

CERTIFICATE OF MINUTES RELATING TO  
AIRPORT REVENUE BONDS, SERIES 2010A  
AND AIRPORT CUSTOMER FACILITY CHARGE REVENUE BONDS, SERIES 2010B  
(RECOVERY ZONE FACILITY BONDS)

Governing Body: Rapid City Regional Airport Board, South Dakota

Kind, date, time and place of meeting: A regular meeting, held September 14, 2010, at [9:00] o'clock a.m., at the offices of the Rapid City Regional Airport Board.

Members present: Bert Corwin, President; Dick McConnell, Vice President; Dan Kuecker, Secretary; Ron Johnsen, Member; and Lisa Modrick, Member.

Members absent:

Documents attached:


Minutes of said meeting (pages): \_\_\_ through \_\_\_, including

RESOLUTION

RESOLUTION AUTHORIZING AND DIRECTING THE ISSUANCE AND SALE OF AIRPORT REVENUE BONDS, SERIES 2010A (PFC SUPPORTED), AND AIRPORT CUSTOMER FACILITY CHARGE REVENUE BONDS, SERIES 2010B (RECOVERY ZONE FACILITY BONDS), TO PAY THE COST OF IMPROVEMENTS TO THE RAPID CITY REGIONAL AIRPORT AND DEFINING THE TERMS AND MANNER OF PAYMENT OF THE BONDS AND THE SECURITY THEREFOR

I, the undersigned, being the duly qualified and acting recording officer of the political corporation issuing the obligations referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of the corporation in my legal custody, from which they have been transcribed; that the documents are a correct and complete transcript of the minutes of a meeting of the governing body of the political corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at the meeting, insofar as they relate to the obligations; and that the meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice given as required by law.

WITNESS my hand officially as such recording officer this 14<sup>th</sup> day of September, 2010.

  
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Secretary

RESOLUTION AUTHORIZING AND DIRECTING THE ISSUANCE AND SALE OF AIRPORT REVENUE BONDS, SERIES 2010A (PFC SUPPORTED), AND AIRPORT CUSTOMER FACILITY CHARGE REVENUE BONDS, SERIES 2010B (RECOVERY ZONE FACILITY BONDS), TO PAY THE COST OF IMPROVEMENTS TO THE RAPID CITY REGIONAL AIRPORT AND DEFINING THE TERMS AND MANNER OF PAYMENT OF THE BONDS AND THE SECURITY THEREFOR.

BE IT RESOLVED by the Board of the Rapid City Regional Airport, South Dakota (the "Airport"), as follows:

SECTION 1. RECITALS, AUTHORIZATION AND FINDINGS.

1.1. Recitals. The City of Rapid City, South Dakota (the "City") is the owner of the Airport, and its operations are under the control of the Board pursuant to South Dakota Codified Laws, Chapter 50-6 and Rapid City Code of Ordinances, Section 2.72.010.

1.2. Authorization. Pursuant to South Dakota Codified Laws, Chapters 50-8 and 6-8B (the "Act"), and Section 1400U-3 of the Internal Revenue Code of 1986, as amended (the "Code"), the City is authorized to issue its Airport Revenue Bonds, Series 2010A (PFC Supported) (the "Series 2010A Bonds"), the proceeds of which will be used, together with such other available funds of the Airport as may be required, to finance certain improvements to the existing Airport terminal (the "Terminal Project"), and to issue its Airport Customer Facility Charge Revenue Bonds, Series 2010B (Recovery Zone Facility Bonds) (the "Series 2010B Bonds," together with the Series 2010A Bonds, the "Series 2010 Bonds," and, together with any additional bonds issued pursuant to Section 7 hereof, the "Bonds"), the proceeds of which will be used to finance certain improvements to the Airport terminal and the construction of a rental car maintenance center (the "Car Rental Project," together with the Terminal Project, the "Projects"). The aggregate principal amount of the Series 2010A Bonds shall not exceed \$13,735,000, and the aggregate principal amount of the Series 2010B Bonds shall not exceed \$4,190,000. The City is authorized to finance the Projects, to issue its airport revenue bonds in order to defray the costs thereof, and to make all pledges, covenants and agreements authorized by law for the protections of the owners of the bonds including, without limitation, those covenants set forth in Section 50-8-12 of the Act. The Series 2010A Bonds are payable solely from passenger facility charges ("Passenger Facility Charges" or "PFCs") and from the revenue or income derived from the operation of the Airport, and the Series 2010B Bonds are payable solely from the revenue or income derived from the collection of customer facility charges ("Customer Facility Charges" or "CFCs") at the Airport.

1.3. Findings. It is hereby found, determined and declared to be in the best interests of the City to issue the Series 2010 Bonds in accordance with the Act, the Code and under the terms and conditions set forth in this resolution (the "Resolution").

1.4. Revenue Definitions. As used in this Resolution, "Net Revenues" shall mean, for any specified period, Gross Revenues less Operating Expenses of the Airport.

