



PALOMAR
POMERADO
HEALTH

**BOARD OF DIRECTORS
AGENDA PACKET**

May 9, 2005

*The mission of Palomar Pomerado Health
is to heal, comfort and promote health
in the communities we serve.*

A California Health Care District (Public Entity)

PALOMAR POMERADO HEALTH BOARD OF DIRECTORS

Marcelo R. Rivera, MD, Chairman
Nancy L. Bassett, RN, MBA, Vice Chairman
Nancy H. Scofield, Secretary
T. E. Kleiter, Treasurer
Linda C. Greer, RN
Bruce G. Krider, MA
Alan W. Larson, MD
Michael H. Covert, President and CEO

*Regular meetings of the Board of Directors are usually held on the second Monday of each month at 6:30 p.m., unless indicated otherwise
For an agenda, locations or further information
call (858) 675-5106, or visit our website at www.pph.org*

MISSION STATEMENT

***The Mission of Palomar Pomerado Health is to:
Heal, Comfort, Promote Health in the Communities we Serve***

VISION STATEMENT

Palomar Pomerado Health will be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services

CORE VALUES

Integrity

To be honest and ethical in all we do, regardless of consequences

Innovation and Creativity

To courageously seek and accept new challenges, take risks, and envision new and endless possibilities

Teamwork

To work together toward a common goal, while valuing our difference

Excellence

To continuously strive to meet the highest standards and to surpass all customer expectations

Compassion

To treat our patients and their families with dignity, respect and empathy at all times and to be considerate and respectful to colleagues

Stewardship

To inspire commitment, accountability and a sense of common ownership by all individuals

Affiliated Entities

**Escondido Surgery Center * Palomar Medical Center * Palomar Medical Auxiliary & Gift Shop * Palomar Continuing Care Center *
Palomar Pomerado Health Foundation * Palomar Pomerado Home Care * Pomerado Hospital * Pomerado Hospital Auxiliary & Gift Shop *
Palomar Pomerado Health Concern * Ramona Radiology Center * VRC Gateway & Parkway Radiology Center * Villa Pomerado
* Palomar Pomerado North County Health Development, Inc.***

**PALOMAR POMERADO HEALTH
BOARD OF DIRECTORS
REGULAR MEETING AGENDA**

Monday, May 9, 2005
Closed Session: 6:00 p.m.
Open Session: 6:30 p.m.

Pomerado Hospital
15615 Pomerado Road
Poway, California

CLOSED SESSION commencing at 6:00 p.m. Pomerado Meeting Room E

- | | | |
|-----------|---|--------|
| 1. | CONFERENCE WITH LEGAL COUNSEL pursuant to
<i>Government Code Section 54956.9 – Existing Litigation -
 Patrick O'Meara, M.D. – California Supreme Court Case No. S131874</i>
- Carlo Coppo, Esq.
(No anticipated action) | 30 min |
|-----------|---|--------|

ADJOURNMENT TO OPEN SESSION commencing at 6:30 p.m. Pomerado Meeting Room E

		<u>Time</u>	<u>Page</u>
I.	CALL TO ORDER		
II.	OPENING CEREMONY	5	
	A. Pledge of Allegiance		
	B. Recitation – Chaplain David Walden		
	C. Mission & Vision – Board Member		
	<i>“The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.”</i>		
	<i>“The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.”</i>		
III.	PUBLIC COMMENTS	5	
	<i>(5 mins allowed per speaker with cumulative total of 15 min per group – for further details & policy see Request for Public Comment notices available in meeting room).</i>		
IV.	* MINUTES	2	
	Regular Board Meeting – April 11, 2005 <i>(separate cover)</i>		
	Joint Board/Strategic Planning Committee Meeting – April 20, 2005		
			1-7
V.	* CONSENT ITEMS	5	8-20
	A. Consolidated Financial Statements		
	B. Revolving Fund Transfers/Disbursements –March, 2005		
	1. Accounts Payable Invoices	\$ 24,171,792.00	
	2. Net Payroll	<u>8,323,893.00</u>	
	Total	<u>\$ 32,495,685.00</u>	
	C. Ratification of Paid Bills		
	D. March 2005 & YTD FY 2005 Financial Report		

“In observance of the ADA (American with Disabilities Act), please notify us at 858-675-5106, 48 hours prior to the meeting so that we may provide reasonable accommodations”

VI. PRESENTATION

- A. **Nursing Shortage White Paper** 15
 - Brad Wiscons, Director of Grant Services Health Dept.

VII. REPORTS

- A. **Medical Staffs** 10
 - * 1. Palomar Medical Center – *James S. Otsoshi, M.D.* 21-31
 - a. Credentialing/Reappointments
 - b. Department of Radiology Rules and Regulations
 - c. Department of Surgery Rules and Regulations
 - * 2. Escondido Surgery Center – *L. Richard Greenstein, M.D.* 32
 - a. Credentialing/Reappointments
 - * 3. Pomerado Hospital – *Paul E. Tornambe, M.D.* 33
 - a. Credentialing/Reappointments
- B. **Administrative**
 - 1. **President of Palomar Pomerado Health Foundation – G. Douglas Moir, M.D.**
 - a. Update on PPHF Activities 5 *Verbal Report*
 - 2. **Chairman of the Board – Marcelo R. Rivera, M.D.** 10 *Verbal Report*
 - * a. **Resolution No. 05.09.05 (01) – 07** 34-37
 in support of AB 702
 - b. CHA-California Congressional Action Program
 Washington, DC May 2 – 4, 2005
 - 3. **President and CEO – Michael H. Covert** 15 *Verbal Report*
 - a. Values in Action Award – April and May, 2005
 - b. 2nd Qtr Leadership in Action Award
 - c. Service Excellence Awards
 - d. Employee Engagement Survey
 - e. Chief Human Resource Officer Recruitment Update

VIII. INFORMATION ITEMS (Discussion by exception only)

- | | | |
|--|--|-------|
| A. Revised 2005 Meeting Schedule | } Quality Review | 38-39 |
| B. Service Line Update | } Strategic Planning | 40-41 |
| C. Audit Staffing Update | } Internal Audit (<i>separate cover</i>) | |
| D. Current Projects Update | } Internal Audit | “ |
| E. Follow-up Audits | } Internal Audit | “ |
| F. Request for Proposal for Audit Firm | } Internal Audit | “ |
| G. Citizens’ Oversight Committee Interview Process | } Finance | 42-44 |

IX. COMMITTEE REPORTS –

1. **Finance Committee – Director T. E. Kleiter (Chair)** 5
*A. **Approval: Resolution No. 05.09.05 (02) – 08** 45-188
Authorizing Issuance of First Tranche of
PPH General Obligation Bonds (GO Bonds),
Election of 2004, Series 2005A Bonds

**X. BOARD MEMBER COMMENTS/AGENDA ITEMS
FOR NEXT MONTH**

XI. FINAL ADJOURNMENT

*Asterisks indicate anticipated action;
Action is not limited to those designated items.*

**Palomar Pomerado Health
JOINT MEETING OF THE BOARD OF DIRECTORS &
STRATEGIC PLANNING COMMITTEE**

Innovation Facility

April 20, 2005

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
CALL TO ORDER	6:02 p.m.		
ESTABLISHMENT OF QUORUM	Dr. Larson, Nancy Bassett, R.N., Michael Covert, Linda Greer, Bruce Krider, Dr. Otoshi, Dr. Rivera, and Dr. Tornambe. Also attending were Gerald Bracht, Bob Crouch, Jim Flinn, Lorie Harmon, Bob Hemker, Marcia Jackson, Dr. Kolins, Dr. Kung, Mike Shanahan, Lorie Shoemaker, and Dr. Trifunovic. Guest: Stephanie Heames, Tom Chessum, and Nick Xenitopoulos.		
NOTICE OF MEETING	The notice of meeting was mailed consistent with legal requirements.		
PUBLIC COMMENTS	There were no requests for public comments.		
MINUTES March 15, 2005		MOTION: Motion made by Nancy Bassett, RN, seconded by Linda Greer, and carried, for approval as presented.	

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
<p>SERVICE LINE UPDATE</p>	<p>In November 2003 the Strategic Planning Committee and Management arrived at consensus for service line priorities: women's services, cardiovascular services, vascular services, orthopedics and neurosciences. Marcia Jackson, Chief Planning Officer, provided an update on service line planning to the Committee.</p> <p>The Prioritized Service Lines are as follows:</p> <ul style="list-style-type: none"> • Women's Services • Cardiovascular • Neurosciences • Vascular • Orthopedics <p>The current status of these Service Lines was discussed, including the following:</p> <ul style="list-style-type: none"> • Strategic Plans completed for Women's and Cardiovascular Service Lines • Business Plan prepared for Women's Services • Service Line Administrator has been hired for Women's and Children's Services (Diane Key) • Specific initiatives are underway for both service lines. • Planning recently underway for neurosciences • Planning not yet initiated on the others <p>The Women's Services Key Strategies are:</p> <ul style="list-style-type: none"> • Demonstrate high quality • Work with a perinatology group to establish services • Focus on gaining oncologic market share • Develop a women's heart health program • Improve and add support programs 		

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AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<ul style="list-style-type: none"> • Develop a comprehensive marketing program • With the new building projects develop extraordinary outpatient and inpatient women's facilities <p>PPH will establish a quality indicator scorecard for Women's Services, identifying PPH's baseline positioning, and developing action plans to improve quality and service as indicated. PPH will also identify nationally accepted protocols for women's services, & implement them at both hospitals. We will develop the position description and recruit a medical director for the service line, particularly to champion the quality effort and initiatives. Diane Key is currently working on this, and Opal Reinbold, the new Quality and Clinical Effectiveness Officer, will be able to contribute greatly to the quality aspect.</p> <p>A Perinatology Program will be established, and Diane Key and Dr. Buringrud will lead the efforts in exploring opportunities with either Child's Specialist Medical Group, or with the Perinatologists from UCSD.</p> <p>PPH hopes to increase the Oncologic market share, since we currently have a low market share. With cancer being a significant concern for women, it is important to be competitive in cancer service. We also hope to achieve ACoS accreditation, in order to be at the same standard as the other San Diego hospitals.</p> <p>A grant has recently been submitted to establish the breast care nurse liaison program. The capital budget includes funds to purchase brachytherapy (radiation therapy) systems to drive leading edge radiation therapy</p>		

W

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>treatment. We are currently referring away patients who need this treatment.</p> <p>PPH seeks to establish a Women's Heart Health Program, since heart disease is the number 1 cause of death among women, and women have a higher (53.6%) mortality for heart disease. A "Love Your Heart" program was held on February 9, 2005, at the Women's Health Connection, and cardiovascular disease education was presented during breakout sessions at the Women's Conference on April 9, 2005. It was also noted that PPH is the only Red Dress Campaign sponsor in San Diego County.</p> <p>PPH would like to add support services, and to improve on existing services, such as these:</p> <ul style="list-style-type: none"> • Offer additional outpatient lactation services, especially at Palomar • Retail component which includes breast feeding products, breast prostheses, wigs, other positive image products was established in July 2004 • Concierge service established at Pomerado Hospital Birth Center <p>A Comprehensive Marketing Program will include an OB marketing campaign launched for Pomerado Hospital, and will enhance the PPH website to include more links to related organizations or health information sites.</p> <p>The new facility projects were discussed, and User Groups have begun meeting for the Schematic Design phase.</p>		

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AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>Key strategies for the Cardiovascular Service Line include:</p> <ul style="list-style-type: none"> • Demonstrate high quality • Establish emergency services as a differentiation strategy • Implement a business development/marketing plan • Establish a Women's Heart Health program • Develop a dedicated CV facility/floor within the hospital building project • Add a Cath Lab at Pomerado <p>The Cardiovascular Service Line seeks to achieve national recognition for the "Get With the Guidelines" implementation at Palomar Medical Center. Another objective is to have emergency services as a differentiator, due to our tremendous success with the Cardiac Alert program, which is now instituted throughout the PPH District. San Diego County is meeting with PPH and cardiologists to discuss establishing the program countywide. In order to increase volume for the Cardiology Services, PPH is working with Kaiser to gain their cardiovascular volume at PMC. Nancy Bassett, RN, asked if the Marketing department will be focusing on Emergency Services to make sure the public is aware of this program, and Marcia Jackson responded that significant marketing and public relations efforts will be made regarding cardiac services, particularly for the Cardiac Alert program.</p> <p>A CV facility/floor is being planned within the facility expansion project, and User Groups have begun meetings for the Schematic Design phase, and</p>		

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AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>Champion Teams are researching organizational models. Other goals for the facility expansion program include establishing a Cath Lab at Pomerado Hospital, part of the new Angio/Vascular suite at Pomerado. Jim Flinn pointed out that the Angio/Vascular suite is under construction now, and should be completed in early August. Dr. Rivera asked when a business plan might be completed, and Jim responded that it has not been started yet.</p> <p>The Neurosciences Service Line planning includes updating the service line assessment, and we will begin meeting with physicians and clinical & support staff in late May/early June.</p> <p>The potential Centers or Services within the Neuroscience Service Line include:</p> <ul style="list-style-type: none"> • Neuro-oncology program • Cerebral vascular program • Neurodegenerative program • Spine center • Trauma <p>Dr. Rivera asked about the status of the neurology program. Jim Flinn responded that there are no neurologists available now, and Marcia Jackson emphasized that neurology is a priority for physician recruiting.</p> <p>The latest technologies in neuroscience include brain coils, which Dr. Georgy does, image-guided surgery, and radiosurgery. PPH has set aside money in the capital budget for radiosurgery. Gerald Bracht stressed that service lines are going forward, not waiting for</p>		

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AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>completion of a business plan.</p> <p>General discussion ensued regarding children's services, and Dr. Larson commented that we could revisit this topic at a later date.</p>		
ADJOURNMENT TO CLOSED SESSION	<p>6:30 p.m. Adjournment to Closed Session - Pursuant to California Government Code 54956.8; Property: Escondido Research & Technology Site (ERTC), 6.6 acres known as proposed parcels 30, 31 and 32; Agency Negotiator: Robert Hemker, CFO, PPH; Negotiating Parties: James McCann and Robert Hemker; Under Negotiation: Instruction to Negotiator will concern Agency's interest in land option. Anticipated Action: August 2005</p>		
RETURNED TO OPEN SESSION	8:50 p.m.		
COMMITTEE COMMENTS, SUGGESTIONS			
FINAL ADJOURNMENT	8:55 p.m.		
SIGNATURES			
Committee Chairperson	_____ Dr. Marcelo Rivera		
Recording Secretary	_____ Lorie Harmon		

**PALOMAR POMERADO HEALTH
CONSOLIDATED DISBURSEMENTS
FOR THE MONTH OF
MARCH, 2005**

03/01/05	TO	03/31/05	ACCOUNTS PAYABLE INVOICES	\$24,171,792.00
03/11/05	TO	03/25/05	NET PAYROLL	<u>\$8,323,893.00</u>
				\$32,495,685.00

I hereby state that this is an accurate and total listing of all accounts payable, patient refund and payroll fund disbursements by date and type since the last approval.



