

**SOUTH DAKOTA CONSERVANCY DISTRICT
STATE REVOLVING FUND**

REVENUE OBLIGATION LOAN AGREEMENT

LOAN AGREEMENT made and entered into this ____ day of _____, 2009, by and between the State of South Dakota, acting through the South Dakota Conservancy District, a governmental agency, and body politic and corporate of the State of South Dakota, and the South Dakota Board of Water and Natural Resources, Joe Foss Building, 523 East Capitol Ave., Pierre, SD 57501-3181 (the "District"), and the City of Rapid City, 300 Sixth Street, Rapid City, SD 57701, a political subdivision of the State of South Dakota, (the "Borrower").

WITNESSETH:

WHEREAS, pursuant to SDCL 46A-1-60.1, the State has established a state water pollution control revolving fund program as authorized by the Clean Water Act as defined herein, and a state drinking water revolving fund program as authorized by the Safe Drinking Water Act as defined herein (the "Programs"), and provided that program subfunds (each, a "Program Subfund" and collectively, the "Program Subfunds") be created within the water and environment fund established pursuant to SDCL 46A-1-60; that each Program Subfund be maintained separately; and all federal, state and other funds for use in each such Program be deposited into the related Program Subfund, including all federal grants for capitalization of each such Program, all repayments of assistance awarded from each such Program Subfund, interest on investments made on money in each such Program Subfund, proceeds of discretionary bond issues allowed by SDCL 46A-1-31, and principal and interest on loans made from each fund, that money in the Program Subfunds may be used only for purposes authorized under federal law and that the Program Subfunds may be pledged or assigned by the District and to or in trust for the holder or holders of the bonds of the District as permitted by law and may be transferred to and held by a trustee or trustees pursuant to SDCL 46A-1-39; and

WHEREAS, to fund the Programs, the United States Environmental Protection Agency makes annual capitalization grants to the states for each Program, on the condition that each state provide an appropriate match for such state's revolving funds; and

WHEREAS, the District has entered into an Amended and Restated Master Trust Indenture dated July 1, 2004, 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, and the Series 2008 Supplemental Indenture dated as of March 1, 2008 (as hereafter amended or supplemented, the "Indenture") with The First National Bank in Sioux Falls, as Trustee (together with any successor trustee the "Trustee") pursuant to which the District will, from time to time, issue bonds for the purpose of loaning the proceeds thereof to Borrowers in furtherance of the Programs; and

WHEREAS, the District is authorized and empowered by the provisions of SDCL chapters 46A-1 and 46A-2, as amended (the “Act”), to purchase or otherwise finance, or provide for the purchase or payment of bonds or other obligations, including the refinancing of obligations previously issued or for projects previously completed, and to enter into financing arrangements with eligible Borrowers to secure and provide for the payment of such loans; and,

WHEREAS, the District is duly constituted as an instrumentality of the State exercising public and governmental functions under the operation, management and control of the Board of Water and Natural Resources of South Dakota (the “Board”), pursuant to the Act, and is authorized to issue bonds and to make loans to eligible Borrowers through the purchase of Loan Obligations as defined herein; and

WHEREAS, SDCL 46A-1-60.2 provides that funds from the Programs shall be disbursed and administered according to rules enacted by the Board of Water and Natural Resources pursuant to SDCL 46A-1-65, and the provisions of SDCL 46A-1-60 to SDCL 46A-1-60.3, inclusive; and

WHEREAS, the Borrower has applied to the District for Program assistance for the Project described herein and is authorized under applicable statutes, ordinances and regulations to enter into this Loan Agreement, and to issue its Borrower Bond, as herein defined, to the District for the purposes described herein, and pursuant to its powers under the Act, the District desires to loan to the Borrower from the applicable Program Subfund the amount necessary to enable the Borrower to finance, refinance or reimburse itself for the costs of the Project; and

WHEREAS, loaning amounts from the applicable Program Subfund to the Borrower to enable the Borrower to finance, refinance or reimburse itself for the costs of the Project, as herein defined, will carry out the purposes of the Relevant Federal Act as defined herein; and

WHEREAS, the Borrower desires to borrow such amount from the District subject to the terms and conditions and for the purposes set forth in this Loan Agreement, and the Borrower is authorized under applicable laws, ordinances and regulations to enter into this Loan Agreement and to issue the Borrower Bond for the purposes set forth herein; and

WHEREAS, the District will fund the Loan in part, directly or indirectly, with proceeds of its State Revolving Fund Revenue Bonds (the “Bonds”) issued under the Indenture and in part, directly or indirectly, with funds provided by the federal Environmental Protection Agency;

NOW THEREFORE, for and in consideration of the premises and the covenants and representations herein contained, the parties mutually agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF INTERPRETATION

Section 1.1. Definitions. The following terms when used in this Loan Agreement shall have the meanings indicated in this section unless the context clearly requires otherwise:

“Accountant” or “Accountants” means an independent certified public accountant or a firm of independent certified public accountants to whom the District and Trustee make no objection.

“Act” means SDCL chapters 46A-1 and 46A-2, as now in effect and as it may be from time to time amended, together with any applicable rules promulgated by the Board thereunder.

“Additional Bonds” means any of the Bonds of the District other than the Series 2004 Bonds, the Series 2005 Bonds, the Series 2008 Bonds, or any other Prior Bonds, authorized by a Series Resolution and secured by the Master Indenture.

“Administrative Expense Surcharge” means a surcharge on the Loan charged by the District to the Borrower at the rate set forth in Section 5.1, payable by the Borrower on the same dates that payments of interest on the Loan are due.

“Authorized Representative” means, in the case of the District, the Chairman or Secretary of the Board; in the case of the Borrower, the Mayor or Finance Officer, or both; and such additional persons as, at the time, are designated by resolution to act on behalf of the Board or the Borrower, as the case may be.

“Board” means the South Dakota Board of Water and Natural Resources, a state agency created pursuant to SDCL 1-40-5, both as such Board and as the South Dakota Conservancy District, a governmental agency, body politic and corporate, created pursuant to SDCL 46A-2-1, as set forth in SDCL 46A-2-5.

“Board Resolution” means the Resolution adopted by the Board of Water and Natural Resources on the 23rd day of July, 2009 with respect to the Borrower, the Project, and this Loan Agreement.

“Bond Counsel” means any Counsel acceptable to the District and the Trustee which is a nationally recognized bond counsel. A Counsel is a nationally recognized bond counsel if it has rendered a sole legal opinion in connection with the sale of state and municipal bonds (short-term issues excluded) during the two-year period preceding the date of determination. The legal opinion rendered may be on either publicly offered or privately placed bond issues. Attorneys acting only as counsel to the underwriter do not qualify.

“Bondholder” or “Holder” or similar terms, when used with respect to the Borrower Bond, means the registered owner of the Borrower Bond.

“Bond Payment Date” means any date on which principal or interest or Redemption Price (as defined in the Indenture) is due and payable on any Bonds.

“Bonds” means the Series 2004 Bonds, the Series 2005 Bonds, the Series 2008 Bonds, any Prior Bonds, and any Additional Bonds.

“Borrower” means the eligible public entity which has entered into this Loan Agreement with the District.

“Borrower Bond” means the revenue bond or bonds issued by the Borrower to the District on the date of this Loan Agreement pursuant to the Borrower Resolution and this Loan Agreement to evidence the Borrower’s obligation to repay the principal of and pay interest and Administrative Expense Surcharge on the Loan.

“Borrower Resolution” means the Resolution or Ordinance adopted by the Borrower on the ____ day of _____, 2009 with reference to the Project, the Borrower Bond and this Loan Agreement.

“Business Day” means any day which (i) is not a Saturday or Sunday, (ii) is not a day on which banks in South Dakota are authorized or required by law to remain closed, and (iii) in the case of notices to be given to, or other actions to be taken with respect to, a Credit Enhancer, is not a day on which such Credit Enhancer is closed.

“Clean Water Act” means the Federal Clean Water Act, more commonly known as the Clean Water Act (PL 92-500), as amended by the Water Quality Act of 1987 (PL 100-4), 33 U.S.C. 1251, et seq., any subsequent amendments thereto and any other applicable statutes governing any Program funded hereunder, and includes the State Revolving Fund Program Implementation Regulations, any amendments thereof issued pursuant thereto and any other applicable regulations.

“Closing Date” means the date of execution and delivery of this Loan Agreement and the Borrower Bond.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or officially proposed to be promulgated thereunder.

“Collateral Documents” means all resolutions authorizing the Borrower Bond or the Project, including the Borrower Resolution, and any mortgage, security agreement, guaranty, or other document or agreement received by the District securing the obligations of the Borrower under this Loan Agreement and the Borrower Bond. If no Collateral Documents are entered into, then further reference to Collateral Documents in this Loan Agreement shall be of no force and effect.

“Committed Amount” means the amount committed to be loaned to the Borrower by the District pursuant to the terms of this Loan Agreement.

“Completion Certificate” means the certificate regarding completion of the Project required by Section 3.4.

“Completion Date” means the date of completion of the Project as evidenced by a Completion Certificate.

“Construction Advance” means an advance of the Committed Amount to pay costs of the Project pursuant to Section 4.1 (a) or to reimburse the Borrower pursuant to Section 4.1 (c) for costs of a Project not yet completed.

“Consultant” means a nationally recognized consultant or firm of consultants, or an independent engineer or firm of independent engineers, or an Accountant, which in any case is qualified and has skill and experience in the preparation of financial feasibility studies or projections for facilities similar to the Borrower’s System or Project, as the case may be, selected by the Borrower and satisfactory to the Trustee and the District.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state.

“Credit Enhanced” when used with reference to any Bonds or Series of Bonds, means Bonds or a Series of Bonds the payment of the principal of and interest on which is insured or guaranteed by a Credit Enhancer.

