

**CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

Applicant:	Stanford Health Care (“SHC”) 300 Pasteur Drive, MC 5554 Stanford, CA 94305 Santa Clara County	Amount Requested:	\$175,000,000
		Requested Loan Term:	Up to 40 years
		Authority Meeting Date:	May 28, 2015
		Resolution Number:	403
Project Sites:	See Exhibit 5		
Obligated Group:	SHC - sole obligated group member		
Facility Type:	General acute care hospital and outpatient care		
Eligibility:	Government Code 15431(d)(1)		
Prior Borrower:	Yes (date of last CHFFA issue, May 2012).		
Background: Established in 1958, SHC operates a licensed acute care hospital and a cancer center in Palo Alto, California, an outpatient center in Redwood City, and clinics located on the Stanford University campus and in neighboring communities. SHC is a principal teaching affiliate of the Stanford University School of Medicine and provides primary and specialty health services to adults, including cardiac care, cancer treatment, solid organ transplantation services, orthopedics and neuroscience services. In FY 2014, SHC treated approximately 25,000 patients in its emergency room, admitted more than 62,000 inpatients and recorded more than 529,000 outpatient transactions.			
Use of Proceeds: Bond proceeds will be used to finance a portion of the costs of the replacement and renovation of SHC’s hospital facilities located in Palo Alto, California and may also be applied to the renovation of the Hoover Pavilion and the anticipated center in Redwood City			
Type of Issue:	Negotiated public offering with fixed and variable rate bonds; a portion of the bonds may be privately placed (Minimum \$5,000 denominations).		
Expected Credit Ratings:	Aa3/AA-/AA; Moody’s/S&P/Fitch		
Financing Team:	<i>Please see Exhibit 1 to identify possible conflicts of interest</i>		
Financial Overview: SHC’s income statement exhibits positive operating results during the review period. SHC’s balance sheet exhibits a solid financial position with a proforma debt service coverage ratio of 5.09x.			
Estimated Sources of Funds:		Estimated Uses of Funds:	
Bond Proceeds	\$ 175,000,000	Project Fund	\$ 173,000,000
		Financing Costs	2,000,000
Total Estimated Sources	<u>\$ 175,000,000</u>	Total Estimated Uses	<u>\$ 175,000,000</u>
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 403 in an amount not to exceed \$175,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency for publicly offered bonds. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Fieldman, Rolapp & Associates, Inc., the Authority’s financial advisor, concur with the Authority’s staff recommendation.			

I. PURPOSE OF FINANCING:

SHC is embarking on a multi-year master plan to finance the costs of the replacement and renovation of SHC’s facilities, which will also address seismic compliance. This project will create the new Stanford Hospital. The goal of the new Stanford Hospital is to create a place of healing that supports patient care, practitioner and staff productivity and environmental sustainability.

***Project Fund* \$173,000,000**

Stanford plans to replace, expand, equip and renovate major portions of its existing facilities with construction of approximately 1.1 million square feet of inpatient facilities, including new surgical operating, diagnostic and treatment suites, a new emergency department and associated nursing and support space, and approximately 429,000 square feet of clinics, medical offices and administrative offices. This initiative is also part of the multi-year master plan that will add 368 all-private patient beds in the existing current hospital, 28 flexible and interventional operating rooms, a 40,000 square-foot imaging department and a 39,000 square foot emergency department, as well as conference cafeteria, and an increase in support spaces from approximately 700,000 to 824,000 square-feet located in Palo Alto, California.

The replacement hospital facility will accommodate new medical technology, including a new Level 1 trauma center and state-of-the-art surgical, diagnostic and treatment rooms, while meeting seismic safety requirements. In addition, bond proceeds may be applied to the replacement of an outdated laboratory facility at the School of Medicine and the renovation of the Hoover Pavilion, which SHC anticipates using to provide outpatient services and renovation of the outpatient center in Redwood City.

The replacement and renovation of SHC’s facilities is scheduled to be completed in 2017.

