

NORTH SAN DIEGO COUNTY HEALTH FACILITIES FINANCING AUTHORITY

Posted
Mailed (US & E-mail)
Faxed
May 8, 2007

BOARD OF DIRECTORS

**NOTICE OF AND MEETING AGENDA FOR
 RESCHEDULED BOARD MEETING**

Palomar Medical Center
 Admin Conference Room 1
 555 E. Valley Parkway, Escondido, California

Friday, May 11, 2007
 12:00 noon

	<u>Time</u>	<u>Page</u>	<u>Target</u>
I. CALL TO ORDER and ROLL CALL.....	.....3	.....	12:00P
II. PUBLIC COMMENTS .....	.....5	.....	12:03P
<i>(5 minutes allowed per speaker, with a cumulative total of 15 minutes per group – for further details & policy, see Request for Public Comments notices, available in the meeting room)</i>			
III. * APPROVAL OF MINUTES – November 20, 2006.....	.....2	.....2-4	12:08P
IV. INFORMATION ITEM(S) .....	.....5	.....	12:10P
V. DISCUSSION AGENDA			
A. *Election of Chair of the North San Diego County Health Facilities Financing Authority (“The Authority”)			
B. *Election of Vice-Chair of The Authority .....	.....7	.....	12:15P
C. *Election of the Treasurer/Controller of The Authority			
D. *Appointment of the Secretary of The Authority			
E. *Establishment of the Time and Place for Regular Meetings of the Board of Directors of The Authority.....	.....5	.....	12:22P
F. *Adoption of Resolution No. 05.11.07 (01) – 1 Confirming Election of the Chair, Vice-Chair and Treasurer/Controller of The Authority; Appointment of the Secretary of The Authority; and Establishment of the Date, Time and Place for Regular Meetings of the Board of Directors of The Authority.....	.....3	.....5-7	12:27P
G. *Request of Grossmont Healthcare District to Join The Authority .....	.....15	.....8-9	12:30P
H. *Adoption of Resolution No. 05.11.07 (02) – 02 Approving the Addition of Grossmont Healthcare District as an Additional Member of The Authority and Authorizing the Taking of All Necessary Actions In Connection Therewith, Including Acceptance of an Executed Counterpart of The Authority Joint Exercise of Powers Agreement and Adoption of a Conflict of Interest Code Applicable to the Grossmont Healthcare District Members of the Board of Directors of The Authority ..	.....2	.... 10-15	12:45P
I. *Adoption of Resolution No. 05.11.07 (03) – 03 Authorizing the Purchase and Sale of Grossmont Healthcare District (San Diego County, California) General Obligation Bonds, 2006 Election, 2007 Series A, Approving the Form of a Purchase Contract and Authorizing the Execution and Delivery Thereof; and Authorizing the Taking of All Necessary Actions In Connection Therewith .	.....3	.... 16-69	12:47P
VI. BOARD MEMBER COMMENTS.....	.....5	.....	12:55P
VII. FINAL ADJOURNMENT .....	.....	.....	1:00P

NEXT MEETING: Monday, May 5, 2008

<u>Distribution:</u>	Art Gonzalez, PhD, Vice-Chair	Robert Wardwell, Member
Michael Covert, FACHE, Chair	Bob Hemker, Treasurer	Tanya Howell, Secretary

NOTE: If you have a disability, please notify us 72 hours prior to the event so that we may provide reasonable accommodations.

***Asterisks “*” indicate anticipated action
 Action is not limited to those designated items***

**Meeting Minutes
November 20, 2006**

TO: Board of Directors
North San Diego County Health Facilities Financing Authority

MEETING DATE: Friday, May 11, 2007

FROM: Tanya Howell, Secretary

Background: The minutes of the North San Diego County Health Facilities Financing Authority Board of Directors meeting held on Monday, November 20, 2006, are respectfully submitted for approval.

Motion: X

Individual Action:

Information:

**NORTH SAN DIEGO COUNTY HEALTH FACILITIES FINANCING AUTHORITY
BOARD OF DIRECTORS MEETING**

Pomerado Hospital, 15615 Pomerado Road, Poway, California

Café Conference Room 1

Monday, November 20, 2006, Meeting Minutes

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
MEETING CALLED TO ORDER	2:00 p.m. by Michael Covert, Chair		
ROLL CALL	The roll was called by Michael Covert		
ATTENDANCE	Board Members: Art Gonzalez, Dr. P.H., Bob Wardwell, Bob Hemker, Michael Covert, FACHE, and Tanya Howell. Also in attendance was Bond Counsel, Kathleen Leak of Orrick, Herrington & Sutcliffe. Chairman Covert introduced guest Kwaja Floyd, the Administrative Fellow at PPH.		
NOTICE OF MEETING	The notice of meeting was mailed on Friday, November 17, 2006, which is consistent with legal requirements.		
PUBLIC COMMENTS	There were no public comments.		
MINUTES JULY 11, 2006	It was requested that Vice-Chair Art Gonzalez's middle initial be corrected under the "Conclusion/Action" column from a "G." to an "A."	MOTION: By Bob Hemker, seconded by Art Gonzalez and carried to approve the minutes from the July 11, 2006, meeting, with the correction as requested.	Secty Howell to amend minutes before publishing them.
INFORMATION ITEM(S)	<ul style="list-style-type: none"> Conformed copies of the Bylaws, containing the change in the order of business of the Board—approved at the July 2006 meeting, were distributed with the agenda packet. Originals were delivered at the meeting to Bond Counsel and Bob Wardwell for their respective records. 	Information Only	
DISCUSSION AGENDA A. ELECTION OF CHAIR OF THE NORTH SAN DIEGO COUNTY HEALTH FACILITIES FINANCING AUTHORITY ("THE AUTHORITY") B. ELECTION OF VICE-CHAIR OF THE AUTHORITY C. ELECTION OF TREASURER/CONTROLLER OF THE AUTHORITY D. APPOINTMENT OF THE SECRETARY OF THE AUTHORITY	<p>A. Chairman Covert entertained motions for nomination for Chair of The Authority. No discussion.</p> <p>B. Chairman Covert entertained motions for nomination for Vice-Chair of The Authority. No discussion.</p> <p>C. Chairman Covert entertained motions for nomination for Treasurer/Controller of The Authority. No discussion.</p> <p>D. Chairman Covert entertained motions for nomination for Secretary of The Authority. No discussion.</p> <p>E. Bob Wardwell indicated that he had a potential conflict with the date as set forth in the Resolution. Counsel Leak commented on the inclusion of verbiage in the Resolution that allows the time and/or date to be changed by the Chair via written notice 72 hours prior to the original date, so the issue was tabled as moot.</p> <p>F. Chairman Covert quoted the caption on the Resolution, "A Resolution Electing a Chair, a Vice-Chair and a Treasurer/Controller of the North San Diego</p>	<p>A. MOTION: By Art Gonzalez, seconded by Bob Hemker and carried by unanimous vote to elect Michael H. Covert Chair of The Authority.</p> <p>B. MOTION: By Bob. Hemker, seconded by Michael Covert and carried by unanimous vote to elect Art Gonzalez Vice-Chair of The Authority.</p> <p>C. MOTION: By Bob Wardwell, seconded by Art Gonzalez and carried by unanimous vote to elect Bob Hemker Treasurer/Controller of The Authority.</p> <p>D. MOTION: By Bob Hemker, seconded by Art Gonzalez and carried by unanimous vote to appoint Tanya Howell Secretary of The Authority.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
<p>E. ESTABLISHMENT OF THE TIME AND PLACE FOR REGULAR MEETINGS OF THE BOARD OF DIRECTORS OF THE AUTHORITY</p> <p>F. ADOPTION OF RESOLUTION NO. 11-01</p> <p>G. ADOPTION OF RESOLUTION NO. 11-02</p>	<p>County Health Facilities Financing Authority; Appointing a Secretary of Said Authority; and Setting the Date, Time and Place for Regular Meetings of the Board of Directors of Said Authority”</p> <p>G. Chairman Covert quoted the caption on the Resolution, “A Resolution Authorizing Participation in a Certificate of Participation Financing for the Benefit of Palomar Pomerado Health, Including the Execution and Delivery of Not To Exceed \$180 Million Aggregate Principal Amount of Certificates of Participation Evidencing Proportionate Undivided Interests in Installment Payments to be Made by Palomar Pomerado Health Pursuant to an Installment Sale Agreement Between the North San Diego County Health Facilities Financing Authority and Palomar Pomerado Health, Approving the Form of, and Authorizing the Execution and Delivery of, the Documents and Agreements Required in Connection Therewith, Including Such Installment Sale Agreement, a Purchase Agreement, a Trust Agreement and a Certificate Purchase Agreement Relating to Said Certificates of Participation, and Authorizing the Taking of Certain Other Actions in Connection Therewith”</p> <p>Art Gonzalez asked if legal counsel had reviewed the transaction for completeness and compliance with the law. Bond Counsel Kathleen Leak responded in the affirmative. Bob Hemker stated that not only had all documents been reviewed by bond counsel, they had also undergone the scrutiny of corporate and underwriter's counsel.</p> <p>Bob Wardwell pointed out what appeared to be a typographical omission under Section 1. It was confirmed, and Secretary Tanya Howell was requested to amend the first sentence in that section to read, “The execution and delivery of not <i>to</i> exceed ...”</p> <p>Bob Hemker clarified that the limitation to \$180,000,000 was based on statutory limitations on the issuance of Revenue Bonds.</p> <p>No further discussion.</p>	<p>E. MOTION: By Art Gonzalez, seconded by Bob Hemker and carried by unanimous vote to hold the annual regular meeting of The Authority at 11:45 a.m. on the first Monday in May of each year, or such other time and/or date as shall be specified by the Chair of The Authority in a written notice calling such regular meeting, at least seventy-two (72) hours prior to the date of such regular meeting; with meetings to be held at 555 E. Valley Parkway, Escondido, CA 92025; 15615 Pomerado Road, Poway, CA 92064; 4002 Vista Way, Oceanside, CA 92056; 15255 Innovation Drive, San Diego, CA 92128; or such other location as shall be specified by the Chair of The Authority in a written notice calling such regular meeting.</p> <p>F. MOTION: By Art Gonzalez, seconded by Bob Wardwell and carried by unanimous vote to accept Resolution No. 11-01 as written.</p> <p>G. MOTION: By Art Gonzalez, seconded by Bob Hemker and carried by unanimous vote to accept Resolution No. 11-02 after the requested correction to Section 1.</p>	
<p>BOARD MEMBER COMMENTS</p>	<p>Bob Hemker stated that he had been approached by Grossmont Healthcare District, who would like to know if the Board of The Authority would be receptive to having them join the North San Diego County Health Facilities Financing Authority. The Board indicated they would be receptive to investigating the concept, but practical application and necessary legal adjustments to the agreement would need to be thoroughly reviewed before any commitments were made. Bob Hemker will notify Grossmont that the Board is receptive to further discussions.</p>	<p>Information Only.</p>	
<p>ADJOURNMENT</p>	<p>There being no further business, the meeting was adjourned at 2:25 p.m.</p>	<p>MOTION: By Art Gonzalez, seconded by Bob Wardwell and carried to adjourn the meeting.</p>	
<p>SIGNATURES:</p> <ul style="list-style-type: none"> • CHAIRMAN • SECRETARY 	<p>_____</p> <p>Michael H. Covert</p> <p>_____</p> <p>Tanya Howell</p>		

North San Diego County Health Facilities Financing Authority

Resolution No. 05.11.07 (01) - 01

A RESOLUTION ELECTING A CHAIR, A VICE-CHAIR AND A TREASURER/CONTROLLER OF THE NORTH SAN DIEGO COUNTY HEALTH FACILITIES FINANCING AUTHORITY; APPOINTING A SECRETARY OF SAID AUTHORITY; AND SETTING THE DATE, TIME AND PLACE FOR REGULAR MEETINGS OF THE BOARD OF DIRECTORS OF SAID AUTHORITY.

WHEREAS, Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California ("PPH") and Tri-City Healthcare District, a local health care district duly organized and existing under the laws of the State of California ("TCHD"), have heretofore executed a joint exercise of powers agreement (the "JPA Agreement"), which JPA Agreement establishes and creates the North San Diego County Health Facilities Financing Authority (the "Authority");

WHEREAS, the Board of Directors of the Authority (the "Board") adopted bylaws (as amended to the date hereof, the "Bylaws") on May 27, 2005;

WHEREAS, pursuant to the JPA Agreement and the Bylaws, the Board desires to elect a Chair, a Vice-Chair and a Treasurer/Controller and to appoint a Secretary; and

WHEREAS, pursuant to the JPA Agreement and the Bylaws, the Board desires to establish certain provisions regarding the holding of regular meetings;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority, as follows:

Section 1. Pursuant to Section 4 D. (1) of the JPA Agreement, _____ is hereby elected Chair of the Authority, _____ is hereby elected Vice-Chair of the Authority, _____ is hereby elected Treasurer/Controller of the Authority, and _____ is hereby appointed Secretary of the Authority.

