

PUBLIC NOTICES

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ments to the Utility. Pursuant to the Act, the City has heretofore issued the following revenue bonds to evidence loans from the State of South Dakota's clean water revolving fund program under loan agreements entered into with the South Dakota Conservancy District (the "District"), the proceeds of which were used to finance improvements to the Utility (the "Improvements"):

Date of Loan Agreement	Principal Amount	and Revenue Bond Outstanding
April 24, 2003	\$ 186,547.14	(the "2003 Bond")
September 30, 2004	2,518,346.64	(the "2004 Bond")
September 2, 2009	233,122.89	(the "2009 Bond")

The 2004 Bond is referred to herein as the "Refunded Obligation." The 2003 Bond and the 2009 Bond are referred to collectively as the "Prior Obligations." (d) As authorized by the Act, the City has determined that it is necessary and desirable to issue its revenue bonds in one or more series (hereafter, collectively, the "Series 2012 Bonds"), the proceeds of which will be used, together with such available funds of the Utility as may be required, to refund in a current refunding the outstanding aggregate principal amount of the Refunded Obligation. The Series 2012 Bonds, and the Prior Obligations, are referred to, collectively, as the "Parity Obligations."

(e) The City is authorized to make all pledges, covenants and agreements authorized by law for the protection of the owners of the Series 2012 Bonds, including, without limitation, those covenants set forth in Sections 9-40-16 and 9-40-17 of the Act. The Series 2012 Bonds are payable solely from the revenue or income derived from the Net Revenues of the Utility.

Findings. It is hereby found, determined and declared to be in the best interests of the City to issue the Series 2012 Bonds in two series, to be denominated City of Vermillion, South Dakota Wastewater Revenue Refunding Bonds, Series 2012A (the "Series 2012 Tax-Exempt Bonds"), and City of Vermillion, South Dakota Taxable Wastewater Revenue Refunding Bonds, Series 2012B, in accordance with the Act and under the terms and conditions set forth in this resolution (the "Resolution").

SALE, BOND PURCHASE AGREEMENT AND OFFICIAL STATEMENT. Sale. The Series 2012 Bonds, authorized by this Resolution, shall be sold to Dougherty & Company LLC, of Minneapolis, Minnesota (the "Underwriter") at a purchase price, exclusive of original issue discount, of not less than 98.5% of par, plus accrued interest, if any. The aggregate principal amount of the Series 2012 Bonds shall not exceed the amount necessary to accomplish the refunding of the Refunded Obligation, to pay the costs of issuing the Series 2012 Bonds (including an original issue discount not to exceed 2% of the par amount of the Series 2012 Bonds and any bond insurance premium as may be required) and, if necessary, to make a deposit to the Reserve Account described in Section 4.5 hereof. The Series 2012 Bonds will bear interest at a rate, or rates, per annum, resulting in a combined average yield not greater than 3.00%, per annum, and will mature over a period not to exceed 14 years. The Mayor and Finance Officer are hereby authorized and directed to agree with the Underwriter upon the exact purchase price, principal amount, maturities, interest rate or rates, payment dates and redemption provisions for the Series 2012 Bonds, within the parameters set forth in this Section.

Bond Purchase Agreement. The execution of a Bond Purchase Agreement setting forth such final terms, by the Mayor and Finance Officer, 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 the Bond Purchase Agreement, as so executed, including all Exhibits and Appendices thereto, are incorporated herein by reference. The law firm of Dorsey & Whitney LLP, of Minneapolis, Minnesota ("Bond Counsel"), is hereby appointed as Bond Counsel and disclosure counsel for purposes of this issue of Series 2012 Bonds.

City Officers Authorized to Execute Documents.

