

STATE BOARD OF EDUCATION

RESOLUTION (i) AUTHORIZING THE EXECUTION, DELIVERY AND PERFORMANCE OF (A) A FOURTEENTH SUPPLEMENTAL INDENTURE OF TRUST, (B) A SIXTEENTH SUPPLEMENT TO LEASE PURCHASE AGREEMENT, (C) SUPPLEMENTS TO THE SUBLEASE AGREEMENTS WITH THE PARTICIPATING INSTITUTIONS, (D) A SECOND AMENDMENT TO FIRST SUPPLEMENT TO GENERAL PLEDGE AND ESCROW AGREEMENT, (E) A BOND PURCHASE AGREEMENT AND (F) A CONTINUING DISCLOSURE AGREEMENT; (ii) APPROVING THE PREPARATION AND USE OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT FOR THE VOCATIONAL EDUCATION PROGRAM REVENUE BONDS, SERIES 2011B, AND (iii) APPROVING CERTAIN RELATED MATTERS IN CONNECTION THEREWITH

Adopted \_\_\_\_\_, 2011

RESOLUTION (i) AUTHORIZING THE EXECUTION, DELIVERY AND PERFORMANCE OF (A) A FOURTEENTH SUPPLEMENTAL INDENTURE OF TRUST, (B) A SIXTEENTH SUPPLEMENT TO LEASE PURCHASE AGREEMENT, (C) SUPPLEMENTS TO THE SUBLEASE AGREEMENTS WITH THE PARTICIPATING INSTITUTIONS, (D) A SECOND AMENDMENT TO FIRST SUPPLEMENT TO GENERAL PLEDGE AND ESCROW AGREEMENT, (E) A BOND PURCHASE AGREEMENT AND (F) A CONTINUING DISCLOSURE AGREEMENT; (ii) APPROVING THE PREPARATION AND USE OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT FOR THE VOCATIONAL EDUCATION PROGRAM REVENUE BONDS, SERIES 2011B, AND (iii) APPROVING CERTAIN RELATED MATTERS IN CONNECTION THEREWITH

### RECITALS

WHEREAS, Rapid City Area School District No. 51-4 (the "*Rapid City School District*"), Sioux Falls School District No. 49-5 (the "*Sioux Falls School District*"), Watertown School District 14-4 (the "*Watertown School District*") and Mitchell School District No. 17-2 (the "*Mitchell School District*" and together with the Rapid City School District, Sioux Falls School District, and Watertown School District, the "*Participating Institutions*") are authorized pursuant to Title 13, South Dakota Codified Laws to operate post-secondary vocational technical education institutes under the general supervision of the State Board of Education (the "*Board*"); and

WHEREAS, the South Dakota Health and Educational Facilities Authority (the "*Authority*") is authorized pursuant to Chapter 1-16A, South Dakota Codified Laws, to issue bonds to finance the acquisition and improvement of post-secondary vocational technical education facilities for use by the Participating Institutions and the Board; and

WHEREAS, Title 1-16A and Title 13, South Dakota Codified Laws, permits the Board to lease purchase post-secondary vocational technical education facilities from the Authority and permits the Board to sublease such facilities to the Participating Institutions; and

WHEREAS, the Authority has established a program (the "*Program*") whereby the Board may lease purchase post-secondary vocational technical education facilities from the Authority and sublease such facilities to the Participating Institutions; and

WHEREAS, the Authority and the Board have heretofore entered into a Lease Purchase Agreement dated as of August 1, 1988 as supplemented by various Supplements through and including a Fifteenth Supplement to Lease Purchase Agreement dated as of August 1, 2011 (collectively, as so supplemented the "*Lease*") pursuant to which the Board is leasing with an option to purchase certain facilities the acquisition and/or improvement and equipping of which was financed or refinanced in part or in whole with the proceeds derived from the issuance and sale by the Authority of its Vocational Education Program Revenue Bonds, Series 1988 in the original principal amount of \$11,120,000 (the "*Series 1988 Bonds*"), its Vocational Education Program Revenue Bonds, Series 1990 in the original principal amount of \$1,315,000 (the "*Series 1990 Bonds*"), its Vocational Education Program Revenue Bonds,

