CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Lucile Packard Children's Hospital at Stanford ("LPCH") 725 Welch Road Palo Alto, CA 94304 Santa Clara County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$250,000,000 Up to 40 years February 25, 2016 410

Project Site: See Exhibit 5
Facility Type: Acute care hospital
Prior Borrower: Yes (date of last CHFFA issue, 2014).
Obligated Group: LPCH is the sole member.

Background: LPCH is a 302-bed not-for-profit tax-exempt hospital located in Palo Alto, California. It operates a licensed acute care pediatric and obstetric hospital on the Leland Stanford Junior University campus in Palo Alto and operates several inpatient care units on its license in nearby community hospitals. LPCH also operates outpatient physician clinics in its facilities and other community settings. In FY 2015, LPCH had 13,233 discharges, 85,340 patient days and 231,182 Pediatrics and Obstetrics Faculty Practice Organization ("FPO") clinic visits.

Use of Proceeds: Bond proceeds will be used to advance refund all of the outstanding CHFFA Series 2008 A, B, C Revenue Bonds and to finance part of the extensive capital expansion and renovation project in progress at its hospital facility. The refunding will eliminate the risks of the existing variable rate, allow LPCH to take advantage of the current long-term market rates and achieve more budget certainty.

Type of Issue: Negotiated public offering, fixed rate ($5,000 minimum)
Expected Credit Rating: Aa3/AA- /AA; Moody's/S&P/Fitch
Financing Team: *Please see Exhibit 1 to identify possible conflicts of interest*

Financial Overview: LPCH's income statement appears to exhibit positive operating results during the review period. LPCH appears to have a solid financial position with a proforma operating debt service coverage ratio of 5.9x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds	$ 250,000,000	Capital Projects	$ 155,000,000
		Refund CHFFA 2008 Bonds	92,000,000
		Costs of issuance	3,000,000
Total Estimated Sources	$ 250,000,000	**Total Estimated Uses**	$ 250,000,000

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 410 in an amount not to exceed $250,000,000 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 Fieldman, Rolapp & Associates, Inc. the Authority's financial advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

LPCH is requesting the issuance of revenue bonds to advance refund its outstanding CHFFA 2008 Series A, B, C Revenue Bonds and to finance part of the extensive capital expansion and renovation project of its hospital. The refunding will eliminate the risks of the existing variable rate, allow LPCH to take advantage of the current long-term market rates and achieve more budget certainty. LPCH's expansion project is intended to address the growing need for specialized pediatric care and to equip the facility to a level commensurate with LPCH's current role as an important regional provider of tertiary and quaternary pediatric care[1].

The expansion project started in 2011 and is budgeted to cost approximately $1.2 billion. Funding for this project is provided through the Children's Hospital Grant Program, CHFFA's Tax-Exempt Bond Program, contributions and internal funds. CHFFA's board approved a Proposition 3 grant in the amount of $98 million at the December 1, 2011 meeting and provided twice tax exempt bond authority for up to $200 million at the January 26, 2012 and at the April 14, 2014 meeting. The anticipated opening of this project is summer of 2017.

Project Fund ***$155,000,000***

LPCH's expansion project includes the construction of two six-story towers. The expansion will total 521,000 square feet. LPCH's total number of beds will increase by 77 acute care beds and 72 intensive care beds. Ancillary support services planned for the expansion 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 (cath) labs, one interventional room, one MRI, one CT scanner, one PET-CT scanner, and two nuclear medicine rooms. (See Exhibit 6)

Refunding CHFFA Series 2008 Series A, B, C………................................ ***92,000,000***

Proceeds from CHFFA Series 2008 A, B, C bonds were used to refund CHFFA Series 2003 A, B and the Association of Bay Area Governments Finance Authority (ABAG) 1993 Certificates of Participation. The 1993 Certificates refinanced the ABAG 1991 Certificates of Participation. The Series 2003 Bonds and the 1991 Certificates of Participation were used for finance or reimbursement of certain capital expenditures at healthcare facilities owned and operated by LPCH.

Financing Costs.. ***<u>3,000,000</u>***

- Estimated cost of issuance....................... $2,000,000
- Estimated Underwriters' discount .... <u>1,000,000</u>

Total Estimated Uses of Funds .... ***<u>$250,000,000</u>***

[1] Tertiary and quaternary care represent the most advanced form of health care and may include complex surgery, such as neurosurgery, cardiac surgery, plastic surgery, and transplantation, as well as neonatology, psychiatry, cancer care, intensive care, palliative care, and many other complex medical and surgical interventions. Quaternary care may even involve experimental treatments and procedures.

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

LPCH is the sole member of the Obligated Group created pursuant to the Master Indenture. Pursuant to the provisions of the Master Indenture, LPCH has issued obligations under the Master Indenture (each, an "Obligation") to secure the obligations of LPCH 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 LPCH. LPCH 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 LPCH as sole member of the Obligated Group.

