

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)  
REFUNDING EXECUTIVE SUMMARY**

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<b>Applicant:</b>	Stanford Hospital and Clinics (“SHC”)	<b>Amount Requested:</b>	\$175,000,000
<b>Project site:</b>	Multiple locations		
<b>Date Requested:</b>	April 29, 2010	<b>Amended and Restated Resolution Number:</b>	340

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**Background:** At the March 2008 Authority meeting, SHC requested and was granted the authority to refund its variable rate bonds. SHC was then faced with unanticipated and staggering financial burdens, associated with significant interest rate increases due to recent dramatic changes in the auction and variable rate bond markets. Subsequently, SHC refunded *some* of its variable rate debt and then was granted an extension of the resolution at the Authority’s May 2009 meeting (which will soon expire May 2010) to permit SHC additional time to refund its remaining variable rate debt. SHC has not since refunded its remaining variable rate debt, but plans to do so within the next several months. To ensure SHC has sufficient time to find the most opportune time to refund the remaining variable rate debt and to avoid possible expiration of the resolution permitting the refunding, staff now recommends an additional one year extension of the resolution.<sup>1</sup>

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**Purpose:** Bond proceeds will be used to refund previously issued variable demand rate bonds. The original bond proceeds were used for construction and renovation, in addition to equipment upgrades, including medical and information technology hardware and software. The refunding will remove the credit risk related to Financial Securities Assurance Inc. and Dexia and the risk that interest could increase significantly in the future. The new bonds will be issued as fixed rate bonds.

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**Financial Overview:** Based on staff’s review of SHC’s most recent audited financial statements, SHC income statement and balance sheet appear solid. Additionally, SHC appears to meet CHFFA’s minimum requirements for debt service coverage as set forth within CHFFA’s Bond Issuance Guidelines. This refunding is expected to lower SHC interest costs for the refunded bonds.

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**Most Recent Underlying Bond Rating:** A+ (S&P) / A1 (Moody’s) / AA- (Fitch)

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**Sources and Uses/Costs of Issuance/Cost Savings**

Bond proceeds will be used to redeem designated prior bonds, and in some cases, to cover cost of issuance or debt service reserves, if needed, on the refunding bonds. There may be also a relatively small equity contribution from SHC to cover the costs of issuance. SHC expects the refunding to provide more stable and lower interest rates, as well as an improved opportunity for debt management.

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**Due Diligence:** Due diligence of the following items has been completed or will be completed prior to closing:

- **Religious Due Diligence**
  - **Legal Review**
  - **Community Service Obligation**
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**Staff Recommendation:** Staff recommends the Authority approve Resolution Number 340 in an amount not to exceed \$175,000,000 for Stanford Hospital and Clinics subject to financing terms acceptable to the Authority, that the Authority waive the pass-through requirement in connection with this refinancing, and that the Authority consider an appropriate fee reduction for Stanford Hospital and Clinics as the circumstances may warrant.

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<sup>1</sup> Please note the brevity of this staff report mirrors the original streamlined refunding report utilized for this identical transaction in March 2008 and May 2009. Staff is using the same format not only in the spirit of consistency, but also given the only issue before the board is whether to extend the initial resolution to permit SHC additional time to realize the previous authorization.

**EXHIBIT A**  
**TERM SHEET**

<b>Name of Issue:</b>	California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2010 Series (the "Bonds")
<b>Maximum Amount of Issue:</b>	Up to \$175,000,000
<b>Borrower:</b>	Stanford Hospital and Clinics, a California nonprofit public benefit corporation ("SHC"), sole member of an obligated group created pursuant to a Master Indenture of Trust, dated as of December 1, 1990
<b>Expected Trustee:</b>	Wells Fargo Bank, National Association or Union Bank, N.A. or The Bank of New York Mellon Trust Company N.A. or Deutsche Bank National Trust Company.
<b>Senior Underwriter:</b>	Morgan Stanley and Co. Incorporated, and such additional underwriters, if any, selected from among the pool of underwriters approved by the Treasurer and approved by both the Executive Director and SHC.
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP
<b>Projects Financed with Prior Obligations:</b>	<p>Refunding of CHFFA/SHC 2003 Series B, 2003 Series C and 2003 Series D Bonds (the "Prior Obligations"). Prior Obligations were issued as auction bonds in 2003 and were converted to variable rate demand bonds, with a weekly interest rate reset, in June 2008.</p> <p>Proceeds from the Prior Obligations were used to pay the costs of acquiring, constructing and equipping certain improvements to the SHC facilities.</p>
<b>Maximum Bond Term:</b>	Not to exceed 40 years. Maturities currently expected to match maturities for Prior Obligations.
<b>Minimum Denominations:</b>	\$5,000.
<b>Financing Structure for Initial Offering:</b>	One or more series of bonds to be issued as fixed rate bonds.

<b>Maximum Interest Rate:</b>	Fixed rate bonds: 5.00%, estimated based on current market conditions or such higher interest rate not to exceed 12% as provided in the final executed Indenture.
<b>Credit Enhancement:</b>	No credit enhancement anticipated. Provisions relating to bond insurance included in Resolution to maintain flexibility.
<b>Anticipated Bond Rating:</b>	Current long term ratings are A+/A1/AA- (S&P/Moody's/Fitch).
<b>Modifications from Reference Documents:</b>	Modifications to conform to current market documents utilized by senior underwriter; modifications to conform to insurer requirements if insurance utilized.
<b>Date Submitted by Borrower:</b>	April 16, 2010
<b>CHFFA Action requested on:</b>	April 29, 2010
<b>Prepared by:</b>	Tom Malm, Director of Treasury Services Stanford Hospital and Clinics 300 Pasteur Drive, MC 5554 Stanford, California 94305 (650) 725-3917
<b>Interested Parties List</b>	Current Interested Parties List to be submitted by Senior Underwriter.
<b>Additional Documents Submitted to CHFFA on April 9, 2010.</b>	CHFFA's Religious Questionnaire CHFFA's Legal Questionnaire Community Service Obligation

## SCHEDULE 1

### List of Prior Bonds to be Refunded

California Health Facilities Financing Authority Revenue Bonds  
(Stanford Hospital and Clinics), 2003 Series B, 2003 Series C and 2003 Series D

<b>Series</b>	<b>Par Outstanding</b>	<b>CUSIP</b>	<b>Mode</b>
2003 Series B	\$48,800,000	13033F3V0	VRDO-Weekly
2003 Series C	\$48,700,000	13033F3W8	VRDO-Weekly
2003 Series D	\$52,500,000	13033F3X6	VRDO-Weekly