“Credit Enhancement” or “Credit Facility” means any letter of credit, insurance policy, guaranty bond or other instrument or agreement delivered to the Trustee to provide credit enhancement for a Series of Bonds (or a portion of such Series). “Credit Enhancement” or “Credit Facilities” means, collectively, all Credit Enhancement which is then in existence with respect to any outstanding Bonds; references to Credit Enhancement, Credit Facility, Credit Enhanced and Credit Enhancer shall be disregarded if no Bonds are, at such time, Credit Enhanced and shall be disregarded with respect to any Bonds which are not Credit Enhanced.

“Credit Enhancer” means, with respect to any Bonds, the institution providing Credit Enhancement for such Bonds.

“Debt” means (1) indebtedness of the Borrower for borrowed money or for the deferred purchase price of property or services, and expressly including the obligation to pay principal and interest on or with respect to revenue bonds, (2) the obligation of the Borrower as lessee under leases which should be recorded as capital leases under generally accepted accounting principles, and (3) obligations of the Borrower under direct or indirect guarantees in respect of, and obligations, contingent or otherwise, to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in subdivisions (1) and (2) above.

“District” means the South Dakota Conservancy District, a governmental agency, body politic and corporate constituted as an instrumentality of the State of South Dakota exercising public and essential governmental functions and created by the Act, or any body, agency or instrumentality of the State of South Dakota which shall hereafter succeed to the powers, duties or functions of the District under the Indenture and this Loan Agreement.

“District-EPA Agreements” means any and all capitalization grant agreements and other agreements between the District or the S.D. Department of Environment and Natural Resources and the EPA relating to the Programs and the use of moneys governed by such agreements.

“District Officer” means the Chairman or Secretary of the governing body of the District, and, when used with reference to an act or document, also means any other person authorized by resolution of the District to perform such act or sign such document. If authorized by resolution of the District, a District Officer may delegate any portion of his authority as a District Officer to another person and such person shall be deemed a District Officer for purposes of exercising such authority.

“EPA” means the Environmental Protection Agency, an agency of the United States of America, and any successor to its functions under the Relevant Federal Act, or any other agency of the United States of America having jurisdiction with respect to the funding of Loans for the Program.

“EPA Capitalization Grant” means a grant of funds to the State by the EPA under the Relevant Federal Act and any grant made available by the EPA for deposit in the State Revolving Fund pursuant to the Relevant Federal Act.

“Event of Default” means any event described in section 9.1 hereof.

“Governmental Unit” means governmental unit as such term is defined in Section 150(a) of the Code.

“Indenture” means the Amended and Restated Master Trust Indenture dated as of July 1, 2004, between the District and the 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, and the Series 2008 Supplemental Indenture dated as of March 1, 2008 and all Series Resolutions and other supplements and amendments thereto, including the Series 2008 Resolution.

“Initial Loan Amortization Date” means _____ 1, 20__ or, if earlier, the earliest of the following: (a) the first Loan Payment Date following the ninth month after the Initial Operation Date, (b) the first Loan Payment Date following the date on which Borrower is required to deliver the Completion Certificate pursuant to Section 3.4 of the Loan Agreement, and (c) the first Loan Payment Date following the twenty-fourth month after the Closing Date.

“Initial Operation Date” means the date on which operation of the Project begins for the purposes for which it was planned, designed and constructed.

“Loan” means the Loan made by the District to the Borrower pursuant to the terms of this Loan Agreement and as evidenced by the Borrower Bond.

“Loan Agreement” means this Loan Agreement, including the Appendices and amendments attached hereto.

“Loan Documents” means this Loan Agreement, the Borrower Bond and the Collateral Documents, collectively.

“Loan Obligation” means any evidence of indebtedness or other obligation to repay a loan, acquired by the District pursuant to the Loan Agreement, which is issued by a Public Entity and payable from taxes, non-ad valorem sales taxes, or from rates, revenues, charges or assessments, or distributions of revenue pursuant to a state appropriation or statutory or constitutional provision, or payable from a pledge of property, or other amounts.

“Loan Payment Date” means the 15th day of January, April, July, and October of each year, on which Loan Payments on the Borrower Bond are due as set forth herein.

“Loan Payments” means the payments of principal, interest and Administrative Expense Surcharge on or with respect to the Loan pursuant to this Loan Agreement and the Borrower Bond and all other payments required under this Loan Agreement and the Borrower Bond.

“Loan Proceeds Account” means the account of the District from which the Loan is to be funded, whether such account is established with the Trustee or otherwise.

“Loan Term” means the period commencing with the Closing Date and continuing until the Borrower Bond and interest thereon have been paid in full, or provision for such payment has been made as provided herein, and all obligations hereunder have been satisfied.

“Net Revenues Available For Debt Service” means, for the period of determination, total revenues from the Borrower’s System, including investment income, penalties, hook-up fees, sign-up fees, membership fees and similar income not received from users for System use, and proceeds of any business interruption insurance but excluding grants, less expenses of the System other than noncash expenses and interest, provided there shall be excluded from both revenues and expenses any internal transfers, profits or losses on the early extinguishment of debt or the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and other extraordinary gains or losses.

“Nonexempt Person” means a Person which is not a Governmental Unit.

“Opinion of Bond Counsel” means a written Opinion of Counsel by Bond Counsel provided as required herein, which opinion shall comply with the requirements of Section 6.6 hereof.

“Opinion of Counsel” means a written opinion in writing of Counsel selected by the Borrower and acceptable to the District and, if the opinion pertains to a Series of Bonds all or a portion of which is Credit Enhanced, the Credit Enhancer for such Series or portion thereof.

“Person” means any Private Person, Private Entity or Public Entity.

“Prior Bonds” means the unrefunded portion of the Series 1996A State Revolving Fund Revenue Bonds and the Series 2001 State Revolving Fund Revenue Bonds issued under the

Clean Water Program, and the Series 1998A Drinking Water State Revolving Fund Revenue Bonds and the Series 2001 Drinking Water State Revolving Fund Revenue Bonds issued under the Drinking Water Program.

“Private Entity” means any nonprofit or cooperative corporation but not a public body or political subdivision.

“Private Person” means any natural person, firm, partnership, association or corporation but not a public body or political subdivision.

“Program” means any program now or hereafter described in the Act pursuant to which the Board of Water and Natural Resources makes loans to private or public entities for various environmental, health, or infrastructure purposes, including projects or purposes authorized by either the Clean Water Act or by the Safe Drinking Water Act, whichever is applicable to the Project herein described.

“Project” means the facilities, improvements and activities financed, or the cost of which is being reimbursed to the Borrower pursuant to this Loan Agreement and the Borrower Bond, as described in Appendix A hereto.

“Project Costs” means all those costs and expenses of the Project approved by the District as eligible costs.

“Public Entity” means a state agency or a municipality, county, sanitary district, water user district, water project district, township, irrigation district, watershed district, water development district, conservation district, or any other political or administrative subdivision of state government recognized by state law.

“Related Person” means related person, as such term is described in Section 147(a)(2) of the Code.

“Relevant Federal Act” means the Clean Water Act or the Safe Drinking Water Act as defined herein, whichever is applicable to the Project herein described.

“Safe Drinking Water Act,” means the federal Safe Drinking Water Act, 42 U.S.C. § 300f *et seq.*, including the Safe Drinking Water Act Amendments of 1996, any subsequent amendments thereto and any other applicable statutes governing any Program funded hereunder, and includes the EPA’s Drinking Water State Revolving Fund Program Guidelines, any amendments thereof issued pursuant thereto, and any other applicable regulations.

“Series” means all Bonds issued under the Indenture on the same date and designated by the District to be of the same Series.

“Series 2004 Bonds” means the District’s State Revolving Fund Revenue Bonds, Series 2004, issued pursuant to the Indenture.

“Series 2005 Bonds” means the District's State Revolving Fund Revenue Bonds, Series 2005, issued pursuant to the Indenture.

“Series 2008 Bonds” means the District's State Revolving Fund Revenue Bonds, Series 2008, issued pursuant to the Indenture.

“Series 2008 Resolution” means the Series Resolution adopted by the Board of Water and Natural Resources on February 8, 2008 in connection with the issuance and sale of the Series 2008 Bonds.

“Series Resolution” means a resolution authorizing a series of Bonds to be issued under and secured by the Indenture.

“State” means the State of South Dakota.

“Subsequent Loan Amortization Date” means, if the Initial Loan Amortization Date occurs prior to the first Loan Payment Date following the first month after the date on which the Borrower is required to deliver the Completion Certificate pursuant to Section 3.4 of the Loan Agreement, (i) the first Loan Payment Date following every sixth month after the Initial Loan Amortization Date until the date in the following clause (ii) occurs and (ii) the Loan Payment Date following the fifth month after the date on which the Borrower is required to deliver the Completion Certificate pursuant to Section 3.4 of the Loan Agreement.

“System” means the Borrower's wastewater utility system.

“System Debt” means Debt incurred to acquire, construct, extend, improve, add to or otherwise pay expenses of or related to the Borrower's System, without regard to whether the source of payment or security for such Debt constitutes general obligation or revenue Debt.

“System Debt Service” means, for the period of determination, all required payments of principal and interest, including mandatory sinking fund redemptions, on all System Revenue Debt of the Borrower.

“System Revenue Debt” means all debt of the Borrower which is secured wholly or partially by the Borrower's System Revenues.

“System Revenues” means revenues, gross or net, received by the Borrower from or in connection with the operation of the System.

“Trustee” means The First National Bank in Sioux Falls, Sioux Falls, South Dakota or any successor thereto as trustee under the Indenture.

