

SOUTH DAKOTA HEALTH AND EDUCATIONAL
FACILITIES AUTHORITY

MINUTES OF THE JULY 8, 2014 SPECIAL MEETING

Pursuant to due notice, the South Dakota Health and Educational Facilities Authority met on July 8, 2014 at 10:00 a.m., MDT, via telephone conference call. Mr. Norbert Sebade, Chairman, instructed the Secretary to call the roll.

Present: Mr. Dave Timpe
 Mr. Dick Dempster
 Mr. Dave Fleck
 Mr. Gene Lebrun
 Mr. William Lynch
 Mr. Norbert Sebade
 Mr. Mack Wyly

Absent:

Other staff and representatives of the Authority present were:
 Mr. Donald Templeton, Executive Director and Secretary
 Mr. Vance Goldammer, General Legal Counsel
 Mr. Dustin Christopherson, Associate Director
 Mr. Steve Corbin, Finance Officer
 Mr. Dan Bacastow, Jones Day
 Ms. Amy Curran, Jones Day
 Mr. Bill Marlette, Sanford Health (via telephone)

The Chairman declared a quorum and called the meeting to order.
The notice of the meeting dated July 1, 2014 was posted on the Authority door prior to the meeting (*see Attachment #1*).

The Chairman asked for consideration of the minutes for the June 10, 2014 special meeting. Mr. Gene Lebrun moved to approve the minutes as presented, seconded by Mr. William Lynch. All members present voted aye, motion carried.

Sanford Health Series 2014A Bonds

Mr. Don Templeton and Mr. Bill Marlette of Sanford Health reviewed the refunding of Series 2004A in the amount of \$52,000,000 through a private placement with Deutsche Bank. The Sanford Health FYE 2013 debt service coverage was reviewed. The projected Series 2014A sources and uses of funds, interest rates, debt service payments and costs of issuance were reviewed. The Deutsche Bank term sheet was reviewed along with the ratings. The refunding is expected to produce projected present value savings of some \$6.5 million. The Moody's rating of A1 has stayed the same since the last bond issuance while the Standard and Poor's rating remains A+.

Mr. Dan Bacastow reviewed the Resolution (*see Attachment #2*) Mr. Mack Wyly moved to approve the resolution and Mr. Gene Lebrun seconded. Ayes were Dempster, Fleck, Lebrun, Lynch, Sebade, Timpe and Wyly. Nays: none and abstain: none.

Annual and Sick Leave Policy

Mr. Templeton reviewed the annual and sick leave policy and recommended changes to the new policy (*see Attachment #3*). Mr. Dave Timpe moved to approve the resolution and Mr. William Lynch seconded. Ayes were Dempster, Fleck, Lebrun, Lynch, Sebade, Timpe and Wyly. Nays: none and abstain: none.

Adjournment

The Chairman moved, that there being no further business at this meeting, the Chairman adjourned the meeting at 10:40 a.m.



SOUTH DAKOTA
HEALTH AND EDUCATIONAL
FACILITIES AUTHORITY

Date: July 1, 2014

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 Tuesday, July 8, 2014 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 10:00 a.m. CST (9:00 a.m. MST).

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:

Gene Lebrun	Norbert Sebade	Mack Wyly	Bill Lynch
Dave Fleck	Dave Timpe	Dick Dempster	

Attached is an agenda. Information on agenda items will be sent in the near future.

Cc: Vance Goldammer
Dan Bacastow
Amy Curran
Bill Marlette

RESOLUTION authorizing the issuance of not to exceed \$55,000,000 aggregate original principal amount of Revenue Bonds, Series 2014A (Sanford) of the South Dakota Health and Educational Facilities Authority, authorizing and approving certain documents pertaining thereto and authorizing and approving certain other matters.

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*”); and

WHEREAS, Sanford (the “*Borrower*”), a North Dakota nonprofit corporation, is affiliated with and is the corporate parent of, or is the sole member of the corporate parent of, Sanford Medical Center d/b/a Sanford USD Medical Center, a South Dakota nonprofit corporation (“*Sanford Medical Center*”), which Borrower is an entity affiliated with participating health institutions as defined in the Act (the same participating health institutions being Sanford Medical Center), and the proceeds of the hereinafter referred to Series 2014A Bonds will be made available to or otherwise applied for the benefit of Sanford Medical Center, which is a participating health institution; and

