



Date: August 15, 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 August 17, 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 2:30 p.m. CDT (1:30 p.m. MDT).

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.**

Members of the public who wish to listen to the teleconference meeting may do so by dialing in with the above number or by joining us at 330 S. Poplar Ave, Suite 102, Pierre, SD.

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

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

Attached is an agenda. Information on agenda items are attached.

Cc: Vance Goldammer, Redstone Law Firm, LLP
Eric Matt, Redstone Law Firm, LLP
Jack Arnold, Dougherty & Company
Toby Morris, Dougherty & Company
Dan Bacastow, Jones Day
Jim Breckenridge, Avera
Bruce Bonjour, Perkins Coie

**SOUTH DAKOTA HEALTH AND EDUCATIONAL
FACILITIES AUTHORITY**

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AUGUST 17, 2016 SPECIAL MEETING

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**SOUTH DAKOTA HEALTH AND EDUCATIONAL
FACILITIES AUTHORITY**

MINUTES OF THE JUNE 7, 2016 SPECIAL MEETING

Pursuant to due notice, the South Dakota Health and Educational Facilities Authority met on Tuesday, June 7, 2016 at 9:00 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. William Lynch
Mr. Don Scott
Mr. Norbert Sebade
Mr. Dave Timpe

Absent: Mr. Jim Scull

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
Steve Corbin, Finance Officer

The Chairman declared a quorum and called the meeting to order. The notice of the meeting dated June 2, 2016 was posted on the Authority doors, on the state website and the Authority's website prior to the meeting and is on file at the Authority office.

The Chairman asked for consideration of the minutes for the February 10, 2016 special meeting. Mr. Bill Lynch moved to approve the minutes as presented, seconded by Mr. Gene Lebrun and upon roll call, the ayes were Fleck, Lebrun, Lynch, Scott, Sebade and Timpe; nays: none; abstain: none. Motion carried.

FY-17 Budget

Mr. Templeton reviewed the FY-17 Budget, on file at the Authority office, in detail and reviewed the annual service fee, which will remain at .00045 of the outstanding bonds at June 30th. The other revenues were reviewed as were the payroll, employee benefits and other expenses. The projected FY-17 revenues over expenses are \$150,727. Mr. Dave Timpe moved to approve the budget, seconded by Mr. Bill Lynch and upon roll call, the ayes were Fleck, Lebrun, Lynch, Scott, Sebade and Timpe; nays: none; abstain: none. Motion carried.

Contracts

Mr. Templeton reviewed the South Dakota Health and Educational Facilities Authority/South Dakota Building Authority contract for FY-17, on file at the Authority office. Mr. Gene Lebrun moved to approve, seconded by Mr. Bill Lynch and upon roll call, the ayes were Fleck, Lebrun, Lynch, Scott, Sebade and Timpe; nays: none; abstain: none. Motion carried.

Mr. Templeton reviewed the South Dakota Health and Educational Facilities Authority/Educational Enhancement Funding Corporation contract for FY-17, on file at the Authority office. Mr. Gene Lebrun moved to approve, seconded by Mr. Bill Lynch and upon roll call, the ayes were Fleck, Lebrun, Lynch, Scott, Sebade and Timpe; nays: none; abstain: none. Motion carried.

Mr. Templeton and Mr. Goldammer reviewed the Red Stone Law Firm LLP contract for FY-17, on file at the Authority office. The hourly fee is \$170.00 with a not to exceed amount of \$45,000. Mr. Gene Lebrun moved to approve the contract, seconded by Mr. Bill Lynch and upon roll call, the ayes were Fleck, Lebrun, Lynch, Scott, Sebade and Timpe; nays: none; abstain: none. Motion carried.

First Dakota National Bank

Mr. Templeton and Mr. Christopherson explained that the Authority has an interest in opening a money market account at First Dakota National Bank in Pierre to take advantage of their favorable short term interest rates. Mr. Christopherson stated that the signers for the account would be the same as our checking account and are as follows: Norbert Sebade, Bill Lynch, Don Templeton, and Dustin Christopherson. It was suggested by the board that we invest at least \$150,000 to receive the maximum interest rate, but the Authority already has a \$150,000 CD at the First Dakota National Bank so we explained that we would have to keep the money market balance at \$100,000 or less until the CD matures to remain covered under the FDIC limit of \$250,000. A motion was made to grant permission for SDHEFA to open a new money market account at the First Dakota National Bank by Bill Lynch and seconded by Dave Timpe and upon roll call, the ayes were Fleck, Lebrun, Lynch, Scott, Sebade and Timpe; nays: none; abstain: none. Motion carried.

2016 Annual Meeting

Sioux Falls was chosen to be the site of the annual meeting with the date to be determined.

Adjournment

The Chairman stated there being no further business at this meeting, the meeting adjourned at 9:30 a.m.

AN ACT

ENTITLED, An Act to regulate conflicts of interest for authority, board, or commission members.

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

Section 1. That the code be amended by adding a NEW SECTION to read:

No elected or appointed member of a state authority, board, or commission may have an interest in any contract or derive a direct benefit from any contract with the state which is within the jurisdiction or relates to the subject matter of the state authority, board or commission or with a political subdivision of the state if the political subdivision administers or executes similar subject matter programs as the state authority, board or commission, nor may the member have an interest in any contract or derive a direct benefit from any contract for one year after the end of the member's term on the authority, board, or commission except as provided in section 3 and section 4 of this Act.

Section 2. That the code be amended by adding a NEW SECTION to read:

An elected or appointed member of an authority, board, or commission derives a direct benefit from a contract if the state authority, board, or commission member, the authority, board, or commission member's spouse, or any other persons the authority, board, or commission member lives with and commingles assets:

- (1) Has more than a five percent ownership or other interest in an entity that is a party to the contract;
- (2) Derives income, compensation, or commission directly from the contract or from the entity that is a party to the contract;
- (3) Acquires property under the contract; or
- (4) Serves on the board of directors of an entity that derives income or commission directly from the contract or acquires property under the contract.

An authority, board, or commission member does not derive a direct benefit from a contract

based solely on the value associated with the authority, board, or commission member's investments or holdings, or the investments or holdings of other persons the authority, board, or commission member lives with and commingles assets. A member of an authority, board, or commission does not have an interest in a contract nor does the member receive a direct benefit by participating in a vote or a decision where the member's only interest is the effect of an act of general application.

Section 3. That the code be amended by adding a NEW SECTION to read:

Any elected or appointed authority, board, or commission may authorize an authority, board, or commission member to have an interest in a contract or to derive a direct benefit from a contract if:

- (1) The authority, board, or commission member has provided full written disclosure to the authority, board, or commission;
- (2) The authority, board, or commission has reviewed the essential terms of the transaction or contract and the authority, board, or commission member's role in the contract or transaction; and
- (3) The transaction and the terms of the contract are fair, reasonable, and not contrary to the public interest.

No member of a state authority, board, or commission may participate in or vote upon a decision of the state authority, board, or commission relating to a matter in which the member has an interest or derives a direct benefit.

The authorization shall be in writing. Any authorization given pursuant to this section is a public record. Each authorization shall be filed with the auditor-general. The auditor-general shall compile the authorizations and present them annually for review by the Government Operations and Audit Committee. A member of an authority, board, or commission may comply with this section if: the authority, board, or commission puts on its regular meeting agenda an inquiry for conflicts disclosure prior to the consideration of any substantive matters; the member publicly discloses his or her

interest in a contract, direct benefits, or other conflict with any matter on the agenda; the member is excused from discussion and consideration of the matter; the board determines the matter underlying the conflict is fair, reasonable, and not contrary to the public interest; and the disclosure is included in the minutes which are publicly available.

Section 4. That the code be amended by adding a NEW SECTION to read:

Within the one-year period prohibiting any contract with an elected or appointed authority, board, or commission, the authority, board, or commission may approve a former authority, board, or commission member to contract with the elected or appointed authority, board, or commission if the authority, board, or commission determines that the transaction and the terms of the contract are fair, reasonable, and are in the best interests of the public. The authorization shall be in writing.

Any approval given pursuant to this section is a public record. Each approval shall be filed with the auditor-general. The auditor-general shall compile the approvals and present them annually for review by the Government Operations and Audit Committee.

Section 5. That the code be amended by adding a NEW SECTION to read:

Any elected or appointed authority, board, or commission member who knowingly violates sections 1 to 4, inclusive, of this Act, shall be removed from the authority, board, or commission and is guilty of a Class 1 misdemeanor. Any benefit to the authority, board, or commission member in violation of sections 1 and 2 of this Act is subject to forfeiture and any contract made in violation of this Act is voidable by the authority, board, or commission.

Section 6. That the code be amended by adding a NEW SECTION to read:

No board member, fiscal agent, officer, or executive of a local service agency, school district, cooperative education service unit, education service agency, nonprofit education service agency, or jointly governed education service entity that receives money from or through the state may have an interest in a contract nor receive a direct benefit from a contract that the local service agency,

school district, cooperative education service unit, education service agency, nonprofit education service agency, or jointly governed education service entity is a party to the contract except as provided in section 8 of this Act.

Section 7. That the code be amended by adding a NEW SECTION to read:

A person described in section 6 of this Act derives a direct benefit from a contract if the person, the person's spouse, or other persons the person lives with and commingles assets:

- (1) Has more than a five percent ownership or other interest in an entity that is a party to the contract;
- (2) Derives income, compensation, or commission directly from the contract or from the entity that is a party to the contract;
- (3) Acquires property under the contract; or
- (4) Serves on the board of directors of an entity that derives income directly from the contract or acquires property under the contract.

A person does not derive a direct benefit from a contract based solely on the value associated with the person's investments or holdings, or the investments or holdings of other persons the state officer or employee lives with and commingles assets.

Section 8. That the code be amended by adding a NEW SECTION to read:

A local service agency, school district, cooperative education service unit, education service agency, nonprofit education service agency, or jointly governed education service entity may authorize a board member, fiscal agent, officer, or executive to have an interest in a contract or derive a direct benefit from a contract if:

- (1) The person has provided full written disclosure to the agency, district, or unit governing board;
- (2) The governing board has reviewed the essential terms of the transaction or contract and

the person's role in the contract or transaction; and

- (3) The transaction or the terms of the contract are fair, reasonable, and not contrary to the public interest.

No member of a local service agency, school district, cooperative education service unit, education service agency, nonprofit education service agency, or jointly governed education service entity may participate in or vote upon a decision of a local service agency, school district, cooperative education service unit, education service agency, nonprofit education service agency, or jointly governed education service entity relating to a matter in which the member has an interest or derives a direct benefit.

The authorization shall be in writing. Any authorization given pursuant to this section is a public record. Each authorization shall be filed with the auditor-general. The auditor-general shall compile the authorizations and present them annually for review by the Government Operations and Audit Committee. A board member, fiscal agent, officer, or executive of a local service agency, school district, cooperative education service unit, education service agency, nonprofit education service agency, or jointly governed education service entity may comply with this section if: the local service agency, school district, cooperative education service unit, education service agency, nonprofit education service agency, or jointly governed education service entity puts on its regular meeting agenda an inquiry for conflicts disclosure prior to the consideration of any substantive matters; the person subject to this Act publicly discloses his or her interest in a contract, direct benefit, or other conflict with any matter on the agenda; the person is excused from discussion and consideration of such matters; the board determines the matter underlying the conflict is fair, reasonable, and not contrary to the public interest; and the disclosure is included in the minutes which are publicly available.

Section 9. That the code be amended by adding a NEW SECTION to read:

Any person who knowingly violates sections 6 to 8, inclusive, of this Act shall be removed from office or employment and is guilty of a Class 1 misdemeanor. Any benefit to a person derived from the person's knowing violation of sections 6 to 8, inclusive, of this Act is subject to forfeiture. Any contract made in violation of sections 6 to 8, inclusive, of this Act is voidable by the governing body of the local service agency, school district, cooperative education service unit, education service agency, nonprofit education service agency, or jointly governed education service entity.

Section 10. That the code be amended by adding a NEW SECTION to read:

The following authorities, boards, or commissions are subject to this Act:

- (1) South Dakota Building Authority;
- (2) Board of Economic Development;
- (3) South Dakota Housing Development Authority;
- (4) South Dakota Health and Education Facilities Authority;
- (5) Science and Technology Authority Board of Directors;
- (6) South Dakota Ellsworth Development Authority;
- (7) South Dakota Commission on Gaming;
- (8) South Dakota Lottery Commission;
- (9) State Brand Board;
- (10) Game, Fish and Parks Commission;
- (11) Banking Commission;
- (12) Board of Trustees of the South Dakota Retirement System;
- (13) Aeronautics Commission;
- (14) South Dakota State Railroad Board;
- (15) Transportation Commission;
- (16) South Dakota Board of Education;

- (17) Board of Regents;
- (18) Board of Pardons and Paroles;
- (19) Board of Minerals and Environment;
- (20) Board of Water and Natural Resources;
- (21) South Dakota Railroad Authority; and
- (22) Board of Water Management.

Section 11. That the code be amended by adding a NEW SECTION to read:

Any entity established pursuant to § 13-3-76 to 13-3-81 not subject to an audit requirement under § 13-5-33.2 shall be audited annually. Each audit required under state law shall be done to confirm compliance with sections 3 and 8 of this Act according to guidelines established by the auditor-general.

An Act to regulate conflicts of interest for authority, board, or commission members.

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I certify that the attached Act
originated in the

HOUSE as Bill No. 1214

Chief Clerk

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Speaker of the House

Attest:

Chief Clerk

President of the Senate

Attest:

Secretary of the Senate

House Bill No. 1214

File No. _____

Chapter No. _____

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Received at this Executive Office
this _____ day of _____ ,

20____ at _____ M.