Section 1.2. Rules of Interpretation. For all purposes of this Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires: (a) the singular includes the plural and the plural, the singular; (b) words importing any gender include the other genders; (c) references to statutes are to be construed as including all statutory provisions

consolidating, amending or replacing the statute to which reference is made and all regulations promulgated pursuant to such statutes; (d) references to “writing” include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible form; (e) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; (f) references to the introductory paragraph, preliminary statements, articles, sections (or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Loan Agreement unless otherwise indicated; (g) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not prohibited by the terms of this Loan Agreement; (h) references to Persons, including the District and the Trustee, include their respective successors and assigns permitted or not prohibited by the terms of this Loan Agreement; (i) an accounting term not otherwise defined has the meaning assigned to it in accordance with financial and reporting standards as promulgated by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or an Other Comprehensive Basis of Accounting, as applicable; (j) “or” is not exclusive but contemplates or permits one or more or all of the alternatives conjoined; (k) provisions apply to successive events and transactions; (l) references to documents or agreements which have been terminated or released or which have expired shall be of no force and effect after such termination, release or expiration; (m) references to mail shall be deemed to refer to first-class mail, postage prepaid, unless another type of mail is specified; (n) all references to time shall be to Pierre, South Dakota time; (o) references to specific persons, positions or officers shall include those who or which succeed to or perform their respective functions, duties or responsibilities referred to in the Loan proceedings; (p) the terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms refer to this Loan Agreement as a whole and not to any particular article, section or subdivision hereof, and the term “heretofore” means before the date of execution of this Loan Agreement, the term “now” means at the date of execution of this Loan Agreement and the term “hereafter” means after the date of execution of this Loan Agreement; and (q) references to payments of principal include any premium payable on the same date.

ARTICLE II

REPRESENTATIONS AND COVENANTS

Section 2.1. Representations of the Borrower. The Borrower makes the following representations:

- (a) The Borrower is a Public Entity duly organized and existing under the laws of the State; has taken all proper action, including adoption of the Borrower Resolution, to authorize the execution, delivery and performance of its obligations under the Loan Documents and the incurring of the debt represented by the Borrower Bond in the maximum amount of the Committed Amount; and has the necessary power and authority, together with all licenses and permits required to own and operate the System and carry on its current activities with respect to the System, and to enter into and consummate all transactions contemplated by the Loan Documents, and to carry out its obligations hereunder and thereunder.

(b) There is no action, suit, proceeding, inquiry or investigation at law or in equity, by or before any judicial or administrative court, agency or body, pending or threatened against the Borrower or its System, wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity or enforceability of the Loan Documents or would materially adversely affect the ability of the Borrower to comply with its obligations under the Loan Documents.

(c) No referendum petition has been filed with respect to any ordinance or resolution of the Borrower relating to the Loan Documents, and the period for filing any such petition has expired.

(d) Neither the execution and delivery of the Loan Documents, the consummation of the transactions contemplated thereby, nor the fulfillment of, or compliance with the provisions of the Loan Documents will conflict with or result in the breach of any of the terms, conditions or provisions of the Act, or any restriction, agreement, or instrument to which the Borrower is a party, or by which it is bound, or result in the creation or imposition of any lien of any nature upon any of the property of the Borrower under the terms of any such instrument or agreement, nor will such action result in the violation of any provisions of any laws, ordinances, governmental rules and regulations, or court or other governmental orders to which the Borrower, its property or operations are subject.

(e) No event of default has occurred in any agreement or instrument as to any outstanding indebtedness of the Borrower for money borrowed, and no condition, event or act exists which, with the lapse of time or the giving of notice, would constitute an event of default under any such agreement or instrument. The Borrower is not in violation of any term of any restriction, agreement, indenture, ordinance, resolution, charter, or other instrument to which it is a party or which it or its property may be bound, which violation would materially adversely affect the transactions contemplated hereby or the compliance by the Borrower with the terms of the Loan Documents.

(f) The Borrower has duly acquired and obtained those rights-of-way, easements, permits, licenses, or other authorizations necessary for the conduct of its activities, including the ownership and operation of the System and the construction of the Project, except those licenses, permits and other authorizations to be received upon completion of the Project, and agrees to acquire all such authorizations in the future as may be required for its System and the operation thereof, which failure to obtain might materially and adversely affect the ability of the Borrower to operate its System as presently operated, or the condition of the Borrower's System, financial or otherwise, or the Borrower's ability to perform its obligations under the Loan Documents.

(g) This Loan Agreement, the Borrower Bond, and any Collateral Documents to which the Borrower is a party are the legal, valid and binding obligations and

agreements of the Borrower, enforceable against the Borrower according to their terms, except as 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.

(h) The Project consists of the facilities, improvements and activities described in Appendix A, as such Appendix may be amended from time to time.

(i) There is no fact that the Borrower has not specifically disclosed in writing to the District that materially and adversely affects or, except so far as pending or proposed legislation or regulations that are a matter of general public information, that will materially adversely affect the properties, operations and finances of the Borrower's System, its status as a Public Entity, its ability to own and operate the System, in the manner it is currently operated, or the Borrower's ability to perform its obligations under the Loan Documents, or to pledge any revenues or property to the payment of the Loan Payments.

(j) The population of the Borrower, according to the most recent information available from the U.S. Bureau of the Census, is [59,607]. The Borrower's best estimate of its current population is 72,161 and the number of customers of the Borrower's System as of the end of its most recent fiscal year is _____.

(k) The total outstanding System Debt of the Borrower (including, for these purposes, the Committed Amount of the Borrower Bond) is \$_____ per capita (based on the second of the two figures set forth in (j)) and \$_____ per System customer.

Section 2.2. Covenants of the Borrower. The Borrower covenants and agrees as follows:

(a) The Borrower shall, at all times during the term of this Loan Agreement and while any of the Borrower Bond is outstanding, keep and maintain with respect to the Project and the System property and casualty insurance and liability insurance with insurers licensed to do business in the State, or risk pool coverage programs described in SDCL chapter 3-22, against such risks and in such amounts as are customary in the State for entities of the same or similar size and type as the Borrower, and similarly situated with facilities of the System's type, and provide proof of such coverage to the District. Each property and casualty policy shall name the District as an additional insured.

(b) Each policy of insurance must provide that it cannot be canceled without 30 days prior written notice of cancellation. In the event of cancellation the Borrower will promptly obtain replacement insurance with the same or substantially similar coverage and provide proof of such coverage to the District. In the event of renewal, replacement, or changes in coverage, the Borrower will promptly provide written notice of such changes to the District. If any Project or portion thereof has been completed prior to Closing, the Borrower shall deliver to

the District and Trustee at Closing a certificate providing the information required by Section 2.2(a).

(c) The Borrower shall grant the District and its authorized representatives the right at all reasonable times and upon reasonable notice, to enter upon the property of the Borrower for the purpose of inspecting the System and/or any or all books and records of the Borrower related to the System.

(d) The Borrower shall immediately upon the execution and delivery of this Loan Agreement, at its own expense, cause this Loan Agreement, the Borrower Bond, and any Collateral Documents granting a first security interest or a first lien in revenues or property, and any financing statements or other documents relating thereto to be filed, recorded, or registered in such manner and in such places, and to otherwise do such acts as are reasonably deemed necessary or advisable to fully perfect and protect the validity and priority of the lien and security interest granted to the District, and to continue the perfection of such security interest and lien. The Borrower agrees to execute any further documents, agreements, instruments or other writings that may be requested by the District for such perfection and protection, including executing and filing continuation statements.

(e) The Borrower agrees to maintain the necessary and appropriate accounts, records and books in which full and correct entries are made, capable of allowing the preparation of annual financial statements prepared in accordance with generally accepted financial and reporting standards as promulgated by the Governmental Accounting Standards Board, or the Financial Accounting Standards Board, as appropriate, or an Other Comprehensive Basis of Accounting as defined by the American Institute of Certified Public Accountants, and agrees to maintain Project accounts as separate accounts as required by the Relevant Federal Act. The District and its authorized representatives shall have the right to inspect such books and accounts upon reasonable notice, during normal business hours.

(f) The Borrower agrees that each year it shall prepare and send to the District:

(1) when adopted, its final budget, within 30 days of adoption; and,

(2) an unaudited statement of the financial position of the Borrower as of the close of the fiscal year and the related statements of revenues and expenses, cash flows, fund balances and changes in fund balances for such fiscal year in accordance with financial and reporting standards as promulgated by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or an Other Comprehensive Basis of Accounting as appropriate, and certified by a responsible official of the Borrower. Such statement shall be prepared by the Borrower within 120 days of the end of the Borrower's fiscal year.

In addition, Borrower shall send the District copies of any financial and compliance audit required by state law within 15 days of issuance or acceptance by the State Department of Legislative Audit. In addition, Borrower will send to the District a copy of any internal control review report done by or submitted to the State Department of Legislative Audit within 15 days after it has been issued or accepted by the State Department of Legislative Audit. The Borrower agrees to comply with the Single Audit Act of 1984 as amended.

The Borrower agrees to provide to the District, in connection with the issuance and sale by the District of Additional Bonds or with any sale or other assignment by the District of any or all of its rights under the Loan Documents and the Borrower Bond, any and all financial and other information and documents which the District requests in order to prepare a preliminary or final official statement or other disclosure document to be delivered to purchasers or offerees of the Additional Bonds or of direct or indirect interests in any or all of the rights of the District under the Loan Documents and the Borrower Bond.

The Borrower represents that any such information and documents supplied by the Borrower, taken as a whole, will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The Borrower agrees, whenever requested by the District, to provide and certify, or cause to be provided and certified, such information concerning the Borrower, its System, its finances, the Project, or such other topics as the District from time to time reasonably considers necessary or appropriate, including such information as necessary to enable the District or its authorized representatives to make any reports required by state or federal law or regulation.

(h) After reasonable notice from the EPA, the Borrower shall make available to the EPA such records as the EPA reasonably requires to review and determine compliance with the Relevant Federal Act.

(i) The Borrower has complied and shall comply with all conditions and requirements of the Relevant Federal Act pertaining to the Loan, Project or the System, and covenants to comply with all representations, covenants, conditions and agreements, if any, set forth in Appendix C hereto.

(j) The Borrower does not and shall not in the construction, maintenance and operation of its System discriminate in any way on the basis of race, creed, color, religion, sex or national origin.

(k) The Borrower will provide an Opinion of Bond Counsel in substantially the form of Appendix D attached hereto prior to closing.

