

SOUTH DAKOTA
HEALTH AND EDUCATIONAL
FACILITIES AUTHORITY

Date: February 8, 2016

To: Members of the South Dakota Health and Educational Facilities Authority

From: Don A. Templeton, Executive Director

Re: Notice of Special Meeting

You are hereby notified that the Chairman has set Wednesday, February 10, 2016 as the meeting date for the special meeting of the South Dakota Health and Educational Facilities Authority to be held via telephone conference call at 11:00 a.m. CST (10:00 a.m. MST).

You may participate in the meeting by dialing **1-877-336-1828 and enter your Participant Access Code, which is 4677196 followed by the # key.**

The following members have indicated they will be available for the meeting:

Gene Lebrun	Norbert Sebade	Dave Timpe	Jim Scull
Dave Fleck	Bill Lynch	Don Scott	

Attached is an agenda and information on agenda items.

Cc: Vance Goldammer, Redstone Law Firm, LLP
Dan Bacastow, Chapman & Cutler LLP
Bruce Bonjour, Perkins Coie, LLP
Jim Breckenridge, Avera Health Systems
Jack Arnold, Dougherty and Company
Toby Morris, Dougherty and Company

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SOUTH DAKOTA HEALTH AND EDUCATIONAL

FACILITIES AUTHORITY

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**SOUTH DAKOTA HEALTH AND EDUCATIONAL
FACILITIES AUTHORITY**

MINUTES OF THE JANUARY 7, 2016 SPECIAL MEETING

Pursuant to due notice, the South Dakota Health and Educational Facilities Authority met on Thursday, January 7, 2016 at 11:00 a.m. CST (10:00 a.m. MST), via telephone conference call. Mr. Norbert Sebade, Chairman, instructed the Secretary to call the roll.

Present: Mr. Dave Fleck
Mr. Gene Lebrun
Mr. Norbert Sebade
Mr. Don Scott
Mr. Jim Scull
Mr. Dave Timpe

Absent: Mr. William Lynch

Other staff and representatives of the Authority and other parties present were:

Donald Templeton, Executive Director
Vance Goldammer, General Legal Counsel
Dustin Christopherson, Associate Director
Dan Bacastow, Chapman and Cutler
Steve Corbin, Finance Officer

The Chairman declared a quorum and called the meeting to order. The notice of the meeting dated December 22, 2015 was posted on the Authority door prior to the meeting.

The Chairman asked for consideration of the minutes for the September 28, 2015 annual meeting. Mr. Gene Lebrun moved to approve the minutes as presented, seconded by Mr. Jim Scull. All members present voted aye, motion carried.

American Baptist Homes of the Midwest – Trail Ridge Project

Don Templeton reviewed the American Baptist Homes of the Midwest Trail Ridge bond issuance through the Colorado Health Facilities Authority in an amount not to exceed \$630,000 for the South Dakota project and \$7,075,000 total for 5 additional projects in 4 other states with the main projects in Sioux Falls being 40 new assisted living units, 22 memory care units and a wellness center. Dan Bacastow reviewed the Resolution (on file at the authority office) to approve the bond issue through the Colorado Authority. Dave Timpe moved to approve the Resolution, Don Scott seconded and upon roll call, the ayes were Fleck, Lebrun, Sebade, Scott, Scull and Timpe; nays: none; abstain: none.

University of Sioux Falls Financial Statements

Mr. Templeton, Mr. Christopherson and Mr. Corbin reviewed the University of Sioux Falls financial statements and other matters with the Board.

Audit, Audit Report, and Internal Control and Management Letters

Mr. Templeton, Mr. Christopherson and Mr. Corbin presented and reviewed in detail the FY2015 audit. These are on file at the Authority office and posted on the website. Mr. Gene Lebrun moved to approve the audit and audit report letters, seconded by Mr. Jim Scull and upon roll call, the ayes were Fleck, Lebrun, Sebade, Scott, Scull and Timpe; nays: none; abstain: none.

Adjournment

The Chairman stated there being no further business at this meeting, the meeting adjourned at 11:42 a.m.

School District Capital Outlay State Aid Intercept New Program Summary

The South Dakota Health and Educational Facilities Authority "SDHEFA" issued School District Capital Outlay Certificates for 24 issuances in the amount of \$39,142,858 (see attached listing on page 2 and the map on page 3 of all School Districts).

The 2015 legislature passed SB 191, which is designed to enhance the School District Capital Outlay Certificate ratings from the prior SDHEFA program that Standard and Poor's rated **A** and the School Districts' stand-alone ratings. Standard and Poor's has reviewed the documentation for a new State Aid intercept program and has indicated that School Districts' would receive an **AA+** rating subject to a case by case review of each School District issuance under the new program (See Tab 3B).

Key Program Features:

- The School Districts issue their own Certificates (*this allows the Certificates to be Bank Qualified*);
- The South Dakota Health and Educational Facilities Authority will administer the application process and the intercept mechanics if a future payment default is encountered of the Certificates;
- South Dakota Health and Educational Facilities Authority application fee = 1/8 of 1% consistent with the past program (fee = to \$5,000 on a \$4 million Certificate issue);
- 20 year maximum term;
- 3 mill Capital Outlay levy to support debt service. This program requires the 3 mill levy to support a minimum of 1.25 times the debt service coverage and additionally the State Aid must be at least 2 times the debt service coverage on all debt subject to the Capital Outlay levy (to receive the S&P AA+ rating);
- The intercept program has not needed to be used for a delinquent payment under the past program.

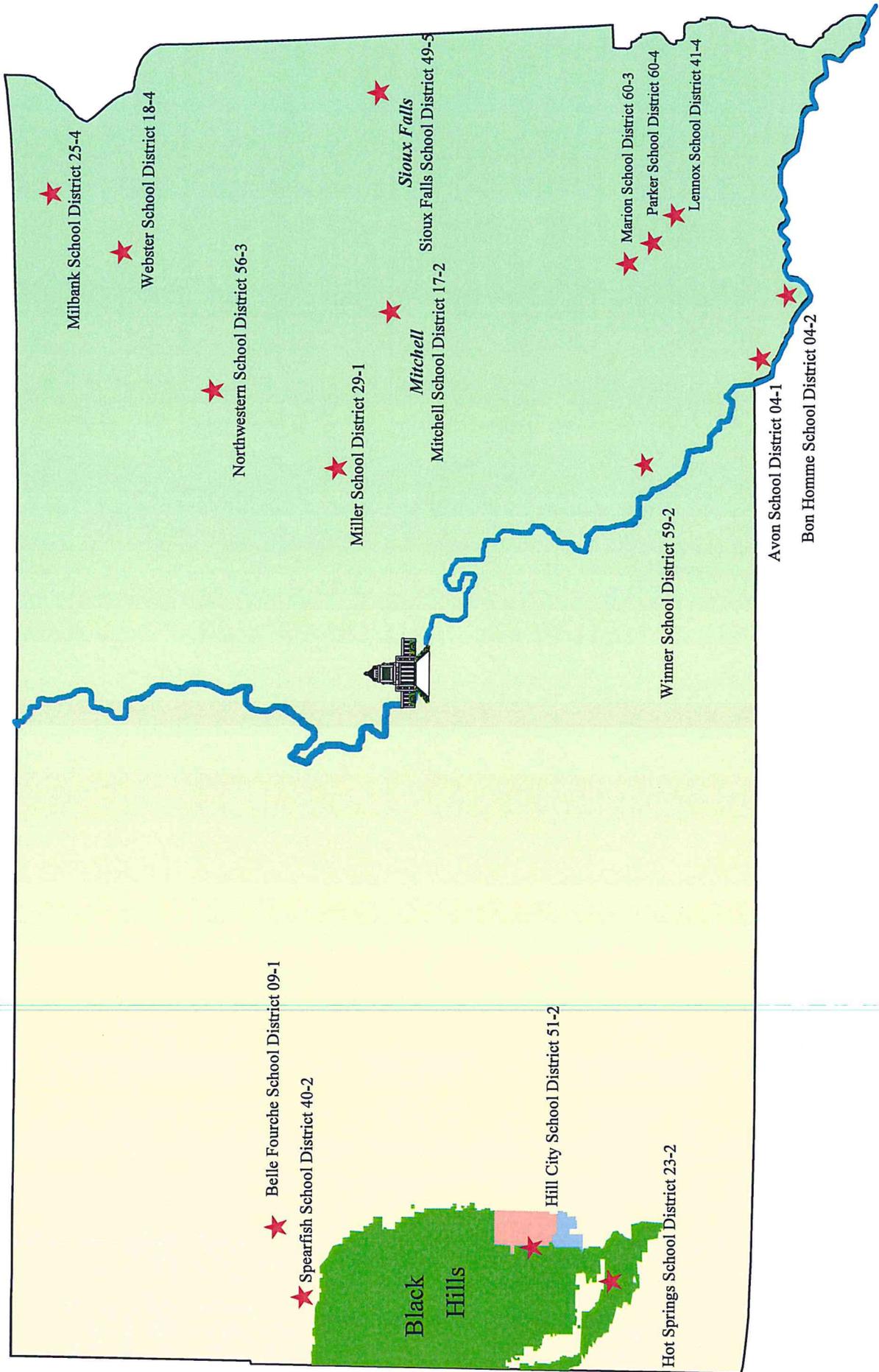
The following documents are attached for reference purposes:

- SB 191 on pages 4-9
- A detailed Program Description on pages 10 – 12
- The State Aid Pledge Agreement on pages 13 – 30
- The Authority Resolution (See Tab 3C)

School District Bonds Issued by
South Dakota Health and Educational Facilities Authority

School District	Series	Date	Amount
Sioux Falls School District No. 49-5	1989	April 20, 1989	\$ 2,168,000
Sioux Falls School District No. 49-5	1990	August 9, 1990	\$ 3,844,858
Hill City School District No. 51-2	1991A	May 16, 1991	\$ 400,000
Milbank School District NO. 25-4	1991B	June 12, 1991	\$ 810,000
Hot Springs School District No. 23-2	1991C	October 8, 1991	\$ 350,000
Miller School District No. 29-1	1992A	March 24, 1992	\$ 190,000
Mitchell School District No. 17-2	1992B	July 14, 1992	\$ 4,140,000
Mitchell School District, No. 17-2	1993A	January 13, 1993	\$ 850,000
Webster School District No. 18-4	1993B	January 13, 1993	\$ 920,000
Bon Homme School District No. 04-2	1993C	October 26, 1993	\$ 1,240,000
Avon School District No. 04-1	1994A	March 9, 1994	\$ 750,000
Mitchell School District No. 17-2	1994B	April 13, 1994	\$ 1,400,000
Winner School District No. 59-2	1994C	May 26, 1994	\$ 2,695,000
Marion School District No. 60-3	1994D	June 1, 1994	\$ 650,000
Belle Fourche School District No. 09-1	1994E	July 25, 1994	\$ 750,000
Northwestern School District No. 56-3	1994F	November 3, 1994	\$ 150,000
Spearfish School District No. 40-2	1995A	July 13, 1995	\$ 700,000
Lennox School District No. 41-4	1995B	July 13, 1995	\$ 1,685,000
Parker School District No. 60-4	1996A	May 16, 1996	\$ 1,500,000
Northwestern School District No. 56-3	1998A	March 17, 1998	\$ 1,150,000
Mitchell School District No. 17-2	1998B	June 15, 1998	\$ 5,960,000
Miller School District No. 29-1	1998C	September 11, 1998	\$ 1,390,000
Belle Fourche School District No. 09-1	1998D	October 8, 1998	\$ 3,450,000
Hot Springs School District No. 23-2	2000A	September 26, 2000	\$ 2,000,000
Total			\$ 39,142,858

South Dakota Health and Educational Facilities Authority Map of School District Projects Funded



AN ACT

ENTITLED, An Act to revise certain provisions regarding capital outlay certificates and lease purchase agreements of school districts and the pledge of state aid to education funds to secure such obligations.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

Section 1. That § 13-19-27 be amended to read as follows:

13-19-27. Any school district may enter into lease-purchase agreements or other financing arrangement with or issue capital outlay certificates that are secured by a pledge of state aid to education funds in connection with a program sponsored by the Health and Educational Facilities Authority for capital improvements, the acquisition of equipment, or improvement of school facilities or other lawful purpose that the school board considers necessary or appropriate or as a result of a consolidation or proposed consolidation of one school district with another school district.

Section 2. That § 13-19-29 be amended to read as follows:

13-19-29. If capital outlay certificates are issued pursuant to the program authorized by § 13-19-27 or section 4 of this Act, or a lease-purchase agreement, or other financing arrangement is entered into with the Health and Educational Facilities Authority as authorized by § 13-13-39, 13-16-6.4, 13-16-7, 13-16-29, 13-19-27, or 13-19-28, and a school district has pledged state aid to education funds provided under Title 13 to secure its obligations under or pursuant to a lease, resolution, certificate, or other arrangement and the authority determines that a school district is delinquent in making any payments pursuant to a lease, resolution, certificate or other arrangement, then no cash receipts from the collection of any taxes, from state aid under chapter 13-13 or from the collection of tuition charges may be expended for any purpose except paying the amounts due pursuant to the lease, resolution, certificate, or other arrangement as specified by written notice by or on behalf of the authority pursuant to § 13-13-39. In such event, moneys from state aid under Title 13 shall be

applied to pay the amounts as shall be specified by the authority to the authority or any financial institution acting as any paying agent or trustee on behalf of any holders of bonds, notes, lease purchase, capital outlay certificates, or other obligations in connection with any such arrangement and any such holders.

