CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Lucile Salter Packard Children's Hospital at Stanford ("LPCH") 725 Welch Road Palo Alto, CA 94304 Santa Clara County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$200,000,000 Up to 40 years January 26, 2012 375

Project Site: Same as above
Facility Type: Acute care hospital
Prior Borrower: Yes (date of last CHFFA issue, 2008).
Obligated Group: LPCH is the sole member.

Background: LPCH traces its roots to the Stanford Home for Convalescent Children, which was officially established in 1919. By 1970, the convalescent home moved to larger quarters and changed its name to Children's Hospital at Stanford. In 1986, David and Lucile Packard donated $40 million for the construction of a new children's hospital, and in 1988, groundbreaking began. The facility opened in 1991. In FY 2011, LPCH had 12,541 discharges, 80,923 patient days and 136,961 clinic visits.

Use of Proceeds: Bond proceeds will be used for financing the construction and expansion of LPCH's health facility.

Type of Issue: Negotiated public offering with fixed rate bonds (Minimum $5,000 denominations
Expected Credit Rating: AA/Aa2/AA; Fitch/Moody's/S&P
Financing Team: *Please see Exhibit 1 to identify possible conflicts of interest*

Financial Overview: LPCH's income statement appears to exhibit positive operating results during the review period. LPCH appears to have a solid financial position with a proforma debt service coverage ratio of 6.14x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds	$ 200,000,000	Project fund	$ 170,205,000
		Capitalized interest fund	26,795,000
		Costs of issuance	3,000,000
Total Estimated Sources	$ 200,000,000	**Total Estimated Uses**	$ 200,000,000

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, and CEQA documentation. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 375 in an amount not to exceed **$200,000,000** subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc. the Authority's financial advisor, concur with the Authority's staff recommendation.

(CA/MT/JR)

I. PURPOSE OF FINANCING:

Currently, LPCH has an acute shortage of patient beds and wishes to expand its hospital by constructing two five-story patient towers connected at the base by two additional floors in order to meet capacity needs and further its mission of providing family-centered care for its patients. LPCH estimates the total cost of the project including construction, equipment and real estate acquisition to be $1.2 billion.

The Children's Hospital Program will provide additional funding for this project. The board approved a Proposition 3 grant in the amount of $98 million at the December 1, 2011 meeting. Also, LPCH is planning up to an additional $200 million bond issue within two years.

LPCH will also be renovating a part of the existing facility. LPCH plans to convert many of the existing semi-private rooms to private rooms. After the expansion and renovation are both completed, LPCH will have a net of 104 new beds.

Project Fund **..** ***$170,205,000***

LPCH plans to construct two five-story towers. The expansion will total 521,000 square feet. The north tower will have 78 acute care beds. The south tower will have 72 intensive care beds. Beneath the first floors of both towers will be a shared ground floor and a shared basement. The ground floor will have six operating rooms, 32 recovery rooms and an imaging center consisting of two nuclear medicine rooms, one magnetic resonance imaging scanner (MRI); one computed tomography (CT) scanner, one interventional room and three cardiac catheterization (cath) labs. Below the ground floor, the basement will include a new kitchen, a central sterile department, and clinical engineering. The expansion will also relocate the hospital's main entrance. The current hospital has 275,000 square feet. Diagrams, attached in Exhibit 5, provide more details on the project.

Capitalized Interest Fund [a] **...** ***26,795,000***

Financing Costs **...** ***3,000,000***

- *Estimated cost of issuance..........................1,500,000*
- *Estimated Underwriters' discount.............1,500,000*

Total Estimated Uses of Funds.. $200,000,000

[a] An account funded by bond proceeds and used to pay interest on the bond issue for a specific period of time, usually from closing to the end of the construction period.

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

LPCH is the sole member of the Obligated Group created pursuant to the Master Indenture. Pursuant to the provisions of the Master Indenture, LPCH has issued obligations under the Master Indenture (each, an "Obligation") to secure the obligations of LPCH under the loan agreement entered into with the Authority in connection with the California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), Series 2003C (the "Series 2003 Bonds") and the obligations of LPCH under the loan agreement entered into with the Authority in connection with the California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2008 Series A, 2008 Series B and 2008 Series C (the "Series 2008 Bonds"). LPCH will issue an Obligation under the Master Indenture to secure its obligations under the loan agreement to be entered into with the Authority in connection with the proposed bonds (hereinafter referred to as the "Loan Agreement"). All the covenants listed below are applicable to LPCH as sole member of the Obligated Group.

After reviewing LPCH's credit profile, including its current financial profile, the transactions for the Series 2003 Bonds and the Series 2008 Bonds (hereinafter collectively referred to as the "Existing Bonds"), and current market requirements, LPCH, LPCH's financial advisor, Public Financial Management, Inc. ("PFM"), and the underwriters of the proposed bonds have concluded that the covenants listed below should be applicable to this transaction. LPCH, LPCH's financial advisor and PFM note that the current financial situation of LPCH does not suggest that additional covenants should be required by the Authority.

