Grant Thornton ⚭

Accountants and Business Advisors

June 13, 2005

Coleen Schmidt
Assistant Finance Officer
City of Rapid City
300 Sixth Street
Rapid City, South Dakota 57701

Dear Ms. Schmidt:

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide to the City of Rapid City (the "City"). We will apply the following procedures, which the City has specified and will enable you to comply with the arbitrage rebate laws contained in Section 148(f) of the Internal Revenue Code of 1986, as amended ("Code"), and applicable 1993 Final Treasury Regulations ("Reg."), to the City's $4,870,000 Water Improvements Revenue Refunding Bonds, Series 1995 and $9,995,000 Sales Tax Revenue Bonds, Series 1995A and 1995B (individually referred to as "Series 1995" and "Series 1995A&B" and collectively, the "Bonds"):

(1) Read each Official Statement (selected sections only), Rebate Certificate, Form 8038-G, and Verification Report (if applicable) for the Bonds to understand the nature of these financing transactions.

(2) Calculate the yields in accordance with Reg. 1.148-4 on the Bonds.

(3) Accumulate the relevant investment activity of the Bonds and other proceeds subject to rebate for purposes of computing the rebate liabilities.

(4) Using the Bond yields as determined in No. 2 above, we will calculate the potential rebate liabilities using the future value method as defined in Reg. 1.148-3 for your use in determining whether or not rebate payments and Forms 8038-T must be remitted to the Internal Revenue Service ("IRS").

This engagement to apply agreed-upon procedures will be performed in accordance with Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City. Grant Thornton shall be entitled to rely on the accuracy, completeness and reliability of all information provided by, and on all decisions and approvals of, the City (and the City's retained advisors, consultants, or legal counsel). Consequently, we make no representation regarding the sufficiency of the procedures described in this letter either for the purpose for which these reports have been requested or for any other purpose. The compliance with the laws and regulations mentioned above is the responsibility of the City. It is understood that our reports are intended solely for the information and use of the City, and are not intended to be and should not be used by anyone other than this specified party.

These agreed-upon procedures do not constitute an examination or review of the information provided to us, the objective of which would be the expression of an opinion on the completeness
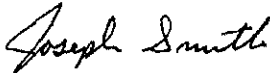
or accuracy of the information for purposes of these calculations. Accordingly, we will not express such an opinion and the City will indemnify and hold us harmless from any liability, damages and legal or other costs we might sustain in the event such information is false, provided however, that should the City subsequently become an audit client that requires our independence, then said indemnity clause shall have no effect. Thus, an agreed-upon procedures engagement does not provide assurance that we will become aware of all significant matters that would be disclosed in an examination or review. If, as a result of applying the above procedures, any matters come to our attention that cause us to believe that such information should be adjusted, we will disclose those matters in our reports. However, it is possible that because of unexpected circumstances, we may determine that we cannot render a report or otherwise complete the engagement. If, in our professional judgment, the circumstances require, we may resign from the engagement prior to completion.

Our estimated fees (as detailed in Attachment I) for this engagement will be $5,500 for each Series 1995 and 1995A&B rebate calculation for the respective ten-year IRS installment computation dates, which is required while gross proceeds still exist. This quote includes only those services outlined above and any additional services such as appearing before judicial proceedings, governmental organizations, or the IRS, will be billed for separately.

We appreciate the opportunity to work with you on this engagement. If you have any questions about the engagement, please feel free to call Gregory A. Ichel at 612.677.5211 or me at 612.677.5237.

Very truly yours,

GRANT THORNTON LLP

Joseph Smith

M. Joseph Smith
Partner - Public Finance
GAI/iag

Agreed and Accepted:

The foregoing letter (along with Attachment I) fully describes the services required and is accepted by us.

City of Rapid City, South Dakota

By: _____   Date: _____

ATTACHMENT I

Per Bond Series	Fixed
Base Fees current 10-year updates	$5,500
Un-commingling analyses (if required) – Series 1995A&B	1,000
Future additional yearly updates (if required/requested) – per year	2,500
Preparation of IRS Form 8038-T (if required) (including related instructions)	500

* Please note, however, that our fees may in fact be greater than this estimate depending on the specifics of your bond issue and the required detailed calculations and analyses that must be made. Our estimated fees may also exceed our original estimate due to additional professional time incurred as a result of required follow-up with: (1) incomplete data sent or (2) multiple, repeat data requests due to failure to adhere to the data request timeline. In the event we anticipate our fees will exceed our estimate, we will notify you in advance. Should future calculations (if any), beyond our initial contemplated update be required, each of the above components is subject to future inflation adjustments based upon the Consumer Price Index-All Urban Consumers.