CHFFA BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Lucile Salter Packard Children's Hospital at Stanford (Packard) 725 Welch Road Palo Alto, CA 94304 (Santa Clara County)	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$442,000,000 Up to 40 years March 25, 2021 444
Project Site:	Same as above		
Facility Type:	Acute Care Hospital		
Eligibility:	Government Code Section 15432(d) (1)		
Prior Borrower:	Yes (date of last CHFFA issue 2017)		
Obligated Group:	Packard is the sole member		

Background: Packard is a not-for-profit pediatric and obstetric hospital located in Palo Alto, California. It currently maintains a total of 397 licensed acute care beds, 361 located at the Leland Stanford Junior University campus and 36 located at two satellite facilities. Packard also operates outpatient physician clinics in its facilities and other community settings.

Use of Proceeds: Bond proceeds will be used to refund all or a portion of Packard's CHFFA 2012 bonds (the 2012 Bonds) and CHFFA 2014 bonds (the 2014 Bonds). Additionally, funds will be used to fund costs of issuance.

Type of Issues: Negotiated public offering with forward refunding tax-exempt bonds. The refunding of the 2014 Bonds may involve a negotiated private placement with forward refunding tax-exempt bonds.

Expected Credit Rating: A1/A+/AA-; Moody's/S&P/Fitch

Financing Team: *Please see Exhibit 1 to identify possible Conflicts of Interest*

Financial Overview: Packard's income statement appears to exhibit improving operating results during the review period. Packard appears to have a solid financial position with a proforma operating debt service coverage ratio of 4.80x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond Proceeds	$442,000,000	Refunding	$436,851,000
		Financing costs	5,149,000
Estimated Total Sources	$442,000,000	Estimated Total Uses	$442,000,000

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 444 in an amount not to exceed $442,000,000 for Lucile Salter Packard Children's Hospital at Stanford, 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, the Authority's municipal advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

Packard plans to refund approximately $234 million in the outstanding 2012 Bonds and $200 million in the outstanding 2014 Bonds. In order to take advantage of the very low borrowing rates in the current market, Packard will be issuing forward delivery tax-exempt bonds to refund the 2012 Bonds and the 2014 Bonds, which are expected to close in May 2022 and May 2024, respectively. Packard anticipates a present value savings of approximately $55 million from refinancing the 2012 Bonds and 2014 Bonds, over the life of the bonds. The original bonds were used to fund an extensive multiphase capital expansion and renovation project and finance the renovation and equipping of existing hospital facilities. In addition to the bond financing, the project received $98 million in grant funding through the Children's Hospital Program of 2008.

Refunding..	**$436,851,000**

CHFFA Series 2012 Bonds and Series 2014 Bonds

The bond proceeds of the CHFFA Series 2012 and Series 2014 bonds were used to finance Packard's expansion project at its main hospital, which was intended to address the growing need for specialized pediatric care and to equip the facility. The construction of two five-story towers, an expansion of 521,000 square feet, provided 149 beds, 77 of which are acute care beds and 72 of which are intensive care beds. These towers also included two nuclear medicine rooms, a magnetic resonance imaging scanner, a computed tomography scanner, a central sterile department, clinical engineering and other specialized rooms. In addition, Surgery, Imaging and Diagnostic Departments were all expanded to include, among other services, six operating rooms, three cardiac catheterization labs and 32 Post-Anesthesia Care Unit beds. Furthermore, to help accommodate for patients and families that require longer stays, kitchens, washers and dryers, a family resource center and other features were added to the overall facility.

In addition, proceeds from the Series 2012 bonds were used to advance refund the CHFFA Series 2003C bonds, which financed certain capital expenditure projects as well as the purchase and installation of an electronic medical records system at Packard's main facility.

Financing Costs		**5,149,000**
Estimated cost of issuance	$2,574,500	
Estimated underwriter's discount	2,574,500	
Total Estimated Uses of Funds		**$442,000,000**

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 modifications to the covenants proposal following preparation of this executive summary, staff will report it at the meeting.