The covenants listed below are applicable to this transaction.

Unconditional Promise to Pay; Pledge of Revenues. *LPCH agrees to pay the Trustee all amounts required for payment of the principal, interest and redemption premium, if applicable, with respect to the proposed bonds and agrees to pay the additional payments and expenses specified in the Loan Agreement. In addition, LPCH will issue an Obligation under the Master Indenture to secure the obligation of LPCH to make the payments under the Loan Agreement. All Revenues (which will include payments by LPCH under the Loan Agreement and payments by the Obligated Group on the Obligation) and amounts held in the funds and account established under the Bond Indenture (excluding the Rebate Fund) will be pledged to secure the full payment of the proposed bonds.*

Pledge of Gross Revenues. *The Obligated Group has pledged to deposit all of its Gross Revenues into an account or accounts designated as the Gross Revenue Accounts. If there is a failure to make a Required Payment, the Master Trustee may exercise control over the Gross Revenue Accounts for the benefit of the holders of each obligation issued under the Master Indenture, including the trustee for the Existing Bonds and the Trustee for the proposed bonds.*

LPCH is considering an amendment to the Master Indenture which would eliminate the pledge of gross revenues based upon changes in market requirements since LPCH entered into the Master Indenture in 2003.

Limitation on Liens; Permitted Encumbrances. *The Obligated Group has agreed not to create, assume or suffer to exist any Lien upon its Property unless all Obligations of the Obligated Group are secured prior to or equally and ratably with any obligation secured by such Lien or unless otherwise permitted under the Master Indenture.*

Long-Term Debt Service Coverage Requirement. *The Master Indenture requires that the Obligated Group maintain a Historical Debt Service Coverage Ratio of 1.25.*

LPCH is considering an amendment to the Master Indenture which would require the Obligated Group to maintain a Historical Debt Service Coverage Ratio of 1.10 also based upon changes in market requirements since LPCH entered into the Master Indenture in 2003.

Limitations on Additional Indebtedness and Restrictions on Guaranties. *The Obligated Group has agreed not to incur Additional Indebtedness or enter into any Guaranty unless authorized by various provisions set out in the Master Indenture.*

Limitations on Disposition of Property. *The Obligated Group has agreed not to sell, lease or otherwise dispose of Property in any consecutive 12 month period other than as authorized by various provisions set out in the Master Indenture.*

Limitations on Consolidation, Merger, Acquisition, Sale or Conveyance. *The Obligated Group has agreed not to consolidate or merge with any corporation which is not a Member of the Obligated Group or acquire substantially all of the assets of an entity not a Member of the Obligated Group or sell or convey all or substantially all of its assets to an entity not a Member of the Obligated Group other than as authorized by the various provisions set out in the Master Indenture.*

Limitations on Withdrawal from the Obligated Group and Entrance into the Obligated Group. *The Master Indenture sets forth certain requirements, including certain financial tests, which must be met for withdrawal from, or entry into, the Obligated Group.*

Compliance with Rule 15c2-12. *LPCH will take such action as is necessary to assist the underwriters of the proposed bonds to comply with Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12). LPCH will contractually agree to disclose designated financial and operating information to the designated website (EMMA) during the life of the proposed bonds and to report designated "material events" as specified in Rule 15c2-12.*

Staff has reviewed the entirety of this financing package and finds it to be acceptable.

(INTENTIONALLY LEFT BLANK)

Lucile Salter Packard Children's Hospital at Stanford
Income Statement of Operations (In Thousands)
(Unrestricted)

	As of August 31, 2011	As of August 31, 2010	As of August 31, 2009
Operating Revenues:			
Net patient service revenue*	$ 870,708	$ 757,207	$ 695,915
Other revenue	34,867	22,542	27,847
Net assets released form restrictions used for operations	18,768	22,073	29,272
Total operating revenue	924,343	801,822	753,034
Operating Expenses:			
Salaries and benefits	364,677	337,118	307,359
Professional services	16,458	12,011	12,719
Supplies	64,454	59,168	55,813
Purchased services	263,902	193,993	171,434
Provision for doubtful accounts, net	9,711	9,875	6,526
Other	75,080	99,748	112,640
Depreciation and amortization	37,913	37,804	34,061
Total operating expenses	832,195	749,717	700,552
Income from operations	92,148	52,105	52,482
Interest income	1,140	1,027	1,092
Income and gains (losses) from University managed pools	78,786	53,731	(92,348)
Other	(2,000)	-	-
Excess (deficiency) of revenues over expenses	170,074	106,863	(38,774)
Net assets released from restriction used for purchases of property and equipment	1,533	20,814	75,833
Transfer of net investment loss on certain endowments	(277)	(2,285)	(10,918)
Adjustment for minimum pension liability	1,924	(1,239)	(2,967)
Transfers to related entities	(29,282)	(5,858)	(4,857)
SUMIT ownership transfer	-	-	(288)
Increase in unrestricted net assets before cumulative effect of accounting change	143,972	118,295	18,029
Cumulative effect of accounting change [(a)]	-	-	(111,619)
Increase (decrease) in unrestricted net assets after cumulative effect of accounting change	143,972	118,295	(93,590)
Unrestricted net assets, beginning of year	758,036	639,741	733,331
Unrestricted net assets, end of year	$ 902,008	$ 758,036	$ 639,741

(a) During January 1, 2008, LPCH adopted a pronouncement that impacted the net asset classification of donor-restricted endowment funds. The impact of adopting this pronouncement was a reclassification of approximately $112 million from unrestricted to temporarily restricted net assets during the end of fiscal year August 31, 2009.