“Gross Revenues” shall mean, for any specified period, the sum of all operating and non-operating revenues of the Airport, including, without limitation, rentals, charges, landing fees, concessions and ground rentals, and interest earnings on the Revenue Fund and accounts thereunder, but not including (i) any taxes levied for airport operation and maintenance under South Dakota Codified Laws, Section 50-6-13, (ii) any PFCs, (iii) any CFCs, and (iv) any federal grants.

“Operating Expenses” shall mean all operating expenses of the Airport determined in accordance with generally accepted accounting principles. Operating Expenses shall not include any allowance for depreciation or interest expense.

SECTION 2. SALE, BOND PURCHASE AGREEMENT, OFFICIAL STATEMENT, INDENTURE OF TRUST AND APPROVAL AND EXECUTION OF DOCUMENTS.

2.1. Sale.

(a) The Series 2010A Bonds authorized hereby shall be issued in one or more series, in an aggregate principal amount not to exceed \$13,735,000, shall be sold to Dougherty & Company LLC, in Minneapolis, Minnesota (the “Series 2010A Underwriter”) at a purchase price (exclusive of original issue discount) of not less than 98.95% of par and at an original issue discount not to exceed 1.00% of par, shall have a bond yield for arbitrage purposes not greater than 5.90% and shall mature over a period not to exceed 25 years.

(b) The Series 2010B Bonds authorized hereby shall be issued in one or more series, in an aggregate principal amount not to exceed \$4,190,000, shall be sold to Dougherty & Company LLC, in Minneapolis, Minnesota (the “Series 2010B Underwriter,” and together with the Series 2010A Underwriter, the “Underwriter”) at a purchase price (exclusive of original issue discount) of not less than 98.95% of par and at an original issue discount not to exceed 1.00% of par, shall have a bond yield for arbitrage purposes not greater than 6.00% and shall mature over a period not to exceed 25 years.

The President and Secretary of the Airport Board are further authorized and directed to agree with the Underwriter upon the exact purchase price, principal amount, maturities, redemption provisions and interest rate or rates for the Series 2010A Bonds and the Series 2010B Bonds, respectively, within the parameters set forth in this Section 2.1.

2.2. Bond Purchase Agreement. The execution of a Bond Purchase Agreement for each series of bonds setting forth such final terms by the President and Secretary is hereby approved and authorized and such execution shall be conclusive evidence of such agreement and shall be binding upon the City. The provisions of each Bond Purchase Agreement as so executed, including all Exhibits and Appendices thereto, are incorporated herein by reference. The law firm of Dorsey & Whitney LLP, in Minneapolis, Minnesota, is hereby appointed as Bond Counsel for purposes of the Series 2010 Bonds.

2.3. Official Statement. The bonds of each series will be offered for sale by means of an Official Statement. The President and Secretary of the Airport Board, and the City Attorney, are

authorized, in cooperation with the Underwriter and Bond Counsel, to prepare a Preliminary Official Statement for each series of bonds to be distributed to prospective purchasers of such series. The President is hereby authorized on behalf of the City to deem each Preliminary Official Statement a “final” official statement as of its date, in accordance with Rule 15c2-12(b)(1) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The President and Secretary are hereby authorized and directed to approve, and, if requested, to execute the final Official Statement for each series to be prepared substantially in the form of the Preliminary Official Statement for such series, including final pricing terms. Execution of each Official Statement by appropriate officers of the City shall be conclusive as to the approval thereof by this Board. The City hereby consents to the distribution of each Preliminary Official Statement and Official Statement to prospective purchasers of the Series 2010A Bonds and the Series 2010B Bonds, respectively.

2.4. Indentures of Trust. To provide additional security for each series of Bonds and to set forth the terms of and other matters relating to the Bonds, the City shall enter into separate Indentures of Trust for each series of Bonds (the “Indenture”) with the Trustee (as defined in Section 3.4). The terms of each series of Bonds shall be set forth in the Indenture for that series, and the City shall pledge the Passenger Facility Charges and Net Revenues of the Airport (as defined in Sections 4.4 and 4.2, respectively) to secure the Series 2010A Bonds and shall pledge the revenues derived from the Customer Facility Charges to secure the Series 2010B Bonds. The President and Secretary of the Airport Board are authorized and directed to approve and execute each Indenture on behalf of the City.

2.5. Approval and Execution of Documents. Upon the determination of the terms of each series of Bonds (within the limits set forth herein), the Indenture and Bond Purchase Agreement for each series, and such other documents and certificates as may be approved by the City Attorney, shall be executed in the name and on behalf of the City by the President and the Secretary of the Airport Board in substantially the form on file, but with such changes therein, not inconsistent with this Resolution, the Bond Purchase Agreement for such series or other law, as may be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof.

### SECTION 3. TERMS, EXECUTION AND DELIVERY.

3.1. Date, Maturities and Interest Rates. The Bonds of each series shall be issued in the denomination of \$5,000 each, or any integral multiple thereof, shall mature on the dates and in the respective years and amounts, and shall bear interest from date of original issue until paid or duly called for redemption payable on the dates and at the respective annual rates as set forth in the Indenture for that series.