WHEREAS, the Borrower has requested the Authority assist the Borrower and the Affiliates in providing funds to (i) refund all or a portion of the South Dakota Health and Educational Facilities Authority Revenue Bonds, Series 2004A (Sioux Valley Hospitals and Health System) (the “*Series 2004A Bonds*”), and (ii) pay certain expenses incurred in connection with the issuance of the Series 2014A Bonds and the refunding of the Series 2004A Bonds (collectively, the “*Financing Purposes*”), all as permitted under the Act;

NOW, THEREFORE, Be It Resolved by the South Dakota Health and Educational Facilities Authority as follows:

Section 1. Findings. The Authority hereby makes the following findings and determinations with respect to the Borrower, the Affiliates, the Financing Purposes and the bonds to be issued by the Authority:

(a) The Borrower is a nonprofit corporation incorporated under the laws of the State of North Dakota and is the corporate parent of, or is the sole member of the corporate parent of, Sanford Medical Center;

(b) Sanford Medical Center is a nonprofit corporation incorporated under the laws of the State of South Dakota and operates Sanford USD Medical Center, which is licensed by the South Dakota Department of Health;

(c) The Borrower has properly filed with the Authority its request for assistance in refunding the Series 2004A Bonds for the benefit of itself and Sanford Medical Center; the facilities to be refinanced with the proceeds of the Series 2014A Bonds and the projects for which the Series 2004A Bonds were issued consist of "*facilities*" for a "*health institution*" as such terms are defined in the Act and do not include any institution, place or building used or to be used primarily for sectarian instruction or study or as a place for devotional activities or religious worship;

(d) The refunding of the Series 2004A Bonds is in the public interest, alleviates a financial hardship upon the Borrower and Sanford Medical Center and will result in a lesser cost of patient care and a savings to third parties, including state or federal governments, and to others who must pay for health care; and

(e) The bonds herein authorized are being issued for a valid purpose under and in accordance with the provisions of the Act.

Section 2. Series 2014A Bonds. In order to obtain funds to loan to the Borrower to be used for the purposes aforesaid, the Authority hereby authorizes the issuance of the South Dakota Health and Educational Facilities Authority Revenue Bonds, Series 2014A (Sanford) (the "*Series 2014A Bonds*"); said Series 2014A Bonds to be issued under and secured by and to have the terms and provisions set forth in the Bond Indenture hereinafter referred to, and such Series 2014A Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of its Chairman and by the manual or facsimile signature of its Executive Director or such other

Member or officer designated by the Authority and the seal of the Authority shall be impressed manually or printed by facsimile thereon.

The Series 2014A Bonds shall be issued in an aggregate principal amount not to exceed \$55,000,000. The Series 2014A Bonds shall be dated as of their date of issuance. The Series 2014A Bonds may be subject to mandatory bond sinking fund redemption if and as provided in the Bond Indenture. The Series 2014A Bonds shall be subject to optional redemption, optional purchase in lieu of redemption and extraordinary redemption and be payable all as set forth in the Bond Indenture.

The Series 2014A Bonds shall mature, subject to rights of prior redemption, not later than November 1, 2034 and shall bear interest at fixed rates of interest producing an overall bond yield (the same being equal to the bond yield computed for arbitrage purposes) of not to exceed 5.0% per annum.

The Authority hereby delegates to the Chairman or the Executive Director of the Authority the power and duty to make final determinations as to the principal amount, maturities, purchase price, mandatory sinking fund redemption dates and amounts, optional and extraordinary redemption and purchase provisions and interest rates of the Series 2014A Bonds, all within the parameters set forth herein, and within such parameters, as such terms are (or have been in the form of appropriate parameters) approved by the Borrower (such approval to be evidenced by the delivery of the Series 2014A Bond Obligation (defined below) by the Borrower).

The Series 2014A Bonds shall be issued and sold by the Authority and purchased by Deutsche Bank AG New York Branch (the "*Purchaser*") at a purchase price not less than 98.5% of the par amount of the Series 2014A Bonds.

Section 3. Purchase Contract. The Authority does hereby authorize and approve the execution and delivery of a Bond Purchase Agreement (the “*Purchase Contract*”) between the Borrower, on behalf of itself and as Obligated Group Agent on behalf of the other Members of the Obligated Group (as such terms are defined in the hereinafter defined Master Indenture), and the Purchaser, providing for the issuance and sale of the Series 2014A Bonds and setting forth the terms thereof, such Series 2014A Bonds to be sold at a price not less than 98.5% of the par amount of the Series 2014A Bonds. The Purchase Contract will be substantially in the form attached hereto and marked “*Exhibit A*” and hereby approved, or with such changes therein as shall be approved by the Borrower (such approval to be evidenced by the execution and delivery of the Purchase Contract by the Borrower) and as shall be approved by the Chairman or other Member of the Authority or the Executive Director of the Authority executing the Loan Agreement, with such execution to constitute conclusive evidence of their approval and the Authority’s approval of any changes or revisions therein from the form of Purchase Contract attached hereto.