***Gross Patient Service Revenue**

Payors Source	Percent
Medi-Cal	39.2
HMO/PPO	49.6
Other	11.2
Total	100.0

Lucile Salter Packard Children's Hospital at Stanford
Balance Sheet (In Thousands)

	As of August 31,		
	2011	2010	2009
Assets			
Current assets:			
Cash and cash equivalents	$ 90,314	$ 192,228	$ 114,627
Short term investments in Stanford University managed pools	93,450	93,450	113,521
Patient accounts receivable, net	138,755	111,031	102,731
Contributions receivable	19,532	29,982	43,536
Other receivables	2,536	2,513	2,649
Prepaid expenses, inventory and other	14,304	8,052	6,653
Total current assets	358,891	437,256	383,717
Investments	65,262	-	616
Investments in University managed pools	453,883	287,157	284,052
Board designated funds in University managed pools	206,599	206,579	205,258
Assets limited as to use, held by trustee	-	37	219
Property and equipment, net	459,725	422,393	419,046
Beneficial interest in trusts, net	13,972	13,628	13,997
Contributions receivable, net of current portion	10,200	27,862	39,750
Other assets	15,824	6,705	17,289
Total assets	$ 1,584,356	$ 1,401,617	$ 1,363,944
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 62,190	$ 22,408	$ 25,501
Accrued salaries and related benefits	42,998	44,163	37,467
Due to related parties	38,168	53,167	42,326
Third-party payor settlements	1,525	253	581
Current portion of long-term debt and capital leases	107,093	94,321	94,261
Self-insurance reserves and other liabilities	4,433	4,202	3,431
Total current liabilities	256,407	218,514	203,567
Self-insurance reserves and other liabilities, net of current portion	28,257	23,381	20,047
Long-term debt and capital leases, net current portion	57,075	71,906	72,271
Total liabilities	341,739	313,801	295,885
Commitments and contingencies			
Net assets:			
Unrestricted	902,008	758,036	639,741
Temporarily restricted	141,751	104,749	145,729
Permanently restricted	198,858	225,031	282,589
Total net assets	1,242,617	1,087,816	1,068,059
Total liabilities and net assets	$ 1,584,356	$ 1,401,617	$ 1,363,944

Financial Ratios:	**Proforma [a] FYE August 31, 2011**			
Debt Service Coverage - Operating (x) [b]	6.14	11.72	8.17	7.88
Debt Service Coverage - Net (x) [b]	6.39	12.19	8.30	8.07
Debt to Net Assets (x)	0.33	0.13	0.15	0.16
Margin (%)		9.97	6.50	6.97
Current Ratio (x)		1.40	2.00	1.88

[a] Recalculate FY 2011 audited results to include the impact of this proposed financing.

[b] Debt service coverage ratios were calculated using Maximum Annual Debt Service on Long-Term Indebtedness.

III. FINANCIAL STATEMENTS AND ANALYSIS:

<u>Financial Discussion – Statement of Activities (Income Statement)</u>

LPCH's income statement appears to exhibit positive operating results during the review period from FY 2009 to FY 2011.

LPCH's operating margin improved from 6.97% in FY 2009 to 9.97% in FY 2011. Total revenue increased approximately 23% from $753 million in FY 2009 to $924 million in FY 2011. The increase in revenue can be largely attributed to an increase in net patient services revenue, which grew approximately 25% from $696 million in FY 2009 to $871 million in FY 2011. According to LPCH, the increase in net patient revenue in FY 2011 was mainly due to an approximate $51 million new source of revenue (from the Provider Fee Program), increases in the pediatric case mix index of its patients and resulting higher reimbursement from commercial managed care payors as well as increases in commercial managed care contract rates.

<u>Particular Facts to Note:</u>

- The Provider Fee Program consists of a Hospital Quality Assurance Fee Program ("QAF") and a Hospital Fee Program that was established in 2009. These programs imposed a provider fee on certain California general acute care hospitals that, combined with federal matching funds, are used to provide supplemental payments to certain hospitals and support the State's effort to maintain health care coverage for children. For the year ended August 31, 2011, Lucile Packard Children's Hospital recognized $51.2 million in net patient service revenue for Medi-Cal Fee-For-Service and Managed Care supplemental payments and $18.3 million in other operating expense for QAF paid to the California Department of Health Care Services.

