CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Stanford Hospital and Clinics ("SHC") 300 Pasteur Drive, MC 5554 Stanford, CA 94305 Santa Clara County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$575,000,000 Up to 30 years April 26, 2012 379

Project Sites: See Exhibit 1
Facility Type: Government Code 15431(d)(1) - Acute care hospital and outpatient care
Prior Borrower: Yes (date of last CHFFA issue, April 2010).

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 committees. 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 2011, SHC treated approximately 51,000 patients in its emergency room, admitted more than 24,000 inpatients and recorded more than 398,000 outpatient transactions.

Use of Proceeds: Bond proceeds will be used for the construction of a new 820,000 square-foot Stanford Hospital located in Palo Alto, California and may be applied to refund CHFFA Revenue Bonds, Series 2003A. Based on current market conditions, SHC expects this refunding will result in a net present value savings of approximately $4 million over the life of the bonds.

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/A+/AA-; Moody's/S&P/Fitch
Financing Team: *Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: SHC's income statement appears to exhibit positive operating results during the review period. SHC appears to have a solid financial position with a proforma debt service coverage ratio of 4.20x.

Bond proceeds	$ 575,000,000	Project fund	$ 495,140,000
		Refund CHFFA 2003A bonds	74,110,000
		Financing costs	5,750,000
Total Estimated Sources	$ 575,000,000	**Total Estimated Uses**	$ 575,000,000

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 379 in an amount not to exceed $575,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

SHC is embarking on a plan to replace its existing facilities with modern technologically advanced facilities, which will also address seismic compliance. Bond proceeds may also be applied to refund all or a portion of CHFFA 2003 Series A Bonds. SHC expects this refunding to have a net present value savings of approximately $4 million over the life of the bonds.

Project Fund **..** ***$495,140,000***

SHC plans to use a portion of the bond proceeds to finance the new Stanford Hospital by adding 368 all-private patients rooms to be combined with approximately 214 private and semi-private patient beds in the existing current hospital, 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 for a total of approximately 820,000 square-feet of new construction 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 outdated laboratory facilities at the School of Medicine and the renovation of the Hoover Pavilion, which SCH anticipates using to provide outpatient services.

As of August 31, 2011, SHC disbursed $149 million for construction costs related to this project. The construction for the new Stanford Hospital is scheduled to be complete in 2017.

Refund of 2003A bonds **...** ***74,110,000***

SHC plans to refund all or a portion of CHFFA's 2003 Series A Fixed Rate Bonds. The original proceeds of the 2003 Series A Bonds were used to finance the renovation, remodeling, furnishing, and equipping (a new information technology infrastructure) of certain existing facilities located in Palo Altos, California and to finance a portion of the acquisition price for property located in Redwood City, California, which now provides outpatient services.

Financing Costs **...** ***5,750,000***

- *Estimated cost of issuance.........................* *$2,875,000*
- *Estimated Underwriters' discount.............* *2,875,000*

Total Estimated Uses of Funds.. $575,000,000

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

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 4) ("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.

After reviewing SHC's credit profile, including its current financial profile, the terms related to the Existing Bonds, and current market requirements, SHC, Public Financial Management, Inc. ("PFM"), and the underwriters of the proposed bonds have concluded that the covenants listed below should be applicable to this transaction. SHC and PFM note that the covenants set forth below are consistent with covenants applicable to the Existing Bonds and that the current financial situation of SHC does not suggest that additional covenants should be required by the Authority.

The covenants listed below are applicable to this transaction.

Unconditional Promise to Pay; Pledge of Revenues. 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 (EMMA) during the life of the proposed bonds and to report designated "material events" as specified in Rule 15c2-12.