CHIEF FINANCIAL OFFICER

APPROVAL OF REVOLVING, PATIENT REFUND AND PAYROLL FUND DISBURSEMENTS:

Treasurer, Board of Directors PPH _____

Secretary, Board of Directors PPH _____

This approved document is to be attached to the last revolving fund disbursement page of the applicable financial month for future audit review.

cc: M. Covert, G. Bracht, R. Hemker, J. Flinn

March 2005 & YTD 2005 Financial Report

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, April 26, 2005

MEETING DATE: Monday, May 9, 2005

FROM: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for March 2005 and YTD 2005 were submitted for the Committee's approval.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

COMMITTEE RECOMMENDATION: The Finance Committee recommends approval of the Board Financial Reports (unaudited) for March 2005 and YTD 2005.

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH

A California Health Care District

BOARD FINANCIAL REPORT

MARCH, 2005

(UNAUDITED)

**PREPARED BY THE FINANCE DEPARTMENT
15255 INNOVATION DRIVE, SUITE 202
SAN DIEGO, CA 92128
(858) 675-5223**

PALOMAR POMERADO HEALTH
A California Health Care District

BOARD FINANCIAL REPORT

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PALOMAR POMERADO HEALTH
MARCH 2005 and YTD FY 2005 FINANCIAL RESULTS
EXECUTIVE SUMMARY and HIGHLIGHTS

Statistics:

Acute patient days increased (4%) to 9,110 in March, compared to February mainly due to 3 additional calendar days in March. This was 10.5% less than budget (10,184). The acute Average Daily Census (ADC) was 294 in March compared to 313 in February. Acute patient days for nine months ended March 2005 were 81,022 and are 5.9% below budget of 86,145. YTD acute admissions were 20,788 compared to budget of 21,374 (2.7% below budget). SNF patient days for the nine months ended were 55,733 compared to budget of 58,008 (4% variance).

Balance Sheet:

Current Cash & Cash Equivalents decreased \$6 million to \$108 million in March from \$114 million in February. The majority of this decrease can be attributed to the land purchased in March. March also reflected a record month of patient cash collections (see below – Net Accounts Receivable) however this increase was offset by the increased payments to vendors (see below – Accounts Payable). Total Cash and Investments are \$135 million, compared to \$167.4 million at June 30, 2004. Days cash on hand was 152 compared to 207 at June 30, 2004.

Net Accounts Receivable decreased \$1.4 million in March to \$78.7 million, compared to February. Gross A/R days decreased to 89 in March. June 2004 gross A/R days was 40. March patient account collections were only \$25 million compared to the budgeted \$23.5 million. Patient cash collections for the nine months ended March are \$23.4 million below budget as the result of ongoing stabilization of the new IT system (approximately 25 days in cash).

Board Designated assets decreased by \$1.8 million the transfer of funds to cover capital purchases in the month.

Accounts Payable decreased \$2.3 million in March due to the timing of vendor in payments.

Accrued Payroll increased \$1.6 million in March due to the timing of payroll payments.

Estimated Third Party Settlements decreased by \$638 thousand mainly due to the recognition of settlements received to income.

Income Statement:

Gross Revenue for March YTD reflects an unfavorable budget variance of \$17.4 million. The month of March reflected an unfavorable \$3.6 million. The Year-to-date unfavorable variance is composed of an \$22.6 million unfavorable volume variance and \$5.2 million favorable rate variance.

Routine revenue (inpatient room and board) reflects an YTD unfavorable \$7.2 million budget variance. PPH North reflects a favorable variance of \$1.6 million, whereas PPH South reflected an unfavorable variance of \$8.7 million (included in this variance is \$709 thousand from Villa Pomerado). Palomar acute patient days are 2.9% lower than budget, however PMC encountered a higher volume of trauma than what was budgeted (approx 22% more cases). Pomerado's YTD acute patient days are 14% lower than budget (Pomerado's volume is 6.5% lower than this same period last year).

Inpatient Ancillary revenue represents an YTD \$25.6 million unfavorable variance. March reflects an unfavorable variance of \$3.3 million. PPH North reflects an unfavorable YTD variance of \$5.9 million and PPH South reflects \$19.7 million unfavorable YTD variance. The main

contributor to Palomar's variance is Pharmacy, which is \$12.3 million under budget (offset by other favorable variance departments). The main department contributors to Pomerado's variance are pharmacy, patient chargeable supplies, surgery, laboratory, and respiratory therapy (totaling \$19.9 million unfavorable revenue from budget at March YTD).

Outpatient revenue reflects a favorable YTD budget variance of \$15.3 million. This variance is split, \$11.2 million at PPH North and \$5.6 million at PPH South. OP laboratory revenue accounted for \$9.3 million of this variance, CT accounted for \$4.9 million and Pomerado's Wound Care \$1 million.

Deductions from Revenue reflects a favorable variance of \$18 million mainly due to the unfavorable variance in gross revenue.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), was 62.3% of Gross Revenue for March YTD compared to budget of 63.6%.

The Capitation monies retained by PPH are reflecting an YTD \$1.6 million favorable variance as of March.

Bad debt, charity & undocumented care write-offs reflected an YTD \$7.5 million unfavorable variance. YTD Bad debt, charity and undocumented write-offs as a percent of gross revenue were 4.8% compared to the budget of 3.8%, which is an approximately \$7 million variance.

Other Operating Revenue reflects an YTD unfavorable budget variance of \$3.1 million. The major variances are Foundation \$538,000, Corp Health \$496,000 and approx \$1.5 million in variance ancillary clinical departments in which the revenue is being re-directed to the regular patient revenue areas.

Salaries, Wages & Contract labor reflects an YTD unfavorable variance of \$1.9 million. This unfavorable variance is composed of: 1) Salaries and Wages - \$1,861,000 (actual \$110 million), 2) Contract Labor - (\$3,763,000) (actual \$11.2 million). March reflected a favorable Salaries & Wages budget variance of \$437 thousand due to lower volume than budgeted (although the volume variance was \$1 million and an unfavorable rate variance of \$563 thousand offset the overall variance). In addition, Contract Labor, in March, had an unfavorable budget variance of \$486 thousand. It is estimated that approximately \$300 thousand in addition salaries & contract labor was spent for JCAHO. YTD salaries expense has absorbed \$1 million of wages for training on the new system (this was not budgeted in FY 05).

Benefits Expense reflects a YTD unfavorable variance of \$905 thousand. The majority of this variance is due to 1) lower employee health contributions than what was budgeted and 2) higher FICA expenses.

Supplies Expense is reflecting an YTD unfavorable budget variance of \$1.7 million. The majority of this variance is due to prosthesis supply expenses (\$1.1 million over budget for the year) and can be attributed to increased surgical implant cases. General surgical supplies expenses are approximately \$1 million over budget for the year, with \$535,000 at Palomar Medical Center (PMC's cases are up approximately 10% - both from budget and prior year) and \$477,000 at Pomerado Hospital (POM's cases are approximately 7% less than budget, but are 8% higher than prior year).

Prof Fees & Purch Services reflected an YTD favorable budget variance of \$431,000. March reflected an unfavorable budget variance of \$189 thousand which approximately \$150 thousand was incurred for JCAHO preparation (painting & repairs). These expenses are budgeted evenly throughout the year; however, such services have not yet been incurred

Depreciation Expense is reflecting YTD favorable budget variance of \$1.3 million. A portion of this favorable variance may be impacted as assets are purchased and placed into service.

Other Expense is reflecting a \$651 thousand YTD favorable budget variance. Approximately \$400,000 of unbudgeted expenditures has been absorbed into this favorable variance.

Property Tax Revenue reflects a \$562 thousand favorable variance due to the recognition of additional income received higher than budgeted.

Non-Operating Income reflects an YTD favorable variance of \$172 thousand as of March. Investment Income accounts for nearly all of this variance. The actual YTD investment income yield as of February 2004 was approximately 1.8%, compared to a budget of 1.4%.

Ratios

All required bond covenant ratios were achieved in March 2005.

Palomar Pomarado Health
Balanced Scorecard
Financial Indicators
March 31, 2005

Nov Actual	January Actual	February Actual	March		% to Actual to Budget	
			Budget	Variance	Budget	% to Actual to Budget
4.6%	11.6%	11.2%	7.6%	13.2%	-5.6%	
\$ 2,322.11	\$ 2,227.33	\$ 2,387.21	\$ 2,464.04	\$ 2,217.27	\$ (246.77)	
\$ 1,332.93	\$ 1,314.09	\$ 1,389.24	\$ 1,433.79	\$ 1,294.11	\$ (139.68)	
5.89	5.72	6.2	6.46	6.04	(0.42)	

PPH Indicators:

YTD 2005 Actual	Budget	Variance	% to Actual to Budget	
			Budget	% to Actual to Budget
9.3%	11.7%	-2.4%		
\$ 2,324.60	\$ 2,237.15	\$ (87.45)		103.9%
\$ 1,366.26	\$ 1,300.70	\$ (65.56)		
6.08	6.07	-0.01		

PPH North Indicators:

-5.0%	14.6%	11.5%	16.6%	14.3%	2.3%	
\$ 2,304.32	\$ 2,128.40	\$ 2,193.71	\$ 2,375.23	\$ 2,108.55	\$ (266.68)	
\$ 1,161.89	\$ 1,113.40	\$ 1,166.05	\$ 1,222.03	\$ 1,107.55	\$ (114.48)	
5.15	4.83	5.12	5.54	5.08	(0.46)	

PPH South Indicators:

20.1%	-1.0%	8.5%	-24.7%	5.9%	-30.6%	
\$ 2,113.92	\$ 2,247.15	\$ 2,716.05	\$ 2,392.65	\$ 2,207.20	\$ (185.45)	
\$ 1,122.08	\$ 1,194.36	\$ 1,433.30	\$ 1,249.29	\$ 1,208.02	\$ (41.27)	
5.31	5.58	6.35	5.98	5.78	(0.20)	

Palomar Pomarado Health
Consolidated Balance Sheet
As of March 31, 2005

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$4,671,838	\$3,583,452	\$16,711,919
Cash Marketable Securities	103,674,063	110,809,155	123,345,498
Total Cash & Cash Equivalents	108,345,901	114,392,607	140,057,417
Patient Accounts Receivable	247,304,181	256,969,319	101,725,460
Allowance on Accounts	-168,565,867	-176,827,527	-53,898,018
Net Accounts Receivable	78,738,314	80,141,792	47,827,442
Inventories	5,778,115	5,722,132	5,578,404
Prepaid Expenses	2,791,084	2,664,031	2,238,199
Other	5,261,572	4,985,444	1,330,194
Total Current Assets	200,914,986	207,906,006	197,031,656
Non-Current Assets			
Restricted Assets	11,487,999	10,606,610	11,853,970
Restricted by Donor	280,319	279,820	278,470
Board Designated	26,759,121	28,540,579	27,374,261
Total Restricted Assets	38,527,439	39,427,009	39,506,701
Property Plant & Equipment	305,933,409	305,747,051	301,986,753
Accumulated Depreciation	-215,642,694	-214,351,338	-204,146,712
Construction in Process	45,014,407	35,969,796	22,630,125
Net Property Plant & Equipment	135,305,122	127,365,509	120,470,166
Investment in Related Companies	5,343,014	5,336,993	6,186,581
Deferred Financing Costs	1,688,933	1,712,320	1,899,414
Other Non-Current Assets	13,298	13,298	0
Total Non-Current Assets	180,877,806	173,855,129	168,062,862
Total Assets	\$381,792,792	\$381,761,135	\$365,094,518
Liabilities			
Current Liabilities			
Accounts Payable	\$15,631,115	\$17,914,143	\$13,966,809
Accrued Payroll	17,230,262	15,619,269	16,445,168
Accrued PTO	9,916,674	9,649,272	9,997,231
Accrued Interest Payable	1,762,936	1,405,535	726,837
Current Portion of Bonds	6,125,000	6,125,000	6,015,000
Est Third Party Settlements	180,073	818,600	-1,122,042
Other Current Liabilities	13,562,126	13,621,678	7,607,731
Total Current Liabilities	64,408,186	65,153,497	53,636,734
Long Term Liabilities			
Bonds & Contracts Payable	79,646,562	79,588,853	85,252,184
General Fund Balance			
Unrestricted	210,698,604	208,198,382	198,552,867
Restricted for Other Purpose	280,319	279,820	278,470
Board Designated	26,759,121	28,540,579	27,374,261
Total Fund Balance	237,738,044	237,018,781	226,205,598
Total Liabilities / Fund Balance	\$381,792,792	\$381,761,135	\$365,094,518