***Financing Costs* 2,000,000**

- *Estimated cost of issuance*..... \$1,000,000
- *Estimated Underwriters’ discount*..... 1,000,000

Total Estimated Uses of Funds \$175,000,000

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

The Executive Summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff. These covenants cannot be diluted or removed without subsequent review. If there has been modification to the covenants proposal following the preparation of this Executive Summary, staff will report it at the meeting.

After reviewing SHC's credit profile, including its current financial profile, the transactions for the 2015 Series Bonds (hereinafter collectively referred to as the "Existing Bonds"), and current market requirements, SHC, the Authority's financial advisor, (Fieldman, Rolapp & Associates, Inc. ("Fieldman")), and the underwriter of the proposed Bonds have concluded that the covenants listed below should be applicable to this transaction. SHC and Fieldman note that the current financial situation of SHC does not suggest that additional covenants should be required by the Authority.

In June 2011, SHC entered into an amended and restated master indenture of trust (as supplemented from time to time pursuant to its terms, the "Master Indenture") with The Bank of New York Mellon Trust Company, N.A. (the "Master Trustee"). The Master Indenture amended and restated the original master indenture of trust, dated as of December 1, 1990 between SHC, then known as Stanford University Hospital, and First Interstate Bank, LTD., as master trustee, which created an obligated group (the "Obligated Group"). Currently, SHC is the sole member of the Obligated Group.

Pursuant to the provisions of the Master Indenture, SHC has issued obligations under the Master Indenture (each, an "Obligation") to secure the obligations of SHC under each of the loan agreements entered into with the Authority in connection with each issue of revenue bonds previously issued by the Authority for the benefit of SHC (see Exhibit 2) ("Existing Bonds") SHC will issue an Obligation under the Master Indenture to secure its obligations under each of the loan agreements to be entered into with the Authority in connection with the proposed bonds (each, a "Loan Agreement," and, hereinafter collectively referred to as the "Loan Agreements"). All capitalized terms used and not otherwise defined herein will have the meanings assigned to such terms in the Master Indenture.

The covenants listed below are applicable to this transaction.

Unconditional Promise to Pay; Pledge of Revenues. *SHC agrees to pay to U.S Bank National Association, as trustee for the proposed bonds (the "Trustee"), all amounts required for payment of the principal, interest and purchase price, if applicable, with respect to the proposed bonds and agrees to pay the additional payments and expenses specified in each of the Loan Agreements. In addition, SHC will issue an Obligation under the Master Indenture to secure the obligation of SHC to make the payments under each of the Loan Agreements.*

All Revenues, as such term is defined in the bond indenture pursuant to which each series of proposed bonds will be issued (each, an "Indenture," and hereinafter collectively referred to as the "Indentures") will be pledged to secure the full payment of the proposed bonds being issued pursuant to the applicable Indenture. Revenues include payments by SHC under the applicable Loan Agreement and payments by the Obligated Group on the applicable Obligation and amounts held in the funds and accounts established under the applicable Indenture (excluding the Rebate Fund to be established for each series of proposed bonds and the Bond Purchase Fund to be established for each series of proposed bonds being issued as variable rate bonds).

Pledge of Gross Revenues. *Each Member of the Obligated Group has pledged to deposit all of its Gross Revenues into one or more deposit accounts designated as the Gross Revenue Fund. If there is a failure to make a Required Payment, the Master Trustee may exercise control over the Gross Revenue Fund 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.*

Limitation on Liens; Permitted Encumbrances. *Each Member of the Obligated Group has agreed not to create, assume or suffer to exist any Lien upon its Property except for Permitted Liens. Each Member of the Obligated Group has further agreed that if a Lien other than a Permitted Lien is created by someone other than a Member of the Obligated Group and is assumed by a Member of the Obligated Group, such Member of the Obligated Group will cause a provision to be made effective whereby all Obligations will be secured prior to any obligations secured by the Lien assumed by a Member of the Obligated Group.*

Long-Term Debt Service Coverage Requirement. *The Master Indenture requires that the Obligated Group maintain a Debt Service Coverage Ratio of 1.10.*

Limitations on Additional Indebtedness and Restrictions on Guaranties. *Each Member of 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. *Each Member of the Obligated Group has agreed not to sell, lease or otherwise dispose of Property in any Fiscal Year other than as authorized by various provisions set out in the Master Indenture.*

Limitations on Merger, Consolidation, Sale or Conveyance. *Each Member of the Obligated Group has agreed not to merge or consolidate with any entity which is 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.*

No Debt Service Reserve. *No reserve fund will be established for the proposed bonds.*

Compliance with Rule 15c2-12. *SHC 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"). SHC will contractually agree to disclose designated financial and operating information to the designated website (Electronic Municipal Market Access) during the life of the proposed bonds and to report designated "material events" as specified in Rule 15c2-12.*

Staff and Fieldman have reviewed the entirety of this financing package and find it to be acceptable.