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

Stanford Hospital & Clinics
Consolidated Statement of Operation ($000's)

	For the Year Ended August 31,		
	2011	2010	2009
Operating revenues:			
Net patient service revenue*	$ 2,123,716	$ 1,891,342	$ 1,741,856
Premium revenue	-	-	22,960
Other revenue	61,885	71,193	57,666
Net assets released from restriction used for operations	5,503	4,771	5,195
Total operating revenue	2,191,104	1,967,306	1,827,677
Operating expenses:			
Salaries, wages & benefits	890,497	839,916	787,035
Professional services	25,329	22,118	22,842
Supplies	294,543	271,026	265,139
Purchased Services	490,096	453,532	434,257
Provision for doubtful accounts, net	82,247	68,426	53,859
Depreciation and amortization	96,918	96,198	73,876
Interest	45,821	39,749	37,921
Other	171,978	153,058	139,385
Expenses recovered from related parties	(78,902)	(76,787)	(81,317)
Total operating expenses	2,018,527	1,867,236	1,732,997
Income from operations	172,577	100,070	94,680
Interest and investment income	7,295	4,240	3,814
(Decrease) increase in value of University managed pools	116,058	68,138	(146,481)
Interest rate swaps mark to market adjustments	672	(79,054)	(48,338)
Loss on extinguishment of debt	-	(12,994)	-
(Deficiency) excess of revenue over expenses	296,602	80,400	(96,325)

(continued)

Stanford Hospital & Clinics
Consolidated Statement of Activities ($000's)

	For the Year Ended August 31,		
	2011	**2010**	**2009**
Other changes in unrestricted net assets:			
Transfer to Stanford University	(6,968)	(7,956)	(8,049)
Transfer to University Healthcare Alliance	(13,224)	-	-
Transfer from (to) Lucile Salter Packard Children's Hospital	5,859	-	288
Change in net unrealized gains (losses) of investments	(186)	680	237
Net assets released from restriction used for:			
Purchase of property and equipment	3,590	11,872	460
Change in pension and postretirement liability	12,902	(30,467)	(75,101)
Noncontrollling capital contribution	3,425	-	-
Increase (decrease) in unrestricted net assets	302,000	54,529	(178,490)
Change in temporarily restricted net assets			
Transfers from Stanford University	352	2,789	15,167
Transfers from (to) Lucile Salter Packard Children Hospital	3	(10)	-
Contributions and other	128,475	34,729	5,606
Investment income	364	140	98
Gains on University managed pools	2,422	2,106	(1,415)
Net assets released from restriction for:			
Operations	(5,503)	(4,771)	(5,195)
Purchase of property and equipment	(3,590)	(11,872)	(460)
Increase in temporarily restricted assets	122,523	23,111	13,801
Increase (decrease) in net assets	**424,523**	**77,640**	**(164,689)**
Cumulative effect of change in accounting principle	2,316	-	-
Net assets, beginning of the period	886,962	807,006	971,695
Net assets, end of period	$ 1,311,485	$ 884,646	$ 807,006

*Net Patient Service Revenue for FYE August 31, 2011

Payors Source	**Percent**
Medicare	32.0
Medi-Cal	6.0
Managed Care - Discounted Fee for Services	53.0
Indemnity Insurance, Self Pay, Other	9.0
Total	100.0

Stanford Hospital & Clinics
Consolidated Balance Sheet ($000's)

	As of August 31,		
	2011	**2010**	**2009**
Assets:			
Current assets:			
Cash and cash equivalents	$ 414,604	$ 334,344	$ 331,502
Assets limited as to use, held by trustee	279	280	280
Patient accounts receivable, net	287,211	258,553	253,299
Other receivables	31,965	28,562	11,925
Inventories	19,657	19,148	18,725
Prepaid expenses and other	22,230	9,893	8,553
Total current assets	775,946	650,780	624,284
Investments	117,417	80,817	76,584
Investments in University managed pools	844,139	676,598	533,518
Assets limited to use, net current portion	709	712	48,828
Property and equipment, net	865,330	860,273	840,955
Other Assets	145,808	63,521	60,715
Total Assets	$ 2,749,349	$ 2,332,701	$ 2,184,884
Liabilities and Net Assets:			
Current liabilities:			
Accounts payable & accrued liabilities	$ 124,487	$ 102,723	$ 129,750
Accrued salaries & related benefits	92,965	101,378	91,835
Due to related parties	28,219	22,885	33,840
Third-party payer settlements	22,659	19,907	19,433
Current portion of long-term debt	11,396	4,969	8,713
Debt subject to short-term remarketing arrangements	168,200	358,000	266,764
Self-insurance reserves	23,125	21,892	18,303
Total current liabilities	471,051	631,754	568,638
Self-insurance reserves, net of current portion	101,679	104,168	90,811
Other long-term liabilities	174,151	174,286	96,244
Pension Liability	51,569	74,629	65,188
Long term debt, less current portion	639,414	463,218	556,997
Total liabilities	1,437,864	1,448,055	1,377,878