3.2. Dates and Interest Payment Dates. Each Bond of a series shall bear a date of original issue as of the date on which the Bonds of that series are delivered to the Underwriter for that series. The interest on the Bonds of a series shall be payable on the interest payment dates specified in the Indenture for that series to the owner of record thereof as the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

3.3. Redemption. The Bonds of a series shall be subject to redemption prior to maturity, at the option of the City, in the years and at the redemption prices set forth in the Indenture for that series. Notice of redemption shall be given in accordance with the requirements of the Indenture for that series.

3.4. Appointment of Trustee. The City hereby appoints The First National Bank in Sioux Falls (the "Trustee") as the initial trustee under the Indentures and also as bond registrar, transfer agent and paying agent for the Series 2010 Bonds. Upon merger or consolidation of the Trustee with another corporation, 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 Trustee. The City reserves the right to remove the Trustee in the manner provided in the Indenture.

#### SECTION 4. FUNDS AND ACCOUNTS.

4.1. Funds. The City currently maintains funds designated as the Airport Revenue Fund (the "Revenue Fund"), the Passenger Facility Charge Fund (the "PFC Fund") and the Airport Capital Fund (the "Airport Capital Fund," together with the Revenue Fund and the PFC Fund, the "Funds"), which shall be maintained as separate and special bookkeeping accounts on the official books of the City until all Bonds payable from the Net Revenues of the Airport, the PFCs or the Customer Facility Charges have been fully paid, or the City's obligation with reference to each series of Bonds has been discharged as provided in this Resolution.

4.2. Revenue Fund. All Gross Revenues derived from the operation of the Airport are irrevocably pledged and appropriated and shall be credited to the Revenue Fund as received. The City shall account for them as provided in this Resolution and the Indenture for the Series 2010A Bonds (the "Series 2010A Indenture"). Such Gross Revenues shall include all gross income and receipts from rentals, charges, landing fees, concessions and ground rentals imposed for the availability, benefit and use of the Airport as now constituted and of all replacements and improvements thereof and additions thereto, and from penalties and interest thereon, and from any sales of property acquired for the Airport and all income received from the investment of such gross revenues; but not any taxes levied or amounts borrowed or received as grants for construction of any part of the Terminal Project. The Revenue Fund shall be subdivided into separate accounts as designated and described in this Section 4.2, to segregate income and expenses received, paid and accrued for the respective purposes described in this Section 4.2. The Gross Revenues received in the Revenue Fund shall be apportioned monthly not later than the twentieth day of each month, commencing the first calendar month following the delivery of the Series 2010A Bonds, which apportionment is hereinafter referred to as the "monthly apportionment."

(a) *Construction Account*. The Construction Account is established as a trust account under the Series 2010A Indenture. An initial deposit to the credit of the Construction Account is to be made under the provisions of the Series 2010A Indenture. Disbursements from the Construction Account shall be made in accordance with the provisions of the Series 2010A Indenture. The Construction Account shall be used only to pay as incurred and allowed costs which under generally accepted accounting principles are capital costs of the Terminal Project, and of such future reconstructions,

improvements, betterments or extensions of the Terminal Project as may be authorized in accordance with law; including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on Series 2010A Bonds during the first three years following the date of their delivery, if and to the extent that the Debt Service Account is not sufficient for payment of such interest, reimbursement of any advances made from other City funds, and all other expenses incurred in connection with the construction and financing of any such undertaking. To the Construction Account shall be credited as received all proceeds of Series 2010A Bonds, except amounts appropriated to the Debt Service Account and the Reserve Account under the Series 2010A Indenture, all other funds appropriated by the City for the Terminal Project, and all income received from the investment of the Construction Account. The proceeds of any property insurance claim with respect to the Terminal Project received pursuant to Section 8.2 hereof shall be deposited in the Construction Account and applied to the repair, replace and restoration of the Terminal Project.

(b) *Debt Service Account.* The Debt Service Account is established as a trust account under the Series 2010A Indenture. An initial deposit to the credit of the Debt Service Account, consisting of accrued interest, if any, is to be made under the provisions of the Series 2010A Indenture. Upon each monthly apportionment commencing on January 20, 2011, there shall be transferred to the Trustee, for credit to the Debt Service Account, out of the Net Revenues of the Airport, an amount equal to not less than one-eleventh of the total sum of the principal and interest to become due within the next succeeding eleven months, and commencing with the December 20, 2011 monthly apportionment, an amount equal to not less than one-twelfth of the total sum of the principal and interest to become due within the then next succeeding twelve months, on all Series 2010A Bonds and any Additional Bonds issued on a parity therewith, after giving credit to proceeds of Series 2010A Bonds on deposit therein for the payment of capitalized interest. On each monthly apportionment, the City shall be entitled to a credit against its obligation to transfer Net Revenues in an amount equal to the amount deposited to the Debt Service Subaccount from the PFC Fund pursuant to Section 4.4 hereof.

