

**Palomar Pomerado Health
BOARD OF DIRECTORS
SPECIAL BOARD MEETING**
Palomar Medical Center, Graybill Auditorium, Escondido
Thursday, February 23, 2006

| AGENDA ITEM | DISCUSSION | CONCLUSIONS/ACTION | FOLLOW-UP/RESPONSIBLE PARTY |
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| CALL TO ORDER | 6:00 pm Quorum comprised Directors Bassett, Greer, Kleiter, Larson, Rivera, Scofield. Regrets from Director Krider. | | |
| NOTICE OF MEETING | Notice of Meeting was mailed consistent with legal requirements | | |
| PUBLIC COMMENTS | None | | |
| ADJOURNMENT to Closed Session pursuant to Gov Code 54956.8 | Chairman Rivera relayed the following in Open Session: Property: Escondido Research & Technology Site (ERTC) Agency Negotiator: Robert Hemker, CFO, PPH Negotiating Parties: James McCann & Robert Hemker Under Negotiation: Instruction to Negotiator regarding price, terms and conditions Estimated date of public disclosure: February 2006 | MOTION: by Rivera, 2 nd by Greer and carried to adjourn the meeting to Closed Session. All in favor. None opposed. Meeting adjourned to Closed Session at 6:05 p.m. | |
| RE-ADJOURNMENT TO OPEN SESSION at 6:55 p.m. | Chairman Rivera reported that no action had been taken in Closed Session and that he re-adjourned the Joint Special Board and Finance Committee meeting to Open Session. | | |
| <ul style="list-style-type: none"> • Resolution No. 02.23.06 (01) – 02 Development Agreement with the City of Escondido for the Escondido Research and Technology Center (ERTC) Palomar West | Mr. Hemker introduced this item, fully explaining to the Board the need for this Development Agreement, noting that it requires PPH to make a Public Benefit Payment in the amount of \$13,000,000. It is expected that an additional funding of \$6,000,000 will be achieved through relocation | MOTION: by Scofield, 2 nd by Kleiter and carried that Resolution No. 02.23.06 (01) – 02 Development Agreement with the City of Escondido for the Escondido Research and Technology Center (ERTF) Palomar Medical West | |

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| <p>Medical Center Project <i>(Addendum A of packet)</i></p> | <p>of supply chain services and acquisition of equipment and materials in the City of Escondido for the new hospital, a combined amount sufficient, per the City, to complete the Citracado Parkway Improvements - an obligation of the City. The City of Escondido, by Ordinance, will approve the necessary zoning and entitlement modifications, along with other requested changes to the General Plan and ERTC Specific Plan.</p> | <p>Project as submitted, be adopted.</p> <p>All in favor. None opposed. Passed unanimously.</p> | |
| <ul style="list-style-type: none"> • Resolution No. 02.23.06 (02) – 03 Approval of the Memorandum of Understanding with the City of Escondido concerning the Preservation of Downtown Escondido and the Redevelopment of the Palomar Medical Center <i>(Addendum B of packet)</i> | <p>Following review of this item by Mr. Hemker and in concert with the City of Escondido, PPH Management and City Leadership determined that a Memorandum of Understanding was key to outlining various commitments, obligations and responsibilities as both parties collaborate in achieving certain development on and around the existing Palomar Medical Center Campus.</p> <p>Approval to this Memorandum of Understanding was requested.</p> | <p>MOTION: by Greer, 2nd by Larson and carried that Resolution no. 02.23.06 (02) – 03 Approval of the Memorandum of Understanding with the City of Escondido concerning the Preservation of Downtown Escondido and the Redevelopment of the Palomar Medical Center as submitted, be adopted.</p> <p>All in favor. None opposed. Passed unanimously.</p> | |
| <ul style="list-style-type: none"> • Approval: Development Agreement between PPH and JRM-ERTC I, L.P. <i>(Addendum C of packet)</i> | <p>The Development Agreement was discussed by Mr. Hemker who explained the background to the ERTC site and current properties thereon. In order to ensure adequate acreage, convenient access to hospital facilities etc., PPH and JRM-ERTC I, LP agreed to enter into a Development Agreement for the provision of Medical Office Building space as a condition and component element of the consideration for acquisition of the land.</p> <p>PPH would grant to JRM-ERTC I, LP (Developer) the exclusive right to develop, on a joint venture basis with PPH, up to 300,000 gross square feet of MOB (Medical Office Building) space.</p> <p>Approval to this Development Agreement was requested.</p> | <p>MOTION: by Larson, 2nd by Kleiter and carried that the Development Agreement between PPH and JRM-ERTC I, L.P. as submitted, be approved.</p> <p>All in favor. None opposed. Passed unanimously.</p> | |
| <ul style="list-style-type: none"> • Approval: Agreement as to Form & Content – | <p>Mr. Hemker then explained the background and events to date following the March 18,</p> | <p>MOTION: by Scofield, 2nd by Greer and carried that acceptance of the</p> | |