(l) The Borrower represents that within six months after the date of this Loan Agreement, the Borrower expects to incur a substantial binding obligation to commence or acquire the Project to be financed by the Loan and upon incurring such binding obligation, agrees that work on or acquisition of the Project will proceed with due diligence to completion. The Borrower further represents that it expects to expend all proceeds of the Borrower Bond within three (3) years after the date of this Loan Agreement.

ARTICLE III

PURCHASE OF BONDS

Section 3.1. Use of the Proceeds. The Borrower shall apply the proceeds of the Loan from the District solely as follows:

(a) The Borrower shall apply the proceeds of the Loan solely to the financing, refinancing or reimbursement of the costs of the Project as set forth in Appendix A hereto. The Loan will be disbursed in accordance with Article IV hereof. Unless the Project has been completed prior to closing, the Borrower agrees to construct the Project with all reasonable dispatch and to use all reasonable efforts to cause such construction to be completed and the Committed Amount expended for the costs of the Project as soon as reasonably possible.

(b) No portion of the proceeds of the Loan shall be used to reimburse the Borrower for costs paid prior to the date of this Loan Agreement of a Project the construction or acquisition of which occurred or began earlier than July 1, 1993 for a drinking water project, or before March 7, 1985 for a clean water project. If any proceeds of the Loan are to be used (1) to reimburse the Borrower for expenditures made prior to the Closing or (2) to refinance taxable debt any of the proceeds of which were used to reimburse the Borrower for expenditures made prior to the Closing, the Borrower represents that it has complied with the requirements of treasury regulation Section 1.150-2, or any successor thereto, so that on the date such proceeds are disbursed they will be considered under such Regulation to be proceeds of the Borrower Bond which have been spent.

(c) Any Debt being refinanced with proceeds of the Loan shall have been incurred after July 1, 1993 for a Project the construction or acquisition of which occurred or began after July 1, 1993 for a drinking water project, or incurred after March 7, 1985 for a Project the construction or acquisition of which occurred or began after March 7, 1985 for a clean water project.

Section 3.2. The Project. Set forth in Appendix A hereto is the Borrower's description of the purposes for which it intends to use the proceeds of the Loan. The property which has been or is to be acquired, installed or improved, the construction which has been or is to be undertaken, and the other activities, if any, to be funded, as described in Appendix A, are herein referred to collectively as the Project. The Project may consist of more than one facility or

activity. The Project may be amended by the Borrower with the prior written consent of the District. Proposed amendments to the Project shall be submitted to the District in writing, stating the reasons for the amendment and the impact of the amendment on the amount of Loan proceeds required to complete the Project. The proposed amendment shall be accompanied by an Opinion of Bond Counsel stating that the Project, as constituted after such amendment, could have been financed under the Act at the time of issuance of any Bonds the proceeds of which funded the Loan, such amendment will not violate the Act or the laws governing the issuance of the Borrower Bond, and such amendment will not adversely affect the exclusion of interest on any of the Bonds and the Borrower Bond from gross income for purposes of federal income taxation. Such an Opinion of Bond Counsel shall not be required for amendments which do not affect the type of costs or facility to be constructed or the activity to be funded.

Section 3.3. Project Representations and Covenants. The Borrower hereby represents and covenants that:

(a) all construction on the Project has complied and will comply with applicable federal, state and local laws, regulations, ordinances, and standards;

(b) all construction will be done pursuant only to a fixed price contract, and that the Borrower will obtain performance and payment bonds from the contractor for each construction contract in the amount of 100% of the contract price and will ensure that such bonds are maintained until the construction is completed;

(c) all land surveys will be conducted by a land surveyor registered in the State of South Dakota, and the final plans and specifications will be prepared under the supervision of a professional architect or engineer licensed and registered in the State of South Dakota. All construction will be done in accordance with the plans and specifications on file with the District, and all changes made in those plans and specifications will be filed with the District. The Borrower will maintain an “as built” set of plans and specifications and an acceptance certificate completed by the architect or engineer in charge of the Project at its principal place of business;

(d) the Project is the type of project permitted to be financed under the applicable Program, the Act, and the laws governing the issuance of the Borrower Bond.

Section 3.4. Completion of the Project. Upon completion of the Project, the Borrower shall deliver to the District a Completion Certificate stating that the Project is complete, indicating the amount of the Committed Amount which will be required to pay any remaining Project costs, stating that all other costs and expenses of the Project have been paid, and that there exists no lien or encumbrance with respect to the System, and releasing the remainder of the Committed Amount, if any. If Appendix A describes more than one separate project as making up the Project, a Completion Certificate shall be required for each project. The Completion Certificate shall be accompanied by an acceptance certificate from the architect or engineer in charge of inspecting and monitoring the construction of the Project for the Borrower,

stating that the construction was completed substantially in accordance with the plans and specifications therefore.

Section 3.5. Reduction of Project Costs. If all or a portion of the Project is canceled or scaled back and the costs of the Project are thereby reduced, or if for any reason the Borrower will not require the full Committed Amount, the Borrower shall promptly notify the District and release the portion of the Committed Amount which will not be needed.

Section 3.6. Loan Term. The Borrower's obligations under the Loan Documents shall commence on the date hereof unless otherwise expressly provided in this Loan Agreement. Provided, however, that the obligation to make payments as set forth herein and in the Borrower Bond shall commence only upon the first disbursement of Loan proceeds. The Borrower's obligations shall terminate upon payment in full of all amounts due under the Loan Documents. Provided, however, that the Borrower's obligations as set forth in Sections 6.3(c), 7.1, 9.4 and 10.5 hereof shall survive such termination.

ARTICLE IV

LOAN TO THE BORROWER

Section 4.1. The Loan; Disbursement of Loan. The District agrees that upon satisfaction of the terms and conditions set forth in this Loan Agreement and compliance by the Borrower with those state laws dealing with the issuance of the Borrower Bond for the Project, it will loan to the Borrower an amount up to \$6,000,000 (the “Committed Amount”) in accordance with the terms and conditions of this Loan Agreement, such Loan to be evidenced by the purchase by the District from the Borrower of the Borrower Bond, for the purpose of financing, refinancing, or reimbursing the Borrower for the eligible costs of the Project. The Loan shall be disbursed as follows:

(a) The Loan proceeds will be on deposit with the Trustee and shall be disbursed to the Borrower based upon the Borrower’s request for disbursements subject to satisfaction of the terms and conditions of this Loan Agreement and satisfaction of all applicable preconditions imposed upon the District, Borrower and Project by law. In order to obtain a disbursement, the Borrower shall submit to the District a signed request for disbursement on a form prescribed by the District, together with all attachments required by such form. Disbursements may be obtained only for those Project costs which have been legally incurred, and which are due and payable, or have been paid by the Borrower. The Borrower will designate, by duly adopted resolution, an official to certify on Borrower’s behalf that the request submitted is correct and is a valid expenditure for the Project. The District reserves the right, at its option, to disburse the funds directly to the contractor or sub-contractor supplying the service or material for which the payment is sought.

(b) For refinancings, a disbursement schedule complying with the requirements of the Relevant Federal Act shall be established by the District and the Borrower at Closing. The Trustee shall disburse Loan amounts directly to the holder of the debt being refinanced according to such schedule. If the Borrower should repay all or a portion of the debt to be refinanced from other sources or should otherwise not need any portion of the Loan which was to have been used to refinance such debt, it shall inform the District and Trustee of such fact pursuant to Section 3.5 and a new disbursement schedule shall be drawn up by the District. The Trustee or District shall obtain a receipt from the holder of the debt being refinanced for each disbursement made to pay or prepay a portion of such debt.

(c) If all or a portion of a Loan is made to reimburse the Borrower for Project costs paid by it prior to Closing, the Borrower shall present at Closing the items required by Section 4.1 (a) relating to such costs. The District shall direct the Trustee to disburse such amounts to the Borrower pursuant to a disbursement schedule complying with the requirements of the Relevant Federal Act and the Program established by the District and the Borrower at the Closing.

(d) Notwithstanding anything else provided herein, the District shall not be obligated to disburse Loans any faster or to any greater extent than it has available for disbursement amounts derived from EPA Capitalization Grants, proceeds of Bonds, State appropriated funds and other amounts in the Loan Proceeds Account. The Borrower acknowledges that if Project Costs are incurred faster than the Borrower projected at Closing, there may be delays in making Loan disbursements for such costs because of the schedule under which EPA makes EPA Capitalization Grant moneys available to the District. The District will use its best efforts to obtain an acceleration of such schedule if necessary.

(e) The District shall note the disbursements on Schedule A to the Borrower Bond.

ARTICLE V

REPAYMENT OF LOAN

Section 5.1. Repayment. The Borrower shall repay the amounts loaned to it pursuant to Section 4.1 hereof, plus interest on the unpaid amounts loaned at the rate of 2.50% per annum, in Loan Payments, due at the times and in the amounts calculated as set forth below, over a term of twenty (20) years from the Initial Loan Amortization Date. In addition, the Borrower shall pay an Administrative Expense Surcharge on the outstanding principal amount of the Loan at the rate of .50% per annum. Loan Payments will be in lawful money of the United States and shall be paid to the District. Interest and Administrative Expense Surcharge shall be calculated on the basis of a year of 360 days made up of 12 months of 30 days each.

The payments of principal, interest and the Administrative Expense Surcharge with respect to the Loan shall be due on the dates and in the amounts shown in Schedule B to the Borrower Bond, as such Schedule B shall be modified from time to time as provided below. The portion of each such Loan Payment consisting of principal and the portion consisting of interest and the amount of Administrative Expense Surcharge shall be set forth in Schedule B to the Borrower Bond. Upon each disbursement of Loan amounts to the Borrower pursuant to Section 4.1 hereof, the Trustee shall enter or cause to be entered the amount advanced on Schedule A to the Borrower Bond under "Advances" and the total amount advanced under Section 4.1, including such disbursement, under "Total Amount Advanced."