If on the 20th day of the month preceding any Interest Payment Date there are not sufficient amounts on deposit in the Debt Service Account to pay the total amount of interest coming due on such Interest Payment Date, the City shall transfer (i) first, from the Airport Capital Fund pursuant to Section 4.5 hereof an amount equal to such deficiency, and (ii) if the amounts on hand in the Airport Capital Fund are not sufficient for that purpose, any moneys then on deposit to the credit of the Reserve Account, in an amount equal to such deficiency, to the Trustee for deposit in the Debt Service Account.

If on the 20th date of the month preceding any Principal Payment Date there are not sufficient amounts on deposit in the Debt Service Account to pay the total amount of principal coming due on such Principal Payment Date, the City shall transfer (i) first, from the Airport Capital Fund pursuant to Section 4.5 hereof an amount equal to such deficiency, and (ii) if the amounts on hand in the Airport Capital Fund are not sufficient

for that purpose, any moneys then on deposit in the Reserve Account, in an amount equal to such deficiency, to the Trustee for deposit in the Debt Service Account.

(c) *Reserve Account.* The Reserve Account is established as a trust account under the Series 2010A Indenture. There shall be credited to the Reserve Account from the proceeds of the Bonds, an amount equal to the Reserve Requirement (as defined in the Series 2010A Indenture) calculated with respect to the Bonds. Thereafter, in the event that the amount on deposit in the Reserve Account shall thereafter fall below the Reserve Requirement, additional deposits shall be made from Net Revenues of the Airport, after the requirements of the Debt Service Account have been satisfied, to the Reserve Account until the Reserve Requirement is again reached. Upon the issuance of any Additional Bonds, the Reserve Requirement shall be increased to reflect the issuance thereof. The balance required shall be funded on the delivery date of the Additional Bonds. Moneys on hand in the Reserve Account shall be used only to pay maturing principal and interest on the Bonds and any Additional Bonds when other moneys in the Debt Service Account are insufficient therefor.

4.3. Customer Facility Charges Account. An account to be designated as the Customer Facility Charges Account (the "CFC Account") is established within the Revenue Fund and shall be maintained as a separate and special bookkeeping account on the official books of the City until all Bonds payable from Customer Facility Charges imposed by the Airport, have been fully paid, or the City's obligation with reference to the Series 2010B Bonds has been discharged as provided in this Resolution. All Customer Facility Charges derived from the operation of the rental car facilities at the Airport are irrevocably pledged and appropriated and shall be credited to the CFC Account as received. The City shall account for them as provided in this Resolution and the Indenture for the Series 2010B Bonds (the "Series 2010B Indenture"). The CFC Account shall be subdivided into separate subaccounts as designated and described in this Section 4.3, to segregate income and expenses received, paid and accrued for the respective purposes described in this Section 4.3. The Customer Facility Charges received in the CFC Account shall be apportioned monthly not later than the twentieth day of each month, commencing the first calendar month following the delivery of the Series 2010B Bonds, which apportionment is hereinafter referred to as the "monthly apportionment."

(a) *Construction Subaccount.* The Construction Subaccount is established as a trust account under the Series 2010B Indenture. An initial deposit to the credit of the Construction Subaccount is to be made under the provisions of the Series 2010B Indenture. Disbursements from the Construction Subaccount shall be made in accordance with the provisions of the Series 2010B Indenture. The Construction Subaccount shall be used only to pay as incurred and allowed costs which under generally accepted accounting principles are capital costs of the Car Rental Project, and of such future reconstructions, improvements, betterments or extensions of the Car Rental Project as may be authorized in accordance with law; including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on the Series 2010B Bonds during the first three years following the date of their delivery, if and to the extent that the Debt Service Subaccount is not sufficient for payment of such interest, reimbursement of any

advances made from other City funds, and all other expenses incurred in connection with the construction and financing of any such undertaking. To the Construction Subaccount shall be credited as received all proceeds of the Series 2010B Bonds, except amounts appropriated to the Debt Service Subaccount and the Reserve Subaccount under the Series 2010B Indenture, all other funds appropriated by the City for the Car Rental Project, and all income received from the investment of the Construction Subaccount. The proceeds of any property insurance claim with respect to the Car Rental Project received pursuant to Section 8.2 hereof shall be deposited in the Construction Subaccount and applied to the repair, replace and restoration of the Car Rental Project.

(b) *Debt Service Subaccount.* The Debt Service Subaccount is established as a trust account under the Series 2010B Indenture. An initial deposit to the credit of the Debt Service Subaccount, consisting of accrued interest, if any, is to be made under the provisions of the Series 2010B Indenture. Upon each monthly apportionment commencing on January 20, 2011, there shall be transferred to the Trustee, for credit to the Debt Service Subaccount, out of the Customer Facility Charges, an amount equal to not less than one-eleventh of the total sum of the principal and interest to become due within the next succeeding eleven months, and commencing with the December 20, 2011 monthly apportionment, an amount equal to not less than one twelfth of the total sum of the principal and interest to become due within the then next succeeding twelve months, on all Series 2010B Bonds, after giving credit to proceeds of Series 2010B Bonds on deposit therein for the payment of capitalized interest.

