

# ADDENDUM D



**PALOMAR POMERADO HEALTH**

**RESOLUTION NO. 04.25.06 (03) - 12**

**RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR POMERADO HEALTH AUTHORIZING THE ISSUANCE OF PALOMAR POMERADO HEALTH REVENUE BONDS IN SUCH AGGREGATE PRINCIPAL AMOUNT AS SHALL BE NECESSARY TO PROVIDE \$220 MILLION DOLLARS FOR CAPITAL PROJECTS, 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 ADVISABLE IN CONNECTION THEREWITH.**

**WHEREAS**, Palomar Pomerado Health (the "District") is a local health care district duly organized and existing under The Local Health Care District Law, constituting Division 23 of the Health and Safety Code of the State of California (the "District Act");

**WHEREAS**, in order to continue to provide accessible health care services, management of the District developed a comprehensive plan to address the future health care needs of the population of the District (such plan being hereinafter referred to as the "Facilities Master Plan"), which Facilities Master Plan has been approved by the Board of Directors of the District (the "Board of Directors");

**WHEREAS**, pursuant to the provisions of the District Act, the District is authorized to issue revenue bonds payable exclusively from revenues pursuant to the provisions of Chapter 6 (commencing with Section 54300) of Part I of Division 2 of Title 5 of the Government Code of the State of California;

**WHEREAS**, in order to provide funds to finance or reimburse the District for its prior payment of capital costs incurred in connection with implementation of the Facilities Master Plan, the District intends to issue such aggregate principal amount of Palomar Pomerado Health Revenue Bonds as shall be necessary to provide \$220 million dollars for capital projects, such bonds to be issued as variable rate bonds (hereinafter referred to as the "Variable Rate Bonds") or as fixed rate bonds (hereinafter referred to as the "Fixed Rate Bonds," and, together with the Variable Rate Bonds, hereinafter collectively referred to as the "Bonds") in one or more series, pursuant to one or more Indentures to be entered into by the District with a corporate trustee to be selected by President and Chief Executive Officer of the District (the "President") or

the Chief Financial Officer of the District (the "Chief Financial Officer") prior to the issuance of the Bonds;

**WHEREAS**, Section 5922 of the Government Code of the State of California (the "Government Code") provides that in connection with, or incidental to, the issuance or carrying of bonds, any public entity may enter into any contracts which the public entity determines to be necessary or appropriate to place the obligations represented by the bonds, in whole or in part, on the interest rate, cash flow or other basis desired by the public entity, including, without limitation, contracts commonly known as interest rate swap agreements, forward payment conversion agreements or contracts providing for payments based on levels of, or changes in, interest rates or stock or other indices, or contracts to exchange cash flows or a series of payments, in each case to hedge payment, rate, spread or similar exposure (each such agreement or contract being hereinafter referred to as a "Hedging Agreement");

**WHEREAS**, Section 5922 of the Government Code further provides that each such Hedging Agreement shall be entered into with the party (hereinafter referred to as a "Counterparty"), selected by the means, and contain the payment, security, default, remedy, and other terms and conditions determined by the public entity after giving due consideration for the creditworthiness of the Counterparty to such Hedging Agreement, including any rating of such Counterparty by a nationally recognized rating agency;

**WHEREAS**, in order to hedge against rising interest rates and in order to minimize debt service and maximize delivery of capital projects identified in the Facilities Master Plan, the Board of Directors hereby determines that it is desirable to enter into one or more Hedging Agreements in connection with all or a portion of the Variable Rate Bonds, each such Hedging Agreement to be entered into with Citibank, N. A., New York or such other Counterparty which meets the requirements specified in the swap policy previously adopted by the Board of Directors as shall be selected by the President or the Chief Financial Officer (each, an "Authorized Officer of the District");

**WHEREAS**, the form of each such Hedging Agreement is expected to be comprised of an International Swaps and Derivatives Association ("ISDA") Master Agreement (each, a "Master Agreement"), an ISDA U.S. Municipal Counterparty Schedule to the Master Agreement (each, a "Schedule"), an ISDA Credit Support Annex (each, a "Credit Support Annex") and one or more Confirmations (each, a "Confirmation");

**WHEREAS**, in order to take advantage of favorable market conditions, it may be desirable to enter into one or more Hedging Agreements prior to the issuance of the Variable Rate Bonds;