(continued)

Stanford Hospital & Clinics
Consolidated Balance Sheet ($000's)

	As of August 31,		
	2011	2010	2009
Net assets:			
Unrestricted	1,089,408	785,092	730,563
Temporarily restricted	215,585	93,062	69,951
Permanently Restricted	6,492	6,492	6,492
Total net assets	1,311,485	884,646	807,006
Total liabilities and net assets	$ 2,749,349	$ 2,332,701	$ 2,184,884

Financial Ratios:

	Proforma (a) FYE August 31, 2011	2011	2010	2009
Debt Service Coverage - Operating (x) [(b)]	4.20	6.21	4.87	4.51
Debt Service Coverage - Net (x) [(b)]	4.30	6.35	4.96	4.59
Debt to Net Assets (x)	0.87	0.50	0.53	0.70
Operating margin (%)		7.88	5.09	5.18
Current Ratio (x)		1.65	1.03	1.10

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

[(b)] Debt service coverate ratios were calculated using Maximum Annual Debt Service on Long-Term Indebtness.

III. FINANCIAL STATEMENTS AND ANALYSIS:

Financial Discussion – Statement of Activities (Income Statement)

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

SHC experienced an increase in unrestricted net assets of $302 million in FY 2011 compared to a decrease of $178 million in FY 2009, resulting in an impressive 269% improvement. SHC attributes the increase in unrestricted net assets to an increase in net patient services revenue, which grew approximately 22% from $1.74 billion in FY 2009 to $2.12 billion in FY 2011; and an increase in investments for University Managed Pools, which grew approximately 179% from a decrease of $146 million in FY 2009 to an increase of $116 million in FY 2011. According to SHC, the increase in net patient revenue in FY 2011 was mostly attributed to a new source of revenue (from the Provider Fee Program[1] indicated below), and increases in patient volume (2% increase of inpatient services and 14% outpatient services).

Particular Facts to Note:

- During the review period, SHC continued to experience positive operating results with total income from operations growing from $94 million in FY 2009 to $172 million in FY 2011. According to SHC, the positive operating result can be attributed to the new Provider Fee Program, an increase of inpatient services from 11,514 in FY 2009 to 12,093 in FY 2011, an increase in outpatient services from 11,830 in FY 2009 to 14,593 in FY 2011, and maintaining operating expenses.

- In FY 2009, SHC experienced a decrease in unrestricted net assets of $178 million which SHC mostly attributes to a loss on its investments in Stanford University's managed pools (approximately $146 million as a result of negative returns on investments held through Stanford University), but SHC indicated it has since recovered these losses due to improvements in the financial market conditions, which appear to be reflected in FY 2011 gains on investments of approximately $116 million.

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

[1] The Provider Fee Program consists of a Hospital Quality Assurance Fee Program ("QAF") and a Hospital Fee Program established in 2009. These programs imposed a provider fee on certain California general acute care hospitals that, combined with federal matching funds, are used to provide supplemental payments to certain hospitals and support the State's effort to maintain health care coverage for children.

Financial Discussion – Statement of Financial Position (Balance Sheet)

SHC appears to have a solid financial position with a proforma debt service coverage ratio of 4.20x.

SHC's balance sheet appears to have exhibited good liquidity and solid financial strength which grew with total unrestricted net assets increasing from $730 million in FY 2009 to $1.08 billion in FY 2011, an increase of nearly 49%. SHC attributes the increase primarily to an increase in cash and cash equivalents, 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 0.58x. The operating debt service coverage ratio appears to be a solid at 6.21x, and with the proposed financing, though the proforma operating debt service coverage ratio declines to 4.20x, the ratio remains strong enough suggesting SHC's ability to likely manage the additional debt.

Particular Facts to Note:

- Cash and cash equivalents has increased nearly 25% from approximately $331 million in FY 2009 to $414 million in FY 2011 which SHC attributes to continued positive operating results during the review period.