Section 3. That § 13-13-39 be amended to read as follows:

13-13-39. The Department of Education shall apportion the state aid to education funds to each eligible school district and shall prepare a list of apportionments to be posted publicly in electronic format.

The state auditor shall issue the warrant to each school district when the apportionment voucher is presented for the total amount of the state aid to education funds each school district is to receive, subject to any reduction necessitated by the issuance of a notice from the Health and Educational Facilities Authority as provided in this section.

Notwithstanding the provisions of § 13-13-74 or any other law, if the department receives written notice from the authority that a school district is delinquent in making any payment for any certificate, lease, or other obligation required by agreement with the authority in which the school district has pledged state aid to education funds or other amounts under Title 13 pursuant to a lease, resolution, certificate, or other arrangement with the authority, the department shall deduct from amounts otherwise due to a school district for the apportionment of state aid to education funds or other amounts under Title 13 the amount required to pay rentals, bonds, notes, certificates, or other amounts then due but unpaid. The state auditor shall issue a warrant for the full amount of the delinquency specified in the notice of the authority or a lesser amount as has been appropriated for the current fiscal year and not yet distributed pursuant to § 13-13-74. The amount deducted shall be paid to the authority or any financial institution designated by the authority acting as paying agent or trustee on behalf of any holders of bonds, notes, lease, certificates, or other obligations in

connection therewith, all as specified by the authority. A record of the amount deducted and a copy of the notice from the authority shall be filed with the state auditor and department.

Any amount paid to the authority or a financial institution designated pursuant to the procedures described in this section shall be deducted from the remaining amount of state aid to education funds otherwise payable to the school district under Title 13, thereby reducing the amount payable pursuant to § 13-13-74. The amount payable to the authority and any financial institution pursuant to this section in any fiscal year may not exceed the amount of state aid to education funds appropriated and not yet paid to or for the benefit of a school district for the current fiscal year. No pledge by a school district of state aid to education funds or other amounts under Title 13 for any other purpose may be permitted and if made is voidable at the election of the authority.

Section 4. That § 13-13-74 be amended to read as follows:

13-13-74. Except as provided in §§ 13-19-29 and 13-13-39, payment from funds provided in aid of the public schools in any school fiscal year shall be made in twelve monthly installments on or about the thirtieth of each month. For the period July first to December thirty-first, inclusive, the total of the six payments shall be one-half of local need of current school fiscal year less local effort for the period July first to December thirty-first, inclusive. For the period January first to June thirtieth, inclusive, the total of the six payments shall be one-half of local need of current school fiscal year less local effort for the period January first to June thirtieth, inclusive. Any amounts paid to the Health and Educational Facilities Authority or a financial institution designated pursuant to § 13-13-39 shall be deducted from the amounts otherwise payable in a fiscal year to a school district under this section and the department shall adjust the monthly installments to be paid to the school district for the remainder of the fiscal year.

Section 5. That chapter 1-16A be amended by adding thereto a NEW SECTION to read as follows:

The authority is authorized to establish policies and procedures, in coordination with the Bureau of Finance and Management, which shall facilitate the issuance by school districts of capital outlay certificates, and the establishment of terms for lease purchase agreements that are secured by a pledge of state aid to education funds as provided in §§ 13-19-27 and 13-19-29. The authority may enter into agreements with school districts, paying agents, trustees, and the state to implement the provisions of the program. The authority may provide other arrangements and procedures for determining the minimum requirements and related terms and conditions applicable to the pledge of state aid to education funds and the applicable contractual provisions for providing notice and implementing the pledge and payments consistent with §§ 13-19-27, 13-19-29, and 13-13-39.

Section 6. That § 1-16A-76 be amended to read as follows:

1-16A-76. The authority, all school districts and other public bodies, and all officers or departments of the state dealing with the state or the authority pursuant to §§ 1-16A-19, 1-16A-74 to 1-16A-76, inclusive, and 13-19-1.2 are not subject to the jurisdiction of the federal bankruptcy courts or any successor thereof under the United States Constitution. Any contract, agreement, or other arrangement entered into by any or all of the school districts or other public bodies, the authority and any officers or departments of the state or the authority pursuant to this Act or § 1-16A-74.1, 1-16A-19, 1-16A-74 to 1-16A-76, inclusive, or 13-19-1.2, or in anticipation of or for the securing of the issuance of tax anticipation notes by any or all of the school districts, the issuance or agreement to issue warrants or general obligation refunding bonds by any or all of the school districts, the agreement by the authority and the school district or any officers or department of the state to purchase any or all of such notes, warrants, or general obligation refunding bonds or any related or similar agreement for the benefit of investors or any other third party or parties shall be valid, binding and enforceable when made in writing duly signed by the appropriate officers. All such agreements and other arrangements are not subject to disavowal, disaffirmance, cancellation,

or avoidance by reason of insolvency of any party, lack of consideration or any other fact, occurrence or rule of law.

Section 7. That chapter 1-16A be amended by adding thereto a NEW SECTION to read as follows:

No capital outlay certificate issued or lease purchase agreement entered into as part of a program sponsored by the authority or secured by a pledge of state aid to education funds may be or become a lien, charge, or liability against the state or the authority, nor against the property or funds of the state or the authority within the meaning of the Constitution or laws of South Dakota.

Section 8. That chapter 1-16A be amended by adding thereto a NEW SECTION to read as follows:

The state pledges to and agrees with the holders of capital outlay certificates issued or any lease purchase agreement as part of a program sponsored by the Health and Educational Facilities Authority or secured by a pledge of state aid to education funds that the state will not limit or alter the pledge of state aid to education funds or the provision of this section governing the pledge or the terms provided in §§ 13-19-27, 13-19-29, and 13-13-39, inclusive, so as to impair the terms of any contract made by the school district, the state, or the authority. The school district, state, or authority may not impair the rights and remedies of the holders until the capital outlay certificates or lease purchase obligation, together with interest on the certificates and obligations and all costs and expenses in connection with any action or proceedings by or on behalf of the holders are fully met or discharged. In addition, the state pledges to and agrees with the holders that the state may not limit or alter the basis on which state aid to education funds pledged under the authority of any provision of this Act are to be paid to the authority or any financial institution designated by the authority so as to impair the terms of the contract. The school district and authority may include the pledges and agreements of the state in any contract with the holders of capital outlay certificates issued or any

lease purchase obligation secured pursuant to §§ 13-19-27, 13-19-29, and 13-13-39, inclusive, or otherwise secured by a pledge of state aid to education funds.

SOUTH DAKOTA HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

South Dakota State Aid Pledge Program

Program Description

Overview

During its 2015 session, the South Dakota Legislature adopted a bill authorizing the State Aid Pledge Program. The purpose of the Program is to reduce interest costs for qualifying South Dakota school districts by providing credit enhancement for capital outlay certificate borrowing. The Program allows school districts to pledge Title 13 State Aid payments as additional security for capital outlay certificate issues. Under the Program, districts whose capital outlay certificates would ordinarily receive a rating in the "A" category or lower could expect a rating increase to the ["AA"] level, with a corresponding decrease in interest rates. Note that participation in the Program is entirely voluntary. A school district that participates in the Program is referred to in this document as a Participant.

Program Administration

The Program will be administered by the South Dakota Health and Educational Facilities Authority (the "Authority"). Participants should understand that the Authority will not act as the issuer of any capital outlay certificates. That is, each Participant will issue its own capital outlay certificates just as it ordinarily would. The sole function of the Authority under the Program will be to approve applications from qualifying school districts and to monitor the state aid pledge mechanics as described below.

How the Program Operates

- A Participant will issue capital outlay certificates as it normally does, either in a public offering or in a direct placement with a bank or other lender. Capital outlay certificates issued under the Program are referred to in this document as Enhanced Certificates or ECs.
- The Enhanced Certificates will be issued under a Certificate Resolution in a form provided by the Authority, and the Participant will also enter into a State Aid Pledge Agreement which will contain the terms of the state aid pledge.
- The Participant will designate a commercial bank as Paying Agent, and will be required to deposit each semiannual payment of principal and/or interest on the ECs with the Paying Agent by the fifteenth day of the month prior to the date on which it is due to be paid to the EC holders (each such date will be referred to as a "Deposit Date"). For example, if a principal and interest payment is due to EC holders on August 1, the Participant will be required to deposit the payment with the Paying Agent on July 15.
- If the Paying Agent does not receive a principal and/or interest payment from a Participant on the required Deposit Date, it will immediately notify the Participant, the Authority, the Department of Education (DOE), the State Auditor (SA), and the Bureau of Finance and

Management (BFM) of the delinquency. Upon receipt of the delinquency notice, the Authority will contact the Participant directly to confirm the delinquency and to request an immediate cure.

- If the Paying Agent does not receive the delinquent payment by the close of business on the second business day following the Deposit Date, the Authority will send an intercept notice to the Participant, DOE, SA and BFM.
- Upon receipt of the intercept notice, the DOE will take the actions necessary to intercept State Aid otherwise payable to the Participant and cause the delinquent amount to be deposited with the Paying Agent on or before the date on which payment is due to the EC holders.
- Any amount of State Aid which is intercepted pursuant to these procedures will be deducted from the amount of State Aid that would otherwise be payable to the Participant under Title 13.

Program Application

A school district may apply to participate in the program by completing an application form and appending the required information. The application form is attached to this document as Exhibit I, but may be amended from time to time by the Authority. The Authority recommends that interested school districts contact the Authority for the most current application form.

Program Qualifications

In order to participate in the Program, a school district must demonstrate compliance with the following qualifications:

- The maximum capital outlay levy of a Participant (based on its most recent aggregate taxable valuation) must generate annual proceeds in an amount sufficient to provide at least 1.25x coverage of the maximum annual debt service of (i) any previously issued capital outlay certificates (whether or not covered by the Program), plus (ii) the ECs proposed to be issued under the Program.
- The amount of state aid received by the Participant in the most recently audited full fiscal year must provide at least 2.0x coverage of the maximum annual debt service on (i) any previously issued ECs, plus (ii) the additional ECs proposed to be covered by the Program. The Authority may require higher debt service coverage in the case of Participants whose enrollments have shown declines in recent years.
- The Participants must not be in default on any other indebtedness.

Program Fees

The Authority will charge an application fee 0.125% (\$4,000,000 Certificate issue has an application fee of \$5,000). Participants will also be responsible for paying the rating agency fee and the Paying Agent's fee associated with any certificates issued under the Program.

Other Program Features and Requirements

- A Participant may designate the bond counsel firm, underwriting firm, and rating agency it intends to use for its ECs.
- The Authority has prepared a form of Certificate Resolution and related documents that are required to be used by Participants. Copies of these forms may be obtained by contacting the Authority.
- Participants are responsible for paying all issuance costs and annual maintenance costs associated with each issue of ECs under the Program.
- ECs may be issued at any time during a Participant’s fiscal year, but principal payments must be scheduled to occur annually on August 1, with interest payments occurring semiannually on each August 1 and February 1.
- Principal amortization must be structured so as to provide substantially level annual debt service.

Additional Information

For additional information about the Program, interested school districts are invited to contact the Authority directly:

Don Templeton, Executive Director	605-224-9200	don.templeton@sdhefa.com
Dustin Christopherson, Associate Director	605-224-9200	dustin.christopherson@sdhefa.com

STATE AID PLEDGE AGREEMENT

THIS STATE AID PLEDGE AGREEMENT (this "Agreement") dated [DATED DATE], is made and entered into by and among _____ School District No. ____ (the "District"), the South Dakota Health and Educational Facilities Authority (the "Authority"), the South Dakota Department of Education ("DOE") and [Name of Paying Agent Bank] (the "Paying Agent").

PREAMBLE

WHEREAS, on _____, ____ the District adopted a Resolution (the "Resolution") authorizing the issuance and sale of its \$ _____ Limited Tax General Obligation Certificates, Series _____ (the "Certificates") and has entered into an agreement with the Paying Agent to serve as the Bond Registrar and Paying Agent for such Certificates;

WHEREAS, pursuant to the Resolution, the District has elected to participate in the State Aid Pledge Program (the "Program") authorized pursuant to SDCL §3-19-27 and SDCL 1-16A-97 and administered by the Authority in order to provide additional security for payment of the Certificates out of state aid to education appropriated by the Legislature from time to time and payable to the District ("Pledged State Aid");

WHEREAS, the parties hereto desire to agree to certain terms and conditions relating to the Certificates, the Program and the Pledged State Aid;

NOW, THEREFORE, in consideration of the premises, and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties herby agree as follows:

Section 1. Definitions.