Section 4. Bond Indenture. The Authority does hereby authorize and approve the execution and delivery of a Bond Trust Indenture (the “*Bond Indenture*”) between the Authority and The First National Bank in Sioux Falls, as bond trustee (the “*Bond Trustee*”), providing for the issuance thereunder of the Series 2014A Bonds and further setting forth the terms and provisions applicable to the Series 2014A Bonds, including securing the Series 2014A Bonds by an assignment thereunder of the Authority’s right, title and interest in the Series 2014A Bond Obligation (as hereinafter defined). The Bond Indenture will be substantially in the form attached hereto and marked “*Exhibit B*” and hereby approved, or with such changes therein as shall be approved by the Chairman or other Member of the Authority or the Executive Director

of the Authority executing the same with such execution to constitute conclusive evidence of their approval and the Authority's approval of any changes or revisions therein from the form of Bond Indenture attached hereto.

Section 5. Loan Agreement. The Authority does hereby authorize and approve the execution and the delivery of a Loan Agreement (the "*Loan Agreement*"), between the Borrower and the Authority, pursuant to which the Authority will lend the proceeds of the Series 2014A Bonds to the Borrower, all as more fully described in the Loan Agreement. The Loan Agreement will be substantially in the form attached hereto and marked "*Exhibit C*" and hereby approved, or with such changes therein as shall be approved by the Borrower (such approval to be evidenced by the execution and delivery of the Loan Agreement by the Borrower) and as shall be approved by the Chairman or other Member of the Authority or the Executive Director of the Authority executing the same, with such execution to constitute conclusive evidence of their approval and the Authority's approval of any changes or revisions therein from the form of Loan Agreement attached hereto.

Section 6. Supplemental Master Indenture. The Authority does hereby authorize and approve the execution and delivery of a Nineteenth Supplemental Master Trust Indenture (the "*Nineteenth Supplemental Master Indenture*") supplementing and amending the Master Trust Indenture dated as of July 1, 1997, as heretofore supplemented and amended (the "*Original Master Indenture*"), among the Borrower, Sanford Medical Center, Sanford Health Network ("*Health Network*"), Sanford Health of Northern Minnesota, Sanford Health, Sanford Clinic, Sanford Health Foundation, Sanford Home Health, Sanford North, Sanford Medical Center Fargo, Sanford Clinic North, Sanford Health Network North, Sanford Medical Center Mayville, Sanford Health Foundation North, Sanford Medical Center Thief River Falls, Sanford West,

Sanford Bismarck, Sanford West Foundation and The First National Bank in Sioux Falls, as master trustee (the “*Master Trustee*”). The Original Master Indenture, together with the Nineteenth Supplemental Master Indenture and all other supplements and amendments thereto, are hereinafter collectively referred to as the “*Master Indenture.*” The Nineteenth Supplemental Master Indenture shall be substantially in the form attached hereto and marked “*Exhibit D*” and hereby approved, or with such changes therein as shall be approved by the Borrower (such approval to be evidenced by the execution and delivery of the Nineteenth Supplemental Master Indenture by the Borrower) and as shall be approved by the Chairman or other Member of the Authority or the Executive Director of the Authority executing the Loan Agreement, with such execution to constitute conclusive evidence of their approval and the Authority’s approval of any changes or revisions therein from the form attached hereto.

Section 7. Series 2014A Bond Obligation. Pursuant to the Master Indenture, the Borrower will issue to the Authority its Direct Note Obligation, Series 2014A (South Dakota Health and Educational Facilities Authority) (the “*Series 2014A Bond Obligation*”) as security for the Series 2014A Bonds. The Series 2014A Bond Obligation will be in an aggregate principal amount equal to the aggregate principal amount of the Series 2014A Bonds and have similar prepayment provisions, maturities and interest rates as the Series 2014A Bonds. The Authority hereby approves the assignment of the Series 2014A Bond Obligation by the Authority to the Bond Trustee under the Bond Indenture for the benefit and security of the Series 2014A Bonds.