- Investments and investments in the University's managed pools have increased approximately 57% from $610 million in FY 2009 to $961 million in FY 2011 which SHC attributes to the overall improvements in the capital markets, fund raising for the new hospital and the movement of additional funds to the University's managed pool. Additionally, SHC has received donations for the new hospital that are held as investments and classified as restricted net assets.

- Temporary restricted net assets have increased 208% from $69 million in FY 2009 to $215 million in FY 2011 due to the fundraising campaign for the new hospital.

IV. 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.

- **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 Regulation**s: 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 Diligenc**e. 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.

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EXHIBIT 1

PROJECT SITES

1. 300 Pasteur Drive, Stanford, CA 94305
2. Quarry Road, Palo Alto, CA 94304
3. 420, 430, 440, and 450 Broadway Avenue, Redwood City, CA 94063

EXHIBIT 2

FINANCING TEAM

Trustee:	U.S. Bank National Association
Rating Agencies:	Standard & Poor's Fitch Ratings Moody's
Issuer's Financial Advisor:	Public Financial Management, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Issuer's Counsel:	Office of the Attorney General
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriters:	Morgan Stanley & Co. LLC. Goldman Sachs JP Morgan Securities
Underwriter's Counsel:	Sidley Austin LLP
Borrower's Counsel:	Ropes & Gray
Auditor:	Pricewaterhouse Coopers LLP

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, 2011, 2010 and 2009.

Stanford Hospital and Clinics

	As of August 31,		
	2011	**2010**	**2009**
Discharges			
Acute	24,127	23,265	22,909
Behavioral Health	843	855	900
Total	24,970	24,120	23,809
Patient Days			
Acute	128,934	125,556	126,501
Behavioral Health	8,799	8,838	8,590
Subtotal	137,733	134,394	135,091
Short Stay Outpatient	6,677	6,569	6,126
Total	144,410	140,963	141,217
Average Daily Census			
Acute	353.2	344.0	346.6
Behavioral Health	24.1	24.2	23.5
Average	377.3	368.2	370.1
Average Lenth of Stay			
Acute	5.3	5.4	5.5
Behavioral Health	10.4	10.3	9.5
Average	15.7	15.7	15.0
Case Mix Index	1.98	1.97	1.98
Emergency Room Visits (1)	51,221	50,561	48,840
Short Stay Outpatient Procedures	28,699	26,211	24,192
Other Outpatient Visits (2)	398,929	346,830	263,733
Surgeries			
Inpatient	12,093	11,996	11,514
Outpatient	14,593	13,294	11,830
Total	26,686	25,290	23,344

(1) ER visits include patients who got admitted as inpatients

(2) Actual visits will be more, these are billing events which may include multiple visits, exclude outpatient ED visits

EXHIBIT 4

OUTSTANDING DEBT

STANFORD HOSPITAL AND CLINICS

Date Issued	Original Amount	Amount Outstanding As of August 31, 2011 [a]	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
CHFFA 2003 Series A Revenue Bonds	$ 100,000,000	$ 78,595,000	$ -
CHFFA 2008 Series A1 Refunding Revenue Bonds	70,500,000	70,360,000	70,360,000
CHFFA 2008 Series A2 Refunding Revenue Bonds	104,100,000	104,100,000	104,100,000
CHFFA 2008 Series A3 Refunding Revenue Bonds	85,700,000	84,165,000	84,165,000
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	149,345,000	149,345,000
CHFFA 2010 Series B Refunding Revenue Bonds	146,710,000	146,710,000	146,710,000
Promissory Note	539,000	539,000	539,000
- PROPOSED NEW DEBT:			
CHFFA Series 2012 A & B			**575,000,000**
- TOTAL DEBT		**$ 802,014,000**	**$ 1,298,419,000**

(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 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Stanford Hospital and Clinics ("SHC") 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 clinician 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, tougher 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, 2011, SHC treated more than 51,000 patients in its emergency room, admitted more than 23,000 inpatients and recorded more than 398,000 outpatient transactions

In 2011, U.S. News and World Report ranked SHC as one of the nation's top twenty medical centers in cancer treatment, orthopedics, heart and heart surgery and other specialties. In 2012, U.S News and World Report ranked the School of Medicine fourth nationally among research-oriented medical schools based upon peer assessment surveys.