The Mayor, Finance Officer and City Attorney are hereby authorized and directed to execute and deliver the Bond Purchase Agreement and the documents required, thereunder, the Official Statement, the Series 2012 Bonds and any other documents required to complete the financing contemplated hereby. Execution and delivery of such documents by the Mayor, Finance Officer and City Attorney shall constitute evidence that such items are consistent with the terms of this Resolution and have been duly authorized, executed and delivered by the City and are enforceable against the City in accordance with their terms, subject to customary exceptions relating to bankruptcy, reorganization, insolvency and other laws affecting creditors' rights. The Mayor, Finance Officer and City Attorney are further authorized to take such other actions as may be required to effectuate the terms and intent of this Resolution. In the event of the absence or disability of the Mayor, Finance Officer or City Attorney, the acting Mayor, the Assistant to the Finance Officer or the Deputy City Attorney are hereby authorized to act in the place and stead of the Mayor, Finance Officer and City Attorney, and to take all actions and execute all documents approved hereby.

Official Statement.

The Finance Officer and other officers of the City, in cooperation with the Underwriter, are hereby authorized and directed to prepare a Preliminary Official Statement to be distributed by the Underwriter to potential purchasers of the Series 2012 Bonds. The Finance Officer is hereby authorized, on behalf of the City, to deem the Preliminary Official Statement a "final" official statement, as of its date, in accordance with Rule 15c2-12(b)(1) promulgated by the Secu-

rities and Exchange Council under the Securities Exchange Act of 1934.

TERMS, EXECUTION AND DELIVERY.

Date, Maturities and Interest Rates. The Series 2012 Bonds 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 stated opposite such maturity years as shown on Exhibit A to the Bond Purchase Agreement. The Series 2012 Bonds shall be issuable only in fully registered form. The interest thereon and, upon surrender of each Bond, the principal amount thereof, shall be payable by check or draft issued by the Registrar described herein.

Dates and Interest Payment Dates. Each Bond shall bear a date of original issue as of the date on which the Series 2012 Bonds are delivered to the Underwriter. Upon the initial delivery of the Series 2012 Bonds pursuant to Section 3.6 and upon any subsequent transfer or exchange pursuant to Section 3.5, the date of authentication shall be noted on each Bond so delivered, exchanged or transferred. The interest on the Series 2012 Bonds shall be payable on the interest payment dates specified in the Bond Purchase Agreement to the owner of record thereof as the close of business on the first day of the month if interest is paid on the fifteenth day of the month and the fifteenth day of the immediately preceding month if interest is paid on the first day of the month, whether or not such day is a business day.

Redemption. The Series 2012 Bonds 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 Exhibit A to the Bond Purchase Agreement in such order of maturities as may be designated by the City and, within any maturity, in \$5,000 principal amounts selected by the Registrar by lot, assigned in proportion to their principal amounts.

The Finance Officer shall cause notice of the call for redemption thereof to be published as and if required by law, and, at least thirty days prior to the designated redemption date, shall cause notice of the call thereof for redemption to be mailed, by first class mail, to the registered owners of any Series 2012 Bonds to be redeemed at their addresses as they appear on the bond register described in Section 3.5 hereof, but no defect in or failure to give such mailed notice shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. The notice of redemption shall specify the redemption date, redemption price, the numbers, interest rates and CUSIP numbers of the Series 2012 Bonds to be redeemed and the place at which the Series 2012 Bonds are to be surrendered for payment, which is the principal office of the Registrar. Official notice of redemption having been given as aforesaid, the Series 2012 Bonds or portions of Series 2012 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Series 2012 Bonds or portions of Series 2012 Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

Appointment of Initial Registrar. The City hereby appoints The First National Bank in Sioux Falls as bond registrar, transfer agent and paying agent (the "Registrar") for the Series 2012 Bonds. The Mayor and the Finance Officer are authorized to execute and deliver, on behalf of the City, a contract with the Registrar. Upon merger or consolidation of the Registrar 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 Registrar. The City agrees to pay the reasonable and customary charges of the Registrar for the services performed. The City reserves the right to remove the Registrar upon thirty (30) days' notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession to the successor Registrar and shall deliver the bond register to the successor Registrar. No resignation or removal of the Registrar shall become effective until a successor Registrar has been appointed and has accepted such appointment.

Registration. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows: Register. The Registrar shall keep at its principal corporate trust office a bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until such interest payment date.