Section 2. Regular meetings of the Board shall be held at 555 E. Valley Parkway, Escondido, California 92025; 15615 Pomerado Road, Poway, California 92064; 4002 Vista Way, Oceanside, California 92056; 15255 Innovation Drive, San Diego, California 92128; or such other location as shall be specified by the Chair of the Authority in a written notice calling such regular meeting, which written notice shall be delivered by the Secretary of the Authority to each member of the Board, the Chair of the Authority, the Vice Chair of the Authority, and the Treasurer/Controller of the Authority. The annual regular meeting of the Board to be held each year pursuant to Section 4 C. (2) of the JPA Agreement shall be held at 11:45 a.m. on the first Monday of May of each year, or such other time and/or date as shall be

specified by the Chair of the Authority in a written notice calling such regular meeting, which written notice shall be delivered by the Secretary of the Authority to each member of the Board, the Chair of the Authority, the Vice Chair of the Authority, and the Treasurer/Controller of Authority, at least seventy-two (72) hours prior to the date of such regular meeting.

Section 3. This Resolution shall take effect from and after its adoption.

Passed And Adopted by the Board of Directors of the North San Diego County Health Facilities Financing Authority this 11th Day of May, 2007.

**North San Diego County Health Facilities
Financing Authority**

By: _____
Chair

I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted by the Board of Directors of the North San Diego County Health Facilities Financing Authority at a meeting thereof held in accordance with law on May 11, 2007, by the following vote of the members thereof:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

Tanya Howell, Secretary

BOARD OF DIRECTORS

John W. Hardebeck, M.D.
President

James Stieringer
Vice President

Gloria A. Chadwick, RN
Secretary

Robert P. Yarris
Treasurer

Deborah D. McElravy, RPh
Member



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La Mesa, CA 91942

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Facsimile: (619) 825-5051
www.grossmonthealthcare.org
board@grossmonthealthcare.org

Chief Executive Officer
Barry M. Jantz

January 5, 2007

Robert Hemker, Chief Financial Officer
Palomar Pomerado Health
15255 Innovation Drive
San Diego, California 92128

Re: Request to Join the North San Diego County Health Facilities Financing Authority

Dear Mr. Hemker:

On June 6, 2006, more than two-thirds of the voters residing in Grossmont Healthcare District ("the District") voted to authorize the issuance and sale of \$247,000,000 principal amount of general obligation bonds of the District (the "Bonds"). The District currently is structuring its first series of Bonds and expects to issue Bonds in the spring of 2007.

The District is aware that the Health and Safety Code of the State of California does not permit the District to sell its bonds through a negotiated sale. The District, however, has an existing relationship with Goldman, Sachs & Co., which has provided advisory services in preparation for and subsequent to the election authorizing the Bonds, and would prefer to sell the first series of Bonds through a negotiated underwriting with Goldman, Sachs & Co.

Robyn Helmlinger, Bond Counsel to the District, spoke with you about the prospect of permitting the District to join the North San Diego County Health Facilities Financing Authority (the "Authority") in order to enlist the assistance of the Authority in a negotiated sale of the District's first series of Bonds. At your suggestion, and with the approval of the Board of Directors, the District hereby submits its request that the Authority consider allowing the District to become a member of the Authority and that the Authority participate in the issuance of the District's first series of Bonds by purchasing such first series of Bonds from the District and selling such first series of Bonds to Goldman, Sachs & Co.



Robert Hemker
January 5, 2007
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The District has a long history of positive relations with Palomar Pomerado Health and Tri-City Healthcare Districts and looks forward to continuing to work with both entities to bring quality health care to our respective communities.

Please let me know if the Authority would like any additional information. I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry M. Jantz", with a stylized flourish extending to the right.

Barry M. Jantz
Chief Executive Officer

cc: Grossmont Healthcare District Board

North San Diego County Health Facilities Financing Authority

Resolution No. 05.11.07 (02)-02

A RESOLUTION APPROVING THE ADDITION OF GROSSMONT HEALTHCARE DISTRICT AS A MEMBER OF THE NORTH SAN DIEGO COUNTY HEALTH FACILITIES FINANCING AUTHORITY AND AUTHORIZING THE TAKING OF ALL NECESSARY ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the "Act"), Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California, and Tri-City Healthcare District, a local health care district duly organized and existing under the laws of the State of California, entered into that certain Joint Exercise of Powers Agreement, dated May 27, 2005 (the "JPA Agreement"), pursuant to which the North San Diego County Health Facilities Financing Authority (the "Authority") was established and created;

WHEREAS, pursuant to Section 19 of the JPA Agreement, additional Public Agencies (as such term is defined in the JPA Agreement) may be added to the JPA Agreement and may become Members (as such term is defined in the JPA Agreement), subject to the terms and conditions imposed by the Members, upon (i) the filing by such Public Agency of an executed counterpart of the JPA Agreement, together with a certified copy of the resolution of the governing body of such Public Agency approving the JPA Agreement and the execution and delivery thereof, and (ii) adoption of a resolution by the Board of Directors of the Authority approving the addition of such Public Agency as a Member;

WHEREAS, Grossmont Healthcare District ("Grossmont"), a local health care district duly organized and existing under the laws of the State of California, is a "public agency" as such term is defined in the JPA Agreement;

WHEREAS, Grossmont wishes to become a Member of the Authority;

WHEREAS, on April 20, 2007, the governing body of Grossmont (the "Grossmont Board") adopted a resolution approving the JPA Agreement and the execution and delivery thereof (such resolution being hereinafter referred to as the "Grossmont Resolution");

WHEREAS, in accordance with Section 19 of the JPA Agreement, Grossmont has filed an executed counterpart of the JPA Agreement and a certified copy of the Grossmont Resolution with the Secretary of the Board of Directors of the Authority;

WHEREAS, Grossmont has also filed a copy of Conflict of Interest Code of Grossmont Healthcare District (as revised from time to time, the "Grossmont Conflict of Interest Code") with the Secretary of the Board of Directors of the Authority; and

WHEREAS, in accordance with Section 19 of the JPA Agreement, the Board of Directors of the Authority wishes to approve the addition of Grossmont as a Member of the Authority;

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority, as follows:

Section 1. The addition of Grossmont as a Member of the Authority is hereby approved.

Section 2. Effective upon filing of the counterpart of the JPA Agreement executed by Grossmont with the office of the Secretary of State of the State of California in accordance with Section 19 of the JPA Agreement, the addition of Grossmont as a Member of the Authority shall become effective.

Section 3. Effective with the addition of Grossmont as a Member of the Authority, pursuant to Section 4 B of the JPA Agreement, the chief executive officer of Grossmont and the Assistant Treasurer of Grossmont, who functions as the chief financial officer of Grossmont, shall become members of the Board of Directors of the Authority.

Section 4. Effective with the addition of Grossmont as a Member of the Authority, pursuant to Section 13 of the JPA Agreement, the Grossmont Conflict of Interest Code, on file with the Secretary of the Authority and incorporated herein by reference as if fully set forth herein, is adopted as the Conflict of Interest Code of the Authority with respect to the members of the Board of Directors of the Authority employed by Grossmont.

Section 5. This Resolution shall take effect from and after its adoption.

Passed and Adopted by the Board of Directors of the North San Diego County Health Facilities Financing Authority this 11th day of May, 2007.

**North San Diego County Health Facilities
Financing Authority**

By: _____
Chair

I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted by the Board of Directors of the North San Diego County Health Facilities Financing Authority at a meeting thereof held in accordance with law on May 11, 2007, by the following vote of the members thereof:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

Tanya Howell, Secretary



RESOLUTION NO. 02-07

RESOLUTION OF THE BOARD OF DIRECTORS OF GROSSMONT HEALTHCARE DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF A JOINT EXERCISE OF POWERS AGREEMENT RELATING TO THE NORTH SAN DIEGO COUNTY HEALTH FACILITIES FINANCING AUTHORITY AND AUTHORIZING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

WHEREAS, as authorized by Proposition G, approved by more than two-thirds of the votes cast on such proposition at an election held in Grossmont Healthcare District (the "District") on June 6, 2006, the Board of Directors of the District (the "Board of Directors") intends to authorize the issuance of general obligation bonds from time to time for the purpose of financing all or portions of the projects as referenced and described in Proposition G;

WHEREAS, from time to time, the District may desire to provide for the sale of such general obligation bonds by negotiated sale;

WHEREAS, in order to provide for the sale of such general obligation bonds on a negotiated basis, it will be necessary for the general obligation bonds to be sold by the District to a joint exercise of powers entity, which will, in turn, simultaneously resell such general obligation bonds by negotiated sale;

WHEREAS, pursuant to Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (commencing with Section 6500) (the "Act"), Palomar Pomerado Health and Tri-City Healthcare District, each a local health care district duly organized and existing under the laws of the State of California, entered into a joint exercise of powers agreement, dated May 27, 2005 (the "Joint Powers Agreement"), pursuant to which a joint exercise of powers entity, designated as the North San Diego County Health Facilities Financing Authority (the "Authority") was created;

WHEREAS, pursuant to the Act and the Joint Powers Agreement, the Authority may jointly exercise any power common to the contracting parties as specified in such agreement and may also exercise such additional powers as are granted to a joint exercise of powers entity pursuant to the Act;

WHEREAS, Article 4 of the Act authorizes and empowers an entity created pursuant to Article 1 of the Act to, among other things, enter into bond purchase agreements with a local agency or agencies (as such term is defined in Article 4 of the Act), to purchase bonds, including, without limitation, general obligation bonds, issued by any local agency at public or negotiated sale, to hold bonds so purchased or to sell such bonds to public or private purchasers at public or negotiated sale, and to issue bonds to finance public capital improvements;

WHEREAS, the District, a local health care district duly organized and existing under the laws of the State of California, is a "public agency" as such term is defined in Article 1 of the Act and a "local agency" as such term is defined in Article 4 of the Act;

WHEREAS, in order to facilitate the sale of general obligation bonds on a negotiated basis, the District desires to become a member of the Authority;

WHEREAS, the Joint Powers Agreement has been presented to the Board of Directors; and

WHEREAS, the Board of Directors desires to authorize the execution and delivery of the Joint Powers Agreement and to authorize the taking of such other actions as shall be necessary in connection with the District becoming a member of the Authority;

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. Recitals. The foregoing recitals are true and correct, and this Board of Directors so finds and determines.

Section 2. Joint Powers Agreement. The Joint Powers Agreement presented to this meeting is hereby approved. The Chief Executive Officer of the District or the Assistant Treasurer of the District (each an "Authorized District Representative"), is hereby authorized and directed, for and in the name of and on behalf of the District, to enter into, execute and deliver the Joint Powers Agreement.

Section 3. Further Authorization; Ratification of Actions. Each Authorized District Representative, or any designee of either thereof, is authorized and directed to do any and all things and to execute and deliver any and all documents, instruments and certificates, and to enter into any and all agreements, which such Authorized District Representative may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution. The Secretary of the Board of Directors of the District is hereby authorized to attest to the seal of the District and/or any signature of an Authorized District Representative on any of the documents, instruments, certificates and agreements authorized by this Resolution. All such actions heretofore taken by such Authorized District Representatives or any designee of either thereof are hereby ratified, confirmed and approved.

Section 4. Effective Date. This Resolution shall take effect from the date of adoption hereof.

PASSED AND ADOPTED by the Board of Directors of Grossmont Healthcare District on the 20th day of April, 2007, by the following vote:

AYES: Directors Chadwick, McElravy & Stieringer

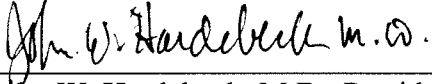
NOES: None

ABSENT: Directors Hardebeck & Yarris

ABSTAINING: None

DATED: April 20, 2007.