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 eighteen 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.

RESOLUTION NO. 379

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
RELATING TO THE ISSUANCE OF REVENUE BONDS
FOR STANFORD HOSPITAL AND CLINICS**

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

WHEREAS, Stanford Hospital and Clinics, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation") has applied to the Authority for the issuance of one or more series of revenue bonds of the Authority on behalf of the Corporation in an aggregate principal amount not to exceed $575,000,000 (the "Bonds") for the purposes of (1) financing the construction, expansion, remodeling, renovation, furnishing and equipping of health facilities to be owned and operated by the Corporation (including by reimbursing expenditures made or refinancing indebtedness incurred by the Corporation for such purpose) (as further described in Part I of Exhibit A attached, hereto, the "2012 Series Project"), (2) refunding the California Health Facilities Financing Authority Revenue Bonds (Stanford Hospital and Clinics), 2003 Series A (the "2003 Series A Bonds"), which financed the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of health facilities owned and operated by the Corporation (as further described in Part II of Exhibit A attached, hereto, the "2003 Series Project," and, together, with the 2012 Series Project, hereinafter collectively referred to as the "Project"), and (3) paying costs of issuance of the Bonds if desired by the Corporation;

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 Corporation has provided documentation to the Authority demonstrating that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is not a "project" under such division; and

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

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

Section 1. Pursuant to the Act, revenue bonds of the Authority designated as the "California Health Facilities Financing Authority Revenue Bonds (Stanford Hospital and Clinics), 2012 Series," in a total aggregate principal amount not to exceed $575,000,000 are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds of such series will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the second WHEREAS paragraph above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates, at any time prior to the first anniversary of the date of the adoption of this Resolution, at public or private sale, in such aggregate amount (not to exceed the aggregate principal amount set forth in Section 1 hereof) and in such series, at such price or prices and at such interest rate or rates as the Treasurer, with the advice and consent of the Corporation, 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 a nationally recognized rating agency. The Bonds or any series thereof may, at the sole option of the Corporation, be secured or supported by a credit facility and/or liquidity facility satisfying the terms of the indenture pursuant to which Bonds of such series will be issued.

Section 3. The following documents:

(i) a Loan Agreement (the "Fixed Rate Loan Agreement") relating to certain of the Bonds proposed to be issued as fixed rate bonds (the "Fixed Rate Bonds"), between the Authority and the Corporation;

(ii) an Indenture relating to the Fixed Rate Bonds (the "Fixed Rate Indenture"), between the Authority and U.S. Bank National Association ("U.S. Bank"), as trustee;

(iii) a preliminary official statement relating to the Fixed Rate Bonds (the "Fixed Rate Preliminary Official Statement");

(iv) a Bond Purchase Contract, including the exhibits thereto, relating to the Fixed Rate Bonds (hereinafter collectively referred to as the "Fixed Rate Purchase Contract"), among Morgan Stanley & Co., LLC ("Morgan Stanley"), acting on behalf of itself and as representative of the other underwriters identified therein (the "Underwriters"), the Treasurer and the Authority, and approved by the Corporation if the Fixed Rate Bonds or any series thereof are underwritten and sold in a public offering;

(v) a Loan Agreement (the "Variable Rate Loan Agreement") relating to certain of the Bonds proposed to be issued as variable rate bonds (the "Variable Rate Bonds"), between the Authority and the Corporation;

(vi) an Indenture relating to the Variable Rate Bonds (the "Variable Rate Indenture"), between the Authority and U.S. Bank, as trustee;

(vii) a preliminary official statement relating to the Variable Rate Bonds (the "Variable Rate Preliminary Official Statement"); and

(viii) a Bond Purchase Contract, including the exhibits thereto, relating to the Variable Rate Bonds (hereinafter collectively referred to as the "Variable Rate Purchase Contract," and, together with the Fixed Rate Purchase Contract, hereinafter collectively referred to as the "Purchase Contracts"), among Morgan Stanley, acting on behalf of itself and as representative of the other Underwriters, the Treasurer and the Authority, and approved by the Corporation if the Variable Rate Bonds or any series of Variable Rate Bonds are underwritten and sold in a public offering.

