CHFFA BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Stanford Health Care (SHC) 300 Pasteur Drive, MC 5554 Stanford, CA 94305 Santa Clara County	**Amount Requested:** **Date Requested:** **Requested Loan Term:** **Resolution Number:**	$515,000,000 February 27, 2020 Up to 40 years 439
Project Sites:	*Please see Exhibit 1*		
Facility Types:	General acute care hospital and outpatient care		
Eligibility:	Government Code 15432(d)(1)		
Prior Borrower:	Yes (last CHFFA issue, December 2017)		
Obligated Group:	SHC is the sole member of the Obligated Group		

Background: Established in 1958, SHC operates a licensed acute care hospital and a cancer center in Palo Alto, 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.

Use of Proceeds: SHC will use bond proceeds to reimburse expenditures incurred from its new Stanford Hospital project. In addition, SHC plans to refund all or a portion of the outstanding CHFFA 2012 Series C Bonds, CHFFA 2012 Series D Bonds, and CHFFA 2015 Series B Bonds. Refunding the aforementioned bonds will reduce SHC's exposure to variable interest rates and will secure committed capital for a longer term from investors.

Type of Issue:	Negotiated public offering of fixed rate bonds
Expected Credit Rating:	Aa3/AA-/AA; Moody's/S&P/Fitch
Financing Team:	*Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: SHC appears to maintain a strong income statement, with revenues consistently increasing over the review period. SHC's balance sheet appears to exhibit financial strength, displaying a pro-forma operating debt service coverage ratio of 8.16x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond Proceeds	$ 515,000,000	Project Reimbursement	$ 280,000,000
Borrower Funds	4,452,750	Refunding Prior Bonds	235,000,000
		Financing Costs	4,452,750
Total Estimated Sources	$ 519,452,750	**Total Estimated Uses**	$ 519,452,750

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Affiliation Due Diligence, Seismic Regulations and CEQA documentation, and the certifications for Community Service Obligation, Pass-Through Savings, and the Iran Contracting Act. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 439 in an amount not to exceed $515,000,000 for Stanford Health Care subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance LLC (KNN), the Authority's municipal advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

SHC is seeking to issue tax-exempt bonds to reimburse the costs of various expenditures incurred from the new Stanford Hospital project, which officially opened its doors in November 2019. In addition, SHC is looking to refinance its CHFFA 2012 Series C Bonds, CHFFA 2012 Series D Bonds, and CHFFA 2015 Series B Bonds, all of which were issued to help finance the construction and equipping of the new Stanford Hospital. The bonds were originally issued with variable interest rates, and refunding these bonds will reduce SHC's exposure to the potential volatility of variable rates and will secure committed capital from investors for a longer term. SHC also plans to issue separate taxable corporate bonds in the amount of approximately $519 million, of which approximately $369 million will be used to advance refund CHFFA 2012 Series A Bonds and approximately $150 million will be used for general corporate purposes.

Project Reimbursement ***$280,000,000***

New money bond proceeds will be used to reimburse SHC for the incurred costs of expenditures from the new Stanford Hospital project. Formation of the new hospital began in 2012 and cost approximately $2.1 billion to complete over the life of the project. The finished hospital is an 824,000 square-foot facility that accommodates 368 all-private patient rooms, 28 flexible surgical 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 support spaces. The hospital was originally constructed to create a place of healing while supporting patient care, practitioner and staff productivity, and environmental sustainability.

Refunding ***235,000,000***

CHFFA 2012 Series C & D Bonds and CHFFA 2015 Series B Bonds

Bond proceeds will be used to refund all or a portion of the CHFFA 2012 Series C Bonds and CHFFA 2012 Series D Bonds, and CHFFA 2015 Series B Bonds. Original bond proceeds were used for construction, equipping, and renovation of major portions of the new Stanford Hospital, located in Palo Alto, CA.