- In FY 2009, LPCH had experienced a significant loss on its investments in Stanford University's ("University") managed pools of approximately $92.3 million due to the general financial market downturn, but LPCH indicated it has since recovered due to improvements in the market financial conditions, which appear to be reflected in FY 2011 gains on investments of approximately $78.7 million. LPCH's investments consist primarily of mutual funds and the University's managed pools.

- LPCH's purchased services increased approximately 54% from $171 million in FY 2009 to $264 million in FY 2011 due to the classification of physician services expense in "Other Expense" rather than "Purchased Services" in FY 2009 and an increase in payments to Stanford University's School of Medicine for services provided by the physician faculty under a new agreement in 2011.

- According to LPCH's management, as a children's hospital, they do not anticipate a significant financial impact as a result of state budget cuts or health care reform. LPCH has a strategic plan that includes a review of health care reform and its impact on LPCH, both in the short-term and long-term. This strategic plan is formally updated annually and is monitored periodically during the year, to take into consideration economic or market changes as needed.

Financial Discussion – Statement of Financial Position (Balance Sheet)

LPCH appears to have a solid financial position with a proforma debt service coverage ratio of 6.14x.

Over the review period, LPCH's balance sheet grew with total net assets increasing from $1.07 billion in FY 2009 to $1.24 billion in FY 2011, an increase of nearly 16%. LPCH attributes the increase primarily to an increase in net patient revenue, unrealized gains in investments and investments in the University's managed pools. Investments in the University's managed pools have increased approximately 28.4% from $587 million in FY 2010 to $754 million in FY 2011.

The debt to net assets ratio has remained low with a three-year average of 0.15x. The operating debt service coverage ratio appears to be a solid at 11.72x, and with the proposed financing, the proforma operating debt service coverage ratio changed to a solid 6.14x, indicating LPCH's ability to likely manage the additional debt.

Particular Facts to Note:

- According to LPCH's management, cash and cash equivalent has decreased from approximately $192 million in FY 2010 to $90 million in FY 2011 due to transferring excess cash to investments in the University's managed pools and other investments to maximize returns.

- The 2008 CHFFA Series A, B and C totaling approximately $93.4 million are classified as current liabilities primarily due to the holders of these bonds having the option to tender the bonds. In order to ensure the availability of funds to purchase any bonds being tendered, LPCH has entered into an arrangement with the University. The arrangement allows immediate availability of LPCH funds invested in the University's managed pools for purpose of funding tenders.

- In FY 2011, accounts payable and accrued liabilities increased significantly from approximately $22.4 million in FY 2010 to $62.2 million. According to LPCH, this increase was partially due to a FY 2011 accrual of $18.2 million related to payments received under the January 1, 2011 – June 30,2011 provider fee program. The liability was recognized for reporting purposes, along with a $5.6 million deferred asset, related to payments made under the January 1, 2011 – June 30, 2011 provider fee program, since the Centers for Medicare & Medicaid Services had not yet approved this program. The program was approved in late December 2011; therefore, eliminating the liability and deferred asset in the month of December. An additional increase in accounts payable in FY 2011 was due to accruals to vendors working on capital projects not in process in FY 2010.

IV. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- **Section 15438.5(a) of the Act (Savings Pass Through)**: LPCH properly completed and submitted the "Pass-Through Savings Certification," in addition to a narrative explaining how it intends to pass through savings.

- **Section 15491.1 of the Act (Community Service Requirement)**: LPCH will complete and submit this certification and indicate whether Medi-Cal and Medicare patients are accepted at the closing of the bond deal.

- **Compliance with Seismic Regulation**s: LPCH properly completed and submitted a description of its seismic requirements.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act)**: LPCH properly submitted documentation to the Authority, where applicable, demonstrating that each proposed project has either complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is otherwise not a "project" under that division.

- **Religious Due Diligenc**e.

- **Legal Review**.

- **Iran Contracting Act Certificate**: LPCH properly submitted related documentation to the Authority.

(INTENTIONALLY LEFT BLANK)

EXHIBIT 1

FINANCING TEAM

Trustee:	Wells Fargo Bank, N.A. (to be determined)
Rating Agencies:	Standard & Poor's Fitch Ratings Moody's
Issuer's Financial Advisor:	Public Financial Management, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Issuer's Counsel:	Office of the Attorney General
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriters:	Morgan Stanley & Co. LLC. Bank of America Merrill Lynch Wells Fargo
Underwriter's Counsel:	Sidley Austin LLP
Borrower's Counsel:	Ropes & Gray
Borrower's Financial Advisor:	Hammond Hanlon Camp LLC
Auditor:	Pricewaterhouse Coopers LLP

EXHIBIT 2

UTILIZATION STATISTICS

This table below presents selected statistical indicators of patient activity for LPCH for each of the three fiscal years ended August 31, 2011, 2010 and 2009.