Series 1992 in the original principal amount of \$8,785,000 (the "*Series 1992 Bonds*"), its Vocational Education Program Revenue Bonds, Series 1993 in the original principal amount of \$9,780,000 (the "*Series 1993 Bonds*"), its Vocational Education Program Revenue Bonds, Series 1997 in the original principal amount of \$10,365,000 (the "*Series 1997 Bonds*"), its Vocational Education Program Revenue Bonds, Series 1998A in the original principal amount of \$4,705,000 (the "*Series 1998A Bonds*"), its Vocational Education Program Revenue Bonds, Series 1999 in the original principal amount of \$7,135,000 (the "*Series 1999 Bonds*"), its Vocational Education Program Revenue Bonds, Series 2004 in the original principal amount of \$6,265,000 (the "*Series 2004 Bonds*"), its Vocational Education Program Revenue Bonds, Series 2007 in the original principal amount of \$8,805,000 (the "*Series 2007 Bonds*"), its Vocational Education Program Revenue Bonds, Series 2008 in the original principal amount of \$19,465,000 (the "*Series 2008 Bonds*"), its Vocational Education Program Revenue Bonds, Series 2010A and Series 2010B in the original principal amount of \$23,590,000 (collectively, the "*Series 2010AB Bonds*") its Vocational Education Program Revenue Bonds, Series 2010C in the original principal amount of \$12,605,000 (the "*Series 2010C Bonds*") and its Vocational Education Program Revenue Bonds, Series 2011A in the original principal amount of \$20,140,000 (the "*Series 2011A Bonds*" and, collectively with the Series 1988 Bonds, Series 1990 Bonds, Series 1992 Bonds, Series 1993 Bonds, Series 1997 Bonds, Series 1998A Bonds, Series 1999 Bonds, Series 2004 Bonds, Series 2007 Bonds, Series 2008 Bonds, Series 2010AB Bonds, Series 2010C Bonds and any parity bonds issued in the future, the "*Bonds*");

WHEREAS, the Authority issued the Series 1988 Bonds pursuant to an Indenture of Trust dated as of August 1, 1988 (the "*Original Indenture*") between the Authority and The First National Bank in Sioux Falls, as Trustee (the "*Trustee*"). The Authority issued the Series 1990 Bonds pursuant to the Original Indenture as amended and supplemented by the First Supplemental Indenture of Trust dated as of May 1, 1990 between the Authority and the Trustee (the "*First Supplemental Indenture*"). The Authority issued the Series 1992 Bonds pursuant to the Original Indenture as amended and supplemented by the Second Supplemental Indenture of Trust dated as of December 15, 1992 between the Authority and the Trustee (the "*Second Supplemental Indenture*"). The Authority issued the Series 1993A Bonds pursuant to the Original Indenture as amended and supplemented by the Third Supplemental Indenture of Trust dated as of August 1, 1993 between the Authority and the Trustee (the "*Third Supplemental Indenture*"). The Authority issued the Series 1993B Bonds pursuant to the Original Indenture as amended and supplemented by the Fourth Supplemental Indenture of Trust dated as of August 1, 1993 between the Authority and the Trustee (the "*Fourth Supplemental Indenture*"). The Authority issued the Series 1997 Bonds pursuant to the Original Indenture as amended by the Fifth Supplemental Indenture of Trust dated as of December 1, 1997 between the Authority and the Trustee (the "*Fifth Supplemental Indenture*"). The Authority issued the Series 1998A Bonds pursuant to the Original Indenture as amended and supplemented by the Sixth Supplemental Indenture of Trust dated as of May 1, 1998 between the Authority and the Trustee (the "*Sixth Supplemental Indenture*"). The Authority issued the Series 1999 Bonds pursuant to the Original Indenture as amended and supplemented by the Seventh Supplemental Indenture of Trust dated as of June 1, 1999 between the Authority and the Trustee (the "*Seventh Supplemental Indenture*"). The Authority issued the Series 2004 Bonds pursuant to the Original Indenture as amended and supplemented by the Eighth Supplemental Indenture of Trust dated as of December 1, 2004 between the Authority and the Trustee (the "*Eighth Supplemental Indenture*"). The Authority issued the Series 2007 Bonds pursuant to the Original Indenture as amended and