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III. FINANCIAL STATEMENTS AND ANALYSIS:

Stanford Health Care
Consolidated Statement of Operation (\$000's)

	For the Year Ended August 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Net patient service revenue*	\$ 2,980,067	\$ 2,679,365	\$ 2,398,832
Provision for doubtful accounts, net	(140,678)	(115,762)	(99,110)
Premium revenue	60,047	63,429	42,007
Other revenue	94,248	82,992	84,006
Net assets released from restriction used for operations	4,639	3,761	4,753
Total operating revenues	<u>2,998,323</u>	<u>2,713,785</u>	<u>2,430,488</u>
Operating expenses:			
Salaries, wages & benefits	1,232,251	1,105,761	988,008
Professional services	37,046	33,921	33,344
Supplies	421,899	374,847	325,073
Purchased services	741,565	661,961	559,776
Depreciation and amortization	100,625	94,080	94,299
Interest	43,636	46,799	48,324
Other	226,475	221,611	221,524
Expenses recovered from related parties	(83,422)	(77,975)	(76,590)
Total operating expenses	<u>2,720,075</u>	<u>2,461,005</u>	<u>2,193,758</u>
Income from operations	278,248	252,780	236,730
Interest and investment income	15,199	13,072	10,167
Increase in value of University managed pools	176,014	103,329	21,627
Interest rate swaps mark to market adjustments	(37,532)	102,928	(69,805)
Loss on extinguishment of debt	(71)	-	(3,783)
Excess of revenue over expenses	<u>431,858</u>	<u>472,109</u>	<u>194,936</u>

(continued)

Stanford Health Care
Consolidated Statement of Activities (\$000's)

	For the Year Ended August 31,		
	2014	2013	2012
Other changes in unrestricted net assets:			
Transfer to Stanford University	(54,337)	(6,978)	(10,809)
Transfer to University Healthcare Alliance		-	6,530
Transfer from Lucile Salter Packard Children's Hospital	-	8,000	9
Change in net unrealized gains (losses) of investments	691	(1,116)	(259)
Net assets released from restriction used for:			
Purchase of property and equipment	356	8,594	3,022
Change in pension and postretirement liability	6,650	30,119	(16,319)
Noncontrolling capital contribution	(1,482)	(289)	-
Increase in unrestricted net assets	383,736	510,439	177,110
Change in temporarily restricted net assets:			
Transfers from Stanford University	2,480	145	437
Transfers to permanently restricted net assets	-	-	(1,099)
Contributions and other	48,108	51,940	219,414
Investment income	(103)	545	396
Gains on University managed pools	2,875	2,271	1,063
Net assets released from restriction for:			
Operations	(4,639)	(3,761)	(4,753)
Purchase of property and equipment	(356)	(8,594)	(3,022)
Increase in temporarily restricted assets	48,365	42,546	212,436
Changes in permanently restricted net assets:			
Contributions	101	-	-
Transfer from temporary restricted net assets	-	-	1,099
Increase in permanently restricted net assets	101	-	1,099
Increase in net assets	432,202	552,985	390,645
Net assets, beginning of the period	2,255,115	1,702,130	1,311,485
Net assets, end of period	\$ 2,687,317	\$ 2,255,115	\$ 1,702,130

*Net Patient Service Revenue for FYE August 31, 2014

<u>Payers Source</u>	<u>Percent</u>
Medicare	34
Medi-Cal	4
Managed Care - Discounted Fee for Services	54
Indemnity Insurance, Self Pay, Other	8
Total	100