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**PALOMAR POMERADO HEALTH
CONSOLIDATED
FYTD 2005
March 2005**

	YTD Activity		Variance	Volume	Rate/Eff	Actual	\$/Wtg Pt Day	
	Actual	Budget					Budget	Variance
Statistics:								
Admissions - Acute	20,788	21,374	(586)					
Admissions - SNF	877	1,110	(233)					
Patient Days - Acute	81,022	86,145	(5,123)					
Patient Days - SNF	55,733	58,008	(2,275)					
LOS - Acute	3,96	3,95	0.01					
LOS - SNF	36.98	33.36	3.62					
Weighted Pt Days	110,004	113,390	(3,386)					
Revenue:								
Gross Revenue	\$ 739,361,720	\$ 756,743,601	\$ (17,381,881) U	\$ (22,597,529)	\$ 5,215,648	\$ 6,721,23	\$ 6,673.81	\$ 47.41
Deductions from Rev	(489,999,496)	(508,146,776)	18,147,280 F	15,174,045	2,973,235	(4,454.38)	(4,481.41)	27.03
Net Patient Revenue	249,362,224	248,596,825	765,399 F	(7,423,484)	8,188,883	2,266.85	2,192.41	74.44
Other Oper Revenue	8,141,416	11,279,421	(3,138,005) U	(336,821)	(2,801,184)	74.01	99.47	(25.46)
Total Net Revenue	257,503,640	259,876,246	(2,372,606) U	(7,760,305)	5,387,699	2,340.86	2,291.88	48.98
Expenses:								
Salaries, Wages & Contr Labor	121,693,270	119,791,646	(1,901,624) U	3,577,163	(5,478,787)	1,106.26	1,056.46	(49.81)
Benefits	28,600,260	27,695,237	(905,023) U	827,022	(1,732,045)	259.99	244.25	(15.75)
Supplies	43,398,925	41,724,252	(1,674,673) U	1,245,950	(2,920,623)	394.52	367.97	(26.55)
Prof Fees & Purch Svc	32,481,205	32,912,616	431,411 F	982,821	(551,410)	295.27	290.26	(5.01)
Depreciation	11,843,768	13,190,163	1,346,395 F	393,879	952,516	107.67	116.33	8.66
Interest	3,949,441	3,957,716	8,275 F	118,183	(109,908)	35.90	34.90	(1.00)
Other	13,748,583	14,399,313	650,730 F	429,986	220,744	124.98	126.99	2.01
PPH Allocation	(20)	(20)	(20) U	(1)	(19)	(0.00)	(0.00)	(0.00)
Total Expenses	255,715,452	253,670,923	(2,044,529) U	7,575,004	(9,619,533)	2,324.80	2,237.15	(87.45)
Net Inc Before Non-Oper Income	1,788,188	6,205,323	(4,417,135) U	(185,300)	(4,231,835)	16.26	54.73	(38.47)
Property Tax Revenue	7,687,003	7,125,003	562,000 F	(212,764)	774,764	69.88	62.84	7.04
Non-Operating Income	2,049,555	1,876,716	172,839 F	(56,042)	228,881	18.63	16.55	2.08
Net Income (Loss)	\$ 11,524,746	\$ 15,207,042	\$ (3,682,296) U	\$ (454,106)	\$ (3,228,190)	\$ 104.77	\$ 134.11	\$ (29.35)
Net Income Margin	4.2%	5.8%	-1.6%					
OEBITDA Margin w/o Prop Tax	6.4%	9.0%	-2.6%					
OEBITDA Margin with Prop Tax	9.3%	11.7%	-2.4%					

F= Favorable variance
U= Unfavorable variance

**PALOMAR POMERADO HEALTH
CONSOLIDATED
MTD 2005
March 2005**

	Month Activity		Variance		\$Wtg Pt Day	
	Actual	Budget	Volume	Rate/Eff	Actual	Budget

	Actual	Budget	Variance
Admissions - Acute	2,331	2,511	(180)
Admissions - SNF	79	128	(49)
Patient Days - Acute	9,110	10,184	(1,074)
Patient Days - SNF	6,287	6,563	(276)
LOS - Acute	3.97	3.97	-
LOS - SNF	37.33	33.30	4.03
Weighted Pt Days	12,226	13,267	(1,041)

	Actual	Budget	Variance
Revenue:			
Gross Revenue	\$ 86,382,985	\$ 89,990,852	\$ (3,607,867) U
Deductions from Rev	(58,000,296)	(60,468,026)	2,467,730 F
Net Patient Revenue	28,382,689	29,522,826	(1,140,137) U
Other Oper Revenue	976,973	1,272,278	(295,305) U
Total Net Revenue	29,359,662	30,795,104	(1,435,442) U

	Actual	Budget	Variance
Expenses:			
Salaries, Wages & Contr Labor	14,025,804	13,976,987	(48,817) U
Benefits	3,503,753	3,191,977	(311,776) U
Supplies	5,312,030	5,021,973	(290,057) U
Prof Fees & Purch Svc	3,889,204	3,700,415	(188,789) U
Depreciation	1,436,696	1,470,689	33,993 F
Interest	438,801	440,065	1,264 F
Other	1,519,067	1,614,391	95,324 F
PPH Allocation	-	(14)	(14) U
Total Expenses	30,125,355	29,416,483	(708,872) U

Net Inc Before Non-Oper Income	(765,693)	1,378,621	(2,144,314) U
Property Tax Revenue	1,391,667	791,667	600,000 F
Non-Operating Income	93,288	208,524	(115,236) U
Net Income (Loss)	\$ 719,262	\$ 2,378,812	\$ (1,659,550) U

Net Income Margin	2.2%	7.7%	-5.5%
OEBITDA Margin w/o Prop Tax	3.4%	10.7%	-7.3%
OEBITDA Margin with Prop Tax	7.6%	13.2%	-5.6%

F= Favorable variance
U= Unfavorable variance

	Volume	Rate/Eff	Actual	Budget	Variance
\$	(7,061,165)	\$ 3,453,298	\$ 7,065.51	\$ 6,783.06	\$ 282.46
	4,744,646	(2,276,916)	(4,744.01)	(4,557.78)	(186.24)
	(2,316,519)	1,176,382	2,321.50	2,225.28	96.22
	(99,830)	(195,475)	79.91	95.90	(15.99)
	(2,416,349)	980,907	2,401.41	2,321.18	80.23
	1,096,709	(1,145,526)	1,147.21	1,053.52	(93.70)
	250,460	(562,236)	286.58	240.60	(45.99)
	394,051	(684,108)	434.49	378.53	(55.96)
	290,354	(479,143)	318.11	278.92	(39.19)
	115,398	(81,405)	117.51	110.85	(6.66)
	34,530	(33,266)	35.89	33.17	(2.72)
	126,674	(31,350)	124.25	121.68	(2.56)
	(1)	(13)	-	(0.00)	(0.00)
	2,308,175	(3,017,047)	2,464.04	2,217.27	(246.77)
	(108,174)	(2,036,140)	(62.63)	103.91	(166.54)
	(62,118)	662,118	113.83	59.67	54.16
	(16,362)	(98,874)	7.63	15.72	(8.09)
\$	(186,654)	\$ (1,472,896)	\$ 58.83	\$ 179.30	\$(120.47)

PALOMAR POMERADO HEALTH
 A California Health Care District
 Investment Fund Balances
 Quarterly Report

Investment Account:	Interest Payable	Interest Rate	Maturity Date	March 31, 2005	Dec. 31, 2004	IN/(DE)CREASE
Fidelity-Institutional Portfolio Treasury Fund	Monthly	2.47%	Demand	\$ 876,546	\$ 871,792	\$ 4,754
State Treasurer Local Agency Investment Fund	Quarterly	2.38%	Demand	13,157,001	24,019,065	(10,862,064)
Maxicare Health Plans, Inc.	N/A	N/A	Demand	4	4	0
Salomon Brothers	Various	Various	Various	30,500,320	30,851,063	(350,743)
Pacific Income Advisors, Inc.	Various	Various	Various	29,385,097	29,552,329	(167,232)
Morgan Stanley & Co.	Various	Various	Various	56,446,805	57,458,653	(1,011,848)
TOTAL INVESTMENTS AT CURRENT FAIR MARKET VALUE				\$ 130,365,773	\$ 142,752,906	\$ (12,387,133)
ACCRUED INTEREST INCOME RECEIVABLE				1,224,276	787,618	436,658
Bank of America - Cash in Checking/COR Acct.				3,018,524	4,951,140	(1,932,616)
TOTAL VALUE OF INVESTMENT PORTFOLIO				\$ 134,608,573	\$ 148,491,664	\$ (13,883,091)
INVESTMENTS COMPARATIVE						
03/05	\$130,365,773			\$ 134,328,254	\$ 148,212,105	\$ (13,883,851)
03/04	\$151,512,216			280,319	279,559	760
03/03	\$139,732,611			\$ 134,608,573	\$ 148,491,664	\$ (13,883,091)
03/02	\$117,928,962					

SUMMARY OF INVESTMENT PORTFOLIO BY FUND

Palomar Pomerado Unrestricted Fund
 Palomar Pomerado Restricted Fund

PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

CUSHION RATIO	Jun-03	Jun-04	Mar-05
Cash and Cash Equivalents	129,440,297	140,057,417	108,345,901
Board Designated Reserves	37,099,360	27,374,261	26,759,121
Trustee-held Funds	12,388,843	11,853,970	11,487,999
Total	178,928,500	179,285,648	146,593,021
Divided by:			
Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594
CUSHION RATIO	16.7	16.8	13.7
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved

DAYS CASH ON HAND	Jun-03	Jun-04	Mar-05
Cash and Cash Equivalents	129,440,297	140,057,417	108,345,901
Board Designated Reserves	37,099,360	27,374,261	26,759,121
Total	166,539,657	167,431,678	135,105,022
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	297,904,936	311,614,910	255,715,452
Less: Depreciation	14,532,356	14,546,550	11,843,768
Bad Debt	18,219,392	-	-
Adjusted Expenses	265,153,188	297,068,360	243,871,684
Number of days in period	365	366	274
Average Adjusted Expenses per Day	726,447	811,662	890,043
DAYS CASH ON HAND	229	206	152
REQUIREMENT	90	90	90
	Achieved	Achieved	Achieved

Net Income Available for Debt Service	Jun-03	Jun-04	Mar-05
Excess of revenue over expenses Cur Mo.	(575,578)	2,905,196	719,262
Excess of revenues over expenses YTD (General Funds)	25,180,908	16,053,177	11,524,746
ADD:			
Depreciation and Amortization	14,532,356	14,546,550	11,843,768
Interest Expense	5,861,454	5,581,454	3,949,441
Net Income Available for Debt Service	45,574,718	36,181,181	27,317,955
Aggregate Debt Service			
1993 Insured Refunding Revenue Bonds	6,019,112	6,017,132	4,514,766
1999 Insured Refunding Revenue Bonds	4,357,192	4,357,728	3,267,952
Aggregate Debt Service	10,376,304	10,374,860	7,782,718
Net Income Available for Debt Service	4.39	3.49	3.51
Required Coverage	1.15	1.15	1.15
	Achieved	Achieved	Achieved

MEDICAL STAFF SERVICES

April 26, 2005



PALOMAR
POMERADO
HEALTH

TO: Board of Directors

BOARD MEETING DATE: May 9, 2005

FROM: James S. Otoshi, M.D., Chief of Staff
PMC Medical Staff Executive Committee

SUBJECT: Medical Staff Credentialing Recommendations

PALOMAR MEDICAL CENTER

- I. Provisional Appointment (05/09/2005 – 04/30/2007)
Steven A. La Fond, M.D., Geriatric Medicine (includes PCCC privileges)
Hossain Mohseni, D.P.M., Podiatry
- II. Advancement from Provisional to Active Category
Joshua K. Greenstein, M.D., Nephrology (includes PCCC privileges) (05/09/2005 - 04/30/2007)
- III. Additional Privileges
Arthur A. Blain, IV, M.D., Family Practice
 - PCCC Privilege ChecklistJeffrey I. Gorwit, M.D., Cardiology
 - Intubation
 - Moderate Sedation
 - Deep Sedation/AnalgesiaPhilip E. Larkins, D.P.M., Podiatrist
 - Use of FluoroscopyRobert T. Reichman, M.D., Cardiothoracic Surgery
 - Moderate Sedation
 - Deep Sedation/AnalgesiaPritam Singh, M.D., Gastroenterology
 - Moderate SedationJeffrey M. Smith, M.D., Orthopaedic Surgery
 - Moderate Sedation
 - Deep Sedation/AnalgesiaMaram F. Zakko, M.D., Gastroenterology
 - Moderate Sedation
 - Deep Sedation/Analgesia
- IV. Leave of Absence
Akber M. Safi, M.D., Internal Medicine (06/01/2005 – 05/31/2006)

