

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the Agreement), made and entered into by and between the City of Rapid City, South Dakota (the City), and The First National Bank in Sioux Falls, in Sioux Falls, South Dakota (the Agent);

WITNESSETH, that the parties hereto recite and, in consideration of the mutual covenants and payments referred to and contained herein, covenant and agree as follows:

1. The City has heretofore issued its Sales Tax Revenue Bonds, Series 2005, dated August 15, 2005, in the original principal amount of \$16,270,000 (the Series 2005 Bonds) under an Indenture of Trust, dated as of August 15, 2005, between the City and The First National Bank in Sioux Falls, as trustee (the Trustee). The City has determined that it is in its best interests to defease the Series 2005 Bonds maturing in the years 2013 through 2016, aggregating \$6,035,000 in principal amount, by establishing an escrow account funded with direct obligations of the United States which will produce revenues sufficient to pay the maturing principal of and interest on the Series 2005 Bonds to and including December 1, 2013 (the Redemption Date), and to redeem all remaining Series 2005 Bonds on said date.

2. The City has, in accordance with a resolution adopted on August 6, 2012 (the Resolution), authorized the Finance Officer, simultaneously with the execution of this Agreement, to deposit funds of the City in an amount equal to \$3,679,520.44, together with \$1,639,531.54 remaining in the debt service reserve fund and \$930,940.41 remaining in the debt service fund for the Series 2005 Bonds, in escrow with the Agent to be used as follows:

- (a) \$6,249,992.00 to purchase an equivalent principal amount of federal securities as identified in Exhibit A attached hereto; and
- (b) \$0.39 to be deposited as a beginning cash balance in the escrow account hereinafter established.

3. The Agent agrees to apply the funds received from the City in the manner and for the purposes set forth in Section 2 hereof and this Section. The Agent acknowledges receipt of the cash and federal securities described in Section 2 and agrees that it will hold such cash and federal securities in a special escrow account established for the Series 2005 Bonds, hereinafter referred to as the Escrow Account, in the name of the City, and will collect and receive on behalf of the City all payments of principal and interest on such securities and, prior to and including the Redemption Date, will remit to the Trustee, as paying agent for the Series 2005 Bonds, from the Escrow Account (i) moneys sufficient for the payment of maturing principal of and interest on the Series 2005 Bonds as such becomes due and (ii) on the Redemption Date, the sum of \$4,395,000 from the Escrow Account to pay the principal amount of the Series 2005 Bonds called for redemption on the Redemption Date. Any remaining funds in the Escrow Account after such transfers shall be remitted to the City.

4. The Agent will, not less than 30 days prior to the Redemption Date, cause the Notice of the Redemption relating to the Series 2005 Bonds, in the form attached hereto, to be

mailed to the holders of all Series 2005 Bonds to be redeemed on the Redemption Date. The Agent will also, within 10 days of the date hereof, cause notice of the defeasance, in the form of Exhibit C attached hereto, to be mailed to the owners of all Series 2005 Bonds, provided that failure to give such notice of refunding or any defect therein shall not affect the validity of the call for redemption of any Series 2005 Bonds.