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

After reviewing LPCH's credit profile, including its current financial profile, LPCH's prior bond transactions, and current market requirements, LPCH, Fieldman, Rolapp & Associates, Inc. ("Fieldman Rolapp"), and the underwriter of the proposed bonds have concluded that the covenants listed below should be applicable to this transaction, are consistent with the covenants that have applied to LPCH's prior bond transactions and that the current financial situation of LPCH 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. *LPCH 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, LPCH will issue an Obligation under the Master Indenture to secure the obligation of LPCH to make the payments under the loan agreement. All Revenues (which will include payments by LPCH 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; Permitted Encumbrances. *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 a Historical Debt Service Coverage Ratio of 1.25.*

Limitations on Additional Indebtedness and Restrictions on Guaranties. *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. *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 Consolidation, Merger, Acquisition, Sale or Conveyance. *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.*

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

Compliance with Rule 15c2-12. *LPCH 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). LPCH 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 Fieldman Rolapp have reviewed the entirety of this financing package and find it to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

Lucile Salter Packard Children's Hospital at Stanford
Statement of Operations (In Thousands)
(Unrestricted)

	As of August 31		
	2015	**2014**	**2013**
Operating Revenues:			
Net patient service revenue*	$ 1,314,587	$ 1,072,038	$ 1,090,999
Provision for doubtful accounts, net	(10,474)	(12,826)	(7,705)
Net patient service revenue after provision for doubtful accounts	1,304,113	1,059,212	1,083,294
Other revenue	52,360	53,848	51,610
Net assets released form restrictions used for operations	23,352	21,029	20,578
Total operating revenues	1,379,825	1,134,089	1,155,482
Operating Expenses:			
Salaries and benefits	518,780	457,251	425,104
Professional services	23,151	28,412	24,809
Supplies	97,007	86,922	77,604
Purchased services	441,783	383,179	343,276
Other	134,731	87,525	100,194
Depreciation and amortization	58,532	47,771	37,873
Total operating expenses	1,273,984	1,091,060	1,008,860
Income from operations	105,841	43,029	146,622
Interest income	2,400	1,758	2,142
Income and gains from Stanford University managed pools	30,923	94,335	60,827
Other	(833)	-	-
Excess of revenues over expenses	138,331	139,122	209,591
Net assets released from restriction used for purchases of property and equipment	1,999	24	213
Transfer of net investment loss on certain endowments	-	12	204
Adjustment for minimum pension liability	(678)	(925)	2,034
Transfers to Stanford University and other	(50,382)	(14,682)	(30,741)
Increase in unrestricted net assets	89,270	123,551	181,301
Changes in temporarily restricted net assets			
Contributions	70,810	40,071	44,253
Income and gains from Stanford University managed pools	14,549	41,688	29,063
Change in value of beneficial interest in remainder trusts	(254)	212	317
Net assets released from restrictions for operations	(23,352)	(21,029)	(20,585)
Purchase of property and equipment	(1,999)	(24)	(213)
Transfers to Stanford University and other	(878)	(2)	639
Increase in temporarily restricted net assets	58,876	60,916	53,474
Changes in permanently restricted net assets			
Contributions and other	850	663	758
Change in value of beneficial interest in remainder trusts	(310)	1,938	1,364
Transfer to Stanford University and other	523	-	(1,140)
Increase in permanently restricted net assets	1,063	2,601	982
Increase in net assets	149,209	187,068	235,757
Net assets, beginning of year	1,890,478	1,703,410	1,467,653
Net assets, end of year	$ 2,039,687	$ 1,890,478	$ 1,703,410

***2015 Net Patient Service Revenue**

Payors Source	Percent
HMO/PPO	75.3
Medi-Cal	20.6
Other	4.1
Total	100.0

Lucile Salter Packard Children's Hospital at Stanford
Balance Sheet (In Thousands)

	As of August 31		
	2015	**2014**	**2013**
Assets			
Current assets:			
Cash and cash equivalents	$ 335,901	$ 174,157	$ 188,409
Patient accounts receivable, net	271,768	231,305	210,696
Contributions receivable	8,075	8,287	12,471
Other receivables	28,344	22,084	33,377
Prepaid expenses, inventory and other	15,559	13,823	13,036
Total current assets	659,647	449,656	457,989
Investments	69,313	68,830	67,407
Investments in Stanford University managed pools	717,866	730,784	618,790
Board designated funds in Stanford University managed pools	159,789	213,111	213,102
Assets limited as to use, held by trustee	89,500	259,472	199,500
Property and equipment, net	1,078,277	867,537	643,211
Beneficial interest in trusts, net	16,079	17,028	14,858
Contributions receivable, net of current portion	22,468	5,846	10,992
Other assets	57,817	48,982	40,414
Total assets	$2,870,756	$ 2,661,246	$ 2,266,263
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 108,452	$ 76,236	$ 70,225
Accrued salaries and related benefits	65,279	57,435	53,853
Due to related parties	53,759	30,306	40,376
Third-party payor settlements	1,967	1,515	1,535
Current portion of long-term debt and capital leases	5,675	5,375	2,200
Self-insurance reserves and other liabilities	7,924	7,524	6,394
Total current liabilities	243,056	178,391	174,583
Self-insurance reserves and other liabilities, net of current portion	34,002	31,578	29,561
Long-term debt and capital leases, net current portion	554,011	560,799	358,709
Total liabilities	831,069	770,768	562,853
Net assets:			
Unrestricted	1,377,043	1,287,773	1,164,222
Temporarily restricted	458,239	399,363	338,447
Permanently restricted	204,405	203,342	200,741
Total net assets	2,039,687	1,890,478	1,703,410
Total liabilities and net assets	$2,870,756	$ 2,661,246	$ 2,266,263