Stanford Health Care
Consolidated Balance Sheet (\$000's)

	As of August 31,		
	2014	2013	2012
Assets:			
Current assets:			
Cash and cash equivalents	\$ 467,655	\$ 448,831	\$ 509,119
Assets limited as to use, held by trustee	-	-	510
Short term investments	100,970	49,636	-
Patient accounts receivable, net	431,897	378,916	324,929
Other receivables	28,416	45,700	86,970
Inventories	25,374	24,286	23,406
Prepaid expenses and other	28,283	24,532	15,092
Total current assets	1,082,595	971,901	960,026
Investments	120,866	125,380	84,260
Investments in University managed pools	1,383,385	1,181,895	971,436
Assets limited to use, net current portion	491,594	531,444	529,097
Property and equipment, net	1,405,862	1,143,478	973,160
Other assets	263,766	313,477	312,969
Total assets	\$ 4,748,068	\$ 4,267,575	\$ 3,830,948
Liabilities and Net Assets:			
Current liabilities:			
Accounts payable & accrued liabilities	\$ 173,160	\$ 174,111	\$ 174,351
Accrued salaries & related benefits	161,494	135,841	118,188
Due to related parties	62,106	48,628	33,542
Third-party payer settlements	22,334	13,515	24,543
Current portion of long-term debt	11,700	12,654	10,664
Debt subject to short-term remarketing arrangements	228,200	228,200	228,200
Self-insurance reserves	27,296	24,493	25,341
Total current liabilities	686,290	637,442	614,829
Self-insurance reserves, net of current portion	105,270	102,043	105,267
Other long-term liabilities	170,565	148,842	246,129
Pension liability	30,827	41,851	64,796
Long term debt, less current portion	1,067,799	1,082,282	1,097,797
Total liabilities	2,060,751	2,012,460	2,128,818

(continued)

Stanford Health Care
Consolidated Balance Sheet (\$000's)

	As of August 31,		
	2014	2013	2012
Net assets:			
Unrestricted	2,160,693	1,776,957	1,266,518
Temporarily restricted	518,932	470,567	428,021
Permanently restricted	7,692	7,591	7,591
Total net assets	<u>2,687,317</u>	<u>2,255,115</u>	<u>1,702,130</u>
Total liabilities and net assets	<u>\$ 4,748,068</u>	<u>\$ 4,267,575</u>	<u>\$ 3,830,948</u>

Financial Ratios:

	Proforma (a)			
	FYE August 31, 2014			
Debt Service Coverage - Operating (x) ^(b)	5.09	5.80	5.40	5.20
Debt Service Coverage - Net (x) ^(b)	5.28	6.00	5.58	5.24
Debt to Unrestricted Net Assets (x)		0.40	0.49	0.65
Operating Margin (%)		9.28	9.31	9.74
Current Ratio (x)		1.58	1.52	1.56

^(a) Recalculates FY 2014 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 Indebtness.

IV. FINANCIAL STATEMENTS AND ANALYSIS:

Financial Discussion – Statement of Activities (Income Statement)

SHC's income statement exhibits positive operating results during the review period from FY 2012 to FY 2014.

SHC experienced an increase in unrestricted net assets from approximately \$177.1 million in FY 2012 to \$383.7 million in FY 2014. SHC attributes the increase in unrestricted net assets to an increase in net patient service revenues, which grew approximately 24% from \$2.39 billion in FY 2012 to \$2.98 billion in FY 2014; and an increase in investments for the University Managed Pools, which grew from approximately \$21.6 million in FY 2012 to \$176 million in FY 2014 due to the overall improvement of the financial market conditions.

Financial Discussion – Statement of Financial Position (Balance Sheet)

SHC's balance sheet exhibits a solid financial position with a proforma debt service coverage ratio of 5.09x.

SHC's balance sheet appears to have exhibited good liquidity and solid financial strength which grew with total unrestricted net assets increasing from \$1.26 billion in FY 2012 to \$2.16 billion in FY 2014, an increase of nearly 70%. SHC attributes the increase primarily to an increase in property and equipment, unrealized gains in investments and investments in the University's managed pools.

