

EDUCATIONAL ENHANCEMENT FUNDING CORPORATION

MINUTES OF THE ANNUAL MEETING

OCTOBER 10, 2012

Pursuant to due notice, the Educational Enhancement Funding Corporation met on Wednesday, October 10, 2012. The annual meeting began at 3:00 p.m., CDT, at the Ramkota Inn in Aberdeen and 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 (via telephone)
Mr. Joe Lien
Mr. D. J. Mertens
Mr. Dennis Neugebauer (via telephone)
Mr. James Roby (via telephone)

Absent: Mr. James Spies

Other staff and representatives of the Corporation present were:

Mr. Donald Templeton, Executive Secretary
Mr. Todd Meierhenry, General Legal Counsel
Mr. Dustin Christopherson, South Dakota Health and Educational
Facilities Authority
Mr. Mick Jost, South Dakota Health and Educational
Facilities Authority (via telephone)
Mr. Steve Corbin, South Dakota Health and Educational
Facilities Authority (via telephone)
Mr. Bruce Bonjour, (Perkins and Coie) (via telephone)
Mr. Jack Arnold, Dougherty & Company (via telephone)
Mr. Marc Oberdorf (Perkins and Coie) (via telephone)

The Chairman declared a quorum and called the meeting to order.

Mr. Don Templeton advised the Corporation members that the notice of the meeting was posted at the entrance of the office of the Educational Enhancement Funding Corporation on September 28, 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 June 1, 2012 meeting. Mr. Roby moved to approve the minutes as presented, seconded by Mr. Mertens. All members present voted aye. Motion carried.

Election of Officers

Mr. Templeton reviewed the current Vice-President position of D. J. Mertens and Treasurer Position of Joe Lien. Mr. Lien made a motion to re-elect the current officers and Mr. Hajek seconded the motion. All members present voted aye. Motion carried.

Perkins Coie Contract

Mr. Templeton and Mr. Bonjour reviewed the Perkins Coie Contract (*see Attachment #2*) for the period of September 1, 2012 through August 30, 2013 with the annual fees not to exceed \$22,500 for the legal fee plus \$1,250 per each rebate computation prepared by Wildan Financial. In addition, fees of \$19,294.00 for services in connection of the Pledge and Custody Agreement and refunding work performed as well as up to \$10,000 for additional future refunding work. Mr. Hajek moved approval of the contract and Mr. Lien seconded. All members: Tom Graham, Dennis Haan, Doug Hajek, Joe Lien, D.J. Mertens, Dennis Neugebauer and James Roby voted aye. Nays: none and abstains: none.

Pledge and Custody Agreement

Mr. Templeton explained that Morgan Stanley was downgraded to P-2 from P-1 and posted \$8,856,941 of collateral as of July 5, 2012. Mr. Bonjour reviewed the Pledge and Custody Agreement that would allow this money to be deposited with US Bank, the Trustee. Mr. Bonjour reviewed 1-EEFC-12 (*See Attachment #3*) that approves the Pledge and Custody Agreement. Dennis Haan moved to approved the Pledge and Custody Agreement and Dennis Neugebauer seconded. Upon roll call, all ayes were Graham, Haan, Hajek, Karels, Lien, Mertens, Neugebauer and Roby. Nays: none and abstains: none.

Year-to-Date

Mr. Templeton reviewed the August 31, 2012 financial statements. He next reviewed the MSA Payments through the current calendar year 2012. He also reviewed the turbo redemptions through June 1, 2012. He reviewed the debt service schedule of the existing bonds. Mr. Bruce Bonjour gave an update of the Tobacco Bond issues from other states.

Mr. Templeton reported that the bonds received an upgrade from Moody's, the Series 2002A bonds were upgraded from Baa3 to A1. The Series 2002B bonds were upgraded from Baa3 to A3.

Mr. Templeton reported that the Debt Service Reserve Fund investment agreement with SCALDIS Capital scheduled to mature November 30, 2012 was rated A-1+ by Standard & Poor's.

Potential Refunding

Mr. Templeton explained that with the current low interest rates of tobacco related bonds that staff was working with the state, Jack Arnold of Dougherty and Company, and Kym Arnone of Barclays to analyze refunding the Series 2002 bonds.

Mr. Templeton reported that he has reviewed proposals from Barclays Capital and Dougherty Company, Wells Fargo and Citigroup.

Mr. Templeton explained that staff would keep the board updated on refunding discussions progress.