Financial Ratios:	**Proforma [a] FYE August 31, 2015**			
Debt Service Coverage - Operating (x) [b]	5.90	7.12	3.60	6.61
Debt Service Coverage - Net (x) [b]	3.93	4.76	5.97	7.52
Debt to Net Assets (x)	0.34	0.26	0.29	0.21
Margin (%)		7.67	3.79	12.69
Current Ratio (x)		2.71	2.52	2.62

[a] Recalculate FY 2015 audited results to include the impact of this proposed financing.

[b] Debt service coverage ratios were calculated using Maximum Annual Debt Service on Long-Term Indebtedness.

Financial Discussion – Statement of Activities (Statement of operations)

LPCH's income statement appears to exhibit positive operating results during the review period from FY 2013 to FY 2015.

LPCH exhibits a solid operating margin over the review period with margins at 12.69% in FY 2013, 3.79% in FY 2014 and 7.67% in FY 2015. Total revenue increased by 19% from approximately $1.2 billion in FY 2013 to approximately $1.4 billion in FY 2015 driven by an increase in net patient services revenue, which grew by 20% from approximately $1 billion in FY 2013 to approximately $1.3 billion in FY 2015. According to LPCH, the increase in net patient revenue in FY 2015 is mainly due to increases in pediatric case mix index, commercial managed care payer mix and resulting higher stop loss reimbursement from commercial managed care payers and increases in net patient revenue for FPO physician services.

Particular Facts to Note:

- Total operating expenses increased by approximately 26% from approximately $1 billion in FY 2013 to approximately $1.3 billion in FY 2015 mainly due to the increase in patient volume and acuity, support for the hospital expansion, and higher provider fee expense.

- Total salaries and benefits have increased by 22% over the review period from approximately $425.1 million in FY 2013 to $518.8 million in FY 2015, which according to LPCH's management is mainly due to the addition of clinical staff to support the aforementioned increase in patient volume and acuity and prepare for the opening of the new hospital expansion in 2017.

- Investment income is mainly from realized and unrealized gains on the investments in Stanford University ("University") managed pools.[2] Over the review period, LPCH recognized a total of approximately $192.4 million of investment income, of which approximately $186 million was from the University managed pools. The University managed pool is a diversified portfolio of actively managed public and private equity, absolute return, natural resources and real estate assets. The portfolio is designed to optimize long-term returns and create consistent payouts to support LPCH's operations.

- LPCH is a participating provider in a number of Exchange[3] products. LPCH management believes that health care reform's roll-out of the Exchange products had a slight impact on LPCH operating revenue. In the Children's Hospital sector, the expansion of the Medicaid population was minimal, especially since most children in California have already been covered through Medi-Cal, California Children's Services (CCS), and Healthy Kids programs.

[2] Investments of LPCH are managed by the Stanford Management Company, the investment management division of Stanford University.
[3] Exchange: functions as a marketplace for individual and small group health insurance products offered by private insurers.

Financial Discussion – Statement of Financial Position (Balance Sheet)

LPCH appears to have a solid financial position with a proforma operating debt service coverage ratio of 4.72x.

Over the review period, LPCH's balance sheet grew with total net assets increasing from approximately $1.7 billion in FY 2013 to $2 billion in FY 2015, an increase of approximately 20%. LPCH attributes the increase to a combination of increased cash generated from operations, strong investment and fundraising results, and an investment of generated operating funds in property and equipment.

The operating debt service coverage ratio appears to be a solid 7.12x, and with the proposed financing, the proforma operating debt service coverage ratio continues to be solid at 5.9x.

Particular Facts to Note:

- According to LPCH's management, cash and cash equivalent has increased significantly from approximately $188 million in FY 2013 to $336 million in FY 2015 due to a combination of cash generated from operations and withdrawals from the University managed pool and project fund for the 2012A and 2014A/B Bonds, partially offset by constructions spend related to the Project.

- Patients accounts receivables significantly increased from approximately $211 million in FY 2013 to approximately $231 million in FY 2014 and then to $272 million in FY 2015, mainly due to the same factors as the increase in net patient service revenue as noted above.