Exchange of Bonds. Whenever any Bonds are surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Bonds of a like aggregate principal amount, interest rate and maturity, as requested by the registered owner or the owner's attorney duly authorized in

writing. Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Taxes, Fees and Charges. For every transfer or exchange of Bonds, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

Execution, Authentication and Delivery. The Series 2012 Bonds shall be prepared under the direction of the Finance Officer and shall be executed on behalf of the City by the signatures of the Mayor and the Finance Officer, and countersigned by an attorney actually residing in the State of South Dakota and duly licensed to practice therein; provided that all signatures may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond has been duly executed by the Registrar by the manual signature of its authorized representative. Bonds of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution. When the Series 2012 Bonds have been so prepared, executed and authenticated, the Finance Officer shall deliver the same to DTC on behalf of the Underwriter upon payment of the purchase price in accordance with the provisions of the Bond Purchase Agreement and the Underwriter shall not be obligated to see to the application of the purchase price.

Form of Series 2012 Bonds. The Series 2012 Bonds shall be prepared in substantially the form presented to and approved by the Council and on file in the office of the Finance Officer.

Securities Depository. The Series 2012 Bonds shall be issued in book-entry only form. For purposes of this section the following terms shall have the following meanings:

"Beneficial Owner" shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person's sub-rogée.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

"DTC" shall mean The Depository Trust Company of New York, New York.

"Participant" shall mean any broker-dealer, bank or other financial institution for which DTC holds Bonds as securities depository.

"Representation Letter" shall mean the Representation Letter pursuant to which the sender agrees to comply with DTC's Operational Arrangements. The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required

to be given to registered owners of Bonds under this Resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the bond register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this Resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof. In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of bond certificates, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof. The execution and delivery of the Representation Letter to DTC by the Mayor or Finance Officer is hereby authorized and directed.

In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this Resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of bond certificates and the method of payment of principal of and interest on such Bonds in the form of bond certificates.

USE OF PROCEEDS; WASTEWATER FUND.

Use of Proceeds. Upon payment for the Series 2012 Bonds by the Underwriter, a portion of the proceeds of the Bonds are irrevocably appropriated in the amount necessary for the payment of all principal and interest to become due on the Refunded Obligations to and including the Redemption Date (as hereinafter defined). Any proceeds of the Series 2012 Bonds remaining after payment of costs of issuance of the Series 2012 Bonds as provided for in Section 4.3 hereof, shall be deposited in the Revenue Bond Account described in Section 4.5 hereof and used to pay interest on the Series 2012 Bonds. Bond Proceeds and Revenues Pledged and Appropriated.

A fund designated as the Wastewater Fund (the "Fund") has been established and shall be maintained as a separate and special bookkeeping account on the official books of the City until the Prior Obligations, the Series 2012 Bonds and any Additional Bonds payable from the Net Revenues of the Utility as provided in Section 5 hereof (the Prior Obligations, the Series 2012 Bonds and any Additional Bonds are referred to collectively herein as the "Outstanding Parity Obligations") and interest and redemption premiums due thereon have been fully paid, or the City's obligation with reference to the Outstanding Parity Obligations has been discharged as provided in this Resolution. All proceeds of the Series 2012 Bonds and all other funds hereafter received or appropriated for purposes of the Improvements are appropriated to the Fund. All gross revenues derived from the operation of the Utility are irrevocably pledged and appropriated and shall be credited to the Fund as received. As described in Section 6.12 hereof, the City shall impose rates and charges for the availability, benefit and use of the Utility and shall aggregate the gross revenues derived from such rates and charges, together with the expenses of operation and maintenance of the Utility and shall account for them as provided in this Resolution. Such gross revenues shall include all gross income and receipts from rates, fees, charges and rentals imposed for the availability, benefit and use of the Utility 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 Utility and all income received from the investment of such gross revenues; but not any taxes levied or amounts bor-

rowed or received as grants for construction of any part of the Improvements. The Fund shall be subdivided into separate accounts as designated and described in Sections 4.2 to 4.6, to segregate income and expenses received, paid and accrued for the respective purposes described in those sections. The gross revenues received in the Fund shall be apportioned monthly or as soon as possible after the first day of each month, commencing the first calendar month following the delivery of the Series 2012 Bonds, which apportionment is hereinafter referred to as the "monthly apportionment."