Packard is the sole member of the Obligated Group created pursuant to the Master Indenture. Pursuant to the provisions of the Master Indenture, Packard has issued obligations under the Master Indenture (each, an Obligation) to secure the obligations of Packard 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 Packard. Packard will issue an Obligation under the Master Indenture to secure its obligations under the Loan Agreement entered into with the Authority in connection with the proposed bonds. All the covenants listed below are applicable to Packard as sole member of the Obligated Group.

After reviewing Packard's proposed credit profile, prior Packard bond transactions, and current market requirements, KNN Public Finance, LLC (KNN), the Authority's municipal advisor, and the underwriter have concluded that the covenants listed below align with the interests of Packard, the Authority, and the investors and that Packard's current financial situation does not suggest additional covenants should be required.

<u>The covenants listed below are applicable to this transaction.</u>

Unconditional Promise to Pay. *Packard 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, Packard will issue an Obligation under the Master Indenture to secure the obligation of Packard to make the payments under the loan agreement. All Revenues (which will include payments by Packard 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.*

Limitation on Liens. *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.*

Debt Service Coverage Requirement. *The Master Indenture requires that the Obligated Group maintain an annual Historical Debt Service Coverage Ratio of 1.25x.*

Limitation on Additional Indebtedness. *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.*

Limitation on Disposition of Assets. *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 Mergers, Sales or Conveyances. *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 SEC Rule 15c2-12. *Packard will take such action as is necessary to assist the underwriter of the proposed bonds to comply with Securities and Exchange Commission Rule 15c2-12 (Rule 15c2-12). Packard 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 and KNN have reviewed the contents of this financing package and found these documents and proposed covenants to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

Lucile Salter Packard Children's Hospital at Stanford
Consolidated Statements of Operations and Changes in Net Assets
(Income Statement)

	For the Years Ended August 31, (In Thousands)		
	2020	**2019**	**2018**
Operating Revenues:			
Net patient service revenue	$ 1,803,258	$ 1,696,176	$ 1,435,806
Provider fee	80,604	141,585	110,999
Other revenue	153,389	94,487	67,804
Net assets released from restrictions used for operations	27,333	27,210	23,277
Total operating revenues and other support	2,064,584	1,959,458	1,637,886
Operating Expenses:			
Salaries and benefits	935,330	820,755	741,925
Professional services	12,527	19,175	17,773
Supplies	171,234	150,216	127,636
Purchased services	595,976	582,689	528,728
Provider fee	23,845	33,319	25,852
Other	126,023	124,223	128,196
Interest	33,394	34,083	14,510
Depreciation and amortization	121,130	115,673	99,183
Total operating expenses	2,019,459	1,880,133	1,683,803
Income (loss) from operations	45,125	79,325	(45,917)
Interest income	3,244	5,182	5,072
Income and gains from University managed pools and other	48,826	25,987	44,693
Income tax expense	(202)	(1,031)	(210)
Other	(1,435)	(1,061)	(168)
Excess of revenues over expenses	95,558	108,402	3,470
Other changes in net assets without donor restictions			
Net assets released from restrictions used for purchases of property and equipment	123,907	2,664	352,979
Adjustment for minimum pension liability	(2,032)	(6,636)	1,997
Transfers to University and other	(35,771)	(30,779)	(30,414)
Increase in net assets without donor restrictions	181,662	73,651	328,032
Changes in net assets with donor restrictions			
Contributions and other	32,172	33,760	42,788
Income and gains from University managed pools	30,879	20,700	28,244
Change in value of beneficial interest in remainder trusts	1,879	25	212
Net assets released from restrictions for operations	(27,333)	(27,210)	(23,277)
Purchase of property and equipment	(123,907)	(2,664)	(352,979)
Transfers (to) from University and other	(155)	985	(340)
(Decrease) increase in net assets with donor restrictions	(86,465)	25,596	(305,352)
Increase in net assets	95,197	99,247	22,680
Net assets, beginning of period	2,545,991	2,446,744	2,424,064
Net assets, end of period	$ 2,641,188	$ 2,545,991	$ 2,446,744

Lucile Salter Packard Children's Hospital at Stanford
Consolidated Statements of Financial Position
(Balance Sheet)