Financing Costs ***4,452,750***

Estimated cost of issuance......................................	$2,575,000
Estimated underwriter's discount...........................	1,877,750

Total Estimated Uses of Funds **$519,452,750**

II. PROPOSED COVENANTS, SECURITY PROVISIONS, AND DISCLOSURES:

This 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 proposed covenants 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, SHC's prior bond transactions, and current market requirements, SHC, KNN, the Authority's municipal advisor, and the underwriters of the proposed bonds have concluded that the below listed covenants should be applicable to this transaction, are consistent with covenants that have applied to SHC's prior bond transactions, and that SHC's current financial situation does not suggest additional covenants should be required.

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 (the "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 The Bank of New York Mellon Trust Company, N.A., 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 1.10x.*

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.*

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 has completed its due diligence, and KNN has reviewed the Loan Agreements, the Indentures, and prior SHC offering documents associated with this financing package and found these documents and proposed covenants to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

Stanford Health Care
Consolidated Statements of Operations and
Changes in Net Assets
($ in thousands)

	Year ended August 31,		
	2019	**2018**	**2017**
Operating revenues:			
Net patient service revenue less provision for doubtful accounts*	$ 5,113,052	$ 4,677,929	$ 4,234,526
Premium revenue	106,130	92,654	80,647
Other revenue	157,757	135,597	129,324
Net assets released from restrictions used for operations	13,063	4,366	9,904
Total operating revenues	5,390,002	4,910,546	4,454,401
Operating expenses:			
Salaries and benefits	2,302,399	2,091,260	1,986,360
Professional services	41,300	46,146	42,851
Supplies	727,136	667,379	586,056
Purchased services	1,350,708	1,216,992	1,136,020
Depreciation and amortization	190,283	176,742	154,686
Interest	42,431	35,434	43,643
Other	483,258	477,661	384,354
Expense recoveries from related parties	(130,800)	(121,727)	(113,451)
Total operating expenses	5,006,715	4,589,887	4,220,519
Income from operations	383,287	320,659	233,882
Interest and investment income	42,904	31,122	15,325
Earnings on equity method investments	8,315	7,048	5,114
Increase in value of University managed pools	76,748	110,984	144,829
Swap interest and change in value of swap agreements	(146,794)	48,043	85,368
Loss on extinguishment of debt	-	(47,613)	-
Excess of revenues over expenses	364,460	470,243	484,518
Other changes in net assets without donor restrictions:			
Transfer to Stanford University	(120,090)	(98,183)	(69,376)
Transfer from Lucile Salter Packard Children's Hospital	-	2,068	-
Change in net unrealized gains on investments	22,825	9,438	1,058
Net assets released from restrictions used for:			
Purchase of property and equipment	977	309	1,320
Change in pension and postretirement liability	(26,422)	28,277	6,182
Noncontrolling capital distribution	-	(1,200)	301
Increase in net assets without donor restrictions	241,750	410,952	424,003

(Continued)

	Year ended August 31,		
	2019	2018	2017
Changes in net assets with donor restrictions:			
Transfer (to) from Stanford University	(316)	2,177	2,748
Contributions and other	31,079	44,983	28,791
Investment income	815	712	4,662
Gains on University managed pools	2,176	2,467	1,438
Net assets released from restrictions used for:			
Operations	(13,063)	(4,366)	(9,904)
Purchase of property and equipment	(977)	(309)	(1,320)
Increase in net assets with donor restrictions	19,714	45,664	26,415
Increase in net assets	261,464	456,616	450,418
Net assets, beginning of year	3,961,184	3,504,568	3,054,150
Net assets, end of year	$4,222,648	$3,961,184	$3,504,568