Adjournment

The Chairman stated that there being no further business at this meeting, the meeting adjourned at 3:40 p.m. CDT.

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: September 28, 2012

To: Members of the
Educational Enhancement Funding Corporation

From: Don A. Templeton, Executive Secretary

Re: Notice of Annual Meeting

You are hereby notified that the Chairman has set Wednesday and Thursday, October 10 & 11, 2012 as the dates for the annual meeting of the Educational Enhancement Funding Corporation meeting to be held at the Ramada Convention Center – C-Wing located in Aberdeen, SD (see map for driving directions). Our annual meeting will begin Wednesday, October 10, 2012 at 3:00 p.m. CDT.

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
Ken Karels (via Phone)	Jim Spies (via phone)
Joe Lien	

An agenda is enclosed. We will bring the meeting information along with us and hand out to members coming to the meeting. Please call if you have any questions.

Cc: Todd Meierhenry



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October 8, 2012

Mr. Donald A. Templeton
 Executive Secretary
 Educational Enhancement Funding Corporation
 330 South Poplar
 Pierre, SD 57501

Re: *Agreement For Legal Services – Post Issuance Matters Relating to Educational Enhancement Funding Corporation Tobacco Settlement Asset-Backed Bonds, Series 2002 (the “Bonds”)*

Dear Don:

We are pleased that the Educational Enhancement Funding Corporation (“EEFC”) has asked Perkins Coie LLP to continue to assist as your counsel in connection with the post-issuance compliance and administrative services described below (collectively, “Post-Issuance Matters”) to the State of South Dakota with respect to the referenced Bonds.

We are also pleased to assist EEFC in the following additional assignments:

(1) Negotiation of the pledge and security agreement (the “Pledge and Custody Agreement”) pursuant to which Morgan Stanley and its affiliates will be securing the existing Debt Service Reserve Fund Agreement (the “DSRF Agreement”) through which the EEFC invests its \$23,422,262.50 Liquidity Reserve Fund. The Pledge and Custody Agreement was necessitated as a result of the credit down grade of Morgan Stanley.

(2) Review and advice in connection with current proposals by three different underwriting teams regarding potential structures which could be used in the refunding of the Bonds, and consultation with the Governor’s office and the Investment Council in connection with the proposed structures and refunding (collectively, the “Restructuring Proposals”).

This letter will serve to set forth the terms of our engagement for the period from September 1, 2012 to and including August 30, 2013 (the “2013 Contract Year”). This letter supersedes our most recent letter agreement with you which was dated September 7, 2011 (the “2011 Agreement”) which related to the period from September 1, 2011 through August 30, 2012 (the “2012 Contract Year”).

If you are in agreement, please sign the enclosed copy of this letter in the space provided below. If you have any questions about these provisions, or if you would like to discuss possible modifications, do not hesitate to call. Again, we are pleased to have the opportunity to serve you.

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ANCHORAGE · BEIJING · BELLEVUE · BOISE · CHICAGO · DALLAS · DENVER · LOS ANGELES · MADISON · NEW YORK
 PALO ALTO · PHOENIX · PORTLAND · SAN DIEGO · SAN FRANCISCO · SEATTLE · SHANGHAI · TAIPEI · WASHINGTON, D.C.

Perkins Coie LLP

1. *Client and Scope of Representation.* Our client will be the Educational Enhancement Funding Corporation (“EEFC”) and we will be engaged to advise EEFC solely in connection with matters relating to Post-Issuance Matters, the Pledge and Custody Agreement and the Restructuring Proposals. You may limit or expand the scope of our representation from time to time, provided that any substantial expansion must be agreed to by us.

2. *Term of Engagement.* Either of us may terminate the engagement at any time for any reason by written notice (EEFC upon immediate notice and us upon 60 days notice which EEFC may elect to waive), subject on our part to applicable rules of professional responsibility. In the event that we terminate the engagement, we will take such steps as are reasonably practicable to protect your interests in those matters in which we have been engaged and the annual fee would be payable in part based upon the percentage of work performed.