Construction Account. Upon delivery of the Series 2012 Bonds, a portion of the proceeds shall be deposited in the Construction Account and applied to the payment of costs of issuance of the Series 2012 Bonds. To the Construction Account shall be credited as received all amounts received from any claim with respect to the Utility received pursuant to Section 6.3 hereof and applied to repair, replacement and restoration of the Utility; any amount in excess of that necessary for such repair, replacement and restoration shall be transferred to the Revenue Bond Account.

Operating Account. On each monthly apportionment there shall first be set aside and credited to the Operating Account, as a first charge on the gross revenues of the Utility, such amount as may be required over and above the balance then held in the Operating Account to pay the reasonable and necessary operating expenses of the Utility which are then due and payable, or are to be paid prior to the next monthly apportionment. The term "operating expenses" shall mean the current expenses, paid or accrued, of operation, maintenance and current repair of the Utility, calculated in accordance with generally accepted accounting principles, and shall include, without limitation, administrative expenses of the City relating solely to the Utility, premiums for insurance on the properties thereof, labor and the cost of materials and supplies used for current operation and for maintenance, and charges for the accumulation of a appropriate reserves for current expenses which are not recurrent monthly but may reasonably be expected to be incurred in accordance with generally accepted accounting principles. Such operating expenses shall not include any allowance for depreciation or renewals or replacements of capital assets of the Utility and shall not include any portion of the salaries or wages paid to any officer or employee of the City, except such portion as shall represent reasonable compensation for the performance of duties necessary to the operation of the Utility, nor any amount properly payable from any other account of the Fund. Moneys in the Operating Account shall be used solely for the payment of current operation expenses of the Utility, as herein defined. The Net Revenues of the Utility, as referred to in this Resolution, are hereby defined to include the entire amount of such gross revenues remaining after each such monthly apportionment, after crediting to the Operating Account the amount required hereby.

Revenue Bond Account. Upon each monthly apportionment there shall be set aside and credited to the Revenue Bond Account, out of the Net Revenues of the Utility, 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 Outstanding Parity Obligations. Moneys from time to time held in the Revenue Bond Account shall be disbursed only to meet payments of principal and interest on Bonds as such payments become due; provided, that on any date when all Outstanding Parity Obligations are due or pre-payable by their terms, if the amount then on hand in the Revenue Bond Account and the Reserve Account is sufficient, with other moneys available for the purpose, to pay all Outstanding Parity Obligations and the interest accrued thereon in full, it may be used for that purpose. If any payment of principal or interest becomes due when moneys in the Revenue Bond Account are temporarily insufficient therefore, such payment shall be advanced first from the Reserve Account, and if the amounts on hand in the Reserve Account are insufficient, then out of any Net Revenues theretofore segregated and then on hand in the Replacement and Depreciation Account or the Surplus Account. In the event that sufficient moneys are not available from the aforementioned sources, the City, to the extent it may at the time legally do so, may, but shall not be required to, temporarily advance moneys to the Revenue Bond Account either from other revenues of the Utility or from other funds of the City on hand and legally available for the purpose, but any such advance shall be repaid from Net Revenues of the Utility within 24 months. Reserve Account.

There is hereby set aside within the Wastewater Fund the Reserve Account. There shall be credited to the Reserve Account from either the proceeds of the Series 2012 Bonds or from available funds of the City, an amount equal to the lesser of: (1) the maximum amount of principal and interest to become due on the Series 2012 Bonds in the then current or any future calendar year, or (2) an amount equal to ten percent (10%) of the proceeds of the Series 2012 Bonds (the "Reserve Requirement"). 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 Utility, after the requirements of the Revenue Bond 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 Series 2012 Bonds and any Additional Bonds when other moneys in the Revenue Bond Account are insufficient