BY:


John W. Hardebeck, M.D., President

ATTESTED:


Gloria A. Chadwick, RN, Secretary

North San Diego County Health Facilities Financing Authority

Resolution No. 05.11.07 (03)-03

A RESOLUTION AUTHORIZING THE PURCHASE AND SALE OF GROSSMONT HEALTHCARE DISTRICT (SAN DIEGO COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS, 2006 ELECTION, 2007 SERIES A; APPROVING THE FORM OF A PURCHASE CONTRACT AND AUTHORIZING THE EXECUTION AND DELIVERY THEREOF; AND AUTHORIZING THE TAKING OF ALL NECESSARY ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the "Act"), Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California, and Tri-City Healthcare District, a local health care district duly organized and existing under the laws of the State of California, entered into that certain Joint Exercise of Powers Agreement, dated May 27, 2005 (the "JPA Agreement"), pursuant to which the North San Diego County Health Facilities Financing Authority (the "Authority") was established and created;

WHEREAS, pursuant to a request received from Grossmont Healthcare District, a local health care district duly organized and existing under the laws of the State of California ("Grossmont"), and a "public agency" as such term is defined in the JPA Agreement, the Board of Directors of the Authority approved the addition of Grossmont as an additional Member (as such term is defined in the JPA Agreement) on the date hereof in accordance with the provisions set forth in Section 19 of the JPA Agreement;

WHEREAS, Article 4 of the Act authorizes a local agency to sell bonds to an authority created pursuant to the Act without compliance with any public sale requirement included in the statutes under which such bonds are issued;

WHEREAS, Article 4 of the Act also authorizes and empowers an authority created pursuant to the Act to enter into a Purchase Contract with a local agency to purchase bonds issued by a local agency and to sell bonds so purchased to public or private purchasers at public or negotiated sale;

WHEREAS, Grossmont is a local agency which is preparing to issue general obligation bonds (hereinafter referred to as the "Grossmont GO Bonds") authorized by a ballot measure ("Proposition GG") approved by more than two-thirds of the votes cast on Proposition GG at an election held in the Grossmont Healthcare District on June 6, 2006;

WHEREAS, such Grossmont GO Bonds will be issued to finance all or portions of the health care projects as referenced and described in Proposition GG;

WHEREAS, to provide for development of the most favorable debt structure for Grossmont and to ensure the most favorable reception in the market place for the Grossmont GO Bonds, Grossmont proposes to sell the Grossmont GO Bonds by negotiated sale;

WHEREAS, to provide for such negotiated sale, Grossmont proposes to sell the Grossmont GO Bonds to the Authority and has requested that the Authority agree to purchase the Grossmont GO Bonds from Grossmont and simultaneously resell the Grossmont GO Bonds to Goldman Sachs & Co. (hereinafter referred to as the "Purchaser");

WHEREAS, the Authority desires to assist Grossmont to provide for the negotiated sale of the Grossmont GO Bonds;

WHEREAS, Grossmont has caused to be prepared a proposed form of purchase contract (the "Purchase Contract"), such Purchase Contract to be executed and delivered by the Purchaser and to accepted by Grossmont and the Authority;

WHEREAS, a proposed form of Purchase Contract is on file with the Secretary of the Authority; and

WHEREAS, a proposed form of official statement in preliminary form (the "Official Statement"), to be used in connection with the offering and sale of the Grossmont GO Bonds, is also on file with the Secretary of the Authority;

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority, as follows:

Section 1. The foregoing recitals are true and correct and the Board of Director of the Authority hereby so finds and determines.

Section 2. Pursuant to the Act, the Authority is hereby authorized to purchase the Grossmont GO Bonds from Grossmont and to sell the Grossmont GO Bonds to the Purchaser.

Section 3. The proposed form of the Purchase Contract, on file with the Secretary of the Authority, is hereby approved. The Chair of the Authority, the Vice-Chair of the Authority or the Treasurer/Controller of the Authority (each, an "Authorized Officer"), acting singly, is hereby authorized and directed, for and on behalf of the Authority, to execute and deliver the Purchase Contract in substantially said form, with such changes and insertions therein as such Authorized Officer, with the advice of counsel to the Authority, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, and pursuant thereto to purchase the Grossmont GO Bonds from Grossmont and to simultaneously sell the Grossmont GO Bonds to the Purchaser at the purchase price set forth in the Purchase Contract, which purchase price shall be approved by Grossmont.

Section 4. Pursuant to Section 10 of the JPA Agreement, any expenses incurred by the Authority in connection with the execution and delivery of the Purchase Contract shall be paid by Grossmont.

Section 5. The Authorized Officers and other appropriate officers and agents of the Authority, acting singly, are hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver any and all documents and certificates, including, without limitation, any certificate required to be delivered pursuant to the Purchase Contract and any certificate concerning the information regarding the Authority set forth in the Official Statement in preliminary form and in the Official Statement in final form, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate performance of the Authority's covenants, agreements and obligations under the Purchase Contract authorized by this Resolution and the actions approved by this Resolution.

Section 6. All approvals, consents, directions, notices, orders, requests and other actions, including, without limitation, the delivery of certificates, permitted or required by the Purchase Contract or by the purchase and sale of the Grossmont GO Bonds authorized pursuant to this Resolution, may be taken by any Authorized Officer without further authorization by the Board of Directors of the Authority, and each Authorized Officer is hereby authorized and directed to give or deliver any such approval, consent, direction, notice, order or request and to take any such other action which such Authorized Officer, with the advice of counsel to the Authority, may deem necessary or desirable to further the purposes of this Resolution.

Section 7. Notwithstanding anything to the contrary in this Resolution, no documents referenced in this Resolution may be executed and delivered by the Authority until the Board of Directors of Grossmont has adopted a resolution authorizing the issuance of the Grossmont GO Bonds, including the execution and delivery of the Purchase Contract in connection therewith.

Section 8. This Resolution shall take effect from and after its adoption.

Passed and Adopted by the Board of Directors of the North San Diego County Health Facilities Financing Authority this 11th day of May, 2007.

**North San Diego County Health Facilities
Financing Authority**

By: _____
Chair

I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted by the Board of Directors of the North San Diego County Health Facilities Financing Authority at a meeting thereof held in accordance with law on May 11, 2007, by the following vote of the members thereof:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

Tanya Howell, Secretary

\$ _____
GROSSMONT HEALTHCARE DISTRICT
(San Diego County, California)
General Obligation Bonds, 2006 Election, 2007 Series A

PURCHASE CONTRACT

[June 6], 2007

Board of Directors
Grossmont Healthcare District

Governing Board
North San Diego County Health Facilities Financing Authority

Ladies and Gentlemen:

The undersigned, Goldman, Sachs & Co., as underwriter (the “Underwriter”), hereby offers to enter into this Purchase Contract (the “Purchase Contract”) with you, the Grossmont Healthcare District (the “District”) and the North San Diego County Health Facilities Financing Authority (the “Authority”), for the purchase by the Underwriter of \$_____ aggregate principal amount of the Grossmont Healthcare District (San Diego County, California) General Obligation Bonds, 2006 Election, 2007 Series A (the “Bonds”), which will be issued pursuant to a resolution (the “Bond Resolution”) adopted by the Board of Directors of the District (the “District Board”) on [May 18], 2007 and Section 32300 *et seq.* of the Health and Safety Code of the State of California (the “Act”). Capitalized terms used herein not otherwise defined herein shall have the meanings set forth in the Official Statement (hereinafter defined).

This offer is made subject to acceptance by the District and the Authority prior to 11:59 p.m., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the District and the Authority at any time prior to acceptance. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the District, the Authority and the Underwriter.

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the District hereby agrees to sell to the Authority and the Authority hereby agrees to purchase from the District for resale to the Underwriter, and the Authority hereby agrees to sell to the Underwriter and the Underwriter agrees to purchase from the Authority all (but not less than all) of the Bonds, in the aggregate principal amount of \$_____, consisting of \$_____ in aggregate principal amount of Current Interest Bonds and \$_____ in aggregate principal amount of Capital Appreciation Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* taxes.

The Bonds shall be substantially in the form described in, and shall be issued and secured under and pursuant to, the Bond Resolution. The Bonds shall mature and shall be subject to redemption on the dates and in the amounts as set forth in Exhibit A hereto and as otherwise described in the Official Statement. Interest on the Current Interest Bonds shall be payable on each January 15 and July 15, commencing on _____ 15, 200_, at the per annum rates and on the dates set forth in Exhibit A hereto and as otherwise described in the Official Statement. Interest on the Capital Appreciation Bonds will accrue from the date of delivery, will be compounded semiannually on January 15 and July 15 of each year, commencing on _____ 15, 200_, at the per annum rates set forth in Exhibit A hereto and as otherwise described in the Official Statement, and will be payable only upon maturity or prior redemption thereof.

The Bonds shall be in book-entry form, shall bear CUSIP numbers, shall be in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) in New York, New York. The Current Interest Bonds shall be issued in authorized denominations of \$5,000 or integral multiples thereof. The Capital Appreciation Bonds shall be issued in authorized denominations of \$5,000 maturity value or any integral multiple thereof; provided that one Capital Appreciation Bond may be issued in an odd denomination.

The Bonds are being issued to provide funds to (i) finance the acquisition, construction, repair and improvement of certain medical facilities owned by the District, and (ii) pay costs of issuance of the Bonds.

The District will undertake, pursuant to a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), to be executed and delivered by the District on the Closing Date (as defined herein), to provide certain annual financial information and notices of the occurrence of certain events, if material. A form of the Continuing Disclosure Certificate is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy (the “Policy”) to be issued

concurrently with the delivery of the Bonds by _____ (the “Bond Insurer”).

The District hereby ratifies, confirms and approves the use and distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement of the District dated [May 24], 2007 relating to the Bonds (which, together with the cover page and all appendices thereto, is referred to herein as the “Preliminary Official Statement”). The District has deemed final the Preliminary Official Statement as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”), except for information permitted to be omitted therefrom by Rule 15c2-12. [The District hereby acknowledges that the Preliminary Official Statement has been made available to investors on the Internet at _____.] The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven Business Days of the date hereof and not later than three Business Days prior to Closing, copies of the final official statement (including all information permitted to be omitted by Rule 15c2-12 and any amendments or supplements to such official statement as have been approved by the District, in consultation with the Underwriter) (the “Official Statement”) in sufficient quantity to enable the Underwriter to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The District hereby approves of the use and distribution by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date (as hereinafter defined), the Underwriter shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board and with a nationally recognized securities information repository.

As used in this Purchase Contract, the term “End of the Underwriting Period” for the Bonds shall mean the earlier of (i) the Closing Date or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12, as specified as such in a written notice from the Underwriter stating the date which is the End of the Underwriting Period.

(b) The Underwriter shall pay to the Authority and the Authority shall pay to the District as the purchase price for the Bonds \$_____, which represents the par amount of the Bonds of \$_____, less an underwriting discount with respect to the Bonds of \$_____ [plus/less] a [net] original issue [premium discount] of \$_____.

(c) At 8:00 a.m., California time, on [June 20], 2007, or at such other time or on such other date as the District, the Authority and the Underwriter mutually agree upon (the “Closing Date”), the District and the Authority will deliver or cause to be delivered to the Underwriter the Bonds (delivered through the book-entry system of DTC), duly executed, and at the offices of Sidley Austin LLP, 555 California Street, San Francisco, California 94104 or at such other place as the District, the Authority and the Underwriter shall have mutually agreed upon, the other documents mentioned herein. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in subparagraph (b) above in immediately available funds (such delivery and payment being herein referred to as the “Closing”) a portion of which purchase price

shall be payable to the order of the Treasurer and Tax Collector of the County of San Diego in an amount equal to \$ _____ and the remainder of which purchase price shall be payable to the order of the Bond Insurer in an amount equal to \$ _____ (being the amount of the Policy premium for the Bonds).

(d) The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering prices set forth in the Official Statement, which prices may be changed from time to time by the Underwriter after such offering. The District hereby authorizes the Underwriter to use the forms or copies of the Official Statement, the Bond Resolution, the Continuing Disclosure Certificate and all other documents referred to in the Official Statement and the information contained in each of the foregoing in connection with the public offering and sale of the Bonds.