3. The scope of the proposed Post-Issuance services will consist of the following five components:

a. *Reserve Fund Investments.* From time to time, questions or issues arise concerning the existing investment agreement with Morgan Stanley as it relates to the Debt Service Reserve Account. So long as such questions and other issues remain similar to those arising in the 2012 Contract Year (excluding the Pledge and Custody Agreement), our fees and expenses for this service are included in the amounts described in paragraph 6 below.

b. *Universal Cap Analysis Services.* Perkins Coie LLP will provide to the EEFC a semi-annual “Universal Cap Analysis” report, with an accompanying legal opinion attesting that the calculations contained within such report have been performed in accordance with federal tax law. Such report will be provided within 60 days of the end of each June 1 and December 1 calculation date (each a “Calculation Date”) and will identify the amount of tax-exempt bond proceeds available for “de-allocation” under the Universal Cap provisions as set forth in Section 1.148-6 of the Treasury Regulations. Such de-allocated amounts will then be available to the State to spend or invest unencumbered by most federal tax law restrictions (as outlined in greater detail in our prior correspondence and in the Tax Regulatory Agreement). The Universal Cap Analysis report can be provided more frequently than semi-annually at your discretion.

As we have previously discussed, the Universal Cap Analysis report would therefore be filed on or about each February 1 and August 1 of each year, thereby fitting nicely within the Contract Year ending each August 30.

c. *Continuing Disclosure Services.* Perkins Coie LLP will provide advice concerning the annual continuing disclosure reports as required under the State’s Continuing Disclosure Undertaking (the “Undertaking”) executed in connection with the Bonds and pursuant to S.E.C. Rule 15c2-12 and will provide ongoing advice as to material event disclosure. The annual filing will consist of requesting, reviewing, and compiling the operating data required under the Undertaking, monitoring reporting deadlines and other “trigger” events, and providing a legal opinion attesting that the information contained in the continuing disclosure reports meets the requirements of the

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Undertaking, and disseminating the disclosure reports to the MSRB under the EMMA System. Any third party fees or expenses in connection with these filings will be in addition to the annual fee quoted herein.

The next Annual Report is due 210 days following June 30, 2012 (the end of your first fiscal year), or approximately February 1, 2013 and each succeeding Contract Year will include both ongoing material event advice and an annual report filed on or about February 1 for the prior fiscal year.

d. Arbitrage Rebate Compliance Services. In order to ensure compliance with the federal arbitrage rebate requirement (and therefore protect the tax-exempt status of the Series 2002B Bonds), Perkins Coie LLP will perform annual arbitrage rebate analyses and provide to EEFC and the Trustee annual arbitrage rebate reports with accompanying legal opinions, attesting that the calculations contained within such report have been performed in accordance with federal tax law and are mathematically accurate. Such reports will be provided within 60 days of the end of each Bond Year and the final redemption date of the Bonds. Perkins Coie LLP services will include annually (a) collecting and analyzing investment/expenditure records from the State and/or the Trustee, (2) creating "non-purpose" investment cash flows accurately reflecting the aggregated investment return of the State, (3) analyzing appropriate rebate minimization techniques, and providing a report which identifies arbitrage rebate liabilities and provides instructions and documentation for any required IRS filings.

The next Bond Year for rebate purposes will end on May 31, 2013, with the rebate report being due within 60 days thereafter, or on or about July 31, 2013. A new rebate report will be due as of the end of each succeeding Contract Year for the 12 month period ending the preceding May 31.

e. Yield Restriction Compliance Services. In the event that monies held in the reserve accounts exceed the "reasonably required" standards or certain yield restricted funds (i.e., sinking funds) are established subsequent to the issuance of the Bonds, Perkins Coie LLP will, not less than on an annual basis and within 60 days of the end of each Bond Year and the final redemption date of the Bonds, provide to the State and the Trustee a yield restriction compliance report with an accompanying legal opinion, attesting that the calculations contained within such report have been performed in accordance with federal tax law and are mathematically accurate. Such report will identify any yield restricted funds and provide instructions to the State and its agents as to the necessary steps required to ensure compliance (e.g., yield reduction payments, investments in tax-exempts or special State and Local Government Treasury Securities). This service would be on an "as-needed basis" and would be provided each Contract Year.

4. Conclusion of Representation. Unless previously terminated, Perkins Coie LLP's representation of EEFC will terminate upon our sending you our final statement for services rendered for a given Contract Year. We will assume we are engaged thereafter for the next Contract Year unless you provide us with a notice of termination (which may be provided at any time as indicated elsewhere herein.) Following such termination, any otherwise non-public information you have supplied to us which is retained by us will be kept confidential in accordance with applicable rules of

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professional responsibility. At your request, your papers and property will be returned to you promptly upon receipt of payment for outstanding fees and costs. Our own files pertaining to the matter will be retained by the firm. These firm files include, for example, firm administrative records, time and expense reports, personnel and staffing materials, and credit and accounting records; and internal lawyers' work product such as drafts, notes, internal memoranda, and legal and factual research, including investigative reports, prepared by or for the internal use of lawyers. All documents retained by the firm will be transferred to the person responsible for administering our records retention program. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any such documents or other materials retained by us within a reasonable time after the termination of the engagement.