All capitalized terms used herein and not otherwise defined in connection with such use shall have the meanings assigned thereto in the Resolution. In addition, the following terms shall have the following meanings when used herein:

"Agreement": As defined in the first paragraph of the Agreement.

"Authority": As defined in the first paragraph of the Agreement.

"BFM": South Dakota Bureau of Finance and Management.

"Business Day" means any day which is not (i) Saturday, Sunday or other day on which banking institutions in the State of New York or the state in which the Principal Office of the Remarketing Agent, the Trustee or the Liquidity Provider are located are authorized by law or executive order to close or (ii) a day on which New York Stock Exchange is closed.

"Certificates": As defined in the Preamble.

"Delinquency Notice": As defined in Section 3(a).

“Delinquency”: As defined in Section 3(a).

“Delinquent Amount” means (i) regarding a Delinquency with respect to an August 1 Principal or Interest Payment Date, all principal, interest, and other amounts coming due on the Certificates or Parity Certificates on such date and on the next occurring February 1 Principal or Interest Payment Date, and (ii) regarding a Delinquency with respect to a February 1 Principal or Interest Payment Date, all principal, interest, and other amounts coming due on the Certificates or Parity Certificates on such date.

“DOE”: As defined in the first paragraph of the Agreement.

“District”: As defined in the first paragraph of the Agreement.

“Intercept Notice”: As defined in Section 3(d).

“Notice Date”: As defined in Section 3(a).

“Parity Obligations” means any bonds note, certificate or other obligation of the District issued after the date hereof which is secured by Pledged State Aid and is still “outstanding” under the resolution, indenture or other instrument pursuant to which it was issued.

“Principal or Interest Payment Date” means any [February 1 or August 1].

“Paying Agent”: As defined in the Preamble.

“Pledged State Aid”: As defined in the Preamble.

“Program”: As defined in the Preamble.

“Rating Agency”: means _____.

“Resolution”: As defined in the Preamble.

“State Auditor”: means the South Dakota State Auditor.

Section 2. Pledge of State Aid.

(a) The District hereby ratifies and confirms its pledge in the Resolution of Pledged State Aid to secure payment of the Certificates and any Parity Obligations and hereby covenants and agrees that if a Delinquency occurs with respect to the payment of any amount under or in connection with any Outstanding Certificate or Parity Obligation, then all moneys from Pledged State Aid shall be applied to pay the Delinquent Amount as specified in the Delinquency Notice.

(b) As provided in further detail in Section 3 below, the District hereby covenants and agrees that, if the Authority determines that a school district is delinquent in making any payments pursuant to the Resolution, the Certificates or any Parity Obligation, then no cash receipts from the collection of any taxes, from state aid to education under chapter 13-13 SDCL, or from the collection of tuition charges may be expended for any purpose except paying the amounts due pursuant to the Resolution, Certificates, or any Parity Obligation as specified by

written notice by or on behalf of the authority pursuant to SDCL § 13-13-39 and Section 3 of this Agreement. In such event, moneys from state aid under Title 13 shall be applied to pay the amounts as shall be specified by the Authority to the Paying Agent as provided herein.

(c) As provided in SDCL § 13-19-30, a copy of this Agreement and the Resolution and any revisions or supplements to it, shall be filed with the secretary of the Department of Education to perfect the lien and security interest of the Authority in the Pledged State Aid under Title 13 and other funds or amounts pledged by the District. No filing, recording, possession, or other action under the uniform commercial code or any other law of this state may be required to perfect the lien and security interest of the Authority. The lien and security interest of the Authority is deemed perfected, and the trust for the benefit of the Authority so created is binding as of the date when the District made such pledge pursuant to the Resolution, notwithstanding the time of the filing with the secretary of the Department of Education, against all parties having prior or subsequent liens, security interests, or claims of any kind in tort, in contract or otherwise.

Section 3. Payment Provisions; Delinquency and Intercept Notices.

(a) Delinquency Notice. If the District fails to deposit with the Paying Agent any amount due with respect to an Outstanding Certificate or any Parity Obligation on or before the 15th day preceding a Principal or Interest Payment Date for any Outstanding Certificate or Parity Obligation (such a failure a “Delinquency”), the Paying Agent shall provide a written notice substantially in the form of Exhibit A attached hereto (a “Delinquency Notice”) to the District, DOE, the State Auditor, BFM and the Authority by the close of business the same Business Day on which the payment was due (the “Notice Date”).

(b) Authority to Contact Delinquent School District. Upon receipt of the Delinquency Notice, the Authority covenants and agrees that it will contact the District directly to confirm the Delinquency and request that the District cure the Delinquency immediately.

(c) Notice of Failure to Cure. If the Paying Agent does not receive all Delinquent Amount by the close of business on the second Business Day following the Notice Date, the Paying Agent will provide written notice of such failure substantially in the form of Exhibit B (the “Request For Intercept”) to the District, DOE, the State Auditor, BFM and the Authority by no later than the close of business on the third Business Day following the Notice Date.

(d) Authority to Provide Intercept Notice. Upon receipt of the Request For Intercept described in Section 3(c), the Authority shall provide a written notice substantially in the form of Exhibit C attached hereto (the “Intercept Notice”) from the Authority to DOE and the State Auditor, with copies to the District and BFM,

(1) stating that the Authority has received a Delinquency Notice with respect to the District and that the District has failed to immediately cure such Delinquency,

(2) requesting DOE to deduct from amounts otherwise due to the District for the apportionment of state aid to education funds or other amounts under Title 13 the amount required to pay all Delinquent Amount, and

(3) directing the State Auditor to issue a warrant for the full amount of the Delinquent Amount specified in the Intercept Notice from the Authority, or such lesser amount as has been appropriated for the current fiscal year and not yet distributed pursuant to § 13-13-74 and to pay the amount so deducted to the Paying Agent specified by the Authority in such written notice, on or before the last business day of the month preceding the applicable Principal or Interest Payment Date, as specified in the Intercept Notice.

(e) Subsequent Adjustment and Distribution of Remaining State Aid. Any amount paid to the Paying Agent pursuant to the procedures described in this Agreement shall be deducted from the remaining amount of state aid to education funds otherwise payable to the District under Title 13, thereby reducing the amount payable pursuant to § 13-13-74. The amount payable to the Paying Agent pursuant to this Agreement in any fiscal year may not exceed the amount of state aid to education funds appropriated and not yet paid to or for the benefit of the District for the current fiscal year.

Section 4. Statutory Provisions.

(a) The payment of Pledged State aid to the Paying Agent to cure a Delinquency shall be made notwithstanding the provisions of SDCL § 13-13-74 or any other law, and the parties hereto expressly agree such payments are authorized by SDCL § 13-19-29 and SDCL § 13-13-39. The amounts remitted to the Paying Agent as specified by the Authority in the Intercept Notice shall be used by the Paying agent solely for the purpose of paying amounts as and when due on the Outstanding Certificates and any Parity Obligation strictly in accordance with their respective terms.

Section 5. Covenants of the District, the Paying Agent and the Authority.

(a) So long as any Parity Obligations or Certificates remain Outstanding, the District hereby covenants and agrees that the Outstanding Certificates and all Parity Obligations shall be payable by the same Paying Agent. The District agrees that it will not remove the Paying Agent as bond registrar and paying agent with respect to the Certificates unless and until a successor bond registrar and paying agent ("Successor Paying Agent") has been designated by the District and such successor Paying Agent has entered into an assignment and assumption agreement in a form and in substance acceptable to the Authority. Such assignment and assumption agreement shall provide that any such Successor Paying Agent shall succeed to all rights, covenants and obligations of the Paying Agent hereunder.

(b) The District covenants and agrees for the express benefit of the holders from time to time of any Outstanding Certificate of Parity Obligation that it shall not pledge state aid to education funds or other amounts under SDCL Title 13 for any other purpose and if any such pledge is made for any other purpose, such pledge shall be voidable at the election of the Authority pursuant to SDCL § 13-13-39.

(c) The Authority hereby acknowledges receipt of an application fee of [\$ _____] for the program. The District hereby covenants and agrees to pay an annual administration fee to the Authority of \$ _____, payable on the first (1st) day of each _____ so long as any Certificates are Outstanding. The District also acknowledges and

agrees it shall be responsible for paying the rating agency fee associated with any Certificates or any Parity Obligations issued under the Program.

(d) The District has provided attached Exhibit D which sets forth the Scheduled principal and interest payments and payment dates for the Certificates.

Section 6. Indemnification and Hold Harmless. The District shall indemnify and hold harmless the Authority, the Paying Agent, DOE, State Auditor and BFM and their respective members, officers, employees and agents (collectively, the "Indemnitees") from and against any and all losses, claims, demands, damages, assessments, taxes (other than income taxes), levies, charges, liabilities, costs and expenses, of every conceivable kind, character and nature whatsoever (including, without limitation, reasonable fees of attorneys, accountants, consultants and other experts) (collectively referred to hereinafter in this Section as "Damages") arising out of, resulting from or in any way connected with the Certificates, all Parity Certificates, this Agreement or the Resolution or actions arising out of, or based on, the issuance, sale and delivery of the Certificates or any Parity Certificates, or any alleged act or omission by any Indemnitee in connection with this Agreement or the payment, nonpayment or other application of Pledged State Aid and for all Damages arising out of, or based upon any untrue or misleading statement or any material fact made by the District, or breach by the District of any warranty or covenant contained in this Agreement or any certificate, document or instrument delivered in connection herewith.

Section 7. Termination. This Agreement shall terminate no earlier than one business day after the date on which there shall be no Certificates Outstanding and no other Parity Obligations.

Section 8. Amendments.

This Agreement shall not be repealed, revoked, rescinded, altered, amended or supplemented in whole or in part except as shall be agreed to in writing signed by the parties hereto provided, however, that the Authority, DOE, the District and the Paying Agent may, without the consent of, or notice to the owners of the Certificates or any Parity Obligations, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of the owners of the Certificates or any Parity Obligations as theretofore amended or supplemented and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement which shall not be inconsistent with the provisions of this Agreement, or

(b) to grant to or confer for the benefit of the owners of the Certificates or any Parity Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the owners of the Certificates or Parity Obligations, or

(c) to add to the covenants and agreements of one or more parties in this Agreement other covenants and agreements thereafter to be observed by one or more parties to this Agreement, or

(d) to make adjustments in the manner or timing of providing the Delinquency Notice or Intercept Notice, provided, however, any such adjustment described in this clause (e) shall only be permitted if, as of the date such adjustment becomes effective, the Authority determines such adjustment shall not result in a downward adjustment in the then applicable rating assigned to the Certificates or any Parity Obligations by any Rating Agency.

Section 9. Notices, Certificates, Demands, Requests, and Reports.

All notices, certificates, demands, requests and reports to be given or made hereunder to or by the Authority, the Paying Agent, District or DOE shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows:

(a) Authority: South Dakota Health and Educational
Facilities Authority, Suite 120
330 South Poplar
Pierre, S.D. 57501
Attention: Executive Director

(b) Paying Agent: [Name of Paying Agent Bank]

(c) District:

(d) DOE: South Dakota Department of Education

Pierre, South Dakota 57501
Attention: _____

(e) State Auditor:

(f) BFM:

South Dakota Bureau of Finance and
Management

Pierre, South Dakota 57501

Attention: _____

The Authority, DOE, Paying Agent or District may change the address listed for it above at any time upon written notice of such change sent by the United States mail, postage prepaid, to the Authority, DOE, Paying Agent or District, as the case may be.

Section 10. Expenses.

In the event a Delinquency occurs with respect to any Certificate or Parity Obligation and the Authority, DOE or Paying Agent incurs any expenses in connection with their respective rights or obligations hereunder, the District shall promptly, upon demand all out-of-pocket expenses incurred by each of the Authority, DOE or Paying Agent, including fees and disbursements of counsel, in connection with any such events.

Section 11. No Lien or Charge.

Neither this Agreement or any other obligations entered into as part of the Program shall be or become a lien, charge, or liability against the State of South Dakota, DOE or the Authority, nor against the property or funds the State of South Dakota, DOE or the Authority within the meaning of the Constitution or laws of South Dakota.

Section 12. No Impairment.

SDCL § 1-16A provides that the State of South Dakota pledges to and agrees with the holders of capital outlay certificates issued or any lease purchase agreement as part of a program sponsored by the Health and Educational Facilities Authority or secured by a pledge of state aid to education funds that the state will not limit or alter the pledge of state aid to education funds or the provision of this section governing the pledge or the terms provided in §§ 13-19-27, 13-19-29, and 13-13-39, inclusive, so as to impair the terms of any contract made by the school district, the state, or the authority. The school district, state, or authority may not impair the rights and remedies or the holders until the capital outlay certificates or lease purchase obligation, together with interest on the certificates and obligations and all costs and expenses in connection with any action or proceedings by or on behalf of the holders are fully met or discharged. In addition, the state pledges to and agrees with the holders that the state may not limit or alter the basis on which state aid to education funds pledged under the authority or any provision of this Act are to be paid to the authority or any financial institution designated by the authority so as to impair the terms of the contract.