	As of August 31,		
	2011	**2010**	**2009**
Licensed/ Staffed Beds	311	311	308
Discharges	12,541	12,893	12,815
Patient Days	80,923	81,670	80,304
Average Length of Stay	6.5	6.3	6.3
Discharges - OB	4,637	4,882	4,963
Patient Days - OB	14,602	15,791	15,783
Average Length of Stay - OB	3.1	3.2	3.2
Discharges - Pediatric	7,904	8,011	7,852
Patient Days - Pediatric	66,321	65,879	64,521
Average Length of Stay - Pediatric	8.4	8.2	8.2
Average Daily Census	221.7	223.8	220.0
Percent Occupancy	71.3%	71.9%	71.4%
Pediatric CMI	2.01	1.94	1.90
Inpatient Surgical Procedures	3,400	3,351	3,232
Outpatient Surgical Procedures	4,146	4,053	4,314
Clinic Visits	136,961	141,863	139,968

Source: Lucile Packard Children's Hospital records.

EXHIBIT 3

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding As of August 31, 2011	Estimated Amount Outstanding after Proposed Financing
- EXISTING LONG-TERM DEBT:			
Authority Debt:			
Lucile Salter Packard Children's Hospital, 2003 Series C	$55,000,000	$55,000,000	$55,000,000
Lucile Salter Packard Children's Hospital, 2003 Series C Premium [a]	3,113,000	2,075,000	2,075,000
Lucile Salter Packard Children's Hospital, 2008 Series A	30,340,000	30,340,000	30,340,000
Lucile Salter Packard Children's Hospital, 2008 Series B	30,340,000	30,340,000	30,340,000
Lucile Salter Packard Children's Hospital, 2008 Series C	32,770,000	32,770,000	32,770,000
Other Debt:			
Capital Lease Obligations		13,643,000	13,643,000
- PROPOSED NEW DEBT:			
CHFFA Series 2012			**200,000,000**
- TOTAL DEBT		**$164,168,000**	**$364,168,000**

[a] The 2003 Series C fixed rate bonds were issued at a net premium of $3,113,000.

EXHIBIT 4

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Lucile Salter Packard Children's Hospital at Stanford (LPCH) is a 311-bed, not-for-profit tax-exempt hospital located in Palo Alto, California. Consistently ranked in the top 10 for pediatric hospitals by US News and World Report, LPCH is known for its cardiac care, organ transplantation, cancer and neurosurgery services. It is the pediatric and obstetrics division of Stanford University Medical Center, but is a free-standing hospital with a separate license and provider number. Lucile Packard Children's Hospital opened in June 1991 to serve the health-care needs of children of all ages. In 1997, LPCH added perinatal, labor, and delivery services to its license, creating the only children's hospital in California that serves both pregnant women and children.

Governance

LPCH is currently governed by a 27-member Board of Directors (the "Board"). The present Board is comprised of 18 elected voting directors and nine *ex-officio* directors, eight of whom are also voting directors. The Bylaws of Lucile Packard Children's Hospital provide that the nominations committee of the Stanford University Board of Trustees or its designees nominate elected directors with the joint recommendation, if any, of the Chair of the Board and the President of Stanford.