5. *Post-Engagement Matters.* You are engaging Perkins Coie LLP to provide legal services in connection solely with the Post-Issuance Matters. After completion of the transaction, changes may occur in the applicable laws or regulations that could have an impact upon your future rights and liabilities. Unless you engage us after completion of the transaction to provide additional advice on issues arising from the transaction, the firm will not assume a continuing obligation to advise you with respect to future legal developments, including those that might affect an earlier conclusion or advice given in connection with the transaction.

6. *Post-Issuance Compliance Fees and Expenses.* Subject to the proviso in the second subsequent paragraph, Perkins Coie LLP's proposed annual fee to provide the Post-Issuance Matters described above is \$22,500 for the 2013 Contract Year (ending August 30, 2013) (which, to summarize, shall include (a) Universal Cap Analyses through an "as of" date of June 1, 2013, (b) material event advice relating to the Continuing Disclosure Undertaking (but shall specifically exclude the annual report for the fiscal year ending June 30, 2013 which would be due on February 1, 2013), (c) arbitrage rebate analysis for the period ending May 31, 2013 and yield restriction compliance advice through May 31, 2013). Each successive annual extension of our engagement for a new Contract Year will contemplate two Universal Cap Analyses for the corresponding December 1 and June 1 Calculation Dates, continuing disclosure advice and preparation of the annual 15c2-12 report for the preceding fiscal year due on or before February 1 of the Contract Year and rebate and yield restriction compliance advice and the rebate report for the Bond Year ending May 31 of the Contract Year.

We would propose to renew our engagement for successive Contract Years at the same fee. Each party reserves the right to propose adjustments to our annual fee (increase or decrease) for future Bond years.

If more than two Universal Cap Analyses are requested in any year, each additional computation would cost an additional \$2,500

7. *Other Services (Pledge and Custody Agreement and Restructuring Proposals).* For our past services in connection with the Pledge and Custody Agreement and Restructuring Proposals, our fees through August 30, 2012 are \$19,294.18 which shall be payable in due course upon the approval and execution of this letter agreement. We propose that our fees in connection with the completion of

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work connected with the Pledge and Custody Agreement as well as consultation regarding the Restructuring Proposals shall be an additional \$10,000 for the 2013 Contract Year payable from time to time upon invoicing same for work completed.

8. *Client Responsibilities.* You agree to cooperate fully with us and to provide promptly all information known or available to you relevant to our representation. You also agree to pay our statements for services and expenses in accordance with paragraph 6 above. Further, we have excluded from the above fees the actual cost of the third party reports currently provided by Wildan Financial, which currently are \$1,250 per report. You will either pay that fee directly or reimburse us for paying it, and such cost will not be deemed to be compensation to us hereunder.

9. *Conflicts.* Many of the firm's clients rely upon us for general representation. Although we hope it never happens, it is possible that during the time that we are representing EEFC, some of our present or future clients will have disputes or transactions with EEFC. EEFC agrees that we may continue to represent or may undertake in the future to represent existing or new clients in any matter that is not substantially related to our work for you even if the interests of such clients in those other matters are directly adverse. We agree, however, that your prospective consent to conflicting representation contained in the preceding sentence shall not apply in any instance where, as a result of our representation of you, we have obtained proprietary or other confidential information of a non-public nature, that, if known to such other client, could be used in any such other matter by such client to your material disadvantage.

Once again, we are pleased to have this opportunity to work with you. Please call me if you have any questions or comments during the course of our representation.

Very truly yours,



Bruce A. Bonjour

Agreed and accepted:

EDUCATIONAL ENHANCEMENT
FUNDING CORPORATION

By: _____
Title: _____
Date: _____

Information for Clients

Perkins Coie LLP is pleased to serve you. The following information explains the terms that apply to our engagements (except to the extent that you have reached a different written understanding with us about particular terms) for legal services provided by Perkins Coie LLP and its affiliates. We encourage you to discuss this information with our lawyers at the inception of a matter and whenever you have questions during the course of that matter. Section headings are for convenience of reference only and not intended to affect the interpretation of the provisions of such sections.