By _____
for the Governor

=====

The attached Act is hereby
approved this _____ day of
_____, A.D., 20____

Governor

=====

STATE OF SOUTH DAKOTA,
ss.

Office of the Secretary of State

Filed _____, 20____
at _____ o'clock __ M.

Secretary of State

By _____
Asst. Secretary of State

**STATE BOARD DISCLOSURE AND
WAIVER DECISION MATRIX FOR
SDCL 3-23-1 through 3-23-5 (hereinafter the “Disclosure Laws”)
Effective July 1, 2016**

DO I NEED TO REQUEST A WAIVER?

This matrix will assist a present or past state board member to determine whether it is necessary to seek a waiver in order to be a party to, or receive a benefit from, a contract with a State agency or with a political subdivision of the State. This matrix is not designed to be used in isolation: instead, it should be used in conjunction with the State Board Waiver Instructions and Form for the Disclosure Laws, a review of the Disclosure Laws, and contact with legal counsel. This matrix is intended as a general guide only and is not by itself determinative of whether a conflict of interest exists.

The questions in this matrix may not address your specific situation. In addition, to answer these questions, you should keep in mind that an agreement does not always need to be in writing to be considered a contract. If you have any doubt as to the answer to any of the questions below, you are encouraged to choose “YES” for the purposes of completing the matrix and deciding whether you need to ask for a waiver.

1. As of July 1, 2016 or thereafter, was I a member of one of the boards, commissions, or authorities listed below?
 - (1) South Dakota Building Authority;
 - (2) Board of Economic Development;
 - (3) South Dakota Housing Development Authority;
 - (4) South Dakota Health and Education Facilities Authority;
 - (5) Science and Technology Authority Board of Directors;
 - (6) South Dakota Ellsworth Development Authority;
 - (7) South Dakota Commission on Gaming;
 - (8) South Dakota Lottery Commission;
 - (9) State Brand Board;
 - (10) Game, Fish and Parks Commission;
 - (11) Banking Commission;
 - (12) Board of Trustees of the South Dakota Retirement System;
 - (13) Aeronautics Commission;
 - (14) South Dakota State Railroad Board;
 - (15) Transportation Commission;
 - (16) South Dakota Board of Education;
 - (17) Board of Regents;
 - (18) Board of Pardons and Paroles;
 - (19) Board of Minerals and Environment;
 - (20) Board of Water and Natural Resources;
 - (21) South Dakota Railroad Authority; and

(22) Board of Water Management.

If YES, proceed to next question.

If NO, no request for waiver is needed.¹

2. If I am no longer a member of a board, commission, or authority listed in question 1, did my membership end within the last year?

If YES, proceed to next question.

If NO, no request for waiver is needed

3. Will or do I, my spouse or any other person with whom I live and commingle assets have a five percent or more ownership or other interest (such as being a creditor) of any business or entity that contracts or does business with the State or with a political subdivision of the State?

If YES, proceed to question 8.

If NO, proceed to next question.

4. Will or do I, my spouse or any other person with whom I live and commingle assets earn or receive any income, compensation or commission directly from any contract with the State or with a political subdivision of the State, or from any business or entity that contracts or does business with the State or with a political subdivision of the State?

If YES, proceed to question 8.

If NO, proceed to next question.

5. Will or do I, my spouse or any other person with whom I live and commingle assets acquire any property as a result of any contract with the State or with a political subdivision of the State?

If YES, proceed to question 8.

If NO, proceed to next question.

6. Do I, my spouse or any other person with whom I live and commingle assets serve on the board of directors of an entity, including a nonprofit entity, that receives or obtains any income, compensation, commission or property from any contract with the State or with a political subdivision of the State?

¹ This matrix does not address conflicts for a board member, fiscal agent, officer, or executive of a local service agency, education service agency, nonprofit education service agency, or jointly governed education service agency that receives money from or through the State. However, such persons are also subject to the Disclosure Laws.

If YES, proceed to question 8.
If NO, proceed to next question.

7. Have I, my spouse or any other person with whom I live and commingle assets entered into, or am I or any of the foregoing persons considering entering into, any contract or business transaction with the State or with a political subdivision of the State?

If YES, proceed to the next question.
If NO, no waiver is necessary.

8. Is the contract or transaction with the board, commission or authority on which you serve or served within the last year or with the State Agency that assists such board, commission or authority?

If YES, you need to request a waiver.
If NO, proceed to next question.

9. Is the contract or transaction within the jurisdiction or related to the subject matter of the board, commission or authority on which you serve or served within the last year?

If YES, you need to request a waiver.
If NO, proceed to next question.

10. Is the contract or transaction with a political subdivision of the State that administers or executes a program with similar subject matter as the board, commission or authority on which you serve or served within the last year?

If YES, you need to request a waiver.
If NO, no waiver is necessary.

**STATE BOARD WAIVER
INSTRUCTIONS AND FORM FOR
SDCL 3-23-1 through 3-23-5 (hereinafter the “Disclosure Laws”)
Effective July 1, 2016**

INTRODUCTION

Absent a waiver, the Disclosure Laws prohibit current and certain former members of certain State boards, commissions and authorities (hereinafter “Boards” and “Board Members” or “Members”) from contracting with, or from deriving direct benefits from a contract with, a State agency if the contract is within the jurisdiction or related to the subject matter of the Board. Absent a waiver, the Disclosure Laws also prohibit Board Members from contracting with, or deriving direct benefits from contracts with, political subdivisions of the State that administer or execute similar subject matter programs as the Member’s Board. The foregoing prohibitions also apply to direct benefits derived from a State or political subdivision contract by a spouse or other person living with the Board Member and commingling assets with the Board Member.

The Disclosure Laws, however, do not apply to all State boards, commissions and authorities. The Disclosure Laws also do not supplant existing prohibitions applicable to members of certain State boards, commissions, and authorities, the prohibitions on self-dealing applicable to all public officers found at SDCL 3-16-8, or the prohibitions on State employees receiving dual compensation for serving on a State board, commission, or authority found in SDCL 3-8-4.1. The Disclosure Laws apply to persons serving as Board Members on or after July 1, 2016, and extend for a period of one year after the end of the Member’s term on the Board.

These instructions will assist a current or former Board Member with determining whether a prohibited conflict exists or might exist and, if so, will guide the current or former Board Member through the process for requesting a waiver. The instructions will also guide the Board in acting on the waiver request. However, the instructions are not intended to be used in isolation: instead, they should be used in conjunction with a review of the Disclosure Laws and the State Board Disclosure and Waiver Decision Matrix. Attorneys for the State agency, board, authority or commission may answer general questions about the applicability of the Disclosure Laws or about the other laws that address self-dealing or dual compensation. However, because these attorneys represent the agency, board, or commission and not the Board Members in their individual capacities, Board Members should contact a private attorney if they have questions as to how the Disclosure Laws apply to their individual interests and contracts.

SUMMARY OF THE DISCLOSURE LAWS

Who the Disclosure Laws apply to:

The prohibitions apply only to individuals who, on or after July 1, 2016, are members of the following State boards, commissions and authorities:

- (1) South Dakota Building Authority;
- (2) Board of Economic Development;
- (3) South Dakota Housing Development Authority;
- (4) South Dakota Health and Education Facilities Authority;
- (5) Science and Technology Authority Board of Directors;
- (6) South Dakota Ellsworth Development Authority;
- (7) South Dakota Commission on Gaming;
- (8) South Dakota Lottery Commission;
- (9) State Brand Board;
- (10) Game, Fish and Parks Commission;
- (11) Banking Commission;
- (12) Board of Trustees of the South Dakota Retirement System;
- (13) Aeronautics Commission;
- (14) South Dakota State Railroad Board;
- (15) Transportation Commission;
- (16) South Dakota Board of Education;
- (17) Board of Regents;
- (18) Board of Pardons and Paroles;
- (19) Board of Minerals and Environment;
- (20) Board of Water and Natural Resources;
- (21) South Dakota Railroad Authority; and
- (22) Board of Water Management.

The prohibitions apply while the member serves on the board, and for a period of one year after the end of the member's term.

What the Conflicts Laws do:

The Disclosure Laws prohibit a Board Member from contracting with the State, or from deriving a direct benefit from a contract or transaction with the State, if the contract or transaction is within the jurisdiction or relates to the subject matter of the Member's Board. The Disclosure Laws also prohibit a Board Member from contracting with, or deriving a direct benefit from, a contract with a political subdivision of the State if the political subdivision administers or executes similar subject matter programs as the Member's Board. The foregoing prohibitions also apply to certain former Board Members, as will be explained below.

What “derive a direct benefit” from a contract means:

A Board Member derives a direct benefit from the contract if one or more of the following is true of the Member, the Member’s spouse, or a person with whom the Member lives with and commingles assets:

- 1) Has a five percent ownership or other interest in an entity that is a party to the contract;
- 2) Derives income, compensation or commission directly from the contract or from the entity that is a party to the contract;
- 3) Acquires property under the contract; or
- 4) Serves on the board of directors of an entity (including a nonprofit) that derives income or commission directly from the contract or acquires property under the contract.

“Direct benefit” does not include gain from a contract based solely on the value of a Board Member’s investment in an entity that is a party to the contract, if that investment represents less than a five percent ownership in the entity. It also does not apply to contracts or transactions where the Board Member only benefits from an act of the Board that has general application, such as a decision by the Board to increase or decrease a fee that many South Dakotans pay.

Note the Disclosure Laws apply to public employment contracts.

EFFECT ON FORMER BOARD MEMBERS

The law prohibits a Board Member from entering into a conflicted transaction during the Board member's term and for a period of one year after the Member's term on the Board. The law becomes effective July 1, 2016.

Accordingly, a Board Member who enters into a conflicted transaction on or after July 1, 2016, will need to obtain a waiver. This will apply to every conflicted transaction during the Board member's term and for one year after the end of that term.

However, the law is not retroactive. Thus, it does not apply to former Board Members whose term ended before July 1, 2016. Therefore, any Board member who does not wish to be subject to the new law must resign before July 1, 2016. *Note that resignations should be submitted as soon as possible because resignations are generally not effective until a replacement board member is appointed.*

CONTRACTS AWARDED PRIOR TO JULY 1, 2016

The Disclosure Laws are not retroactive, and thus do not apply to contracts or transactions entered into and effective prior to July 1, 2016 – even if the contract continues in effect on or after July 1, 2016. The exception is a contract that was entered into prior to July 1, 2016 which includes a renewal provision that is effective on or after July 1, 2016. A Board Member who, prior to July 1, 2016, entered into or derived a direct benefit from a contract with the State or a political subdivision which contains such a renewal provision should go through the waiver process described below even if the provision states that the contract renews automatically.

EXAMPLES OF TRANSACTIONS PROHIBITED ABSENT A WAIVER

- 1) A current commissioner of Game, Fish and Parks enters into a seasonal contract to mow Game Fish and Park properties, or a contract with a city or county to mow park properties. These are prohibited direct contracts with the State related to the subject matter of the commission or contracts with a political subdivision of the State that administers similar programs as the commission (Parks). The contracts are allowable only if proper waiver is sought and secured from the Commission.

- 2) A current member of the State Board of Education lives with and commingles assets with a person employed by a staff recruiting agency. That recruiting agency enters into a contract with a school district to recruit speech and language pathologists for the school district. This is a prohibited contract with a political subdivision of the State (the school district) that administers similar subject matter programs (K-12 education) as the Board of Education. The contract is allowable only if proper waiver is sought and secured from the Board.

- 3) A current Game Fish & Parks (GFP) commission member also serves on the board of directors of a non-profit organization which facilitates providing game meat to organizations who use the meat to feed the hungry. On an annual basis, the GFP Commission adopts a resolution which approves a grant of X thousand dollars to the nonprofit organization to use to defray the costs of processing the game as well as to pay an individual (other than the GFP commission member) a stipend and out-of-pocket expenses for coordinating the program. Because the nonprofit organization derives income directly from a contract (i.e., the grant) awarded to it by the GFP Commission, this is a prohibited transaction allowable only if proper waiver is sought and secured from the GFP Commission.

AGENCY-SPECIFIC CONFLICTS STATUTES

There may be other specific conflict of interest laws relating to a specific board, commission or authority. In the event the Disclosure Laws described in these instructions and the laws specific to the board, commission, or authority are different, the more restrictive law will be applied.

PENALTIES FOR NON-COMPLIANCE WITH THE DISCLOSURE LAWS

Any Board Member who knowingly violates the provisions of the Disclosure Laws shall be removed from the Board and is guilty of a Class 1 misdemeanor. The contract is voidable by the Board. Any benefit that the Board Member received from the contract is subject to forfeiture.

WAIVERS

A waiver may be granted to authorize a Board Member to derive a direct benefit from a contract with the State or with a political subdivision that administers or executes programs similar to the subject matter of the Board if the following conditions are met:

1. The Board Member provides a full written disclosure to the Board;
2. The Board reviews the essential terms of the contract or transaction and the Member's role in the contract or transaction;
3. The transaction and terms of the contract are fair and reasonable and not contrary to the public interest; and
4. The authorization of the Board is in writing and filed with the Auditor-General.

PROCESS TO OBTAIN A WAIVER

A written request for a waiver should be submitted to the Board prior to a meeting. Boards are advised to have a standing item at the beginning of their meeting agendas during which the

Board will address any Board Member Requests. The requesting Board Member should be prepared to answer any questions the Board may have. Then, the requesting Board Member should leave the meeting while the other Board members discuss the request and determine whether authorization for waiver is appropriate. The request and the Board's determination shall be included in the minutes of the meeting.

