[Date of Loan Closing]

South Dakota Conservancy District
c/o South Dakota Department of
Environment and Natural Resources
Division of Financial and Technical Assistance
523 East Capitol Ave.
Joe Foss Building
Pierre, SD 57501-3182

U.S. Bank National Association
Attn: Global Corporate Trust Services
PD-WA-T7CT
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the execution and delivery by the City of Rapid City, a political subdivision organized under the laws of the State of South Dakota (the "Borrower") of a Revenue Obligation Loan Agreement dated [_____], 2018 (the "Loan Agreement") between the Borrower and the South Dakota Conservancy District (the "District") and the issuance of a revenue bond dated [_____], 2018 (the "Borrower Bond") by the Borrower to the District. All terms used in this opinion letter and not defined shall have the meanings given to them in the Loan Agreement.

In this connection, we have examined the following:

- (a) a certified copy of the resolution adopted by the governing body of the Borrower on [_____], 2018 (the "Resolution") pursuant to which the Loan Agreement and Borrower Bond are to be entered into;
- (b) An executed counterpart of the Loan Agreement;
- (c) The executed Borrower Bond; and
- (d) Such other documents as we deemed relevant and necessary in rendering this opinion.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing we are of the opinion that:

1. The Borrower is a political subdivision duly organized and validly existing under the laws of the State of South Dakota.

2. The Borrower is (i) a governmental unit, as such term is used in Section 145(a) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) a Public Entity, as defined in South Dakota Codified Laws §46A-2-4.

3. The Resolution authorizing the issuance of the Borrower Bond, the execution and delivery of the Loan Agreement and the pledge of System Revenues to secure payment of the Borrower Bond has been duly approved by the governing body of the Borrower.

4. The Borrower has the power and authority to undertake the Project, to enter into the Loan Agreement, to issue the Borrower Bond, to borrow the entire Committed Amount pursuant to the Loan Agreement and Borrower Bond and to perform its obligations under the Loan Agreement and the Borrower Bond.

5. The Loan Agreement and the Borrower Bond have been duly authorized, executed and delivered by the Borrower and are, and would be if the entire Committed Amount were advanced to the Borrower pursuant to the Loan Agreement on the date of this opinion, valid and legally binding special obligations of the Borrower, payable solely from the sources provided therefor in the Loan Agreement, enforceable in accordance with their respective terms, except to the extent that the enforceability thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally and general principles of equity.

6. Pursuant to Chapter 9-40, South Dakota Codified Laws (the "Act"), the Resolution and the Loan Agreement create a valid lien on the funds pledged by the Loan Agreement for the security of the Loan Agreement and Borrower Bond and no other Debt of the Borrower is secured by a superior lien on such funds.

7. The Borrower has obtained or made all approvals, authorizations, consents or other actions of, and filings, registrations or qualifications with, the Borrower or any other government authority which are legally required to allow the Borrower to enter into and perform its obligations under the Loan Agreement and the Borrower Bond and borrow the full Committed Amount pursuant to the Loan Agreement and Borrower Bond.

8. The execution and delivery of the Loan Agreement and the Borrower Bond and the performance by the Borrower of its obligations thereunder will not, assuming the Borrower complies with all of its covenants in the Loan Agreement, adversely affect the excludability of interest on the Bonds from gross income for purposes of federal income taxation or cause the

interest on the Bonds to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations for tax years prior to January 1, 2018.

9. Under existing laws, regulations, judicial decisions and published rulings, the interest on the Borrower Bond is (i) excluded from gross income for federal income tax purposes and (ii) not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations for tax years prior to January 1, 2018. Interest on the Borrower Bond will not be included in the adjusted current earnings of corporations for tax purposes. The opinions set forth in this paragraph are subject to continuing compliance by the parties to the documents described herein with the covenants in such documents regarding federal tax law. Failure to comply with such covenants could cause the interest on the Borrower Bond to be included in gross income for purposes of federal income taxation retroactively to the date of execution and delivery of the Borrower Bond.

The accrual or receipt of the interest on the Borrower Bond may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences, and investors should consult their tax advisors regarding the tax consequences of purchasing or holding the Borrower Bond.

Very truly yours,

APPENDIX E

CERTIFICATION OF COMPLIANCE WITH RATE COVENANT
System Revenue Obligation

Pursuant to Section 6.4 of the System Revenue Obligation Loan Agreement dated _____, 2018 (the "Loan Agreement") between the South Dakota Conservancy District (the "District") and the City of Rapid City, South Dakota (the "Borrower"), the Borrower hereby certifies as follows to the District (terms used in this Certificate and not defined are to have the meanings assigned to them in the Loan Agreement):

(1) For fiscal year _____ the Net System Revenues Available for Debt Service were \$ _____; and

(2) For fiscal year _____ the Borrower's Total Debt Service for such fiscal year secured by System Revenues was \$ _____; and

(3) The amount in (1) _____ divided by the amount in (2) equals _____%.

Submitted on behalf of the City of Rapid City, South Dakota, on this ___ day of _____, 20__ by:

Finance Officer

APPENDIX F

PARITY DEBT

<u>Revenue Obligation</u>	<u>Date</u>	Principal Amount Outstanding as of _____, 201
Water Revenue Bond (DWSRF-02)	October 22, 2009	\$_____
Water Revenue Bond (DWSRF-03)	December 1, 2014	\$_____

4825-2092-6818\2