Section 13. Severability.

If any one or more of the covenants or agreements provided in this Agreement on the part of the Authority, DOE, Paying Agent or District to be performed should be determined by a court of competent jurisdiction to be contrary to law such covenant or agreement shall be

deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 14. Controlling Law.

This Agreement shall, to the fullest extent permitted by law, be interpreted, construed and enforced in accordance with the laws of the State of South Dakota.

Section 15. Benefit of Agreement.

This Agreement is made for the sole and exclusive benefit of the parties hereto, and the holders, from time to time, of the Certificates and any Parity Obligations. Nothing contained in this Agreement expressed or implied is intended or shall be construed to confer upon, or to give to any person other than the parties mentioned in the immediately preceding sentence any right, remedy or claim under or by reason of this Agreement.

Section 16. Counterparts.

This Agreement may be executed in several counterparts and when at least one counterpart has been fully executed by each party hereto this Agreement shall become binding on the parties hereto. All or any of said executed counterparts shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

Section 17. Captions.

The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 18. Agreement Binding on Successors.

This Agreement shall be binding upon the Authority, DOE, Paying Agent or District and upon their respective successors, transferees and assigns and shall inure to the benefit of the holders from time to time of any Outstanding Certificates and any Parity Obligations and their respective successors, transferees and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers or representatives as of the date first written above.

_____ SCHOOL DISTRICT NO. ____

SOUTH DAKOTA HEALTH AND
EDUCATIONAL FACILITIES AUTHORITY

By: _____

By: _____

[Name of Paying Agent Bank], as Registrar
and Paying Agent

SOUTH DAKOTA DEPARTMENT OF
EDUCATION

By: _____

By: _____

EXHIBIT A
DELINQUENCY NOTICE

To: _____ School District No. ____ (the "District"); and
South Dakota Health and Educational Facilities Authority (the "Authority")

Copies To: South Dakota Department of Education ("DOE")
South Dakota Bureau of Finance and Management ("BFM")
South Dakota State Auditor ("State Auditor")

From: _____ ("Paying Agent")

Date: _____

Re: That certain State Aid Pledge Agreement dated _____, _____ ("State Aid Pledge Agreement") by and among the District, the Authority, the South Dakota Department of Education and the Paying Agent

1. The undersigned is bond registrar and paying agent for the following obligations of the District (the "Obligations")
 - a. \$_____ original principal amount Limited Tax General Obligation Certificates, Series _____:
 - b. [List any Parity Obligations which are secured by the State Pledge Agreement]
2. You are hereby notified that \$_____ was required to be deposited with the Paying Agent on _____, _____ (the "Deposit Date") and as of this date there is a Delinquency in the amount of \$_____ (the "Delinquent Amount").
3. Pursuant to Section 3(b) and (c) of the State Aid Pledge Agreement the undersigned hereby requests the Authority to contact you concerning the Delinquent Amount and if the Delinquency is not cured by the close of business on _____, _____ (the second business day following the Deposit Date), the Authority shall issue an Intercept Notice in the form of Exhibit C to the State Aid Pledge Agreement to DOE and the State Auditor, with a copy to BFM.
4. Please have the payment of the Delinquent Amount [wire transferred] to the account/address set forth on the attached payment instructions.
5. If you require further information or have questions, please contact the following individual:

6. Terms not defined herein shall have the meanings assigned thereto in the State Aid Pledge Agreement.

[Name of Paying Agent Bank], as Paying Agent

By: _____

[ATTACH PAYMENT INSTRUCTIONS HERE]

EXHIBIT B
INTERCEPT REQUEST

To: South Dakota Health and Educational Facilities Authority (the "Authority")

Copies To: South Dakota Department of Education ("DOE")
South Dakota Bureau of Finance and Management ("BFM")
South Dakota State Auditor ("State Auditor")
_____ School District No. ____ (the "District")

From: _____ ("Paying Agent")

Date: _____

Re: That certain State Aid Pledge Agreement dated _____, _____ ("State Aid Pledge Agreement") by and among the District, the Authority, the South Dakota Department of Education and the Paying Agent

1. The undersigned is bond registrar and paying agent for the following obligations of the District (the "Obligations")
 - a. \$ _____ original principal amount Limited Tax General Obligation Certificates, Series _____;
 - b. [List any Parity Obligations which are secured by the State Pledge Agreement]
2. You are hereby notified that \$ _____ was required to be deposited with the Paying Agent on _____, _____ (the "Deposit Date") and as of this date there is a Delinquency in the amount of \$ _____ (the "Delinquent Amount").
3. Pursuant to Section 3(b) and (c) of the State Aid Pledge Agreement the undersigned hereby requests the Authority to issue an Intercept Notice in the form of Exhibit C to the State Aid Pledge Agreement to DOE and the State Auditor, with a copy to BFM.
4. The Delinquent Amount shall be wire transferred to the account/address set forth on the attached payment instructions.
5. If you require further information or have questions, please contact the following individual:

6. Terms not defined herein shall have the meanings assigned thereto in the State Aid Pledge Agreement.

[Name of Paying Agent Bank], as Paying Agent

By: _____

[ATTACH PAYMENT INSTRUCTIONS HERE]

EXHIBIT C
INTERCEPT NOTICE

To: South Dakota Department of Education (“DOE”)
South Dakota State Auditor (“State Auditor”)

Copies To: _____ District (the “District”)
South Dakota Bureau of Finance and Management
_____ (the “Paying Agent”)

From: South Dakota Health and Educational Facilities Authority (the “Authority”)

Date: _____, ____

Re: State Aid Pledge Agreement dated _____, ____ (the “State Aid Pledge Agreement”) by and among the Authority, DOE, the District and the Paying Agent

The Authority hereby notifies DOE and the State Auditor pursuant to SDCL § 13-13-39 and the referenced State Aid Pledge Agreement as follows:

1. This notice is authorized pursuant to SDCL § 13-13-39 and Section 3 of the State Aid Pledge Agreement.
2. The Authority has received a Delinquency Notice from the Paying Agent indicating that the District is delinquent in making certain deposits with respect to the Certificates or other Parity Obligations secured by the State Aid Pledge Agreement.
3. The authority has contacted the District regarding the Delinquency Notice, but to the Authority’s knowledge the District has failed to cure the Delinquency as of _____, 20__.
4. The Paying Agent has advised the Authority that the Delinquent Amount is currently \$_____.
5. The Authority hereby requests that:
 - (a) DOE deduct from amounts otherwise due to the District for the apportionment of state aid to education funds or other amounts under Title 13 an amount sufficient to pay the Delinquent Amount, and
 - (b) State Auditor issue a warrant for the full amount of the Delinquent Amount, or such lesser amount as has been appropriated for the current fiscal year and not yet distributed pursuant to § 13-13-74 and pay the amounts so deducted to the Paying Agent

Agent by [wire transfer] pursuant to the attached payment instructions on or before _____, 20__.

4. If you require further information or have questions, please contact the following individual:

5. Terms not defined herein shall have the meanings assigned thereto in the State Aid Pledge Agreement.

SOUTH DAKOTA HEALTH AND
EDUCATIONAL FACILITIES
AUTHORITY

By: _____

[ATTACH PAYMENT INSTRUCTIONS HERE]



55 Water Street
New York, NY 10041-0003

February 4, 2016

South Dakota Health and Educational Facilities Authority
330 South Poplar, Suite 201
Pierre, South Dakota 57501
Attention: Mr. Donald Templeton, Executive Director

Dear Mr. Templeton:

Thank you for requesting that Standard & Poor's Ratings Services ("Ratings Services") provide you with feedback through its Rating Evaluation Service (RES) on the indicative credit rating implications to Shannon County School District 65-1 and Spearfish School District 40-2 of implementing the South Dakota state credit enhancements proposed in the scenarios described below. Ratings Services has reviewed the scenarios you have provided, and the following is a summary analysis reflecting our RES committee response.

Existing Rating

South Dakota Health and Educational Facilities Authority is acting as issuer on behalf of the State of South Dakota together with the districts identified in the scenarios presented. The Authority is a body of the State of South Dakota and acts as a facilitator of the financing process and provides no security to the "Proposed Obligations" as defined in the two scenarios. The state of South Dakota is providing the additional credit enhancement security to the Proposed Obligations. We currently rate the issuer credit rating (ICR) of the State of South Dakota 'AAA' with a stable outlook.

Standard & Poor's currently does not have a rating on Shannon County School District 65-1, and we currently rate Spearfish School District No. 40-2's capital outlay certificates 'AA-' with a stable outlook.

We have been asked to review the credit quality of the proposed credit enhancements and have determined that a review of the districts' outstanding lease and capital outlay certificates is outside the scope of the RES. The credit enhancement rating would apply only to the new issues outlined in the scenarios proposed below and would not apply to the districts' existing debt.

Scenarios Presented

Scenario 1

The first scenario assumes the issuance by the Shannon County School District 65-1 of \$44,300,000 of lease purchase obligations, principal and interest on which is subject to annual appropriation and payable out of any funds legally available to the school district. The term of

Private and Confidential

the lease purchase financing is 20 years. The lease purchase obligations are additionally secured by the credit enhancements identified in the resolution and state aid pledge agreement provided.

Scenario 2

The second scenario assumes the issuance by the Spearfish School District 40-2 of \$25,800,000 of capital outlay certificates payable solely out of the school district's capital outlay levy proceeds. The term of the capital outlay certificate financing is 20 years. The capital outlay certificates are additionally secured by the credit enhancements identified in the resolution and state aid pledge agreement provided.

Summary of Indicative Rating Conclusion

Scenario 1

With respect to Scenario 1, the RES committee has determined that the structure and coverage levels as presented would qualify the Proposed Obligations for a credit enhancement rating under our state credit enhancement programs criteria. Consistent with our other intercept enhancement ratings, we would assign a rating at a level one notch off the State ICR rating—reflecting the appropriation nature of the intercept or withholding mechanism. Given that our current State ICR rating is 'AAA,' we would assign an 'AA+' rating to the lease purchase obligations, with a stable outlook. The preceding assumes that the scenario is implemented in accordance with information and representations provided by the issuer to Ratings Services.

Scenario 2

With respect to Scenario 2, the RES committee has determined that the structure and coverage levels as presented would qualify the Proposed Obligations for a credit enhancement rating under our state credit enhancement programs criteria. Consistent with our other intercept enhancement ratings, we would assign a rating at a level one notch off the State ICR rating—reflecting the appropriation nature of the intercept or withholding mechanism. Given that our current State ICR rating is 'AAA,' we would assign an 'AA+' rating to the certificates, with a stable outlook. The preceding assumes that the scenario is implemented in accordance with information and representations provided by the issuer to Ratings Services.

Standard & Poor's Current Evaluation:

We view the following characteristics as strengths of the proposed credit enhancement:

- An independent paying agent, which acts as notification agent in the event of a potential default;
- A 15 day lag between initial notification of delinquency and debt service due dates, allowing sufficient time to initiate the intercept feature to avoid default;
- State aid payments are on hand with the paying agent prior to the debt service due date;
- State oversight of the districts through a state aid pledge agreement signed by all parties and an application process;

Rating Evaluation Service – South Dakota Health and Educational Facilities Authority State Aid Pledge Credit Enhancement

- At least 2x MADS coverage, which reduces the risk that available state aid will be insufficient to fully cover debt service;
- A state budget process that calls for adoption of the budget by March, such that state aid disbursements are authorized well before debt service due dates; together with South Dakota's history of on-time budget adoption.
- A history of stable and predictable state aid payments;
- South Dakota's history of on-time budget adoption; and

Offsetting factors include:

- The potential for reductions to state aid appropriations, which could result in MADS coverage decreasing below 2x;
- Enrollment and taxable value fluctuations at the district level, which could lead state aid coverage to fall below 2x; and
- The potential for late budget adoption, which could disrupt state aid payments to the school districts.

General Assumptions (for all scenarios):

Key assumptions you have provided to us include:

Credit Enhancement Overview

- While the bonds are being issued by the two school districts, the State of South Dakota will also act as obligor, providing credit enhancement to both Proposed Obligations.
- State legislation provides credit enhancement for two kinds of fixed income obligations issued by South Dakota school districts: (1) capital outlay certificates payable solely from proceeds of a capital outlay levy, and (2) annual appropriation lease purchase agreements payable from any legally available school district funds.