- Total liabilities have increased significantly from approximately $563 million in FY 2013 to approximately $831 million in FY 2015, primarily due to the Series A/B Bonds that were issued in May 2014, and an increase in construction-related invoices including the Project.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** LPCH properly completed and submitted the "Pass-Through Savings Certification".

- **Section 15491.1 of the Act (Community Service Requirement):** LPCH properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.

  LPCH is committed to advocacy, outreach, education and research to improve the health status of children and pregnant women. LPCH continually reaffirms its commitment to community by developing innovative programs to enhance its own and the community's capacity to care for children and pregnant women. LPCH's community health improvements initiatives for last years focused on improving access to primary health care services for children, teens and pregnant women, prevent and treat pediatric obesity, and improve the social, emotional and mental health of children and youth. LPCH also provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The amounts determined to qualify as charity care are not reported as net patient service revenue. LPCH also provides services to patients under Medi-Cal and other publicly sponsored programs, which reimburse at amounts less than the cost of the services provided to the recipients. Such amounts are considered community benefits. LPCH's 2015 community benefits investment for services and activities to improve the health status of infants, children, adolescents and pregnant women was approximately $206 million which includes Medi-Cal shortfall of more than $183 million.

  http://www.stanfordchildrens.org/content-public/pdf/benefit-report-2015-stanford-childrens.pdf

- **Compliance with Seismic Regulations:** LPCH properly submitted a description of how it is complying with OSHPD seismic evaluation regulations.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** LPCH properly submitted relevant documentation addressing CEQA.

- **Religious Affiliation Due Diligence:** LPCH properly completed and submitted relevant documentation to meet the religious due diligence requirement.

- **Legal Review:** LPCH properly completed and submitted relevant documentation for the Authority's Legal Questionnaire.

- **Iran Contracting Act Certificate: LPCH and the underwriter properly submitted the certificate to the Authority.**

EXHIBIT 1

FINANCING TEAM

Borrower:	Lucile Packard Children's Hospital
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Financial Advisor:	Fieldman Rolapp & Associates
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Borrower's Counsel:	Ropes & Gray, LLP
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriters:	Morgan Stanley & Co., LLC
Underwriter's Counsel:	Sidley Austin, LLP
Trustee:	Wells Fargo Bank , N.A.
Trustee Counsel:	Wells Fargo Bank, N.A.
Auditor:	Pricewaterhouse Coopers, LLP
Rating Agencies:	Moody's Investors Service, Inc. Standard & Poor's Financial Services, LLC Fitch Ratings, Inc.

EXHIBIT 2

UTILIZATION STATISTICS

Lucile Salter Packard Children's Hospital at Stanford

This table below presents selected statistical indicators of patient activity for LPCH for each of the three fiscal years ended August 31, 2015, 2014 and 2013.

	As of August 31,2015		
	2015	**2014**	**2013**
Licensed/ Staffed Beds[(1)]	302	302	311
Discharges	13,233	12,934	12,671
Patient Days	85,340	81,804	83,344
Average Length of Stay	6.4	6.3	6.6
Discharges - OB	4,774	4,685	4,528
Patient Days - OB	16,001	15,067	14,179
Average Length of Stay - OB	3.4	3.2	3.1
Discharges - Pediatric	8,459	8,249	8,143
Patient Days - Pediatric	69,339	66,737	69,165
Average Length of Stay - Pediatric	8.2	8.1	8.5
Average Daily Census	233.8	224.1	228.3
Percent Occupancy	77.4%	74.2%	73.4%
Pediatric CMI	2.10	2.06	2.01
Inpatient Surgical Procedures	3,724	3,380	3,278
Outpatient Surgical Procedures	4,455	4,134	4,338
Clinic Visits[(2)]	231,182	198,389	161,017

[(1)]Includes 9-bed NICU at Washington Hospital (Fremont), which is no longer part of LPCH's bed complement as of March 14, 2014.

[(2)] IncludesPediatrics and Obstetrics Faculty Practice Organization clinic visits only.

Source: Lucile Packard Children's Hospital records.

EXHIBIT 3

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding As of August 31, 2015	Estimated Amount Outstanding after Proposed Financing
- EXISTING LONG-TERM DEBT:			
Authority Debt:			
Lucile Salter Packard Children's Hospital, 2008 Series A	$30,340,000	$30,340,000	$ -
Lucile Salter Packard Children's Hospital, 2008 Series B	30,340,000	30,340,000	-
Lucile Salter Packard Children's Hospital, 2008 Series C	32,770,000	32,770,000	-
Lucile Salter Packard Children's Hospital, 2012 Series A	200,000,000	200,000,000	200,000,000
Lucile Salter Packard Children's Hospital, 2012 Series B	51,045,000	49,015,000	49,015,000
Lucile Salter Packard Children's Hospital, 2014 Series A	100,000,000	100,000,000	100,000,000
Lucile Salter Packard Children's Hospital, 2014 Series B	100,000,000	100,000,000	100,000,000
- PROPOSED NEW DEBT:			
CHFFA Series 2016			**250,000,000**
- TOTAL DEBT		**$542,465,000**	**$699,015,000**

EXHIBIT 4

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Lucile Salter Packard Children’s Hospital at Stanford (LPCH) is a 302-bed, not-for-profit tax-exempt hospital located in Palo Alto, California. It owns and operates a licensed acute care pediatric and obstetric hospital on the Leland Stanford Junior University campus in Palo Alto and operates several inpatient care units on its license in nearby community hospitals. LPCH also operates outpatient physician clinics in its facilities and other community settings. LPCH 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.