5. In order to ensure continuing compliance with the Internal Revenue Code of 1986, as amended (the Code), and present Treasury Regulations promulgated thereunder, the Agent agrees that (except as provided in the next paragraph hereof) it will not reinvest any cash received in payment of the principal of and interest on the federal securities held in the Escrow Account. Said prohibition on reinvestment shall continue unless and until an opinion is received from nationally recognized bond counsel that reinvestments in general obligations of the United States or obligations the principal of and interest on which are guaranteed as to payment by the United States, as specified in said opinion, may be made in a manner consistent with the Code and then existing Treasury Regulations. The federal securities described in Exhibit A hereto may, at the written direction of the City, be replaced, in whole or in part, with general obligations of the United States or obligations the principal of and interest on which are guaranteed as to payment by the United States and which mature as to principal and interest in such amounts and at such times as will assure the availability of sufficient moneys to make payment when due of the maturing principal of and interest on the Series 2005 Bonds to and including the Redemption Date, and will be sufficient to pay the principal of the Series 2005 Bonds called for redemption on Redemption Date; provided, however, that concurrently with such written direction, the City shall provide the Agent with (a) a certification of an independent certified public accountant as to the sufficiency of the federal securities to be subject to this Agreement following such replacement and as to the yields thereof, setting forth in reasonable detail the calculations underlying such certification, (b) an unqualified opinion of nationally recognized bond counsel to the effect that such replacement (1) will not cause the Series 2005 Bonds to be subjected to treatment as "arbitrage bonds" under Section 148 of the Code, and (2) is otherwise in compliance with this Agreement. Any replacement authorized by this paragraph shall be accomplished by sale, transfer, request for redemption or other disposition of all or a portion of the federal securities described in Exhibit A hereto with the proceeds thereof being applied to the purchase of substitute federal securities, all as specified in the written direction of the City.

6. The Agent acknowledges that arrangements satisfactory to it for payment of its compensation for all services to be performed by it as Agent under this Agreement have been made. The Agent expressly waives any lien upon or claim against the moneys and investments in the Escrow Account.

7. Within 60 days following the close of the Escrow Account, the Agent shall submit to the City a report covering all money it shall have received and all payments it shall have made or caused to be made hereunder during the preceding fiscal year or portion thereof.

8. It is recognized that title to the federal securities and money held in the Escrow Account from time to time shall remain vested in the City but subject always to the prior charge and lien thereon of this Agreement and the use thereof required to be made by the provisions of this Agreement. The Agent shall hold all such money and obligations in a special trust fund and account separate and wholly segregated from all other funds and securities of the Agent or

deposited therein. It is understood and agreed that the responsibility of the Agent under this Agreement is limited to the safekeeping and segregation of the moneys and securities deposited with it in the Escrow Account, and the collection of and accounting for the principal and interest payable with respect thereto.

9. This Agreement is made by the City for the benefit of the holders of the Series 2005 Bonds, as their interests may appear and is not revocable by the City, and the investments and other funds deposited in the Escrow Account and all income therefrom have been irrevocably appropriated for the payment of maturing principal of and interest on the Series 2005 Bonds prior to and including the Redemption Date, in accordance with this Agreement. This Agreement may not be amended except to (i) sever any clause herein deemed to be illegal, (ii) provide for the reinvestment of funds or the substitution of securities as permitted by Section 3 hereof or (iii) cure any ambiguity or correct or supplement any provision herein which may be inconsistent with any other provision, provided that the Agent shall determine that any such amendment shall not adversely affect the owners of the Series 2005 Bonds.

10. This Agreement shall be binding upon and shall inure to the benefit of the City and the Agent and their respective successors and assigns. In addition, this Agreement shall constitute a third party beneficiary contract for the benefit of the holders of the Series 2005 Bonds, as their interests may appear. Said third party beneficiaries shall be entitled to enforce performance and observance by the City and the Agent of the respective agreements and covenants herein contained as fully and completely as if said third party beneficiaries were parties hereto.

11. Upon merger or consolidation of the Agent, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Agent. Upon the resignation of the Agent, which shall be communicated in writing to the City, or in the event the Agent becomes incapable of acting hereunder, the City reserves the power to appoint a successor Agent. No resignation shall become effective until the appointment of a successor Agent by the City.

12. The duties and obligations of the Agent shall be as prescribed by the provisions of this Agreement and the Agent shall not be liable hereunder except for failure to perform its duties and obligations as specifically set forth herein or to act in good faith in the performance thereof and no implied duties or obligations shall be incurred by the Agent other than those specified herein.

13. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, on January ___, 2013.

CITY OF RAPID CITY, SOUTH DAKOTA

By _____
Mayor

And _____
Finance Officer

[Signature page to the Escrow Agreement.]