Legal Documentation

- An application with the Authority, signed by the participating district, including the additional information required by the application form.
 - Such additional information will include the amortization schedule of the Proposed Obligations.
- A be a state aid pledge agreement containing the following information:
 - The participating district, the Authority, the paying agent, and the Department of Education (DOE) all sign and are participants of the state aid pledge agreement.
 - South Dakota agrees to redirect previously appropriated state aid payments to a paying agent in the event the school district fails to make a required deposit of principal and/or interest.
 - Debt service due dates will be August 1 and February 1.
 - The paying agent will notify the district, DOE, State Auditor, and Bureau of Finance and Management (BFM), and the Authority if the district fails to deposit with the paying agent any amount due with respect to the Proposed Obligations

- on or before the 15th day of the month preceding a principal or interest payment date.
- No later than the second business day following the notice date, the paying agent will provide a request for intercept of state aid funds to the district, Department of Education (DOE), State Auditor, and Bureau of Finance and Management (BFM), and the Authority.
- Upon receipt of the request for intercept, the Authority shall provide an intercept notice that requests the DOE deduct from amounts otherwise due to the district for the apportionment of state aid to education funds or other amounts under Title 13 the amount required to pay the entire delinquent amount.
- The intercept notice will include payment instructions on how to make a wire transfer to the paying agent.
- The DOE will direct the State Auditor to issue a warrant for the full amount of the delinquent debt service payment specified in the intercept notice from the Authority, or such lesser amount as has been appropriated for the current fiscal year and not yet distributed pursuant to § 13-13-74 and to pay the amount so deducted to the paying agent specified by the Authority in such written notice, on or before the last business day of the month preceding the applicable principal or interest payment date, as specified in the intercept notice.
- So long as any parity obligations or the Proposed Obligations remain outstanding, the district covenants and agrees that the Proposed Obligations and all parity obligations shall be payable by the same paying agent and that it will not remove the paying agent until a successor paying agent has been designated and entered into an assignment agreement in a form acceptable to the Authority.
- The Authority has confirmed that the paying agent bank has taken the necessary steps to be a payee for ACH transfers.
- A capital outlay resolution or lease purchase agreement containing the following information:
 - The participating district will deposit each payment of principal and/or interest with the paying agent on the 15th day of the month preceding the August 1 or February 1 date on which it is due to be received by investors.
 - Principal and interest payments are covered by the state aid pledge agreement.
 - The district will pledge all of its right, title and interest in and to all state aid to education revenues as security for the Proposed Obligations.
 - No pledge by a school district of state aid to education funds or other amounts under Title 13 for any other purpose may be permitted and if made is voidable at the election of the Authority.
- A copy of the preliminary official statement or private offering document, as appropriate, under which the obligations to be secured by the state aid pledge are expected to be offered to investors and/or financial institutions.

State Aid Coverage

- The Participant's state aid payments from the most recently completed state fiscal year will provide a minimum of two times coverage of:
 - Maximum annual principal and interest payable on the proposed new issue and any outstanding obligations of the Participant secured by a pledge of state aid, and

Rating Evaluation Service – South Dakota Health and Educational Facilities Authority State Aid Pledge Credit Enhancement

- Each February 1 interest payment, assuming that the only state aid payments available to provide coverage are those payable by the state at the end of January, February, March, April, May and June of a state fiscal year.
- State aid available for the intercept mechanism is the remaining amount of state aid to education funds payable to the district under Title 13.

Debt Service Structure

- Principal amortization must be structured so as to provide substantially level annual debt service.

Role of the State Treasurer

- The State Treasurer has no direct role in the process of the payment of state aid to school districts.
- The principal treasury function is to monitor account balances and ensure that adequate funds exist in the “paying” bank accounts to cover warrants approved by the State Auditor
- There is nothing the State Treasurer can do to interrupt the state aid payment mechanism, other than fail to perform the basic treasury function.

Ratings Services’ analytical judgements include:

- The State will make not repeal or make amendments to the state intercept legislation;
- The State will continue to make state aid payments in 12 roughly even monthly installments on or before the last business day of the month;
- MADS coverage on the Proposed Obligations will remain greater than or equal to 2x;
- Undisbursed state aid will be sufficient to provide 2x coverage on each principal and interest payment date (August 1 and February 1);
- South Dakota will adopt a budget before the fiscal year begins, and if not, it will appropriate state aid to schools prior to the August 1 debt service date;
- South Dakota will continue to consider annual appropriations to school districts a high budget priority.

Outlook

The outlook on the enhanced rating reflects our view that undisbursed state aid payments will continue to be sufficient to provide at minimum 2x coverage on each scheduled principal and interest payment date. It also reflects our rating on the State of South Dakota, which is currently as follows:

The stable outlook reflects our view of the State's focus on structural budgetary alignment in light of slow, but improving, economic and revenue trends. Given statutory limitations on debt issuance and the State's demonstrated discipline in funding its actuarially required pension contributions; we expect continued low debt levels. Although we don't expect to change the rating in the next two years, any future increased economic and revenue volatility that is not addressed with structural expenditure adjustments could pressure the rating. Sector wide risks

*Rating Evaluation Service – South Dakota Health and Educational Facilities Authority State Aid
Pledge Credit Enhancement*

include the potential for significant reductions in federal funding that currently flows to the State. Standard & Poor's will continue to monitor the federal consolidation efforts and will evaluate their effect on the State's finances and officials' response to these revenue reductions.

This ratings services evaluation is both preliminary and confidential. It is preliminary in that it is based on hypothetical information presented to us by you. You understand that Ratings Services will not review, modify or surveil this evaluation. Subsequent information or changes to the information previously provided could result in final conclusions that differ from the preliminary proposed conclusions. Please note the conclusions provided herein are based on assumptions you and your team have provided to us. To the extent that these assumptions, our criteria or other factors change, the rating implications could also change. You understand and agree that we are not financial advisors to you and that in performing the RES, Ratings Services is providing indicative rating opinions on the scenarios presented; it is not endorsing or advocating any particular course of action. Nothing in this report is intended to create, or should be construed as creating, a fiduciary relationship between you and us and recipients of the indicative rating opinions. We have not consented to and will not consent to being named an "expert" under applicable securities laws. Neither Ratings Services' RES or any indicative rating set out herein is a credit rating, nor is it a recommendation to buy, hold or sell any financial obligation of an issuer. This report is subject to the Terms and Conditions attached to the Engagement Letter applicable to the RES (the "applicable T&Cs").

Confidential Dissemination of the Evaluation. The rating services evaluation, including this report, is provided by Ratings Services to you on a confidential basis. You may not disclose the evaluation (or for the avoidance of doubt, any indicative rating set out therein) or this report, to third parties except: (i) as required by law or regulation, or for regulatory purposes, or (ii) to third parties that are bound by confidentiality obligations; and in each case, only in accordance with law and in its entirety without any changes (and provided a copy of the applicable T&Cs are attached thereto). If the evaluation is disclosed other than in accordance with the Engagement Letter, including the applicable T&Cs, Ratings Services reserves the right to publicly comment on the evaluation and/or publish this report.

Sincerely,

/s/

Standard & Poor's Ratings Services



RESOLUTION authorizing the South Dakota Health and Educational Facilities Authority South Dakota State Aid Pledge Program to secure School District Capital Outlay Certificates, authorizing the acceptance and approval of applications under the Program, authorizing the execution and performance of a State Aid Pledge Agreement to secure such Certificates, and authorizing execution, performance and delivery of other documents, certificates and instruments in connection therewith.

RECITALS

WHEREAS, the South Dakota Health and Educational Facilities Authority (the “*Authority*”) has been created by the South Dakota Health and Educational Facilities Authority Act, as amended (the “*Act*”);

WHEREAS, Chapter 90 of the 2015 South Dakota Session Laws amended South Dakota Codified Laws, including chapter 1-16A, chapter 13-13 and chapter 13-19, in order to authorize a program (the “*State Aid Pledge Program*”) to be sponsored by the Authority pursuant to which South Dakota school districts may elect to issue capital outlay certificates (the “*Certificates*”) that are secured by a pledge of state aid to education funds for the purpose of financing capital improvements, the acquisition of equipment, or improvement of school facilities or other lawful purpose; and

WHEREAS, the Authority has been presented with drafts of the following draft documents (collectively, the “*Program Documents*”):

(a) a Program Description (the “*Program Description*”) outlining the requirements of the State Aid Pledge Program which shall be made available to South Dakota School Districts interested in participating in the State Aid Pledge Program (each a “*Participating District*”) attached as Exhibit A; **(See Tab 3A, Page 10)**

(b) a Form of Application (the “*Application*”) to be completed by each Participating District that elects to participate in the State Aid Pledge Program attached as Exhibit B; and

(c) a form of State Aid Pledge Agreement to be entered into by each Participating District, the Authority, the Participating District’s designated paying agent (the “*Paying Agent*”) and the South Dakota Department of Education (“*DOE*”) attached as Exhibit C. **(See Tab 3A, Page 13)**

NOW, THEREFORE, Be It Resolved by the South Dakota Health and Educational Facilities Authority as follows:

Section 1. Findings. The Authority hereby finds and determines that the Authority is authorized pursuant to Chapter 1-16A and Title 13, South Dakota Codified Laws, including chapter 90 of the 2015 Session Laws, to sponsor the State Aid Pledge Program.

Section 2. Fees. The Authority hereby establishes an application fee of 1/8 of 1% of the proposed principal amount of Certificate to be charged to a Participating District at the time it submits an application seeking to have a series of its Capital Outlay Certificates to be secured by Pledged State Aid. **The Authority currently anticipates that it will not charge an annual administration fee for any series of Capital Outlay Certificates which are secured by Pledged State Aid.**

Section 3. Program Documents. The draft forms of Program Documents are hereby approved, subject to such revisions, modifications or supplements as the officers of the Authority shall deem necessary or appropriate from time to time in order to better implement the Program in in response to requirements of any bond rating agency and other participants.

Section 4. Ratification of Certain Actions. The submission of such documents to various bond rating agencies is hereby authorized, ratified and confirmed.

Section 5. Separate Resolution Required for each Series of Capital Outlay Certificates to be Secured by Pledged State Aid. Any specific issue of Capital Outlay Certificates to be secured by Pledged State Aid and the execution and delivery of a State Aid Pledge Agreement in connection therewith shall be separately approved by the Authority pursuant to a specific resolution.

Section 6. Effective Date. This Resolution shall take effect immediately.

Adopted this 10th day of February, 2016.

EXHIBIT B

[See Attached]

South Dakota State Aid Pledge Program

Application

School District:	Business Manager:
Address:	Phone: Email Address:
Principal Amount of Proposed Capital Outlay Issue:	Proposed Issuance Date and Final Maturity :
Brief Description of Use of Proceeds:	
Paying Agent:	Paying Agent ACH Number:
Bond Counsel:	Underwriter/Lender:
<p>Additional Information to be Attached :</p> <ul style="list-style-type: none"> • Audited Financial Statements of the school district for the three most recent audited fiscal years • For each outstanding issue of the school district's capital outlay certificates: <ul style="list-style-type: none"> - Copy of the authorizing resolution - Copy of the Official Statement or other offering materials - Amortization Schedule • Estimated sources and uses of funds for the proposed new issue • Schedule of monthly state aid receipts for each of the past three full school years • Capital outlay levy and receipts for each of the past five calendar years • Total assessed valuation of the school district for each of the past five calendar years 	

REBATE COMPUTATION PROPOSALS
South Dakota Health and Educational Facilities Authority.

<u>Series</u>	<u>Facility</u>	<u>Amount Issued</u>	<u>Completed Computation Date</u>	<u>Rebate Liability</u>	<u>Next Computation Date</u>	<u>Eide Bailly Fargo, North Dakota Proposal</u>	<u>Avant Strategic Partners Overland Park, Kansas Proposal</u>	<u>Perkins Coie Chicago, Illinois Proposal</u>
1994	Huron Regional Medical Center	\$11,315,000	April 28, 2014 April 28, 2009 April 28, 2004	(1,526,742.10) (992,645.90) (598,393.11)	April 28, 2019	Annual Fee @ \$1,200 or 2020 - 10 Year Fee @ \$2,400	Annual Fee @ \$2,500	Annual Fee @ \$2,500
2007	Children's Care	\$8,705,000	March 29, 2015 March 29, 2014 March 29, 2013	(128,475.13) (100,300.17) (73,119.02)	March 29, 2016	Annual Fee @ \$1,500 or 2017 - 5 Year Fee @ \$1,500	Annual Fee @ \$1,600	Annual Fee @ \$2,500
2014	Avera Health	\$58,750,000	June 26, 2015	(1,550,050.41)	June 26, 2016	Annual Fee @ \$1,200 or 2019 - 5 Year Fee @ \$2,400	Annual Fee @ \$1,300 or 2019 - 5 Year Fee @ \$2,500	Annual Fee @ \$2,500
2014B	Sanford Health	\$186,105,000	October 28, 2015	N/A	October 28, 2016	Annual Fee @ \$1,200 or 2019 - 5 Year Fee @ \$2,400	Annual Fee @ \$1,300 or 2019 - 5 Year Fee @ \$2,500	Annual Fee @ \$2,500
2015	Regional Health	\$67,210,000	January 27, 2016	N/A	November 27, 2016	Annual Fee @ \$1,800 or 2017 - 5 Year Fee @ \$2,000	Annual Fee @ \$1,300 or 2020 - 5 Year Fee @ \$3,800	Annual Fee @ \$2,500
2015	Sanford Health	\$208,000,000	June 30, 2015	N/A	June 30, 2016	Annual Fee @ \$1,800 or 2017 - 5 Year Fee @ \$2,000	Annual Fee @ \$1,300 or 2020 - 5 Year Fee @ \$3,800	Annual Fee @ \$2,500

Chapman & Cutler of Chicago, Illinois has prepared the past computations for \$2,500 per computation. Perkins Coie would charge a one time aggregate fee of \$5,000 on health care issue.