Personnel. We generally assign one lawyer primary responsibility for seeing that your requests for legal services are met, but additional lawyers may assist in rendering the most appropriate and efficient legal services. We attempt to assign personnel to each matter based on the nature and scope of the issues raised by the matter and our lawyers' experience and expertise.

Basis for Fees. We charge for legal services rendered by our firm at applicable hourly rates. Each attorney, paralegal, and other timekeeper records time at assigned billing rates. Because hourly rates vary among personnel, each statement typically reflects a composite of several hourly rates. Those rates are reviewed periodically and change at least annually (usually on January 1) based on economic factors and the changing experience levels of our personnel. Services performed after the effective date of the new rates will be charged at the new rates.

Disbursements and Other Charges. In the course of performing legal services for you, various services may be provided by third parties. Examples include messenger and courier charges, filing and recording fees, foreign agent fees, court reporters and transcript costs, expert and other witness fees, charges for outside consultants and research services, and travel expenses. You are responsible for these third-party charges, and we reserve the right to forward their invoices directly to you for payment. For administrative ease, however, we may advance payment to the third-party provider and include the charge on our invoice to you, with no markup for handling. We will retain and not allocate to clients relatively insignificant discounts we receive for prompt payment or volume usage. For patent, trademark and other matters that may involve significant third-party payments, you may be required to maintain a minimum balance in a trust account to fund such payments. You will be advised of any such requirements, and we will not be obligated to request or pay for third-party services not fully covered by such deposits.

We will also charge you for certain internal services we provide in connection with our legal services. As noted below, because we both invest in specialized equipment and commit to long-term contracts with computer research vendors (such as Westlaw), long-distance telephone carriers, and others, we achieve savings in exchange for guaranteed payment, usage or other obligations undertaken at our risk. This allows us to charge our clients for certain computer research services and most long-distance telephone calls at rates discounted below standard rates. However, the payments we receive from clients for these services may exceed our total payments to the vendors. This excess is used to partially offset the costs we incur for related equipment and personnel and the risks we assume in entering into these contracts.

We currently charge specific internal costs in the following manner:

Photocopying, Printing, and Facsimile. In our U.S. offices, clients are charged ten cents per page for laser printing and photocopying. These charges are higher in our non-U.S. offices. We do not charge for facsimiles sent or received, other than long-distance telephone charges.

Computer Research. There is no extra charge to clients for our use of the firm's internal work product retrieval system. Clients are charged for computer-assisted research from outside services, other than many Westlaw Services, at the vendors' standard rates. For many services from Westlaw, our primary outside computer-research source, we are able to charge clients just fifty (50%) percent of Westlaw's standard rates because we committed to a long-term contract with monthly minimum payments. We may occasionally be able to pass along other discounted rates for computer-assisted research from outside sources when we can negotiate volume discounts.

Telecommunications. We do not charge for local calls or for any email communications. In the United States, where we have been able to install special equipment and negotiate volume discounts, we share our savings with clients by charging long-distance calls at fifty (50%) percent of the AT&T tariff for direct-dial long-distance calls, plus applicable taxes. In our non-U.S. offices, long-distance calls are charged at the carrier's tariff for such calls, plus applicable taxes. Credit card and cell phone calls necessitated by work on your matters are charged at our actual cost.

Mail/Messengers. In our larger offices, we may use firm messengers whenever appropriate to shorten delivery times and offer greater flexibility. Charges for such internal messengers are equal to or below rates charged by outside messengers for similar services. We do not charge for regular mail. Bulk mailings, packages, overnight deliveries, and special postal services are charged at our actual cost.

Overtime. Clients are charged for staff overtime, meals, and transportation only when (a) the client specifically requests after-hours effort or (b) the nature of the work necessitates overtime and such work could not have been done during normal work hours.

Document Imaging and Database Support. Certain matters, particularly large-scale litigation, may require special document imaging and optical character recognition ("OCR") services. We currently charge 15 cents per page for document imaging and 25 cents per page for OCR. Clients requiring these special technical services may also be charged for storage space on the firm's computer servers.