	As of August 31, (In Thousands) 2020	2019	2018
Assets			
Current assets:			
Cash and cash equivalents	$ 354,157	$ 276,822	$ 288,469
Short term investments in Stanford University ("University") managed pools	1,795	-	-
Patient accounts receivable	467,612	400,833	288,333
Contributions receivable	39,774	26,164	41,836
Other receivables	45,685	27,123	55,307
Prepaid expenses, inventory and other	44,482	35,840	35,570
Total current assets	953,505	766,782	709,515
Investments	88,396	88,294	87,771
Investments in University managed pools	798,936	742,158	713,671
Board designated funds in University managed pools and other	130,087	127,396	128,993
Property and equipment, net	1,840,898	1,902,190	1,891,701
Beneficial interest in trusts, net	28,205	26,665	26,634
Contributions receivable, net of current portion	69,672	118,229	104,540
Right of use lease assets	234,215	-	-
Equity method investments and other assets	49,094	60,704	47,161
Total assets	$ 4,193,008	$ 3,832,418	$ 3,709,986
Liabilities and Net Assets			
Current liabilities:			
Accounts payable, accrued liabilities and deferred provider fee	$ 164,178	$ 132,361	$ 196,452
Accrued salaries and related benefits	93,425	82,730	69,382
Due to related parties	76,265	112,740	72,968
Third-party payor settlements	14,388	5,383	3,844
Current portion of long-term debt and borrowing on revolving credit facility	38,635	38,245	7,920
Current portion of long-term right of use lease liability	26,150	-	-
Self-insurance reserves and other liabilities	11,295	11,555	10,479
Total current liabilities	424,336	383,014	361,045
Self-insurance reserves and other liabilities, net of current portion	71,382	49,563	37,442
Long-term right of use lease liability, net of current portion	213,526	-	-
Long-term debt, net of current portion	842,576	853,850	864,755
Total liabilities	1,551,820	1,286,427	1,263,242
Net assets:			
Without donor restrictions	2,128,735	1,947,073	1,873,422
With donor restriction	512,453	598,918	573,322
Total net assets	2,641,188	2,545,991	2,446,744
Total liabilities and net assets	$ 4,193,008	$ 3,832,418	$ 3,709,986

	Proforma FYE August, 2020	2020	2019	2018
Debt Service Coverage (x)	4.80	4.79	5.45	3.34
Debt to Unrestricted Net Assets (x)	0.40	0.41	0.46	0.47
Operating Margin (%)		2.19	4.05	(2.80)
Current Ratio (x)		2.25	2.00	1.97

The audited, consolidated financial statements include non-Obligated Group Member entities and were analyzed in this section. The non-Obligated Group Member entities comprise less than 10% of the consolidated net assets and qualify as "Immaterial Affiliates" under the Master Trust Indenture. As such, the non-Obligated Group Member entities' operating results are included in the ratio calculations.

Financial Discussion - Statement of Activities (Income Statement)

Packard's income statement appears to exhibit improving operating results during the review period.

Over the review period, Packard's operating margin improved from approximately a negative 3% to a positive 2%. Packard appears to display growth in its income statement with a 26% increase in operating revenue from approximately $1.6 billion in FY 2018 to $2.1 billion in FY 2020. According to Packard's management, the increase in operating revenue is due primarily to increases in both patient days and clinic visits. Additionally, Packard has expanded its portfolio of surgical programs in recent years, which has led to an increase in patient acuity and average length of stay, particularly in the hospital's intensive care units. Over the same period, Packard's operating expenses increased 20%, from approximately $1.7 billion in FY 2018 to $2 billion in FY 2020. The increase in expenses, according to Packard's management, is mainly attributable to the opening of the new hospital expansion, which occurred in FY 2018, and the resulting increased cost to staff and stock the new square footage as well as the original West Building.