**South Dakota Building Authority
And
South Dakota Health and
Educational Facilities Authority**

**PROPOSAL TO PROVIDE
ARBITRAGE REBATE SERVICES**

**Prepared by:
EIDE BAILLY LLP**

November 24, 2015



CPAs & BUSINESS ADVISORS

November 24, 2015

Don Templeton
South Dakota Health and Educational Facilities Authority
330 South Poplar Avenue, Suite 102
Pierre, South Dakota 57501

We appreciate the opportunity to present our proposal to serve the South Dakota Building Authority and the South Dakota Health and Educational Facilities Authority (the "Authorities") as Arbitrage Rebate Consultant. We would appreciate having the opportunity to prepare the necessary arbitrage rebate calculations regarding the Authorities' bond issues as listed on Exhibit 1.

The decision of selecting a consulting firm is not an easy one. However, the more positive reasons for selecting a consultant, the easier the decision becomes. We have identified what we believe are six excellent reasons why the Authorities should select Eide Bailly LLP ("EB"). These reasons support our belief that by selecting EB, the Authorities will receive special bond issuance tax law and regulation analysis, current and aggregate rebate calculations and required compliance reporting of the highest quality and responsiveness; yielding meaningful benefits to the Authorities. The reasons are:

- 1. Specific experience with the Authorities in preparing bond refunding verification calculations.**
- 2. Arbitrage rebate and bond financing industry experience, including consultation both prior to and after the issuance of bonds.**
- 3. Dedication and involvement in supporting a client's business dealings.**
- 4. Practical suggestions for improvement of processes and procedures used by a client.**
- 5. Proper planning, organization and administration in the conduct of engagements.**
- 6. Price competitive services.**

www.eidebailly.com

1601 N.W. Expressway, Ste. 1900 | Oklahoma City, OK 73129 | T 405.478.3334 | F 405.478.5673 | EOE

Page Two

The scope of services you have requested is understood to be:

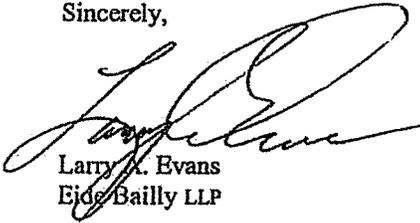
- * Preparation of arbitrage rebate calculations for the bond issues listed on Exhibit 1 for various time lines.

Details related to our service deliverables and discussion of the fee structure of our service is outlined on Exhibit 1.

After this proposal is approved, we will provide you with a list of information needed to complete the calculation.

We look forward to continuing and expanding our relationship with you and the Authorities. We would welcome the opportunity to discuss this proposal with you at your convenience. Please contact Larry A. Evans at (405) 478-3334 if you have any questions or wish to arrange a meeting to discuss our proposal.

Sincerely,



Larry A. Evans
Eide Bailly LLP

Description of Firm and Professionals

Firm name: Eide Bailly LLP
Address: 1601 N.W. Expressway, Suite 1900
Oklahoma City, Oklahoma 73118
Telephone: (405) 478-3334
Fax: (405) 478-5673

Professionals Assigned to Project

Lead Contact and Service Provider

Name: Larry A. Evans
Position: Consultant
Address: 1601 N.W. Expressway, Suite 1900
Oklahoma City, Oklahoma 73118
Telephone (Direct): (405) 858-5508
Fax: (405) 478-5673
E-mail: levans@eidebailly.com

Arbitrage Calculation Specialist

Name: Meg Stolpestad
Position: Sr Associate
Address: 4310 17th Ave S
Fargo, ND 58108-2545
Telephone (Direct): (701) 476-8345
Fax: (701) 239-8600
E-Mail: mstolpestad@eidebailly.com

Professional Qualifications

Larry A. Evans – Mr. Evans is a certified public accountant with over 40 years of public accounting experience and 5 years of banking, including experience as Senior Trust Officer responsible for bonds administered through the area of corporate trust. Mr. Evans has worked in the bond arbitrage rebate and arbitrage restriction service areas since 1988 and has personally made hundreds of arbitrage rebate calculations during that time frame, has consulted with government organizations on arbitrage rebate rules and regulations and is frequently called upon by Bond attorneys concerning arbitrage rebate matters.

Because Mr. Evans has a background in Trustee responsibilities and operations, he is able to understand and comment on the handling of bond financial information at the Trustee level, which has led to benefits for his rebate clients. Mr. Evans has worked with, and been hired by, many different trustees from most all of the local corporate trust providers in Oklahoma, as well as out of state corporate trust service providers.

Not all arbitrage rebate services require calculations. Mr. Evans has assisted many clients with arbitrage rebate consultation including both pre and post bond issue planning. Mr. Evans is also one of few dealing with arbitrage rebate that have had clients apply for and receive refunds of prior paid arbitrage rebate amounts and has represented clients before the Internal Revenue Service in the waiver of penalties and interest on delinquent rebate tax payment issues.

Meg Stolpestad – Ms. Stolpestad has worked in the bond arbitrage rebate area since 1990 and has been responsible for the preparation of all types of arbitrage rebate calculation services including standard arbitrage rebate calculations, spend down exception calculations, calculations related to yields, transferred proceeds, spending exceptions and applications for refunds of overpaid rebate amounts.

ARBITRAGE REBATE LETTER

DATE

[REDACTED]

RE: Aggregate Rebate Calculation

[REDACTED]

Dear [REDACTED]:

Pursuant to the request by the [REDACTED], we have calculated the aggregate amount of rebate ("Aggregate Rebate Amount") required on the [REDACTED] (the "Authority") [REDACTED] Revenue Bonds ([REDACTED] Project) (the "Bonds") for the initial period beginning February 17, 2000 through February 1, 2005.

The Aggregate Rebate Amount on the Bonds has been computed in accordance with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations (the "Regulations") issued pursuant thereto.

In general, the Code and Regulations provide that the excess of the amount earned on all nonpurpose investments over the amount earned if such nonpurpose investments were invested at a rate equal to the yield on the bond issue, plus the income attributable to the amount of such excess, must be paid to the United States. A nonpurpose investment is any investment property acquired with the gross proceeds of the issue that is not acquired in order to carry out the governmental purpose of the issue. The payment must be made at least once every five years, and the amount paid must equal at least 90 percent of the rebate required.

Final payment of all amounts required to be rebated must be made no later than 60 days after the day on which the last payment on the Bonds is made. Failure to comply with these provisions could result in penalties and/or the loss of the tax-exempt status of the issue retroactive to the date of issue.

The Aggregate Rebate Amount is also based upon the information contained in the cash receipts and disbursement statements provided to us by you, representing the [REDACTED], on behalf of the Authority. We have not verified or otherwise audited the accuracy of the information provided us by you, and accordingly, we express no opinion concerning the accuracy of the information used in calculating the Aggregate Rebate Amount, nor do we express an opinion on whether the obligation shall be treated as an arbitrage bond as defined in Code Section 148.

It is understood that the arbitrage rebate requirements are based on Section 1.148 of the Income Tax Regulations promulgated under Section 148(f) of the Code.

Based upon the information provided to us by the [REDACTED], and the provisions of the Treasury Regulations referred to above, our calculations indicate the Aggregate Rebate Amount to be a negative amount of (\$ [REDACTED]) for the rebate period beginning February 17, 2000 through February 1, 2005, after the Computation Date Credit, provided in the Treasury Regulations is considered. Therefore, no amount is required to be rebated to the United States for the period beginning February 17, 2000 and ended February 1, 2005.

It is our understanding that this rebate calculation is solely for the information of, and assistance to, the addressee for the purpose of complying with Section 148(f) of the Code and Regulations related thereto and is not to be used, circulated, quoted, or otherwise referred to within or without the above parties for any other purpose, without our permission. We hereby give permission for a copy of this report to be furnished to the [REDACTED] and [REDACTED] (Trustee for the Bonds).

Very truly yours,

Rebate Computations

South Dakota Building Authority

Series	Amount Issued	Last Computation Date	Next Computation Date	Liability	Rebate Service Ref @
Series 2010A&B	\$ 26,000,000	June 30, 2015	June 30, 2016	\$ (20,041.32)	
Series 2011	\$ 12,880,000	June 30, 2015	June 30, 2016	\$ (251,499.87)	1
Series 2013B	\$ 67,340,000	June 30, 2015	June 30, 2016	\$ (2,863,309.41)	2
Series 2014B	\$ 35,820,000	June 30, 2015	June 30, 2016	\$ (642,615.63)	3
Series 2014D&E	\$ 5,250,000	June 30, 2015	June 30, 2016	\$ (296,805.42)	4
Series 2015B	\$ 42,960,000	June 30, 2015	June 30, 2016	\$ (497,378.77)	5
	\$ 10,880,000	Will be computed 2016	June 30, 2016	N/A	6
					7

South Dakota Health and Educational Facilities Authority

Series	Amount Issued	Last Computation Date	Next Computation Date	Liability	Rebate Service Ref
Series 1994	\$ 11,315,000	April 18, 2014	April 1, 2016	\$ (1,526,742)	8
Series 2007	\$ 8,705,000	March 29, 2015	March 26, 2016	\$ (128,475)	9
Series 2014	\$ 58,750,000	June 26, 2015	June 26, 2016	\$ (1,550,050)	10
Series 2014B	\$ 186,105,000	October 28, 2015	October 28, 2016	N/A	11
Series 2015	\$ 67,210,000	N/A	January 27, 2016	N/A	12
Series 2015	\$ 208,000,000	N/A	October 21, 2016	N/A	13

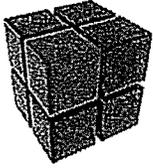
@ Rebate Service Reference – See attached page for service and fee details.

Rebate Service and Fee Details
Made Part of Exhibit 1

<u>Ref</u>	<u>Description</u>
1.	Depending on the date of issue, the last calculation made on June 30, 2015 should serve as the required fifth year calculation. Because of the negative arbitrage amount calculated as of June 30, 2015, it is recommended that, unless more frequent calculations are required by bond documents, no calculation of arbitrage rebate should be done until June 30, 2020. The fee for the five year calculation would be \$2,600. However, if an annual arbitrage rebate calculation as of June 30, 2016 is desired, the fee would be \$1,200.
2.	Based on an issue date in 2011, a first fifth year calculation will need to be made in 2016 unless a decision to treat the June 30, 2015 calculation as the first can be made. If the earlier calculation can be used as the first fifth year calculation and because of the negative arbitrage calculation as of that date, it would be recommended that, unless required by bond documents on a more frequent calculation, no calculation of arbitrage rebate be made until 2020. The fee for the five year calculation would be \$2,600. If a short period arbitrage rebate calculation is required to conform to a first fifth year calculation, the fee would be \$1,200.
3.	It is recommended that any bond issue classified as a construction issue have an arbitrage rebate calculation made two years after issue to determine if the spend down provision related to arbitrage rebate has been met. With the last calculation made as of June 30, 2015, information related to the spend down exception, should have been considered. Therefore, also noting the large negative rebate amount as of June 30, 2015, it is recommended that the next rebate calculation not be made until the first fifth year anniversary issue date of the bonds in 2018, unless bond documents would require an earlier calculation frequency. Based on current fee structures, the calculation in 2018 would be estimated at \$2,100. If an annual report is required, the first such calculation fee would be \$1,200.
4.	It is usually recommended that any bond issue classified as a construction issue have an arbitrage calculation at the end of two years from the date of issue. The last calculation for this bond issue was made in the first year and produced a large negative arbitrage. Because of the large negative arbitrage, it is recommended that, unless bond documents require a more frequent calculation period, the next calculation not be made until the first fifth year anniversary date of the bonds in 2019. Based on current fee structures, the calculation in 2019 would be estimated at \$2,400. If an annual report is required the first such calculation fee would be \$1,200.
5.	It is usually recommended that any bond issue classified as a construction issue have an arbitrage calculation at the end of two years from the date of issue. The last calculation for this bond issue was made in the first year and produced a large negative arbitrage. Because of the large negative arbitrage, it is recommended that, unless bond documents require a more frequent calculation period, the next calculation not be made until the first fifth year anniversary date of the bonds in 2019. Based on current fee structures, the calculation in 2019 would be estimated at \$2,400. If an annual report is required the first such calculation fee would be \$1,200.