***For Fiscal Year End August 31,**

Payor Source	% Patient Service Revenue		Patient Days			
	2019	2018	2019		2018	
			Total	%	Total	%
Medicare	35.5%	35.5%	79,794	41.9%	78,206	42.1%
Medi-Cal	3.1%	2.9%	13,538	7.1%	12,254	6.6%
Managed Care	55.6%	55.0%	88,947	46.7%	86,785	46.7%
Idemnity Insurance, Self-Pay, Other	5.8%	6.6%	8,111	4.3%	8,730	4.7%
Total	**100%**	**100%**	**190,390**	**100%**	**185,975**	**100%**

Stanford Health Care
Consolidated Balance Sheets
($ in thousands)

	Year ended August 31,		
	2019	**2018**	**2017**
Assets			
Current assets:			
Cash and cash equivalents	$ 505,509	$ 652,256	$ 710,109
Assets limited as to use, held by trustee	11	-	58,134
Short-term investments	399,639	391,314	233,533
Patient accounts receivables	685,425	623,077	610,734
Other receivables	93,529	79,036	71,112
Inventories	69,831	58,884	56,559
Prepaid expenses and other	84,524	52,886	42,528
Total current assets	1,838,468	1,857,453	1,782,709
Investments	657,554	509,781	111,664
Investments at equity	97,963	80,989	66,255
Investments in University managed pools	1,478,554	1,400,839	1,287,193
Property and equipment, net	3,691,015	3,279,048	2,869,346
Other assets	78,360	86,739	112,445
Total assets	$ 7,841,914	$ 7,214,849	$6,229,612
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 557,284	$ 449,192	$ 307,899
Accrued salaries and related benefits	275,099	209,490	255,759
Due to related parties	103,779	98,942	71,429
Third-party payor settlements	29,918	34,474	18,149
Current portion of long-term debt	114,235	14,505	13,335
Revolving line of credit	-	-	135,000
Debt subject to remarketing arrangements	228,200	228,200	228,200
Self-insurance reserves and other	59,424	54,933	45,854
Total current liabilities	1,367,939	1,089,736	1,075,625
Self-insurance reserves and other, net of current portion	174,040	139,841	130,816
Swap liabilities	316,796	182,527	245,966
Other long-term liabilities	150,464	122,944	31,363
Pension liability	17,048	6,650	51,745
Long-term debt, net of current portion	1,592,979	1,711,967	1,189,529
Total liabilities	3,619,266	3,253,665	2,725,044

(Continued)

	Year ended August 31,		
	2019	2018	2017
Net assets:			
Without donor restrictions:			
Stanford Health Care	3,518,964	3,285,398	2,871,113
Noncontrolling interests	26,911	18,727	22,060
Total without donor restrictions	3,545,875	3,304,125	2,893,173
With donor restrictions	676,773	657,059	611,395
Total net assets	4,222,648	3,961,184	3,504,568
Total liabilities and net assets	$ 7,841,914	$ 7,214,849	$6,229,612

Financial Ratios:

	Proforma [(a)] FYE August 31, 2019			
Debt Service Coverage (x) -- Operating	8.16	10.82	10.93	7.53
Debt Service Coverage (x) -- Net	8.56	11.35	11.25	8.84
Debt/Unrestricted Net Assets (x)	0.65	0.55	0.59	0.49
Operating Margin (%)		7.11	6.53	5.25
Current Ratio (x)		1.34	1.70	1.66

[(a)] Recalculates FY 2019 audited results to include the impact of this proposed financing.

SHC appears to maintain a strong income statement, with revenues consistently increasing over the review period.

SHC posted increasing operating margins over the three-year review period, from 5.3% in FY 2017 to 7.1% in FY 2019, indicating a positive trend of steady operating profit. The growth in operating margins is related to SHC's total revenue increasing at a higher rate than expenses, with revenues rising from approximately $4.5 billion in FY 2017 to just under $5.4 billion in FY 2019, an overall increase of 21.0%, compared to expenses growing at a slower pace of 18.6%. Net patient service revenue appears to be primarily responsible for the growth in total revenue, increasing from $4.2 billion in FY 2017 to $5.1 billion in FY 2019. SHC's management states that the increase in net patient service revenue stems from a strong commercial payor mix and a 6.6% increase in inpatient revenue from FY 2018 to FY 2019. SHC's management further explains that outpatient revenue grew by 11.3% in FY 2019, driven by increased patient volumes at its Emeryville, Redwood City, South Bay locations, and Neuroscience Health Center in Palo Alto.