Packard's management states that, due to the COVID-19 pandemic, its operating margin decreased from 4% in FY 2019 to 2% in FY 2020. The decline was primarily due to the decrease in patient volumes resulting from cancelled or deferred procedures following the onset of COVID-19, which translated to $87 million in estimated lost revenue in FY 2020. This loss was partially offset by a total of $79 million in CARES Act Provider Relief Funds, which were recorded as other revenue. Packard also had a decrease of $61 million in the revenue attributable to the Provider Fee Program in FY 2020 from FY 2019, due to the timing of Centers for Medicare & Medicaid Services approvals of the program. In addition, operating expenses of salaries and benefits, supplies, and purchased services grew by $149 million in FY 2020 due to staffing measures taken in response to the COVID-19 pandemic.

Financial Discussion - Statement of Financial Position (Balance Sheet)

Packard appears to have a solid financial position with a proforma operating debt service coverage ratio of 4.80x.

Over the three-year period in review, Packard's operating debt service coverage ratio was a solid 4.79x in FY 2020. Furthermore, Packard's proforma debt service coverage ratio of 4.80x continues to show Packard's strong ability to repay its debt as well as the benefit of the refunding. Likewise, the FY 2020 debt to unrestricted net assets ratio of 0.41x and the proforma of 0.40x suggest that Packard has ample ability to take on new debt.

Net assets increased from approximately $2.4 billion in FY 2018 to $2.6 billion in FY 2020. According to Packard's management, this increase is supported by solid operating performance as well as increases in the hospital's investment portfolio. Furthermore, Packard adopted Accounting Standards Update No. 2016-02 (Topic 842) in FY 2020, which requires lessees to recognize assets and liabilities on the balance sheet for leases with a term of greater than twelve months. This adoption resulted in an increase in right of use assets and liabilities of $234 million and $240 million, respectively.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Pass-Through Savings):** Packard properly completed and submitted the Pass-Through Savings Certification.
- **Section 15459.1 of the Act (Community Service Obligation Requirement):** Packard will properly complete and submit this certification by the time of the Bonds' closing as required and will indicate that Medicare and Medi-Cal patients are accepted. Below is a link to Packard's most recent Annual Report regarding community service:

  https://www.stanfordchildrens.org/en/about/in-the-community?

- **Compliance with Seismic Regulations:** Packard 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):** Packard properly submitted relevant documentation addressing California Environmental Quality Act.
- **Religious Affiliation Due Diligence:** Packard properly completed and submitted relevant documentation to meet the religious affiliation due diligence requirement.
- **Legal Review:** Packard properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The underwriter, Morgan Stanley, properly completed and submitted the Iran Contracting Act Certificate to the Authority.

V. OUTSTANDING DEBT

Issued		Amount Outstanding As of August 31, 2020		Estimated Amount Outstanding after Proposed Financing
CHFFA, Fixed Rate Series 2012A*	$	200,000	$	-
CHFFA, Fixed Rate Series 2012A Premium*		8,871		-
CHFFA, Fixed Rate Series 2012B*		31,765		-
CHFFA, Fixed Rate Series 2012B Premium*		3,785		-
CHFFA, Fixed Rate Series 2014A*		100,000		-
CHFFA, Fixed Rate Series 2014A Premium*		6,576		-
CHFFA, Variable Rate Series 2014B*		100,000		-
CHFFA, Fixed Rate Series 2016A		60,630		60,630
CHFFA, Fixed Rate Series 2016A Premium		9,964		9,964
CHFFA, Fixed Rate Series 2016B		100,000		100,000
CHFFA, Fixed Rate Series 2016B Premium		13,699		13,699
CHFFA, Fixed Rate Series 2017A		195,815		195,815
CHFFA, Fixed Rate Series 2017A Premium		27,625		27,625
Line of Credit		30,000		30,000
-PROPOSED NEW DEBT				
CHFFA Tax Exempt Bonds (2021)		-		442,000
-TOTAL DEBT	**$**	**888,730**	**$**	**879,733**

* The 2012A and 2012B Bonds will remain outstanding until their expected defeasance in May 2022, and the 2014A and 2014B Bonds will remain oustanding until their expected defeasance in May 2024. Settlement of the proposed new debt will coincide with these respective dates, and therefore no material change in total outstanding debt will occur over this timeframe.