CAUTION: The failure of a Board to act on a request for a waiver does not mean the waiver was or will be allowed. The Board Member requesting waiver is responsible to follow up on waiver requests as necessary.

INSTRUCTIONS FOR STATE BOARD MEMBERS SEEKING WAIVER

If the potential for a conflict exists, you should immediately prepare and submit the form Request for State Board Waiver. This should be done before entering into a conflicted contract or transaction. If in doubt whether a conflict exists, disclose.

Briefly describe your relationship to the contract in question and why you believe it may be covered by the law, including how you, your spouse or anyone with whom you live and commingle assets might benefit from the contract. Examples of persons other than your spouse might include a girlfriend, boyfriend, roommate, or an adult child.

Briefly describe the essential terms of the contract. What goods or services are provided? What price is paid? What parties are involved? What is the timeframe of the transaction?

Also, briefly describe why you believe a waiver would not be contrary to the public interest. For example, was the contract part of a competitive bidding process? Were others involved in the decision-making process? Are the terms consistent with other, similar contracts?

THE REQUEST FOR WAIVER IS A PUBLIC DOCUMENT THAT WILL BE OPEN TO PUBLIC INSPECTION.

INSTRUCTIONS FOR THE STATE BOARD ACTING ON A REQUEST FOR WAIVER

A procedure for receiving and distributing waiver requests prior to a meeting should be adopted. Boards are also advised to have a standing item at the beginning of their meeting agendas during which the Board will address conflict requests and advised to establish special meetings as necessary.

The request for a waiver should be reviewed by the other Board Members prior to the next Board meeting and, to the extent necessary, the other Board Members should be prepared to ask the requesting Board Member questions during the meeting in order to determine whether the contract or transaction is eligible for waiver.

In the interest of fairness to Board Members requesting waivers and persons with whom they may be dealing, all waiver requests should be decided at the meeting in which the request is brought forth. If you deem the request form incomplete, you must ask for additional information from the requesting Board Member. The Board should avoid using an incomplete request form as a reason to extend the time for review if the needed information is readily provided by the Board Member.

Unless readily apparent from the disclosure or written request, other Board Members should ask questions to determine the requesting party's relationship to the contract; the requesting party's relationship to the outside contracting party; whether the contract terms are reasonable and in the public interest; and any other questions the other Board Members believe will help establish the true facts and circumstances surrounding the award of the contract and the request for waiver.

If the authorization is granted, the decision must be included in the meeting minutes. In addition, following the meeting a written authorization should be prepared using the appropriate State Board Disclosure Laws Waiver Authorization form, signed by the chair of the Board or other authorized Board Member, and filed with the Auditor General.

ALTERNATIVE PROCESS FOR AUTHORIZATION

An alternative procedure may be used for authorization of certain contracts, transactions, or other conflicts during a meeting of the Board. In order to utilize the alternative procedure, the Board's agenda for the meeting must include an item for conflicts disclosure prior to consideration of any substantive matters on the agenda, and the conflict item must relate to a substantive matter on the agenda. Under these circumstances, a Board Member may publicly disclose a direct benefit or other conflict in regard to a substantive matter on the agenda without prior written disclosure. After the Member discloses the conflict and answers questions from the other Board Members, the requesting Member must be excused from discussion and consideration of the substantive matter. The Board may waive the conflict if it determines that, based upon a review of the essential terms of the contract, transaction, or conflict and the Member's role in the same, the transaction and terms of the contract are fair, reasonable, and not contrary to the public interest. **Both the disclosure by the Member and determination by the Board must be included in the official minutes made available to the public and a copy of the minutes must be filed with the Auditor-General.**

REQUEST FOR STATE BOARD WAIVER

THIS IS A PUBLIC DOCUMENT

Date: _____

Name of Board Member or Former Board Member: _____

Name of Board, Authority or Commission: _____

Brief explanation of your potential conflict of interest:

Brief explanation of the current or anticipated business transaction with a State agency or with a political subdivision of the State and your role in the transaction:

Brief explanation of the essential terms of the contract or transaction.

Brief explanation of why you believe a waiver should be granted:

Signature of Person Requesting Waiver: _____

STATE OF SOUTH DAKOTA

(insert name of board/commission/authority)

STATE BOARD DISCLOSURE LAWS
WAIVER AUTHORIZATION
PURSUANT TO SDCL 3-23-3 (current member)

A written request for waiver of conflict, dated _____, was received from
_____. The request was acted upon by the members of
_____ (insert name of board/commission/authority) during a meeting held on
_____.

(check one)

_____ The request for waiver was denied for the following reasons:

_____ The request for waiver was authorized for the following reasons:

_____ The request for waiver was authorized subject to the following conditions:

Signature of Chairperson or Authorized Member

Date

Printed Name: _____

Date mailed to Auditor-General: _____

STATE OF SOUTH DAKOTA

(insert name of board/commission/authority)

STATE BOARD DISCLOSURE LAWS
WAIVER AUTHORIZATION
PURSUANT TO SDCL 3-23-4 (former member)

A written request for waiver of conflict, dated _____, was received from
_____. The request was acted upon by the members of
_____ (insert name of board/commission/authority) during a meeting held on
_____.

(check one)

_____ The request for waiver was denied for the following reasons:

_____ The request for waiver was authorized for the following reasons:

_____The request for waiver was authorized subject to the following conditions:

Signature of Chairperson or Authorized Member

Date

Printed Name: _____

Date mailed to Auditor-General: _____

Tab 4

Information Redacted Pursuant to SDCL 1-27

Summary of
Canton School District General Obligation Bonds
Series 2016A

Authority Role

- *Facilitate the issue, Canton School District is the issuer.*
- *Will be involved in the intercept of state aid if a payment is late.*

Authority Application Fee

- *\$9,000*
- *No annual service fee as these are not our bonds*

Expected S&P Rating & Savings

- *AA+*
- *Currently does not have an S&P Rating*
- *Expected savings of greater than \$100,000 with the higher rating*

Project Construction

- *38,000 square foot Performing Arts Center*

Security for Bonds

- *General Obligation - 63% of citizens in the School District voted in favor*
- *State Aid Intercept*

Debt Service Coverage

- *Projected with these bonds, minimum of 3.5 times in 2035*
(see page 21 of the Preliminary Official Statement)

S&P Global Ratings has assigned its 'AA+' long-term rating to Canton School District 41-1's, S.D.'s series 2016A general obligation (GO) bonds. The outlook is stable.

Our rating on the series 2016A bonds reflects our view of the credit enhancement provided by the state of South Dakota. Intercept or withholding enhancements operate on the strength and availability of state aid, which can be diverted to a paying agent if a local government cannot make its full and timely debt service payment. S&P Global Ratings rates intercept or withholding programs that meet certain requirements at a level one notch off of the state GO rating—on par with the state appropriation rating—reflecting the appropriation nature of the intercept or withholding mechanism. Accordingly, if the state GO rating changes, so will the enhancement rating.

We view the following characteristics as strengths of the South Dakota credit enhancement:

- An independent paying agent, which acts as notification agent in the event of a potential default;
- State aid payments that are on hand with the paying agent prior to the debt service due date;
- At least 2x maximum annual debt service (MADS) coverage, which reduces the risk that available state aid will be insufficient to fully cover debt service;
- State oversight of the credit enhancement through a state aid pledge agreement signed by all participating parties and an application process;
- A history of stable and predictable state aid payments; and
- South Dakota's history of on-time budget adoption.

While unlikely, in our view, the following potential risks are associated with the credit enhancement:

- 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.

Governing statute

The credit enhancement is governed by title 13 of South Dakota codified laws. It permits school districts to enter into lease-purchase agreements or issue capital outlay certificates or GO bonds secured by a pledge of state aid to education funds in connection with a program sponsored by the South Dakota Health and Educational Facilities Authority for capital improvements, the acquisition of equipment, improvement of school facilities, or other lawful purpose. The state also outlines that if a school district that has pledged state aid to education funds as security for the debt obligations and is delinquent on the any payments, then monies from the state aid should be applied to make debt service payments as specified by the authority. The authority will issue a notice of the delinquency to state department of education (DOE). The department will then deduct from amounts otherwise due to the school district for the apportionment of state aid but not yet paid. The state auditor will 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. The amount deducted will be paid to the authority or any financial institution it designates acting as paying agent or trustee on behalf of any holders of bonds, notes, lease, certificates, or other obligations relation to the delinquency. These governing statutes do not

identify the timing of the notification or payment to the trustee. Rather, these and other key structural elements are defined in the state aid pledge agreement and resolution.

Eligibility requirements

To be eligible for the intercept enhancement, the South Dakota Health and Educational Facilities Authority requires that the district pledges state aid to pay any debt service delinquency in a state aid pledge agreement, which is signed by the authority, paying agent, the district, and the state DOE. The district must also file an application with the authority that includes details such as the principal of the issue, the final maturity date, amortization schedule, and the resolution. The enhancement only applies to capital outlay certificates, GO bonds, or lease-purchase agreements. S&P Global requires that the participating obligor maintain at least 2x state aid coverage of MADS to qualify for the credit enhancement rating. We require that undisbursed state aid will be sufficient to provide 2x coverage on each principal and interest payment date.

Credit enhancement structure

In the resolution, the district has also pledged its right, title, and interest to receive state aid to education to secure the payment of the obligations. In the state aid pledge agreement, the district confirms its pledge of state aid to secure the debt obligations and covenants that if it is delinquent in making any payments pursuant to the resolution, that state aid be applied to pay amounts as specified by the authority to the paying agent.

The state aid pledge agreement outlines key structural features of the intercept mechanism. If the district fails to deposit with the paying agent any amount due with respect to the outstanding obligations on or before the 15th day of the month preceding the principal or interest payment date, the paying agent will provide written notice to the district, DOE, state auditor, bureau of financial management (BFM), and the authority by the close of business the same business day on which the payment was due. If the paying agent does not receive the delinquent amount by the close of business on the second business day following the notice date, the paying agent will provide written notice of failure to the district, state auditor, BFM, and the authority by no later than the close of business on the third business day following the notice date. On the receipt of the second notice, the authority will provide an intercept notice to DOE and the state auditor, with copies to the district, paying agent and BFM, stating that the district has failed to cure the delinquency and requesting that DOE deduct from amounts otherwise due to the district for state aid to education funds required to pay the delinquent amount. It will also direct the state auditor and BFM to issue a warrant for the full amount of the delinquency or such lesser amount as has been appropriated for the current fiscal year and to pay the amount deducted to the paying agent on or before the last business day of the month preceding the applicable principal and interest date. In our view, the 15-day lag between initial notification of delinquency and debt service due dates allows sufficient time to initiate the intercept feature to avoid default.

Within the state aid pledge agreement, the district covenants and agrees that all parity obligations will be payable by the same paying agent and that it will not remove the paying agent unless a successor paying agent be designated by the district. It also covenants that it will not pledge state aid for any other purpose. The authority also covenants that it has verified with BFM and the state auditor that the paying agent has taken the necessary actions to be qualified as a recipient of automated clearinghouse funds paid to the paying agent.

South Dakota school aid appropriations

South Dakota makes state aid payments in 12 roughly even monthly installments on or before the last business day of the month. While the state and school district fiscal years begin July 1, the first state aid payment is made to the school districts on the next to last business day of July. If the principal payment date and first interest payment date are Aug. 1, a full year of undisbursed state aid is available to intercept for debt service to make that payment. However, if payment dates are scheduled after Aug. 1, we will only use the undisbursed monthly payments to calculate coverage. For example, for a Feb. 1 interest payment date, we would use the last six monthly payments to calculate coverage, given that is the remaining aid available to intercept. Our coverage analysis uses the most recent monthly state aid disbursements available, which, in most cases, will be the preceding full fiscal year.

State aid payments are based on a formula that incorporates enrollment and local effort, which is based on school district assessed value (AV). State aid payments for July through October are calculated using the average of the school district's two most recent fall enrollment figures. The November and December payments are recalculated using enrollment figures equal to the greater of the current year fall enrollment or the average of the two most recent year fall enrollments. For the months of January through June, the payments are recalibrated again to incorporate new AVs used to calculate the local effort component. Despite the three calculations, state aid payments typically do not change significantly over the course of the year. In general, South Dakota has increased total state aid to local school districts over time. It did make cuts to school aid during the last recession, but since, it has annually increased appropriations to school districts.

South Dakota's budget process calls for the adoption of a budget by March, resulting in state aid disbursements that are authorized well before debt service due dates. South Dakota has a strong history of on-time budget adoption. However, we understand that in the absence of a budget, state aid would not automatically continue to flow to school districts, which could cause the intercept mechanism to fail. Given the state's history of on-time budget adoption, we do not have a track record of appropriations in the absence of a budget to evaluate. The rating reflects our view that South Dakota will adopt a budget before the fiscal year begins, and if not, it will appropriate state aid to schools prior to the Aug. 1 debt service date. We also expect that South Dakota will continue to consider annual appropriations to school districts a high budget priority.

Outlook

The stable outlook on the enhanced rating reflects S&P Global Ratings' assessment of the strength of the state aid intercept structure and moves in tandem with the state GO rating and outlook. The stable outlook on the enhanced rating also 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.