2. Representations, Warranties and Agreements of the District. The District hereby represents, warrants and agrees as follows:

(a) The District is and will be on the Closing Date a political subdivision of the State of California duly organized and validly operating pursuant to the Constitution and laws of the State of California with full power and authority to issue the Bonds pursuant to the Act for the purposes described in the Official Statement, to adopt the Bond Resolution, to execute and deliver the Official Statement and the Continuing Disclosure Certificate and to enter into this Purchase Contract, and to consummate the transactions contemplated hereby and thereby;

(b) The Bond Resolution authorizing the issuance of the Bonds and the execution and delivery of the Continuing Disclosure Certificate, the Official Statement and this Purchase Contract has been duly adopted at a meeting of the District Board which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and has not been amended, modified or rescinded;

(c) By official action of the District prior to or concurrently with the acceptance hereof, the District has duly authorized, ratified and approved the issuance of the Bonds, the execution and delivery of the Official Statement, the execution and delivery of and the performance by the District of the obligations on its part contained in the Continuing Disclosure Certificate and this Purchase Contract, and the consummation by it of all other transactions of the District contemplated by the Official Statement and this Purchase Contract;

(d) The Bonds, when executed and delivered, will have been duly authorized and issued and, together with this Purchase Contract, the Continuing Disclosure Certificate and the other documents contemplated hereby and by the Official Statement, when executed and delivered, will constitute the valid and binding obligations of the District enforceable in accordance with their respective terms except as the enforceability may be subject to applicable limitations of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or equitable principles affecting the enforcement of creditors' rights. The enforcement of this Purchase Contract, the

Continuing Disclosure Certificate and the Bonds are subject to the effect of the general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California;

(e) The issuance of the Bonds, the adoption of the Bond Resolution, the execution and delivery by the District of the Continuing Disclosure Certificate, this Purchase Contract and the Official Statement, and compliance with the provisions on the District's part contained herein and therein, will not, as of the date hereof or as of the Closing Date, conflict with or constitute a material breach of or material default under any California or federal law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note resolution, agreement or other instrument, except as provided in the Bond Resolution;

(f) The District is not in material breach of or in material default under any existing law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute a material default under any such instrument;

(g) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any California or federal court, public board or body pending or, to the knowledge of the District, threatened against or affecting the District (or, to the knowledge of the District, any meritorious basis for such an action, suit, proceeding inquiry or investigation) (i) to restrain or enjoin the issuance, sale or delivery of any of the Bonds or the levy or collection of any tax contemplated by the Bond Resolution, or (ii) in any way contesting or affecting (a) the validity or enforceability of the Bonds, the Bond Resolution, this Purchase Contract, or the Continuing Disclosure Certificate, (b) the existence or powers of the District, (c) the transactions contemplated by the Bonds, the Bond Resolution, this Purchase Contract, the Continuing Disclosure Certificate or the Official Statement, or any agreement or instrument to which the District is a party or that is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby, or (d) the federal tax-exempt status of the interest on the Bonds;

(h) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may request in order to qualify the Bonds for offer and sale under the blue sky or other securities laws and regulations of such states and other jurisdictions of the United States

as the Underwriter may designate and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds, and consents to and ratifies the use of the Official Statement by the Underwriter in obtaining such qualifications; provided, however, that in no event shall the District be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(i) As of the date thereof, the information and statements contained in the Preliminary Official Statement under the captions “INTRODUCTORY STATEMENT,” “PROPERTY TAX INFORMATION,” “THE DISTRICT” and “MATERIAL LITIGATION” were true and correct, and the Preliminary Official Statement (excluding therefrom information relating to DTC, the book-entry system, the Bond Insurer and the Policy, and the information under the caption “UNDERWRITING,” as to which no representation is made) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) As of the date hereof and at all times subsequent hereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the information and statements contained in the Official Statement under the captions “INTRODUCTORY STATEMENT,” “PROPERTY TAX INFORMATION,” “THE DISTRICT” and “MATERIAL LITIGATION” are and will be true and correct, and the Official Statement (excluding therefrom information relating to DTC, the book-entry system, the Bond Insurer and the Policy, and the information under the caption “UNDERWRITING,” as to which no representation is made) does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(k) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which might or would cause the information contained in the Official Statement (excluding therefrom information relating to DTC, the book-entry system, the Bond Insurer and the Policy, and the information under the caption “UNDERWRITING,” as to which no representation is made), as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District will notify the Underwriter, and, if in the opinion of the District, in consultation with the Underwriter and its counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will forthwith prepare and furnish to the Underwriter (at the expense of the District) (i) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they

were made, not misleading; and (ii) if such event takes place subsequent to the Closing, such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the District will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(l) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (j) hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement (excluding therefrom information relating to DTC and the book-entry system, the Bond Insurer and the Policy, and the information under the caption "UNDERWRITING," as to which no representation is made) so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(m) At the Closing Date, each of the representations and certifications of the District in this Purchase Contract is and will be true, accurate and complete;

(n) Any certificate signed by an authorized officer of the District delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein;

(o) Between the date of this Purchase Contract and the Closing Date, the District will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money; and

(p) The District has not failed to comply, in any respect, with any previous undertaking in any agreement required pursuant to Rule 15c2-12.

3. Representations and Warranties of the Authority. The Authority represents and warrants as follows:

(a) The Authority is a joint powers authority, duly organized and existing under the laws of the State, including Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, with the full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract;

(b) By all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has authorized and approved the purchase of the Bonds from the District and the sale and delivery of the Bonds to the Underwriter, such authorizations and approvals are in full force and effect and have not been amended,

modified or rescinded. When duly executed and delivered by all parties hereto, this Purchase Contract will constitute the legal, valid and binding obligation of the Authority, enforceable in accordance with its terms;

(c) The Authority has complied, and will at Closing be in compliance in all respects, with the terms of this Purchase Contract;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body pending or known to the Authority to be threatened against the Authority in any way contesting the validity or enforceability of this Purchase Contract or the existence or powers of the Authority relating to the transactions contemplated by this Purchase Contract;

(e) The execution and delivery by the Authority of this Purchase Contract and compliance with the provisions on the Authority's part contained herein, will not, as of the date hereof or as of the Closing Date, conflict with or constitute a material breach of or material default under any California or federal law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note resolution, agreement or other instrument;

(f) As of the date thereof, the statements contained in the Preliminary Official Statement under the caption "THE AUTHORITY" were true and correct, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and as of the date hereof, the statements contained in the Official Statement under the caption "THE AUTHORITY" are true and correct, and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(g) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which might or would cause the information contained in the Official Statement under the caption "THE AUTHORITY" as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority will notify the Underwriter, and, if in the opinion of the Authority, in consultation with the Underwriter and its counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will forthwith prepare and furnish to the Underwriter (at the expense of the Authority) (i) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter)

which will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (ii) if such event takes place subsequent to the Closing, such certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(h) At the Closing Date, each of the representations and certifications of the Authority in this Purchase Contract is and will be true, accurate and complete; and

(i) Any certificate signed by an authorized officer of the Authority delivered to the Underwriter shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

4. Conditions to the Obligations of the Underwriter.

The Underwriter hereby enters into this Purchase Contract in reliance upon the representations and warranties of the District and the Authority contained herein and the representations and warranties of the District and the Authority to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the District and the Authority of their obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Underwriter, to the accuracy of the representations and warranties of the District and the Authority contained herein as of the date hereof and as of the Closing Date, to the accuracy of the statements of the officers and other officials of the District and the Authority made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the District and the Authority of their respective obligations to be performed hereunder and under the Bond Resolution at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Underwriter shall receive, within seven Business Days of the date hereof and not later than three Business Days before the Closing, copies of the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such reasonable quantity as the Underwriter shall have requested;

(b) At the Closing, the Bonds, the Bond Resolution, the Continuing Disclosure Certificate and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and shall be in full force and effect; and there shall be in full force and effect the Bond Resolution and such resolution or resolutions of the Governing Board of the Authority as, in the opinion of Sidley Austin LLP ("Bond

Counsel”), shall be necessary or appropriate in connection with the transactions contemplated hereby;

(c) The Underwriter may terminate this Purchase Contract by notification to the District and the District if at any time subsequent to the date hereof and at or prior to the Closing (1) legislation shall be enacted by the Congress or adopted by either House thereof or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration or a decision by a court of the United States, including the United States Tax Court, shall be rendered or a ruling, regulation, temporary regulation or official release or statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made with respect to federal taxation upon revenues or other income of the general character expected to be derived by the District or upon interest received on obligations of the general character of the Bonds or other actions or events shall have transpired that may have the effect of changing, directly or indirectly, the federal income tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof, and that would materially adversely affect the market price or the marketability of the Bonds, in the opinion of the Underwriter; or (2) legislation shall be enacted by the legislature of the State or adopted by or favorably reported for passage to either House thereof by any committee of such House to which such legislation has been referred for consideration or a decision by a court of the State shall be rendered or a ruling, regulation, temporary regulation or official release or statement by or on behalf of any governmental agency of the State shall be made with respect to taxation upon revenues or other income of the general character expected to be derived by the District or upon interest received on obligations of the general character of the Bonds or other actions or events shall have transpired that may have the effect of changing, directly or indirectly, the State income tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof, and that would materially adversely affect the market price or the marketability of the Bonds in the opinion of the Underwriter; or (3) legislation shall be enacted or any action shall be taken by the Securities and Exchange Commission that, in the opinion of Counsel for the Underwriter, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended (the “Securities Act”), or the Bond Resolution to be qualified under the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”); or (4) there shall exist any event, which in the judgment of the Underwriter, either might or would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (5) there shall have occurred any outbreak of hostilities or other national or international calamity or crisis, or escalation thereof, the effect of which on the financial markets of the United States in the judgment of the Underwriter, is to materially adversely affect the market price or the marketability of the Bonds or to make it impracticable for the Underwriter to market the Bonds; or (6) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that

Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or (7) there shall have occurred a financial crisis or a default with respect to the debt obligations of, or the institution of proceedings under the federal or bankruptcy laws by or against, any agency or instrumentality of the State, the effect of which being such, in the judgment of the Underwriter, as to make it impracticable for the Underwriter to market the Bonds; or (8) a general banking moratorium shall have been declared by federal, New York or State authorities having jurisdiction and shall be in force or a material disruption in commercial banking or securities settlement or clearance services shall have occurred; or (9) a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering, or sale of the Bonds, or of obligations of the general character of the Bonds as contemplated hereby, is in violation of any provision of the Securities Act, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act, which in the judgment of the Underwriter, materially adversely affects the marketability of the Bonds or the market price thereof; or (10) any state "Blue Sky" or securities commission shall have withheld or revoked registration, exception, or clearance of the offering, and, in the judgment of the Underwriter, the market for the Bonds is materially adversely affected thereby; or (11) a supplement or amendment shall have been made to the Official Statement subsequent to the date hereof that, in the judgment of the Underwriter, materially adversely affects the marketability of the Bonds or the market price thereof; (12) there is a withdrawal or downgrading of any rating on the District's and/or the District's debt obligations that are substantially similar to the Bonds; (13) the New York Stock Exchange or other national securities exchange, or any governmental agency shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities, generally, or to Bonds or similar obligations; (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers; or (14) any action, suit, proceeding, inquiry, litigation or investigation, at law or equity, before or by any court or public body, shall be instituted, pending or threatened that has any of the effects described in Section 2(f) or Section 3(d) hereof, or affects any issuer of securities similar to the Bonds, or threatens the existence or powers of the District or, in any way, contests the completeness or accuracy of the Official Statement; and

(d) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) Two copies of the Continuing Disclosure Certificate, duly executed and delivered by the District;

(2) The unqualified approving opinion, dated the Closing Date and addressed to the District and the Authority, of Bond Counsel in substantially the form attached to the Official Statement as Appendix C, and a letter of such counsel, dated the Closing Date and addressed to the Underwriter to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(3) The supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, substantially to the effect that (i) this Purchase Contract has been duly executed and delivered by the District and the Authority and is the valid and binding agreement of the District and the Authority, (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Bond Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended (provided that no opinion is given with respect to the Policy); and (iii) the statements contained in the Official Statement under the captions “THE BONDS,” “SECURITY FOR THE BONDS,” “TAX MATTERS,” APPENDIX C - “PROPOSED FORM OF OPINION OF BOND COUNSEL,” and APPENDIX B - “FORM OF CONTINUING DISCLOSURE CERTIFICATE,” insofar as such statements purport to summarize certain provisions of the Bonds, the Bond Resolution, the Continuing Disclosure Certificate or Bond Counsel’s opinion concerning certain federal tax matters relating to the Bonds, are accurate and complete;