If the advance was for refinancing pursuant to Section 4.1 (b) or reimbursement for a completed Project pursuant to Section 4.1 (c), the District shall on the date of the advance prepare Schedule B to the Borrower Bond, as follows, and send a copy of Schedule B to the Borrower:

(a) The principal of the advance shall be repayable quarterly on the 15th day of January, April, July, and October, subject to the requirements of this Section 5.1, beginning on the first such date after the advance is made, and the amount of each principal payment shall be calculated on the basis of substantially level annual debt service over the remaining term of the Loan with combined interest and Administrative Expense Surcharge at a rate of 3.00% per annum; and

(b) Interest and Administrative Expense Surcharge on the advance shall be payable quarterly on the 15th day of January, April, July, and October, subject to the requirements of this Section 5.1, beginning on the first such date after the advance is made.

If the advance was made to pay costs of the Project pursuant to Section 4.1 (a) or to reimburse the Borrower pursuant to Section 4.1 (c) for costs of a Project not yet completed (a “Construction Advance”), interest and Administrative Expense Surcharge on such advance shall accrue from the date the advance is made. On the Initial Loan Amortization Date, all interest and Administrative Expense Surcharge accrued on all Construction Advances up to such date shall be due and payable, and thereafter:

(a) Interest and Administrative Expense Surcharge on such advances shall be payable quarterly on the 15th day of January, April, July, and October, subject to requirements of this Section 5.1, beginning on the first such date after the Initial Loan Amortization Date; and

(b) The principal of such advances shall be repayable quarterly on the 15th day of January, April, July, and October, subject to the requirements of this Section 5.1, beginning on the first such date after the Initial Loan Amortization date and the amount of each principal payment shall be calculated on the basis of substantially level annual debt service over the remaining term of the Loan with combined interest and Administrative Expense Surcharge at a rate of 3.00% per annum.

On each Subsequent Loan Amortization Date, if any, all interest and Administrative Expense Surcharge accrued on all Construction Advances made since the Initial Loan Amortization Date or the last Subsequent Loan Amortization Date, as the case may be, shall be due and payable, and thereafter:

(a) Interest and Administrative Expense Surcharge on such advances shall be payable quarterly on the 15th day of January, April, July, and October, subject to the requirements of this Section 5.1, beginning on the first such date after such Subsequent Loan Amortization Date; and

(b) The principal of such advances shall be repayable quarterly on the 15th day of January, April, July, and October, subject to the requirements of this Section 5.1, beginning on the first such date after such Subsequent Loan Amortization Date, and the amount of each principal payment shall be calculated on the basis of substantially level annual debt service over the remaining term of the Loan with combined interest and Administrative Expense Surcharge at a rate of 3.00% per annum.

Once a Completion Certificate is required to be delivered pursuant to Section 3.4, the District shall prepare or revise or cause to be prepared or revised Schedule B to the Borrower Bond and the Trustee shall, after verifying the District’s calculations, send a copy of such Schedule B to

the Borrower. Such Schedule B shall be sent to the Borrower within one month after delivery of the Completion Certificate. If further disbursements are to be made pursuant to Section 4.1 (b) and (c), the Trustee shall continue to revise Schedule B to the Borrower Bond in accordance with the preceding paragraphs.

Past-due payments of principal, interest and Administrative Expense Surcharges shall bear interest at the rate of 8% per annum, compounded on each Loan Payment Date, until paid.

Any payment of principal, interest or Administrative Expense Surcharge under this Section 5.1 shall be credited against the same payment obligation under the Borrower Bond.

Section 5.2. Other Amounts Payable. The Borrower shall also pay, within 30 days of receipt of a bill therefore, all reasonable expenses of the District with relation to this Loan, the Loan Agreement, the Borrower Bond, and the Collateral Documents, including but not limited to:

- (a) the costs of reproducing the Loan Documents;
- (b) the fees and disbursements of Bond Counsel and other counsel used by the District in connection with the Loan Documents, and the administration, interpretation or enforcement thereof;
- (c) all taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the execution and delivery of the Loan Documents and the System, including all recording and filing fees;
- (d) all expenses, including attorney fees, relating to any amendment, waiver, consents, collection proceedings, or enforcement actions in connection with or with respect to the Loan Documents.

Section 5.3. Prepayment. 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.

Section 5.4. Obligations of the Borrower Unconditional. The obligations of the Borrower to make the payments required by this Loan Agreement and the Borrower Bond and to perform and observe any and all of the other covenants and agreements on its part contained herein and therein shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment or counterclaim it may otherwise have against the District or Bondholders. The Borrower agrees it will not (a) suspend, discontinue or abate any payments required by the Loan Agreement or the Borrower Bond, (b) fail to observe any of its other covenants and

agreements in the Loan Documents, (c) seek judicial or other relief from the obligation to make such payments or perform such covenants and agreements, or (d) terminate this Loan Agreement, the Borrower Bond or the Collateral Documents for any cause whatsoever, including, without limitation, failure to complete the Project, failure of consideration, commercial frustration of purpose, destruction of or damage to the Project or the System, any dispute with the District, any change in applicable laws and regulations, or any failure of the District to perform any of its agreements, provided that nothing contained in this section shall be construed to release the District from performance of its agreements on its part contained in this Loan Agreement.

Section 5.5. Security for Loan Payments.

(a) In order to secure the payments required pursuant to the terms of this Loan Agreement and the Borrower Bond, and to secure the performance by the Borrower of all of its covenants express or implied in the Loan Documents, the Borrower hereby irrevocably pledges to the District all income and revenues of the System, including, without limitation, fees, charges to users of the System, penalties and hook-up fees, sign-up fees, proceeds of business interruption insurance, proceeds from the sale of property constituting part of the System and investment income on all such revenues, but only to the extent that the revenues exceed the amounts necessary to operate and maintain the System, provided there shall be excluded from this pledge the proceeds of any federal or state grant or loan, and the investment income therefrom, to the extent such exclusion is a condition of such grant or loan.

The Borrower represents that there are no liens on such revenues, except for the parity debt set forth in Appendix F hereto, and that other than the liens granted to secure the indebtedness set forth in Appendix F, it shall not grant or permit to exist any lien on such revenues which is superior to the lien granted in this section. The Borrower represents that this pledge constitutes the first priority perfected security interest in such revenues, except for such liens as secure parity debt which has been disclosed to the District in writing. The Borrower agrees to set aside in a separate account the amount of revenue and income necessary to make the Loan Payments. The Borrower has not granted and shall not grant any lien on its System Revenues without the express prior written consent of the District, except as provided in this section, and except for liens securing System Debt outstanding on the date of this Loan Agreement which has been disclosed in Appendix F hereto.

(b) The Borrower recognizes that the statutory mortgage provisions of SDCL Chapter 9-40 are applicable to this Loan Agreement and the Borrower Bond. The District, as holder of the Borrower Bond, shall have all the rights and remedies of a bondholder under SDCL Chapter 9-40, including without limitation the statutory mortgage provisions. The Borrower agrees that the rights and remedies may be enforced by the Trustee.

Section 5.6. Limited Liability. All Loan Payments, and other payment obligations of the Borrower pursuant to this Loan Agreement and the Borrower Bond shall be limited obligations of the Borrower payable solely out of the income and revenues pledged by the Borrower herein and shall not be payable out of other revenues of the Borrower. The aggregate principal amount of the Bond, when added to all other indebtedness of the Borrower within the meaning of any

State constitutional provision or statutory limitation, shall never give rise to a pecuniary liability of the Borrower or charge against its general credit or taxing power. Unless otherwise permitted by law, 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 described herein, may be used to pay Loan Payments.

Section 5.7. Incorporation of SDCL Chapter 9-40. The Borrower is entering into this Loan Agreement and issuing the Borrower Bond pursuant to Chapter 9-40, SDCL, and all acts amendatory thereto, Chapter 6-8B, SDCL, and all acts amendatory thereto, and the Borrower Resolution, and this Loan Agreement and the Borrower Bond are subject to all the provisions and limitations thereof, all of which is hereby incorporated herein by reference.

ARTICLE VI

SPECIAL COVENANTS

Section 6.1. Maintenance of the System. The Borrower shall maintain its System, including the Project, in good condition and repair and make all necessary renewals, replacements, additions, betterments and improvements thereto. The Borrower shall not grant or permit to exist any lien on the System or the Project other than liens securing System Debt where a parity or superior lien secures this Loan Agreement and the Borrower Bond, provided that this Section shall not be deemed violated if a mechanic's or contractor's lien is filed against the property, as long as the Borrower uses its best efforts to obtain the discharge of such lien, and promptly reports the filing of such lien, the proposed steps to discharge the lien, and the discharge of the lien to the District.

Section 6.2. Maintenance of Existence. The Borrower shall maintain its corporate existence as a Public Entity and Governmental Unit, except that it may (a) consolidate with or merge into another Governmental Unit, (b) permit one or more Governmental Units to consolidate with or merge into it; or (c) may transfer all or substantially all of its assets to another Governmental Unit and then dissolve if the surviving, resulting or transferee entity (if other than the Borrower) (i) is a Public Entity and Governmental Unit, (ii) assumes in writing all of the obligations of the Borrower under the Loan Documents and the Borrower Bond, (iii) such action does not result in any default in the performance or observance of any of the terms, covenants or agreements of the Borrower under the Loan Documents and the Borrower Bond, (iv) such action does not violate the Act or the Relevant Federal Act and would not adversely affect the exclusion of interest on the Bonds and the Borrower Bond from gross income for federal income tax purposes, and (v) the Borrower delivers to the District and the Trustee on the date of such action an Opinion of Bond Counsel that such action will not violate the Act or adversely affect the exclusion of interest on the Bonds and the Borrower Bond from gross income for federal income tax purposes.

The Borrower shall not transfer its System or any component thereof to any other Person prior to the earlier of (a) the last date of the reasonably expected economic life of such component (determined as of the date of this Loan Agreement) or (b) the last maturity date of the Borrower

Bond, unless the provisions of clauses (iii), (iv) and (v) of the preceding paragraph are satisfied and, in addition, the District consents to such transfer.