SHC's balance sheet appears to exhibit financial strength, displaying a pro-forma operating debt service coverage ratio of 8.16x.

SHC's indicators of financial liquidity appear to be strong, although cash and cash equivalents decreased over the three-year review period from just over $710 million in FY 2017 to approximately $506 million in FY 2019. Investments grew from approximately $112 million in FY 2017 to approximately $658 million in FY 2019. SHC's management explains that the trade-off between cash and cash equivalents and investments was due to a reallocation away from bank deposits and money market funds, into a diversified portfolio of U.S. treasuries, bond funds, and mutual funds. SHC's current ratio was 1.34x in FY 2019, signaling its ability to meet short-term debt obligations.

SHC's operating debt service coverage ratio was 10.82x in FY 2019, indicating a strong ability to service its debt. Including the proposed CHFFA 2020 Series Bonds and the corporate taxable components, the pro-forma operating debt service coverage ratio remains a solid 8.16x, demonstrating SHC's ability to support the proposed financing. SHC's debt to unrestricted net assets ratio was steady over the review period, increasing slightly from 0.49x in FY 2017 to 0.55x in FY 2019, with unrestricted net assets growing from approximately $2.9 billion in FY 2017 to $3.5 billion in FY 2019.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Pass-Through Savings):** SHC properly completed and submitted the Pass-Through Savings Certification.
- **Section 15459.1 of the Act (Community Service Obligation Requirement):** SHC properly completed and submitted the Community Service Obligation certification and indicated that Medi-Cal and Medicare patients are accepted. Below is a link to SHC's 2018 Annual Report regarding community service:

  https://stanfordhealthcare.org/about-us/community-partnerships.html

- **Compliance with Seismic Regulations:** SHC properly submitted a description of how it is complying with the Office of Statewide Health Planning and Development's seismic evaluation regulations.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** SHC properly submitted relevant documentation addressing the California Environmental Quality Act.
- **Religious Affiliation:** SHC properly completed and submitted relevant documentation to meet the religious affiliation due diligence requirement.
- **Legal Review:** SHC properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act:** The underwriters properly completed and submitted the Iran Contracting Act certificates.

V. OUTSTANDING DEBT:

As of August 31, 2019, SHC's outstanding long-term debt totaled approximately $1.8 billion, of which the Authority is the sole issuer of all tax-exempt bonds.

Following this proposed issuance with new money and refunding tax-exempt bond proceeds of up to $515 million, as well as considering the new money and refunding taxable component of approximately $519 million, SHC's total outstanding debt will be approximately $2.3 billion. The Authority will continue to be the sole issuer of all the tax-exempt bonds, of which approximately $1.3 billion will remain outstanding.

VI. UTILIZATION STATISTICS

	As of August 31,		
	2019	**2018**	**2017**
Discharges			
Acute	26,371	26,067	25,142
Behavioral Health	816	837	800
Total	27,187	26,904	25,942
Patient Days			
Acute	147,372	144,224	145,957
Behavioral Health	8,575	9,321	9,541
Subtotal	155,947	153,545	155,498
Short Stay Outpatient	16,181	16,881	16,245
Total	172,128	170,426	171,743
Average Daily Census			
Acute	403.8	395.1	399.9
Behavioral Health	23.5	25.5	26.1
Total	427.3	420.7	426.0
Average Length of Stay			
Acute	5.59	5.53	5.80
Behavioral Health	10.5	11.1	11.9
Average	5.74	5.71	6.00
Case Mix Index	2.44	2.45	2.45
Emergency Room Visits (1)	78,650	76,115	73,900
Short Stay Outpatient Procedures	45,279	44,018	40,934
Other Outpatient Visits	864,567	805,401	769,291
Surgeries			
Inpatient	13,211	12,942	13,698
Outpatient	24,770	24,032	22,651
Total	37,981	36,974	36,349

(1) Includes patients admitted as inpatients.