supplemented by the Ninth Supplemental Indenture of Trust dated as of November 1, 2007 between the Authority and the Trustee (the "*Ninth Supplemental Indenture*"). The Authority issued the Series 2008 Bonds pursuant to the Original Indenture as amended and supplemented by the Tenth Supplemental Indenture of Trust dated as of September 1, 2008 between the Authority and the Trustee (the "*Tenth Supplemental Indenture*"). The Authority issued the Series 2010AB Bonds pursuant to the Original Indenture as amended and supplemented by the Eleventh Supplemental Indenture of Trust dated as of July 1, 2010 between the Authority and the Trustee (the "*Eleventh Supplemental Indenture*"), as subsequently modified by certain Omnibus Amendments dated as of May 1, 2011 (the "*Omnibus Amendments*"). The Authority issued the Series 2010C Bonds pursuant to the Original Indenture as amended and supplemented by the Twelfth Supplemental Indenture of Trust dated as of November 1, 2010 between the Authority and the Trustee (the "*Twelfth Supplemental Indenture*"). The Authority issued the Series 2011A Bonds pursuant to the Original Indenture as amended and supplemented by the Thirteenth Supplemental Indenture of Trust dated as of August 1, 2011 between the Authority and the Trustee (the "*Thirteenth Supplemental Indenture*").

WHEREAS, pursuant to the Authority's Program in order to provide a credit against Lease Rentals owed by the Board under the Lease Purchase Agreement as heretofore amended and supplemented:

- A. All Participating Institutions have heretofore entered into the Amended and Restated Facility Fee Tuition Collection and Deposit Agreement dated as of September 1, 2008 (the "*Collection Agreement*") with the Board, the South Dakota Treasurer (the "Treasurer") and The First National Bank in Sioux Falls, as Escrow Holder (the "*Escrow Holder*") providing for the collection of Facility Fees on a current basis (no less frequently than quarterly) and the deposit of such Facility Fees to the Tuition Subaccount (an account of the Treasurer's maintained with the Escrow Holder); and
- B. The Treasurer pledged the earnings on the statutorily created Vocational Education Facility Fund (the "*Trust Fund Earnings*") to the Tuition Subaccount pursuant to a certain General Pledge and Escrow Agreement (the "*Pledge Agreement*") among the Authority, the Escrow Holder, the Board, and the Treasurer;

WHEREAS, executed counterparts or copies of the Original Indenture and all Supplemental Indentures described above, the Pledge Agreement, the Collection Agreement, all Supplements to the Lease described above and all related documents and instruments heretofore executed and delivered in connection with the Program are on file with the Board; and

WHEREAS, at the request of the Board, the Authority proposes to issue and sell its Vocational Education Program Revenue Bonds, Series 2011B (the "*Series 2011B Bonds*") in a principal amount not to exceed \$8,000,000; and

WHEREAS, the proceeds of the Series 2011B Bonds will be used (i) to refund on a current basis the outstanding principal amount of the Series 1998A Bonds and Series 1999 Bonds (the "*Refunded Bonds*"), (ii) to pay certain costs of issuing the Series 2011B Bonds

approved by the Authority's Resolution approving the Series 2011B Bonds, (iii) to provide funds to the State general fund in an amount approximately equal to the present value savings realized by the issuance of the Series 2011B Bonds (the "Contribution"), as a credit for prior and future financing of capital improvements for vocational education, including Appropriated Payments in Connection therewith, and (iv) for such other purposes as shall be described in a Preliminary Official Statement of the Authority, a Fourteenth Supplemental Indenture between the Authority and The First National Bank in Sioux Falls, a Sixteenth Supplemental Lease Purchase Agreement between the Authority and the Board and a Bond Purchase Agreement among the Board, the Authority and the Dougherty & Company LLC (the "*Underwriter*") (the "*Preliminary Official Statement*", the "*Fourteenth Supplemental Indenture*", the "*Sixteenth Supplement*" and the "*Bond Purchase Agreement*," respectively) in forms substantially similar to those used for the Program in past transactions, as modified, revised or supplemented in the manner herein provided or contemplated; and

WHEREAS, the Refunded Bonds financed or refinanced certain projects (the "*Refinanced Projects*") which were leased by the Authority to the Board pursuant to the Lease and in turn subleased by the Board to the Participating Institutions pursuant to the respective Sublease Agreements between the Board and each Participating Institution (as amended and supplemented from time to time the "*Subleases*"); and

