

EDUCATIONAL ENHANCEMENT FUNDING CORPORATION

MINUTES OF THE SPECIAL MEETING

JUNE 1, 2012

Pursuant to due notice, the Educational Enhancement Funding Corporation met on Friday, June 1, 2012. The special meeting began at 10:30 a.m., CST via telephone. Mr. Tom Graham, Chairman, instructed the Executive Secretary to call the roll.

Present: Mr. Tom Graham  
Mr. Dennis Haan  
Mr. Doug Hajek  
Mr. Ken Karels  
Mr. D. J. Mertens  
Mr. James Roby  
Mr. James Spies

Absent: Mr. Joe Lien  
Mr. Dennis Neugebauer

Other staff and representatives of the Corporation present were:

Mr. Donald Templeton, Executive Secretary  
Mr. Todd Meierhenry, Meierhenry Sargent, LLP  
Mr. Dustin Christopherson, South Dakota Health and Educational  
Facilities Authority  
Mr. Mick Jost, South Dakota Health and Educational  
Facilities Authority  
Mr. Bruce Bonjour, Perkins Coie

A quorum was declared by the Chairman and the meeting was called to order.

Mr. Don Templeton advised the Corporation members that the notice of the meeting had been posted at the entrance of the office of the Educational Enhancement Funding Corporation on May 25, 2012. A copy of that notice is attached hereto and is an integral part of the minutes (*see Attachment #1*).

The Chairman asked for consideration of the minutes for the January 27, 2012 meeting. Mr. Roby moved to approve the minutes as presented, seconded by Mr. Karels. All members present voted aye. Motion carried.

## **MASTER SETTLEMENT AGREEMENT PAYMENT UPDATE**

Mr. Templeton reported the April 2012 Master Settlement Agreement payment was \$27,134,906 or only 84% of the original 2002 projection. This is due to declined tobacco sales and the major three tobacco companies withholding payments and sending them into disputed payment accounts. The June 1, 2012 turbo redemption payment was \$11,818,000. The Reserve Fund was invested with Scaldis Capital which was rated A-1+ by Standard and Poor's, P-1 by Moody's and F1 by Fitch.

The Educational Enhancement Funding Corporation bonds are rated as follows: Series 2002A are rated A1 by Moody's and BBB by Standard and Poor's. The Series 2002B are rated A3 by Moody's and BBB by Standard and Poor's.

## **SERIES 2002 POTENTIAL REFUNDING**

Mr. Templeton explained that Jack Arnold of Dougherty & Company LLC and Barclays Capital are looking into a potential refunding of the Series 2002A & B bonds and Mr. Templeton explained that he will update the Board should the refunding be determined to be advantageous and as these discussions move along.

## **MEIERHENRY-SARGENT L.L.P CONTRACT**

Mr. Todd Meierhenry explained the Meierhenry-Sargent FY-2013 Contract on file with the Educational Enhancement Funding Corporation. D.J. Mertens moved to approve the contract, seconded by James Roby. Dennis Haan, Doug Hajek, Ken Karels D.J. Mertens, James Roby, James Spies and Tom Graham voted aye. Motion carried.

## **SOUTH DAKOTA HEALTH AND EDUCATIONAL FACILITIES AUTHORITY FY-2013 CONTRACT**

Mr. Templeton explained the South Dakota Health and Educational Facilities Authority FY-2013 Contract on file with the Educational Enhancement Funding Corporation. Dennis Haan moved to approve the contract, seconded by Ken Karels. Dennis Haan, Doug Hajek, Ken Karels D.J. Mertens, James Roby, James Spies and Tom Graham voted aye. Motion carried.

## **EDUCATIONAL ENHANCEMENT FUNDING CORPORATION FY-2013 BUDGET**

Mr. Templeton reviewed the Educational Enhancement Funding Corporation FY-2013 Budget (*see Attachment #2*) in detail. Ken Karels moved to approve the budget, seconded by James Spies. Dennis Haan, Doug Hajek, Ken Karels D.J. Mertens, James Roby, James Spies and Tom Graham voted aye. Motion carried.

## **ADJOURNMENT**

The Chairman stated that there being no further business at this meeting, the meeting would be adjourned at 10:56 a.m. CST.

# Educational Enhancement Funding Corporation

330 South Poplar, Suite 102  
P.O. Box 846  
Pierre, SD 57501

Tel: 605-224-9200  
Fax: 605-224-7177

Date: May 25, 2012

To: Members of the Educational Enhancement Funding Corporation

From: Don A. Templeton, Executive Secretary

Re: Notice of Special Meeting

You are hereby notified that the Chairman has set Friday, June 1, 2012 as the date for the Special Meeting of the Educational Enhancement Funding Corporation to be held via telephone at 10:30 a.m. (CDT) 9:30 a.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.**

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

Tom Graham	DJ Mertens
Dennis Haan	Dennis Neugebauer
Doug Hajek	James Roby (Uncertain)
Ken Karels	James Spies
Joe Lien	

An agenda is enclosed and information on the agenda items will be sent via Federal Express.

Cc: Todd Meierhenry  
Bruce Bonjour  
Jack Arnold

# EDUCATIONAL ENHANCEMENT FUNDING CORPORATION

## Proposed Operating Budget for FY - 2013

ATTACHMENT 2

	Proposed FY-13 Budget	FY-12 Estimated
Beginning Balance July 1:	\$ 1,160,741	\$ 2,120,203
<b>Revenues:</b>		
Annual tobacco payments	\$ 342,622	\$ 342,622
Interest income	10,000	11,000
Total revenues	\$ 352,622	\$ 353,622
<b>Expenses:</b>		
Directors and Officers insurance	\$ 51,530	\$ 49,966
SDHEFA		
Management fee	32,000	32,000
Supplies	3,000	3,000
Trustee annual fee	4,000	19,000
Legal services - Meierhenry	10,000	3,000
Legal services and rebate computation - Perkins Coie	35,000	22,500
Travel and meeting expense	5,000	4,750
Audit	6,000	5,694
Standard and Poor's annual fee	10,000	10,000
Moody's annual fee	10,000	10,000
Total expenses	\$ 166,530	\$ 159,910
Revenues less expenses	\$ 186,092	\$ 193,712
Transfer to Turbo Redemption Fund	-	1,153,174
<b>Ending cash balance</b>	<b>\$ 1,346,833</b>	<b>\$ 1,160,741</b>

EEFC Special Reserve Sub-Account Balance 4/24/2012 = \$36,701