(4) The opinion of counsel for the District, dated the Closing Date and addressed to the Underwriter, to the effect that (i) the District is a political subdivision of the State of California, validly existing under the laws of the State of California; (ii) the Bond Resolution authorizing the issuance of the Bonds and the execution and delivery of the Continuing Disclosure Certificate, the Official Statement and this Purchase Contract has been duly adopted at a meeting of the District Board which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and has not been amended, modified or rescinded; (iii) the District had full legal right, power and authority to adopt the Bond Resolution and has full legal right, power and authority to issue the Bonds and to enter into and carry out the transactions contemplated by the Bond Resolution, the Continuing Disclosure Certificate, the Official Statement and this Purchase Contract; (iv) the Continuing Disclosure Certificate, the Official Statement and this Purchase Contract have been duly authorized, executed and delivered by the Authority, and assuming due authorization, execution and delivery of the Purchase Contract by the other parties thereto, the Continuing Disclosure Certificate and this Purchase Contract constitute legally binding agreements of the District enforceable against the District in accordance with their respective terms (except as limited herein); (v) the District has obtained all California governmental, legislative, administrative and judicial authorizations, approvals, consents and orders that are required to be obtained in connection with the District’s performance of its obligations under the Bonds, the Bond Resolution, the Continuing Disclosure Certificate and this Purchase Contract, unless the failure to obtain such authorizations, approvals, consents or orders would not have a material adverse effect on the due performance by the District of such obligations, provided that no opinion is rendered as to any approvals, consents and orders as may be required under Federal law or the Blue Sky laws or securities laws of any other state in connection with such performance; (vi) except as disclosed in the Official Statement, the issuance of the Bonds, the adoption of the Bond Resolution and the execution and delivery of the Continuing Disclosure Certificate, the Official

Statement and this Purchase Contract do not materially conflict or constitute a material breach or default under any California law, administrative regulation or other agreement to which the District is a party or to which it is bound; (vii) except as described in the Official Statement, no litigation is pending or, to the best of such counsel's knowledge, threatened in any court (1) challenging the titles of the officials of the District signatory to the Bonds, the Continuing Disclosure Certificate, the Official Statement or this Purchase Contract to their respective offices; (2) contesting or affecting the validity of the Bonds, the Bond Resolution, the Continuing Disclosure Certificate, the Official Statement or this Purchase Contract; (3) in any way contesting the power of the District to issue the bonds, adopt the Bond Resolution or approve, execute and deliver the Continuing Disclosure Certificate, the Official Statement or this Purchase Contract; (4) to restrain or enjoin the levy or collection of the tax contemplated by the Bond Resolution; or (5) asserting that the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (viii) the information contained in the Official Statement under the caption "MATERIAL LITIGATION" is true and correct in all material respects and, as of its date and as of the date of such opinion, the Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(5) The opinion of counsel to Union Bank of California, N.A., as Paying Agent (the "Paying Agent"), dated the Closing Date and addressed to the Underwriter, the District and the Authority to the effect that: (i) the Paying Agent has been duly organized and is validly existing in good standing as a national banking association under the laws of the United States of America with full corporate power to enter into and undertake its obligations set forth in the Paying Agent Agreement, by and between the Paying Agent and the District with respect to the Bonds (the "Paying Agent Agreement"); (ii) the Paying Agent has duly authorized, executed and delivered the Paying Agent Agreement and by all proper corporate action has authorized the acceptance of the duties and obligations of the Paying Agent under the Paying Agent Agreement; (iii) the Paying Agent Agreement constitutes the legally valid and binding agreement of the Paying Agent, enforceable against the Paying Agent in accordance with its terms; (iv) there is no litigation pending against the Paying Agent arising from its fiduciary activities to restrain or enjoin the Paying Agent's participation in, or in any way contesting the powers of the Paying Agent with respect to the transactions contemplated by the Paying Agent Agreement; and (v) the Paying Agent's actions in executing and delivering the Paying Agent Agreement do not conflict with or constitute a breach of or default under any law or governmental regulation applicable to the Paying Agent;

(6) The opinion of counsel to the Authority, addressed to the Underwriter, dated the date of Closing, in customary form acceptable to the

Underwriter to the effect that (i) the Authority is a joint powers authority, duly organized and existing under the laws of the State, including Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, with the full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract; (ii) the Authority Resolution authorizing the purchase and resale of the Bonds and the execution and delivery of this Purchase Contract has been duly adopted at a meeting of the governing board of the Authority, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such resolution is in full force and effect and has not been modified, amended or rescinded; (iii) this Purchase Contract, when duly executed and delivered by the parties hereto, will constitute a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally, or by the availability of equitable remedies; (iv) to the best of such counsel's knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, known to such counsel to be pending or threatened against the Authority in any way contesting the validity or enforceability of this Purchase Contract or the existence or powers of the Authority relating to the transactions contemplated by this Purchase Contract;

(7) The opinion, dated the Closing Date and addressed to the Underwriter, of Nixon Peabody LLP, San Francisco, California, counsel for the Underwriter (“Underwriter’s Counsel”) to the effect that (a) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Bond Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; (b) without passing upon or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement and making no representation that they have independently verified the accuracy, completeness or fairness of any such statements, based upon the information made available to them in the course of their participation in the preparation of the Official Statement as counsel for the Underwriter, nothing has come to their attention which would lead them to believe that the Official Statement (excluding therefrom financial statements and statistical data and the information concerning the Bond Insurer and the Policy and DTC and the book-entry system and the Appendices thereto, as to which no opinion need be expressed) as of its date and as of the date of such opinion contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (c) the Continuing Disclosure Certificate satisfies the requirements contained in S.E.C. rule 15c2-12(b)(5) for an undertaking for the benefit of the holders of the Bonds to provide the information at the times and in the manner required by said Rule;

(8) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the District, in form and substance satisfactory to the Underwriter, to the effect that the representations and warranties of the District contained in this Purchase Contract are true and correct on and as of the Closing Date with the same effect as if made on the Closing Date;

(9) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Authority, in form and substance satisfactory to the Underwriter, to the effect that the representations and warranties of the Authority contained in this Purchase Contract are true and correct on and as of the Closing Date with the same effect as if made on the Closing Date;

(10) A certificate, dated the Closing Date, signed by a duly authorized official of the Paying Agent, satisfactory in form and substance to the Underwriter, to the effect that:

a. the Paying Agent is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Paying Agent Agreement;

b. the Paying Agent is duly authorized to enter into the Paying Agent Agreement and the Paying Agent has duly executed and delivered the Paying Agent Agreement;

c. the execution and delivery of the Paying Agent Agreement and compliance with the provisions on the Paying Agent's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Paying Agent is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Paying Agent pursuant to the Paying Agent Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Paying Agent Agreement; and

d. it has not been served with any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, nor, to the best of the knowledge of the Paying Agent, is any such action or other proceeding threatened against the Paying Agent, as such but not in its individual capacity, affecting the existence of the Paying Agent, or the titles of its

officers to their respective offices or affecting the validity or enforceability of the Paying Agent Agreement, or contesting the powers of the Paying Agent or its authority to enter into, adopt or perform its obligations under the Paying Agent Agreement, wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Paying Agent Agreement;

(11) Two copies of the Official Statement, executed on behalf of the District by authorized representatives thereof;

(12) Two certified copies of the general resolution or bylaws of the Paying Agent authorizing the execution and delivery of the Paying Agent Agreement;

(13) Two certified copies of the Bond Resolution authorizing the issuance of the Bonds and the execution and delivery of the Continuing Disclosure Certificate, the Official Statement and this Purchase Contract;

(14) Two certified copies of the resolution of the Authority authorizing the execution and delivery of this Purchase Contract;

(15) Evidence that any ratings described in the Official Statement are in full force and effect as of the Closing Date;

(16) A certificate from an authorized officer of the Bond Insurer consenting to and approving references in the Official Statement to the Bond Insurer and stating that the information set forth in the Official Statement relating to the Bond Insurer and the Policy is true and correct;

(17) The Policy, duly executed by the Bond Insurer;

(18) An opinion, dated the Closing Date and addressed to the Underwriter, the District and the Authority, of counsel to the Bond Insurer in form and substance satisfactory to the Underwriter;

(19) A copy of the Blanket Letter of Representation to DTC relating to the Bonds signed by DTC and the District;

(20) Arbitrage and tax certifications by the District in form and substance acceptable to Bond Counsel;

(21) An opinion, dated the Closing Date and addressed to the District, the Authority and the Underwriter, of Sidley Austin LLP, [Disclosure Counsel to the District,] to the effect that based upon information made available to such counsel in the course of such counsel's participation in the transaction [as Disclosure Counsel to the District] and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to

the attention of the lawyers in such firm rendering professional services in connection with the issuance or sale of the Bonds that has caused them to believe that the Official Statement (excluding therefrom any financial, statistical, economic or demographic data, forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, Appendices A, D and E, and any information regarding the Bond Insurer, the Policy, DTC and the book-entry system included in the Official Statement, as to which no opinion need be expressed), as of the date thereof or the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading;

(22) A certified copy of the Authority's Joint Exercise of Powers Agreement; and

(23) Such additional legal opinions, certificates, proceedings, instruments, title insurance, other insurance policies or evidences thereof and other documents as the Underwriter, Underwriter's Counsel or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the District and the Authority herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the Paying Agent, the District and the Authority at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Bonds, the Bond Resolution, the Continuing Disclosure Certificate and the Official Statement.

If the District or the Authority shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the District and the Authority and none of the Underwriter, the District or the Authority shall have any further obligations hereunder.

5. Expenses.

All expenses and costs incident to the authorization, execution, delivery and sale of the Bonds to the Underwriter, including the costs of printing of the Preliminary Official Statement, the Official Statement, the cost of preparing the Bonds and of duplicating the Continuing Disclosure Certificate and this Purchase Contract, the fees of accountants, consultants and rating agencies, the bond insurance premium, the initial fee of the Paying Agent and its counsel in connection with the execution and delivery of the Bonds and the fees and expenses of Bond Counsel, shall be paid from the proceeds of the Bonds. In the event that the Bonds for any reason are not issued, or to the extent proceeds of the Bonds are insufficient or unavailable therefor, any fees, costs and expenses owed by the District to the Paying Agent, which otherwise would have been paid from the proceeds of the Bonds, shall be paid by the District. All out of pocket expenses of the Underwriter, including traveling and other expenses, including those

associated with the California Debt and Investment Advisory Commission fee, the costs of preparation of any blue sky and legal investment surveys prepared by Underwriter's Counsel and the fees and expenses of Underwriter's Counsel, shall be paid by the Underwriter. The District shall pay for expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the District's employees which are incidental to implementing this agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees.

6. Notices.

Any notice or other communication to be given to the parties to this Purchase Contract may be given by delivering the same in writing to the respective party at the following address:

Underwriter: Goldman, Sachs & Co.
555 California Street, 45th Floor
San Francisco, California 94104
Attention: Steven Hollis

Authority: North San Diego County Health Facilities Financing Authority
Palomar Pomerado Health
15255 Innovation Drive
San Diego, California 92128
Attention: Tanya Howell

District: Grossmont Healthcare District
9001 Wakarusa Street
La Mesa, California 91742
Attention: Chief Executive Officer

7. Survival of Representations and Warranties.

The representations and warranties of the District and the Authority dated as of their date set forth in or made pursuant to this Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations or statements as to the results thereof made by or on behalf of the Underwriter and regardless of delivery of and payment for the Bonds.

8. Effectiveness.

This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by a duly authorized officer of the District and the Authority and shall be valid and enforceable as of the time of such acceptance.

9. Execution in Counterparts.

This Purchase Contract may be executed in counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

If the above terms are acceptable, please cause a duly authorized officer of the District and the Authority to execute the acceptance below.

Very truly yours,

GOLDMAN, SACHS & CO.,
as Underwriter

ACCEPTED:

GROSSMONT HEALTHCARE DISTRICT

By: _____
Title: _____

NORTH SAN DIEGO COUNTY
HEALTH FACILITIES FINANCING
AUTHORITY

By: _____
Title: _____

EXHIBIT A

MATURITY SCHEDULE

[TO COME]

\$ _____ Current Interest Bonds

Maturity (July 15)	Principal Amount	Interest Rate	Price or Yield
-----------------------	------------------	---------------	----------------

\$ _____ Capital Appreciation Bonds

Maturity (July 15)	Initial Principal Amount	Principal per \$5,000 at Maturity	Approximate Yield to Maturity	Final Maturity Amount
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REDEMPTION PROVISIONS

Optional Redemption. The Current Interest Bonds maturing on or before July 15, 20__ are not subject to redemption prior to their respective stated maturity dates. The Current Interest Bonds maturing on or after July 15, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, in whole, or in part, on July 15, 20__, or on any date thereafter at the par amount thereof, without premium, together with interest accrued thereon to the date of redemption.

The Capital Appreciation Bonds are not subject to optional redemption prior to their respective stated maturity dates.

Mandatory Sinking Fund Redemption. The Bonds maturing on July 15, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on July 15 of each year, beginning July 15, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date (July 15)	Mandatory Sinking Fund Payment
20__	\$ ____
20__	_____
20__ [†]	_____

[†] Final Maturity.