Section 8. Supplemental Mortgages. The Authority does hereby authorize and approve the execution and delivery of a Twelfth Supplement to First Amended and Restated Mortgage and Security Agreement and Fixture Filing Statement – One Hundred Eighty Day Redemption

(the “*Twelfth Supplemental Sanford Medical Center Mortgage*”) from Sanford Medical Center to the Master Trustee, supplementing and amending the First Amended and Restated Mortgage and Security Agreement – One Hundred Eighty Day Redemption dated as of July 1, 1997, as previously supplemented and amended (the “*Original Sanford Medical Center Mortgage*” and, together with the Twelfth Supplemental Sanford Medical Center Mortgage, the “*Sanford Medical Center Mortgage*”) reflecting the increased amount of Obligations secured thereby following the issuance of the Series 2014A Bonds and reflecting amendments required in connection with the issuance of the Series 2014A Bond Obligation; such Twelfth Supplemental Sanford Medical Center Mortgage to be in substantially the form thereof attached hereto and marked *Exhibit E*, with such changes therein as shall be approved by the Borrower (such approval to be evidenced by the execution and delivery of such Twelfth Supplemental Sanford Medical Center Mortgage by the Borrower) and as shall be approved on behalf of the Authority by the Chairman or other Member of the Authority or the Executive Director of the Authority executing the Loan Agreement, with such execution to constitute conclusive evidence of their approval on behalf of the Authority and the Authority’s approval of any changes or revisions in the Twelfth Supplemental Sanford Medical Center Mortgage from the form of such Twelfth Supplemental Sanford Medical Center Mortgage attached hereto.

The Authority does hereby further authorize and approve the execution and delivery of a Third Supplement to Mortgage and Security Agreement – One Hundred Eighty Day Redemption and Fixture Financing Statement (the “*Third Supplemental Health Network Mortgage*”) from Health Network to the Master Trustee, supplementing and amending the Mortgage and Security Agreement - One Hundred Eighty Day Redemption dated as of March 1, 2012, as previously supplemented and amended (the “*Original Health Network Mortgage*” and, together with the

Third Supplemental Health Network Mortgage, the “*Health Network Mortgage*”) reflecting the increased amount of Obligations secured thereby following the issuance of the Series 2014A Bonds and reflecting amendments required in connection with the issuance of the Series 2014A Bond Obligation; such Third Supplemental Health Network Mortgage to be in substantially the form thereof attached hereto and marked *Exhibit F*, with such changes therein as shall be approved by the Borrower (such approval to be evidenced by the execution and delivery of such Third Supplemental Health Network Mortgage by the Borrower) and as shall be approved on behalf of the Authority by the Chairman or other Member of the Authority or the Executive Director of the Authority executing the Loan Agreement, with such execution to constitute conclusive evidence of their approval on behalf of the Authority and the Authority’s approval of any changes or revisions in the Third Supplemental Health Network Mortgage from the form of such Third Supplemental Health Network Mortgage attached hereto.

The Authority does hereby further authorize and approve the execution and delivery of a First Supplement to Leasehold Mortgage and Security Agreement – One Hundred Eighty Day Redemption (the “*First Supplemental Sanford Clinic Mortgage*”) from Sanford Clinic to the Master Trustee, supplementing and amending the Leasehold Mortgage and Security Agreement - One Hundred Eighty Day Redemption dated as of October 1, 2012 (the “*Original Sanford Clinic Mortgage*” and, together with the First Supplemental Sanford Clinic Mortgage, the “*Sanford Clinic Mortgage*”) reflecting the increased amount of Obligations secured thereby following the issuance of the Series 2014A Bonds and reflecting amendments required in connection with the issuance of the Series 2014A Bond Obligation; such First Supplemental Sanford Clinic Mortgage to be in substantially the form thereof attached hereto and marked *Exhibit G*, with such changes therein as shall be approved by the Borrower (such approval to be evidenced by the execution

and delivery of such First Supplemental Sanford Clinic Mortgage by the Borrower) and as shall be approved on behalf of the Authority by the Chairman or other Member of the Authority or the Executive Director of the Authority executing the Loan Agreement, with such execution to constitute conclusive evidence of their approval on behalf of the Authority and the Authority's approval of any changes or revisions in the First Supplemental Sanford Clinic Mortgage from the form of such First Supplemental Sanford Clinic Mortgage attached hereto.