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, such insertions, deletions or changes therein as shall be necessary to reflect the terms of a credit facility and/or liquidity facility for any series of Bonds or the private placement of any series of Bonds with either of the purchasers identified below) as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and/or delivery thereof. 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 either Union Bank, N.A. or U.S. Bank National Association (each, a "Private Placement Purchaser"), such Private Placement Purchaser to be selected by the Corporation, 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 Corporation, which acceptability shall be conclusively evidenced by the execution and delivery thereof by the Executive Director.

Section 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Fixed Rate Loan Agreement and the Variable Rate Loan Agreement (hereinafter collectively referred to as the "Loan Agreements") are true and correct.

Section 5. The dated dates, maturity dates (not exceeding 40 years from the date of issue), interest rates or methods of determining interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of redemption, terms of tender or purchase, 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 the Fixed Rate Indenture, as finally executed, or the Variable Rate Indenture, as finally executed, as applicable (the Fixed Rate Indenture and the Variable Rate Indenture being hereinafter collectively referred to as the "Indentures").

Section 6. The Underwriters are hereby authorized and directed to distribute the Fixed Rate Preliminary Official Statement and the Variable Rate Official Statement to persons who may be interested in the purchase of the Bonds offered in the issuance. The Underwriters are hereby directed to deliver a final Official Statement relating to the Fixed Rate Bonds (the "Fixed Rate Official Statement") to all actual purchasers of the Fixed Rate Bonds and to deliver a final Official Statement (the "Variable Rate Official Statement," and, together with the Fixed Rate Official Statement, hereinafter collectively referred to as the "Official Statements") to all actual purchasers of the Variable Rate Bonds. Neither a Fixed Rate Official Statement nor a Variable Rate Official Statement, as applicable, shall be required in the event a series of Bonds is privately placed.

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

Section 8. The Variable Rate Bonds, when executed pursuant to the Variable Rate Indenture, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Variable Rate Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Variable Rate Bonds, when duly executed and authenticated, to or upon the direction of the Underwriters and/or the Private Placement Purchaser thereof, as applicable, in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved.

Section 9. Each officer of the Authority is hereby authorized and directed to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Indentures, the Loan Agreements, the Purchase Contracts, a 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) certifications; (b) a tax certificate and agreement; (c) an escrow agreement to be entered into in connection with the refunding of the 2003 Series A Bonds; and (d) any agreement with respect to the provision of a credit facility and/or a liquidity facility for any series of the Bonds.

Section 10. The provisions of the Authority's Resolution No. 2011-15 apply to the documents and actions approved in this Resolution.

Section 11. 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 12. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ________________.

Exhibit A

Description of the Project

Part I - 2012 Series Project

Stanford Hospital and Clinics (the "Corporation") has requested the issuance of revenue bonds to finance a portion of the costs of the renewal and replacement of its acute care hospital facility. The renewal and replacement contemplated by the Corporation consists of the construction and equipping of a replacement acute care hospital facility to be located 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, 900 Blake Wilbur Drive and 1101 Welch Road. The replacement hospital facility will accommodate new medical technology, increase capacity by 144 beds, include a new Level I trauma center and state-of-the-art surgical, diagnostic and treatment rooms, and meet seismic safety requirements. In addition, proceeds may to applied to renovate the Hoover Pavilion located at 211 Quarry Road, Palo Alto, California, which the Corporation anticipates using to provide outpatient services.

Part II - 2003 Series Project

If there are debt service savings at the time of pricing, the Corporation intends to refund the California Health Facilities Financing Authority Revenue Bonds (Stanford Hospital and Clinics), 2003 Series A (the "2003 Series A Bonds"), which financed a portion of the costs of the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of health facilities owned and operated by the Corporation, including renovation of the existing acute care hospital facility located at 300 Pasteur Drive, Palo Alto, California, and acquisition of facilities located at 420 Broadway Avenue, 430 Broadway Avenue, 440 Broadway Avenue and 450 Broadway Avenue, Redwood City, California which provide outpatient services.