WHEREAS, the Authority has advised the Board that the Series 2011B Bonds are expected to be priced and sold within the following parameters: the principal amount of the Series 2011B Bonds shall not exceed \$8,000,000, the last stated maturity date of the Series 2011B Bonds will not be later than August 1, 2025, the Series 2011B Bonds will bear interest at rates resulting in a yield for arbitrage purposes not in excess of 4.50% per annum, the purchase price of the Series 2011B Bonds to be paid by the underwriter will be not less than 98.5% of the principal amount of the Series 2011B Bonds, and the underwriter's discount (as measured as a percentage of total proceeds of the Series 2011B Bonds) shall not exceed 0.75%; and

WHEREAS, in furtherance of the foregoing, it shall be necessary for the Board and other parties to execute, deliver and approve, as applicable, (i) the Sixteenth Supplement, (ii) the Fourteenth Supplemental Indenture, (iii) a Supplement to each Sublease (collectively, the "*Supplemental Subleases*") between the Board, as sublessor, and each Participating Institution with respect to the Refinanced Projects, (iv) a Second Amendment to First Supplement to General Pledge and Escrow Agreement (the "*Pledge Amendment*"), amending the Pledge Agreement, (v) the Bond Purchase Agreement and (vi) a Continuing Disclosure Agreement with respect to the Series 2011B Bonds; and

WHEREAS, drafts of the Supplemental Subleases and of the Pledge Agreement have been reviewed by and are on file with the Board,

**NOW THEREFORE, BE IT RESOLVED, by the South Dakota Board of Education as follows:**

**THE PROGRAM**

Section 1.1 This Board finds that it is desirable and expedient to further expand the Authority's Program as herein described and to simultaneously with the other parties thereto execute and deliver the Sixteenth Supplement, the Fourteenth Supplemental Indenture, the Supplemental Subleases, the Pledge Amendment, the Bond Purchase Agreement and a Continuing Disclosure Agreement (as described in Section 2.3 hereof).

Section 1.2 This Board hereby determines that it is necessary and appropriate for the Authority to issue and sell its Series 2011B Bonds in one or more series in the approximate aggregate principal amount not to exceed \$8,000,000 pursuant to the Fourteenth Supplemental Indenture to be applied as described in the Preliminary Official Statement and other materials now on file with the Board.

Section 1.3 The President of the Board, any Vice President of the Board and the Secretary of the Department of Education (herein, the "*Secretary*" and, collectively with the President of the board and the Vice President of the Board, the "*Authorized Officers*") are hereby authorized and directed on behalf of this Board to do all things reasonably necessary and appropriate so that Series 2011B Bonds may be issued pursuant to the Fourteenth Supplemental Indenture in an amount sufficient to pay all of the above costs and the cost of issuance of the Series 2011B Bonds and that such Bonds shall be entitled to the benefit of the Sixteenth Supplement and the Supplemental Subleases and to the benefit of any amounts on deposit and available in the Tuition Subaccount (as defined in the Indenture), including any Direct Authority Payments, on a parity with all other Bonds issued under the Indenture.

Section 1.4 Upon the issuance and sale of the Series 2011B Bonds by the Authority under the Fourteenth Indenture, the Board shall enter into the Sixteenth Supplement with the Authority and any other or further supplements or related documents as may be necessary to effectuate the purposes of this resolution. The Sixteenth Supplement shall be substantially in the form similar to previous Supplements to Lease executed in connection with the Program, and the Sixteenth Supplement (or such other, further supplements or related documentation) may be subject to such modifications, variations, insertions and other changes as may be reasonably necessary and appropriate in the judgment of the President of the Board and the Secretary to effectuate the Program consistent with State law, previously adopted policies of the Board and this resolution.

Section 1.5 This Board hereby approves the execution and delivery of the Bond Purchase Agreement, the Sixteenth Supplement and the Supplemental Subleases together with the Fourteenth Supplemental Indenture, the Pledge Amendment and a Continuing Disclosure Agreement (which are referred to herein, together with any related documents as the "*Series 2011B Program Documents*"), which Series 2011B Program Documents shall provide that:

A. The Board shall lease the Refinanced Projects from the Authority pursuant to the Lease as supplemented by the Sixteenth Supplement, and the amount of Lease Rentals payable by the Board thereunder shall be in an amount sufficient so that on each date on which any payment is due with respect to any outstanding Series 2011B Bonds, there shall be on deposit in the Debt Service Fund for the Series 2011B Bonds (after taking into account the other Program Revenues available therefor which are required or permitted to be transferred under the Program Documents, the Pledge Agreement, and the Collection Agreement to the Debt Service Fund) an amount which is fully sufficient to pay the principal of and premium and interest on such Series 2011B Bonds on such payment date.