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| <p>CCRs Governing ERTC & Association <i>(Addendum D of packet)</i></p> | <p>2005 entry by PPH into an Option to Purchase, Purchase Agreement and Escrow Instructions – ERTC Parcels 27 through 29 and Parcels 33 through 36 with JRM-ERTC I, P., and relevant CCRs and Owners Association .</p> <p>In conjunction with anticipated annexing of the parcels being acquired into the Association, PPH had diligently reviewed the existing CCRs and negotiated with the Declarant certain changes throughout the CCRs in order to protect its interest, rights and obligations. Notable to the changes were Sec. 6.6 (applicability to PPH) related to Use Restrictions and Sec 8.10 (applicability to PPH) related to Architectural Approvals. PPH was not a Co-Declarant as it related to the proposed revision to the CCRs, rather the agreed upon revised CCRs would be filed as part of the closing process for the PPH parcels. Additionally, PPH had negotiated a not-to-exceed cap on its share of Association expenses, regardless of future included/excluded parcels in the Association.</p> <p>Following Management’s review with the Board of key points of the CCRs, including obligations and rights of both parties, Management recommended acceptance of the CCRs as reviewed, and subject to the Board electing to close on the purchase agreement for ERTC Parcels 27 through 29 and Parcels 33 through 36 with JRM-ERTC I, L.P.</p> | <p>CCRs as reviewed, be approved as submitted, be approved.</p> <p>All in favor. None opposed. Passed unanimously.</p> | |
| <ul style="list-style-type: none"> Approval: Ratification of SDG&E Indemnity Agreement <i>(Addendum E of packet)</i> | <p>Bob Hemker reviewed the background following PPH entering into the ERTC Option to Purchase Agreement and Escrow Instructions March 18, 2005 in that during review and subsequent discussions of the necessary General Plan Amendment and Specific Plan Amendment with the City of Escondido, SDG&E expressed concern about potential impacts related to noise, air</p> | <p>MOTION: by Kleiter, 2nd by Larson and carried that ratification of the SDG&E Indemnity Agreement as submitted, be approved.</p> <p>All in favor. None opposed. Passed unanimously</p> | |

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| | <p>dispersion, sensitive receptor impacts, and helicopter safety. PPH provided SDG&E with information related to their specific concerns, and engaged in positive dialog and information sharing communications. As a result, SDG&E eliminated their concerns, subject to PPH entering into an indemnification agreement specifically related to helicopter safety associated with SDG&E's "plume" and negative impacts resulting to PPH's patients (ie. sensitive receptors) from air dispersion exposure impacts. Management entered into the Indemnification & Hold Harmless Agreement on February 8, 2006, thereby eliminating SDG&E's concerns and resulting in a non-opposition of hospital position.</p> <p>Staff recommended ratification of the Agreement, and subject to the Board electing to close on the purchase agreement for ERTC Parcels 27 through 29 and Parcels 33 through 36 with JRM-ERTC I, L.P.</p> | | |
| <ul style="list-style-type: none"> • Resolution No. 02.23.06 (03) – 04 Authorizing Closing on Option to Purchase, Purchase Agreement and Escrow Instructions for Parcels 27 through 29 and 33 through 36 dated March 18, 2005, by and between PPH and JRM-ERTC I, L.P. <i>(Addendum F of packet)</i> | <p>Following review by Mr. Hemker of the background leading to possible Board action authorizing PPH Management to consummate the Option to Purchase, Purchase Agreement and Escrow Instructions for Parcels 27 through 29 and 33 through 36 dated March 18, 2005, by and between PPH and JRM-ERTC I, L.P., he noted that on August 31, 2005 PPH exercised it's Option to Purchase rights under the Agreement, triggering a process of acquisition with an agreed upon closing of escrow on or about February 28, 2006.</p> <p>Staff recommended such Exercise of Option to Purchase, Purchase Agreement and Escrow Instructions for Parcels 27 through 29 and 33 through 36 dated March 18, 2005, by and between PPH and JRM-ERTC I, L.P.</p> <p>Following these presentations to the Board,</p> | <p>MOTION: by Scofield, 2nd by Kleiter and carried that Resolution No. 02.23.06 (03) – 04 Authorizing Closing on Option to Purchase, Purchase Agreement and Escrow Instructions for Parcels 27 through 29 and 33 through 36 dated March 18, 2005, by and between PPH and JRM-ERTC I, L.P. as submitted, be adopted.</p> <p>All in favor. None opposed. Passed unanimously</p> | |

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| | <p>Director Kleiter wished to commend Bob Hemker for the excellent summaries he had provided and the manner in which he had conducted this extensive and major process. Mr. Covert also commended both Bob Hemker and added that a great deal of credit also went to Attorneys Allen Haynie and Bob Frances.</p> | | |
| <ul style="list-style-type: none"> • Approval: Operating Agreement for PDP Pomerado, LLC, a California Limited Liability Company for Pomerado Campus OSP Building <i>(Addendum G of packet)</i> | <p>Mr. Hemker presented information on the proposed Operating Agreement for PDP Pomerado, LLC, a California Limited Liability Company for Pomerado Campus OSP Building, noting that the Operating Agreement affords certain rights and obligations to each of the Members of the LLC, PPH and Pacific Medical Buildings (PMB), with PMB project obligations including guarantees, entitlements and leasing. The Operating Agreement as drafted adequately governed and provided clear direction for the development and operation of the OSP.</p> <p>Staff recommended approval of the LLC Operating Agreement for the PDP Pomerado LLC for the Pomerado Campus Outpatient Services Pavilion Building</p> | <p>MOTION: by Kleiter, 2nd by Bassett and carried that the Operating Agreement for PDP Pomerado, LLC, a California Limited Liability Company for Pomerado Campus Outpatient Services Pavilion Building (OSP) Building as submitted, be approved.</p> <p>All in favor. None opposed.</p> | |
| <ul style="list-style-type: none"> • Acknowledgement of Mr. Bob Hemker, CFO | <p>Chairman Rivera requested that for a few moments the spotlight be upon Mr. Hemker as what he had done allowed us to complete the vision for our future with his steady, quiet, leadership, and when some in the community made wild attacks, he appreciated Mr. Hemker from a community viewpoint regarding his ethical nature and integrity which allowed the Board to focus on what was to be achieved.</p> <p>Director Larson also thanked Mr. Hemker for his negotiations in this regard on behalf of the District and felt that he was looking after the citizens' interest.</p> | | |
| <p>FINAL ADJOURNMENT</p> | <p>7:40 p.m.</p> | | |