<u>Ref</u>	<u>Description</u>
6.	It is usually recommended that any bond issue classified as a construction issue have an arbitrage calculation at the end of two years from the date of issue. The last calculation for this bond issue was made in the first year and produced a large negative arbitrage. Because of the large negative arbitrage, it is recommended that, unless bond documents require a more frequent calculation period, the next calculation not be made until the first fifth year anniversary date of the bonds in 2019. Based on current fee structures, the calculation in 2019 would be estimated at \$2,400. If an annual report is required the first such calculation fee would be \$1,200.
7.	It is recommended that any bond issue classified as a construction issue have an arbitrage rebate calculation made two years after issue to determine if the spend down provision related to arbitrage rebate have been met. With this issue originating in the current year, it is recommended that the first rebate calculation not be made until the second year anniversary of the issue in 2017, with the next arbitrage calculation then made at the first fifth year anniversary issue date of the bonds in 2020, unless bond documents would require an earlier calculation frequency. Based on current fee structures, the calculation in 2020 would be estimated at \$2,600. The first calculation at the second anniversary date in 2017 fee would be \$1,800, which would include spend down calculation testing.
8.	Because of the age of this issue and the large negative arbitrage rebate amount calculated as of the last report on April 18, 2014, it is recommended that the next arbitrage rebate calculation not be made until sometime in 2019 at the end of the required fifth year calculation period, unless bond documents would require an earlier calculation frequency. Based on current fee structures, the calculation in 2019 would be estimated at \$2,400.
9.	The first fifth year required rebate calculation for this bond issue would have occurred not later than 2012. The last calculation, showing a negative arbitrage rebate amount, was made as of March 29, 2015. It is recommended that the next calculation not be made until 2017 and then only every fifth year unless bond documents require a more frequent calculation period. Based on current fee structure, the fee for the calculation in 2017 would be \$1,500.
10.	It is usually recommended that any bond issue classified as a construction issue have an arbitrage calculation at the end of two years from the date of issue. The last calculation for this bond issue was made in the first year and produced a large negative arbitrage. Because of the large negative arbitrage, it is recommended that, unless bond documents require a more frequent calculation period, the next calculation not be made until the first fifth year anniversary date of the bonds in 2019. Based on current fee structures, the calculation in 2019 would be estimated at \$2,400. If an annual report is required the first such calculation fee would be \$1,200.
11.	It is usually recommended that any bond issue classified as a construction issue have an arbitrage calculation at the end of two years from the date of issue. The last calculation for this bond issue was made in the first year and produced a large negative arbitrage. Because of the large negative arbitrage, it is recommended that, unless bond documents require a more frequent calculation period, the next calculation not be made until the first fifth year anniversary date of the bonds in 2019. Based on current fee structures, the calculation in 2019 would be estimated at \$2,400. If an annual report is required the first such calculation fee would be \$1,200.

<u>Ref</u>	<u>Description</u>
12.	It is usually recommended that any bond issue classified as a construction issue have an arbitrage calculation at the end of two years from the date of issue. No rebate calculation for this bond issue has been made. It is recommended that, unless bond documents require a more frequent calculation period, the first calculation not be made until the second year anniversary date of the bonds in 2017, which would allow testing of the spend down exceptions to arbitrage rebate. Based on current fee structures, the calculation in 2017 would be estimated at \$2,000. However, if an annual report is required the first such fee would be \$1,800.
13.	It is usually recommended that any bond issue classified as a construction issue have an arbitrage calculation at the end of two years from the date of issue. No rebate calculation for this bond issue has been made. It is recommended that, unless bond documents require a more frequent calculation period, the first calculation not be made until the second year anniversary date of the bonds in 2017, which would allow testing of the spend down exceptions to arbitrage rebate. Based on current fee structures, the calculation in 2017 would be estimated at \$2,000. However, if an annual report is required the first such fee would be \$1,800.



AVANT

STRATEGIC PARTNERS, L.P.

November 24, 2015

VIA EMAIL

South Dakota Building Authority
South Dakota Health and Educational Facilities Authority
Attention: Mr. Don Templeton
330 South Poplar, Suite 102
Pierre, South Dakota 57501

Re: Proposal for Arbitrage Consulting Services

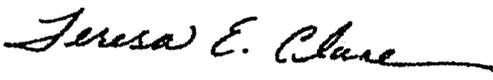
Dear Mr. Templeton:

Thank you for the opportunity for Avant Strategic Partners, L.P. ("Avant") to present our proposal to provide arbitrage consulting services to the South Dakota Building Authority and the South Dakota Health and Educational Facilities Authority (the "Authorities"). Our focus is to create maximum value by minimizing arbitrage liabilities, reducing your administrative time and providing arbitrage planning ideas consistent with your strategic goals.

We are excited about the opportunity to partner with the Authorities and will be glad to provide references and samples of our report upon request. Please do not hesitate to contact me at (913) 681-7783 if you have any questions regarding our proposal. I can also be reached via email at clunet@avantsp.com.

Very truly yours,

AVANT STRATEGIC PARTNERS, L.P.

By 
Teresa E. Clune, Partner
Enclosures

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III. Our Consultative Approach	4
IV. Engagement Team	6
V. Fees Schedule	7

I. BACKGROUND

Avant's professional team has been performing arbitrage rebate calculations since 1992, and traces its roots to the Arthur Andersen Municipal Bond Services Group. Our core service offerings are arbitrage calculations and post-issuance compliance consulting. The Avant consulting team proposed for this engagement has more than 35 years of combined arbitrage experience, and has managed the completion of thousands of arbitrage calculations.

Our diverse national client base has exposed us to a full range of complex tax-advantaged financing structures in a variety of industries, such as: state and local governments, public utilities, transportation, multi- and single-family housing, education, and healthcare. These include, but are not limited to: fixed rate bonds with callable premium adjustments, variable rate issues with qualified guarantees and/or qualified hedges, refundings involving transferred proceeds computations, tax credit bonds (e.g., BABs, QSCBs & QECBs), and short term financing structures such as lines of credit. As a result, Avant has the requisite knowledge and experience to serve the Authorities' needs at the highest level.

As we highlight throughout our proposal, Avant's true value proposition is delivered through our consultative approach to client service. We are able to advise our clients throughout the engagement process about ways to reduce exposure to a multitude of risks, as well as develop strategies for minimizing arbitrage liabilities and maximizing allowable earnings. Our public accounting heritage uniquely qualifies us to recommend ways to improve or enhance internal controls relevant to post issuance compliance matters that are beyond the scope of arbitrage calculations.

II. SCOPE OF SERVICES

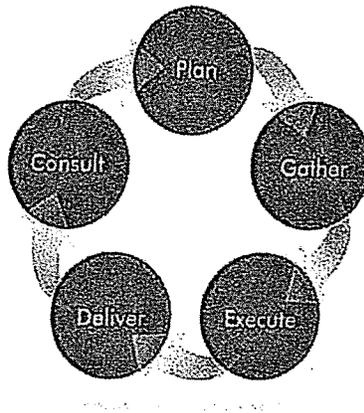
For each of the Authorities' relevant bond issues, our work to perform the arbitrage calculations will include:

- A reading of applicable sections of selected bond documents to determine relevant data necessary for the computations (e.g., Tax Certificate, Official Statement & 8038);
- Monitoring and communication of all relevant dates and filing deadlines;
- An accounting of gross proceeds allocable to each issue, including a reconciliation of sale proceeds (i.e. Sources & Uses);
- Evaluation of applicable spending exceptions;
- Computation of the variable rate bond yield or verification of the fixed rate yield;
- A calculation of the amount of arbitrage liability including any yield reduction amount (if applicable);
- The issuance of a detailed Arbitrage Report to disclose and explain our calculations;
- Preparation of any required filings, with instructions (e.g., Form 8038-T); and
- Assistance in the preparation of a formal final allocation of proceeds for each issue.

Our standard approach to every arbitrage rebate calculation includes a thorough analysis of the particular circumstances of each bond issue, and the development of a value-added approach tailored to those unique factors. For example, as a cost savings measure, we recommend skipping annual calculations for bonds with significant negative liabilities unless material changes in bond status or other circumstances have occurred during the year. This approach provides the most value while keeping the overall cost of consulting to a minimum.

III. OUR CONSULTATIVE APPROACH

We are extremely confident in our ability to deliver comprehensive arbitrage consulting services that meet the Authorities' needs in the most effective and cost efficient manner. Avant's value-added consultative approach to each engagement is comprised of five distinct phases:



Plan: Our project management process begins and ends with an assessment of the Authorities' needs on a bond-by-bond basis. Toward that end, we will kick off this new engagement with a planning meeting with relevant Authority personnel. Objectives for the meeting will include, among other things:

- Gaining an understanding of the Authorities' current financial systems and processes;
- Gathering of documents and schedules for each bond issue which will enable us to review any special elections, propose the appropriate bond year and relevant IRS filing dates;
- Defining a detailed transition plan from the prior provider;
- Establishing expectations, priorities and timelines, including a communication plan tailored to the Authorities' needs;
- Developing planning strategies for any bonds with exposure to liability.

We will schedule the planning meeting with our designated contact at a mutually convenient time, and suggest that the initial planning meeting occur at least one month prior to the first calculation date. Throughout the engagement cycle, we will communicate with Authority personnel proactively in anticipation of upcoming deliverables.

Before each annual calculation cycle, we will plan all projects due within the upcoming fiscal year. We will provide and discuss with relevant Authority with a timeline of material events (i.e., data collection dates, statutory filings, etc.), and a forecast of fees to be billed during the year for planned deliverables. In addition, we will confer with Authority staff regarding anticipated new issues.

Gather: We have developed proprietary methods of efficiently downloading and extracting electronic transaction data from a number of trustees. For most bonds, this capability will greatly reduce the amount of time and effort required to gather relevant data. With the approval of the Authorities, we would like to coordinate with the trustee to obtain on-line access to transaction and balance data.

Execute: Our staff consists of highly trained professionals who take great pride in their work product. All work performed will be in accordance with applicable IRS code and regulations, and we will advise Authority personnel immediately if any issues arise. In order to ensure accurate Rebate and Yield Reduction liabilities, we engage in an extensive process to reconcile cash flow activity to trust statements and/or financial statements. As a form of analytical control, we also compare investment yields derived from cash flow activity to industry norms and other client provided information. Additionally, every calculation report will be reviewed at least twice before being approved for release.

We designed our calculation software to integrate quality control measures throughout the calculation process. For example, the software will validate data to ensure that all entries fall within the specified calculation period and computes yields for analysis over the current and cumulative from inception time frames. All data from the software is saved in a database as a safeguard for the information and for reporting purposes. The software has been tested for accuracy against numerous calculation examples that are presented in the IRS Regulations.

Because of the nuances of yield restriction requirements, many issuers are not aware that it is possible to owe yield reduction payments even when there is no rebate liability. Therefore, in addition to rebate calculations, our scope always includes analysis of yield restriction requirements for each issue and the application of relevant temporary periods. We will calculate yield restriction liabilities, when applicable, at no additional cost to the Authorities. This approach ensures full compliance with both rebate and yield restriction rules while optimizing results.

Deliver: For each bond issue, we will prepare a report that includes a comprehensive summary of the arbitrage yield, rebate and yield restriction liabilities (if applicable). A complete discussion and explanation of our approach, our assumptions and our findings is also included. We provide detailed cash flow schedules showing relevant bond and investment activity, and, as needed, develop additional schedules and sub-schedules to reflect information particular to each bond issue (e.g., spending exceptions). In every case, we prepare a report that is concise, relevant, and tailored to the particular needs and circumstances of the Authorities, while at the same time working to reduce the cost and burden of compliance.

As part of each calculation cycle, we will provide an updated Liability Summary tailored to meet the Authorities' informational needs. For five-year filing calculations where a payment is due to the IRS, our deliverables will include a completed Form 8038-T and filing instructions.

Consult: As an Avant client, the Authorities get more than just a relevant, high quality arbitrage report. Our focus is excellent customer service. At the end of each calculation cycle, we will consult with the Authorities to address identified opportunities and/or risks, so that resulting strategies are incorporated into future calculation cycles and bond transactions. All of this is provided as part of our standard fee structure, at no additional cost to the Authorities. The time invested in this process will vary based on the facts and circumstances we encounter while transitioning from the prior provider and in future reporting periods. In any event, consultation is integral to our standard approach and we view it as investing in a long term relationship with our clients.

Like any practice of our size and scope, we have had clients randomly selected for audit. We have worked with the IRS to provide documentation and calculation support for positions taken in our calculations. We have also worked on IRS audits and Voluntary Closing Agreement Program (VCAP) submissions for issuers that had not previously used us for arbitrage services. Our services included calculation support with custom modeling to determine the best strategies for special tax counsel to use in discussions with the IRS. Avant has also prepared numerous refund claims on behalf of clients. To date, none of the IRS audits or refund claims has resulted in adverse findings.

IV. ENGAGEMENT TEAM

Teresa Clune, Engagement Partner
(913) 681-7783

Teresa has specialized in arbitrage services for over 20 years. She worked for Arthur Andersen from 1992 through 2002, continued her career with Bond Resource Partners (Avant predecessor firm) through 2008, and currently holds a Partner position with Avant. She works out of the firm's Overland Park, Kansas office. Prior to her career in arbitrage services, Teresa was a bank examiner for the Federal Deposit Insurance Corporation.

Teresa's role includes managing a significant, complex client base with the utmost attention to quality and service. She has established long-term relationships with her clients by focusing on value creation and anticipating how regulatory changes might impact her clients' business. She has extensive experience providing training to clients regarding arbitrage and other post issuance compliance related matters.

Teresa holds a Bachelor of Science in Business Administration in Finance with a minor in Spanish from the University of Kansas. She is an associate member of the National Association of Bond Lawyers (NABL).

