

**STAFF SUMMARY AND RECOMMENDATION
CHILDREN'S HOSPITAL OF ORANGE COUNTY
Series 1991 and 1994**

**First Amendment to Indenture
May 30, 2002**

ORIGINAL ISSUE AMOUNT: **Series 1991, \$25,000,000**
 Series 1994, \$9,900,000

ISSUE: Children's Hospital of Orange County (CHOC) will be converting its existing variable rate bonds from a weekly interest rate reset to an auction rate, effective July 1, 2002. In addition, CHOC requests to amend the Series 1991 and 1994 Indentures to allow for either or both of these bond issues to shift into a master indenture structure at a future date.

BACKGROUND: CHOC issued weekly reset variable interest rate bonds in 1991 and 1994. CHOC has now determined that it would like to change the variable interest rate mode from a weekly reset to an auction rate for both bond issues. By changing to an auction rate mode, CHOC will no longer need a Liquidity Provider. The proposed change will be effective July 1, 2002.

CHOC is also looking ahead to future financing possibilities and seeks to amend the existing Series 1991 and Series 1994 Indentures to allow for either or both of those bond issues to shift into a master indenture structure at a future date. Since the bonds will be subject to a mandatory tender on July 1, 2002 for the change to auction rate, bondholder consent will be obtained at that time for the amendment to the Indentures.

Bond counsel has prepared the necessary consents and notifications. The master indenture structure will only be permitted if the bond insurer consents and the ratings then in effect on the bonds will not be reduced or withdrawn as a result of the change. MBIA, as bond insurer, has consented to including the proposed amendment as a future option for CHOC.

RECOMMENDATION: Staff recommends the Authority approve and authorize execution and delivery of the First Amendment to Indenture for Children's Hospital of Orange County Insured Revenue Bonds 1991 and Children's Hospital of Orange County Insured Revenue Bonds 1994 which allows for a future master indenture structure to replace existing covenants if specified conditions are met.