Invoices and Payment. We typically bill monthly, and payment is due upon receipt of the invoice. Payment of an invoice will reflect your agreement to the amount charged on that invoice, and you must bring any misbilling or other charge that you believe is inappropriate to our attention within forty-five (45) days of presentation of the invoice. To the fullest extent permitted by law, you agree that we have an attorneys' lien (including, without limitation, in the results of our services) to secure payment of the obligations owed us and that we may take steps to inform others of any attorneys' lien rights we might have. For accounts not paid within thirty (30) days of the invoice date, we add a late payment charge of one (1%) percent per month (or such lower rate as required by applicable law) on unpaid balances from the invoice date. Unless otherwise agreed upon, we may apply payments first to our own attorneys' fees and costs of collection, second to our late charges, third to our invoiced fees, and finally to our invoiced disbursement charges. Our election not to exercise any rights or not to require punctual performance of each provision of this agreement will not be construed as a waiver or relinquishment of our rights. We do not and cannot guarantee the outcome of any matter or particular results, and payment of our fees and disbursements is not conditioned on any particular outcome. If we are required to bring an action or proceeding to collect fees or disbursements due us, we will also be entitled to recover certain fees and costs. These include, but are not limited to, our own outside attorneys' fees, expert witness fees, other costs of collection billed to us, and the value of legal services Perkins Coie's own attorneys perform in analyzing or prosecuting a collection action if such circumstances arise on your account. You consent to venue and jurisdiction wherever we have an office with attorneys who worked on your behalf. Also, if we are required to testify, produce documents, or respond to other requests in connection with litigation or other proceedings commenced by third parties that relate to our representation of you, you will pay us our reasonable fees and costs incurred in connection with such activities.

Insurance Coverage. You may have insurance policies relating to a matter for which you engage us that might cover, among other things, reimbursement of attorneys' fees and costs. If coverage is potentially available, including coverage for our fees and costs, your appropriate insurance company must be notified as soon as possible. We can advise you on the availability of insurance coverage only if you expressly and timely request that we do so, we do not have a conflict of interest, and we agree to undertake such additional work. You would then need to furnish us copies of all relevant insurance policies and related documents. Regardless whether, when, and to what the extent insurance coverage might be available to reimburse all or a portion of our fees and costs, you nevertheless remain primarily obligated for amounts owed us, including any late charges that accrue during any delay in payment by others.

Advance Payments and Estimates. We may require advance payments before working or continuing work on a matter. Of course, the amount of work we are called upon to perform may subsequently exceed our prior expectations. Regardless of whether you make an advance payment, you agree that any budget, estimate, or similar range for potential charges is nothing more than a forecast based on then-current assumptions, and any such forecast

may be high or low due to changed or unforeseen circumstances. We reserve the right, as a condition of providing additional services, to require an increase in any advance payment.

Legal Service Provider. We provide strictly legal services to you in connection with this agreement. You are not relying on us for any services other than legal services, and we are specifically not providing any business, investment, insurance, or accounting advice or any investigation of the character or credit of persons with whom you may be dealing.

Identity of Client. You confirm that we are being engaged by you and not any of your subsidiaries, affiliates, equityholders, employees, members of your family, or other persons, unless we separately and explicitly undertake such representation. You also expressly confirm that we may be adverse to any entity in which you have an ownership interest and any of your affiliates, equityholders, employees, members of your family, or other persons in matters unrelated to our work for you.

Conflicts of Interest. We have performed a search of our other clients to determine whether representing you might create a potential conflict of interest with any other clients. That check was done using your name and any other names you gave us. Please inform us immediately if you use other names or have affiliated companies that we should enter into our conflicts system.

Cooperation/Reliance on Accurate Information. To enable us to represent you effectively, you will cooperate fully with us in your matter(s). You and your agents will fully and accurately disclose to us all facts and documents that may be relevant to a matter we undertake or which we may otherwise request. This information will form the basis of our legal advice.

Email Communication Disclaimer. Many of our legal professionals receive hundreds of email messages per day (in addition to spam). Although email is an efficient method for many communications, it can also be delayed in transit or otherwise missed (e.g., blocked by our anti-spam software). You cannot assume that each email message copied or sent to one of our legal professionals was actually opened and read by him or her unless you receive a non-automated reply message indicating that he or she read the substance of your message.