LPCH 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. In 1997, LPCH added perinatal, labor, and delivery services to its license, creating the only children’s hospital in California that serves both pregnant women and children. LPCH is the pediatric and obstetrics division of Stanford University Medical Center, but is a free-standing hospital with a separate license and provider number.

Governance

LPCH is currently governed by a 31-member Board of Directors (the “Board”). The present Board is comprised of 21 elected voting directors and ten *ex-officio* directors, all of whom are also voting directors. The bylaws of Lucile Packard Children’s Hospital provide that the nominations committee of the Stanford University Board of Trustees or its designees nominate elected directors with the joint recommendation, if any, of the Chair of the Board and the President of Stanford University.

Licensure and Memberships

LPCH is appropriately licensed by the California Department of Public Health Services to the extent required and is certified to participate in the Medicare and Medi-Cal programs. LPCH received its most recent three year accreditation from the Joint Commission in January 2014.

LPCH 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), and the American Hospital Association.

EXHIBIT 5

PROJECT SITES

Refunded Bonds Project Site

- 725, 730, and 770 Welch Road, Palo Alto, California 94304
- 1860 Embarcadero, Suite 140, Palo Alto, California 94303
- 2000 Mowry Avenue, Fremont, California 94538
- 14777 Los Gatos Boulevard, Los Gatos, California 95032
- 2500 Grant Road, Mountain View, California 94040
- 170 Alameda, Redwood City, California 94062
- In the vicinity of 751 South Bascom Avenue, San Jose, California 95128, including the campus of Santa Clara Valley Medical Center, San Jose, California