VII. BACKGROUND AND LICENSURE

Background

SHC, formerly known as Stanford Hospital and Clinics, is a principal teaching affiliate of the SHC 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 neuroscience 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 605-licensed bed tertiary, quaternary, and specialty hospital (the Hospital), and the primary, specialty and sub-specialty clinics (the Clinics), in which medical faculty of the School of Medicine provide clinical services. The Hospital and the majority of the Clinics are located on the campus of Stanford University adjacent to the School of Medicine in Palo Alto, CA. Other Clinics are located elsewhere on the campus, and in 60 plus neighboring communities across the Bay Area.

SHC recently constructed a new 824,000-square-foot facility, opening its doors for the first time in November 2019. Through the new Stanford Hospital, SHC added more beds, private rooms, state-of-the-art operating suites, expanded emergency services and the flexibility the hospital will need to adapt to advancing technologies and more streamlined services. The new Stanford Hospital delivers a model of coordinated care that's built around the unique physical and emotional needs of each patient and features amenities and services focused on the health and well-being of patients, as well as the most advanced diagnostic, therapeutic and surgical technologies. The new Emergency Department now has twice the floor space of its previous facility.

Licenses and Contracts

SHC is licensed by the California Department of Public Health as a general acute care facility and is certified to participate in the Medicare and Medi-Cal programs. SHC is fully accredited by The Joint Commission.

EXHIBIT 1

PROJECT SITES

The new Stanford Hospital facilities being financed and refinanced are located on the Stanford Health Care campus in Palo Alto and Stanford, California, at and in the vicinity of the area bounded by the following addresses:

- 300 & 500 Pasteur Drive
- 875 & 900 Blake Wilbur Drive
- 211 & 401 Quarry Road
- 700, 750, 770, 777, 780, 800, 801, 900, 1000, & 1101 Welch Road.

EXHIBIT 2

FINANCING TEAM

Borrower:	Stanford Health Care
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Municipal Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	TAP International, Inc.
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Borrower's Counsel:	Ropes and Gray LLP
Borrower's Financial Advisor:	Ponder & Co.
Underwriters:	Morgan Stanley & Co. LLC RBC Capital Markets, LLC Goldman Sachs & Co. LLC Barclays Capital, Inc.
Underwriters' Counsel:	Norton Rose Fulbright US LLP
Master Trustee & Trustee:	The Bank of New York Mellon Trust Co., N.A.
Master Trustee & Trustee's Counsel:	The Bank of New York Mellon Trust Co., N.A.
Auditor:	PricewaterhouseCoopers LLP
Rating Agencies:	Fitch Ratings, Inc. Moody's Investor Services, Inc. Standard & Poor's Financial Services, LLC

RESOLUTION NO. 439

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE AND REFINANCE A PROJECT 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 Authority has previously issued (i) the California Health Facilities Financing Authority Variable Rate Revenue Bonds (Stanford Hospitals and Clinics), 2012 Series C (the "2012 Series C Bonds") in the aggregate principal amount of $60,000,000, all of which are currently outstanding, (ii) the California Health Facilities Financing Authority Variable Rate Revenue Bonds (Stanford Hospitals and Clinics), 2012 Series D (the "2012 Series D Bonds") in the aggregate principal amount of $100,00,000, all of which are currently outstanding, and (iii) the California Health Facilities Financing Authority Variable Rate Revenue Bonds (Stanford Health Care), 2015 Series B (the "2015 Series B Bonds," and, together with the 2012 Series C Bonds and the 2012 Series D Bonds, hereinafter collectively referred to as the "Prior Bonds") in the aggregate principal amount of $75,000,000, all of which are currently outstanding, and has loaned the proceeds thereof to the Borrower to finance a portion of the costs of the new acute care hospital facilities (as more particularly described in Exhibit A hereto, the "Project"), owned and operated by the Borrower, at which the Borrower commenced providing services in November 2019;