If on the 20th day of the month preceding any Interest Payment Date there are not sufficient amounts on deposit in the Debt Service Subaccount to pay the total amount of interest coming due on such Interest Payment Date, the City shall transfer any moneys then on deposit to the credit of the Reserve Subaccount, in an amount equal to such deficiency, to the Trustee for deposit in the Debt Service Subaccount.

If on the 20th date of the month preceding any Principal Payment Date there are not sufficient amounts on deposit in the Debt Service Subaccount to pay the total amount of principal coming due on such Principal Payment Date, the City shall transfer any moneys then on deposit in the Reserve Subaccount, in an amount equal to such deficiency, to the Trustee for deposit in the Debt Service Subaccount.

(c) *Reserve Subaccount.* The Reserve Subaccount is established as a trust account under the Series 2010B Indenture. There shall be credited to the Reserve Subaccount from the proceeds of the Bonds, an amount equal to the Reserve Requirement (as defined in the Series 2010B Indenture) calculated with respect to the Bonds. Thereafter, in the event that the amount on deposit in the Reserve Subaccount shall thereafter fall below the Reserve Requirement, additional deposits shall be made from Customer Facility Charges, after the requirements of the Debt Service Subaccount have been satisfied, to the Reserve Subaccount until the Reserve Requirement is again reached. Moneys on hand in the Reserve Subaccount shall be used only to pay maturing principal and interest on the Series 2010B Bonds when other moneys in the Debt Service Subaccount are insufficient therefor.



4.4 Passenger Facility Charges Fund. All revenues received by the City from the passenger facility charge imposed by the Airport in accordance with Title 14, Code of Federal Regulations, Part 158 as approved by the Federal Aviation Administration shall be credited as received into the Passenger Facility Charges Fund. Amounts on hand in the Passenger Facility Charges Fund are hereby pledged to the payment of the Series 2010A Bonds and any Additional Bonds that are issued as PFC Bonds. On each monthly apportionment, the City will transfer to the Trustee under the Series 2010A Indenture the amounts required by Subsections 4.2(a) and 4.2(b) hereof, to be applied to the payment of principal and interest then due on the Series 2010A Bonds and any Additional Bonds payable from PFCs on a parity therewith.

4.5. Airport Capital Fund. All revenues received by the City pursuant to lease agreements with the airlines for funding capital projects at the Airport's passenger terminal building area shall be credited as received into the Airport Capital Fund. To the extent that the City is unable to transfer on any monthly apportionment from the Revenue Fund and the PFC Fund to the Trustee under the Series 2010A Indenture the full amount required by Subsections 4.2(a) and 4.2(b) hereof, the City will use any revenue paid by the airlines for capital improvement purposes then on hand in the Airport Capital Fund to make up the deficiency.

SECTION 5. DEPOSIT AND INVESTMENT OF FUNDS. The City Finance Officer shall cause all moneys pertaining to those accounts in the Revenue Fund and in the Passenger Facility Charge Fund and Airport Capital Fund which are maintained by the City to be deposited as received with one or more banks which are duly qualified public depositories under the provisions of South Dakota Codified Laws, Chapter 4-6A, in a deposit account or accounts, which shall be maintained separate and apart from all other account of the City, so long as any of the Bonds and the interest thereon shall remain unpaid. Any of such moneys not necessary for immediate use may be deposited with such depository banks in savings or time deposits. No moneys shall at any time be withdrawn from such deposit accounts except for the purposes of the Revenue Fund as authorized in this Resolution; except that moneys from time to time on hand in the Revenue Fund may at any time, be invested in securities permitted by the provisions of South Dakota Codified Laws, Section 4-5-6. Income received from the deposit or investment of moneys shall be credited to the account from whose moneys the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other moneys in that account.

SECTION 6. PRIORITY OF PAYMENT. Each and all of the Series 2010A Bonds shall be equally and ratably secured by and payable out of the Passenger Facility Charges and Net Revenues of the Airport without preference or priority of any one Bond over any other by reason of serial number or otherwise; and each and all of the Series 2010B Bonds shall be equally and ratably secured by and payable out of the Customer Facility Charges without preference or priority of any one Bond over any other by reason of serial number or otherwise; provided, that if at any time the Passenger Facility Charges and Net Revenues of the Airport are insufficient to pay principal and interest then due on all Series 2010A Bonds, or the Customer Facility Charges are insufficient to pay principal and interest then due on all Series 2010B Bonds, any and all moneys then on hand shall be first used to pay the interest accrued on all outstanding Bonds of the respective series, and the balance shall be applied toward payment of the maturing principal of Bonds of such series in order of their maturities, the earliest maturing Bonds of such series to be paid first, and pro-rata in payment of Bonds maturing on the same date.