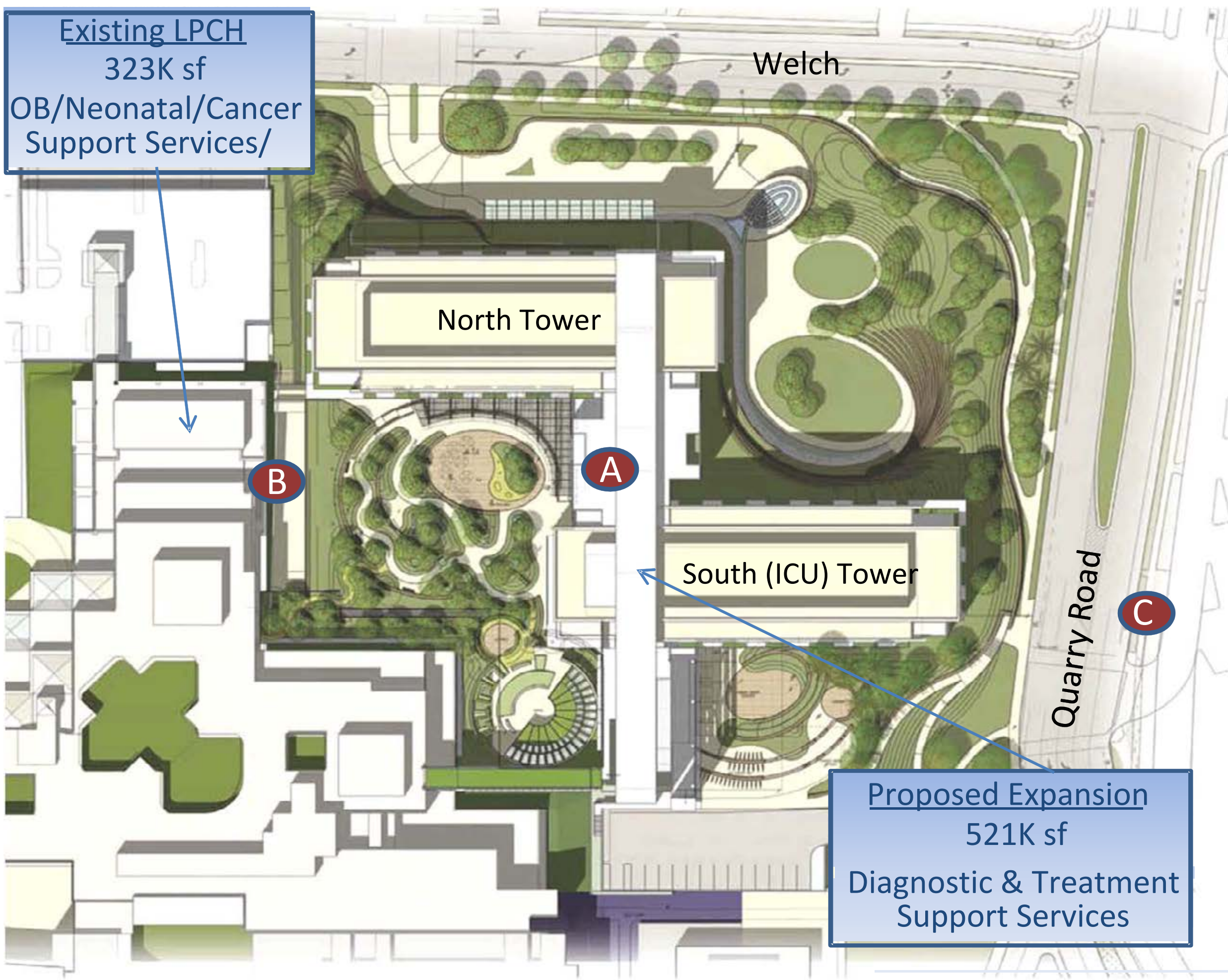
New Money Project Site

- 725 Welch Road, Palo Alto, California 94304
- 780 Quarry Road, Palo Alto, California 94304 which is the address assigned to the loading dock

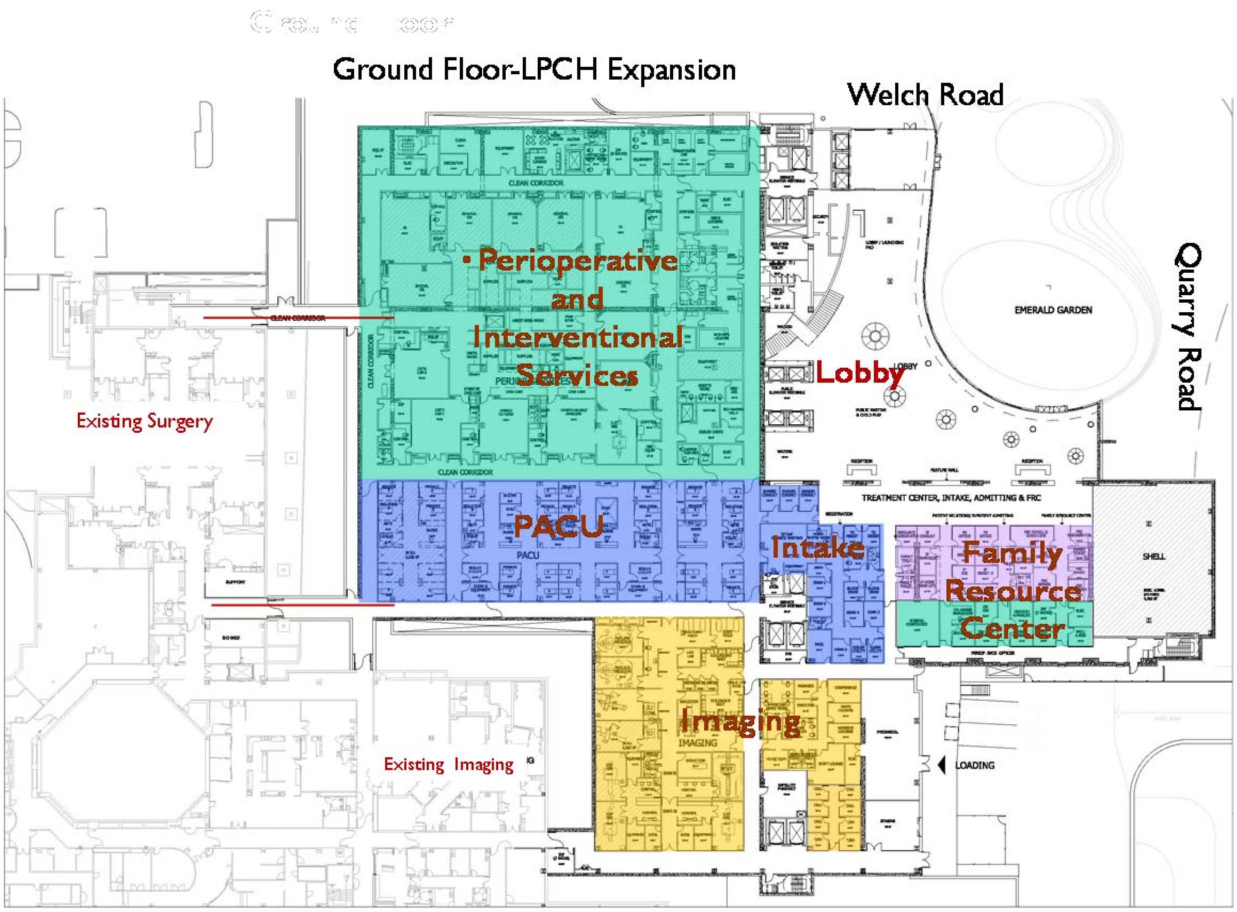
EXHIBIT 6

DIAGRAMS

The view below depicts the schematic design of the main campus and proposed new expansion. Labels A, B and C refer to three separate views on the following pages to illustrate alignment of key departments by floor.