Section 6.3. Covenants Relating to the Tax-Exempt Status of the Bonds. The Borrower covenants and agrees that it will not use or permit to be used any of the funds provided by the District hereunder or any other funds of the Borrower, directly or indirectly, in a manner that, in the Opinion of Bond Counsel, would cause, or take any other action that would cause, any Bond or the Borrower Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or would otherwise cause the interest on the Bonds or the Borrower Bond to be included in gross income for purposes of federal income taxation. In addition, the Borrower agrees that it will not enter into, or allow any “related person” (as defined in Section 147(a) (2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Bonds or any other obligations of the District in an amount related to the amount of the Loan or the portion of the Loan derived directly or indirectly from proceeds of any Bonds or that, in the Opinion of Bond Counsel, would otherwise cause any Bond or the Borrower Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code. The Borrower further covenants and agrees as follows:

(a) The Borrower shall not use or permit the use of any portion of the Project or the System directly or indirectly in any trade or business carried on by any Person who is not a Governmental Unit. For the purpose of this subparagraph, use as a member of the general public shall not be taken into account and any activity carried on by a Person other than a natural person shall be treated as a trade or business.

(b) Any portion of the Project or the System being refinanced or the cost of which is being reimbursed was acquired by and is now and shall, during the term of the Loan, be owned by the Borrower and not by any other Person. Any portion of the Project or System being financed shall be acquired by and shall, during the term of the Loan, be owned by the Borrower and not by any other Person. Notwithstanding the previous two sentences, the Borrower may transfer the Project or a portion thereof to another Governmental Unit which is also a Public Entity if such transfer is otherwise permitted hereunder and if such organization agrees with the District and the Trustee to comply with Sections 2.2 and 6.3 hereof and if the District and the Trustee receive an Opinion of Bond Counsel that such transfer will not violate the Act or the laws governing the issuance of the Borrower Bond, or adversely affect the exclusion of interest on the Bonds and the Borrower Bond from gross income for purposes of federal income taxation. Except as otherwise provided herein or in any Loan Documents, and except upon receipt of the Opinion of Bond Counsel described in the preceding sentence, the Borrower shall not sell or otherwise dispose of the Project or any component thereof prior to the earlier of (a) the last date of the reasonably expected economic life of such component (determined as of the date of this Loan Agreement) or (b) the last maturity date of the Borrower Bond.

(c) The Borrower shall comply with the Arbitrage Rebate Instructions, if any, delivered to it by the District at Closing, as such Instructions may be amended or replaced by the District from time to time. The Arbitrage Rebate Instructions may

be amended or replaced by new Arbitrage Rebate Instructions delivered by the District and accompanied by an Opinion of Bond Counsel addressed to the Trustee and the Borrower to the effect that the use of said amended or new Arbitrage Rebate Instructions will not adversely affect the excludability of interest on the Bonds and the Borrower Bond from gross income of the recipients thereof for federal income tax purposes. The Borrower agrees to make any and all arbitrage rebate payments required to be made to the United States Department of Treasury in connection with the Borrower Bond pursuant to Section 148(f) of the Code.

(d) The Borrower agrees that during the Loan Term it will not contract with or permit any Nonexempt Person to manage the Project or any portion thereof unless (i) such management contract complies with the requirements of federal income tax regulations Sections 1.141-1 through 1.141-16, and Rev. Proc. 97-13 or any subsequent revenue procedures, revenue rulings or regulations promulgated by the United States Department of Treasury or (ii) the District and the Trustee shall have received an Opinion of Bond Counsel to the effect that such management contract will not adversely affect the exclusion of interest on the Bonds and the Borrower Bond from gross income for purposes of federal income taxation.

(e) The Borrower may not lease the System or the Project or any portion thereof to any Person except as follows: (1) the Borrower may lease all or any portion of the Project or the System to a Governmental Unit which agrees in writing with the Borrower and the Trustee not to cause any Event of Default to occur under this Loan Agreement and (2) the Borrower may lease all or any portion of the Project or the System to a Nonexempt Person pursuant to a lease which, in the Opinion of Bond Counsel delivered to the District and the Trustee, will not adversely affect the exclusion of interest on the Bonds and the Borrower Bond from gross income for purposes of federal income taxation.

(f) The Borrower shall not change the use or nature of the Project or the System unless (i) the action does not violate the Act or the Relevant Federal Act, and (ii) in the Opinion of Bond Counsel delivered to the District and the Trustee such change will not adversely affect the exclusion from gross income of interest on the Bonds or the Borrower Bond for federal income tax purposes.

(g) In connection with the Loan Agreement, neither the Borrower nor any Related Person has on hand any funds which could legally and practically be used for the purposes for which the proceeds of the Loan are being lent to the Borrower which are not pledged, budgeted, earmarked or otherwise necessary to be used for other purposes. Accordingly, no portion of the Loan will be used (i) directly or indirectly to replace funds of the District, the Borrower or any Related Person to the District or the Borrower that could be used for the purpose for which the Loan is being issued or (ii) to replace any proceeds of any prior issuance of obligations by the District, the Borrower or any Related Person to the District or the Borrower.

(h) The Borrower shall not use the proceeds of any tax-exempt obligation (within the meaning of Section 103 of the Code) to pay any portion of the principal of or interest on the Borrower Bond without the prior written consent of the District.

Section 6.4. Rate Covenant. The Borrower shall ensure that in each fiscal year its Net Revenues Available for Debt Service equal at least 110% of its System Debt Service for such fiscal year, and shall as soon as practicable, and in any event by the date it is required to deliver unaudited financial statements to the District pursuant to Section 2.2(f), (a) calculate its Net Revenues Available for Debt Service and System Debt Service for such fiscal year and the coverage ratio, and (b) certify such figures to the District and the Trustee. The certification described in clause (b) of the preceding sentence shall be substantially in the form of the certificate attached hereto as Appendix E to this Loan Agreement. If the percentage specified in clause (3) of the certificate required by the preceding sentence is less than 110%, then the Borrower shall provide such further certifications as the District shall reasonably require to determine the Borrower's compliance with the requirements of this Loan Agreement. Failure to meet such coverage test shall not be an Event of Default hereunder so long as (1) the coverage was at least 100%, and (2) the Borrower, within 30 days of its certification to the District and the Trustee, retains a Consultant to make recommendations in a report to be delivered to the Borrower within 60 days of his being retained as to the actions required in order to achieve compliance, and upon receipt of such report, takes the actions which are recommended (except to the extent it receives the written consent of the District to not take any such actions). The Borrower shall supply the District with quarterly reports on the actions it is taking to correct its coverage deficiency until it delivers an annual coverage certificate showing compliance with the first sentence of this Section.

Notwithstanding anything provided to the contrary in the preceding paragraph, if the Borrower has issued System Revenue Debt to finance the construction of expansions to its System (the "Expansion Debt") and construction was not complete prior to the beginning of a fiscal year, the coverage ratio called for in the previous paragraph shall be 110% with respect to all System Revenue Debt, except such Expansion Debt, and 100% for such Expansion Debt. Any capitalized interest funded from the proceeds of such Expansion Debt or other sources shall be counted as Net Revenues Available for Debt Service in the period for which such capitalized interest is to be applied to pay interest on the Expansion Debt.

Section 6.5. Additional Debt. The Borrower shall not incur any System Revenue Debt which has a lien on or constitutes a right to payment from the Borrower's System Revenues which is superior to that of this Loan Agreement and the Borrower Bond. The Borrower may incur System Revenue Debt which is on a parity with or subordinate to that of this Loan Agreement and the Borrower Bond, under the following conditions:

(a) System Revenue Debt may be incurred to pay or prepay or defease other System Revenue Debt if the maximum annual debt service of the new System Revenue Debt is no greater than that of the System Revenue Debt being paid, prepaid or defeased;

(b) System Revenue Debt may also be incurred so long as prior to the issuance of such System Revenue Debt the Borrower has taken or caused to be taken all action necessary to raise rates and taken or caused to be taken any other necessary action so that the rate covenant set forth in Section 6.4 will be met for the 12 months following the incurrence of such System Revenue Debt and has delivered to the District and the Trustee a written forecast of a Consultant showing that such rate covenant will be met during such 12 months, setting forth in detail its calculations; provided, however, that for expansions of the Borrower's System, the Consultant's forecast may state that for such 12 months both (1) Net Revenues Available for Debt Service will equal at least 100% of debt service on all System Revenue Debt and (2) assuming that the expansion was complete and placed in service on the date of the forecast and all other conditions expected to be in effect on the expected date of completion were in effect on the date of the forecast, Net Revenues Available for Debt Service would equal at least 110% of debt service on all System Revenue Debt;

(c) such Debt is not variable rate debt; or

(d) the principal and interest on such Debt in any fiscal year are less than 150% of the payment of principal and interest on such debt for any other fiscal year; and

(e) the District has consented in writing to the incurring of such Debt.

Section 6.6. Additional Tax Covenant and Requirements for an Opinion of Bond Counsel.

(a) The Borrower acknowledges that the District has advised the Borrower that the District intends to and reserves the right to have maximum flexibility to allocate and reallocate from time to time the proceeds of the Bonds, the moneys made available to the District pursuant to the District-EPA Agreements and all other funds in any manner which is advantageous to the District in its sole discretion, and that accordingly, unless waived in writing by an Authorized Representative of the District, the Borrower shall at all times treat the Loan as having been funded by the District with the proceeds of Bonds, the interest on which is intended to be excluded from gross income for federal income tax purposes.

(b) Any Opinion of Bond Counsel provided in connection with this Loan Agreement shall assume, for all purposes, that the Loan to the Borrower has been funded out of proceeds of the Bonds, the interest on which is intended to be excluded from gross income for federal income tax purposes.