The Authority does hereby further authorize and approve the execution and delivery of a First Supplement to Mortgage and Security Agreement and Fixture Financing Statement (the "*First Supplemental Sanford Bismarck Mortgage*") from Sanford Bismarck to the Master Trustee, supplementing and amending the Mortgage and Fixture Financing Statement dated as of October 1, 2012 (the "*Original Sanford Bismarck Mortgage*" and, together with the First Supplemental Sanford Bismarck Mortgage, the "*Sanford Bismarck Mortgage*") reflecting the increased amount of Obligations secured thereby following the issuance of the Series 2014A Bonds and reflecting amendments required in connection with the issuance of the Series 2014A Bond Obligation; such First Supplemental Sanford Bismarck Mortgage to be in substantially the form thereof attached hereto and marked *Exhibit H*, with such changes therein as shall be approved by the Borrower (such approval to be evidenced by the execution and delivery of such First Supplemental Sanford Bismarck Mortgage by the Borrower) and as shall be approved on behalf of the Authority by the Chairman or other Member of the Authority or the Executive Director of the Authority executing the Loan Agreement, with such execution to constitute conclusive evidence of their approval on behalf of the Authority and the Authority's approval of any changes or revisions in the First Supplemental Sanford Bismarck Mortgage from the form of such First Supplemental Sanford Bismarck Mortgage attached hereto.

The Authority does hereby further authorize and approve the execution and delivery of a First Supplement to Mortgage and Security Agreement and Fixture Financing Statement (the “*First Supplemental Sanford North Mortgage*”) from Sanford North to the Master Trustee, supplementing and amending the Mortgage and Security Agreement and Fixture Financing Statement dated as of October 1, 2012 (the “*Original Sanford North Mortgage*” and, together with the First Supplemental Sanford North Mortgage, the “*Sanford North Mortgage*”) reflecting the increased amount of Obligations secured thereby following the issuance of the Series 2014A Bonds and reflecting amendments required in connection with the issuance of the Series 2014A Bond Obligation; such First Supplemental Sanford North Mortgage to be in substantially the form thereof attached hereto and marked *Exhibit I*, with such changes therein as shall be approved by the Borrower (such approval to be evidenced by the execution and delivery of such First Supplemental Sanford North Mortgage by the Borrower) and as shall be approved on behalf of the Authority by the Chairman or other Member of the Authority or the Executive Director of the Authority executing the Loan Agreement, with such execution to constitute conclusive evidence of their approval on behalf of the Authority and the Authority’s approval of any changes or revisions in the First Supplemental Sanford North Mortgage from the form of such First Supplemental Sanford North Mortgage attached hereto.

Section 9. Series 2004A Escrow Agreement. The Authority does hereby authorize and approve the execution and delivery of an Escrow Agreement (the “*Series 2004A Escrow Agreement*”) among the Authority, Sanford Medical Center and The First National Bank in Sioux Falls, as escrow agent, which provides for the refunding of all or a portion of the Series 2004A Bonds and their call for redemption, if permitted, prior to maturity as described therein. Such Series 2004A Escrow Agreement shall be substantially in the form attached hereto and

marked *Exhibit J* and hereby approved, or with such changes therein as shall be approved by Sanford Medical Center (such approval to be evidenced by the execution and delivery of the Series 2004A Escrow Agreement by Sanford Medical Center) and as shall be approved on behalf of the Authority by the Chairman or other Member of the Authority or the Executive Director or the Authority executing same, with such execution to constitute conclusive evidence of their approval on behalf of the Authority and the Authority's approval of any changes or revisions therein from the form of Series 2004A Escrow Agreement attached hereto. The Escrow Agent is hereby authorized and directed to give the notice of redemption, as required, for the Series 2004A Bonds at the times and in the manner provided in the Series 2004A Escrow Agreement.

Section 10. Authorization and Ratification of Subsequent Acts. The members, agents and employees of the Authority are hereby authorized and directed to do all such acts and things and to execute or accept all such documents as may be necessary to carry out and comply with the provisions of these resolutions and the documents attached hereto as *Exhibits A* through *J*, respectively, and all of the acts and doings of the Members, officers, agents and employees of the Authority which are in conformity with the intent and purposes of these resolutions, whether heretofore or hereafter taken or done, shall be and are hereby ratified, confirmed and approved. Without limiting the generality of the foregoing, the proper officers of the Authority are hereby also authorized and directed to execute, acknowledge and deliver such certificates, agreements and documents which, in the opinion of bond counsel, Chapman and Cutler LLP, are necessary to preserve the tax exempt status of the Series 2014A Bonds, including a Tax Exemption Certificate and Agreement providing for the periodic payment of certain earnings on funds held by the Bond Trustee to the United States of America.

Section 11. Hearing and Approval as required by Section 147(f) of the Internal Revenue Code of 1986. The issuance of the Series 2014A Bonds is subject to the approval by the Governor of the State of South Dakota of the issuance of such Series 2014A Bonds following the hearing which was held on July 8, 2014, after due notice, regarding the issuance of such Series 2014A Bonds, all as required by Section 147(f) of the Internal Revenue Code of 1986 (the “Code”).

Adopted this 8th day of July, 2014.