SECTION 7. ADDITIONAL BONDS. The City reserves the right and privilege of issuing Additional Bonds for the purpose of refunding any or all of the Bonds and for additional Airport improvement, but only subject to the terms and conditions, and within the limitations set forth in the Series 2010A Indenture, for Additional Bonds payable from PFCs and Net Revenues, and the Series 2010B Indenture for Additional Bonds payable from CFCs.

SECTION 8. COVENANTS.

8.1. General. The City covenants and agrees with the registered owners from time to time of all Bonds that the recitals contained in Section 1 are correct; and that, subject to Section 8.4 hereof, until all Bonds are fully discharged as provided in this Resolution, it will continue to hold, maintain and operate the Airport and the Projects as a part thereof, as a municipal airport open to and available for use by the flying public, free from all liens thereon or on the income therefrom other than the liens herein granted or provided for, will observe prudent regulatory practices, and will maintain, expend and account for the Revenue Fund and the several accounts therein, the CFC Account and the several subaccounts therein, the Passenger Facility Charges Fund and the Airport Capital Fund, all as provided in Section 4, and will issue no Additional Bonds or other obligations constituting a lien or charge on the Net Revenues of the Airport except upon the conditions and in the manner prescribed in Section 7, and will perform and cause all officers and employees of the City to perform and enforce each and all of the additional covenants and agreements set forth in this section.

8.2. Property Insurance. The City will cause all buildings, properties, fixtures and equipment constituting a part of the Airport or the Projects to be kept insured with a reputable insurance carrier or carriers, qualified under the laws of South Dakota, or a qualified municipal insurance pool, in such amounts as are ordinarily carried, and against loss or damage by such hazards and risks as are ordinarily insured against by public entities owning and operating properties of a similar character and size; provided that if at any time the City is unable to obtain insurance, it will obtain insurance in such amounts and against risks as are reasonably obtainable. The proceeds of all such insurance shall be available for the repair, replacement or reconstruction of damaged or destroyed property, and any proceeds attributable to the Terminal Project shall be deposited in the Construction Account of the Revenue Fund and applied as provided in Section 4.2 hereof, and any proceeds attributable to the Car Rental Project shall be deposited in the Construction Subaccount of the CFC Account and applied as provided in Section 4.3 hereof, and until paid out in making good such loss or damage, are pledged as security for the outstanding Bonds of each respective series issued hereunder. All insurance proceeds received with respect to the Terminal Project or the Car Rental Project in excess of the amount required for restoration of the loss or damage compensated thereby shall be and become part of the revenues appropriated to the Revenue Fund or CFC Account, respectively. If for any reason insurance proceeds are insufficient for the repair, replacement and reconstruction of the insured property constituting a part of the Project, the City may supply the deficiency from any other City funds, but is not obligated to the registered owners so to do unless the deficiency results from breach of the covenant in this section.

8.3. Liability Insurance and Surety Bonds. The City will carry insurance against liability of the City and its employees for damage to persons and property resulting from the operation of the Airport, and the Projects as a part thereof, in amounts the City determines from time to time

to be necessary or advisable by reason of the character and extent of such operation. It will also cause all persons handling money and other assets of the Airport, the Revenue Fund, the Passenger Facility Charges Fund and the Airport Capital Fund to be adequately bonded for the faithful performance of their duties and to account for and pay over such money to the City. All amounts received under such insurance and bonds shall be applied to the payment of the loss or damage covered thereby. The premiums for all insurance and bonds required by this section and by Section 8.2 constitute part of the Operating Expenses of the Airport, but no insurance liabilities of the City in excess of amounts received under such insurance and bonds shall constitute a lien or charge on revenues or any other assets herein or otherwise pledged to the Debt Service Account of either the Revenue Fund or the CFC Account. Such insurance may be obtained through a qualified municipal insurance pool.

8.4. Disposition of Property. The City will not mortgage, lease, sell or otherwise dispose of any real or personal properties of the Airport, unless:

- (a) Prior to or simultaneous with such mortgage, lease, sale or other disposition, all of the outstanding Bonds shall be discharged as provided in Section 10; or
- (b) The properties to be mortgaged, leased sold or otherwise disposed of are unserviceable, inadequate, obsolete or no longer required for use in connection with the Airport, and all proceeds of the mortgage, lease, sale or other disposition of such properties are deposited into the Revenue Fund.

8.5. Books and Records. The City will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the Airport, and the Projects as a part thereof, the gross revenues derived from the operation of the Airport, and the segregation and application of the gross revenues in accordance with this Resolution, in such reasonable detail as may be determined by the City in accordance with generally accepted accounting practice and principles. It will cause such books to be maintained on the basis of a fiscal year commencing January 1 and ending December 31, or such other period as the City Council may determine, and to be audited annually. The audit will be completed within 270 days after the close of each alternate fiscal year by the Department of Legislative Audit or by an independent certified public accountant, who shall be an accountant or firm of such accountants duly licensed, registered and entitled to practice and practicing as such under the laws of the State of South Dakota, appointed and paid by the City, who or which is in fact independent and not under the domination of the City, does not have any substantial interest, direct or indirect, within the City, and is not connected with the City as an officer or employee but may be regularly retained to make annual or other periodic reports to the City. The report of the private auditor, in addition to whatever matters may be thought proper by the accountant to be included therein, shall include the following:

- (a) A statement in detail of the income and expenditures of the Airport and the Projects, which shall be separately stated, for the fiscal year then ended and the preceding fiscal year, identifying capital expenditures and separating them from operating expenditures;

- (b) A balance sheet as of the end of the fiscal year then ended and the preceding fiscal year;
- (c) The number of premises connected to the Airport and the Projects at the end of the fiscal year;
- (d) The amount on hand in each account of the Airport and account of the Revenue Fund at the end of the fiscal year;
- (e) A list of the insurance policies and fidelity bonds in force at the end of the fiscal year, setting out as to each the amount thereof, the risks covered thereby, the name of the insurer or surety and the expiration date of the policy or bond; and
- (f) A determination that the audit shows full compliance by the City with the provisions of this Resolution during the fiscal years covered thereby, including proper segregation of the capital expenditures from Operating Expenses, maintenance of the required balance of the Debt Service Account of the Revenue Fund, and receipt of PFCs and Net Revenues during each fiscal year commencing January 1, 2011, at least equal to 135% of the principal and interest payable from the Debt Service Account of the Revenue Fund in such year; or, if the audit should reveal that the Net Revenues have been insufficient for compliance with this Resolution, or that the methods used in accounting for such revenues and income were contrary to any provisions of this Resolution, the report of audit shall include a full explanation thereof, together with the accountant's recommendation for such change in rates or accounting practices or in the operation of the Airport as may be required.

8.6. Handling of Funds. The employees of the City, under the direction and control of the Finance Officer, shall keep books of accounts, issue statements and collect bills for the rates, charges and rentals for the services and facilities provided by the Airport and the Projects and for other money currently receivable on account thereof and shall, to the extent required by Section 8.8, provide for the discontinuance of service in case of nonpayment for services or noncompliance with regulations. All money collected with respect to the Airport shall be deposited daily with the Finance Officer.

8.7. Rules and Regulations. The rules and regulations for operation of the Airport and the Projects shall be as provided in the existing ordinances and resolutions of the City, and any ordinances and resolutions subsequently adopted amendatory thereof or supplemental thereto.

8.8. Remedies. The rights of the registered owners of each series of Bonds and the remedies for failure of the City to perform any covenants hereunder or under the Indenture of a series are provided for in the Indenture for that series. However, nothing herein or in the Indenture of a series shall impair the absolute and unconditional right of the registered owner of each Bond to receive payment of the principal of and interest on the Bond as such principal and interest respectively become due, and to institute suit for any such payment. As provided in South Dakota Codified Laws, Section 50-8-13, any court having jurisdiction of the action may appoint a receiver to administer the Airport on behalf of the City with power to charge and collect rentals and charges sufficient to provide for the payment of the operating expenses and

for the payment of any bonds or obligations outstanding against the Airport, and to apply the gross revenues in conformity with this Resolution, the Indenture of such series and the laws of the State of South Dakota.

## SECTION 9. AMENDMENTS.

9.1. Amendments Without Bondholder Consent. The City may, by administrative resolution adopted prior to the delivery of the Series 2010 Bonds to the Underwriter, amend this Resolution, if such amendment is required by a bond rating agency as a condition to its release of a rating on the Series 2010 Bonds, or by a municipal bond policy insurer as a condition of its issuance of a bond insurance policy with respect to the Series 2010 Bonds. The City reserves the right to amend this Resolution, from time to time and at any time, for the purpose of (i) curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or (ii) making such provisions with regard to matters or questions arising hereunder as the City may deem necessary or desirable and not inconsistent with this Resolution, and which shall not adversely affect the interests or security of the registered owners of outstanding Bonds, or (iii) adding to the covenants and agreements herein contained, or to the gross revenues herein pledged, other covenants and agreements thereafter to be observed and additional gross revenues thereafter appropriated to the Revenue Fund, or (iv) surrendering any right or power herein reserved to or conferred upon the City, or (v) authorizing the issuance of Additional Bonds in the manner and subject to the terms and conditions prescribed in Section 7. Any such amendment may be adopted by resolution, without the consent of the registered owners of any of the Series 2010 Bonds.

9.2. Amendments With Bondholder Consent. With the consent of the registered owners of the Series 2010 Bonds as provided in Section 9.3, the City may from time to time and at any time amend this Resolution by adding any provisions hereto or changing in any manner or eliminating any of the provisions hereof or of any amending resolution; provided, however, that no amending resolution shall be adopted at any time without the consent of the registered owners of all Series 2010 Bonds of a series which are then outstanding, if it would extend the maturities of any such Bonds, would reduce the rate or extend the time of payment of interest thereon, would reduce the amount or extend the time of payment of the principal or redemption premium thereof, would give to any such Bond or Bonds any privileges over any other Bond or Bonds, would reduce the sources of gross revenues appropriated to the Revenue Fund, would authorize the creation of a pledge of said gross revenues prior to or on a parity with the Bonds (except as is authorized by Section 7), or would reduce the percentage in principal amount of such Bonds required to authorize or consent to any such amendment.