The debt-to-unrestricted net assets ratio has remained adequate with a three-year average of 0.51x. The operating debt service coverage ratio appears to be a solid at 5.80x, and with the proposed financing, the proforma operating debt service coverage ratio appears to be 5.09x, indicating SHC's ability to likely manage the additional debt.

Particular Facts to Note:

- Investments and investments in the University's managed pools have increased approximately 42% from approximately \$971 million in FY 2012 to \$1.38 billion in FY 2014, which SHC attributes primarily to the transfer of \$100 million, donated securities of \$24 million, and unrealized gains in investment in the University's managed pools.

V. DUE DILIGENCE:

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

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

SHC invested over \$221 million in services and activities to improve the health of the communities it services throughout California, as well as from across the country and internationally. A majority of its patients live in San Mateo and Santa Clara Counties. For more information regarding to Stanford Health Care community benefit, please copy and paste the address below to the web browser to open.

<https://stanfordhealthcare.org/content/dam/SHC/about-us/public-services-and-community-partnerships/docs/FY14-OSHPD-Report-FY15-OSHPD-Plan.pdf>

- **Section 15491.1 of the Act (Community Service Requirement):** SHC 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 Regulations:** SHC properly completed and submitted a description of its seismic requirements.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** SHC 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 Diligence.** SHC properly completed and submitted related documentation to meet the religious due diligence requirement.
- **Legal Review.** SHC properly completed and submitted related documentation addressing the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** SHC properly submitted related documentation to the Authority.

EXHIBIT 1
FINANCING TEAM
STANFORD HEALTH CARE

Borrower: Stanford Health Care

Issuer's Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Issuer's Financial Advisor: Fieldman, Rolapp & Associates, Inc.

Issuer's Financial Analyst: Macias Gini & O'Connell, LLP

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Borrower's Counsel: Ropes & Gray LLP

Underwriters: Morgan Stanley & Co. LLC.
Goldman Sachs
JP Morgan Securities

Underwriter's Counsel: Sidley Austin LLP

Potential Purchasers: Bank of America, N.A.
JP Morgan Chase Bank, N.A.
U.S Bank National Association
Wells Fargo Municipal Capital Strategies, LLC

Auditor: Pricewaterhouse Coopers LLP

Trustee: U.S Bank National Association

Rating Agencies: Standard & Poor's Financial Services, LLC
Fitch Ratings, Inc.
Moody's Investor Services, Inc.

EXHIBIT 2
OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding As of August 31, 2014^(a)</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
-EXISTING LONG-TERM DEBT:			
CHFFA 2008 Series A1 Refunding Revenue Bonds	\$ 70,500,000	\$ 68,785,000	\$ 68,785,000
CHFFA 2008 Series A2 Refunding Revenue Bonds	104,100,000	101,750,000	101,750,000
CHFFA 2008 Series A3 Refunding Revenue Bonds	85,700,000	82,240,000	82,240,000
CHFFA 2008 Series B Refunding Bonds ^(b)	168,200,000	168,200,000	168,200,000
CHFFA 2010 Series A Refunding Revenue Bonds	149,345,000	135,305,000	135,305,000
CHFFA 2010 Series B Refunding Revenue Bonds	146,710,000	146,710,000	146,710,000
CHFFA 2012 Series A Revenue Bonds	340,000,000	340,000,000	340,000,000
CHFFA 2012 Series B Refunding Revenue Bonds	68,320,000	58,520,000	58,520,000
CHFFA 2012 Series C Revenue Bonds	60,000,000	60,000,000	60,000,000
CHFFA 2012 Series D Revenue Bonds	100,000,000	100,000,000	100,000,000
- PROPOSED NEW DEBT:			
CHFFA Series 2015			175,000,000
- TOTAL DEBT			
		<u>\$ 1,261,510,000</u>	<u>\$ 1,436,510,000</u>

(a) Includes current portion of long-term debt.

(b) The 2008 B Refunding Bonds issued in 2 series as follow: Series B-1 for \$84.1 million, and 2008 Series B-2 for \$84.1 million.

EXHIBIT 3

UTILIZATION STATISTICS

This table below presents selected statistical indicators of patient activity for SHC for each of the three fiscal years ended August 31, 2014, 2013 and 2012.