Licensure and Memberships

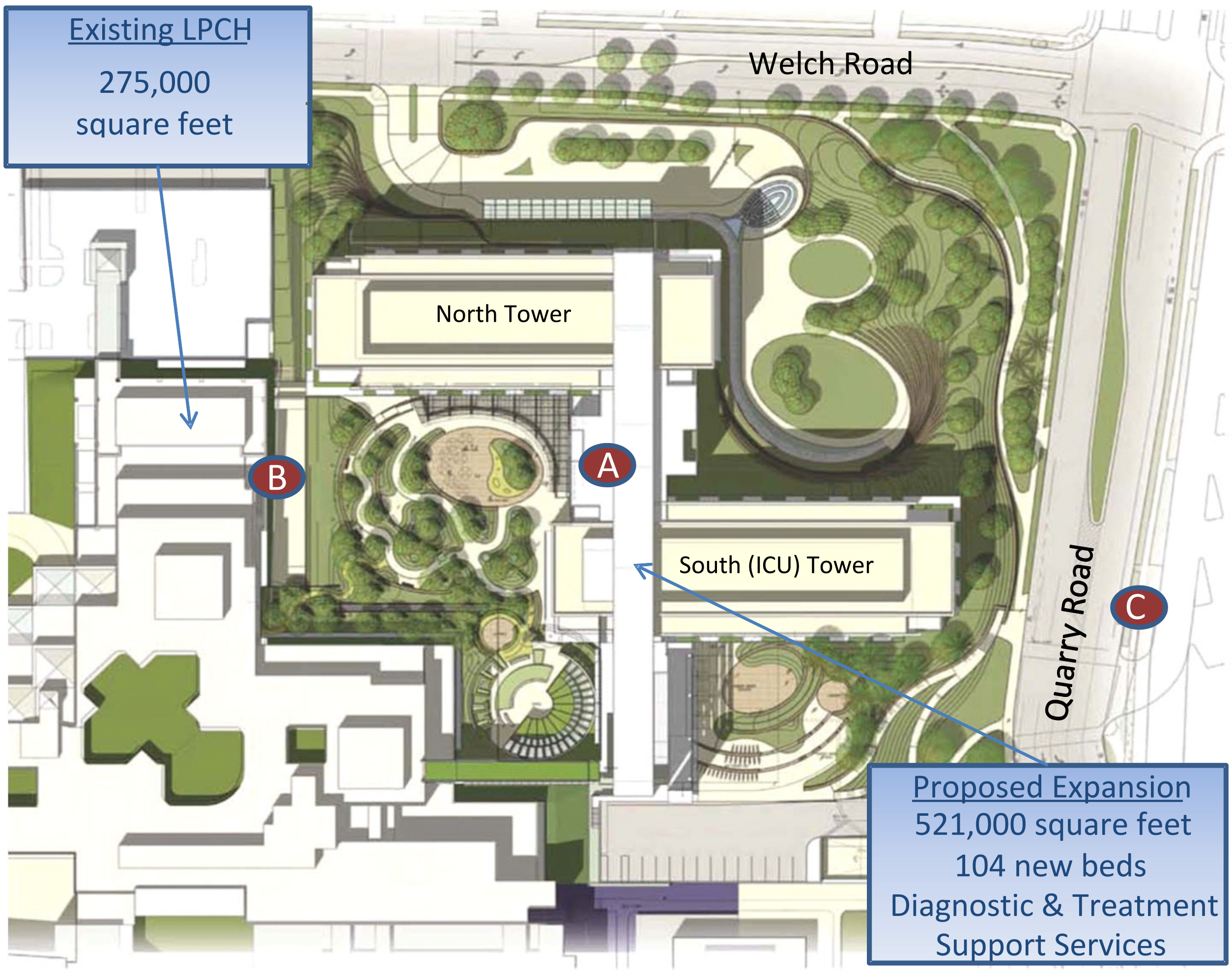
LPCH is appropriately licensed by the California Department of Public Health Services to the extent required and is certified to participate in the Medicare and Medi-Cal programs.

(INTENTIONALLY LEFT BLANK)