PRELIMINARY OFFICIAL STATEMENT, DATED May __, 2007

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS[†] ___

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

\$ _____*

**GROSSMONT HEALTHCARE DISTRICT
(San Diego County, California)
General Obligation Bonds, 2006 Election, 2007 Series A**

Dated: Date of Delivery

Due: July 15, as set forth on the inside cover

The Bonds are being issued by Grossmont Healthcare District (the "District"), a local health care district located in San Diego County, California. The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Bonds were authorized at an election held in the District on June 6, 2006, at which the requisite two-thirds of the qualified electors voting on the proposition voted to authorize the issuance and sale of \$247,000,000 principal amount of general obligation bonds of the District. The Bonds are the first series of bonds being issued pursuant to that voter authorization and are being issued for the purpose of financing health care facilities of the District authorized in Proposition G, as more fully described herein.

The Bonds represent general obligations of the District payable from certain *ad valorem* taxes levied and collected by the County of San Diego (the "County"). The Bonds are not obligations of the County, the State of California (the "State") or any of its political subdivisions, other than the District. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of principal and accreted value of and interest on the Bonds when due.

Interest on the Current Interest Bonds will accrue from the Date of Delivery and is payable on January 15 and July 15 of each year, commencing January 15, 2008. Principal of the Current Interest Bonds will be paid on July 15 in the years set forth on the inside cover page hereof. The Current Interest Bonds will be issued in denominations of \$5,000 or integral multiples thereof and are payable as to principal amount or redemption price at the office of Union Bank of California, N.A., as Paying Agent for the Bonds (the "Paying Agent"). Interest on the Capital Appreciation Bonds will not be payable currently but will accrete from the Date of Delivery and be compounded on each January 15 and July 15, commencing on January 15, 2008 through and including the Maturity Date. The Capital Appreciation Bonds will be issued in denominations of \$5,000 maturing value or any integral multiple thereof and are payable as to principal and accreted value at the office of the Paying Agent.

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS—General."

The Bonds are being sold by the District to the North San Diego County Health Facilities Financing Authority (the "Authority") and will simultaneously be resold to the Underwriter identified below.

The Current Interest Bonds are subject to optional redemption. The Capital Appreciation Bonds are not subject to optional redemption. The Bonds are subject to mandatory sinking fund redemption, as described herein.

Payment of principal or accreted value of and interest on the Bonds when due will be guaranteed by a financial guaranty insurance policy to be issued by [_____] (the "Insurer") simultaneously with the delivery of the Bonds. See "BOND INSURANCE" and APPENDIX E – "SPECIMEN BOND INSURANCE POLICY" herein.

[Insurer's Logo]

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision.

Maturity Schedule
(See inside cover)

The Bonds are offered when, as and if received by the Underwriter, subject to prior sale and to the approval as to their legality by Sidley Austin LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the District by Jeffrey G. Scott, Esq., its General Counsel, and for the Underwriter by Nixon Peabody LLP, San Francisco, California. It is expected that the Bonds in definitive book-entry form will be available for delivery at the facilities of DTC in New York, New York, on or about June __, 2007.

Goldman, Sachs & Co.

Date: June __, 2007

* Preliminary, subject to change.

† For an explanation of the ratings, see "RATINGS" herein.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form for m. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which said offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

**GROSSMONT HEALTHCARE DISTRICT
(San Diego County, California)
General Obligation Bonds, 2006 Election, 2007 Series A
\$ _____ * Current Interest Bonds**

<u>Maturity Date</u> July 15	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP†</u>	<u>Maturity Date</u> July 15	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP†</u>
	\$	%	%			\$	%	%	

\$ _____ % Term Bonds due July 15, 20__ – Yield _____ % – CUSIP _____

\$ _____ * Capital Appreciation Bonds

<u>Maturity Date</u> July 15	<u>Original Principal Amount</u>	<u>Yield to Maturity</u>	<u>Final Accreted Value</u>	<u>CUSIP†</u>	<u>Maturity Date</u> July 15	<u>Original Principal Amount</u>	<u>Yield to Maturity</u>	<u>Final Accreted Value</u>	<u>CUSIP†</u>
	\$	%	\$			\$	%	\$	

\$ _____ * Capital Appreciation Term Bonds due July 15, 20__ – Yield to Maturity _____ %
Final Accreted Value \$ _____ – CUSIP _____

* Preliminary, subject to change.

† Copyright 2007, American Bankers Association, CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesman or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon.

The information set forth herein under the caption “BOND INSURANCE” and in APPENDIX E hereto has been furnished by the Insurer, and the information relating to DTC and the book-entry system set forth herein under the caption “THE BONDS-General” and in APPENDIX D hereto has been furnished by DTC. Such information is believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or the District. All other information set forth herein has been obtained from the District and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall create under any circumstances any indication that there has been no change in the affairs of the District or DTC since the date hereof. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the caption “ESTIMATED SOURCES AND USES OF FUNDS” in the forepart of this Official Statement.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

This Preliminary Official Statement is in a form deemed final as of its date by the District for the purposes of Rule 15c2-12 of the Securities and Exchange Commission (except for the omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)).

GROSSMONT HEALTHCARE DISTRICT

District Board of Directors

Director	Term Expires _____,
John W. Hardebeck, M.D., President	
James Stieringer, Vice President	
Robert P. Yarris, Treasurer	
Gloria A. Chadwick, R.N., Secretary	
Deborah McElravy	

District Chief Executive Officer

Barry Jantz

Bond Counsel

Sidley Austin LLP

District Counsel

Jeffrey G. Scott, Esq.

Paying Agent

Union Bank of California, N.A.

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OFFICIAL STATEMENT

§ _____*

GROSSMONT HEALTHCARE DISTRICT (San Diego County, California) General Obligation Bonds, 2006 Election, 2007 Series A

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Bond Resolution (each as defined below).

Purpose of this Official Statement

This Official Statement, including the cover page, the inside cover page and the appendices hereto, is provided to furnish information in connection with the sale and delivery of \$ _____* aggregate principal amount of Grossmont Healthcare District (San Diego County, California) General Obligation Bonds 2006 Election, 2007 Series A (the "Bonds").

The District

Grossmont Healthcare District (the "District") is a local health care district, formed in 1952, and organized pursuant to Division 23 of the Health and Safety Code (the "Local Health Care District Law") of the State of California (the "State"). The District's boundaries encompass an area of approximately 750 square miles in eastern San Diego County (the "County"). Included within the District boundaries are the cities of La Mesa, Lemon Grove, Santee, El Cajon, the San Carlos/Del Cerro communities within the City of San Diego, and certain unincorporated areas of the County. In 200_, the population living within the District's boundaries was approximately _____. The total 2006-07 net taxable assessed valuation of property within the District is \$38,663,069,844.

The District owns Sharp Grossmont Hospital, located in La Mesa, California. Sharp Grossmont Hospital currently has 481 licensed acute care beds, 667 physicians on staff, 21 operating rooms and 1 heliport. On May 29, 1991, the District entered into an Affiliation Agreement (as amended to date, the "Affiliation Agreement") with Sharp Healthcare System (formerly San Diego Hospital Association) ("Sharp"), under which the District agreed to transfer the operation and maintenance of Sharp Grossmont Hospital to Grossmont Hospital Corporation (the "Corporation"). For more information on the District and the management and operation of Sharp Grossmont Hospital, see "THE DISTRICT" herein.

Authority for Issuance of the Bonds

At an election held on June 6, 2006, more than two-thirds of the votes cast by eligible voters within the District authorized the District to issue up to \$247,000,000 of general obligation bonds ("Proposition G"). The Bonds constitute the first series of bonds issued under Proposition G. The Bonds are issued pursuant to certain provisions of the Local Health Care District Law and other applicable laws and pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the District

* Preliminary, subject to change.

(the “District Board”) on May [18], 2007. The Bonds will be sold by the District to the North San Diego County Health Facilities Financing Authority (the “Authority”) pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the Government Code of the State. The Bonds purchased by the Authority will be resold immediately to Goldman, Sachs & Co. (the “Underwriter”), as described under “UNDERWRITING” herein.

Security for the Bonds

The Bonds represent general obligations of the District payable from certain *ad valorem* taxes. The Board of Supervisors of the County shall levy and collect annually *ad valorem* taxes upon all property subject to taxation by the District for the payment of the principal of and interest on the Bonds. The Bonds are not obligations of the County, the State or any of its political subdivisions, other than the District.

Bond Insurance

Payment of the principal or accreted value of and interest on the Bonds when due will be insured by a municipal bond insurance policy (the “Policy”) to be issued by ____ (the “Insurer”) simultaneously with the delivery of the Bonds. See “BOND INSURANCE” and APPENDIX E herein.

Purpose of the Proposition G Authorization

Proceeds from the bonds issued pursuant to Proposition G will be used to (i) improve emergency care in eastern San Diego County, including the completion of Sharp Grossmont Hospital’s Emergency and Critical Care Center, (ii) improve seismic safety, (iii) improve access to medical facilities in the event of earthquakes, wildfires or other disasters, (iv) expand cardiac care, (v) increase the number of patient beds, and (vi) acquire, construct, repair, and improve certain medical facilities.

The District expects to use the proceeds of the Bonds to [describe first part of projects].

ESTIMATED SOURCES AND USES OF FUNDS

The District expects to apply the proceeds from the Bonds as follows:

<u>Sources of Funds</u>	
The Bonds	\$
Original Issue [Premium/Discount]	_____
Total	<u>\$</u>
 <u>Uses of Funds</u>	
Deposit to Building Fund	\$
Costs of Issuance ⁽¹⁾	_____
Total	<u>\$</u>

⁽¹⁾ Includes underwriter’s discount, premiums for the Policy, legal, printing and other miscellaneous issuance costs.

THE BONDS

General

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”). Purchasers will not receive bond certificates representing their interest in the Bonds.

Interest with respect to the Current Interest Bonds accrues from their date of delivery and is payable semiannually on January 15 and July 15 of each year (each, a “Bond Payment Date”), commencing January 15 2008. Interest on the Current Interest Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the Record Date next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before June __, 2007, in which event it shall bear interest from the date of delivery of the Bonds. The Current Interest Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Current Interest Bonds mature on July 15, in the years and amounts set forth on the inside cover page hereof.

Interest with respect to the Capital Appreciation Bonds will not be payable currently but will accrete from the Date of Delivery to their respective maturity dates and be compounded on each January 15 and July 15, commencing January 15, 2008. Interest on the Capital Appreciation Bonds shall accrete on the basis of a 360-day year of twelve 30-day months. The Capital Appreciation Bonds are issuable in denominations of \$5,000 or any integral multiple thereof and will mature on the dates and in the accreted values set forth on the inside cover page hereof.

Payment of interest on any Current Interest Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the 1st day of the calendar month in which such Bond Payment Date occurs (the “Record Date”), such interest to be paid by check mailed to such Owner on the Bond Payment Date, at such Owner’s address as it appears on such registration books or at such other address as such Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of Current Interest Bonds in an aggregate principal amount of \$1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal or accreted value of and interest on the Bonds shall be payable upon maturity or redemption and upon surrender at the principal office of the Paying Agent, in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity or upon redemption and to cancel all Bonds upon payment thereof.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee for DTC, references in the Official Statement to “Owner” or registered owners of the Bonds (other than under the caption “TAX MATTERS” and the statement on the cover of this Official Statement regarding interest on the Bonds being excludable from gross income) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Bonds. The District and the Paying Agent shall treat the Registered Owner of the Bonds (which will be DTC so long as the book-entry system is in effect) as the absolute owner of the Bonds for the purposes of payment of debt service, giving all notices of redemption and all other matters with respect to the Bonds.

For a description of the method of payment of principal and accreted value of and interest on the Bonds and matters pertaining to their exchange while the book-entry system is in place, see APPENDIX D – “BOOK-ENTRY SYSTEM.”

Redemption

Optional Redemption. The Current Interest Bonds maturing on or before July 15, 20__ are not subject to redemption prior to their respective stated maturity dates. The Current Interest Bonds maturing on or after July 15, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, in whole, or in part, on July 15, 20__, or on any date thereafter at the par amount thereof, without premium, together with interest accrued thereon to the date of redemption.

If less than all the Outstanding Current Interest Bonds are to be optionally redeemed on any one date, the Paying Agent, upon written instructions from the District, shall select Current Interest Bonds for redemption in the order directed by the District or, in the event no direction is given, in inverse order of maturity, and, if less than all the Current Interest Bonds of any one maturity date are to be redeemed on any one date, the Paying Agent shall select the Current Interest Bonds or the portions thereof of such maturity date by lot.