MINNEAPOLIS OFFICE
612-340-2600

(Tax Identification No. 41-0223337)

STATEMENT OF ACCOUNT FOR PROFESSIONAL SERVICES

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

August 15, 2016
Invoice No. 3296846

Client-Matter No.: 487333-00001

INVOICE TOTAL

Total For Current Legal Fees	\$7,500.00
Total For Current Invoice	\$7,500.00

For your convenience, please remit payment to the address below or we offer the option of remitting payment electronically by wire transfer. If you have any questions regarding this information, please contact the lawyer you are working with on this project or Dorsey's Accounts Receivable Department at 1-800-861-0760. Thank you.

Mailing Instructions:
Dorsey & Whitney LLP
P.O. Box 1680
Minneapolis, MN 55480-1680

Wire Instructions:
U.S. Bank National Association
800 Nicollet Mall
Minneapolis, MN 55402

ABA Routing Number: 091000022
Account Number: 1602-3010-8500
Swift Code: USBKUS44IMT

Please make reference to the invoice number

Service charges are based on rates established by Dorsey & Whitney. A schedule of those rates has been provided and is available upon request. Disbursements and service charges, which either have not been received or processed, will appear on a later statement.

ALL INVOICES ARE DUE 30 DAYS FROM DATE OF INVOICE UNLESS OTHERWISE EXPRESSLY AGREED BY DORSEY & WHITNEY



MINNEAPOLIS OFFICE
612-340-2600

(Tax Identification No. 41-0223337)

STATEMENT OF ACCOUNT FOR PROFESSIONAL SERVICES

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

August 15, 2016
Invoice No. 3296846

Client-Matter No: 487333-00001

To all legal services rendered as counsel to the underwriter in connection with the preparation, negotiation, execution and delivery of the State Aid Pledge Agreement by and between the South Dakota Health and Educational Facilities Authority (the "Authority"), Canton School District No. 41-1 (the "District"), the South Dakota Department of Education ("DOE") and The First National Bank in Sioux Falls (the "Paying Agent"), to provide credit enhancement for the \$7,200,000 General Obligation Bonds, Series 2016A, of the District, including review of materials to be used summarizing the terms of the Agreement and related matters for inclusion in the Official Statement for the Bonds, and including all legal research, correspondence, conference calls and telephone calls with the parties regarding the same.

Total for Legal Fees	\$7,500.00
Total This Invoice	\$7,500.00

Service charges are based on rates established by Dorsey & Whitney. A schedule of those rates has been provided and is available upon request. Disbursements and service charges, which either have not been received or processed, will appear on a later statement.

RESOLUTION regarding the South Dakota Health and Educational Facilities Authority South Dakota State Aid Pledge Program.

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 or enter into lease-purchase agreements or other financing arrangements 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, on February 10, 2016, the Authority adopted a resolution establishing an application fee and approving drafts of forms of the following 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*”);

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

WHEREAS, the Authority desires to amend and supplement its February 10, 2016 Resolution in certain respects in order to (a) recognize that certain School Districts may seek to participate in the State Aid Pledge Program to enhance general obligation bonds or various lease or installment purchase obligations in addition to capital outlay certificates (any such general obligation bonds, capital outlay certificates, lease or installment purchase obligations being collectively referred to as “*Enhanced Obligations*”) and (b) establish a maximum fee for any single financing of \$10,000.

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. Amended Program Documents. The Program Documents shall be revised to reflect the expanded usage of the State Aid Pledge Program to include other types of Enhanced Obligations.

Section 3. Fees. The Authority hereby modifies the application fee for the State Aid Pledge Program so that the application fee shall be the greater of (a) \$3,000 or (b) 1/8 of 1% of the proposed principal amount of Enhanced Obligations to be charged to a Participating District at the time it submits an application seeking to participate in the State Aid Pledge Program, provided, however, in no event shall the application fee exceed \$10,000 for a single financing. The Authority currently anticipates that it will not charge an annual administration fee for any series of Enhanced Obligations which are secured by Pledged State Aid.

Section 4. Effective Date. This Resolution shall take effect immediately.

Adopted this 17th day of August, 2016.

RESOLUTION regarding the application of Canton School District No. 41-1 to Participate in the South Dakota Health and Educational Facilities Authority South Dakota State Aid Pledge Program.

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 or enter into lease-purchase agreements or other financing arrangements 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 adopted resolutions on February 10, 2016 and August __, 2016, the Authority establishing application fees for the State Aid Pledge Program and approving drafts of forms of the following documents (collectively, the “*Program Documents*”):

(a) a 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*”);

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

WHEREAS, Canton School District 41-1 (the “*District*”) has filed an application to participate in the State Aid Pledge Program and proposes to issue its general obligation bonds to be secured by a State aid Pledge Agreement (the “*Enhanced Obligations*”).

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 and assist the District in connection with the issuance of the proposed Enhanced Obligations.

Section 2. Program Documents. The Chairman or the Vice Chairman or other member of the Authority or the Executive Director of the Authority (each, an “*Authorized Officer*” and collectively, the “*Authorized Officers*”) be and hereby are each authorized, empowered and directed (provided only one such signature shall be required) to execute and deliver any and all Program Documents, including, without limitation, the State Aid Pledge Agreement, in connection with the issuance by the District of the proposed Enhanced Obligations and to execute and deliver any and all other documents, agreements or instruments which such officers deem necessary or appropriate in connection therewith, in the name and on behalf of the Authority to be delivered. The Chairman or the Vice Chairman or other member of the Authority or the Executive Director of the Authority are hereby authorized, empowered and directed (provided only one such signature shall be required) to do all such acts and things necessary to carry out and comply with the provisions of the State Aid Pledge Program relating to the District and the proposed Enhanced Obligations to be issued by the District. The execution, to the extent so required, or delivery of each such document by any Authorized Officer or other such member shall constitute conclusive evidence of such approval, including the approval of all such changes, variations, omissions and insertions in such documents.

Section 3. Effective Date. This Resolution shall take effect immediately. If any one or more of the covenants or agreements provided in this Resolution on the part of the Authority or any fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution.

Adopted this 17th day of August, 2016.

NEW ISSUE / BANK QUALIFIED

RATING: Standard & Poor's "___"
See "RATING" herein

In the opinion of Meierhenry Sargent LLP, Bond Counsel, according to federal laws, regulations, rulings and decisions in effect on the date of issuance of the Series 2016A Bonds, the interest to be paid on the Series 2016A Bonds is not includable in gross income for federal income tax purposes except under certain conditions, discussed under the caption "TAX EXEMPTION" herein. For purposes of acquisition by banks and other financial institutions, the District has designated the Series 2016A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. Interest on the Series 2016A Bonds is includable in gross income for South Dakota tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

OFFICIAL STATEMENT

\$7,200,000*

**CANTON SCHOOL DISTRICT 41-1, SOUTH DAKOTA
GENERAL OBLIGATION BONDS, SERIES 2016A**

Dated: Date of Issuance

Due: December 1, as shown on inside cover

The General Obligation Bonds, Series 2016A (the "Series 2016A Bonds") are issued pursuant to South Dakota Codified Laws, Chapter 6-8B, for the purpose of providing funds to construct, furnish and equip a new Canton High School Performing Arts Center that will be approximately 38,000 square feet and to pay the cost of issuance of the Series 2016A Bonds. The Bonds are general obligations of Canton School District 41-1, South Dakota (the "District"), for which the District has pledged its full faith and credit and power to levy direct general ad valorem property taxes without limitation. The District has also pledged future payments of appropriated state aid by the State of South Dakota to provide additional security for the payment of principal of and interest on the Series 2016A Bonds, as more fully described in "PLEGGED STATE AID" herein.

The Series 2016A Bonds are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2016A Bonds. Purchases of beneficial ownership interests in the Series 2016A Bonds will be made in book-entry form only, in principal amounts of \$5,000 or whole multiples thereof. Beneficial owners of the Series 2016A Bonds will not receive Series 2016A Bonds evidencing their ownership interests in the Series 2016A Bonds. So long as DTC or its nominee is the registered owner of the Series 2016A Bonds, payments of principal, redemption price and interest will be made directly to DTC. Disbursements of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants. Interest on the Series 2016A Bonds is payable on June 1, 2017 and semiannually thereafter on each December 1 and June 1, and the Series 2016A Bonds will mature semiannually December 1, in the years and amounts shown on the inside cover.

The Series 2016A Bonds maturing December 1, 20__* and in later years will be subject to redemption and prepayment at the option of the District on December 1, 20__* or on any date thereafter, at par plus accrued interest to the redemption date. See "OPTIONAL REDEMPTION" herein.

The Series 2016A Bonds are offered, subject to prior sale, when, as and if accepted by the Underwriter named below and subject to an opinion as to validity and exclusion of interest from gross income by Meierhenry Sargent LLP, in Sioux Falls, South Dakota, as Bond Counsel, and certain other conditions. It is expected that delivery of the Series 2016A Bonds in definitive form will be made on or about August __, 2016, against payment therefor. The Underwriter expects, but is not required, to engage in secondary market trading in the Series 2016A Bonds, subject to applicable securities laws. For information with respect to the Underwriter see "UNDERWRITING", herein.

DOUGHERTY & COMPANY LLC

The date of this Official Statement is August __, 2016

* Preliminary; subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
12/01/2017	\$ 300,000.00			
12/01/2018	340,000.00			
12/01/2019	345,000.00			
12/01/2020	345,000.00			
12/01/2021	350,000.00			
12/01/2022	355,000.00			
12/01/2023	355,000.00			
12/01/2024	360,000.00			
12/01/2025	365,000.00			
12/01/2026	375,000.00			
12/01/2027	380,000.00			
12/01/2028	385,000.00			
12/01/2029	395,000.00			
12/01/2030	400,000.00			
12/01/2031	410,000.00			
12/01/2032	420,000.00			
12/01/2033	430,000.00			
12/01/2034	440,000.00			
12/01/2035	450,000.00			

* Preliminary; subject to change.

** CUSIP ® is a registered trademark of the American Bankers Association. The CUSIP numbers are provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. These numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP Numbers.

NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2016A BONDS BY ANY PERSON, IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE DISTRICT, DTC AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT SINCE THE DATE HEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2016A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “BUDGET” OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, the Underwriter’s responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT

\$7,200,000*

**CANTON SCHOOL DISTRICT 41-1, SOUTH DAKOTA
GENERAL OBLIGATION BONDS, SERIES 2016A**

INTRODUCTION

The purpose of this Official Statement (including all appendices) is to set forth certain information relating to the sale of \$7,200,000* General Obligation Bonds, Series 2016A (the "Series 2016A Bonds") of Canton School District 41-1, South Dakota (the "District"). All references to and summaries of certain provisions of the laws of the State of South Dakota and any other documents referred to herein do not purport to be complete and are qualified in their entirety by reference to the complete provisions thereof.

SECURITY

The Series 2016A Bonds are general obligations of the District for which the District has agreed to pledge its full faith and credit and power to levy direct general ad valorem property taxes, without limitation as to amount. The General Obligation Bonds totaling \$7,200,000 were authorized by District voters at a special election held June 7, 2016. Approximately 63% of the voters voted in favor of authorizing the bonds. The Series 2016A Bonds in the amount of \$7,200,000 are being issued by the District pursuant to a Resolution adopted by the School Board (the "Resolution") on June 13, 2016. The School Board will provide for a debt service tax levy in amounts sufficient to pay principal and interest on the Series 2016A Bonds. For additional information concerning the District and its budgeting and tax levy process, see "**BUDGETING AND TAX LEVY INFORMATION**" in this Official Statement.

The District has also pledged future payments of appropriated state aid to the State of South Dakota to provide additional security for the payment of principal of and interest on the Series 2016A Bonds, as more fully described in "**PLEGGED STATE AID**" herein.

ESTIMATED SOURCES AND USES OF FUNDS*

The sources and uses of funds in connection with the issuance of the Series 2016A Bonds are estimated to be approximately as follows:

<i>SOURCES:</i>	
Par Amount of Series 2016A Bonds	<u>7,200,000.00*</u>
TOTAL SOURCES	
<i>USES:</i>	
Construction Account.....	
Deposit to Bond Account	
Costs of Issuance and Underwriter's Discount	_____
TOTAL USES.....	

*Preliminary; subject to change.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE SERIES 2016A BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE SERIES 2016A BONDS

WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE SERIES 2016A BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2016A BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE DISTRICT OR THE UNDERWRITER. PROSPECTIVE INVESTORS ARE ENCOURAGED TO REVIEW CURRENT EMMA FILINGS FOR THE DISTRICT AT [HTTP://WWW.EMMA.MSRB.ORG/](http://www.emma.msrb.org/).

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Series 2016A Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the District or the taxing authority of the District.

Limitations on Remedies Available to Owners of Series 2016A Bonds

The enforceability of the rights and remedies of the owners of Series 2016A Bonds, and the obligations incurred by the District in issuing the Series 2016A Bonds, could be subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of South Dakota and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Series 2016A Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

Taxation of Interest on the Series 2016A Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Series 2016A Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Series 2016A Bonds includable in gross income for federal income tax purposes.

The District has covenanted in the Bond Resolution and in other documents and certificates to be delivered in connection with the issuance of the Series 2016A Bonds to comply with the provisions of the Code, including those which require the District to take or omit to take certain actions after the issuance of the Series 2016A Bonds. Because the existence and continuation of the excludability of the interest on the Series 2016A Bonds depends upon events occurring after the date of issuance of the Series 2016A Bonds, the opinion of Bond Counsel described under "TAX EXEMPTION" assumes the compliance by the District with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Series 2016A Bonds in the event of noncompliance with such provisions. The failure of the District to comply with the provisions described above may cause the interest on the Series 2016A Bonds to become includable in gross income as of the date of issuance.