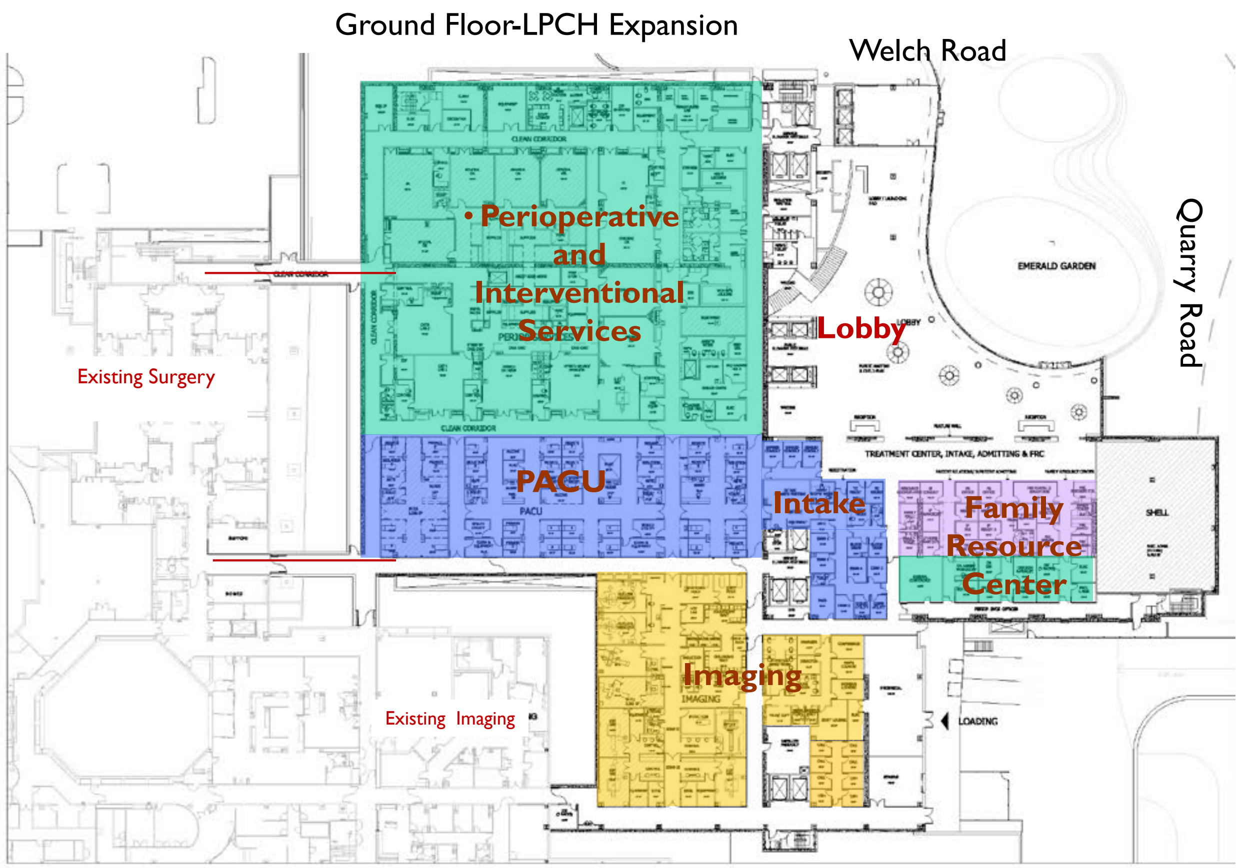
EXHIBIT 5

DIAGRAMS

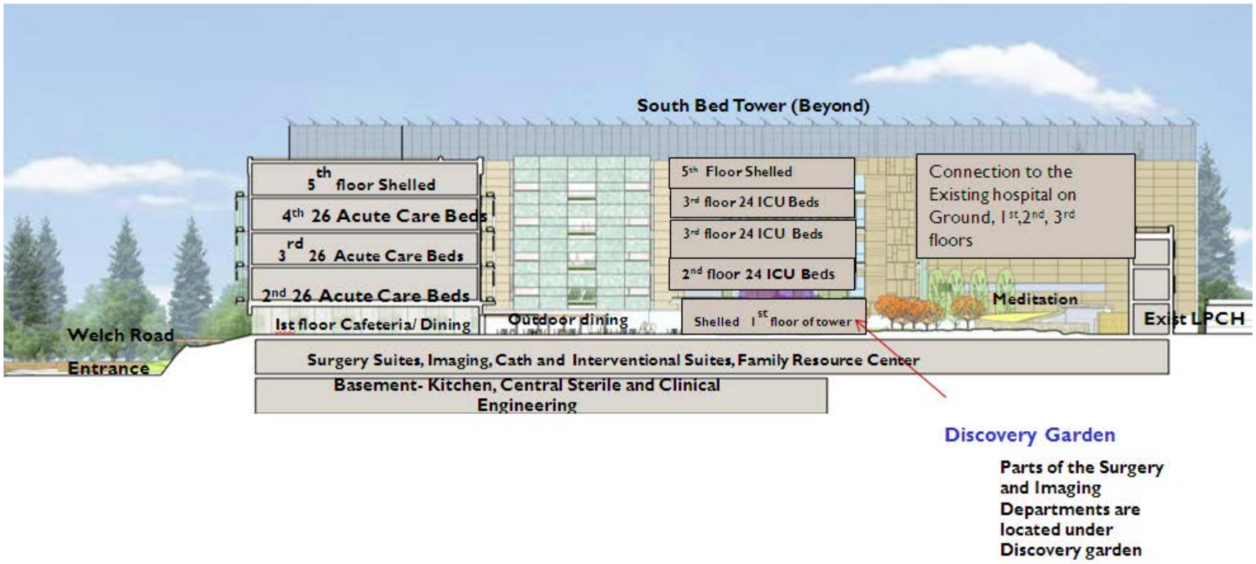
The view below depicts the schematic design of the main campus and proposed new expansion. Labels A, B and C refer to three separate views on the following pages to illustrate alignment of key departments by floor.



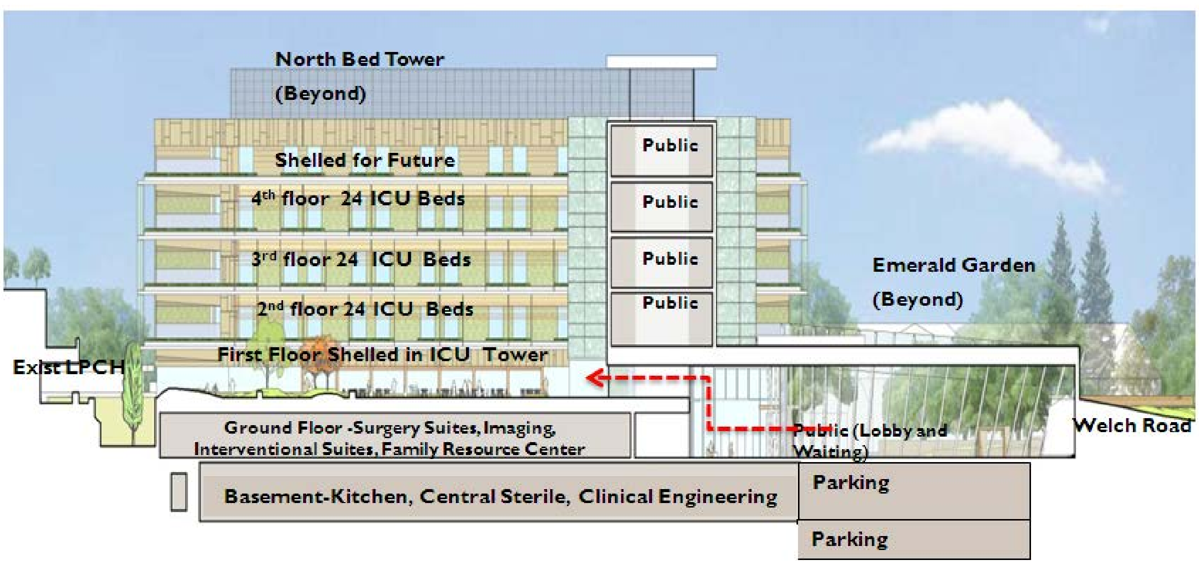
A *This diagram depicts a top view of the ground floor, which connects the North and South Towers and extends to the existing hospital underneath the Discovery Garden (an outdoor dining, gathering and meditation area for patients and their families).*



