

Palomar Pomerado Health
BOARD OF DIRECTORS
SPECIAL BOARD MEETING
Pomerado Hospital, Meeting Room E
Tuesday, April 25, 2006

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:00 pm Quorum comprised Directors Greer, Kleiter, Rivera, Krider, Scofield; Excused – Directors Bassett, Larson		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	There were no public comments		
INFORMATION	There were no items for information		
APPROVAL OF MINUTES Finance Committee Meeting – March 28, 2006		MOTION: by Kleiter, 2 nd by Greer to approve the March 28, 2006 minutes as submitted. All in favor. None opposed. Motion carried.	
UPDATED FINANCIAL AND CAPITAL PLAN	Utilizing the attached presentation, Bob Hemker, CFO, began with an overview to address critical questions in regard to the updating of the Strategic Financial and Capital Plan. Capital requirements need to be balanced with what needs to be done operationally to meet plan projections. Timing of financial impacts to expect over the course of the 10 year plan projections were carefully reviewed. Ellen Riley of Kaufman Hall provided detail of the credit analysis outlined in the plan highlighting key indicators on which to focus, including the "A" credit rating indicator from Moody's. In addition, financial projections and capital position analysis were reviewed.	Director Kleiter posed a question in regard to timing of capital purchases. Mr. Hemker responded that capital replacements in existing facilities would remain on track in conjunction with the life cycle of equipment. All capital replacements will be strategically reviewed looking toward the future. It is expected that approximately \$5 million annually of routine capital budget will be allocated toward FMP needs. Director Rivera asked how current available cash is determined. The formula and analysis were reviewed.	

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	<p>The Plan of Finance was presented by Chad Kenan of CitiGroup.</p> <p>Robert Barna, Chad Kenan and Andrew Zuppo of CitiGroup were also in attendance.</p>	<p>Director Greer questioned how a "worst case" scenario would be handled. Mr. Hemker referred to the baseline financial projections and added that even in a "worst case" scenario legal covenant obligations would be covered.</p> <p>Director Rivera asked about increases in managed care rates in historic terms. Mr. Hemker responded that managed care reimbursement increases contained in the plan are not unrealistic based on historic rate increases.</p> <p>Director Scofield asked about the impact of project management to costs. Mr. Hemker responded that all segments of the plan of finance will continue to be monitored in order to take full advantage of current and future construction conditions. Mr. Covert commented that the Board Finance Committee will be staying very close to the numbers operationally and that incremental opening of the new facility can be done if necessary to maintain budget.</p> <p>Dr. Tornambe asked about competition from other organizations and if there was a risk in "closing our doors" if competing organizations established facilities nearby. Mr. Hemker explained that competing organizations would face greater cost of debt than our own if they were to choose to open facilities in close proximity to PPH.</p>	

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		<p>Director Scofield wished to express her thanks to Mr. Hemker for his diligence during this process and for spending considerable amounts of time in answering questions about the capital and finance plans.</p> <p>Director Rivera asked about the structure of the revenue bond and how it works. Ellen and Bob reviewed the revenue bond alternatives and key decisions yet to be made including: fixed vs. variable rate, credit enhancement availability, and possible use of a hedge strategy.</p> <p>In summary – likely scenario projections presented are conservative in nature; check points are included at every point to ensure financial projections stay on track; construction will be done as need arises to ensure financial budgets are maintained</p> <p>Mr. Hemker stated that PPH is in a position to take the next steps in the financial process in order to move forward with expansion plans.</p> <p>MOTION: Director Kleiter, 2nd Director Krider to approve Resolution No. 04-25-06 (01) –10 authorizing actions necessary to complete implementation of the Facilities Master Plan adopted in 2004, including an increase in the capital project associated with the Facilities Master Plan and approval of a revised plan of Finance and a revised integrated Plan of Finance in connection therewith;</p>	

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		<p>All in favor; None opposed. Motion carried.</p> <p>MOTION: Director Kleiter, 2nd Director Scofield to approve Resolution No. 04-25-06 (02)-11 declaration of Official Intent of Palomar Pomerado Health to Reimburse Certain Expenditures from Proceeds of Indebtedness;</p> <p>All in favor; None opposed. Motion carried.</p> <p>MOTION: Director Kleiter, 2nd Director Krider to approve Resolution No. 04-25-06 (03) – 12 authorizing the issuance of Palomar Pomerado Health revenue bonds in such aggregate principal amount as shall be necessary to provide \$220 million dollars of capital project funds, authorizing a hedging transaction in connection with all or a portion of said bonds, authorizing the execution and delivery of one or more ISDA master agreements, schedules, credit support annexes and confirmations relating to all or a portion of said bonds, authorizing securing municipal bond insurance, a reserve fund instrument and swap insurance in connection with all or a portion of said bonds and said hedging transaction, and authorizing the taking of all actions necessary or</p>	

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		<p>advisable in connection therewith;</p> <p>All in favor; None opposed; Motion carried.</p>	
<p>PURCHASE OF LAND & BUILDING AT 2227 ENTERPRISE, ESCONDIDO, CA</p>	<p>Mr. Hemker briefly reviewed the details of the pending acquisition of land at 2227 Enterprise, Escondido, CA for warehousing and supply chain service functions. The determination was made that purchase of this land would be in the best interest of PPH for a variety of reasons. Mr. Hemker outlined those reasons which include: close proximity to the ERTC site, long term solution to supply distribution to all PPH sites, ability to use building space for "mock up" rooms saving PPH \$60,000 - \$70,000 in short term rental space. A third party appraisal resulted in a concluded value raise of \$159 to \$161 per square foot. Escrow is due to close on the property June 15. Purchase price is approximately \$2.9 million dollars, which comes in below the \$3.1 million dollar asking price. Some renovations will be necessary.</p>	<p>MOTION: Director Scofield; 2nd Director Kleiter to approve Resolution No. 04-25-06 (04) – 13 authorizing the acquisition of the land and building known as 2227 Enterprise, Escondido, CA, subject to the counter letter of intent to purchase dated April 10, 2006.</p> <p>All in favor; None opposed; Motion carried.</p> <p>Director Scofield asked regarding cost for renovations. Mr. Hemker responded that the cost would be approximately \$775,000 for renovations.</p> <p>Director Kleiter asked if there were any restrictions in the agreement with the City of Escondido regarding location of the warehouse. Mr. Hemker responded that there were no restrictions in the agreement regarding location of the warehouse within the City of Escondido. The intended use is consistent with current zoning and other businesses in the vicinity.</p>	
<p>ADJOURNMENT</p>	<p>There being no further business of the Special Board meeting, the meeting was adjourned at 7:50 p.m.</p>		

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SIGNATURES <ul style="list-style-type: none"> • Board Secretary • Acting Board Assistant 	<hr/> Linda C. Greer, R.N. <hr/> Nancy M. Wood		