Proposed Legislation

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause the interest on the Series 2016A Bonds to be subject, directly or indirectly, to federal income taxation or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of the such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal tax exemption or the market value of the Series 2016A Bonds. Prospective purchasers of the Series 2016A Bonds should consult their tax advisors regarding any future, pending or proposed federal tax legislation, regulations, rulings or ligation as to which Bond Counsel expresses no opinion.

Future School Aid Pledge Coverage

The bond rating on the Series 2016A Bonds is based on the pledge of state aid to the payment of principal and interest on the Series 2016A Bonds as more fully described in “PLEGGED STATE AID” herein. If the amount of state aid appropriated by the South Dakota legislature to the District in future years materially declines for any reason, the level of debt service coverage afforded by the state aid pledge will decline accordingly. In such event, the rating on the Series 2016A Bonds may be reduced by Standard & Poor’s Ratings Service. Any such reduction could have a materially adverse effect on the value of the Series 2016A Bonds in the hands of investors. It is impossible to predict whether the South Dakota Legislature will continue to provide state aid at current or higher levels for the full term of the Series 2016A Bonds.

Premium on Series 2016A Bonds

The initial offering prices of certain maturities of the Series 2016A Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof. Any person who purchases a Series 2016A Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Series 2016A Bonds are subject to redemption at par under the various circumstances described under “OPTIONAL REDEMPTION.” Also see, “ORIGINAL ISSUE PREMIUM” herein.

Suitability of Investment

The tax exempt feature of the Series 2016A Bonds is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Series 2016A Bonds are an appropriate investment.

Market for the Series 2016A Bonds

Bond Rating. The Series 2016A Bonds have been assigned the financial rating set forth in the section hereof entitled “RATING.” There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Series 2016A Bonds.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Series 2016A Bonds. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Series 2016A Bonds as a result of financial

condition or market position of broker dealers, prevailing market conditions, lack of adequate current financial information about the District, or a material adverse change in the financial condition of the District, whether or not the Series 2016A Bonds are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

OPTIONAL REDEMPTION

The Series 2016A Bonds maturing on December 1, 20__* and later years shall be subject to redemption and prepayment at the option of the District on December 1, 20__* or on any date thereafter, at par, plus accrued interest to the date of redemption. Such Series 2016A Bonds are redeemable in whole or in part, of maturity and by lot within each maturity.

[MANDATORY SINKING FUND REDEMPTION]

The Series 2016A Bonds maturing on December 1 in the years ____ and ____ (the “Term Bonds”), are subject to mandatory redemption, and will be redeemed pursuant to a mandatory sinking fund redemption, at a redemption price equal to their principal amount plus accrued interest to the date of redemption, on each January 15 in each of the following years, (each such date being a “Sinking Fund Payment Date”) in an amount (a “Mandatory Sinking Fund Payment”) equal to the following principal amounts:

<u>Sinking Fund Redemption Dates</u>	<u>Principal Amount</u>
--------------------------------------	-------------------------

(maturity)

or if less than such amount of Series 2016A Bonds is outstanding on any such Sinking Fund Payment Date, an amount equal to the aggregate principal amount of all Series 2016A Bonds then outstanding.]

NOTICE OF REDEMPTION

Notice of redemption shall be given by first class mail not less than 30 days prior to the redemption date, (or, if applicable, by the securities depository in accordance with its customary procedures) to the Owner of each Series 2016A Bond to be redeemed, at the Owner’s address as it appears on the bond registration books of the District kept by the Bond Registrar. No defect in or failure to give notice shall affect the validity of proceedings for the redemption of any Series 2016A Bond not affected by such defect or failure. Each notice of redemption shall state the redemption date, the place of redemption and the distinctive numbers, CUSIP numbers and interest rates of the Series 2016A Bonds to be redeemed. Official notice of redemption having been given as aforesaid, the Series 2016A Bonds or portions of the Series 2016A Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) such Series 2016A Bonds or portions of the Series 2016A Bonds shall cease to bear interest. Upon partial redemption of any Series 2016A Bond, a new Series 2016A Bond will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

[ORIGINAL ISSUE PREMIUM

The Series 2016A Bonds maturing in the years 20__ through 20__, inclusive, are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Series 2016A Bond holders who acquire Series 2016A Bonds at a premium must, from time to time, reduce their federal and state tax bases for the Series 2016A Bonds for purposes of determining gain or loss on the sale or payment of such Series 2016A Bonds. Premium generally is amortized for federal and state income and franchise tax purposes on the basis of a Series 2016A Bond holder’s constant yield to maturity or

to certain call dates with semiannual compounding. Series 2016A Bond holders who acquire Series 2016A Bonds at a premium might recognize taxable gain upon sale of the Series 2016A Bonds, even if such Series 2016A Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or state income tax purposes. Series 2016A Bond holders who acquire Series 2016A Bonds at a premium should consult their tax advisors concerning the calculation of certificate premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Series 2016A Bonds acquired at a premium.]

[ORIGINAL ISSUE DISCOUNT

Certain maturities of the Series 2016A Bonds (the "Discount Bonds") are being sold at a discount from the principal amount payable on such Series 2016A Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under Section 1288 of the Code is excluded from gross income for federal income tax purposes to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under Section 1288 is added to the owner's tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under Section 1288 pursuant to a constant yield method that reflects semiannual compounding on days that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bond (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bond, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Discount Bond the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is to be apportioned in equal amounts among the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of (1) the Issue Price, plus (2) accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond.

No opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law. Holders of Discount Bonds should consult their tax advisors for advice with respect to the state and local tax consequences of owning Discount Bonds.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership of the Discount Bonds. Prospective purchasers or holders of Discount Bonds should consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Discount Bonds, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability for corporations.]

REGISTRAR

The First National Bank in Sioux Falls, Sioux Falls, South Dakota (the "Registrar"), will serve as the

Registrar. Principal and interest will be payable on each payment date by check or draft of the Registrar mailed to the registered owners of the Series 2016A Bonds at their addresses as they appear in the registration books maintained by the Registrar as of the close of business on the fifteenth day of the month proceeding the interest payment date. The District will pay the charges for the services of the Registrar and has reserved the right to remove the Registrar and to appoint a successor Registrar.

BOOK ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2016A Bonds. The Series 2016A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Certificate per maturity will be issued in the principal amount of the Series 2016A Bonds maturing in such year, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organization. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2016A Bonds, except in the event that use of the book-entry system for the Series 2016A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2016A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2016A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2016A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2016A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016A Bonds at any time by giving reasonable notice to the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016A Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2016A Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

BUDGETING AND TAX LEVY INFORMATION

The District receives approximately 40 percent of its funding from ad valorem property tax revenues. Under South Dakota law, school districts are permitted to make up to five separate property tax levies, including:

(1) General Fund Levy for taxes payable in 2016 and thereafter is \$8.727 per \$1,000 taxable valuation subject to the following specific limitations for the following classes of property: (1) \$1.568 per \$1,000 taxable valuation for agricultural property, and (2) \$4.075 for owner-occupied single-family dwellings.

Section 10-12-43 of South Dakota Codified Laws provides that the above general fund levies can be exceeded only by an excess levy imposed by an affirmative two-thirds vote of the governing body of the school district. The vote by the governing body must occur on or before July fifteenth of the year prior to the year the taxes are payable. The decision to exceed the levies is subject to a referendum by resolution of the governing body of the school district or by the electors of the school district, if petitioned by at least five percent of the registered voters in the school district.

(2) Capital Outlay Fund Levy not to exceed \$3 per \$1,000 taxable valuation.

(3) Special Education Fund Levy not to exceed \$1.409 per \$1,000 taxable valuation.

(4) Pension Fund Levy not to exceed \$0.30 per \$1,000 taxable valuation

(5) General Obligation Bond Levy which is not subject to levy limitation.

The property tax levy process begins with the adoption of the District's annual budget. South Dakota law specifies a procedure which school districts must follow for establishing their annual budgets and submitting their property tax levies to the County Auditor. The School Board shall prepare a proposed budget for the next fiscal year according to the budgeting standards prescribed by the auditor general for consideration not later than the regular meeting in the month of May (all South Dakota school districts operate on a July 1-June 30 fiscal year). The proposed budget must be published no later than July 15 together with a notice of hearing on the budget. The budget hearing must be held prior to July 15. Before October 1, every school board shall approve a budget for the anticipated obligations of each fund, except trust and agency funds, for the school fiscal year. The budget may include an amount to provide cash flow funding according to guidelines prescribed by the auditor general. By resolution, the school board shall adopt a levy in dollars sufficient to meet the school budget. Any changes in the proposed budget incorporated into the final budget shall be published in the minutes within 30 days after the final adoption of the budget. Once adopted, the budget is reported to the County Auditor before October 1. The County Auditor must spread a levy in dollars over the school district's taxable property sufficient to raise the money required by the budget, subject only to legal limits on the amount of taxes which a school district may levy.

In South Dakota, the collection of all property tax revenues is handled by the County governments. Each County is required to conduct an annual assessment of all real property located in the County. State law requires that all property be assessed at its full and true value as of the November 1 immediately preceding the assessment year. Property owners must be notified of the assessed value of their properties, and a property owner who desires to challenge the assessment may appeal to the appropriate Board of Equalization. South Dakota law creates local Boards of Equalization, the purpose of which are to equalize the assessed value of all properties and to see that all taxable property has been properly placed on the assessment roles and has been properly valued. The County Commission, sitting as a Board of Equalization, is the final local authority for hearing property owner appeals and equalizing the assessments of property, subject to a property owner's right to appeal the assessment to the Office of Hearing Examiners or to the Circuit Court. Each County's equalization proceedings for its annual assessment must be completed by the third week of May. South Dakota Codified Laws, Section 10-12-31.1, provides that, for levy years commencing in 1996, the county director of equalization, when applying the levies for school purposes, shall adjust the level of assessment for each district so that the level of assessment is equal to eighty-five percent of market value or agricultural income value, using an adjustment factor provided by the State Department of Revenue and Regulation. The adjusted value so determined is referred to in this Official Statement as the "taxable value."

Real property taxes become due on January 1 of the year following the year in which the tax levy is made. Real property taxes become delinquent if not paid 50% by May 1 and the remaining 50% by November 1. Once levied, taxes become a perpetual lien upon the subject real property until paid. All property tax payments, after being collected by the County Treasurer, are turned over to the County Auditor. The Auditor in turn must distribute on a monthly basis the portion of all property tax payments to each local unit of government for which a levy was made.

PLEDGED STATE AID

The District has elected to participate in a voluntary program (the "State Aid Pledge Program" or the "Program") administered by the South Dakota Health and Educational Facilities Authority (the "Authority") in conjunction with the South Dakota Department of Education ("DOE") in order to provide additional security for payment of the Bonds out of state aid to education appropriated by the Legislature from time to time and payable to the Series 2016 ("Pledged State Aid"). There follows brief descriptions of the State Aid Pledge Program, State Aid to Education in South Dakota and the State Aid Pledge Agreement to be entered into by a

Participant, DOE, the Authority and the relevant Paying Agent.

State Aid Pledge Program.

During its 2015 session, the South Dakota Legislature adopted Senate Bill 191 authorizing the current form of the State Aid Pledge Program. The purpose of the Program is to reduce interest costs for participating South Dakota school districts by providing credit enhancement for capital outlay certificate, general obligation bonds and certain other financings. The Program allows school districts to pledge appropriated state aid to education payments to provide additional security for capital outlay certificates, certain general obligation bonds and other qualifying financings.

For purposes of the discussion under the caption “PLEGGED STATE AID”, any school district that participates in the Program is referred to as a “Participant” and the capital outlay certificates, bonds or other obligations secured by pledged state aid are referred to as “Enhanced Obligations”. The District will be a “Participant” and the Series 2016A Bonds will be Enhanced Obligations.

State Aid to Education in South Dakota.

South Dakota Codified Law 13-13-74 requires that state aid be paid to school districts in twelve monthly installments, on or about the 30th day of each month. As a practical matter, the South Dakota Bureau of Finance and Management (“BFM”) has agreed with the South Dakota Investment Council that payments will be made to the school districts on the next to last business day of each month. Reference is hereby made to the information under the caption “STATE OF SOUTH DAKOTA CREDIT ENHANCEMENT” in this Official Statement information concerning the amounts of state aid received from time to time by the District.

Under the State Aid Pledge Program, if a Participant fails to deposit a scheduled semiannual principal and/or interest payment under an Enhanced Obligation by the 15th day of the preceding month, a delinquency notice is circulated by the Paying Agent for the Enhanced Obligations to all of the parties in the payment process: DOE, State Auditor, and BFM, as well as the Authority. If the delinquency is not cured by the end of the second business day following the delinquency notice date, the State Aid Pledge Agreement provides that the Authority will issue an intercept notice to the same parties. The intercept notice directs the DOE to enter different payment instructions and amounts into its electronic “voucher” request system, such that (i) the amount of the delinquent interest and/or principal will be paid directly to the Paying Agent in good funds on the second to last business day of the month, and (ii) the Paying Agent will thus have funds available to make the required interest and/or principal payment to the holders of the Enhanced Obligations on the first business day of the next month.

State Aid Pledge Agreement.

In order to become a Participant in the State Aid Pledge Program and to secure its capital outlay certificates, bonds or other obligations with pledged state aid, a School District must apply to the Authority and if approved, must enter into a form of State Aid Pledge Agreement (the “Agreement”) with the Authority, DOE and the relevant Paying Agent. A brief summary of the Agreement is set forth below. The form of the specific Agreement entered into by a specific Participant may be obtained from the Participant or the underwriter for the related Enhanced Obligations during the initial offering thereof. Reference is hereby made to the Agreement for a specific series of Enhanced Obligations and the description below is qualified in all respects by such reference.