Below, a view of the LPCH Expansion from the existing LPCH Hospital illustrates the layout of the 78 acute care beds (North Tower) and 72 intensive care beds (South Tower).



This view from Quarry Road shows a more detailed layout of the 72 ICU beds in the South Tower.



RESOLUTION NO. 375

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY RELATING TO THE ISSUANCE OF REVENUE BONDS FOR LUCILE SALTER PACKARD CHILDREN'S HOSPITAL AT STANFORD

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the "Act") to issue revenue bonds to finance construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities by participating health institutions (including by reimbursing expenditures made or refinancing indebtedness incurred for such purpose) and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority;

WHEREAS, Lucile Salter Packard Children's Hospital at Stanford, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation") has applied to the Authority for the issuance of revenue bonds of the Authority on behalf of the Corporation in an aggregate principal amount not to exceed $200,000,000 (the "Bonds") for the purposes of (1) financing the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of health facilities to be owned and operated by the Corporation (including by reimbursing expenditures made or refinancing indebtedness incurred by the Corporation for such purpose) (as further described in Exhibit A attached, hereto, the "Project"), (2) funding certain capitalized interest on the Bonds if desired by the Corporation and (3) paying costs of issuance of the Bonds if desired by the Corporation;

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the California Government Code, the Corporation has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a "project" under such division; and

WHEREAS, approval of the terms of issuance and sale of the Bonds and various related matters is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. Pursuant to the Act, revenue bonds of the Authority designated as the "California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2012 Series," in a total aggregate principal amount not to exceed $200,000,000 are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the second WHEREAS paragraph above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of the adoption of this Resolution, at negotiated sale, in such aggregate amount and in such series, at such price and at such interest rate or rates as the Treasurer, with the advice and consent of the Corporation, may determine.

Section 3. The following documents:

(i) the Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Corporation;

(ii) the Indenture relating to the Bonds (the "Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee");

(iii) the preliminary official statement relating to the Bonds (the "Preliminary Official Statement"); and

(iv) the Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (hereinafter collectively referred to as the "Purchase Contract"), among Morgan Stanley & Co., LLC, acting on behalf of itself and as representative of the other underwriters identified therein (the "Underwriters"), the Treasurer and the Authority, and approved by the Corporation

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof.

Section 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreement are true and correct.

Section 5. The dated date, maturity dates (not exceeding 40 years from the date of issue), interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of redemption, terms of transfer, and other terms of the Bonds shall be as provided in the Indenture, as finally executed.

Section 6. The Underwriters are hereby authorized and directed to distribute the Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of the Bonds offered in the issuance. The Underwriters are hereby directed to deliver the final Official Statement (the "Official Statement") to all actual purchasers of the Bonds.

Section 7. The Bonds, when executed pursuant to the Indenture, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon the direction of the Underwriters thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved.

Section 8. Each officer of the Authority is hereby authorized and directed to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement, the Purchase Contract and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) certifications; and (b) a tax certificate and agreement.

Section 9. The provisions of the Authority's Resolution No. 2011-15 apply to the documents and actions approved in this Resolution.

Section 10. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

Section 11. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ___________ __, 2012.

Exhibit A

Description of the Project

Lucile Salter Packard Children's Hospital at Stanford (the "Corporation") has requested the issuance of revenue bonds to finance a portion of the costs of the expansion, renovation, and equipping of the health care facilities owned and operated by the Corporation described below.

The expansion and renovation contemplated by the Corporation consists of the construction and equipping of a 521,000 square foot expansion to, and the renovation of, the acute care hospital facilities operated by the Corporation located at and in the vicinity of 701 Welch Road, 703 Welch Road and 725 Welch Road in Palo Alto, California. Plans approved by the Corporation and the City of Palo Alto for the expansion and renovation provide for the construction of two five-story towers, each of which will house amenity and ancillary support services at the first level and patient beds on levels two through five. The fifth floor of each tower will be shelled at initial occupancy, and will be fitted out at a later date. Ancillary support services planned for the expansion and renovation include diagnostic, surgery and imaging departments, comprised of one neuro hybrid surgery suite, one neuro operating room suite, two cardiac surgery suites, three cardiac cath labs, one interventional room, one MRI, one CT scanner, one PET-CT scanner, and two nuclear medicine rooms.