The Capital Appreciation Bonds are not subject to optional redemption prior to their respective stated maturity dates.

Mandatory Sinking Fund Redemption. The Bonds maturing on July 15, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on July 15 of each year, beginning July 15, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date (July 15)	Mandatory Sinking Fund Payment
20__	\$ ____
20__	____
20__ [†]	____

[†] Final Maturity.

Notice of Redemption. Notice of redemption of any Bonds shall be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books maintained by the Paying Agent.

Each notice of redemption shall contain all of the following information: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole

or in part and, in the case of any Bond to be redeemed in part only, the principal amount or accreted value of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice of redemption shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue.

The District may rescind any optional redemption and any notice thereof for any reason on any date prior to the date fixed for such optional redemption by causing written notice of the rescission to be given to the Owners of those Current Interest Bonds so called for redemption. Any optional redemption and any notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Debt Service Fund or otherwise held in trust in an escrow fund established for such purpose in an amount sufficient to pay in full on said date the principal of and interest due on the Current Interest Bonds called for redemption. Notice of rescission shall be given in the same manner in which notice of redemption was originally given.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Bond Resolution, together with interest to such redemption date, shall be held by or on behalf of the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as provided in the Bond Resolution, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Bond Resolution shall be canceled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be canceled by the Paying Agent.

Defeasance

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent selected by the District at or before maturity, money or non-callable direct obligations of the United States of America or Permitted Investments (as defined in the Bond Resolution), in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Debt Service Fund, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal or accreted value, interest and redemption premiums, if any) at or before their respective maturity dates.

Paying Agent

As long as DTC's book-entry system is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice.

The Paying Agent, the District and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

So long as the outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, the Paying Agent and the District shall cooperate with Cede & Co., as sole Registered Owner, or its registered assigns in effecting payment of the principal of and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Registration, Transfer and Exchange of Bonds

If the book-entry system described in APPENDIX D is no longer used with respect to the Bonds, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds (the “Bond Register”).

The person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond. Payment of or on account of the principal of and interest on any Bond shall be made only to or upon the order of that person; neither the District nor the Paying Agent shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the District’s liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. In the event that the District determines to no longer maintain the book-entry only status of the Bonds, DTC determines to discontinue providing such services and no successor securities depository is named, or DTC requests the District to deliver Bond certificates to particular DTC Participants, any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Neither the District nor the Paying Agent will be required: (i) to issue or transfer any Bonds during a period beginning with (a) the opening of business on the 15th Business Day next preceding any Bond Payment Date or (b) any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given, or (ii) to transfer any Bonds that have been selected or called for redemption in whole or in part.

SECURITY FOR THE BONDS

The Bonds represent general obligations of the District payable from certain *ad valorem* taxes. Pursuant to Section 32312 of the Local Health Care District Law, the County shall levy and collect annually *ad valorem* taxes upon all property subject to taxation by the District for the payment of the principal or accreted value of and interest on the Bonds. Such taxes shall be collected by the County and transferred by the County to the Paying Agent. Pursuant to the provisions of the Paying Agent Agreement, the County will be directed to transfer such taxes twice each year on dates intended to coincide with the County’s collection of such taxes. The Paying Agent, pursuant to the Paying Agent

Agreement, shall deposit all such taxes in the Debt Service Fund held by the Paying Agent, which is required to be used by the Paying Agent solely for the payment of general obligation bonds of the District, including the Bonds and additional general obligation bonds authorized by Proposition G, and interest thereon when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, the Bonds are not obligations of the County, the State or any of its political subdivisions, other than the District.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable, shall be transferred by the Paying Agent on each Bond Payment Date to DTC for remittance by DTC to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

Each year, the District calculates and submits to the County the levy rate that is expected to permit the County to collect *ad valorem* taxes in an amount sufficient to pay principal or accreted value and interest coming due on the Bonds in that year. In the event there is a shortfall in *ad valorem* taxes to pay principal of and interest on the Bonds, the District is required by Section 32127 of the Local Health Care District Law to use moneys in its general fund to make up any shortfall. The District anticipates that the *ad valorem* taxes levied and collected by the County on the property subject to taxation by the District will be sufficient to pay the Bonds when due.

BOND INSURANCE

[To Come.]

DISCLAIMER

The information concerning the Insurer and the Policy contained herein has been provided by the Insurer and has not been independently certified or verified by the District or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct. Reference is made to APPENDIX E for a specimen of the Policy.

No assurance can be given that the Insurer will be able to meet its obligations under the Policy.

In the event that the Insurer is required to pay principal or accreted value of or interest on the Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Bonds.

Owners of the Bonds should note that, although the Policy will insure payment of the principal amount (but not any premium) that is paid to any Owner of the Bonds in connection with the optional redemption of any Bond and that is recovered from such Owner as a voidable preference under applicable bankruptcy laws, such amounts will be repaid by the Insurer to such Owner only at such times and in such amounts as would have applied in the absence of such redemption.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year ending July 15, the amounts required to be made available for the payment of principal or accreted value due on the Bonds, including by mandatory sinking account redemption, for the payment of interest on the Bonds and for the total debt service on the Bonds.

Year Ending (July 15)	Current Interest Bonds			Capital Appreciation Bonds			Total Annual Debt Service
	Principal	Interest	Total	Principal	Interest ⁽¹⁾	Total	

⁽¹⁾ Accreted Interest to be paid at Maturity.

PROPERTY TAX INFORMATION

Ad Valorem Property Taxation

As required by State law, the District utilizes the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax roll as are County, school district, city and other special district taxes. Taxes are levied by the County for each fiscal year on taxable real and personal property that is located in the District as of the preceding January 1. See “—Tax Collection Procedure” and “—Tax Rate and Collection Record” below.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be based on the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. The District will calculate the tax rate on an annual basis based on the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Subsequent to calculation of the tax rate, in accordance with County policy, the District Board will adopt a resolution on an annual basis notifying the County of the tax rate established. The County will, in turn, levy and collect the *ad valorem* taxes and transfer such *ad valorem* taxes to the Paying Agent as described above.

A reduction in the assessed valuation of taxable property located in the District, such as may be caused by economic recession, deflation of land values, a relocation out of the District by one or more major property owners, reclassification of property to a class exempt from taxation, or the complete or partial destruction of such property caused by, among other events, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy necessary to pay debt service on the Bonds. In addition, a declaration of bankruptcy by the District could delay the payment of debt service on the Bonds.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the State Constitution. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein.

Certain classes of property, such as churches, nonprofit and public colleges, universities and hospitals, charitable institutions and governmental property, are exempt from property taxation and do not appear on the tax rolls.

Property located within the District has a total net taxable assessed valuation for fiscal year 2006-07 of \$38,663,069,844. The following table presents the ten-year history of assessed valuations in the District.

Assessed Valuations⁽¹⁾
Fiscal Years 1997-98 through 2006-07

	Local Secured	Utility	Unsecured	Total
1997-98	\$18,617,017,195	\$3,083,454	\$ 529,377,762	\$19,149,478,411
1998-99	19,401,643,508	2,779,466	604,481,505	20,008,904,479
1999-00	20,841,368,986	2,153,063	636,625,706	21,480,147,755
2000-01	22,211,307,447	2,141,046	704,488,487	22,917,936,980
2001-02	23,702,128,007	2,210,746	798,443,002	24,502,781,755
2002-03	25,409,047,665	2,161,401	789,841,917	26,201,050,983
2003-04	27,474,551,146	6,096,594	872,704,409	28,353,352,149
2004-05	30,073,883,210	3,423,433	919,196,030	30,996,502,673
2005-06	33,757,515,601	4,813,435	963,044,671	34,725,373,707
2006-07	37,616,520,476	4,433,080	1,042,116,286	38,663,069,844

⁽¹⁾ All years shown at full cash value and include secured, unsecured and utility property, but exclude tax-exempt property. Source: California Municipal Statistics, Inc.

**Secured Tax Charges and Delinquencies
Fiscal Years 2001-02 through 2005-06**

	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2001-02	\$3,348,286.30	\$49,673.74	1.48%
2002-03	3,575,140.07	48,359.57	1.35
2003-04	3,870,397.50	47,597.41	1.23
2004-05	4,238,580.51	67,243.19	1.59
2005-06	4,741,903.61	96,065.07	2.03

⁽¹⁾ 1% general fund apportionment.
Source: California Municipal Statistics, Inc.

The following table shows the assessed valuation of real property on the secured tax rolls within the District and the number of parcels by land uses for fiscal year 2006-07.

**Assessed Valuation and Parcels by Land Use
Fiscal Year 2006-07**

	Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$ 383,969,921	1.02%	2,015	1.53%
Commercial	4,376,826,100	11.64	2,719	2.07
Vacant Commercial	284,804,012	0.76	701	0.53
Industrial	1,532,233,509	4.07	1,621	1.23
Vacant Industrial	102,532,327	0.27	325	0.25
Recreational/Open Space	99,283,954	0.26	1,289	0.98
Government/Social/Institutional	114,159,890	0.30	635	0.48
Vacant Other	6,043,453	0.02	1,452	1.10
Subtotal Non-Residential	\$ 6,899,853,166	18.34%	10,757	8.18%
Residential:				
Single Family Residence	\$23,256,135,066	61.82%	93,054	70.72%
Condominium/Townhouse	2,345,345,451	6.23	13,112	9.97
Mobile Home	84,942,263	0.23	1,105	0.84
Mobile Home Park	235,312,366	0.63	194	0.15
2-4 Residential Units	930,716,051	2.47	4,119	3.13
5+ Residential Units	3,037,728,068	8.08	1,501	1.14
Miscellaneous Residential Improvements	25,017,240	0.07	879	0.67
Vacant Residential	801,470,805	2.13	6,854	5.21
Subtotal Residential	\$30,716,667,310	81.66%	120,818	91.82%
Total	\$37,616,520,476	100.00%	131,575	100.00%

⁽¹⁾ Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

The table below shows the fiscal year 2006-07 aggregate, average and median assessed valuations of single family homes within the District and a breakdown of single family homes by assessed valuation range.

**Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2006-07**

	No. of Parcels		Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	93,054		\$23,256,135,066	\$249,921	\$219,620

Assessed Valuation ⁽¹⁾	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0-\$24,999	220	0.236%	0.236%	\$3,549,472	0.015%	0.015%
\$25,000-\$49,999	3,511	3.773	4.009	138,589,892	0.596	0.611
\$50,000-\$74,999	3,441	3.698	7.707	235,571,697	1.013	1.624
\$75,000-\$99,999	4,129	4.437	12.145	366,898,723	1.578	3.202
\$100,000-\$124,999	5,465	5.873	18.017	645,361,107	2.775	5.977
\$125,000-\$149,999	7,816	8.399	26.417	1,077,840,054	4.635	10.611
\$150,000-\$174,999	9,859	10.595	37.012	1,637,630,818	7.042	17.653
\$175,000-\$199,999	9,108	9.788	46.800	1,727,233,566	7.427	25.080
\$200,000-\$224,999	8,461	9.093	55.892	1,858,282,522	7.991	33.071
\$225,000-\$249,999	5,682	6.106	61.998	1,357,066,251	5.835	38.906
\$250,000-\$274,999	5,821	6.256	68.254	1,555,203,954	6.687	45.593
\$275,000-\$299,999	5,617	6.036	74.290	1,619,338,188	6.963	52.556
\$300,000-\$324,999	4,446	4.778	79.068	1,422,106,228	6.115	58.671
\$325,000-\$349,999	4,773	5.129	84.197	1,620,938,895	6.970	65.641
\$350,000-\$374,999	3,149	3.384	87.581	1,161,390,956	4.994	70.635
\$375,000-\$399,999	1,375	1.478	89.059	531,109,691	2.284	72.919
\$400,000-\$424,999	1,437	1.544	90.603	599,055,534	2.576	75.495
\$425,000-\$449,999	1,279	1.374	91.978	560,684,008	2.411	77.906
\$450,000-\$474,999	973	1.046	93.023	452,831,827	1.947	79.853
\$475,000-\$499,999	787	0.846	93.869	384,404,093	1.653	81.506
\$500,000 and greater	5,705	6.131	100.000	4,301,047,590	18.494	100.000
Total	93,054	100.000%		\$23,256,135,066	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Tax Collection Procedure

Taxes are levied for each fiscal year on taxable real and personal property on the tax rolls as of the preceding January 1. Real property that changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on June 30. Such property may thereafter be redeemed by payment of the delinquent property taxes, plus a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County's Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the Clerk of County specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the taxpayer.