Pledge of State Aid.

- (a) Under the Agreement, a Participant ratifies and confirms its pledge in the Resolution of

pledged state aid to secure payment of the Enhanced Obligations and any Parity Obligations and covenants and agrees that if a Delinquency occurs with respect to the payment of any amount under or in connection with any outstanding Enhanced Obligation 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) The Participant also covenants and agrees in the Agreement that if the Authority determines that the Participant is delinquent in making any payments pursuant to the Resolution, the Enhanced Obligations 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, Enhanced Obligations, 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 the 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 in the Agreement.

(c) The Agreement provides that a copy of the 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 as contemplated by SDCL § 13-19-30. It is solely the obligation of the Participant to comply with this provision.

Payment Provisions; Delinquency and Intercept Notices.

(a) If a Participant fails to deposit with the Paying Agent any amount due with respect to an Enhanced Obligation 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 Agreement requires the Paying Agent to provide a written notice (a “Delinquency Notice”) to the Participant, 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) Upon receipt of the Delinquency Notice, the Authority covenants and agrees in the Agreement that it will contact the Participant directly to confirm the Delinquency and request that the Participant cure the Delinquency immediately.

(c) If the Paying Agent does not receive all Delinquent Amounts by the close of business on the second Business Day following the Notice Date, the Agreement provides that the Paying Agent will provide written notice of such failure (a “Request For Intercept”) to the Participant, 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) Upon receipt of the Request For Intercept, the Agreement provides that the Authority shall provide a written notice (an “Intercept Notice”) to DOE and the State Auditor, with copies to the Participant and BFM,

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

(2) requesting DOE to deduct from amounts otherwise due to the Participant for the apportionment of state aid to education funds or other amounts under Title 13 the amount required to pay the 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.

Any amount paid to the Paying Agent pursuant to the procedures in the Agreement shall be deducted from the remaining amount of state aid to education funds otherwise payable to the Participant under Title 13, thereby reducing the amount payable pursuant to § 13-13-74. The amount payable to the Paying Agent pursuant to the State Aid Pledge 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 Participant for the current fiscal year.

Limitation of State Aid Pledge

The pledge of state aid does not constitute a guarantee by the State of South Dakota or the Authority of the Series 2016A Bonds or the payment of any principal or interest with respect to the Series 2016A Bonds Under the State Aid Pledge Agreement, the obligation of the State of South Dakota to divert state aid funds to a Paying Agent following a Delinquency by a Participant as described above is limited in any fiscal year to the amount of state aid appropriated by the South Dakota legislature to such Participant for such fiscal year, reduced by the amount of state aid paid to such Participant during such fiscal year prior to the Delinquency.

Covenants of the Participant.

Under the Agreement, a Participant covenants and agrees, among other things, as follows:

(i) So long as any Parity Obligations or Enhanced Obligations remain outstanding, the Outstanding Certificates and all Parity Obligations shall be payable by the same Paying Agent. The Participant agrees that it will not remove the Paying Agent as bond registrar and paying agent with respect to the Enhanced Obligations unless and until a successor bond registrar and paying agent has been designated by the Participant 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.

The Participant 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.

In addition, the Participant agrees to 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 and other claims related to participation in the Program.

Amendments.

The Agreement may be amended or supplemented as provided therein and reference is hereby made to such Agreement for all relevant provisions concerning any such amendment.

Certain Definitions.

In addition to other terms defined under the caption “PLEDGED STATE AID”, the following terms shall have the following meanings:

“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 Paying Agent are located are authorized by law or executive order to close or (ii) a day on which New York Stock Exchange is closed.

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

Delinquency with respect to a June 1 Interest Payment Date, all interest, and other amounts coming due on the Certificates or Parity Obligations on such date.

“Parity Obligations” means any bonds note, certificate or other obligation of the Participant 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 principal or interest payment date for the Enhanced Obligations.

“Paying Agent”: means the paying agent for the Enhanced Obligations.

“Resolution”: The resolution and/or indenture of trust which authorizes the issuance of the Enhanced Obligations.

TAX INCREMENT DISTRICTS AND DISCRETIONARY PROPERTY TAX REDUCTION

State law allows for a tax break for new and/or improved commercial and/or industrial businesses. A discretionary property tax reduction formula is applied to construction completed by the first day of November preceding the assessment. Counties and cities have the option of implementing this formula to promote new businesses; the tax break is for up to five years. South Dakota Codified Laws, Section 10-12-44(2) provides when a city or county grants a property tax reduction, the amount of tax revenue lost to the District, for its general and special education funds by reason of such property tax reduction, shall be levied by the County against the taxable property in the District.

In addition to the discretionary property tax reduction formula described above, municipalities may also create tax increment districts. At the time an increment district is certified, there is an assessed value within its boundary. This valuation is the base value and the District can collect taxes only on the amount of the base value. The additional valuation has the same levy applied but the dollars collected are segregated to pay costs of public improvements within the increment district, including the retirement of tax incremental revenue bonds. South Dakota Codified Laws, Section 10-12-44(1) provides for tax increment districts formed after December 31, 1994, the amount of tax revenue lost to the District, for its general and special education funds by reason of such tax increment district, shall be levied by the County against all taxable property in the District. No tax increment districts have been created within the District.

INFORMATION CONCERNING THE DISTRICT

General Information

Canton School District 41-1 is located in Lincoln and Minnehaha Counties, which is the county seat of Lincoln County, South Dakota. Canton is located 25 miles southeast of Sioux Falls, 9 miles east of Interstate 90, and is also served by U.S. Highway 18 and State Highway 11.

The District has a total estimated area of 194 square miles (124,160 acres) and estimates its current population to be approximately 5,582 according to the 2010 census.

The District is governed by seven member School Board, the members of which are elected on a rotation. Present members and the current term expiration of office of each are listed below.

<u>Name</u>		<u>Expiration of Term (July)</u>
Bruce Henke	President	2018
Kevin Jensen	Vice President	2017
Christal Dietzenbach	Member	2018
Jon Gustad	Member	2017
Tanya Iverson	Member	2019
Todd Larson	Member	2019
Todd Gannon	Member	2019

The administration of School Board policies is the responsibility of the District's Superintendent, Terry Gerber, who has served the District as Superintendent for 5 years. The business affairs of the District are managed by its Business Manager, Nancy Thompson, who has served as Business Manager for 8 years.

Student Enrollment

The information below shows average daily membership for each year over the past 9 years and the fall census for the most current year.

<u>Year</u>	<u>Membership</u>
2015 - 2016 ⁽¹⁾	872.000
2014 - 2015	865.896
2013 - 2014	846.109
2012 - 2013	851.567
2011 - 2012	834.221
2010 - 2011	881.290
2009 - 2010	856.055
2008 - 2009	863.971
2007 - 2008	903.945

Source: South Dakota Department of Education

⁽¹⁾2015-2016 Fall Enrollment Only

Physical Facilities

The information set forth in the table below describes all of the classroom buildings presently operated by the District. In addition to the classroom buildings, the District operates administration, maintenance, and athletic field facilities.

<u>School</u>	<u>Approximate Date of Original Construction</u>	<u>Date Renovated/ Addition Added</u>
E.O. Lawrence Elementary	1962	1972, 1977, 1978, 1992, 2007
Canton Middle School	1983	
Canton High School	1999	2008

Source: Canton School District 41-1 Business Manager

Employment and Pension Plans

At present, the District employs 106 persons, as follows:

Administrative staff	6
Teachers/Counselors/Librarians	65
Secretaries	4
Instructional / Librarian Aides	1
Custodians / Maintenance	7
Food Service/Noon/Traffic Duty	-
Nurse	1
Support Services	22
Transportation	-
Child Care	-

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Laws 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% salary; Class B Judicial members, 9.0% of salary; the District contributes an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The school’s share of contributions to the SDRS for the fiscal years ended June 30, 2015, 2014 and 2013 was \$229,744.63, \$224,425.19, and \$217,132.43, respectively, equal to the required contributions each year.

Source: Information was collected from the 2015 Audited Financial Statements of the District

Postemployment Healthcare Plan (OPEB)

The District is a member of the Associated School Boards of South Dakota. The ASBSD has set up, for its members, a retiree pool, to house the health plans of the District's retiree participants. This method excludes retirees experience from being included in the rating process for the current employees. Rating in this manner, creates not impact on the insurance rates of the current employees. There is no future liability as the District is not paying higher rates with regards to its participating retirees.

Financial Position and Operations

The information provided immediately below summarizes the year-end fund balances, and General Fund revenues, expenditures and fund balances for the District for the three most recent fiscal years.

General Fund Revenues, Expenditures and Changes in Fund Balances¹

	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
REVENUES			
Local sources	\$ 2,253,456.86	\$ 2,154,191.64	\$ 2,150,893.91
Intermediate sources	26,755.28	24,933.12	24,486.51
State sources	2,401,581.61	2,367,840.95	2,626,895.91
Federal sources	181,685.00	184,837.00	102,983.00
Total Revenues	<u>\$ 4,863,478.75</u>	<u>\$ 4,731,802.71</u>	<u>\$ 4,905,259.33</u>
EXPENDITURES			
Instruction	\$,2,404,430.90	\$ 2,515,790.34	\$ 2,631,808.15
Supporting services	1,630,937.21	1,889,763.75	1,963,282.41
Community services	--	--	--
Non-programmed changes	--	--	--
Co-curricular services	412,150.35	425,064.85	437,252.60
Total Expenditures	<u>\$ 4,447,518.46</u>	<u>\$ 4,830,618.94</u>	<u>\$ 5,032,343.16</u>
Excess of Revenue Over (Under) Expenditures	<u>\$ 415,960.29</u>	<u>\$ (98,816.23)</u>	<u>\$ (127,083.83)</u>
Net Change in Fund Balances	<u>\$ 415,960.29</u>	<u>\$ (98,816.23)</u>	<u>\$ (127,083.83)</u>
FUND BALANCE Beginning July 1:	\$ 2,586,084.81	\$ 3,002,045.10	\$ 2,903,228.87
FUND BALANCE Ending June 30:	<u>\$ 3,002,045.10</u>	<u>\$ 2,903,228.87</u>	<u>\$ 2,776,145.04</u>

¹Fiscal year 2013, 2014 and 2015 information collected from the Audited Financial Statements of the District.

Financial Statements

The audited general-purpose financial statements of the District for the fiscal year ended June 30, 2015 are included as Appendix A to the Official Statement. Audited financial statements for the fiscal years ended June 30, 2014, and June 30, 2013, are available from:

Nancy Thompson, Business Manager
 Canton School District 41-1
 800 N. Main Street
 Canton, SD 57013
 Telephone: (605) 764-2706

District Property Values

Levy Year	Agricultural Value	Owner Occupied Single Family Value	Non-Agricultural Z Value	Other Non-Agriculture/ Utilities	Total Value
2015	\$ 234,244,450	\$ 235,217,148	0	\$ 70,907,412	\$ 540,369,010
2014	208,832,780	219,400,960	0	63,075,305	491,309,045
2013	202,436,672	204,410,185	0	59,560,671	466,407,528
2012	179,957,759	200,910,754	0	57,129,335	437,997,848
2011	185,709,314	207,180,983	0	57,922,847	450,813,144
2010	200,844,997	205,658,774	0	57,756,602	464,260,373
2009	226,097,030	202,152,400	\$ 5,310,340	54,849,645	488,409,415

Source: State Department of Revenue and Department of Education in South Dakota

Historical Property Tax Collections

LINCOLN COUNTY

Levy Year	General Fund Taxes Levied	Total General Fund Taxes Collected ⁽¹⁾	Percent Collected
15 pay 16	\$ 4,483,631.44	In process of being collected	
14 pay 15	4,213,674.45	\$ 4,195,023.48	99.5%
13 pay 14	4,411,364.64	4,399,179.66	99.7
12 pay 13	4,090,522.99	4,084,414.79	99.8
11 pay 12	4,180,191.85	4,177,451.15	99.9
10 pay 11	4,187,056.41	4,185,871.32	99.9
09 pay 10	4,352,808.65	4,252,009.43	97.7

⁽¹⁾One-half payable May 1 and one-half payable November 1.

Source: Lincoln County Auditor
 Taxes collected through May 2016

MINNEHAHA COUNTY

Levy Year	General Fund Taxes Levied	Total General Fund Taxes Collected ⁽¹⁾	Percent Collected
15 pay 16	\$ 224.21	In process of being collected	
14 pay 15	232.42	\$ 232.42	100.00%
13 pay 14	231.23	227.91	98.56
12 pay 13	215.64	212.56	98.57
11 pay 12	212.49	199.66	93.96
10 pay 11	216.51	216.55	100.00
09 pay 10	220.61	220.15	100.00

⁽¹⁾One-half payable May 1 and one-half payable November 1.

Source: Minnehaha County Auditor

Taxes collected through May 2016

Debt Limitations

Under the South Dakota Constitution the total indebtedness of a school district may not exceed 10% of the assessed value of the property within the District.