**WHEREAS**, the Board of Directors hereby acknowledges that execution of a Hedging Agreement could result in a payment due from the District to a Counterparty in the event the District does not issue the Variable Rate Bonds and/or in the event that it is in the best interest of the District to terminate such Hedging Agreement subsequent to its execution, that the amount of such payment, if any, will vary depending in large part on prevailing interest rates at

the time such payment is calculated, and that under certain market conditions, the amount of such payments could be substantial;

**WHEREAS**, in order to provide credit support for all or a portion of the Bonds, it may be desirable for management of the District to secure a commitment for bond insurance from a provider of municipal bond insurance or other third party surety;

**WHEREAS**, in order to fund a reserve fund for all or a portion of the Bonds, if required, it may be desirable for management of the District to secure a commitment for a surety bond, an irrevocable letter of credit, or an insurance policy to fund all or a portion of such reserve fund;

**WHEREAS**, in order to insure the payment of amounts due to a Counterparty pursuant to a Hedging Agreement, including, without limitation, payment of termination payments, if any, it may be desirable for management of the District to secure a commitment for an insurance policy or surety bond securing such payments;

**WHEREAS**, in order to take advantage of current favorable market conditions and to hedge against rising interest rates, it is now necessary for the Board of Directors to authorize the issuance of the Bonds, to authorize the execution and delivery of one or more Master Agreements, one or more Schedules, one or more Credit Support Annexes, and one or more Confirmations, and to authorize the taking of various actions in connection therewith, including, without limitation, the securing of a commitment for one or more insurance policies or surety bonds to insure payments due in connection with the Hedging Agreements;

**WHEREAS**, in order to facilitate the issuance of the Bonds, it is now necessary for the Board of Directors to authorize the securing of a commitment for bond insurance for all or a portion of the Bonds and a commitment for a surety bond, an irrevocable letter of credit, or an insurance policy to fund all or a portion of a reserve fund for the Bonds, if required; and

**WHEREAS**, the Board of Directors desires: (i) to authorize the issuance of the Bonds on such additional terms and conditions as shall be approved by subsequent resolution adopted by the Board of Directors; (ii) to authorize the selection of a corporate trustee for the Bonds; (iii) to authorize the execution and delivery of one or more Master Agreements, one or more Schedules, one or more Credit Support Annexes and one or more Confirmations; (iv) to authorize the securing of a commitment for bond insurance for all or a portion of the Bonds, a commitment for a surety bond, an irrevocable letter of credit, or an insurance policy to fund all or a portion of a reserve fund for the Bonds, if required, and a commitment for one or more insurance policies or surety bonds to insure payments due in connection with the Hedging Agreements; and to authorize the execution and delivery of such other documents as are necessary or advisable in connection with the transactions described herein and the taking of various actions in connection therewith;

NOW, THEREFORE, BE IT RESOLVED THAT:

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

**Section 2. Issuance of Bonds.** The issuance by the District of such aggregate principal amount of Bonds as shall be necessary to provide \$220 million dollars for capital projects on such terms and conditions as shall be approved by subsequent resolution adopted by the Board of Directors is hereby authorized and approved.

**Section 3. Selection of Trustee.** The selection of a corporate trustee for the Bonds by either Authorized Officer of the District is hereby authorized and approved.

**Section 4. Findings Concerning Hedging Transaction.** Pursuant to Section 5922 of the Government Code, the Board of Directors hereby finds and determines that each Hedging Agreement described herein is being entered into in connection with, or incidental to, the issuance or carrying of the Variable Rate Bonds, is necessary and appropriate to place the District's obligations as represented by the Variable Rate Bonds on the fixed interest rate basis desired by the District, and is designed to reduce the amount or duration of payment, rate, spread or similar risk or result in a lower cost of borrowing when used in combination with the Variable Rate Bonds. Pursuant to Section 5922 of the Government Code, the Board of Directors hereby further finds and determines that the District has given due consideration to the creditworthiness of each Counterparty, including the ratings of each Counterparty by nationally recognized rating agencies, in selecting each Counterparty and in determining the payment, security, default, remedy, and other terms and conditions to be contained in the proposed form of each Hedging Agreement.

**Section 5. Certain Terms of Hedging Agreements.** Each Authorized Officer of the District, acting alone, is hereby authorized to enter into one or more Hedging Agreements with one or more Counterparties, which Hedging Agreements shall be in such notional amounts which do not in the aggregate exceed the aggregate principal amount of the Variable Rate Bonds, at such fixed rate per annum as shall be specified in the Confirmation(s) against receipt of such floating rate as shall be specified in the Confirmation(s), each of which rates shall be determined by the Authorized Officer of the District executing the Confirmation, with the advice of Kaufman Hall & Associates, acting as financial advisor to the District (the "District Financial Advisor").