therefore. Replacement and Depreciation Account. There shall next be set aside and credited, upon each monthly apportionment, to the Replacement and Depreciation Account such portion of the Net Revenues, in excess of the current requirements of the Revenue Bond Account (which portion of the Net Revenues is referred to herein as "Surplus Net Revenues"), as the City Council shall determine to be required for the accumulation of a reasonable reserve for renewal of worn out, obsolete or damaged properties and equipment of the Utility, which reserve shall be accumulated and maintained in an amount not less than 5% of the Operating Expenses for the preceding Fiscal Year. Moneys in this account shall be used only for the purposes above stated or, if so directed by the City Council, to redeem Bonds which are prepayable according to their terms, to pay principal or interest when due thereon as required in Section 4.4 hereof, or to pay the cost of improvements to the Utility; provided, that in the event that the City shall hereafter issue bonds for the purpose of financing the construction and installation of additional improvements or additions to the Utility, but which additional bonds cannot, upon the terms and conditions provided in Section 5, be payable from the Revenue Bond Account, Surplus Net Revenues from time to time received may be segregated and paid into one or more separate and additional accounts from the payment of such bonds and interest thereon, in advance of payments required to be made into the Replacement and Depreciation Account.

Surplus Account. Any amount of the Surplus Net Revenues from time to time remaining after the above required applications thereof shall be credited to the Surplus Account, and the moneys from time to time in that account, when not required to restore a current deficiency in the Revenue Bond Account as provided in Section 4.4 hereof, may be used for any of the following purposes and not otherwise:

To redeem and prepay Bonds when and as such Bonds become pre-payable according to their terms;

To purchase Bonds on the open market, whether or not the Bonds so purchased or other such Bonds may then be pre-payable according to their terms; and, if the balances in the Revenue Bond Account and the Replacement and Depreciation Account are sufficient to meet all payments required or reasonably anticipated to be made therefrom prior to the end of the current fiscal year, then;

To pay for repairs of or for the construction and installation of Utility or additions to the Utility; and, if the balances in the Revenue Bond Account and the Replacement and Depreciation Account are sufficient to meet all payments required or reasonably anticipated to be made therefrom prior to the end of the then current fiscal year, then;

To be held as a reserve for redemption and prepayment of the Bonds which are not then but will later be pre-payable according to their terms; or

To be used for any other authorized municipal purpose designated by the City Council. No moneys shall at any time be transferred from the Surplus Account or any other account of the Fund to any other fund of the City, nor shall such moneys at any time be loaned to other municipal funds or invested in warrants, special Utility bonds or other obligations payable from other funds, except as provided in this Section 4.6.

Deposit and Investment of Funds. The City Finance Officer shall cause all moneys pertaining to the Fund to be deposited as received with one or more banks which are duly qualified public depositories under the provisions of Chapter 4-6A, SDCL, in a deposit account or accounts, which shall be maintained separate and apart from all other accounts 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 Fund as authorized in this Resolution; except that moneys from time to time on hand in the Fund may at any time, in the discretion of this Council, be invested in securities permitted by the provisions of Section 4-5-6, SDCL; provided, that the Replacement and Depreciation Account and the Surplus Account may be invested in such securities maturing not later than ten years from the date of the investment; and provided further, that moneys in the Surplus Account may, in the discretion of this Council, be invested in any securities which are direct, general obligations of the City. Income received from the deposit or investment of moneys shall be credited to the account from whose moneys and deposit was made or the investment was purchased, and handled and accounted for in the same manner as other moneys in that account, provided that any investment income on amounts held in the Reserve Account shall be transferred to the Revenue Bond Account on each date that principal of the Bonds is payable, except that no such transfer shall be made if it would cause the balance in the Reserve Account to be less than the Reserve Requirement. The investment of the moneys on deposit in the Revenue Bond Account is further restricted by the provisions of Section 9.2 hereof.

Additional Revenues or Collateral. The City reserves the right at any time to pledge additional moneys, revenues or collateral as security for the Series 2012 Bonds and any Additional Bonds. Such pledge shall not be effective unless and until the City receives and provides to the Registrar an opinion of nationally recognized bond counsel stating that such pledge will not adversely affect the validity or tax exemption of the Series 2012 Bonds and any Additional Bonds then outstanding.

PRIORITIES AND ADDITIONAL BONDS. Priority of Bond Payments. Each and all of the Bonds shall be equally and ratably secured by and payable out of the Net Revenues of the