PALOMAR MEDICAL
CENTER
555 East Valley Parkway
Escondido, CA 92025
Tel 760.739.3140
Fax 760.739.2926

POMERADO
HOSPITAL
15615 Pomerado Road
Poway, CA 92064
Tel 858.613.4664
Fax 858.613.4217

ESCONDIDO
SURGERY CENTER
343 East Second Avenue
Escondido, CA 92025
Tel 760.480.6606
Fax 760.480.1288

V. Voluntary Resignations/Withdrawal of Membership

Alison N. Graham, D.O., Neonatology (Effective 05/09/2005)
Swaminatha V. Gurudevan, M.D., Internal Medicine (Effective 05/09/2005)
Lena Hillenburg, M.D., Medicine/Pediatrics (Effective 04/01/2005)
Vu T. Huynh, M.D., Anesthesiology (Effective 04/11/2005)
Karin C. Kordas, M.D., Internal Medicine (Effective 04/30/2005)
Kosala Samarasinghe, M.D., Internal Medicine (Effective 03/31/2005)
Bassam A. Sinno, M.D., Psychiatry (Effective 05/31/2005)

VI. Allied Health Professional Appointment (05/09/2005 – 04/30/2007)

Jessica Valdez, Oral Surgery Assistant; Sponsor: Dr. Lin
Gwendolyn T. Cline, R.N., Clinical Research Coordinator; Sponsors: Drs. Acheatel, Bayat, Detwiler, Gilbert, Gorwit, Leahy, Malek, Mulvihill.
Wilna Marie Roberts, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Hannig, Kohatsu, Trifunovic

VII. Reappointments Effective 06/01/2005 – 05/31/2007

Gordon A. Booth, M.D.	Family/General Practice	Dept of Family Practice	Associate
(Includes PCCC Privileges)			
Pierre S. Hendricks, M.D.	Orthopaedic Surgery	Dept of Ortho/Rehab	Active
Gilbert J. Ho, M.D.	Neurology	Dept of Medicine	Active
Lachlan Macleay, Jr., M.D.	Pathology	Dept of Pathology	Active
Jeffrey L. Newman, M.D.	Family Practice	Dept of Family Practice	Courtesy
(Includes PCCC Privileges)			
Maurice J. Papier, II, D.P.M.	Podiatry	Dept of Ortho/Rehab	Courtesy
(Includes PCCC Privileges)			
Jeffrey K. Pearson, D.O.	Family Prac/Sports Med	Dept of Family Practice	Active
Veena A. Prabhakar, D.O.	Family Practice	Dept of Family Practice	Active
Neil T. Tarzy, M.D.	Family Practice	Dept of Family Practice	Active
(Includes PCCC Privileges)			

VIII. Allied Health Professional Reappointments Effective 05/09/2005 – 04/30/2007

Peter R. Bryant, CCP, Perfusionist; Sponsors: Drs. Reichman, Rosenberg, Young, Bulkin
David M. Illich, M.S., Audiologist; Sponsors: Drs. Kripps, Fitzgerald (includes PCCC Privileges)
Jane Salinas, P.A.-C., Emergency Department Physician Assistant; Sponsors: CEP

Certification by and Recommendation of Chief of Staff:

As Chief of Staff of Palomar Medical Center, I certify that the procedures described in the Medical Staff Bylaws for appointment, reappointment or alteration of staff membership or the granting of privileges and that the policy of the Palomar Pomerado Health System's Board of Directors regarding such practices have been properly followed. I recommend that the action requested in each case be taken by the Board of Directors.

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
April, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Samuel C. Kim, M.D
<i>.PPHS Facilities</i>	Escondido Surgery Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Surgery, Neurological – Not Board Certified
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ORGANIZATIONAL NAME

<i>Name</i>	Mark S. Stern, M.D.
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Columbia University, College of Phys & Surgeons, NY, NY FROM: 06/01/1992 TO: 05/21/1997
<i>Internship Information</i>	Beth Israel Deaconess Medical Center, Boston, MA General Surgery From: 06/22/1997 To: 06/21/1998
<i>Residency Information</i>	New England Medical Center, Boston, MA Surgery, Neurological From: 07/01/1998 To: 06/30/2003
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Pomerado Hospital Palomar Medical Center Tri-City Medical Center

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
May, 2005**

PERSONAL INFORMATION

Provider Name & Title	Steven A. La Fond, M.D.
PPHS Facilities	Pomerado Hospital Palomar Medical Center Palomar Continuing Care Center Villa Pomerado

SPECIALTIES/BOARD CERTIFICATION

Specialties	Geriatric Medicine - Certified 2004 Family Practice - Certified 2002
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ORGANIZATIONAL NAME

Name	Kaiser Permanente
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EDUCATION/AFFILIATION INFORMATION

Medical Education Information	UCSD School of Medicine FROM: 09/18/1995 TO: 06/06/1999 Doctor of Medicine Degree
Internship Information	Sharp Grossmont Hospital, San Diego, CA Family Practice From: 06/21/1999 To: 06/27/2000
Residency Information	University of California, San Diego Family Practice From: 07/01/2000 To: 06/30/2002
Fellowship Information	Rhode Island Hospital, Providence, RI Geriatrics From: 07/01/2002 To: 06/30/2003 Brown Medical School
Current Affiliation Information	Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
May, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Hossain G. Mohseni, D.P.M.
<i>PPHS Facilities</i>	Escondido Surgery Center Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Podiatric Surgery – Not Board Certified
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ORGANIZATIONAL NAME

<i>Name</i>	Mohseni, Inc.
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	New York College of Podiatric Medicine, NY,NY FROM: 09/08/1998 TO: 06/05/2002 Doctor of Podiatric Medicine
<i>Internship Information</i>	Our Lady of Mercy Medical Center, South Bronx, NY Rotating From: 07/01/2002 To: 06/30/2003 Rotating Podiatric Resident
<i>Residency Information</i>	Our Lady of Mercy Medical Center, South Bronx, NY Podiatry From: 07/01/2003 To: 06/30/2004 Podiatric Surgical Residency
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	N/A

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
May, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Julie R. Ohayon, M. D.
<i>PPHS Facilities</i>	Pomerado Hospital

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Hand surgery – Not Board Certified Surgery, General – Certified 2004
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ORGANIZATIONAL NAME

<i>Name</i>	Julie R. Ohayon, M.D.
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Harvard Medical School, Boston, MA FROM: 09/08/1994 TO: 06/04/1998 Doctor of Medicine Degree
<i>Internship Information</i>	University of California, San Francisco General Surgery From: 06/21/1998 To: 06/20/1999
<i>Residency Information</i>	University of California, San Francisco General Surgery From: 06/21/1999 To: 06/20/2003 Chief Resident: 6/21/02-06/20/03
<i>Fellowship Information</i>	University of Connecticut Health Center, Farmington, CT Hand Surgery From: 07/01/2003 To: 06/30/2004 Connecticut Combined Hand Surgery
<i>Current Affiliation Information</i>	San Diego Outpatient Surgical Center Sharp Memorial Hospital Poway Surgery Center, LP Sharp Coronado Hospital Sharp Grossmont Hospital

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENT
MAY, 2005**

NAME: Gwendolyn T. Cline, R.N.
SPECIALTY: Registered Nurse
SERVICES: Registered Nurse/Clinical Research Coordinator
TRAINING: Palomar College, San Marcos, CA
 Associate of Arts – Nursing 08/01/88-12/22/02
PRACTICE: Registered Nurse, Palomar Pomerado Health, Escondido, CA 01/16/03-Present
 Cardiac Tech/Medical Assistant, Escondido Cardiology,
 Escondido, CA 12/10/94-Present
SPONSORS: Roger Acheatel, M.D., Hamed Bayat, M.D., John Detwiler, M.D.,
 Christopher Gilbert, M.D., Jeffrey Gorwit, M.D.,
 Dennis R. Leahy, M.D., Mikhail Malek, M.D., Daniel Mulvihill, MD
CERTIFICATION: None
FACILITY: Palomar Medical Center

NAME: Tammy L. Prida, AuD
SPECIALTY: Audiology/Evoked Potential Technician
SERVICES: Evoked Potential Technician/Intraoperative Monitoring
TRAINING: San Diego State University, San Diego, CA
 Bachelor of Arts Degree - Communicative Disorders 09/01/94-08/22/97
 San Diego State University, San Diego, CA
 Master of Arts Degree – Communicative Disorders 09/01/97-05/27/99
 University of Florida, Gainesville, Fl
 Doctor of Audiology 08/22/02-05/01/04
PRACTICE: Intraoperative Monitoring Specialist (Evoked Potential Tech)/
 Neurophysiology, Inc., San Diego, CA 07/01/04-Present
 Audiologist/Manager, Sonus Hearing Center, San Diego, CA 04/01/03-07/01/04
 Audiologist/Neurophysiologist, Neurophysiology, Inc.
 San Diego, CA 02/01/02-04/01/03
 Audiologist, Kaiser Permanente, San Diego, CA 08/01/00-11/01/00
 Audiologist, VA Medical Center, La Jolla, CA 10/01/98-03/01/02
SPONSOR: Kevin Yoo, M.D.
CERTIFICATION: American Board of Speech-Hearing-Language Association 2000
FACILITIES: Pomerado Hospital

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENT (continued)
MAY, 2005**

NAME:	Wilna Marie Roberts, CNM	
SPECIALTY:	Certified Nurse Midwife	
SERVICES:	Certified Nurse Midwife	
TRAINING:	Arizona Western College, Yuma, AZ	
	Associate Degree – Nursing	09/01/74-06/01/77
	Northland Pioneer College, Holbrook, AZ	
	Associate Degree - Midwifery	9/01/82-06/01/83
	San Jose State University/Education Program Associates	
	OB/GYN Nurse Practitioner Program	8/20/84-06/25/85
	San Jose State University/Education Program Associates	
	Certified Nurse Midwife degree	10/01/88-06/30/89
	University of Phoenix, Fountain Valley, CA	
	Bachelor of Science in Nursing	10/12/89-06/30/92
PRACTICE:	Certified Nurse Midwife, Palomar Medical Center Birth Center, Escondido, CA	10/13/04-present
	Certified Nurse Midwife, Azmath Qureshi, M.D., Whittier, CA	05/01/99-present
	Certified Nurse Midwife, Kaiser Permanente, Baldwin Hills, CA	01/13/99-08/27/04
	Certified Nurse Midwife, Medpartner-Friendly Hills, La Habra, CA	12/01/97-10/01/00
	Certified Nurse Midwife, Kaiser Santa Rosa, CA	08/01/97-05/01/00
	Certified Nurse Midwife, Herb Brar, M.D., Riverside, CA	06/01/94-08/01/95
	OB/GYN Nurse, Women's Medical Center, Riverside, CA	03/93-05/94
	Certified Nurse Midwife, Balboa Naval Hospital, San Diego, CA	12/91/-01/93
	Certified Nurse Midwife, FHP-Talbert Medical Group, Fountain Valley, CA	01/91-01/97
SPONSORS:	Duane Buringrud, M.D., John Hannig, Karen Kohatsu, M.D., Robert Trifunovic, M.D.,	
CERTIFICATION:	American College of Nurse Midwives	1989
FACILITY:	Palomar Medical Center	
NAME:	Jessica Valdez	
SPECIALTY:	Technician/Oral Surgery Assistant	
SERVICES:	Technician/Oral Surgery Assistant	
TRAINING:	Concorde Career Institute, San Diego, CA	01/12/04-09/07/04
	California Association of Oral and Maxillofacial Surgeons	
	Surgery Assistant Certificate	08/01/04-11/14/04
PRACTICE:	Dental Assistant/Oral Surgery Assistant, Harrison Fortney, DDS & Albert Lin, DDS, Poway, CA	04/26/04-Present
SPONSORS:	Harrison Fortney, DDS, Albert Lin, DDS	
CERTIFICATION:	None	
FACILITIES:	Palomar Medical Center, Escondido Surgery Center, Pomerado Hospital	

MEDICAL STAFF SERVICES



PALOMAR
POMERADO
HEALTH

April 26, 2005

TO: Board of Directors

BOARD MEETING DATE: May 9, 2005

FROM: James S. Otoshi, M.D., Chief of Staff
PMC Medical Staff Executive Committee

SUBJECT: Department of Radiology Rules and Regulations

At the April 25, 2005 Executive Committee meeting for Palomar Medical Center, the following modifications to the Department of Radiology Rules and Regulations were approved for forwarding to the Board of Directors with a recommendation for approval. Recommendations for additional wording are underlined.

Rationale

The Department is recommending modification of the rules and regulations to clarify who is eligible to request consulting privileges.