B. The Series 2011B Program Documents shall be executed in the name and on behalf of the Board by the President or the Secretary in substantially the form described herein, but with such changes therein, not inconsistent with law, as may be approved by the officer executing the same, which approval shall be conclusively evidenced by the execution thereof. Such changes may include changes requested by the purchaser of the Series 2011B Bonds or any rating services as a condition to a rating on the Series 2011B Bonds or other revisions authorized or contemplated hereby, including changes to effectuate the Program pursuant to State law and previously adopted policies of the Board.

Section 1.6 This Board hereby approves the sale of the Series 2011B Bonds by the Authority to the Underwriter pursuant to the Bond Purchase Agreement at the price, bearing interest at the rates and maturing on the dates to be approved by the Authority, subject to the limitations and conditions set forth herein in Section 1.8 hereof, and the Series 2011B Bonds may be sold in one or more series.

Section 1.7 The appointment by the Authority of Perkins Coie LLP as bond counsel and disclosure counsel in connection with the Series 2011B Bonds and the Program is hereby approved. All fees and expenses incurred in connection with the Series 2011B Bonds and the Program, including the Authority's fees and expenses, the underwriter's compensation provided for in the Bond Purchase Agreement, bond counsel fees and other costs of issuance shall be payable out of the proceeds of the Series 2011B Bonds or other amounts available to the Program, provided however that such fees and expenses shall be subject to the prior approval of the Secretary and to any further approvals as may be contemplated by the resolution of the Authority approving the Series 2011B Bonds.

Section 1.8 The adoption of this Resolution by this Board is intended to and shall be the final and conclusive authorization of this Board for the execution, delivery and performance of the Series 2011B Program Documents and all related documents, instruments and certificates so long as (1) the Series 2011B Bonds are entitled to the benefit of Program Revenues; (2) the Series 2011B Bonds bear interest at rates resulting in a yield for arbitrage purposes not in excess of 4.50% per annum with a final stated maturity of no later than August 1, 2025; (3) the purchase price of the Series 2011B Bonds to be paid by the underwriter will be not less than 98.5% of the principal amount of the Series 2011B Bonds; (4) the underwriter's discount (as measured as a percentage of total proceeds of the Series 2011B Bonds) shall not

exceed 0.75%; (5) bond counsel is of the opinion that the Series 2011B Program Documents are the legal, valid and binding obligations of the Board enforceable in accordance with their terms; and (6) an Authorized Officer and the Authority approve the form of the Series 2011B Program Documents for execution and delivery.

## OFFERING AND SALE OF BONDS

Section 2.1 The President of the Board, any Vice President of the Board and the Secretary (collectively, the "*Authorized Officers*") are hereby authorized and directed to prepare and furnish to the Trustee or Authority, certified copies of all proceedings and records of the Board relating to the power and authority of the Board to execute and deliver the Series 2011B Program Documents, and certificates as to matters within their knowledge or as shown by the books and records under their custody and control, including a general and non-litigation certificate, and such certified copies and certificates shall be deemed representations of the Board as to the facts stated therein. In the absence of the President of the Board or the Secretary, the Vice President or any other officer shall be authorized to execute and deliver all Series 2011B Program Documents and to perform all other acts necessary to cause the Series 2011B Program Documents to be valid and binding pursuant to this Resolution, and a single signature of an Authorized Officer shall be sufficient in all cases to evidence the approval and binding nature of any document or instrument authorized hereby.

Section 2.2 The Board hereby authorizes the preparation and distribution of a Preliminary Official Statement in substantially the form presently on file with the Board. The Board also hereby authorizes the preparation and distribution of a final Official Statement relating to the Series 2011B Bonds and the Program and authorizes the Secretary of the Department of Education to certify as to the accuracy of the information therein relating to the Board, the School Districts and the Program.

Section 2.3 The Board hereby approves the draft form of Continuing Disclosure Agreement in a form substantially similar to the form included in the Preliminary Official Statement and agrees to comply with the requirements of Securities and Exchange Commission Rule 15c2-12 in connection with the Bonds.

Section 2.4 The Board hereby authorizes the Authority to make the determination as to whether the overall cost of borrowing associated with the Series 2011B Bonds will be reduced if municipal bond insurance is purchased with the proceeds of the Series 2011B Bonds.