	As of August 31,		
	2014	2013	2012
Discharges			
Acute	24,413	24,744	24,342
Behavioral Health	679	829	822
Total	<u>25,092</u>	<u>25,573</u>	<u>25,164</u>
Patient Days			
Acute	135,244	131,128	131,943
Behavioral Health	9,684	9,355	9,188
Subtotal	<u>144,928</u>	<u>140,483</u>	<u>141,131</u>
Short Stay Outpatient	10,741	8,577	7,720
Total	<u>155,669</u>	<u>149,060</u>	<u>148,851</u>
Average Daily Census			
Acute	370.5	359.3	360.5
Behavioral Health	26.5	25.6	25.1
Total	<u>397.0</u>	<u>384.9</u>	<u>385.6</u>
Average Length of Stay			
Acute	5.5	5.3	5.4
Behavioral Health	14.3	11.3	11.2
Average	<u>5.8</u>	<u>5.5</u>	<u>5.6</u>
Case Mix Index	2.20	2.04	2.03
Emergency Room Visits ⁽¹⁾	62,344	57,606	53,908
Short Stay Outpatient Procedures	32,441	29,667	25,355
Other Outpatient Visits ⁽²⁾	529,498	450,010	424,497
Surgeries			
Inpatient	13,028	12,550	12,469
Outpatient	17,723	15,938	14,921
Total	<u>30,751</u>	<u>28,488</u>	<u>27,390</u>

⁽¹⁾ Include emergency room visits of admitted inpatients.

⁽²⁾ Exclude outpatient emergency room visits

EXHIBIT 4

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Stanford Health Care (“SHC”), formerly known as Stanford Hospital and Clinics, is a principal teaching affiliate of the Stanford University School of Medicine (“School of Medicine”) and provides primary and specialty health services to adults, including cardiac care, cancer treatment, solid organ transplantation services, orthopedics and neurosciences services. SHC, together with Lucile Salter Packard Children’s Hospital at Stanford operates the clinical settings through which the School of Medicine educates medical and graduate students, trains residents, and clinical fellows, supports faculty and community clinicians and conducts medical and biological sciences research.

The principal clinical facilities of SHC are the Stanford Hospital, a 613-licensed bed tertiary, quaternary and specialty hospital (the “Hospital”), and the primary, specialty and sub-specialty clinics (the “Clinics” and, together with Hospital, the “Hospital and Clinics”) in which medical faculty of the School of Medicine provide clinical services. The hospital and majority of the Clinics are located on the campus of Stanford University adjacent to the School of Medicine in Palo Alto, California. Other Clinics are located elsewhere on the campus, nearby off-campus and in neighboring communities. During the fiscal year ending August 31, 2014, SHC treated more than 25,000 patients in its emergency room, admitted more than 62,000 inpatients and recorded more than 529,000 outpatient transactions

Governance

Pursuant to the bylaws of SHC, the Board of Directors (the “Board”) is comprised of six *ex-officio* directors, and between seven and twenty-four elected directors as determined by Stanford University. Currently, the Board consists of six *ex-officio* directors and twenty-one directors elected by Stanford University. Each director has one vote.

Licensure and Memberships

SHC is appropriately licensed by the California Department of Public Health Services as a general acute care facility and is certified to participate in the Medicare and Medi-Cal programs.

EXHIBIT 5
PROJECT SITES

1. 300 and 500 Pasteur Drive, Stanford, CA 94305
2. 1101 Welch Road, Palo Alto, CA 94304
3. 900 Blake Wilbur Drive, Stanford, CA 94304
4. 211 Quarry Road, Palo Alto, CA 94304
5. 420, 430, 440, and 450 Broadway Avenue, Redwood City, CA 94063

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RESOLUTION NO. 403

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS
TO FINANCE PROJECTS AT THE HEALTH FACILITIES OF
STANFORD HEALTH CARE**

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 and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority;

WHEREAS, Stanford Health Care is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower") which owns and operates health care facilities in the State of California;