ARTICLE V PRIVILEGES

5.1 PREREQUISITE FOR PRIVILEGES

Privileges in the active or courtesy categories for services that are performed under exclusive contract in the Department, may be granted to radiologists who meet the qualifications for membership specified in Section 4.1; are affiliated with or under a subcontract with a group holding an active service contract with the Palomar Pomerado Health System for such services; and who meet such additional criteria for specific privileges as the Department and Executive Committee shall determine. Teleradiologists and Radiation Oncologists who are not affiliated with or under subcontract with a group holding an active service contract in the Department may be appointed to the Consulting staff provided they meet the qualifications for membership as specified in Section 4.1 and who meet such additional criteria as the Department and Executive Committee shall determine.

PALOMAR MEDICAL
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555 East Valley Parkway
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Fax 760.739.2926

POMERADO
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15615 Pomerado Road
Poway, CA 92064
Tel 858.613.4664
Fax 858.613.4217

ESCONDIDO
SURGERY CENTER
343 East Second Avenue
Escondido, CA 92025
Tel 760.480.6606
Fax 760.480.1288

MEDICAL STAFF SERVICES

April 26, 2005



TO: Board of Directors

BOARD MEETING DATE: May 9, 2005

FROM: James S. Otschi, M.D., Chief of Staff
PMC Medical Staff Executive Committee

SUBJECT: Department of Surgery Rules and Regulations

At the April 25, 2005 Executive Committee meeting for Palomar Medical Center, the following modifications to the Department of Surgery Rules and Regulations were approved for forwarding to the Board of Directors with a recommendation for approval. Recommendations for additional wording are underlined.

Rationale

The Department of Surgery is clarifying the relationship with allied health professionals who function under the supervision of the Department.

PALOMAR MEDICAL CENTER DEPARTMENT OF SURGERY RULES AND REGULATIONS

ALLIED HEALTH PROFESSIONALS

The Department of Surgery will accept Allied Health Professionals but the prerogatives and scope of services authorized for each practitioner shall be approved on an individual basis. Each Allied Health Professional accepted by the Department of Surgery must be sponsored by a physician who is a member of the Department of Surgery.

Education and Training

Minimum requirements for education and training are noted in the Hospital Bylaws, Rules and Regulations.

Requirements

1. The authorized scope of services for each Allied Health Professional shall be determined by the Chairman of the Department of Surgery and in any event shall not exceed the Allied Health Professional's training, experience, scope of licensure and demonstrated competence.
2. Allied Health Professionals shall not be eligible to admit patients to the Hospital, nor shall they be eligible for appointment to the Medical Staff. The authorization of Allied Health Professionals to render care at Palomar Medical Center may, at any time and with reasonable cause, be terminated by the Chairman of the Department of Surgery, the Chief of Staff, or the Board of Directors.
3. Allied Health Professionals shall carry out their services under the supervision of the sponsoring member of the Department of Surgery and are subject to departmental policies and procedures.
4. Allied Health Professionals must maintain all applicable licenses, certificates, or such other legal credentials, if any, as from time to time may be required by authority of the State of California or another appropriate body.
5. Allied Health Professionals must maintain the same liability coverage, as required for Medical Staff membership, and shall be responsible for participating in continuing education programs as are required by their respective licensing authorities or the societies with which they are affiliated.

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6. Allied Health Professionals shall undergo a bi-annual reappointment process.
7. Allied Health Professionals must be attached to a physician or group.
8. Allied Health Professionals will not do consults.
9. All entries in the Medical Record by the Allied Health Professional must be countersigned, dated and timed by the sponsoring physician-within 24 hours.
10. The authorized Scope of Practice of the Allied Health Professional must be approved annually by the Interdisciplinary Practice Committee.
11. The Allied Health Professionals will not be able to request sub-specialty consultations without the authorization of the supervising physician.
12. Allied Health Professionals will not independently practice at Palomar Medical Center.
13. Allied Health Professionals must be supervised by the sponsoring physician at the level determined by the Chairman of the Department during the credentialing process.
14. Allied Health Professionals shall not independently diagnose, treat, or manage diseases encountered, but rather utilize their advanced physical assessment and disease management knowledge and skills in conjunction with approved practice guidelines and their sponsoring physician.
15. Performance of any functions by the Allied Health Professional, such as performance and dictation of an admission history and physical, does not eliminate any Medical Staff Bylaws requirements for the sponsoring physician.
16. The Surgical Nurse Practitioner Permit List, Surgery Assisat Checklist and Delineation of Duties for Department of Surgery Physician Assistants provide authority for the Allied Health Practitioners to provide patient assessment and care under defined practice guidelines.

MEDICAL STAFF SERVICES



PALOMAR
POMERADO
HEALTH

DATE: April 26, 2005

MEMO TO: Palomar Pomerado Health
Board of Directors

FROM: L. Richard Greenstein, M.D.
Medical Director, Escondido Surgery Center

RE: Medical Staff Recommendations

The Executive Committee of the Medical Staff of Palomar Medical Center approved the following credentialing recommendations for Escondido Surgery Center for submission to the Board of Directors:

Appointment:

- ◆ Hossain Mohseni, D.P.M., Podiatry (05/09/2005 – 04/30/2007)
- ◆ Samuel C. Kim, M.D., Neurosurgery (05/09/2005 – 08/31/2005)

Allied Health Professional Appointment:

- ◆ Jessica Valdez, Oral Surgery Assistant; Sponsor: Dr. Lin (05/09/2005 – 04/30/2007)

Additional Privileges:

- ◆ Pritam Singh, M.D., Gastroenterology
 - Moderate Sedation
- ◆ Maram F. Zakko, M.D., Gastroenterology
 - Moderate Sedation
 - Deep Sedation/Analgesia

Reappointment:

Effective 06/01/2005 through 05/31/2007

- ◆ Gordon Booth, M.D., Family/General Practice
- ◆ Pierre S. Hendricks, M.D., Orthopaedic Surgery
- ◆ Jeffrey K. Pearson, D.O., Family Practice/Sports Medicine

Certification by and Recommendation of Escondido Surgery Center Medical Director:

As Medical Director of Escondido Surgery Center, I certify that the procedures described in the Escondido Surgery Center Policies and Procedures for appointment, reappointment or the granting of privileges and that the policy of the Palomar Pomerado Health Board of Directors regarding such practices have been properly followed. I recommend that the action requested in each case be taken by the Board of Directors.

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PALOMAR
POMERADO
HEALTH

Pomerado Hospital Medical Staff Services

15615 Pomerado Road
Poway, CA 92064
Phone – (858) 613-4664
FAX - (858) 613-4217

DATE: April 26, 2005
TO: Board of Directors - May 9, 2005 Meeting
FROM: Paul E. Tornambe, M.D., Chief of Staff, Pomerado Hospital Medical Staff
SUBJECT: Medical Staff Credentials Recommendations – April 2005:

Provisional Appointments:

Julie R. Ohayon, M.D. – Surgery/Hand Surgery
Steven A. La Fond, M.D. – Medicine/Geriatric Medicine

Biennial Reappointments: Reappointments Effective 06/01/05 - 05/31/2007

Kathy M. Clewell, M.D. – Medicine - Affiliate
Pierre S. Hendricks, M.D. – Surgery – Courtesy (change from Active to Courtesy Category)
William C. Holland, M.D. – Surgery - Active
Lachlan Macleay, Jr., M.D. – Pathology - Active
Maurice J. Papier, II, D.P.M. – Surgery - Active
Marcelo R. Rivera, M.D. – Medicine - Active
Cheryl L. Shanmugam, M.D. – Pediatrics - Active
Neil T. Tarzy, M.D. – Family Practice – Courtesy

Resignations:

Aliya S. Ferouz, M.D. - Surgery/Otolaryngology

Allied Health Appointments:

Tammy Prida AuD – Sponsor – Dr. Yoo
Jessica Valdez, Dental Technician – Sponsors – Dr. Fortney and Dr. Lin

Allied Health Reappointment

David M. Illich, Audiologists – Sponsors Dr. Fitzgerald, Dr. Kripps, Dr. Pereira, Dr. Carty, Dr. Dure-Smith.

Allied Health Resignations:

Loni Keane, RNFA – Sponsor – Dr. Jacquet

POMERADO HOSPITAL

Certification by and Recommendation of Chief of Staff:

As Chief of Staff of Pomerado Hospital, I certify that the procedures described in the Medical Staff Bylaws for appointment, reappointment, or alternation of staff membership or the granting of privileges and the policy of the Palomar Pomerado Health System's Board of Directors regarding such practices have been properly followed. I recommend that the Board of Directors take the action requested in each case.

**Resolution in Favor of California Assembly Bill 702
Establishing a Statewide Registered Nurse Educator Loan Program**

TO: Board of Directors

MEETING DATE: Monday, May 9, 2005

FROM: Marcelo R. Rivera, M.D., Chairman

BY: Christine D. Meaney, Board Assistant

BACKGROUND:

At the April 11, 2005 Board Meeting, Director Larson, during proposal of a motion from the March 8 Governance Committee for a letter of support for California Assembly Bill 702, suggested that a formal resolution by the Board at the May meeting may be a better way to handle this so that the Board's support of this Bill may be made known.

As a result, the attached resolution has been prepared for consideration of Board approval. This resolution formally supports California Assembly Bill 702 which would require the Office of Statewide Health Planning and Development (OSHPD) to establish a Statewide registered nurse educator loan program, noting that the nursing shortage in California, San Diego County and in Inland North County is at crisis levels.

Board approval of this resolution is requested.

BUDGET IMPACT: None

**CHAIRMAN'S
RECOMMENDATION:** Approval

INDIVIDUAL ACTION: X

PALOMAR POMERADO HEALTH

RESOLUTION NO. 05.09.05 (01) - 07

**RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR
POMERADO HEALTH AUTHORIZING SUPPORT IN FAVOR
OF CALIFORNIA ASSEMBLY BILL 702 WHICH WOULD REQUIRE
THE OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT
(OSHPD) TO ESTABLISH A STATEWIDE REGISTERED NURSE EDUCATOR
LOAN PROGRAM**

WHEREAS, the nursing shortage in the state of California, San Diego County and in Inland North County is at crisis levels. State imposed nurse to patient ratios requires providers like Palomar Medical Center and Pomerado Hospital to have a specific number of nurses at the patient's bedside around the clock. The State does not provide hospitals with financial assistance to cover costs associated with meeting State mandates;

WHEREAS, there is well-documented need for additional nurses in California and nationally. California ranks 49th out of fifty states in the number of nurses per 100,000 residents. The Employment Development Department estimates that California needs 30,000 additional nurses in the next four years, and by 2010, there will be a demand for 109,600 nurses. This nursing shortage threatens the public health and the healthcare delivery system;

WHEREAS, in addition to the nursing shortage, California faces a shortage in nurse educators. There are not enough nurse educators holding master's and doctoral degrees to train future nurses;

WHEREAS, the purpose of California Assembly Bill 702 is to help ensure that California has an adequate number of registered nurse educators to train the future nurse workforce. This Bill will offer financial support and incentives, to the extent that funding is available, for students who are registered nurses seeking advanced degrees and who agree to teach once they obtain their master's or doctorate. Currently, there is no incentive for nurses to obtain degrees and go into teaching;

WHEREAS, Palomar Pomerado Health has been and continues to be an innovator when it comes to recruiting nurses and has filled nearly 300 vacancies through highly targeted direct mail, print advertising, public and media relations campaigns. Palomar Pomerado Health has 6 per cent nurse turnover rates compared to the statewide average of 14 per cent. Palomar Pomerado Health and California State University, San Marcos recently joined forces to unveil a new nursing school. Palomar Pomerado Health is also working with Mission Hills High School's Health Academy that will award students six hours of credit toward nursing degrees;

WHEREAS, the Bill focuses on nurse educators, which is a critical component to meeting the increased demand for nurses, and would require OSHPD to establish a statewide Registered Nurse Educator Loan Program to facilitate education of registered nurses by increasing the availability of registered nurse educators;

AB 702 would require OSHPD to contract with California public colleges and universities that award degrees in nursing with the purpose of assisting the institution in establishing, or expanding the capacity of their registered nurse educator curriculum.

AB 702 would require OSHPD to award loans to cover the educational costs of students who are registered nurses seeking a master's or doctorate degree in nursing and who intend to become nurse educators.

AB 702 would specify that when selecting loan recipients, they shall consider an applicant's economic need, cultural and linguistic skills, and demonstrated interest in becoming a registered nurse educator;

AB 702 specifies that the student agree to the following:

- a) Make all reasonable efforts to complete the institution's registered nurse educator curriculum;
- b) Seek employment as a registered nurse educator upon completion of the curriculum; and
- c) Serve as a registered nurse educator for at least three full-time academic years or five part-time years.

AB 702 would also require OSHPD to adopt regulations for a repayment schedule, which shall forgive repayment of the loan for students who comply with the terms of the loan agreement.

AB 702 states that OSHPD shall only implement the program to the extent that funds are available for this purpose, and only if there are reasonable assurances that funds will be made available to cover the student's education cost for a total of five academic years.

AB 702 declares legislative intent that this act be funded through the Budget Act or other measure, including funding from discretionary funds available under the Workforce Investment Act (WIA).

AB 702 makes various other legislative findings and declarations regarding the shortage of nurses and nurse educators in California and the need to expand nurse educator opportunities in California public colleges and universities.