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 $515,000,000 and make one or more loans of the proceeds thereof to the Borrower (i) to refund all or any portion of the outstanding Prior Bonds, (ii) to reimburse the Borrower for its prior payment of additional costs of the Project and (iii) at the sole option of the Borrower, to pay costs of issuance of such revenue bonds;

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 the "California Health Facilities Financing Authority Revenue Bonds (Stanford Health Care)" (the "Bonds") in a total aggregate principal amount not to exceed $515,000,000 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 fourth 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 price or prices (so long as 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 shall, at issuance, be rated investment grade by a nationally recognized rating agency. The Bonds or any series thereof may, at the sole option of the Borrower, be secured by deeds of trust, a reserve fund, bond insurance, one or more credit facilities or other security arrangements and/or supported by one or more liquidity facilities.

Section 3. The proposed forms of 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 The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee");

(iii) a bond purchase contract, including the exhibits thereto, relating to the series of Bonds identified therein, among Morgan Stanley & Co. LLC ("Morgan Stanley"), acting as senior manager on behalf of itself, RBC Capital Markets, LLC ("RBC"), Goldman Sachs & Co. LLC ("Goldman") and Barclays Capital Inc. ("Barclays"), the Treasurer and the Authority, and approved by the Borrower;

(iv) a bond purchase contract, including the exhibits thereto, relating to the series of Bonds identified therein, among RBC, acting as senior manager on behalf of itself, Morgan Stanley, Goldman and Barclays, the Treasurer and the Authority, and approved by the Borrower;

(v) a bond purchase contract, including the exhibits thereto, relating to the series of Bonds identified therein, among Goldman, acting as senior manager on behalf of itself, Morgan Stanley, RBC and Barclays, the Treasurer and the Authority, and approved by the Borrower; and

(vi) 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 executing 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 each of the bond purchase contracts referred to above (collectively, 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.

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 for credit facilities and/or liquidity facilities, as applicable, from time to time, shall be as provided in the applicable Indenture, as finally executed.

Section 6. Morgan Stanley, RBC, Goldman and Barclays (hereinafter collectively referred to as the "Underwriters") are hereby authorized to distribute a Preliminary Official Statement for each issue of 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 issue of Bonds. The Underwriters are hereby directed to deliver the applicable final official statement (each an "Official Statement," and, collectively, the "Official Statements") to all actual purchasers of an issue of Bonds.

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 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 the direction of the Underwriters, 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, 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; (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 any series of the Bonds; and (c) any escrow agreement or escrow instructions required in connection with the refunding of the Prior Bonds.

Section 9. The provisions of the Authority's Resolution No. 2018-09 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: ____________________________

Exhibit A

Description of the Project

The Project to be refinanced and financed is comprised of the construction and equipping of certain portions of the new acute care hospital facilities owned and operated by Stanford Health Care, at which Stanford Health Care commenced providing services in November 2019. The new acute care hospital facilities being refinanced and financed are located on the Stanford Health Care campus in Palo Alto and Stanford, California, at and in the vicinity of the area bounded by Welch Road, Quarry Road and Campus Drive, including, 300 Pasteur Drive, 500 Pasteur Drive. 875 Blake Wilbur Drive, 900 Blake Wilbur Drive, 211 Quarry Road, 401 Quarry Road, 700 Welch Road, 750 Welch Road, 770 Welch Road, 777 Welch Road, 780 Welch Road, 800 Welch Road, 801 Welch Road, 900 Welch Road, 1000 Welch Road, and 1101 Welch Road.