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$175,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) finance a portion of the costs of expansion of a health facility, including construction, renovation, equipment, furnishings, and land improvements, as more particularly described in Exhibit A hereto (the "Project"), and (ii) at the sole option of the Borrower, pay costs of issuance of such revenue bonds;

WHEREAS, such revenue bonds or any series thereof may be publicly offered or privately placed;

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

WHEREAS, approval of the terms of issuance and sale of such revenue 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 (a) the "California Health Facilities Financing Authority Revenue Bonds (Stanford Health Care) (the "Fixed Rate Bonds") and (b) the California Health Facilities Financing Authority Variable Rate Revenue Bonds (Stanford Health Care) (the "Variable Rate Bonds," and, together with

the Fixed Rate Bonds, the "Bonds"), in a total aggregate principal amount not to exceed \$175,000,000, 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 any of the indentures 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 third recital 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 public or private sale, in such aggregate amounts (not to exceed the aggregate principal amount set forth in Section 1 hereof) and in such series, at such prices (so long the discount on the Bonds sold shall not exceed six percent (6%) of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds or any series thereof may be publicly offered by the underwriters identified below or privately placed with one of the purchasers identified below. Unless privately placed with one of the purchasers identified below, the Bonds shall, at issuance, be rated investment grade by an active nationally recognized rating agency. The Bonds or any series of them may, at the sole option of the Borrower, be secured by deeds of trust, a reserve fund, bond insurance, a credit facility and other security arrangements and/or supported by one or more liquidity facilities.

Section 3. The following documents:

(i) one or more Loan Agreements relating to the Bonds (each, a "Loan Agreement," and, collectively the "Loan Agreements"), between the Authority and the Borrower,

(ii) one or more Indentures relating to the Bonds (each, an "Indenture," and collectively, the "Indentures"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"),

(iii) one or more Bond Purchase Contracts, including the exhibits thereto, relating to the Bonds (each a "Purchase Contract," and, collectively, the "Purchase Contracts"), 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 Borrower with respect to Bonds or any series thereof which will be underwritten and sold in a public offering, and

(iv) one or more preliminary official statements relating to the Bonds (each, a Preliminary Official Statement," and, collectively, the "Preliminary Official Statements"),

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds 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 in the case of the

Loan Agreements, the Indentures and the Purchase Contracts and by delivery thereof in the case of the Preliminary Official Statements. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

In addition to the documents specified above, if any series of Bonds are privately placed, the Executive Director is hereby authorized to enter into an agreement (hereinafter referred to as a "Private Placement Purchase Contract") with Bank of America, N.A., JPMorgan Chase Bank, N.A., U.S. Bank National Association or Wells Fargo Municipal Capital Strategies, LLC (each, a "Private Placement Purchaser"), such Private Placement Purchaser to be selected by the Borrower, which Private Placement Purchase Contract shall be in such form as shall be acceptable to the Executive Director, with the advice and consent of the Borrower, which acceptability shall be conclusively evidenced by the execution and delivery thereof by the Executive Director. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such Private Placement Contract.

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

Section 5. The dated dates, maturity dates (not exceeding 40 years from the respective dates of issue), interest rates or manner of determining interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer, and other terms of the Bonds, including provisions relating to credit facilities and/or liquidity facilities as applicable from time to time, shall be as provided in each Indenture, as finally executed.

Section 6. The Underwriters are hereby authorized and directed to distribute a Preliminary Official Statement for each issue of the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriters (in consultation with the Borrower), a preliminary official statement may not be required to be used with respect to any specific issuance of Bonds. The Underwriters are hereby directed to deliver the final official statements (each an "Official Statement," and, collectively, the "Official Statements") to all actual purchasers of an issue of Bonds. Neither a Preliminary Official Statement nor an Official Statement, as applicable, shall be required in the event an issue or a series of Bonds is privately placed.

Section 7. The Bonds, when executed, 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 or the Private Placement Purchaser thereof, as applicable, in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Underwriters or the Private Placement Purchaser thereof, as applicable, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 8. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, 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 Indentures, the Loan Agreements, the Purchase Contracts, the Private Placement Purchase Contract, if any, and the Official Statements. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

Section 9. The provisions of the Authority's Resolution No. 2014-05, as amended, 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: _____