The District's net debt margin after giving effect to the issuance of the Series 2016A Bonds is as follows:

Constitutional Debt Limit (10% of Assessed Value)	<u>\$ 61,088,640.20</u>
Less Outstanding Capital Outlay Certificates	1,795,000
Less Outstanding General Obligation Bonds (including this issue)	<u>7,200,000</u>
Net Debt Margin after this issue	<u>\$ 52,093,640.20</u>

Direct Debt

Par Amount	Issue	Maturity Date	Outstanding as of 06/30/2016
\$ 2,720,000	Limited Tax GO Crossover Refunding Certificates, Series 2010A	06/2025	\$ 1,795,000
7,200,000	General Obligation Bonds, Series 2016A (<i>This issue</i>)	12/2036	<u>7,200,000</u>
			<u>\$ 8,995,000</u>

Net Direct Debt

The net direct debt is the direct (all issues) minus any self-supporting debt such as revenue issues and note issues. In general, the net direct debt is only the debt supported by ad valorem taxes.

Net Direct Debt	\$8,995,000
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Overlapping Debt

The overlapping debt of the District payable from property taxes is as follows:

<u>Issuer</u>	<u>Ad Valorem Debt as of December 31, 2015</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
City of Canton	\$ 0.00	100	\$0.00
Lincoln County	6,155,000.00	11.55	710,902.50
Minnehaha County	\$ 33,882,937.00	.00042	142.31

Net Overall Debt

The net overall debt is net direct debt plus overlapping debt.

Net Overall Debt	\$9,706,044.81
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Debt Ratios

Net Direct Debt per Capita (5,582 est.)	\$ 1,611.43
Overlapping Debt per Capita (5,582 est.)	\$ 127.38
Net Overall Debt per Capita (5,582 est.)	\$ 1,738.81
Net Overall Debt per Acre (124,160)	\$ 78.17
Net Overall Debt to Assessed Value (\$610,886,402)	1.59%

Largest Employers in the District

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Employees</u>
Adams Thermal Systems	Manufacturing	650
Keystone Treatment Center	Healthcare	180
Lincoln County	Government	116
Canton School District	Education	106
Amesbury Fastek	Manufacturing	100
Sanford Health – Canton	Healthcare	86
Sunshine Foods	Retail	60
Bid-Well, A Terex Company	Manufacturing	50
City of Canton	Government	40
Legacy Electronics	Manufacturing	40

Source: Sioux Falls Development Foundation

Population of Cities in the District

<u>City</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015 (estimate)</u>
Canton	2,787	3,110	3,057	3,331

Source: U.S. Census

Largest Taxpayers in the District

<u>Taxpayer</u>	<u>Taxable Value</u>	<u>Percent of Total</u>
Pederson Ag, LLC	\$ 10,502,778	1.94%
Adams Holdings, LLC	8,007,339	1.48
Farmers Co-op Society SC IA	4,486,750	0.83
Cenex Harvest States Coop	3,819,533	0.71
CMI Terex Corporation	3,200,000	0.59
Melhaff, Richard	3,061,943	0.57
Hurley, Marilyn	3,027,645	0.56
Hurley Farms, LLC	2,807,627	0.52
Caps of Virginia	2,728,716	0.51
Eiseland, Rondal	2,697,464	0.50

Source: Lincoln County Auditor

Labor Statistics

<u>Year</u>	<u>Lincoln County Average</u>	<u>Average Annual Unemployment Rate</u>	
	<u>Annual Civilian Labor Force</u>	<u>Lincoln County</u>	<u>State of South Dakota</u>
2015	30,133	2.3%	3.1%
2014	29,582	2.4	3.4
2013	28,586	2.7	3.8
2012	27,794	3.2	4.3
2011	26,916	3.6	4.7
2010	26,312	3.9	5.0
2009	22,293	4.3	4.9

Source: South Dakota State Department of Labor

STATE OF SOUTH DAKOTA CREDIT ENHANCEMENT

South Dakota Education Funding Formula Generally

The amount of state aid provided by the State of South Dakota to local school districts for general K-12 education is based on a formula that begins with a base amount of funding per student each year, as determined by the state legislature. For individual school districts, this base funding level is often referred to as the “local need.” The local need for each school district is funded from two sources: (1) a combination of money received by the district through local property taxes and other sources (referred to as the “local effort”), and (2) general fund and other moneys of the state paid out to school districts over the course of the year in monthly installments (“state aid”). The amount of state aid provided to each school district is calculated by subtracting its “local effort” from its “local need”. For more information on the State’s education funding formula, refer to the tab “State Aid Issue Brief” under “State Aid” in the index for the Department of Education’s web site at www.doe.sd.gov.

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Pledged State Aid; Debt Service Coverage

The table below shows the estimated amount of debt service coverage provided by the amount of state aid available for intercept with respect to each December 1 (principal and interest) and June 1 (interest only) payment date for the Series 2016A and 2016 B Bonds. The amounts shown are based on actual monthly state aid receipts by the District during the 2015-2016 school year.

Payment Dates	2016 General Obligation Series A			2016 Lt. General Obligation Series B			Total Debt Service	State Aid Available(1)	Coverage
	Interest	Principal	Debt Service Payment	Interest	Principal	Debt Service Payment			
1-Jun-17	99,562		99,562	71,810	-	71,810	171,372	402,608	2.3
1-Dec-17	62,661	300,000	362,661	53,858	180,000	233,858	596,519	1,610,432	2.7
1-Jun-18	61,611		61,611	52,868	-	52,868	114,479	1,548,821	13.5
1-Dec-18	61,611	340,000	401,611	52,868	200,000	252,868	654,479	1,610,432	2.5
1-Jun-19	60,251		60,251	51,568	-	51,568	111,819	1,550,181	13.9
1-Dec-19	60,251	345,000	405,251	51,568	205,000	256,568	661,819	1,610,432	2.4
1-Jun-20	58,699		58,699	50,081	-	50,081	108,780	1,551,733	14.3
1-Dec-20	58,699	345,000	403,699	50,081	205,000	255,081	658,780	1,610,432	2.4
1-Jun-21	56,974		56,974	48,493	-	48,493	105,466	1,553,458	14.7
1-Dec-21	56,974	350,000	406,974	48,493	210,000	258,493	665,466	1,610,432	2.4
1-Jun-22	55,049		55,049	46,708	-	46,708	101,756	1,555,383	15.3
1-Dec-22	55,049	355,000	410,049	46,708	215,000	261,708	671,756	1,610,432	2.4
1-Jun-23	52,919		52,919	44,719	-	44,719	97,638	1,557,513	16.0
1-Dec-23	52,919	355,000	407,919	44,719	220,000	264,719	672,638	1,610,432	2.4
1-Jun-24	50,523		50,523	42,519	-	42,519	93,041	1,559,910	16.8
1-Dec-24	50,523	360,000	410,523	42,519	220,000	262,519	673,041	1,610,432	2.4
1-Jun-25	47,823		47,823	40,209	-	40,209	88,031	1,562,610	17.8
1-Dec-25	47,823	365,000	412,823	40,209	225,000	265,209	678,031	1,610,432	2.4
1-Jun-26	44,903		44,903	37,734	-	37,734	82,636	1,565,530	18.9
1-Dec-26	44,903	375,000	419,903	37,734	230,000	267,734	687,636	1,610,432	2.3
1-Jun-27	41,715		41,715	35,089	-	35,089	76,804	1,568,717	20.4
1-Dec-27	41,715	380,000	421,715	35,089	235,000	270,089	691,804	1,610,432	2.3
1-Jun-28	38,295		38,295	32,151	-	32,151	70,446	1,572,137	22.3
1-Dec-28	38,295	385,000	423,295	32,151	245,000	277,151	700,446	1,610,432	2.3
1-Jun-29	34,638		34,638	29,028	-	29,028	63,665	1,575,795	24.8
1-Dec-29	34,638	395,000	429,638	29,028	250,000	279,028	708,665	1,610,432	2.3
1-Jun-30	30,688		30,688	25,653	-	25,653	56,340	1,579,745	28.0
1-Dec-30	30,688	400,000	430,688	25,653	255,000	280,653	711,340	1,610,432	2.3
1-Jun-31	26,388		26,388	22,083	-	22,083	48,470	1,584,045	32.7
1-Dec-31	26,388	410,000	436,388	22,083	265,000	287,083	723,470	1,610,432	2.2
1-Jun-32	21,775		21,775	18,240	-	18,240	40,015	1,588,657	39.7
1-Dec-32	21,775	420,000	441,775	18,240	270,000	288,240	730,015	1,610,432	2.2
1-Jun-33	16,840		16,840	13,920	-	13,920	30,760	1,593,592	51.8
1-Dec-33	16,840	430,000	446,840	13,920	280,000	293,920	740,760	1,610,432	2.2
1-Jun-34	11,573		11,573	9,440	-	9,440	21,013	1,598,860	76.1
1-Dec-34	11,573	440,000	451,573	9,440	290,000	299,440	751,013	1,610,432	2.1
1-Jun-35	5,963		5,963	4,800	-	4,800	10,763	1,604,470	149.1
1-Dec-35	5,963	450,000	455,963	4,800	300,000	304,800	760,763	1,610,432	2.1

Table includes Series B that will be issued later in 2016

(1) Assumes that if a November 15 deposit default occurs, state aid for the remainder of the fiscal year will be withheld to pay debt service.

This table reflects the total amount of state aid received by the District for the past five fiscal years.

District Fiscal Year <u>End June 30</u>	Total General School <u>Aid Received</u>
2016	\$2,415,655
2015	2,460,023
2014	2,203,163
2013	2,179,805
2012	2,104,289

Source: South Dakota State Department of Education

RATING

It is a condition to the issuance of the Series 2016A Bonds that Standard & Poor's Ratings Services will have assigned the Series 2016A Bonds the rating of ____".

The rating reflects only the view of Standard & Poor's Ratings Services. Further information may be obtained from Standard & Poor's Ratings Services, 55 Water Street, New York, NY 10041, telephone (212) 438-7280. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigation, studies and assumptions by the rating agencies. A security's rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2016A Bonds.

LITIGATION AND DEFAULT

The District knows of no threatened or pending litigation affecting the validity of the Series 2016A Bonds or the ability of the District to meet its financial obligations. The District has never defaulted in the payment of principal or interest on any debt obligation.

TAX EXEMPTION

In the opinion of Meierhenry Sargent LLP, Bond Counsel, under federal and State of South Dakota laws, regulations, rulings and decisions in effect on the date of the issuance of the Series 2016A Bonds interest on the Series 2016A Bonds is not includable in gross income for federal income tax purposes. Interest on the Series 2016A Bonds is includable in gross income for South Dakota income tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

The Internal Revenue Code of 1986, as amended (the "Code") imposes continuing requirements that must be met after the issuance of the Series 2016A Bonds in order for interest thereon to be and remain not includable in gross income for purposes of federal income taxation. Noncompliance with such requirements may cause the interest on the Series 2016A Bonds to be includable in gross income for purposes of federal income taxation, either prospectively or retroactive to the date of issuance of the Series 2016A Bonds. These requirements include, but are not limited to, provisions requiring that certain investment earnings must be rebated on a periodic basis to the Treasury Department of the United States.

Interest on the Series 2016A Bonds is not an item of tax preference which is included in "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to all taxpayers,

including individuals, under Section 55 of the Code, but such interest is includable in adjusted current earnings for purposes of determining the "alternative minimum taxable income" of corporations. Interest on the Series 2016A Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. Interest on the Series 2016A Bonds may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits.

The Series 2016A Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the Series 2016A Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986. Noncompliance with certain continuing requirements of the Code referred to above, however, may cause the Series 2016A Bonds to lose their status as "qualified tax-exempt obligations" retroactive to their date of issuance.

For individuals who are or may become recipients of social security benefits (including railroad retirement benefits), interest on the Series 2016A Bonds is includable in computing "modified adjusted gross income" for purposes of determining the amount of social security benefits, if any, that is required to be included in gross income under Section 86 of the Code.

In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) of the Code is reduced by an amount equal to fifteen percent of the interest on the Series 2016A Bonds that is received or accrued during the taxable year.

The foregoing discussion of the collateral federal tax consequences which may arise from the receipt of interest on the Series 2016A Bonds is not intended to be comprehensive. All prospective purchasers of the Series 2016A Bonds should consult their tax advisors as to the tax consequences of, purchasing or holding the Series 2016A Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance, and sale by the District of the Series 2016A Bonds and with regard to the tax-exempt status of interest thereon under existing laws are subject to the approving legal opinion of Meierhenry Sargent LLP, Sioux Falls, South Dakota, as Bond Counsel.

LEGISLATIVE PROPOSALS

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status of municipal certificates. For example, legislation has been proposed by President Obama that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt certificates cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt certificates (including the Series 2016A Bonds). Prospective purchasers of the Series 2016A Bonds should consult their own tax advisors regarding the impact of any such change in law.

UNDERWRITING

The Underwriter will purchase the aggregate principal amount of the Series 2016A Bonds upon their original issuance and delivery at a purchase price equal to _____ (reflecting the Underwriter's Discount and Original Issue Discount). The Underwriter will purchase all of the Series 2016A Bonds offered hereby if any of the Series 2016A Bonds are purchased.

The Series 2016A Bonds are being offering for sale at the prices set forth on the cover page of this Official Statement, which prices may be changed by the Underwriter from time to time without notice. The Series 2016A Bonds may be offered and sold to dealers acquiring Series 2016A Bonds for their own account or an account managed by them at prices lower than public offering prices.

CONTINUING DISCLOSURE

Participating underwriters in the primary offering of the Series 2016A Bonds are required to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the District will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2016A Bonds, in the Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix C to this Official Statement.