VI. UTILIZATION STATISTICS

Lucile Packard Children's Hospital

	Fiscal Year Ending August 31,		
	2020	**2019**	**2018**
Inpatient Surgeries	4,370	4,355	3,864
Outpatient Surgeries	4,649	5,108	4,803
Discharges - OB	4,915	4,833	4,872
Patient Days - OB	16,612	16,551	16,846
Discharges - Pediatric	8,202	9,024	8,633
Patient Days - Pediatric	76,387	74,689	68,744
Clinic Visits	285,083	296,431	279,538
Clinic Visits – PCHA[1]	251,054	281,728	261,059

[1] Packard Children's Health Alliance

VII. BACKGROUND AND LICENSURE

PACKARD'S BACKGROUND AND LICENSURE

Background

Lucile Salter Packard Children's Hospital at Stanford (Packard) is a not-for-profit pediatric and obstetric hospital located in Palo Alto, California. Packard currently maintains a total of 397 licensed acute-care beds, 361 located at the Leland Stanford Junior University campus and 36 located at two satellite facilities. Packard also operates outpatient physician clinics in its facilities and other community settings. Packard is a regional, national and international referral center for tertiary and quaternary pediatric care and is the largest single provider of pediatric hospital services in San Mateo and Santa Clara counties and of obstetric hospital services in San Mateo County.

Packard 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 and continued to be the main facility for LPCH until LPCH undertook an extensive capital expansion and improvement program to modernize its facilities and address capacity constraints, including through building two new patient bed towers. The construction project was completed, and patients were moved into the renovated Hospital in December 2017. The remaining components of the project were completed in calendar year 2019. Packard and Stanford Health Care are the primary clinical affiliates of the Stanford University School of Medicine. Packard is a free-standing hospital with a separate license and provider number.

Licensure and Accreditation

Packard is appropriately licensed as an acute care hospital by the California Department of Public Health Services to the extent required and is certified to participate in the Medicare and Medi-Cal programs. Packard received its most recent three year accreditation from the Joint Commission, which became effective in November 2019, expiring in October 2022.

Packard is a member of the Children's Hospital Association, the California Children's Hospital Association, the California Healthcare Association, the Hospital Council of Northern and Central California (Santa Clara County Division), the National Association of Children's Hospitals and Related Institutions and the American Hospital Association.

EXHIBIT 1

FINANCING TEAM

Borrower:	Lucile Salter Packard Children's Hospital at Stanford
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.
Borrower's Counsel:	Ropes & Gray, LLP
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriter:	Morgan Stanley & Co. LLC
Underwriter's Counsel:	Norton Rose Fulbright LLP
Trustee & Master Trustee:	Wells Fargo Bank, N.A.
Trustee's & Master Trustee's Counsel:	TBD
Rating Agencies:	Moody's Investors Service, Inc. Standard & Poor's Financial Services, LLC Fitch Ratings, Inc.
Auditor:	PricewaterhouseCoopers LLP

RESOLUTION NO. 444

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO REFINANCE PROJECTS AT THE HEALTH FACILITIES OF 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 and loan the 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, Lucile Salter Packard Children's Hospital at Stanford 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 its (i) Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) 2012 Series A (the "2012 Series A Bonds") in the original aggregate principal amount of $200,000,000, of which $200,000,000 in principal amount is currently outstanding, (ii) Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) 2012 Series B (the "2012 Series B Bonds" and, together with the 2012 Series A Bonds, the "2012 Bonds") in the original aggregate principal amount of $51,045,000, of which $31,765,000 in principal amount is currently outstanding, (iii) Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) 2014 Series A (the "2014 Series A Bonds") in the original aggregate principal amount of $100,000,000, of which $100,000,000 in principal amount is currently outstanding, and (iv) Variable Rate Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) 2014 Series B (the "2014 Series B Bonds" and, together with the 2014 Series A Bonds, the "2014 Bonds" and, collectively with the 2012 Bonds, the "Prior Bonds") in the original aggregate principal amount of $100,000,000, of which $100,000,000 in principal amount is currently outstanding and loaned the proceeds thereof to the Borrower to finance and refinance the acquisition, construction, equipping and improvement of certain health facilities, which are all owned and operated by the Borrower, as more particularly described under the caption "Prior Project" in Exhibit A hereto (the "Prior Project");