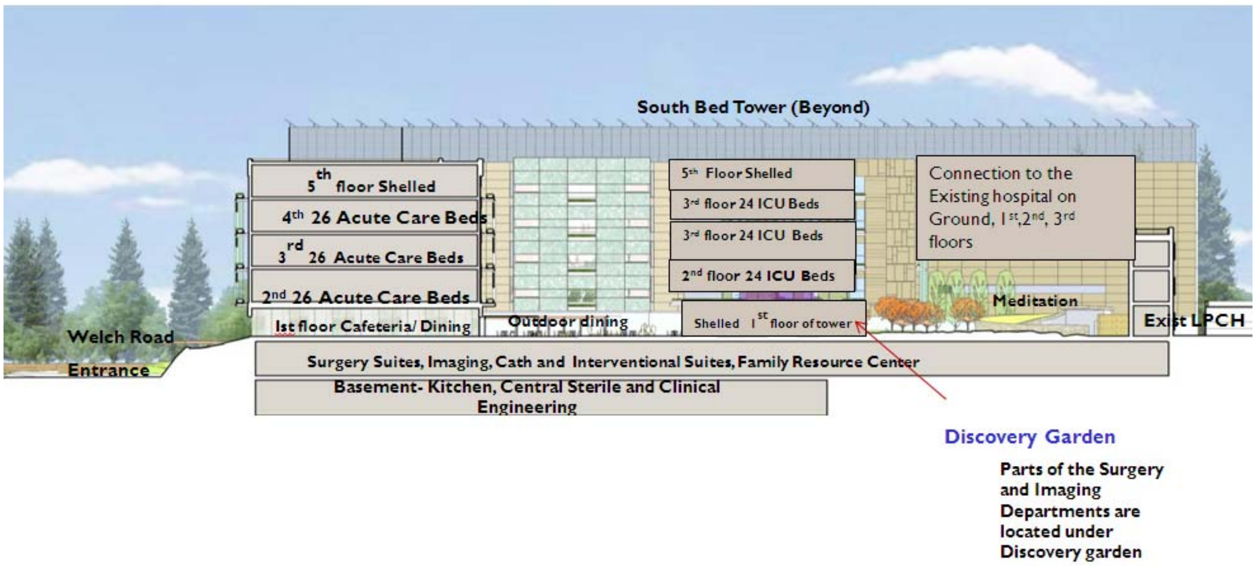


A This diagram depicts a top view of the ground floor, which connects the North and South Towers and extends to the existing hospital underneath the Discovery Garden (an outdoor dining, gathering and meditation area for patients and their families).



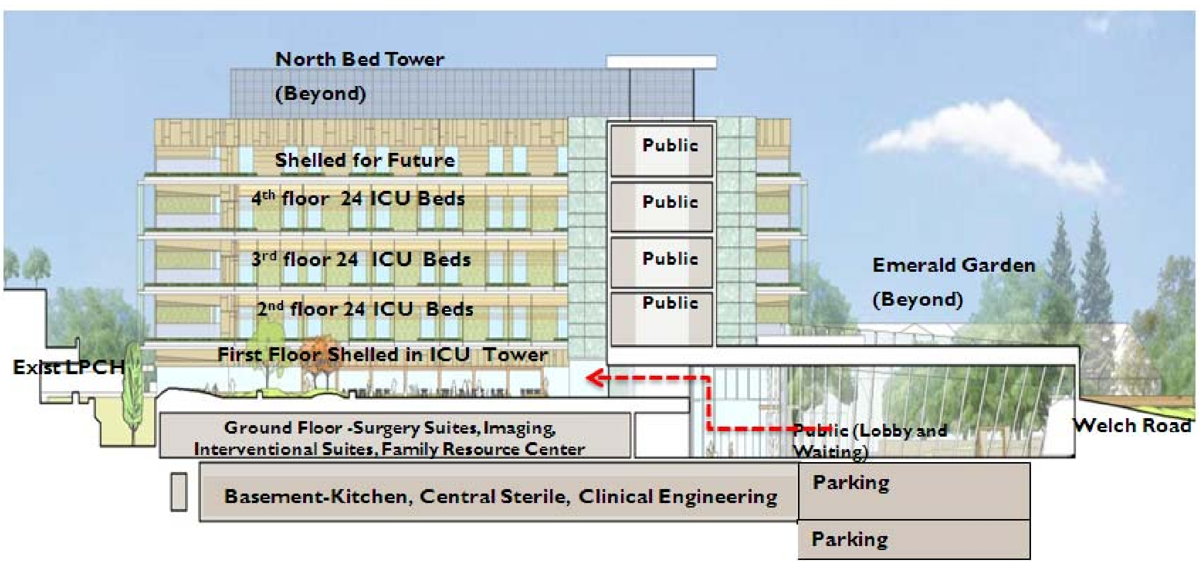
B

Below, a view of the LPCH Expansion from the existing LPCH Hospital illustrates the layout of the 78 acute care beds (North Tower) and 72 intensive care beds (South Tower).