Tax Rate and Collection Record

The aggregate tax rate for properties within the District for fiscal year 2006-07 is 0.01315%.

The following table shows the District's property tax collection record for the past four years and as of June 30, 2006 for the current year.

**Summary of Property Tax Levies and Collections
Fiscal Years 2002-03 through 2006-07**

Fiscal Year	Annual Tax Levy	Current Tax Collections	Percent of Current Tax Collections to Annual Tax Levy	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Annual Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Annual Tax Levy
2002-03								
2003-04								
2004-05								
2005-06								
2006-07								

Source: The County.

Major Taxpayers

The following table lists the major real property taxpayers in the District based on their 2006-07 secured assessed valuations.

Largest Local Secured Property Taxpayers Fiscal Year 2006-07

	Property Owner	Land Use	Assessed Valuation	% of Total ⁽¹⁾
1.	Parkway Plaza LP	Shopping Center	\$ 193,089,229	0.51%
2.	Rainbow Investment Co.	Shopping Center	84,733,229	0.23
3.	Conrad Prebys, Trust	Apartments	78,415,632	0.21
4.	SP Lavida Real LLC	Apartments	72,000,000	0.19
5.	Vestar Kimco Santee LP/ Vestar California XVII LLC	Shopping Center	60,642,420	0.16
6.	Wal-Mart Real Estate Business Trust	Shopping Center	51,258,134	0.14
7.	Con Am Partners 85B	Apartments	50,176,051	0.13
8.	Standard Pacific Corporation	Residential Development	48,350,000	0.13
9.	SCB-Adagio LLC	Apartments	42,916,500	0.11
10.	Kohl's Department Stores Inc.	Commercial	42,430,792	0.11
11.	JMS Acquisition LLC	Apartments	42,242,094	0.11
12.	La Vida Real LLC	Apartments	41,543,546	0.11
13.	Kaiser Foundation Health Plan Inc.	Office Building	38,684,918	0.10
14.	FW CA Rancho San Diego Village LLC	Shopping Center	38,584,000	0.10
15.	GKN Aerospace Chem-Tronics Inc.	Industrial	38,583,643	0.10
16.	Cumberland Club Apts. LP	Apartments	37,501,847	0.10
17.	Target Corp.	Commercial	28,097,364	0.07
18.	Dayton Hudson Corp.	Commercial	27,733,029	0.07
19.	Con Am Partners 85B	Apartments	26,364,727	0.07
20.	Las Brisas Development LLC	Residential Development	25,738,202	0.07
			\$1,069,085,357	2.84%

⁽¹⁾ 2006-07 Local Secured Assessed Valuation: \$37,616,520,476.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special tax and assessment bonds. The direct and overlapping debt of the District as of May 1, 2007 is shown in the following table (the "Debt Statement"), which was prepared by California Municipal Statistics, Inc. The Debt Statement is included for general information purposes only. Neither the District nor the Underwriter has reviewed the Debt Statement for completeness or accuracy, and neither make any representation in connection therewith.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

Article XIII A of the State Constitution (“Article XIII A”), adopted and known as Proposition 13, limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district (such as the District) or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as a result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (b) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

On June 18, 1992, the United States Supreme Court in *Nordlinger v. Hahn* issued a decision upholding the constitutionality of Article XIII A.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

Article XIII B to the California Constitution (“Article XIII B”) was added to the Constitution by initiative in 1979. Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by refunding taxes already collected or revising tax rates or fee schedules over the subsequent two years.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues. Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during such respective fiscal years shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

The State and each local government entity has its own appropriation limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another governmental entity of financial responsibility for providing the services. The District is required to establish an appropriation limit each year. The District receives no moneys that are considered appropriations subject to limitations and, therefore, had an appropriation limit of \$0 for fiscal year 2006-07.

Article XIII C and Article XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the State Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as hospital districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds percent vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds percent vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges that are subject to the provisions of Proposition 218.

Unitary Property

[Some amount of property tax revenue of the District is derived from utility property, which is considered part of a utility system with components located in many taxing jurisdictions.] AB 454 (Chapter 921, Statutes of 1987), now Section 100 of the Revenue and Taxation Code of the State (“AB 454”), provides that revenues derived from most utility property (e.g., pipelines in more than one county, regulated railways, and telephone, electric and gas utility companies) assessed by the State Board of Equalization (referred to in the statute as “Unitary Property”), commencing with the 1988-89 fiscal year, is based on a uniform rate within each county and allocated as follows: (1) each jurisdiction will receive up to 102 percent of its prior year State-assessed revenues; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIII A, Article XIIB, and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to State’s initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

THE DISTRICT

The information in this section concerning the operations of the District is provided as background information only. The Bonds are payable from ad valorem taxes levied on taxable property within the District and not from the revenues of the District or Sharp Grossmont Hospital. See “SECURITY FOR THE BONDS” herein. For a summary of certain demographic data for the County,

see APPENDIX A – “ECONOMIC AND DEMOGRAPHIC PROFILE OF SAN DIEGO COUNTY” herein.

The District, formerly known as Grossmont Hospital District, was formed in 1952 for the purposes of establishing a new hospital to accommodate the unmet healthcare needs of the residents of San Diego’s East County. Grossmont Hospital commenced operations in 1955 and currently employs 2,585 full time employees, with 667 doctors on staff and 481 licensed acute beds.

Governance and Management

The District is governed by the District Board, which consists of 5 publicly elected members, each serving four year terms. The District Board is charged with the general oversight of the District’s operations. The current members of the District Board are set forth below:

Board of Directors of the District

Director	Term Expires _____,	Occupation
John W. Hardebeck, M.D., President		Physician
James Stieringer, Vice President		Retired
Robert P. Yarris, Treasurer		Director at Grossmont College
Gloria A. Chadwick, R.N., Secretary		Registered nurse
Deborah McElravy		[_____]

Pursuant to the Affiliation Agreement, the District agreed to transfer the management of Grossmont Hospital to the Corporation, a California nonprofit, public benefit Corporation. Pursuant to a Lease Agreement, dated as of May 29, 1991 (as amended to date, the “Lease Agreement”), between the District and the Corporation, the District leased the Grossmont Hospital to the Corporation for a term ending May 29, 2021, unless such term is further extended. Pursuant to a Transfer Agreement, dated May 29, 1991 (the “Transfer Agreement”), between the District and the Corporation, the District transferred certain assets and liabilities of the District to the Corporation.

Sharp, the parent corporation of a multi-hospital healthcare system consisting of [_____] nonprofit hospitals and other healthcare facilities located in San Diego County and Riverside County, California, is the sole member of the Corporation.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated as of May 27, 2005 (the “JPA Agreement”) between Palomar Pomerado Health and the Tri-City Health District. Pursuant to an amendment to the JPA Agreement, dated as of _____, 2007, the District became a member of the Authority. Pursuant to Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the “JPA Act”), the Authority has legal authority to exercise any powers common to its members and to exercise additional powers granted to it under the JPA Act. Under the JPA Act, the Authority is authorized to purchase bonds issued by the District at negotiated sale and to sell such bonds at negotiated sale to the Underwriter. The Bonds are being issued by the District for sale to the Authority and will be simultaneously resold by the Authority to the Underwriter.

Neither the Authority nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this

section. The Authority will not monitor payment of the Bonds or compliance with the documents relating thereto.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of Bondholders (including Beneficial Owners of the Bonds) to provide the information set forth under the tables titled “Assessed Valuations,” “Assessed Valuation and Parcels by Land Use,” “Per Parcel Assessed Valuation of Single Family Homes,” “Typical Aggregate Tax Rate,” “Summary of Property Tax Levies and Collections,” and “Largest Local Secured Property Tax Payers” in “PROPERTY TAX INFORMATION” in this Official Statement (the “Annual Report”) by not later than six months following the end of the District’s fiscal year (which currently ends June 30), commencing with the 2006-07 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report shall be filed by the District with each Nationally Recognized Municipal Securities Information Repository (and with the appropriate State information depository, if any), or may be filed with DisclosureUSA.org. The notices of material events shall also be filed by the District with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any), or may be filed with DisclosureUSA.org. The specific nature of the information to be contained in the Annual Report or the notices of material events is included in APPENDIX B – “Form of Continuing Disclosure Certificate.” These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission. The District has never made any previous undertaking pursuant to Rule 15c2-12.

MATERIAL LITIGATION

There is no litigation pending or threatened against the District concerning the validity of the Bonds or questioning the District’s ability to issue the Bonds, the District’s ability to receive *ad valorem* taxes, the Bond Resolution or the organization, powers or authority of the District.

TAX MATTERS

Tax Exemption

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the Resolution and the Tax Certificate executed with respect to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. Bond Counsel renders no opinion as to the exclusion from gross income of interest on the Bonds for federal income tax purposes in the event an action is taken or omitted to be taken relating to such covenants or requirements upon the approval of counsel other than Bond Counsel.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liability.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Legislation affecting municipal obligations is continually being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status of the Bonds. Legislation or regulatory actions and proposals may also affect the economic value of tax exemption or the market price of the Bonds.

Original Issue Discount

The initial public offering price of certain of the Bonds (collectively, the “Discount Bonds”) is less than the principal amount of the Discount Bonds. The difference between the principal amount of a Discount Bond and its initial public offering price is original issue discount. Original issue discount on a Discount Bond accrues over the term of such Discount Bond at a constant interest rate. To the extent it has accrued, original issue discount on a Discount Bond is treated as interest excludable from gross income for federal income tax purposes under the conditions and limitations described above. The amount of original issue discount that accrues on a Discount Bond in each year is not an item of tax preference for purposes of calculating federal alternative minimum taxable income, but is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liability. Additionally, such accrued original issue discount is taken into account in determining the distribution requirements of certain regulated investment companies. Consequently, owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Bond will increase the owner’s adjusted basis in such Discount Bond. This will affect the amount of taxable gain or loss realized by the owner of the Discount Bond upon the redemption, sale or other disposition of such Discount Bond. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, sale or other disposition of a Discount Bond that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Bonds, other federal income tax consequences of owning and disposing of the Discount Bonds and any state and local tax consequences of owning and disposing of the Discount Bonds.

Original Issue Premium

Certain of the Bonds may be purchased in the initial offering for an amount in excess of their principal amount (hereinafter, the “Premium Bonds”). The excess of the tax basis of a purchaser of a Premium Bond (other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Premium Bond is “bond premium.” Bond premium is amortized for federal income tax purposes over the term of a

Premium Bond based on the purchaser's yield to maturity in the Premium Bond, except that in the case of a Premium Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond. A purchaser of a Premium Bond is required to decrease his or her adjusted basis in such Premium Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Premium Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of a Premium Bond, and with respect to the state and local tax consequences of owning and disposing of a Premium Bond.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

APPROVAL OF LEGALITY

The issuance of the Bonds is subject to the approval of their legality by Sidley Austin LLP, San Francisco, California, Bond Counsel. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C. Certain legal matters will be passed upon for the District by its General Counsel, Jeffrey G. Scott, Esq., and for the Underwriter by its counsel, Nixon Peabody LLP, San Francisco, California.

UNDERWRITING

The Bonds are being purchased by the Authority for resale to the Underwriter pursuant to a purchase contract among the Underwriter, the District, and the Authority. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Authority at a price of \$_____ (representing the principal amount of the Bonds of \$_____), plus/less original issue premium/discount of \$_____, less the Underwriter's discount of \$_____. Under the terms of the bond purchase agreement, the Underwriter will be obligated to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions to be satisfied by the District and the Authority. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering

prices stated on the front inside cover page. The offering prices may be changed from time to time by the Underwriter.

RATINGS

Standard & Poor's Ratings Services ("S&P") is expected to assign the Bonds the rating of "___," with the understanding that, upon the issuance of the Bonds, the Policy insuring payment when due of principal of and interest on the Bonds will be issued by the Insurer. No application was made to any other rating agency for the purpose of obtaining additional ratings on the Bonds. Such rating reflects only the views of such organization, and any explanation of the significance of such rating may only be obtained from the rating agency furnishing the same. The "___" rating reflects the rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. There is no assurance that the rating mentioned above will remain in effect for any given period of time or that they might not be lowered or withdrawn entirely by the rating agency, if, in the rating agency's judgment, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the Owners any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. The District has not undertaken any responsibility, other than as described in the Continuing Disclosure Certificate, either to bring to the attention of the Owners any proposed change in or withdrawal of any rating or to oppose any such proposed change or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds and the Bond Resolution and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Bond Resolution may be obtained during the offering period upon request to the Underwriter and thereafter upon request to the District.