The Rule requires that the District disclose in this Official Statement any instances in the previous five years in which the District failed to comply, in all material respects, with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule. In connection with the Limited Tax General Obligation Crossover Refunding Certificates, Series 2010A, the District entered into a continuing disclosure undertaking (the "Prior Undertaking") specified in paragraph (b)(5) of the Rule. In the past five years (2010-2015) the District failed to comply with the requirements of paragraph (b)(5) specified in the Prior Undertaking by submitting their 2010 and 2011 audited financials 155 and 133 days late. They also failed to file the District's required additional operating data as well as operating budgets for the fiscal years ended June 30, 2011, 2012, 2013, 2014 and 2015 and failing to timely file a notice of its failure to timely file such annual information. The District's has a dissemination agent retained and will be making corrective filings with regard to all of the aforementioned failures in the future.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Series 2016A Bonds or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Series 2016A Bonds in the secondary market. Thus, a failure on the part of the District to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Series 2016A Bonds and their market price.

All instances, if any, where the District has failed to comply with any previous written undertakings may be found on the Municipal Securities Rulemaking Board's internet web site <http://emma.msrb.org> and are included herein by specific reference as if stated in full. **All prospective purchasers should review <http://emma.msrb.org> for past District compliance.**

ENFORCEABILITY OF OBLIGATIONS

On the closing date for delivery of the Series 2016A Bonds to the Underwriter thereof, Meierhenry Sargent LLP, Sioux Falls, South Dakota, Bond Counsel, will deliver their opinion dated the date of such delivery that the Series 2016A Bonds are valid and binding general obligations of the District, enforceable in

accordance with their terms except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.

Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements, or data contained in this Official Statement, and will express no opinion with respect thereto.

MISCELLANEOUS

Any statements made in this Official Statement, including Appendix B, involving matters of opinion or estimates, whether or not expressly so states, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Resolution and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

**APPENDIX A -
AUDITED FINANCIAL REPORT FOR YEAR 2015**

**Canton School District 41-1
Audited Financial Report for the Year Ended June 30, 2015**

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**APPENDIX B -
FORM OF BOND COUNSEL OPINION**

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(form of letterhead)
\$ _____
Canton School District 41-1
Lincoln and Minnehaha Counties, South Dakota
General Obligation Bonds, Series 2016A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Canton School District 41-1 (the "Issuer") of \$ _____ General Obligation Bonds, Series 2016A, dated _____, _____, (the "Bonds"). We have examined such certified proceedings and other papers as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the Issuer.
2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
3. The Bonds have been duly authorized by the electors of the District and pursuant to Resolution No. _____ adopted by the Issuer on _____, 2016, executed and delivered by the Issuer in full compliance with SDCL § 6-8B and are valid and binding general obligations of the Issuer.
4. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations as defined for federal income tax purposes, such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.
5. Under existing law, the interest on the Bonds is includible in "taxable income" for the State of South Dakota income tax purposes when the recipient is a "financial institution" as defined by

Chapter 10-43, South Dakota Codified Laws, according to present state laws, regulations and decisions. We express no further opinions regarding other South Dakota tax consequences arising with regard to the Bonds.

6. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity and subject to regulatory requirements under the laws of the United States and of the State of South Dakota.

Meierhenry Sargent LLP

**APPENDIX C -
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Canton School District 41-1, Lincoln and Minnehaha Counties, South Dakota (the “Issuer”) in connection with the Issuer’s issuance of \$7,200,000 in aggregate principal amount of its General Obligation Bonds, Series 2016A (the “Bonds”). The Bonds are being issued pursuant to a resolution (the “Resolution”) adopted by the Issuer on June 13, 2016. The CUSIP Number of the final maturity of the Bonds is _____.

The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the Issuer’s annual financial statements, prepared in accordance with generally accepted accounting principles (“GAAP”) for Governmental Units as prescribed by the Governmental Accounting Standards Board (“GASB”).

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Business Manager or his or her designee, or such other officer or employee as the Issuer shall designate in writing from time to time.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB as the primary portal for complying with the continuing disclosure requirements of the Rule.

“Financial Information or Operating Data” means financial information or operating data which is presented in the final official statement, which shall include financial information and operating data which is customarily prepared by the Issuer and is publicly available.

“**Holder**” shall mean the person in whose name any Bond shall be registered.

“**Listed Event**” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“**Municipal Securities Rulemaking Board**” or “**MSRB**” shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. Reference is made to Commission Release No. 34-59062, December 8, 2008 (the “Release”) relating to the MSRB’s Electronic Municipal Market Access (“EMMA”) system for municipal securities disclosure that became effective on July 1, 2009. To the extent applicable to this Disclosure Certificate, the Issuer shall comply with the Release and with EMMA.

“**Official Statement**” shall mean the Official Statement of the Issuer dated _____ prepared in connection with the issuance of the Bonds.

“**Participating Underwriter**” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“**SEC**” means the Securities and Exchange Commission.

“**State**” shall mean the State of South Dakota.

SECTION 3. Provision of Annual Reports. The Issuer shall, or shall cause the Dissemination Agent to, not later than twelve months following the end of the Issuer’s fiscal year (currently June 30), commencing the fiscal year ended June 30, 2016 (which is due no later than June 20, 2017), provide an electronic copy of its Annual Report to the MSRB which is consistent with the requirements of Section 4 of this Disclosure Certificate and which Annual Report is in the format and accompanied by such identifying information as is prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following, but only to the extent such information is customarily prepared by the Issuer each year and is made publicly available:

- (a) The Audited Financial Statements of the Issuer prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Department of Legislative Audit of the State. If the Issuer's Audited Financial Statements are not available, the Annual Report shall contain unaudited financial statements in a format similar to the

financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the Audited Financial Statement of the Issuer the Annual Report shall also include updates to the following headings under Appendix A to the Official Statement:

- (i) Student Enrollment;
- (ii) Financial Position and Operations;
- (iii) District Property Values; and
- (iv) Historical Property Tax Collections

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, within ten (10) business days after the occurrence of the event, to MSRB notice of the occurrence of any of the following Listed Events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of Certificate Holders;
- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer*;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (14) Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Each Listed Event Notice shall be in electronic form and shall be so captioned and prominently state the date, title and (to the extent less than all of the Bonds are affected by the related Listed Event) CUSIP numbers of the Bonds. The Issuer may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above or otherwise specified herein.

(c) Failure to provide the Annual Report by the date specified herein shall be reported to the MSRB in the same manner as set forth in this Section 5.

SECTION 6. EMMA. The SEC has designated EMMA as the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 9. Amendment; Waiver Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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 hereby 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 Paying Agent is 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 with respect to 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 with respect to 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 bond, note, certificate or other obligation of the District issued after the date hereof which is secured by Pledged State Aid and is still “outstanding” [no definition of Outstanding Certificate] 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 Standard & Poor’s Ratings Services.

“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 [no definition] 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 shall 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 [no definition] or any Parity Obligation on or before the 15th day of the month 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 District does not cure the Delinquency by making the required deposit with the Paying Agent 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, the Paying Agent, 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 **and BFM** to cause to be issued 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 also acknowledges and agrees it shall be responsible for paying the rating agency fee and other issuance costs associated with any Certificates or any Parity Obligations issued under the Program.

(d) The Authority covenants that it has verified with BFM and the State Auditor that the Paying Agent has taken the necessary actions, if any, to be qualified as a recipient of automated clearinghouse funds paid to the Paying Agent under the terms of this Agreement.

(e) The Authority covenants that following the delivery of an Intercept Notice under Section 3(d) of this Agreement, it will maintain contact with DOE, BFM and the State Auditor to the extent necessary to coordinate their activities and ensure that such parties fully understand their respective obligations under this Agreement.

(f) 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 Indemnatee 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 Outstanding Certificates 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 (d) 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 **such deposit has not been received and as a consequence a Delinquency exists as defined in the State Aid Pledge Agreement.**
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 **Delinquency**, 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 **amount of the required deposit 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 a Delinquency exists with respect to such deposit. As defined in the State Aid Pledge Agreement, the Delinquent Amount with respect to such deposit is \$_____.

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 **as defined in the State Aid Pledge Agreement** 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 **ACH 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]

Notice of Material Event

Filing Date: August 4, 2016

Issuer Name: **South Dakota Health and Educational Facilities Authority**

This filing relates to securities issued by the Issuer with the CUSIP prefix: **83755V**

Filing format: Electronic (consisting of 4 pages)

Rule 15c2-12 -- Description of Material Event (Check all that apply)

1. Principal and interest payment delinquencies

<p>Description: Late payment (by one day) of principal due August 1, 2016 caused by technical problems. See "Explanation" on the following page. <i>The Issuer's payment of all the interest due on August 1, 2016 was fully made in a timely manner.</i></p>
--

2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes
12. Notice of failure to provide annual financial information as required
13. Other material event or information (specify) _____

Issuer Contact:

Donald A. Templeton, Executive Director
South Dakota Health and Educational Facilities Authority
330 South Poplar
Pierre, South Dakota 57501
Telephone: (605) 224-9200
Email: don.templeton@sdhefa.com

Explanation:

The Issuer has been informed by The First National Bank in Sioux Falls (the "Trustee") that the payment of principal due on August 1, 2016 in the aggregate amount of \$3,040,000 with respect to certain Vocational Education Program Revenue Bonds of the Issuer (the "Bonds") maturing or subject to redemption on that date was delayed by one day and made on August 2, 2016. The affected Bonds consisted of the following:

Series	Maturity Date (August 1)	CUSIP: 83755V -	Principal Due
2007	2016	MP6	\$585,000
2010A	2016	PH1	\$360,000
2010C	2016	QR8	\$280,000
2011A	2016	RT3	\$95,000
2012A	2016	TB0	\$625,000
2014A	2016	VQ4	\$170,000
2015A	2017	XG4	\$55,000
2015B	2016	XU3	\$535,000
2015C	2016	YL2	\$335,000
			\$3,040,000

Although adequate amounts to pay such principal were held by the Trustee on August 1, 2016 in the form of certain investments, the Trustee has indicated that a communication failure between the Trustee and the custodian of the investments delayed the liquidation of those investments and resulting payment of principal until August 2, 2016. A copy of the Trustee's letter explaining the delay is attached to this Notice.

All of the interest payable on August 1, 2016 with respect to the Bonds was paid on time.



100 South Phillips Avenue
P.O. Box 5186
Sioux Falls, SD 57117-5186

Ⓟ 605.335.5180
www.fnbsf.com

August 4, 2016

Mr. Donald Templeton, Executive Director
South Dakota Health and Educational Facilities Authority
330 South Poplar
Pierre, SD 57501

Re: SOUTH DAKOTA HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
VOCATIONAL EDUCATION PROGRAM REVENUE BONDS,
Series 2007, 2010A, 2010C, 2011A, 2012A, 2014A, 2015A, 2015B, and 2015C

Dear Mr. Templeton:

I am writing to confirm the following:

1. Principal payments aggregating \$3,040,000 and due to the holders of the captioned bonds (the "Bonds") on August 1, 2016, were not made on that date and instead were made on August 2, 2016, through the facilities of the Depository Trust Company in New York.
2. The funds required to make the principal payments described above were on deposit in the respective bond funds for each of the issues of Bonds as required by the applicable bond documents. The delayed payment on August 2 was in no way the result of a failure by the South Dakota Health and Educational Facilities Authority (the "Authority") or any other agency or instrumentality of the State of South Dakota to (i) either pay or otherwise make funds available or (ii) take any other action of any kind.
3. The delayed payment of principal on the Bonds occurred because an email communication sent by the bank's Trust Department to Fifth Third Bank (the custodian of the bond fund assets) did not reach Fifth Third Bank in time to permit the necessary liquidation of money market fund assets to make the principal payments on the Bonds. Specifically, the email containing the necessary instructions was apparently never received by Fifth Third Bank, and our Trust Department did not become aware of that fact until it was too late to resend the necessary instructions.
4. Fifth Third Bank personnel contacted us today and indicated they had a known issue with delay in receiving external emails and this issue has been fixed.



100 South Phillips Avenue
P.O. Box 5186
Sioux Falls, SD 57117-5186

Ⓟ 605.335.5180
www.fnbsf.com

Please accept our sincere apologies for the delay in making the August 1, 2016, principal payments on the Bonds, and feel free to refer to me any inquiries you may receive from bondholders, rating agencies, or other interested parties.

Sincerely yours,

A handwritten signature in black ink that reads 'F. Bert Olson'.

F. Bert Olson,
Vice President and Trust Officer
605-335-5219
fbolson@fnbsf.com



100 South Phillips Avenue
P.O. Box 5186
Sioux Falls, SD 57117-5186

Ⓟ 605.335.5180
www.fnbsf.com

August 5, 2016

Mr. Donald Templeton, Executive Director
South Dakota Health and Educational Facilities Authority
330 South Poplar
Pierre, SD 57501

Re: Payment delay-additional measures

Dear Mr. Templeton:

Per our discussion earlier today, I wanted to provide you with additional measures that The First National Bank in Sioux Falls is putting in place to avoid similar administrative errors in the future:

1. Perform our sweep process even earlier in the morning in order to provide ample time for corrective actions should there be issues with email communications. As you may know, the sweep process identifies amounts needed from our custodian to pay debt service on all bond issues.
2. Confirm receipt of all trade and/or wire requests by phone if we do not receive a confirmation email back from our custodian shortly after our request was originally initiated.
3. Increase coordination with our Wire Transfer Department to insure wire transfer payments to Depository Trust Company are made on a timely basis.

Taken together, we believe these steps will provide additional checks and balances to avoid administrative errors due to technical issues in the future.

Again, we are sorry for the delay in making the August 1, 2016, principal payments on the bonds. If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink that reads 'F Bert Olson'. The signature is fluid and cursive, with the first name 'F' being particularly prominent.

F Bert Olson
Vice President and Trust Officer
605-335-5219
fbolson@fnbsf.com