Termination of Services. We retain the right to cease performing legal services and to terminate our legal representation for any reason consistent with ethical rules, including conflicts of interest or your failure to pay our legal fees and expenses when due. Our representation in any matter will also cease on completion of our work on that matter unless you ask us to perform additional work that we agree to undertake. Performing additional services for you on the same or any other matter is subject to these terms and conditions, our mutual concurrence and clearance of conflicts, if any. We are unable to assure you that matters for other clients will not conflict us out of additional matters you might later ask us to undertake. On completion of a matter, we may close our files and, absent a specific written undertaking to do so, will not thereafter be obligated to docket milestones, make additional or continuation filings, pursue appeals, take other steps on your behalf on the matter, or monitor or advise you with respect to changes in the law or circumstances that might bear upon or adversely affect the completed matter. If you wish to have us return material from your files after the conclusion of a particular matter, we will provide you such material at your request and expense. We will have no obligation to retain client files more than one year after the conclusion of a particular matter or our representation.

Alliances/Other Counsel. Many of our clients also have international or other legal needs we cannot fulfill. This causes us from time to time to establish ongoing working relationships or strategic alliances with law firms in other jurisdictions. While our close relationships with our legal colleagues at these firms have helped us provide coordinated representation for many of our clients, these firms (and other firms we may recommend to our clients) are separate from and independent of Perkins Coie. We do not share personnel or fees, do not have common operations beyond occasional joint seminars and presentations, and must check any other firm's conflicts of interest before that firm's lawyers may jointly represent any of our clients. Under rules in certain jurisdictions where we practice, we must advise you that you may consult independent counsel to advise you regarding these documents governing our relationship, and we encourage you to do so if you like. Also, you retain the right to consult with independent counsel at any time while we represent you. However, we are not responsible for any advice an independent counsel may give you, and such consultation will be entirely at your expense.

Affiliates. Perkins Coie LLP generally practices law under the name Perkins Coie. A separate, affiliated Arizona entity, Perkins Coie Brown & Bain P.A., provides legal services from the Phoenix office. For administrative ease, Perkins Coie LLP collects payments for legal services rendered by its affiliates.

Questions. We endeavor to deliver legal services effectively and efficiently and to render accurate and understandable billings. Please direct any questions about services or billing practices to your client service lawyer. Questions regarding the billing or payment status of your account may also be directed to the Client Accounting Department in our Seattle office at 1-800-261-3143 (206-359-3143 in the Seattle area).

RESOLUTION OF THE EDUCATIONAL ENHANCEMENT FUNDING CORPORATION APPROVING PLEDGE AND CUSTODY AGREEMENT AND AUTHORIZING AND APPROVING OTHER MATTERS IN CONNECTION THEREWITH.

RESOLUTION NO. 1-EEFC-12.

WHEREAS, under chapter 5-12 of the laws of the State of South Dakota (the "**State**") as amended (the "**Act**"), and pursuant to Resolution No. 03-SDBA-02 (the "**Resolution**") of the South Dakota Building Authority (the "**Authority**"), the State and the Authority have authorized the establishment of the Educational Enhancement Funding Corporation (the "**Corporation**"), a body corporate and politic and instrumentality of, but having a legal existence independent and separate from, the State and the Authority; and

WHEREAS, the State has sold to the Corporation certain of the State's right, title and interest in, to and under the master settlement agreement dated as of November 23, 1998 by attorneys general and other parties from the several states and various tobacco companies, as now or hereafter amended, supplemented or restated (the "**Settlement Agreement**"); and

WHEREAS, pursuant to the Act and the Resolution, the Corporation has issued its Tobacco Settlement Asset-Backed Bonds, Series 2002 (the "**Bonds**") pursuant to an Indenture dated as of August 1, 2002 (the "**Indenture**") between the Corporation and The First National Bank in Sioux Falls, as Trustee (the "**Trustee**"), which Bonds are payable out of any property or funds of the Corporation, including any rights it has in, to or under the Settlement Agreement, including its rights to receive or collect tobacco settlement revenues, moneys or other funds deposited with, payable to or held by or on behalf of the Corporation (the "**Revenues**"), and the net proceeds of the Bonds have been paid to the State for deposit into the Educational Enhancement Trust Fund (the "**Trust Fund**") established by Article XII, Section 6 of the South Dakota Constitution (the "**Constitutional Amendment**"); and

WHEREAS, terms not defined herein shall have the meanings given thereto in the Indenture; and

WHEREAS, in connection with the issuance of the Bonds, the Corporation, Morgan Stanley Capital Services Inc. (now, Morgan Stanley Capital services LLC and referred to herein as the "**Pledgor**"), The First National Bank in Sioux Falls (the "**Original Trustee**" and predecessor to U. S. Bank National Association, herein, the "**Trustee**") and Morgan Stanley & Co. LLC (formerly Morgan Stanley & Co. Incorporated) entered into a Debt Service Reserve Fund Agreement dated as of September 24, 2002 (the "**DSRF Agreement**") pursuant to which amounts in the Liquidity Reserve Account under the Indenture are invested;