**BOARD QUALITY REVIEW COMMITTEE
REVISIONS to 2005 MEETING SCHEDULE**

TO: Board of Directors Meeting
May 9, 2005 Board of Directors Meeting

FROM: Board Quality Review Committee
April 12, 2005 Committee Meeting

BY: John G. Massone, M.D.
Interim Chief Quality Officer

BACKGROUND: Due to Chairman Krider's international travel plans, it is necessary to reschedule certain meetings through the remainder of the current calendar year to assure the presence of a quorum at Board QR Committee meetings.

- **May 2005 meeting.** The meeting will be rescheduled to Wednesday, May 11, 2005. Director Greer is unavailable that day. Nancy Bassett will attend as the Alternate. Dr. Acheatel is unavailable as well. He will provide the name of an alternate to represent PMC QMC.
- **July 2005 meeting.** Since neither Chairman Krider nor Director Larson is available for the proposed July dates, the July 2005 meeting will be cancelled.
- **August 2005 meeting.** The meeting will be rescheduled to Tuesday, August 16, 2005.
- **November 2005 meeting.** The meeting will be rescheduled to Tuesday, November 15, 2005.

2005 Meeting Dates

Revised 4/12/05

January 17, 2005	July 12, 2005 cancelled
February 8, 2005	August 16, 2005
March 8, 2005	September 13, 2005
April 12, 2005	October 11, 2005
May 11, 2005	November 15, 2005
June 14, 2005	December 13, 2005

All meetings will be held at 12:00 Noon in the PMC Administration Conference Room.

BUDGET IMPACT: None – informational only

DISCUSSION:

**BOARD QUALITY REVIEW COMMITTEE
REVISIONS to 2005 MEETING SCHEDULE**

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Service Line Update

TO: PPH Board of Directors

MEETING DATE: May 9, 2005

FROM: Strategic Planning Committee on April 20, 2005

BY: Marcia Jackson, Chief Planning Officer

BACKGROUND: In November 2003 the Strategic Planning Committee and Management arrived at consensus for service line priorities: women's services, cardiovascular services, vascular services, orthopedics and neurosciences. An update on service line planning was provided to the Committee.

The Prioritized Service Lines are as follows:

- Women's Services
- Cardiovascular
- Neurosciences
- Vascular
- Orthopedics

The current status of these Service Lines was discussed, including the following:

- Strategic Plans completed for Women's and Cardiovascular Service Lines
- Business Plan prepared for Women's Services
- Service Line Administrator has been hired for Women's and Children's Services (Diane Key)
- Specific initiatives are underway for both service lines.
- Planning recently underway for neurosciences
- Planning not yet initiated on the others

The Women's Services Key Strategies are:

- Demonstrate high quality
- Work with a perinatology group to establish services
- Focus on gaining oncologic market share
- Develop a women's heart health program
- Improve and add support programs
- Develop a comprehensive marketing program
- With the new building projects develop extraordinary outpatient and inpatient women's facilities

Service Line Update

Key strategies for the Cardiovascular Service Line include:

- Demonstrate high quality
- Establish emergency services as a differentiation strategy
- Implement a business development/marketing plan
- Establish a Women's Heart Health program
- Develop a dedicated CV facility/floor within the hospital building project
- Add a Cath Lab at Pomerado

The potential Centers or Services within the Neuroscience Service Line include:

- Neuro-oncology program
- Cerebral vascular program
- Neurodegenerative program
- Spine center
- Trauma
-

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only.

COMMITTEE RECOMMENDATION:

Information: X

Citizens' Oversight Committee – Interview Process

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, April 26, 2005

MEETING DATE: Monday, May 9, 2005

FROM: Bob Hemker, CFO

Background: The General Obligation Bond Measure (Prop BB) was passed by the District's voters on November 2, 2004. The measure requires the formation of a Citizens' Oversight Committee (COC) within 90 days of the acceptance of the election results by the Board. The election results were accepted at the December 13, 2004, Board meeting. Subsequently, the Board approved the formation of the Citizens' Oversight Committee.

At the March 14, 2005, meeting of the Board of Directors, the deadline for submission of applications for membership on the COC was set as Friday, April 29, 2005. Beginning on Wednesday, February 23, 2005, notices were made to the public via print media and the PPH Web site that applications were available from and should be returned to the office of the Chief Financial Officer via his Executive Assistant, Tanya Howell. A number of applications have been received to date.

Effective April 30th, the application process will be closed, and the selection process will begin. It is intended that the COC will be seated by June 30, 2005. As such, the Finance Committee, who has been delegated the selection process by the Board, will need to make its recommendation to the Board at its June meeting. To facilitate the selection process, the attached Selection Matrix has been developed to aid in evaluating applicants.

At the Finance Committee meeting on Tuesday, April 26, 2005, it was determined that the full Finance Committee would evaluate all applicants and conduct all interviews. Modifications to the Selection Matrix were also approved. All applications, along with copies of the updated Selection Matrix, are to be distributed to the Finance Committee on Monday, May 2, 2005. The Committee members will return their comments to the office of the CFO by close of business on Friday, May 13, 2005. A special Finance Committee meeting will be held on Wednesday, May 18, 2005, at 5:30 p.m., to discuss the applications and reach a consensus on finalists. The finalists may be invited to the regularly scheduled May 31, 2005, Finance Committee meeting for an interview.

Budget Impact: N/A

Staff Recommendation: It is recommended that the Selection Matrix be used to evaluate the applications. Further, it is recommended that the full Finance Committee evaluate all applicants and that a sub-committee—appointed by the Finance Committee Chair—conduct phone and/or face-to-face interviews with the finalists prior to recommending the proposed COC slate to the Board.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

42

**Palomar Pomerado Health
Selection Matrix – Prop BB Independent Citizens' Oversight Committee**

Applicant Name: _____
Home Address: _____

Does the Applicant live within the District's Boundaries? Yes No

In which region of the District does the Applicant live?

- Constituency represented:**
- Business Representative ("BR")
 - Senior Citizens' Group Representative ("SC")
 - Taxpayers' Organization Representative ("TP")
 - Nurse or Physician Representative ("NPR")
 - At Large ("AL")

Please score the applicant on the following criteria, using a scale of one ("1") to five ("5"), with 5 being the highest:

Level of Prior Community Involvement	_____
Level of Current Community Involvement	_____
Level of PPH Involvement	_____
Availability of Time	_____
Subject Matter Expert – Constituency Represented	_____
Subject Matter Expert – Facility Development	_____
Subject Matter Expert – Financing Matters	_____
Conflicts of Interest (Higher score for fewer conflicts)	_____
Desire to sit on the Committee (based on application explanation)	_____

COMMENTS: _____

Total

43

General Obligation Bonds

TO: Board of Directors

DATE: Monday, May 9, 2005

FROM: Board Finance Committee
Tuesday, April 26, 2005

Background: In August 2004, the Board approved the Plan of Finance to provide the necessary funding to complete the previously approved Facility Master Plan. In preparation for issuance of the first tranche of General Obligation Bonds (GO Bonds), the next steps, issues and processes were reviewed at the April 11, 2005, Board meeting, at which time Management was instructed to continue to pursue the issuance of \$80 million of fixed rate GO Bonds by June 30, 2005. The Board also recommended that a Joint Powers Agreement (JPA) be established, with Tri-City Healthcare District as the JPA partner to facilitate a negotiated sale of the GO Bonds.

At their meeting on Tuesday, April 19, 2005, Tri-City Healthcare District's Finance Committee voted to recommend that the Board of Directors approve the establishment of a JPA between Tri-City Healthcare District and Palomar Pomerado Health. Further, they voted to approve the JPA at their April 28, 2005, Board meeting. In continuation for the preparation of the issuance of the first tranche of GO Bonds, the following documents/resolutions and actions will require Board approval, in addition to those previously approved: Bond Resolution and Associated Documents; Bond Purchase Agreement; Continuing Disclosure Undertaking; Paying Agent Agreement; and Preliminary Official Statement (POS).

At its April 26, 2005 meeting, the Finance Committee recommended approval of the Resolution and Associated Documents.

Budget Impact: N/A

Staff Recommendation: It is recommended that the Board approve the attached Resolution and associated documents and delegate to management the authority to take the appropriate action necessary to complete the associated documents and matters necessary to issue the first tranche of General Obligation Bonds (GO Bonds) by June 30, 2005.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH

RESOLUTION NO. 05.09.05 (02) - 08

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR POMERADO HEALTH AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$80,000,000 AGGREGATE PRINCIPAL AMOUNT OF PALOMAR POMERADO HEALTH GENERAL OBLIGATION BONDS, ELECTION OF 2004; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT AGREEMENT SETTING FORTH THE TERMS OF SAID BONDS; APPROVING THE NEGOTIATED SALE OF SAID BONDS; APPROVING THE FORM OF BOND PURCHASE AGREEMENT PROVIDING FOR SAID SALE AND AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH BOND PURCHASE AGREEMENT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DISTRIBUTION OF AN OFFICIAL STATEMENT FOR SAID BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE UNDERTAKING FOR SAID BONDS, AND AUTHORIZING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION WITH THE ISSUANCE AND SALE OF SAID BONDS.

WHEREAS, pursuant to Resolution No. 08.04.04 (01)-8, adopted on August 4, 2004, by the Board of Directors of Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California (the "District"), an election was duly called and regularly held in the District on November 2, 2004, at which election a proposition (hereinafter referred to as "Measure BB") was submitted to the electorate of the District to authorize the issuance of general obligation bonds by the District in an amount not to exceed \$496,000,000;

WHEREAS, an election was regularly held in the District on November 2, 2004 and the Registrar of Voters of the County of San Diego did duly and regularly canvass the returns of said election and did certify that Measure BB received at said election the affirmative vote of more than two-thirds of the votes cast on Measure BB at said election and that Measure BB was thereby carried and adopted by said election;

WHEREAS, the Board of Directors of the District (the "Board of Directors") hereby finds and determines that all requirements of law have been complied with in calling and holding said election;

WHEREAS, pursuant to said favorable vote, the Board of Directors is authorized to issue said general obligation bonds pursuant to and in accordance with Chapter 4 of Division 23 (commencing with Section 32300) of the California Health and Safety Code ("The Local Health Care District Law") and other applicable law;

WHEREAS, for the purpose of financing a portion of the hospital and health care facilities projects as referenced and described in Measure BB (hereinafter referred to as the "Project"), the Board of Directors desires to authorize the issuance of certain general obligation bonds (hereinafter referred to as the "Bonds"), in an aggregate principal amount not to exceed \$80,000,000], according to the terms and in the manner set forth in a paying agent agreement (the "Paying Agent Agreement"), such Paying Agent Agreement to be entered into between the District and Wells Fargo Bank, National Association, as paying agent (the "Paying Agent");

WHEREAS, there has been prepared and presented to the Board of Directors a proposed form of Paying Agent Agreement;

WHEREAS, the proceeds of the Bonds shall be applied as provided in Measure BB to finance the Project and to pay costs of issuance of the Bonds;

WHEREAS, pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, the District and Tri-City Healthcare District (the "Tri-City") have authorized the execution and delivery of that certain Joint Exercise of Powers Agreement (the "JPA Agreement"), between the District and Tri-City, in order to create and establish the North San Diego County Health Facilities Financing Authority (the "Authority");

WHEREAS, pursuant to Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and the JPA Agreement, the District may sell the Bonds to the Authority, which is authorized to purchase the Bonds from the District, and to sell the Bonds so purchased from the District to public or private purchasers at public or negotiated sale;

WHEREAS, the Board of Directors deems it desirable to authorize the sale of the Bonds to the Authority and the simultaneous resale of the Bonds by the Authority to Citigroup Global Markets Inc. (hereinafter referred to as the "Purchaser") pursuant to a bond purchase agreement (the "Bond Purchase Agreement"), which is proposed to be entered into among the District, the Authority and the Purchaser;

WHEREAS, there has been prepared and presented to the Board of Directors a proposed form of Bond Purchase Agreement;

WHEREAS, the Board of Directors hereby determines and finds that the issuance and sale of the Bonds as described herein to finance the Project is necessary in order to enable the District to continue to provide accessible health care services, including trauma, emergency room and acute care services, and is necessary and proper and in the best interests of the District and its residents;

WHEREAS, the issuance and sale of the Bonds does not commit the District to construct any component of the Project at any particular location and approval by the Board of Directors of construction of any component of the Project at any particular location will not occur prior to compliance by the District with all requirements of the California Environmental Quality Act ("CEQA");

WHEREAS, the Board of Directors hereby determines and finds that the issuance and sale of the Bonds as described herein does not have the potential for resulting in a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and therefore does not constitute a "project" for purposes of CEQA;

WHEREAS, there has been prepared and presented to the Board of Directors a form of Notice of Exemption under CEQA with respect to the issuance and sale of the Bonds (the "Notice of Exemption");

WHEREAS, in order to facilitate the offering of the Bonds by the Purchaser, the Board of Directors proposes to approve, execute and deliver an official statement (the "Official Statement") describing the Bonds and certain related matters;

WHEREAS, there has been prepared and presented to the Board of Directors a proposed form of Official Statement in preliminary form describing the Bonds and certain related matters;

WHEREAS, in order to assist the Purchaser in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) ("Rule 15c2-12"), the Board of Directors proposes to execute and deliver a continuing disclosure undertaking (the "Continuing Disclosure Undertaking");

WHEREAS, there has been prepared and presented to the Board of Directors a proposed form of Continuing Disclosure Undertaking;

WHEREAS, in order to obtain the lowest cost of borrowing obtainable at a prudent level of risk, it may be desirable to obtain bond insurance for the Bonds of one or more stated maturity dates;

WHEREAS, in order to accomplish the foregoing, it will be necessary for the District to enter into or execute or approve and deliver the following documents, instruments and agreements, forms of which have been prepared and presented to this meeting:

- (1) Paying Agent Agreement;
- (2) Bond Purchase Agreement;
- (3) Notice of Exemption;
- (4) Official Statement; and
- (5) Continuing Disclosure Undertaking.