C

This view from Quarry Road shows a more detailed layout of the 72 ICU beds in the South Tower.



RESOLUTION NO. 410

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS
TO REFINANCE AND FINANCE 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 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 the California Health Facilities Financing Authority Refunding Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2008 Series A, 2008 Series B and 2008 Series C (hereinafter collectively referred to as the "Prior Bonds") in the aggregate principal amount of $93,450,000, of which $90,290,000 currently is outstanding, and loaned the proceeds of thereof to the Borrower to refinance indebtedness incurred thereby in connection with the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities, 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 one or more series of its revenue bonds in an aggregate principal amount not to exceed $250,000,000, and make one or more loans of the proceeds thereof to the Borrower (i) to refund all or any portion of the Prior Bonds and (ii) to finance, including reimburse for, a portion of the costs of expansion of a health facility, including construction, equipment, furnishings, and land improvements, as more particularly described under the caption "New Project" in Exhibit A hereto (the "New Project," and, together with the Prior Project, the "Project"), and (iii) at the sole option of the Borrower, 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 Refunding Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2016 Series A (the "Refunding Bonds") and the "California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2016 Series B (the "New Money Bonds," and, together with the Refunding Bonds, the "Bonds"), in a total aggregate principal amount not to exceed $250,000,000, 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 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 principal amounts (not to exceed the aggregate principal amount set forth in Section 1 hereof) and in such series, at such prices (so long the discount on the Bonds sold shall not exceed six percent (6%) of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds shall, at issuance, be rated investment grade by an active nationally recognized rating agency. The Bonds or any series 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 trustee (the "Trustee"),

(iii) a Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the "Purchase Contract"), among Morgan Stanley & Co., LLC (the "Underwriter"), 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 to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds) as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan 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 tender or purchase, 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. The Underwriter is hereby authorized and directed 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 the discretion of the Underwriter (in consultation with the Borrower), a preliminary official statement may not be required to be used with respect to any series of Bonds. The Underwriter is hereby directed to deliver a final official statement (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 Underwriter 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 direction of the Underwriter, 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; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

Section 9. The provisions of the Authority's Resolution No. 2014-05 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 Prior Project

Proceeds of the California Health Facilities Financing Authority Refunding Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2016 Series A will be applied by Lucile Salter Packard Children's Hospital at Stanford (the "Borrower") to refinance a portion of the costs of the expansion of the health care facilities owned and operated by the Borrower.

Facilities being refinanced are located at and in the vicinity of 725 Welch Road, 730 Welch Road and 770 Welch Road, Palo Alto, California 94304, 1860 Embarcadero, Suite 140, Palo Alto, California 94303, 2000 Mowry Avenue, Fremont, California 94538, 14777 Los Gatos Boulevard, Los Gatos, California 95032, 2500 Grant Road, Mountain View, California 94040, 170 Alameda, Redwood City, California 94062 and at and in the vicinity of 751 South Bascom Avenue, San Jose, California 95128, including at and in the vicinity of the campus of Santa Clara Valley Medical Center, San Jose, California, which is bounded by South Bascom Avenue, Enborg Lane, Thornton Way and Moorpark Avenue, San Jose.

Description of the New Project

Proceeds of the California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2016 Series B will be applied by the Borrower to finance a portion of the costs of the expansion of the health care facilities owned and operated by the Borrower described below.

Lucile Salter Packard Children's Hospital at Stanford (the "Borrower") has requested the issuance of revenue bonds to finance a portion of the costs of the expansion of its existing hospital facility. The expansion contemplated by the Borrower will include construction, equipment, furnishings and land improvements and will increase the size of the existing hospital facilities operated by the Borrower at 725 Welch Road, Palo Alto, California 94304 by approximately 521,000 square feet. The expansion is being constructed in Palo Alto, California in the area bounded by Welch Road and Quarry Road adjacent to the Borrower's existing hospital facility including 780 Quarry Road, Palo Alto, California 94304 which is the address assigned to the loading dock. Plans approved by the Borrower and the City of Palo Alto for the expansion provide for the construction of two five-story towers, each of which will 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 include diagnostic, surgery and imaging departments, comprised of one neuro hybrid surgery suite, one neuro operating room suite, two cardiac surgery suites, three cardiac cath labs, one interventional room, one MRI, one CT scanner, one PET-CT scanner, and two nuclear medicine rooms.