WHEREAS, pursuant to the DSRF Agreement, upon the occurrence of a Downgrade Event, Pledgor is required at its own option to take one of a certain set of actions, including, to

deliver collateral as security for its obligations under the DSRF Agreement, all as more particularly set forth in the DSRF Agreement;

WHEREAS, Pledgor has elected to deliver to U.S. Bank National Association, as “Custodian” (herein, the “*Custodian*”), for the benefit of the Corporation, collateral as security for its obligations under the DSRF Agreement and the parties hereto have agreed to enter into this Pledge and Custody Agreement in substantially the form currently on file with the Corporation (the “*Pledge and Custody Agreement*”) to evidence the terms and conditions of the collateral arrangement; and

WHEREAS, this Board believes it is in the best interests of the registered owners of Bonds to approve and enter into the Pledge and Custody Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS (THE “BOARD”) OF THE EDUCATIONAL ENHANCEMENT FUNDING CORPORATION:

Section 1. Findings and Determinations. It is hereby found and determined that it is necessary and desirable for the Corporation to enter into the Pledge and Custody Agreement.

Section 2. Authorization to Appoint Successor Trustee. The Board hereby authorizes the Chairman and the Executive Secretary to approve a final form of the Pledge and Custody Agreement and such final Pledge and Custody Agreement shall be executed on behalf of the Corporation by the manual signature of its Chairman, Vice Chairman, or such other director or officer designated by the Chairman or Vice Chairman and attested by the manual signature of its Executive Secretary, Secretary or such other director or officer designated by the Chairman or Vice Chairman, and following such execution, shall be executed by the Successor Trustee.

Section 3. Authorization of Transaction Expenses. In addition, the Board hereby specifically authorizes the payment of all transaction and administrative expenses incurred in connection with the foregoing, including payment of fees and expenses of the Custodian, Trustee, Perkins Coie, LLP, as Bond Counsel to the Corporation in connection with the foregoing.

Section 4. Prior Actions Ratified and Confirmed. The actions of the Chairman, the Vice Chairman, the Executive Secretary and the Secretary and all other directors, officers, employees and agents of the Corporation in doing any and all acts and deeds in connection with the foregoing are hereby approved, ratified and confirmed.

Section 5. Ratification and Continued Effectiveness of Actions of Any Officer or Director Who, For Any Reason, Ceases To Be an Officer or Director. In the event that any director or officer of the Corporation executes or delivers any document or other instrument approved hereunder and later ceases to be such officer or director before the delivery or performance of the document or instrument so executed, whether by reason of resignation, death or otherwise, any such document or instrument so executed or delivered and any such other action taken in connection therewith shall be and continue to be authorized by this Resolution and valid, binding and enforceable against the Corporation and this Board.

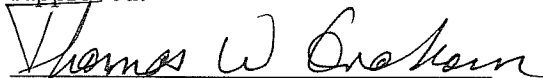
Section 6. Authorization and Ratification of Subsequent Acts. The directors, officers, agents and employees of the Corporation are hereby authorized and directed to do all such acts and showings and to execute, deliver or accept all such documents as may be necessary or appropriate to carry out and comply with the provisions of this Resolution, the documents approved hereby, and all of the acts and doings of the directors, officers, agents and employees of the Corporation which are in conformity with the intent and purpose of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby ratified, confirmed and approved. Without limiting the generality of the foregoing, the officers and directors of the Corporation are hereby also authorized and directed to execute, acknowledge and deliver such certificates, agreements and documents which, in the opinion of Perkins Coie, LLP, as Bond Counsel, are necessary or appropriate to implement this Resolution.

Section 7. Conflicting Resolutions Amended. All resolutions in conflict herewith are, to the extent of such conflict, hereby amended to conform to this Resolution.

Section 8. Severability. If any section, paragraph or provisions of this Resolution shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any remaining provisions.

Section 9. Effective Date. This Resolution shall take effect immediately upon passage and approval.

Approved:


Chairman

(Corporate Seal)

ATTEST:


Executive Secretary

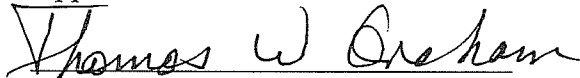
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Approved:


Chairman

(Corporate Seal)

ATTEST:


Executive Secretary