9.3. Notice and Consent. Any amendment adopted pursuant to Section 9.2 shall be made by resolution, mailed to each registered owner of a Bond affected thereby, and shall become effective only upon the filing of written consents with the Secretary of the Airport Board, signed by the registered owners of not less than two-thirds in principal amount of the Bonds of a series which are then outstanding or, in the case of an amendment not equally affecting all outstanding Bonds, by the registered owners of not less than two-thirds in principal amount of the Bonds adversely affected by such amendment. Any written consent to an amendment may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by registered owners in person or by agent duly appointed in writing, and shall

become effective when delivered to the Secretary. Any consent by the registered owner of any Bond shall bind him and every future registered owner of the same Bond with respect to any amendment adopted by the City pursuant to such consent; provided that any registered owner may revoke his consent with reference to any Bond by written notice received by the Secretary before the amendment has become effective. In the event that unrevoked consents of the registered owners of the required amount of Bonds of a series have not been received by the Secretary within one year after the mailing of notice of the amendment, the amendment and all consents theretofore received shall be of no further force and effect.

9.4. Proof. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, or of the ownership by any person of Bonds, shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the City if made in the manner provided in this section. The fact and date of the execution by any person of any such consent or appointment may be proved by the affidavit of a witness of such execution or by the certification of any notary public or other officer authorized by law to take acknowledgment, certifying that the person signing it acknowledged to him the execution thereof. The amount of Bonds held by any person by or for whom a consent is given, and the distinguishing numbers of such Bonds, and the date of his holding the same, shall be proved by the bond register. The fact and date of execution of any such consent may also be proved in any other manner which the City Council may deem sufficient; but the City Council may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable.

SECTION 10. DEFEASANCE. When the liability of the City on all Bonds of a series issued under and secured by this Resolution and all interest thereon has been discharged as provided in this section, all pledges, covenants and other rights granted by this Resolution to the registered owners of such Bonds shall cease. The provisions for payment and discharge of the Bonds of a series are set forth in the Indenture for that series.

SECTION 11. TAX MATTERS.

11.1. The Airport. The Airport is and will be owned by the City and operated by the Board and open to and available for use by the flying public.

11.2. General Covenant. The City covenants and agrees with the registered owners from time to time of the Series 2010 Bonds that the City will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Series 2010A Bonds or the Series 2010B Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the "Regulations"), and covenants to take any and all actions within its powers to ensure that the basic interest on the Series 2010A Bonds and the Series 2010B Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

11.3. Certification. The President and Secretary of the Airport Board, being the officers of the City charged with the responsibility for issuing the Series 2010A Bonds and the Series 2010B Bonds pursuant to this Resolution are hereby authorized and directed to execute and deliver to the Underwriter for each series thereof a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of

facts, estimates and circumstances in existence on the date of issue and delivery of such series of Bonds, it is reasonably expected that the proceeds of such series of Bonds will be used in a manner that would not cause such Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations.

11.4. Arbitrage Rebate. The City acknowledges that the Series 2010A Bonds and the Series 2010B Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Series 2010A Bonds and the Series 2010B Bonds from gross income for federal income tax purposes unless such Bonds qualify for an exception from the rebate requirement pursuant to one of the spending exceptions set forth in Section 1.148-7 of the Regulations and no “gross proceeds” of such Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof.

SECTION 12. CONTINUING DISCLOSURE. The City acknowledges that the Series 2010A Bonds and the Series 2010B Bonds are subject to the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) (as in effect and interpreted from time to time, the “Rule”). The Rule governs the obligations of certain underwriters to require that issuers of municipal obligations enter into agreements for the benefit of the holders of the obligations to provide continuing disclosure with respect to the obligations. To provide for the public availability of certain information relating to each series of Bonds and the security therefore and to permit participating underwriters in the primary offering of each series of Bonds to comply with the Rule, which will enhance the marketability of the Series 2010 Bonds, the President and Secretary of the Airport Board are hereby authorized and directed to execute an Undertaking of Continuing Disclosure for each series of Bonds (the “Undertaking”), by which the City agrees to provide such information, either directly or through a disclosure agent. The City hereby covenants and agrees to observe and perform the covenants and agreements contained in each Undertaking, unless amended or terminated in accordance with the provisions thereof, for the benefit of the registered owners or beneficial owners from time to time of the outstanding Bonds as provided in each Undertaking.

SECTION 13. APPROVAL OF RESOLUTION. This Board hereby recommends that the City Council of the City adopt a resolution approving the terms of this Resolution and the Series 2010 Bonds authorized hereby.

PASSED AND APPROVED BY THE BOARD OF THE RAPID CITY REGIONAL AIRPORT, SOUTH DAKOTA this 14th day of September, 2010.

  
\_\_\_\_\_  
President

ATTEST:

  
\_\_\_\_\_  
Secretary

Adopted:                      September 14, 2010.