THE FIRST NATIONAL BANK IN
SIOUX FALLS, Agent

By _____
Assistant Vice President

[Signature page to Escrow Agreement between the City of Rapid City, South Dakota
and The First National Bank in Sioux Falls]

EXHIBIT A

Federal Securities Purchased for Escrow Account

<u>Type</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
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EXHIBIT B

NOTICE OF REDEMPTION

Sales Tax Revenue Bonds, Series 2005
Dated, as originally issued, as of August 15, 2005
City of Rapid City, South Dakota

NOTICE IS HEREBY GIVEN that the City of Rapid City, South Dakota, has called for redemption and prepayment on December 1, 2013, all outstanding Bonds of the above-referenced issue maturing on the dates and in the principal amounts and having the interest rates and CUSIP numbers listed below:

<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Number</u>
December 1, 2014	\$1,705,000	4.00%	753385 HA4
December 1, 2015	1,775,000	4.00	753385 HB2
June 1, 2016	915,000	3.75	753385 HC0

The Bonds will be redeemed at a price of 100% of their principal amount plus accrued interest to the date of redemption. Owners of the Bonds should present them for payment to The First National Bank in Sioux Falls (the "Paying Agent"), at the address below, on or before December 1, 2013, when they will cease to bear interest. It is recommended that you mail your Bonds registered or certified mail to guard against loss.

The First National Bank in Sioux Falls
Attn: Corporate Trust Services
100 South Phillips Avenue
Sioux Falls, South Dakota 57117-1186

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Economic Growth and Tax Relief Reconciliation Act of 2001 unless the Paying Agent has the correct taxpayer identification number (social security number) or exemption certificate of the payee. Please furnish a properly completed form W-9 or exemption certificate or equivalent when presenting your Bonds.

The Issuer and Paying Agent shall not be responsible for the selection of or use of CUSIP numbers, nor is any representation made as to its correctness indicated in this Notice of Redemption. They are included solely for the convenience of the Owners.

Dated: _____, 2013.

BY ORDER OF THE CITY OF RAPID CITY,
SOUTH DAKOTA

By: The First National Bank in Sioux Falls,
in Sioux Falls, South Dakota

EXHIBIT C

NOTICE OF DEFEASANCE

Sales Tax Revenue Bonds, Series 2005
Dated, as originally issued, as of August 15, 2005
City of Rapid City, South Dakota

Notice is hereby given to owners and holders of the Sales Tax Revenue Bonds, Series 2005, dated as of August 15, 2005 (the Bonds), between The First National Bank in Sioux Falls and the City of Rapid City, South Dakota (the City), that all outstanding Bonds have been defeased by the City pursuant to an Escrow Agreement dated as of January __, 2013, between the City and The First National Bank in Sioux Falls, in Sioux Falls, South Dakota (the Escrow Agent). United States Government Securities have been placed in escrow with the Escrow Agent in a principal amount, together with investment income thereon, sufficient to pay maturing principal of and interest on the Certificates up to and including December 1, 2013, and to redeem on December 1, 2013 all remaining Certificates at a redemption price of 100% of the principal amount so redeemed. A notice of redemption will be mailed to the registered owners of the Bonds at least thirty days prior to the scheduled redemption date of December 1, 2013.

This notice is given for your information only; you are not required to take any action at this time.

Dated: _____, 2013.

THE FIRST NATIONAL BANK IN
SIOUX FALLS, as Registrar and Escrow
Agent

The City of Rapid City is in the process of preparing for the sale and issuance of \$22 million of sales tax backed revenue bonds for utility and street improvements. The sale of the bonds is planned on or about January 15, 2013. The bonds will be exempt from federal income tax. The bonds are being underwritten by Dougherty & Company LLC however it is anticipated that the bonds will also be available through the following stock and bond brokers in Rapid City: Edward Jones, Morgan Stanley Smith Barney, RBC Wealth Management, UBS, and Wells Fargo Advisors.