Teresa would serve as the daily contact for the Authorities. She would manage the engagement team and workflow of the project, perform a complete review of all calculation reports and other deliverables, and consult with the Authority regarding liability optimization. She has extensive experience with IRS audit support and VCAP settlements, if the need for these services arises.

Kellee Spears, Senior Consultant

Kellee has more than 10 years of accounting arbitrage and finance experience including Big 4 Public Accounting (EY). During her seven years at Avant, Kellee has been involved in preparing and reviewing hundreds of arbitrage calculations. Additionally, Kellee is a key contributor to the Firm's other post-issuance compliance activities, including compliance program development and Form 990, Schedule K preparation.

Kellee holds a BBA in Accounting from the University of Incarnate Word in San Antonio.

With regards to this engagement, Kellee would focus on preparation of calculations and report deliverables.

Chris Nyce, Senior Consultant

Chris has over 25 years of experience in varied areas of accounting & finance, I.T. and client services. During his eight years with Avant, Chris has been integral to the design and continuous improvement of Avant's quality control, data coordination and engagement management solutions. Chris studied Accounting at West Chester University of Pennsylvania.

Chris' responsibilities with this engagement would relate primarily to data gathering and preparation of calculations.

IV. FEES SCHEDULE

We believe that long-term relationships are built by providing high-quality service at a fair price. Our proposed fees and recommended calculation schedule through the year 2020 are summarized on the attached Cost Schedule. Pricing for new bond issues will be comparable to the proposed cost schedule.

Our fees contemplate that we will be able to obtain transaction data in an electronic format (i.e. MS Excel file) and that we will incorporate by reference calculation activity and results performed by the prior service provider. Fees for services such as IRS audit support or additional post issuance compliance management services will be quoted separately.

**Avant Strategic Partners, LP Proposal for Arbitrage Calculations
Fees Schedule**

South Dakota Building Authority Calculation Fees:

<u>Bond Issue</u>	<u>Fees for Recommended Calculation Years ^(B)</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Series 2010A & B ^(A)	1,300	1,300	1,300	1,300	1,300
Series 2011	1,300		1,600		
Series 2013B			1,900		
Series 2014A				2,500	
Series 2014B				2,500	
Series 2014D & E				2,500	
Series 2015B ^(C)	1,300				2,500
Total Calculation Fees:	\$ 3,900	\$ 1,300	\$ 4,800	\$ 8,800	\$ 3,800

South Dakota Health and Educational Facilities Finance Authority Calculation Fees:

<u>Bond Issue</u>	<u>Fees for Recommended Calculation Years ^(B)</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Series 1994				2,500	
Series 2007		1,600		1,600	
Series 2014				2,500	
Series 2014B ^(D)				2,500	
Series 2015 (Regional) ^(C)	1,300				2,500
Series 2015 (Sanford) ^(C)	1,300				2,500
Total Calculation Fees:	\$ 2,600	\$ 1,600	\$ -	\$ 9,100	\$ 5,000

^(A) Bonds are assumed to be one series for tax purposes. If determined to be separate series, individual calculation fees will apply. In addition, 2016 results should be evaluated to determine the necessity for annual calculations.

^(B) Annual calculation fees are \$1,300, plus \$300 for any skipped years. Five year calculation fees are \$2,500 if a calculation has not been performed since the first bond year. Pricing is assumed to be for fixed rate bond issues. Add \$500 to calculation fees for variable rate issues.

^(C) If results from initial calculation are largely negative, subsequent calculation should be in 2020 and fees will be \$2,500.

^(D) No liability indicated on summary provided. Fees indicated are if a calculation is required.

Don Templeton

From: Oberdorff, Marc (Perkins Coie) <MOberdorff@perkinscoie.com>
Sent: Tuesday, November 24, 2015 9:28 AM
To: 'Don Templeton'
Cc: Bonjour, Bruce (Perkins Coie); Dustin Christopherson
Subject: RE: SDHEFA REBATE CALCULATIONS

Don,

We would propose to bill \$2,500 for each of the annual rebate reports for the Building Authority and for the SDHEFA health care issues.

For that fee, we would engage Willdan Financial Services to perform the numerical calculations (with their charges to be paid out of our \$2,500 fee), and we would review those calculations, address any tax issues, and provide a covering review letter – essentially in the same format that is currently used in the rebate reports for the Authority's VocEd bond issues.

In addition, we would charge a one-time, aggregate fee of \$5,000 to cover our time devoted to familiarizing ourselves with the health care issues and their prior rebate reports and handling the transition from Chapman. As you know, we acted as bond counsel only in the case of a few of those issues and, thus, in several cases would need to educate ourselves about the transactions and their history. There would be no such additional up-front fee with respect to the Building Authority issues.

Finally, we understand that Willdan may charge an additional fee (not expected to exceed \$500), which we would ask the Authority to pay, in the case of (i) an issue for which no prior rebate calculations have been performed, (ii) a variable rate issue (including any issue with respect to which it is necessary to "integrate" swap payments in order to determine the issue's yield), or (iii) the existence of a common reserve or other fund that must be allocated among several bond issues for arbitrage rebate purposes.

We hope this proposal is acceptable and would be happy to discuss the terms in more detail.

Regards,

Marc

Marc Oberdorff | Perkins Coie LLP

131 South Dearborn Street, Suite 1700

Chicago, IL 60603-5559

PHONE: 312.324.8682

FAX: 312.324.9682

E-MAIL: MOberdorff@perkinscoie.com

From: Dustin Christopherson [<mailto:dustin.christopherson@sdhefa.com>]
Sent: Thursday, November 19, 2015 8:12 AM
To: 'Don Templeton'; Bonjour, Bruce (Perkins Coie); Oberdorff, Marc (Perkins Coie)
Subject: RE: SDHEFA REBATE CALCULATIONS

I guess Sanford 2014B hasn't been done yet either.

From: Don Templeton [<mailto:don.templeton@sdhefa.com>]
Sent: Wednesday, November 18, 2015 3:43 PM
To: 'Bonjour, Bruce (Perkins Coie)'; Oberdorff, Marc (Perkins Coie)

**SOUTH DAKOTA HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
FINANCIAL STATEMENT FOR THE PERIOD ENDING DECEMBER 31, 2015**

Tab 5

	<u>FY - 16 BUDGET</u>	<u>12/31/15 ACTUAL</u>	
Cash Balance, July 1	<u>1,751,355</u>	<u>1,751,354</u>	
Receipts			
Annual service fees:			
Avera McKennan-Series 2007, 2008B & 2008C	44,840	22,420	1
Avera Health-Series 2012A, 2012B & 2014A	112,644	56,322	2
Avera Queen of Peace	1,800	1,784	3
Avera Sacred Heart	1,395	1,395	4
Avera St. Luke's	4,028	4,028	5
Children's Care Hospital and School	3,011	1,506	6
Dakota Hospital	1,703	1,703	7
Dells Area Health Center	1,303	1,303	8
Huron Regional Medical Center	311	311	9
Prairie Lakes Health Care System	5,294	5,294	10
Rapid City Regional Hospital	65,822	32,910	11
Sanford Health	294,353	147,176	12
University of Sioux Falls	6,622	6,622	13
Vocational Education Program Series 2007	2,471	2,471	14
Vocational Education Program Series 2010A	7,558	7,558	15
Vocational Education Program Series 2010B	2,905	2,905	16
Vocational Education Program Series 2010C	5,429	5,429	17
Vocational Education Program Series 2011A	9,063	9,063	18
Vocational Education Program Series 2012A	7,997	7,997	19
Vocational Education Program Series 2014A	734	734	20
Vocational Education Program Series 2015A	9,266	9,266	21
Vocational Education Program Series 2015B	7,223	7,223	22
Vocational Education Program Series 2015C	7,873	7,791	23
Westhills Village Retirement Community	10,219	5,109	24
Total Annual Service Fees	<u>613,864</u>	<u>348,320</u>	25
Application Fees:			
Provision for FY - 2016 Projects	25,000	-	26
Good Samaritan TEFRA Series 2015	-	10,000	27
Sanford Health Series 2015	-	10,000	28
American Baptist Homes Series 2016			
Application fee(\$10,000) received 2/2/2016			
Total Application Fees	<u>25,000</u>	<u>20,000</u>	29

**SOUTH DAKOTA HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
FINANCIAL STATEMENT FOR THE PERIOD ENDING DECEMBER 31, 2015**

	<u>FY - 16</u> <u>BUDGET</u>	<u>12/31/15</u> <u>ACTUAL</u>	
Other income:			
Interest earned	18,000	9,064	30
Prior year rebate computation reimbursement	15,400	7,700	31
South Dakota Building Authority fee	146,716	65,729	32
Educational Enhancement Funding Corporation fee	35,000	14,583	33
Total other income	<u>215,116</u>	<u>97,076</u>	34
Total receipts	<u>853,980</u>	<u>465,396</u>	35
Disbursements:			
Salaries and wages	370,082	187,532	36
Payroll taxes	28,028	12,537	37
Employee benefits	83,305	48,529	38
Legal counsel	45,000	17,571	39
Special legal counsel	10,000	10,000	40
Rent	34,000	19,544	41
Utilities	9,000	3,641	42
Office expense	16,000	7,702	43
Telephone/Internet	9,000	3,268	44
Travel	18,500	11,147	45
Dues and fees	5,500	3,000	46
Audit and annual report	26,395	27,228	47
Insurance	2,150	1,683	48
Trustee Fees and Miscellaneous	7,500	5,000	49
Equipment purchases	4,000	-	50
Director and officers insurance	35,683	20,523	51
Total administrative disbursements	<u>704,143</u>	<u>378,905</u>	52
Current year rebate computation fees advanced for projects	20,000	5,400	53
Total Disbursements	<u>724,143</u>	<u>384,305</u>	54
Receipts in excess of disbursements	<u>129,837</u>	<u>81,091</u>	55
Cash Balance	<u>1,881,192</u>	<u>1,832,445</u>	56
Investment of Cash:			
Checking		21,217	57
Money Market		258,348	58
Certificates of Deposit & U.S. Treasury/Agency		1,544,469	59
Goldman Sachs		8,412	60
Total Cash Balance		<u>1,832,446</u>	61
Reimbursement receivable from projects - (6/30/15= 12,900)		10,600	62
Reserve Account - Certificates of Deposits & U.S. Treasury/Agency		1,143,227	63
Total Cash and Reserve Accounts		<u>2,986,273</u>	64

South Dakota Health and Educational Facilities Authority
 Certificates of Deposit and United States Treasury Securities
 Sorted by maturity date

<u>Investment</u>	<u>#</u>	<u>Dated</u>	<u>Cost</u>	<u>APY Rate</u>	<u>Interest Paid</u>	<u>Next Pay Date</u>	<u>Maturity Date</u>
<u>Administrative Investment Account</u>							
C.D. Dakota Prairie Bank - Ft. Pierre	17787	1/5/2014	\$245,000	0.35%	annual	1/5/2016	1/5/2016
C.D. American State Bank-Pierre	900048	3/27/2013	\$150,000	0.30%	annual	3/27/2016	3/27/2016
U.S. Agency Bond - Fannie Mae	N/A	1/9/2012	\$83,566	1.25%	semi	12/31/2016	1/30/2017
U.S. Agency Bond - Fannie Mae	N/A	5/11/2015	\$233,556	0.63%	semi	5/11/2016	5/11/2017
U.S. Agency Bond - Fannie Mae	N/A	7/15/2015	\$97,347	0.773%	semi	12/31/2015	6/12/2017
C.D. Dacotah Bank - Sioux Falls	5552589	10/27/2014	\$245,000	1.03%	annual	10/27/2016	10/27/2017
C.D. Cortrust Bank	430030447	11/3/2014	\$245,000	1.20%	semi	5/31/2016	11/3/2017
C.D. First Premier Bank - Sioux Falls	1700096187	11/17/2014	\$245,000	1.21%	annual	11/17/2016	11/17/2017
			\$1,544,469				
<u>Reserve Account</u>							
U.S. Treasury	N/A	12/27/2014	\$125,012	0.38%	semi	1/15/2016	1/15/2016
C.D. First Dakota National Bank - Sioux Falls	7000311804	11/27/2014	\$150,441	0.55%	annual	11/27/2016	11/27/2016
C.D. Farmers & Merchants State Bank - Iroquois	21410	12/8/2014	\$150,000	0.65%	annual	12/8/2015	12/8/2016
C.D. First National Bank - Pierre	210396	12/17/2014	\$185,000	0.70%	annual	12/17/2015	12/17/2016
C.D. Great Western Bank - Watertown	144153314	12/24/2014	\$200,000	0.65%	annual	12/24/2015	12/24/2016
U.S. Agency Bond - Fannie Mae	N/A	8/25/2014	\$149,706	1.00%	semi	8/27/2016	8/27/2017
U.S. Agency Bond-Freddie Mac	N/A	11/17/2014	\$183,068	1.06%	semi	5/17/2016	11/17/2017
			\$1,143,227				
			\$2,687,696				