CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

REFINANCING SUMMARY

Applicant:	Stanford Hospital and Clinics ("SHC" or "Borrower")	**Amount Requested:**	$175,000,000
Project site:	Multiple locations		
Date Requested:	May 28, 2009	**Resolution Number:**	340

Background:	At the March 2008 Authority meeting, SHC requested to refund its variable rate bonds. SHC was 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. Consequently, SHC quickly refunded some of their debt to extricate themselves from untenable debt service obligations and positioned themselves into more affordable and stable rates. As SHC was in the process of refunding the remainder of its variable rate debt, the Authority resolution expired, resulting in SHC being unable to finalize their refunding.[1]
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 release the bonds from the recently downgraded FSA insurance the new bonds will be issued as fixed rate bonds.
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.
Most Recent Underlying Bond Rating:	A (S&P) / A1 (Moody's) / AA- (Fitch)

Sources and Uses/Costs of Issuance/Cost Savings

Within 90 days of board approval, 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 also be a relatively small equity contribution from the borrower to cover costs of issuance. The borrower expects the refunding to provide more stable and lower interest rates, as well as an improved opportunity for debt management.

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**
- **CEQA (not required because borrower is refunding their bonds)**

Staff Recommendation: Staff recommends the Authority approve a Resolution in an amount not to exceed $175,000,000 for Stanford Hospital & 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 this borrower as the circumstances may warrant.

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[1] Please note the brevity of this staff report mirrors the original streamlined refunding report utilized for this identical transaction last March of 2008. 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

Name of Issue:	California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics), 2009 Series (the "Bonds")
Maximum Amount of Issue:	Up to $175,000,000
Borrower:	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
Expected Trustee:	Wells Fargo Bank, National Association or U.S. Bank National Association
Senior Underwriter:	Morgan Stanley & 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.
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Senior Remarketing Agent*:	Morgan Stanley & Co. Incorporated SHC is also in the process of selecting one or more co-managers, which would serve as additional remarketing agents.
Projects Financed with Prior Obligations:	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. Proceeds from the Prior Obligations were used to pay the costs of acquiring, constructing and equipping certain improvements to the SHC facilities.
Maximum Bond Term:	Not to exceed 40 years. Maturities currently expected to match maturities for Prior Obligations.

* If applicable.

Minimum Denominations:	$5,000 if long-term obligations; $100,000 or any integral multiple of $5,000 in excess thereof if variable rate obligations.
Financing Structure for Initial Offering:	One or more series of bonds to be issued as term rate or fixed rate bonds or a combination of term rate or fixed rate bonds and variable rate bonds based on market conditions. SHC may utilize any of the modes set out in the draft financing documents to be provided to CHFFA. Draft financing documents will be based on documents executed in connection with the CHFFA 2008 Series Bonds. If variable rate demand obligations are issued, SHC may provide self-liquidity with respect to such obligations, may provide a letter of credit provided by one or more banks or other financial institutions approved by the Executive Director, each of which is rated at least "A-" or may provide liquidity only for such obligations in the form of a standby bond purchase agreement or other agreement provided by one or more banks or other financial institutions approved by the Executive Director, each of which is rated at least "A-."
Maximum Interest Rate:	Term or fixed rate bonds: 6.50%, estimated based on current market conditions or such higher interest rate not to exceed 12% as provided in the final executed Indenture. Variable rate bonds: 12%.
Letter of Credit; Liquidity Agreement:	If utilized in connection with variable rate demand obligations, will be provided by one or more banks approved by the Executive Director, each of which is rated at least "A-."
Other Credit Enhancement:	Bond insurance may be utilized in connection with one or more series of Bonds. Prior Obligations insured by Financial Security Assurance Inc.
Anticipated Bond Rating:	Current long term ratings are A/A-1/AA - (S&P/Moody's/Fitch). If a letter of credit structure is used for one or more series of Bonds, such series of Bonds would also be assigned the long term and short term ratings assigned to the letter of credit provider. If

	liquidity were provided by a liquidity provider in connection with a series of Bonds, such series of Bonds would also be assigned the short term ratings assigned to the liquidity provider. If bond insurance is used for one or more series of Bonds, such series of Bonds would also be assigned the long term ratings of the insurer.
Modifications from Reference Documents:	Modifications to conform to current market documents utilized by senior underwriter; modifications to conform to insurer requirements if insurance utilized; modifications to conform to current letter of credit or liquidity provider requirements if variable rate demand obligations issued.
Date Submitted by Borrower:	May 18, 2009
CHFFA Action requested on:	May 28, 2009
Prepared by:	Tom Malm, Director of Treasury Services Stanford Hospital and Clinics 300 Pasteur Drive, MC 5554 Stanford, California 94305 (650) 725-3917
Interested Parties List	Current Interested Parties List submitted by Senior Underwriter.
Additional Documents to be Submitted before Bond Sale:	CHFFA's Religious Questionnaire CHFFA's Legal Questionnaire Community Service Obligation

SCHEDULE 1

List of Prior Obligations to be Refunded

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

Series	Par Outstanding	CUSIP	Mode
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