

Elizabeth G. Aby
(612) 371-3535
betsey_aby@att.net
www.lindquist.com

Lindquist & Vennum LLP
4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402
Phone: (612) 371-3211
Fax: (612) 371-3207

May 1, 2014

Dawn M. Elshere
Codington County State's Attorney
Codington County
14 First Avenue SE
Watertown, SD 57201

Re: Codington County General Obligation Bonds for a New Jail Facility

Dear Ms. Elshere:

You have requested that we offer you a proposal for Bond Counsel in connection with the issuance of the Bonds referenced above (the "Bonds") by Codington County (the "County"). In connection with this proposal we would like to inform you of the nature and scope of our proposed duties in this role as set forth below. We have been informed that an underwriter or a financial advisor will be offering the Bonds and will be separately represented by counsel in connection with the issuance of the Bonds, and we have relied on these facts in assuming the role referenced above. Unless specifically provided herein, we do not undertake any duty or responsibility to advise the underwriter or the financial advisor, or to advocate their respective positions or interests, in connection with the issuance of the Bonds.

The Bonds and the interest earnings thereon will be used to construct a jail facility and pay costs of issuance of the Bonds. We are aware of the tax implications of investments and rebate requirements and will advise the County not to do anything to cause the Bonds to lose their tax exemption. We can perform the arbitrage calculations for your Bonds and are able to advise you if your Bonds are audited by the IRS.

We have done bond issues for South Dakota issuers for jail facilities and understand the requirements. Lindquist & Vennum has over 180 lawyers in offices in Minnesota, South Dakota and Colorado, which include lawyers that specialize with tax issues that are available for advice and assistance.

I. DESCRIPTION OF BOND COUNSEL SERVICES

As Bond Counsel, our functions would include the following:

(1) Prepare the proceedings of the County authorizing the issuance of the Bonds and arrange for the execution and delivery by the County of the related Bond agreements.

(2) Review facts provided to us by the County and other parties necessary to enable us to render our opinion that the interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, if applicable, or that the Bonds have been duly authorized.

(3) Draft certain Bond documentation, including the resolution, indenture, tax exemption certificate and agreement, if applicable, and certificates of the County regarding the use of proceeds of the Bonds.

(4) Review the official statement or other disclosure documents relating to the Bonds and render our opinion upon the accuracy of the summaries of the Bonds documents and the description of the tax status of the Bonds contained therein.

(5) Render our opinion(s) concerning the validity and enforceability against the County and related Bond agreements.

(6) Prepare closing certificates to be executed by various parties to the transaction and coordinate the activities of the transaction participants through closing.

Our opinions as Bond Counsel referenced above will be executed and delivered by us on the date the Bonds are exchanged for their purchase price (the "Closing") and will be based on facts and law existing on such date. In rendering such opinions, we will rely upon the certified proceedings and other certifications of officials of the County and certificates of other individuals. During the course of this engagement, we will rely on officers of the County to provide us with information on developments pertaining to the financing transaction. We do not undertake to provide opinions with respect to the enforceability of documents against parties other than the County, or with respect to the exemption of any other documents and/or secondary securities from the registration requirements of any securities laws. Except as may be specified above, we will not be responsible for determining the accuracy, completeness or sufficiency of any disclosure document.

II. ATTORNEY-CLIENT RELATIONSHIP

With respect to our role as Bond Counsel, the County would be our client, and an attorney-client relationship would exist between us. Our responsibility as Bond Counsel, with respect to such terms and provisions, is to document the understandings that the parties may reach with each other. We would be independent of the underwriter or the financial advisor, as well as all other parties involved in the transaction, in order to preserve and facilitate our ability to render objective opinions of Bond Counsel. We would not be representing, advising or advocating the positions of any other party to the transaction.

Our engagement will conclude upon the Closing. We do not undertake to provide any continuing advice after the Closing, and in particular, advice concerning any actions necessary to assure that the interest paid on the Bonds will continue to be excluded from gross income for federal income tax purposes, if applicable.

III. FEES

Based upon our current understanding of the terms, structure, size and schedule of the Bond financing, our fees ~~to~~ will be \$28,000 for services as Bond Counsel to be paid at the closing of the Bonds. If the election fails we would not charge any fees. If, for any reason, the Bond financing is not completed after approved by the election we would be paid at our normal hourly rates for time spent.

IV. RISK OF AUDIT BY INTERNAL REVENUE SERVICE

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes.

Our opinions as Bond Counsel will represent our professional legal judgment based upon our review of the law and the facts, that we deem relevant to render such opinion, as certified to us (without independent investigation of the facts by us). Among the facts that we will be relying on, without independent investigation, will be a number of facts provided by the County. The County assumes full responsibility for the accuracy and completeness of these facts. No assurances can be given as to whether or not the Service will commence an audit of an issue of the Bonds, or as to whether the Service would agree with our opinion.¹ If an audit of an issue of the Bonds is commenced, the Service will treat the County as the taxpayer for purposes of the examination. However, if separately engaged, we would be available to undertake representation for such purpose.

V. RECORDS

¹ It has been reported in industry trade publications that the Service has found non-compliance with various tax requirements in a significant number of audited transactions. The most common outcome resulting from adverse determinations by the Service in these situations has been the mandatory prepayment or redemption of the Bonds at the conclusion of the audit, together with a payment by the conduit borrower of a settlement amount to the Service to preserve the tax-exempt status of interest previously paid on the Bonds. You should be aware that, under current law, no party has the right to an independent review by a court of the tax-exempt status of the Bonds prior to a formal declaration of taxability of interest on the Bonds by the Service and an assessment against the recipient of interest paid on the Bonds. At that point, only the party assessed, who is subject to having the interest included in his adjusted gross income for tax purposes, has the right to litigate the Service's determination.

After the Closing we would prepare and send to the County and the other parties involved with this transaction a transcript of proceedings and documents. All other materials shall thereupon constitute our own files and property, and these materials, including lawyer work product pertaining to the transaction, will be retained or discarded by us at our sole discretion.

Please feel free to call to discuss any aspect of the foregoing. We very much look forward to working with you toward a successful closing of these issues and greatly appreciate the opportunity to assist you in this endeavor.

Very truly yours,

LINDQUIST & VENNUM LLP

Lindquist & Vennum LLP

ACCEPTED AND APPROVED:

CODINGTON COUNTY

By

Elmer P. Brinkman
Elmer Brinkman, Chairman

Cindy Brugman
Cindy Brugman, Codington County Auditor

Dated: May 13, 2014