ARTICLE VII

INDEMNIFICATION

Section 7.1. Indemnification. The Borrower shall indemnify and hold the District, its members, officers, agents and employees harmless from and against any and all claims, liability, actions, damages, demands, expenses, and losses, of any kind or character whatsoever, resulting from or in any way connected with the condition, use, operation, management, design, planning, construction, installation, management or financing of the Project, including all costs, reasonable attorney fees, expenses and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. Borrower shall upon request defend any such claim or demand on behalf of the District. Provided, however, that the foregoing does not require the Borrower to indemnify the District, its members, officers, agents or employees from any claim or demand arising solely from the intentional or willful misconduct or negligence of the District, its members, officers, agents or employees.

Section 7.2. Indemnification of Trustee. The Borrower agrees to indemnify the Trustee and to hold it harmless against any loss, liability or expense incurred without negligence or bad faith on its part arising out of or in connection with the exercise or performance of any of its powers or duties hereunder or under the Borrower Bond or any of the Loan Documents or, insofar as such duties pertain to the Loan, under the Indenture.

ARTICLE VIII

ASSIGNMENT

Section 8.1. Assignment.

(a) The Borrower may not assign its rights and obligations under this Loan Agreement, the Borrower Bond, or other Loan Document except as provided in section 6.2 hereof.

(b) At any time after the total Committed Amount has been disbursed or otherwise satisfied or reduced pursuant to this Loan Agreement, the rights of the District under the Loan Agreement, the Borrower Bond and all other Loan Documents and the obligations of the Borrower are freely assignable by the District.

(c) Notwithstanding the terms of Section 8.1(b), the District shall have the unconditional right at any time to assign its rights under this Loan Agreement, the Borrower Bond and all other Loan Documents to the Trustee to secure any Bonds, except to the extent otherwise provided in the Indenture.

(d) The First National Bank in Sioux Falls or such other financial institution or public official as shall be designated by the Borrower and approved by the District shall serve as registrar for this Loan Agreement and the Borrower Bond,

and the registrar shall register the transfer of this Loan Agreement and the Borrower Bond upon their presentation by the holder thereof endorsed for transfer or with a separate document assigning the Bondholder's interest in them. Upon the direction of the District, at any time after the disbursement of the total Committed Amount, the Borrower shall deliver to the District in exchange for the Borrower Bond, several executed Borrower Bonds representing in the aggregate the same debt as the initial Borrower Bond, but each of the Borrower Bonds shall represent that portion of the Debt coming due on any one date set forth in Schedule B to the initial Borrower Bond. Such Borrower Bonds shall be substantially in the form of Appendix B hereto, but with the first paragraph thereof replaced by the paragraph set forth in Appendix B-1 hereto, and with Schedule A deleted and with Schedule B redesignated as Schedule A.

Section 8.2. Refunding Bonds. In the event Bonds are refunded by bonds which are not Additional Bonds, the District may assign the Loan Documents and the Borrower Bond to secure such refunding bonds, and all references in this Loan Agreement to Series 2008 Bonds, Bonds and Additional Bonds shall be deemed to refer to the refunding bonds and any bonds of the District issued on a parity with such refunding bonds (together, "Refunding Bonds") or, in the case of a crossover refunding, to the Series 2008 Bonds, Bonds and Additional Bonds and the Refunding Bonds and references to the Trustee, Credit Enhancer and other terms herein shall be deemed to refer to the trustee, credit enhancer or other party or document for the Refunding Bonds (or both the Refunding Bonds and the Bonds prior to the crossover date of a crossover refunding) and the District may assign the Loan Documents and the Borrower Bond to such trustee to secure the Refunding Bonds. In the event Bonds are refunded by an issue of Additional Bonds, all references in the Loan Documents to the Bonds so refunded shall be deemed to refer to such Additional Bonds and any other Bonds then outstanding under the Indenture, or, in the case of a crossover refunding, both the Bonds so refunded and such Additional Bonds.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. Any one of the following shall constitute an Event of Default under this Loan Agreement:

- (a) The failure by the Borrower to pay or cause to be paid, when due, the Loan Payments hereunder or under the Borrower Bond;
- (b) The failure by the Borrower to observe or perform any covenant, term, condition or agreement hereunder, or under any other Loan Document, on its part to be observed and performed (except for any covenant, term, condition or agreement referred to in sections 9.1(a) and 9.1(c) through 9.1(j) hereof) for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given by the District to the Borrower; provided, however, if by reason of force majeure the Borrower shall be unable in whole or in part to carry out its obligations hereunder, and if the Borrower shall give

prompt written notice and full particulars of such force majeure to the District, the Borrower shall not be deemed in default under this section 9.1(b) during the continuation of such inability, provided that force majeure shall not excuse any other Event of Default. The term “force majeure” as used herein shall include, without limitation, acts of God, acts of public enemies, orders of any kind of the government of the United States or the State, or any of their agencies, departments, or officials, or any civil or military authority, strikes, lock-outs, or other industrial disturbances, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, washouts, droughts, explosions, breakage or accident to machinery, transmission pipes, canals, partial or entire failure of utilities, or any other cause or event not reasonably within the control of the Borrower;

(c) The dissolution or liquidation of the Borrower; the filing by the Borrower of a voluntary petition under any bankruptcy, moratorium, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law; the failure by the Borrower within sixty (60) days to lift any execution, garnishment or attachment of consequence as will impair its ability to carry on its operation of the System; the commission by the Borrower of any act of bankruptcy; the filing against the Borrower of a petition under any bankruptcy, moratorium, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law which is not dismissed in thirty (30) days; the assignment of assets by the Borrower for the benefit of its creditors; the entry by the Borrower into an agreement of composition with its creditors; the approval by a court of competent jurisdiction of a petition applicable to the Borrower in any proceeding for its reorganization under the provisions of any bankruptcy or similar law; or the appointment of a receiver of the whole or a substantial portion of Borrower’s property, including the System, unless such receiver is released or discharged within sixty (60) days;

(d) any warranty or representation contained in the Loan Documents or in any certificate or document furnished pursuant hereto or thereto is false or misleading in any material respect;

(e) the District or its assigns shall fail to have a valid and enforceable first priority perfected security interest in or lien on the revenues described herein (including any revenues pledged pursuant to the Borrower Resolution) or the Collateral described herein or in the Collateral Documents, except as otherwise expressly provided in section 5.5;

(f) the Borrower defaults on any agreement to which it is a party, evidencing, securing or otherwise respecting any System Revenue Debt if, as a result thereof, such debt may be declared immediately due and payable, or other remedies may be exercised with respect thereto or with respect to the System;

(g) any material provision of the Loan Documents or the Borrower Bond shall at any time for any reason cease to be valid and binding on the Borrower, or the obligor of any Collateral Documents, or shall be declared null and void, or the enforceability or validity thereof shall be contested by the Borrower or the obligor of any such Collateral Documents, or any governmental agency or authority (other than the District), or the Borrower or the obligor of such Collateral Documents, shall deny any further liability or obligation under any of the Loan Documents or the Borrower Bond.

(h) Any event of default shall occur under the Collateral Documents;

(i) Any event occurs which permits a draw under a letter of credit or other third-party guaranty securing the Loan; or

(j) Failure by the Borrower to comply with any condition or requirement of the Relevant Federal Act pertaining to the Loan or the Project for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the District, unless the District shall agree in writing to an extension of such time or shall waive such failure in writing.

Section 9.2. Remedies on Default. Whenever any Event of Default has occurred and is continuing, the District may take any one or more of the following remedial steps:

(a) Suspend the making of disbursements of the Loan pursuant to Section 4.1 hereof;

(b) Revoke or reduce the remainder of the Committed Amount, if any;

(c) Exercise the remedies available to a bondholder under the statutory mortgage and other provisions of SDCL chapter 9-40, and other successor or supplementary statutory provisions or laws;

(d) Pursue its remedies under the Borrower Bond and any Collateral Documents, including the Borrower Resolution and the Borrower Bond; and

(e) Take whatever other action at law or in equity may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder, or to enforce the obligations, agreements or covenants of the Borrower under the Loan Documents, or to enforce any other of the District's rights hereunder.

Section 9.3. Remedies Cumulative. No remedy herein conferred upon or reserved to the District is intended to be exclusive of any other available remedy, but each and every remedy shall be cumulative and in addition to every other remedy given under this Loan Agreement, or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver thereof, but any such right and power may be exercised from time to time

and as often as may be deemed expedient. In the event that any breach by the Borrower is specifically waived in writing by the District, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other or subsequent breach.

Section 9.4. Attorney Fees and Collection Expenses. In the event the Borrower should default under any of the provisions of the Loan Documents, and the District or Trustee should employ attorneys or incur other expenses for the collection of the amounts payable hereunder and thereunder, or the enforcement of performance or observance of any obligations or agreements on the part of the Borrower, the Borrower shall, upon demand, pay to the District the reasonable fees of such attorneys and such other expenses so incurred. Commencement of an action to recover any amount payable shall be deemed a demand for the payment of such fees and expenses incurred in the course of the action.

Section 9.5. Application of Moneys. Any moneys collected by the District pursuant to Section 9.2 shall be applied first to pay attorney's fees and other expenses owed by the Borrower pursuant to Section 9.4; second to any interest and penalties due on the Loan; third to pay principal due on the Loan; fourth to pay any other amounts due under the Loan Documents, and fifth to pay principal and interest on the Loan, and other amounts due hereunder, as they become due, such payments to be made in the same order as set forth in this Section.

Section 9.6. Notice of Default. The Borrower agrees to give the Trustee and the District prompt written notice if any petition referred to in Section 9.1(c) is filed or of the occurrence of any other event or condition which constitutes, or would with the passage of time or notice and the passage of time constitute, an Event of Default immediately upon becoming aware of the existence thereof.