**Section 6. Approval of Hedging Agreement Documentation.** Each Authorized Officer of the District is hereby further authorized and directed to execute and deliver to each Counterparty a Master Agreement, a Schedule, a Credit Support Annex and one or more Confirmations, each such document to be in such form as shall be acceptable to the Authorized Officer of the District executing the same, with the advice of the District Financial Advisor and Latham & Watkins LLP, counsel to the District ("District Counsel"), the execution and delivery of each such document by an Authorized Officer of the District to constitute approval of such document by the Board of Directors.

**Section 7. Amendment, Modification, Reversal or Termination of Hedging Agreements.** Each Authorized Officer of the District, acting alone, with the advice of the District Financial Advisor and District Counsel, is hereby further authorized to enter into any amendment or modification of any document entered into in connection with any Hedging Agreement, including without limitation any Confirmation entered into in connection with any

Hedging Agreement, to reverse any Confirmation entered into in connection with any Hedging Agreement and/or to terminate any Confirmation in accordance with the terms thereof, the execution and delivery of such amendment, modification reversal or termination by an Authorized Officer of the District to constitute approval of such amendment, modification reversal or termination by the Board of Directors.

**Section 8. Bond Insurance.** Each Authorized Officer of the District is hereby authorized and directed to negotiate with municipal bond insurers and, if such Authorized Officer of the District determines that it is in the best interest of the District, to commit to purchase municipal bond insurance for one or more maturities of the Bonds on such terms as such Authorized Officer of the District, with the advice of the District Financial Advisor and District Counsel, determines are appropriate, and to execute and deliver any and all commitments (hereinafter referred to as "Bond Insurance Commitment"), agreements, documents and certificates necessary in connection with securing such municipal bond insurance for the Bonds.

**Section 9. Reserve Fund Instrument.** Each Authorized Officer of the District is hereby authorized and directed to negotiate with financial institutions and/or insurance companies, as applicable, and, if such Authorized Officer of the District determines that it is in the best interest of the District, to secure a surety bond, an irrevocable letter of credit, or an insurance policy on such terms as such Authorized Officer of the District, with the advice of the District Financial Advisor and District Counsel, determines are appropriate in order to fund a reserve fund for the Bonds, and to execute and deliver all commitments (hereinafter referred to as a "Reserve Fund Instrument Commitment"), agreements, documents and certificates necessary in connection with securing such surety bond, letter of credit or insurance policy to fund the reserve fund.

**Section 10. Swap Insurance.** Each Authorized Officer of the District is hereby authorized and directed to negotiate with municipal bond insurers and, if such Authorized Officer of the District determines that it is in the best interest of the District, to commit to purchase insurance for payments due in connection with a Hedging Agreement (hereinafter referred to as the "Swap Payments") on such terms as such Authorized Officer of the District, with the advice of the District Financial Advisor and District Counsel, determines are appropriate, and to execute and deliver any and all commitments (hereinafter referred to as a "Swap Insurance Commitment"), agreements, documents and certificates necessary in connection with securing such insurance for the Swap Payments.

**Section 11. Additional Actions.** Each Authorized Officer of the District and any other appropriate officer of the District, acting singly, is, and each of them hereby is, authorized and directed, for and in the name and on behalf of the District, to execute and deliver any and all agreements, documents, instruments, and certificates, and to do and cause to be done any and all acts and things necessary or advisable to carry out the transactions contemplated by this Resolution, including, without limitation, the execution and delivery of any agreements or documents required in connection with the Bonds, each Hedging Agreement, the Bond Insurance Commitment, the Reserve Fund Instrument Commitment and/or each Swap Insurance Commitment, and to do any and all things and take any and all actions which may be necessary

or advisable, in such officer's discretion, to effectuate the actions which the Board of Directors has approved in this Resolution.

**Section 12. Ratification of Actions.** All actions heretofore taken by the members of the Board of Directors of the District, committees of the Board of Directors of the District, each Authorized Officer of the District and other officers and agents of the District with respect to the transactions described herein are hereby ratified, confirmed and approved.

**Section 13. Effective Date.** This Resolution shall take effect from and after its adoption.



**PASSED AND ADOPTED** by the Board of Directors of Palomar Pomerado Health on the 25th day of April, 2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

**Dated:** April 25, 2006.

By:

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Marcelo Rivera, M.D.  
Chair, Board of Directors  
Palomar Pomerado Health

Attested:

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Linda Greer, R. N.  
Secretary, Board of Directors