WHEREAS, the Board of Directors desires to ~~authorize and direct the execution and delivery of each of the above-identified documents and agreements, to authorize the issuance and sale of the Bonds pursuant to Measure BB and thereto, to authorize the negotiation of, and, as applicable, the securing of bond insurance to provide credit support for the Bonds, to file the~~

~~Notice of Exemption~~ and to authorize the taking of such other actions as shall be necessary to consummate the financing of the Project as referred to and described in Measure BB, the above-identified documents and agreements and herein; and

WHEREAS, the Board of Directors has determined that the issuance of the Bonds will not cause the total outstanding bonded indebtedness of the District to exceed any applicable statutory or contractual debt limitation;

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. Authorization of Issue; Designation of Bonds. This Board of Directors hereby authorizes the issuance and sale of not to exceed \$80,000,000 aggregate principal amount of general obligation bonds of the District, such Bonds to be designated as the "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A" on the terms and conditions set forth herein and in the Paying Agent Agreement, as finally executed and delivered.

Section 3. Paying Agent Agreement and Terms of the Bonds. The proposed form of Paying Agent Agreement presented to this meeting is hereby approved. The President and Chief Executive Officer of the District (the "President") or the Chief Financial Officer of the District (the "Chief Financial Officer") is hereby authorized and directed, for and in the name of and on behalf of the District, to execute and deliver a Paying Agent Agreement, in substantially said form, with such changes therein as the officer executing the same (each, an "Authorized District Representative"), with the advice of counsel to the District ("District Counsel"), may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Bonds shall be dated their date of delivery, or such other date as shall be set forth in the Paying Agent Agreement as finally executed and delivered. The Bonds shall mature on such date or dates, in each of the years, not exceeding thirty (30) years from the date of issuance, and in such aggregate principal amounts as shall be set forth in the Paying Agent Agreement, as finally executed and delivered. The maximum interest rate on the Bonds shall not exceed 12% per annum (in accordance with Section 53531 and Section 53532 of the Government Code of the State of California), computed on the basis of a 360-day year of twelve 30-day months. The Bonds shall be issued as serial or term bonds, shall be subject to redemption prior to their respective stated maturity dates at the option of the District as set forth in the Paying Agent Agreement, as finally executed and delivered, and in the Bonds, and may also be subject to mandatory sinking fund redemption as specified in the Paying Agent Agreement, as finally executed and delivered, and in the Bonds. The Paying Agent Agreement may provide that the Bonds of any maturity shall not be subject to optional or mandatory sinking fund redemption as further set forth therein. The Bonds shall be signed by the manual or facsimile signature of the Chairperson of the Board of Directors of the District, under seal attested by the manual or facsimile signature of the Secretary of the Board of Directors of the District. The time, manner and place or places of payment of the Bonds, the registration provisions and other terms of the

Bonds shall be as set forth in the Paying Agent Agreement, as finally executed and delivered.

Section 4. Bond Purchase Agreement; Sale of Bonds. The proposed form of Bond Purchase Agreement presented to this meeting is hereby approved. The sale of the Bonds by the District to the Authority and the simultaneous resale of the Bonds by the Authority to the Purchaser, at a purchase price to be set forth therein are hereby approved; provided, that (i) the true interest cost for the Series 2005 A Bonds shall not be in excess of 8.00%, (ii) the Purchaser's compensation shall not exceed 0.40% of the aggregate principal amount of the Bonds, plus any original issue premium, and excluding any costs of issuance the Purchaser agrees to pay pursuant to the provisions of the Bond Purchase Agreement; and (iii) the Bonds shall otherwise conform to the limitations specified herein. Either Authorized District Representative is hereby authorized and directed, for and in the name of and on behalf of the District, to execute and deliver a Bond Purchase Agreement, providing for the sale of the Bonds by the District to the Authority and the simultaneous resale of the Bonds by the Authority to the Purchaser, such Bond Purchase Agreement to be to be in substantially said form, with such changes therein as the Authorized District Representative executing the same, with the advice of District Counsel may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. CEQA. The proposed form of Notice of Exemption presented to this meeting is hereby approved. Either Authorized District Representative is hereby authorized and directed to file the Notice of Exemption, in substantially said form, with the County Clerk of the County of San Diego with such changes therein as the Authorized District Representative executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. Official Statement. The Official Statement in preliminary form presented to this meeting is hereby approved. The Official Statement in preliminary form may be deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12) by either Authorized District Representative for purposes of compliance with Rule 15c2-12 and the distribution of the Official Statement in such preliminary form as is deemed final by an Authorized District Representative to persons who may be interested in the purchase of Bonds is hereby authorized. Either Authorized District Representative is hereby authorized and directed, for and in the name and on behalf of the District to execute and deliver to the Purchaser a final Official Statement, in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Purchaser is hereby directed to deliver a copy of the Official Statement, as finally executed, to all actual purchasers of Bonds.

Section 7. Continuing Disclosure Undertaking. The proposed form of Continuing Disclosure Undertaking presented to this meeting is hereby approved. Either Authorized District Representative is hereby authorized and directed to execute and deliver a Continuing Disclosure Undertaking, in substantially said form, with such changes therein as the Authorized District Representative executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery

thereof.

Section 8. Bond Insurance. The Chief Financial Officer is hereby authorized and directed, for and in the name and on behalf of the District, to negotiate with bond insurance companies, and, if the Chief Financial Officer determines that it is in the best interest of the District to commit to purchase bond insurance for Bonds of one or more stated maturity dates, the Chief Financial Officer is authorized to commit to purchase bond insurance on such terms as the Chief Financial Officer, with the advice of District Counsel, the financial advisor to the District, and the Purchaser, determines are appropriate.

Section 9. Request for Necessary County Actions. The Board of Supervisors of the County of San Diego (the "County") and the Treasurer-Tax Collector and other appropriate officials of the County are hereby requested to take and authorize such actions as may be necessary pursuant to all applicable laws of the State of California to provide for the levy and collection of a property tax on all taxable property within the District sufficient to provide for payment of all principal of, redemption premium, if any, and interest on the Bonds as the same shall become due and payable, and to transfer such moneys as directed by the District for deposit in the bond interest and sinking fund to be established by the District in accordance with Section 32127 of The Local Health Care District Law.

Section 10. Notices to State Debt Commission. An Authorized District Representative is hereby authorized and directed to cause notices of the proposed sale and final sale of the Bonds to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to Section 8855 of the Government Code of the State of California.

Section 11. Further Authorization; Ratification of Actions. The Chairperson of the Board of Directors and 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, including signature certificates, non-litigation certificates and tax certificates, and to enter into any and all agreements necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the transactions contemplated by the Paying Agent Agreement, Bond Purchase Agreement, the Official Statement and the Continuing Disclosure Undertaking, including such documents, instruments, certificates and agreements as may be necessary to arrange for bond insurance for Bonds of one or more stated maturity dates. 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 the Chairperson of the Board of Directors or Authorized District Representative on any of the documents, instruments, certificates and agreements (including the Bonds) authorized by this Resolution.

Section 12. Ratification of Actions. All actions heretofore taken by the officers, representatives or agents of the District, including without limitation, the Chairperson of the Board of Directors and each Authorized District Representative or any designee thereof, in connection with the issuance and sale of the Bonds are hereby ratified, confirmed and approved.

Section 13. Effective Date. This Resolution shall take effect from the date of adoption hereof.

PASSED AND ADOPTED by the Board of Directors of Palomar Pomerado Health on the ____ day of _____, 2005, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

DATED: _____, 2005.

BY:

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

ATTESTED:

Nancy H. Scofield.
Secretary, Board of Directors

STATE OF CALIFORNIA)
)ss
COUNTY OF SAN DIEGO)

I, Nancy H. Scofield, the Secretary of Palomar Pomerado Health (the "District"), do hereby certify that the foregoing is a true copy of a resolution adopted by the District on _____, 2005, at the time and by the vote stated above, which resolution is on file in the office of the District.

DATED: _____, 2005.

Nancy H. Scofield
Secretary, Board of Directors
Palomar Pomerado Health

PAYING AGENT AGREEMENT

between

PALOMAR POMERADO HEALTH

and

**[WELLS FARGO BANK, NATIONAL ASSOCIATION],
as Paying Agent**

Dated as of [June] 1, 2005

Relating
to
**Palomar Pomerado Health
General Obligation Bonds, Election of 2004**

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PAYING AGENT AGREEMENT

This PAYING AGENT AGREEMENT, dated as of [June] 1, 2005 (this "Paying Agent Agreement"), between [WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association] duly organized and existing under the laws of the [United States of America], as paying agent (the "Paying Agent"), and PALOMAR POMERADO HEALTH, a local health care district duly organized and existing under the laws of the State of California (the "District"),

WITNESSETH:

WHEREAS, as set forth in Resolution No. 08.04.04(01)-8 (the "Resolution Calling the Election"), adopted by the Board of Directors of the District (the "Board of Directors") on August 4, 2004, in order to continue to provide accessible health care services, including trauma, emergency room and acute care services, to a population anticipated to grow to approximately 1.3 million within the next twenty years, the Board of Directors, with the input of District medical staff, nursing personnel and support personnel and members of the public, developed a comprehensive plan to address the future health care needs of the population of the District, including (i) replacement, renovation and repair of patient care facilities which do not meet mandated state standards for earthquake safety, (ii) renovation and repair of existing aging facilities to support advances in medical treatment, and (iii) expansion of localized, community-based health care services in certain regions of the District;

WHEREAS, also as set forth in the Resolution Calling the Election, the Board of Directors determined that the financing of the acquisition, construction, alteration, renovation and installation of certain property and structures necessary for the purposes of the District, including the purposes described above, reasonably required an expenditure in excess of available funds raised by the regular annual assessment for the running expenses of the District and, in the opinion of the Board of Directors, a special assessment would be inadvisable;

WHEREAS, pursuant to the Resolution Calling the Election, the Board of Directors called an election on November 2, 2004 for the purpose of submitting to the qualified electors of the District a proposition (hereinafter referred to as "Measure BB") to authorize the issuance of general obligation bonds of the District in an amount not to exceed \$496,000,000 for the purposes specified in Measure BB;

WHEREAS, said election was conducted by the County of San Diego in consolidation with its other elections on November 2, 2004 and the Registrar of Voters of the County of San Diego did duly and regularly canvass the returns of said election and did certify that Measure BB received at said election the affirmative vote of more than two-thirds of the votes cast on Measure BB at said election and that Measure BB was thereby carried and adopted by said election;

WHEREAS, the Board of Directors of the District adopted Resolution No. _____ declaring the results of said election on _____, 200[4];

WHEREAS, pursuant to said favorable vote, the District is authorized to issue general obligation bonds (as more fully defined in Section 1.01 hereof, the "Bonds") pursuant to and in accordance with Chapter 4 of Division 23 (commencing with Section 32300) of the California Health and Safety Code and other applicable law in order to finance and refinance hospital and health care facilities projects as referenced and described in Measure BB (hereinafter collectively referred to as the "Project");

WHEREAS, proceeds of the Bonds may be applied to pay costs of issuance of the Bonds as provided pursuant to Section 32300.1 of the California Health and Safety Code and Measure BB; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Paying Agent Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Paying Agent Agreement;

NOW, THEREFORE, in order to provide for the terms and the payment of the Bonds and the performance and observance by the District of all the covenants, agreements and conditions herein and in the Bonds contained, and in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration, the District and the Paying Agent hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein, have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

"Authority" shall mean the North San Diego County Health Facilities Financing Authority, a joint exercise of powers entity duly organized and existing under the laws of the State of California, or any other joint exercise of powers entity duly organized and existing under the laws of the State of California, to which the District sells Bonds pursuant to a Bond Purchase Agreement for simultaneous resale by such Authority to an Underwriter.

"Authorized District Representative" shall mean the president and chief executive officer of the District, the chief financial officer of the District, or any other person designated by either thereof as an Authorized District Representative by a Certificate of the District signed by the president and chief executive officer of the District or the chief financial officer the District and filed with the Paying Agent.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including

persons holding Bonds through nominees, depositories or other intermediaries).

"Board of Directors" or "Board" shall mean the Board of Directors of the District.

"Bondholder" or "Holder" shall mean the person in whose name any Bond shall be registered.

"Bond Insurance Policy" shall mean any municipal bond insurance policy issued by an Insurer guaranteeing the scheduled payment of principal and interest on a Series of Bonds as provided in such municipal bond insurance policy.

"Bond Purchase Agreement," with respect to any Series of Bonds, shall mean the Bond Purchase Agreement, dated the date of sale of such Series of Bonds, among the Underwriter of such Series of Bonds, the District and an Authority, providing for the sale of the Bonds of such Series by the District to such Authority and the simultaneous resale of the Bonds of such Series by such Authority to the Underwriter.

"Bond Resolution," with respect to any Series of Bonds, shall mean the resolution adopted by the Board of Directors authorizing the issuance of such Series of Bonds.