Section 9.7. Cooperation Agreement Relating to Bonds or other Financing of District. At the request of the District or any holder of the Borrower Bond, and to the extent not already required to be provided by the Borrower under this Loan Agreement, the Borrower Bond or any of the other Loan Documents, the Borrower shall at no cost or expense to the District, use all reasonable efforts to satisfy the market standards to which the District customarily adheres in any then existing program or borrowing of the District or which may be reasonably required in the marketplace or by any nationally recognized rating agency or by any underwriter engaged by the District or by any then holder of the Borrower Bond in connection with any sale or multiple sales, from time to time, of Bonds or any interest (including any participation interest) in the Borrower Bond or similar borrower bonds funded in connection with the Program so as to permit or otherwise enable the successful rating, marketing and sale of such Bonds or other interests (collectively referred to herein as "Financings"), including:

- (a) provide current financial or other information with respect to the Borrower, the Project, the System and the Borrower's general financial condition, including any information required to be provided to any purchasers of debt or other securities in connection with the Financings, including information which the District determines to be material to it or any such investors under any federal or state securities laws, and to cooperate with the District, any such other holder and any nationally recognized rating agency in connection with any such Financings;

(b) agree to provide on a timely basis, and from time to time as requested by the District, any information which the District reasonably believes is required to be furnished to any broker dealer or other person by reason of the Securities and Exchange Commission Rule 15c2-12, or any agreement or undertaking pursuant to which the District is a party or which relates to any Bonds, Additional Bonds, Refunding Bonds or any other Financing;

(c) provide or cause to be provided supplemental or confirming opinions of Bond Counsel as to any matters which the District, any underwriter involved in the Financings or any nationally recognized rating agency determines to be relevant to the Financings; and

(d) agree to any amendments or supplements to this Loan Agreement, the Borrower Bond or any other Loan Documents which the District, in its reasonable judgment, determines to be necessary or appropriate in connection with such Financings, so long as no such amendment or supplement shall increase the aggregate amount of principal, interest and Administrative Expense Surcharge payments payable on or with respect to the Borrower Bond on any payment date specified therein or herein.

ARTICLE X

MISCELLANEOUS PROVISIONS

Section 10.1. Notices. All notices or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered, and if delivered by mail, shall be sent by first class, registered or certified mail, postage prepaid, to the parties at the following addresses:

To the District: South Dakota Department of Environment
and Natural Resources
Division of Financial and Technical Assistance
523 East Capitol Ave.
Joe Foss Building
Pierre, SD 57501-3181
Attention: SRF Section

To the Borrower: City of Rapid City
300 Sixth Street
Rapid City, SD 57701
Attention: Finance Officer

To the Trustee: The First National Bank in Sioux Falls
100 South Phillips
PO Box 5186

Sioux Falls, SD 57117-5186
Attention: Corporate Trust Department

Any of the above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

Section 10.2. Amendments and Modifications. The Loan Documents may not be amended except in writing, which writing shall be expressly identified as a part hereof or thereof, and which writing will be signed by an authorized representative of each of the parties.

Section 10.3. Severability. In the event that any provision of this Loan Agreement shall be held unenforceable or invalid by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 10.4. Binding Effect. This Loan Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

Section 10.5. Limited Liability. No recourse under or upon any obligation, covenant or agreement contained in this Loan Agreement shall be had against any member of the governing board, officer or employee, as such, past, present or future, of the District, Board or State, either directly or through the District, Board or State, or against any member of the governing body, officers or employees of the Borrower, past present or future, as long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any officer or member of the governing body, or employee of the District, the Board, the State, or the Borrower is hereby expressly waived and released by the Borrower and the District as a condition of and in consideration for the execution of this Loan Agreement.

Section 10.6. Execution Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

Section 10.7. Benefit of Bondholders and Credit Enhancers; Compliance With Indenture. All covenants, agreements and representations on the part of the Borrower and the District, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the Holders from time to time of the Bonds and all Credit Enhancers. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the District to comply with all requirements and to fulfill and to enable the District to fulfill all covenants of the Indenture. Each Credit Enhancer is a third-party beneficiary of those provisions herein which relate to the making of payments or following the directions of or giving of notice to or consent by or the performance of other acts to benefit it, and all such provisions shall be enforceable by each Credit Enhancer.

Section 10.8. Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be a legal holiday or a day on which banking institutions in the State are required or

authorized by law to remain closed, such payments may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are required or authorized by law to remain closed with the same force and effect as if done on the nominal date provided in this Loan Agreement.

Section 10.9. Right of Others To Perform Borrower's Covenants. In the event the Borrower shall fail to make any payment or perform any act required to be performed hereunder, then and in each such case the District, the Trustee, any Credit Enhancer or the provider of any Collateral Document may (but shall not be obligated to) remedy such default for the account of the Borrower and make advances for that purpose. No such performance or advance shall operate to release the Borrower from any such default and any sums so advanced by the District, any Credit Enhancer, the Trustee or the provider of any Collateral Document shall be paid immediately to the party making such advance and shall bear interest at the prime or corporate base rate of the Trustee plus 2% (or, if this Loan Agreement no longer secures any Bonds, of Citibank, N.A.) from the date of the advance until repaid. The District, any Credit Enhancer, the provider of any Collateral Document and the Trustee shall have the right to enter the Project or the facility or facilities of which the Project is a part or any other facility which is a part of the Borrower's System in order to effectuate the purposes of this Section.

Section 10.10. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

Section 10.11. No Trustee or Credit Enhancers if All Bonds Paid. If all the Bonds are paid within the meaning of the Indenture, the Trustee will release to the District all its rights hereunder, and thereafter any right or duty of the Trustee or any Credit Enhancer hereunder shall be the right or duty of the District.

STATE OF SOUTH DAKOTA
BOARD OF WATER AND NATURAL RESOURCES

BY: _____
Chairman, Board of Water and Natural Resources

(SEAL)

ATTEST:

Secretary, Board of Water
and Natural Resources

[Signature page to Revenue Obligation Loan Agreement]

(SEAL)

CITY OF RAPID CITY, SOUTH DAKOTA,
as Borrower

BY: _____
Mayor

ATTEST:

COUNTERSIGNED BY:

Finance Officer

Resident Attorney

[Signature page to Revenue Obligation Loan Agreement]

Accepted and Agreed to by:

THE FIRST NATIONAL BANK IN SIOUX FALLS,
As Trustee

By _____
Its Assistant Vice President

[Signature page to Revenue Obligation Loan Agreement]

APPENDIX A

DESCRIPTION OF THE PROJECT

The project consists of upgrades to the City's water treatment facilities as described in [Phase ___ of] the City's facilities plan dated _____.

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 _____
Title: James F. Preston, Finance Officer
Dated: _____, 2009

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," with interest on each such amount from the date such amount is advanced hereunder at the rate of 2.50% 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 15th day of January, April, July, and October 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 _____ 1, 20___. 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 Section 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 The First National Bank in Sioux Falls, in Sioux Falls, South Dakota, 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 its 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 _____, 2009, 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 Chapter 9-40, SDCL and any amendments to Chapter 9-40, SDCL shall become a part of this Borrower Bond as if set forth at length herein. Accordingly, pursuant to Chapter 9-40-18, SDCL 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 _____, 2009.

[SEAL]

CITY OF RAPID CITY, SOUTH DAKOTA

Attest:

By _____
Mayor

By: _____
Finance Officer

Date of Authentication:

Authenticated by:

Countersigned by:

THE FIRST NATIONAL BANK IN
SIOUX FALLS

BY: _____
Assistant Vice President

Resident Attorney

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, Sioux Falls, South Dakota, 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 Amendment to Amended and Restated Master Trust Indenture dated March 1, 2008 and the Series 2008 Supplemental Indenture dated as of March 1, 2008 (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 The First National Bank in Sioux Falls and any successor Trustee, except as otherwise provided in the Granting Clauses of the Indenture.

Dated: _____, 2009

SOUTH DAKOTA CONSERVANCY
DISTRICT

Attest:

By: _____
Its: Secretary

By: _____
Its: Chairman

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>
---------------------------	-------------------------	---------------------------	--	---------------------------	------------------------------

APPENDIX B-1

FORM OF FIRST PARAGRAPH OF BORROWER BOND IF ENTIRE AMOUNT OF LOAN IS DISBURSED AT CLOSING

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 \$6,000,000 with interest on each such amount from the date of this Borrower Bond at the rate of 2.50% 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 the Administrative Expense Surcharge shall be payable in quarterly installments, each payable on the 15th day of January, April, July, and October 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.]

South Dakota Conservancy District
c/o South Dakota Department of
Environment and Natural Resources
Division of Financial and Technical Assistance
Joe Foss Building
523 East Capitol Ave.
Pierre, South Dakota 57501-3181

The First National Bank in Sioux Falls
100 South Phillips, Post Office Box 5186
Sioux Falls, South Dakota 57117-5186

Re: \$6,000,000 Drinking Water State Revolving Fund Loan
City of Rapid City, South Dakota

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the execution and delivery by the City of Rapid City, South Dakota, a political subdivision organized under the laws of the State of South Dakota (the "Borrower") of a Revenue Obligation Loan Agreement dated _____, 2009 (the "Loan Agreement") between the Borrower and the South Dakota Conservancy District (the "District") and the issuance of a revenue bond dated _____, 2009 (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 _____, 2009 (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;

(d) a photocopy supplied by the District of executed counterparts of the Amended and Restated Master Trust Indenture dated as of July 1, 2004, as amended, between the District and The First National Bank in Sioux Falls, as trustee (the "Trustee"), and the Series Resolutions (identified in such Loan Agreement); and

(e) 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 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.

4. 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.

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. Any portion of the Project which is currently in existence complies with Sections 6.3(a), 6.3(d) and 6.3(e) of the Loan Agreement.

9. 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.

10. 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. 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.

Dated: _____, 2009

Very truly yours,

APPENDIX E

CERTIFICATION OF COMPLIANCE WITH RATE COVENANT
System Revenue Obligation

Pursuant to Section 6.4 of the Revenue Obligation Loan Agreement dated _____, 2009 (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 Borrower's 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 _____, 200_, by:

NAME: James F. Preston

TITLE: Finance Officer

APPENDIX F
PARITY DEBT

<u>Obligation</u>	<u>Dated Date</u>	Principal Amount Outstanding as of _____ 1, 2009
Water Improvements Revenue Refunding Bonds, Series 2006	January 1, 2006	\$
Revenue Bond under SRF Loan [#01]	_____, 2008	