WHEREAS, the Borrower has requested that the Authority issue from time to time one or more series of its revenue bonds in an aggregate principal amount not to exceed $442,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refund all or a portion of the Prior Bonds, and (ii) pay costs of issuance of the Bonds (as defined below);

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 Prior 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 Refunding Revenue Bonds" (Lucile Salter Packard Children's Hospital at Stanford), 2022 Series A (Forward Delivery) (the "Bonds"), in a total aggregate principal amount not to exceed $442,000,000, are hereby authorized to be issued from time to time, in one or more series, as federally tax-exempt bonds or federally taxable bonds, 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 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 third anniversary of the date of the adoption of this Resolution, at public or private sale, on a current or forward delivery basis, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Sections 1 hereof) and in such series, at such 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 at 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 proposed forms of the following documents:

(i) a Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Borrower,

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

(iii) a Bond Purchase Contract, including the exhibits thereto relating to the Bonds (the "Purchase Contract"), among Morgan Stanley & Co., LLC, or any affiliate thereof (collectively, "Morgan Stanley"), and the Treasurer and the Authority, and approved by the Borrower, and

(iv) a preliminary official statement relating to the Bonds (the "Preliminary Official Statement"),

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: (a) 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 the Bonds, and/or (b) to accommodate Bonds of any series being sold on a forward delivery basis to Morgan Stanley, as purchaser in a direct placement transaction, and/or (c) to accommodate Bonds of any series being sold in a current or advance refunding transaction) as the officer(s) executing and/or delivering the same from time to time may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Indenture, and the Purchase Contract and by delivery thereof in the case of the Preliminary Official Statement. 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 Agreement are true and correct.

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

Section 6. Morgan Stanley is hereby authorized to distribute a Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at their discretion (in consultation with the Borrower), a preliminary official statement may not be used with respect to any series of Bonds. Morgan Stanley is hereby authorized to deliver a final official statement (the "Official Statement"), including, at their discretion (in consultation with the Borrower), any supplement to the Official Statement, to all actual purchasers of such 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 Morgan Stanley thereof 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 Morgan Stanley, 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 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) 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 the Bonds; and (c) any forward delivery agreement or contract.

Section 9. The provisions of the Authority's Resolution No. 2021-01 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. The Authority hereby approves the execution and delivery of all agreements, documents, certificates and instruments referred to herein with electronic signatures as may be permitted under the Uniform Electronic Transactions Act (California Civil Code Section 1633.1, *et. seq.*) and digital signatures as may be permitted under Section 16.5 of the California Government Code using DocuSign.

Section 12. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ________________________

Exhibit A

PRIOR PROJECT

Proceeds of the California Health Facilities Financing Authority Refunding Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2022 Series A (Forward Delivery) will be applied by the Borrower to refinance the Prior Bonds.

Prior Project:

The proceeds of the 2012 Bonds were used to finance a portion of the costs of the acquisition, construction, equipping and improvement of the health care facilities owned and operated by the Borrower and located at and in the vicinity of 725 Welch Road in Palo Alto, California. The proceeds of the 2014 Bonds were used to finance a portion of the costs are of the expansion of health care facilities owned and operated by the Borrower and located at 725 Welch Road in Palo Alto, California. The expansion at 725 Welch Road included construction of two five-story towers, each of which were anticipated to house amenity and ancillary support services at the ground and first levels and patient beds on levels two through five. Ancillary support services planned for the expansion were expected to include diagnostic, surgery and imaging departments, comprised of one neuro hybrid surgery suite, one neuro operating room suite, two cardiac surgery suites, three cardiac catheterization labs, one interventional room, one MRI, one CT scanner, one PET-CT scanner, and two nuclear medicine rooms.

In addition, the proceeds of the 2012 Bonds were used to refinance the California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children’s Hospital at Stanford), Series 2003C (the “Series 2003C Bonds”). The proceeds of the Series 2003C Bonds were used to finance costs of the expansion and renovation of the acute care hospital facilities owned and operated by the Borrower and located at 725 Welch Road, Palo Alto, California.