"Bonds" shall mean the Palomar Pomerado Health General Obligation Bonds, Election of 2004, authorized by Measure BB, and at any time Outstanding pursuant to this Paying Agent Agreement.

"Business Day" shall mean any day other than a Saturday, Sunday, legal holiday or other day on which banking institutions in Los Angeles, California, San Diego, California, San Francisco, California or New York, New York, or any state in which the Principal Corporate Trust Office of the Paying Agent is located, are authorized or required by law to close, or any day on which the New York Stock Exchange is closed.

"Certificate of the District" shall mean a written certificate signed by an Authorized District Representative.

"Chief Financial Officer" shall mean the Chief Financial Officer of the District.

"Code" shall mean the Internal Revenue Code of 1986, as the same shall be hereafter amended, and any regulations heretofore issued or which shall be hereafter issued by the United States Department of the Treasury thereunder.

"Continuing Disclosure Undertaking," with respect to any Series of Bonds requiring an undertaking under Rule 15c2-12, shall mean the Continuing Disclosure Undertaking, dated the date of issuance and delivery of such Series of Bonds, executed and delivered by the District, as originally executed and as it same may be supplemented, modified or amended from time to time in accordance with its terms.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable by or reimbursable to District and related to the authorization, issuance, sale and initial delivery

of a Series of Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent, underwriting fees, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and expenses related to any credit enhancement (including, without limitation, bond insurance) for such Series of Bonds, fees and expenses with respect to the conduct of the election and other proceedings authorizing the issuance of the Bonds, fees and charges for preparation, execution and safekeeping of such Series of Bonds and any other cost, charge or fee in connection with the authorization, issuance, sale and initial delivery of a Series of Bonds.

"County" shall mean the County of San Diego, State of California.

"District" shall mean Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California.

"DTC" shall mean The Depository Trust Company, New York, New York, its successors and their assigns.

"Insurer" shall mean any issuer of a Bond Insurance Policy with respect to a Series of Bonds.

"Interest and Sinking Fund" shall mean the "Palomar Pomerado Health Election of 2004 General Obligation Bond Interest and Sinking Fund" created pursuant to Section 3.06 hereof for the payment of the Bonds, including the Series 2005A Bonds.

"Interest Payment Date" with respect to the Series 2005A Bonds shall mean February 1 or August 1 of each year, commencing February 1, 2006, and with respect to any other Series of Bonds, the interest payment dates specified in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds.

"Investment Securities" shall mean any of the following which at the time are legal investments under the laws of the State of California for moneys held in any funds created hereunder and then proposed to be invested:

(1) (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause (1) (a) such as CATS, TIGRs, and Stripped Treasury Coupons rated or assessed in the highest rating category by S&P or Moody's and held by a custodian for safekeeping on behalf of holders of such securities, or (b) bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (1) (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depository and which are rated in the highest rating category by S&P or Moody's;

(2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Resolution Funding Corporation (interest strips), Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration;

(3) deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than A-1 by S&P or P-1 by Moody's and that are commercial banks which deposits or accounts are collateralized as to both principal and accrued interest at 104% by obligations of the kind described in clause (1) (a), held by the District, the Paying Agent or by a third party satisfactory to the District or the Paying Agent under arrangements satisfactory to the District or the Paying Agent, as the case may be, provided that the bank shall create a valid first perfected security interest for the depositor in such obligations;

(4) federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or "A" or better by S&P or "Prime-1" or "A3" by Moody's;

(5) repurchase obligations with a term not exceeding thirty (30) days pursuant to a written agreement between the Paying Agent and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investor Protection Corporation the ("SIPC") or a federally chartered commercial bank whose long-term debt obligations are rated A/A2 or better by S&P or Moody's, with respect to any security described in clause (1)(a); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the District or the Paying Agent or third party custodian and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the District or the Paying Agent, as applicable, must have a valid first perfected security interest in such securities;

(6) taxable government money market portfolios consisting of securities issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, or repurchase agreements collateralized by such obligations;

(7) tax-exempt government money market portfolios consisting of securities which are rated in the highest rating categories of S&P or Moody's subject to a maximum permissible limit equal to six (6) months of principal and interest on the Bonds;

(8) money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AAAm-G, AAAm or AAm [or a rating by Moody's of ____, ____ or ____];

(9) commercial paper rated at the time of purchase "A-1" or better by S&P and or "Prime-1" by Moody's;

(10) bonds or notes issued by any state or municipality which bonds or notes are

rated by S&P or Moody's in one of the two highest rating categories assigned by such rating agency;

(11) corporate debt securities rated at the time of purchase "AAA" by S&P or "Aaa" by Moody's;

(12) investment contracts or agreements issued by entities whose long-term debt or the claims paying ability of which are rated in one of the two highest long-term rating categories of S&P or Moody's;

(13) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to this Paying Agent Agreement;

(14) _____ [description of suggested additional investment to come from Citigroup]; and

(15) any other investment permitted under the Local Health Care District Law.

"Local Health Care District Law" shall mean Division 23 (commencing with Section 32000) of the California Health and Safety Code, as now in effect and as it may from time to time hereafter be amended, modified or supplemented.

"Measure BB" shall have the meaning assigned to such term in the Recitals hereto.

"Measure BB Costs of Issuance Fund," with respect to the Series 2005A Bonds, shall mean the Series 2005A Measure BB Costs of Issuance Fund created pursuant to Section 3.05 hereof, and with respect to any other Series of Bonds shall mean a fund designated as a "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Measure BB Costs of Issuance Fund" created pursuant to the provisions of the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds to pay Costs of Issuance with respect to such Series of Bonds.

"Measure BB Project Fund," with respect to the Series 2005A Bonds, shall mean the Series 2005A Measure BB Project Fund created pursuant to Section 3.04 hereof, and with respect to any other Series of Bonds shall mean a fund designated as a "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Measure BB Project Fund" created pursuant to the provisions of the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds to hold the proceeds of such Series of Bonds or a portion thereof prior to expenditure on the Project.

"Moody's" shall mean Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Opinion of Counsel" shall mean a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

"Outstanding," when used at any particular time with reference to Bonds, shall mean all Bonds theretofore, or thereupon being, authenticated and delivered by the Paying Agent under this Paying Agent Agreement, except: (i) Bonds theretofore cancelled by the Paying Agent or surrendered to the Paying Agent for cancellation pursuant to Section 8.03 hereof; (ii) Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 4.02; and (iii) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Paying Agent pursuant to this Paying Agent Agreement.

"Paying Agent" shall mean [Wells Fargo Bank, National Association], acting as initial paying agent, registrar, and transfer agent with respect to the Bonds, its successors and assigns and any other corporation, association or trust company which may at any time be substituted in its place as provided in Section 6.02 hereof.

"Paying Agent Agreement" shall mean this Paying Agent Agreement, as originally executed and as it may be supplemented, modified or amended from time to time in accordance with its terms.

"Principal Corporate Trust Office" shall mean the corporate trust office of the Paying Agent in _____, California; provided, however, that "Principal Corporate Trust Office" shall also mean any other office of the Paying Agent designated by the Paying Agent to the District from time to time for a particular purpose, and shall include the principal corporate trust office or other designated office of any successor paying agent.

"Principal Payment Date" with respect to the Series 2005A Bonds shall mean August 1 of each year, commencing August 1, 200__, and with respect to any other Series of Bonds, the principal payment dates specified in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds.

"Project" shall have the meaning assigned to such term in the Recitals hereto.

"Rebate Fund" shall mean the fund designated as the "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Rebate Fund" created pursuant to Section 5.05 hereof.

"Record Date" shall mean the fifteenth day of the month prior to the month in which an Interest Payment Date occurs, whether or not such day is a Business Day.

"Redemption Date" shall mean the date on which the Bonds or any of portion of them are called for redemption, as provided in Article IV hereof.

"Request of the District" shall mean a written request signed by an Authorized District Representative.

"Requisition of the District" shall mean a written requisition signed by an Authorized District Representative.

"Resolution Calling the Election" shall have the meaning set forth in the Recitals hereto.

"Rule 15c2-12" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"S&P" means Standard & Poor's Ratings Service, a division of The McGraw Hill Companies, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Series" whenever used herein with respect to Bonds, shall mean all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

"Series 2005A Bonds" shall mean the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A.

["Series 2005A Bond Insurance Policy" shall mean _____.

"Series 2005A Bond Purchase Agreement" shall mean the Bond Purchase Agreement, dated _____, 2005, among the Series 2005A Underwriter, the District and the Authority, providing for the sale of the Series 2005A Bonds by the District to the Authority and the simultaneous resale of the Series 2005A Bonds by the Authority to the Series 2005A Underwriter.

"Series 2005A Continuing Disclosure Undertaking" shall mean that certain Continuing Disclosure Undertaking, dated the date of issuance and delivery of the Series 2005A Bonds, executed and delivered by the District, as originally executed and as it may be supplemented, modified or amended from time to time in accordance with its terms.

"Series 2005A Measure BB Costs of Issuance Fund" shall mean the fund designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A Measure BB Costs of Issuance Fund " created pursuant to Section 3.05 hereof.

"Series 2005A Measure BB Project Fund" shall mean the fund designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A Measure BB Project Fund " created pursuant to Section 3.04 hereof.

"Series 2005A Underwriter" shall mean Citigroup Global Markets Inc., as purchaser of the Series 2005A Bonds from the Authority pursuant to the Series 2005A Bond Purchase Agreement.

"Supplemental Paying Agent Agreement" shall mean any supplement, modification or amendment to this Paying Agent Agreement, but only if and to the extent such Supplemental Paying Agent Agreement is specifically authorized hereunder.

"Tax Certificate" shall mean any Tax Certificate concerning certain matters pertaining to the use of proceeds of a Series of Bonds, executed and delivered by the District on the date of issuance and delivery of such Series of Bonds, including all exhibits attached thereto, as such certificate may be supplemented, modified or amended from time to time in accordance with its terms.

"Treasurer-Tax Collector" shall mean the Treasurer-Tax Collector of the County.

"Underwriter" shall mean any purchaser or purchasers entering into a Bond Purchase Agreement providing for the purchase of one or more Series of Bonds from the Authority pursuant to a Bond Purchase Agreement.

ARTICLE II

THE BONDS

SECTION 2.01 Purpose and Authorization. (a) The Bonds shall be issued for the purpose of providing funds to finance the Project. Proceeds of the sale of each Series of Bonds shall be applied to finance the Project and may also be applied to pay Costs of Issuance. Bonds may be delivered hereunder from time to time as the issuance and delivery thereof is approved by resolution (each, a "Bond Resolution") adopted by the Board of Directors of the District. The maximum principal amount of Bonds which may be issued and delivered hereunder shall not exceed any limitation imposed by law, including, without limitation the Local Health Care District Law, and Measure BB.

(b) Each Series of Bonds shall be issued by the District under and subject to the terms of the Local Health Care District Law and other applicable law, the Bond Resolution adopted to authorize the issuance of such Series of Bonds, and this Paying Agent Agreement, and shall be designated as the "Palomar Pomerado Health General Obligation Bonds, Election of 2004," each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series of Bonds from every other Series of Bonds.

SECTION 2.02 Terms of the Bonds. Each Series of Bonds shall be issued as fully registered bonds in such denominations as shall be specified in Section 2.03 hereof with respect to the Series 2005A Bonds, and as shall be specified in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds with respect to each Series of additional Bonds; shall be dated as shall be specified in Section 2.03 hereof with respect to the Series 2005A Bonds, and as shall be specified in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds with respect to each

Series of additional Bonds; and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum as shall be specified in Section 2.03 hereof with respect to the Series 2005A Bonds, and as shall be specified in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds with respect to each Series of additional Bonds.

SECTION 2.03 Terms of the Series 2005A Bonds. (a) The first Series of Bonds to be delivered pursuant to the terms of this Paying Agent Agreement shall be designated as the "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A (the "Series 2005A Bonds"). The Series 2005A Bonds shall be issued in the aggregate principal amount of [\$80,000,000].

(b) The Series 2005A Bonds shall be issued as fully registered bonds in denominations of five thousand dollars (\$5,000) or any integral multiple of five thousand dollars (\$5,000), shall be dated the date of their initial delivery, shall be numbered from R1 consecutively upwards in order of delivery, and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum set forth in the following schedule:

Maturity (August 1)	Principal Amount	Interest Rate
200_	\$ _____	____%

[Copy to Come]

(c) Interest on the Series 2005A Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

(d) Interest on the Series 2005A Bonds shall be payable in lawful money of the United States of America to the person whose name appears in the bond registration books maintained by the Paying Agent under Section 2.08 hereof as the Bondholder thereof as of the close of business on the Record Date immediately preceding each Interest Payment Date, such interest to be paid by check mailed by first class mail to such Bondholder at such Bondholder's address as it appears in such bond registration books or at such address as the Bondholder may have filed with the Paying Agent for that purpose (except that upon the written request of the Bondholder of Series 2005A Bonds aggregating not less than one million dollars (\$1,000,000) in principal amount, given no later than the close of business on the Record Date immediately preceding the applicable Interest Payment Date, the interest due on such Interest Payment Date shall be paid by wire transfer in immediately available funds to an account maintained in a state or national bank in the United States of America at such wire address as such Bondholder shall specify in such written request). The principal of and redemption premium, if any, on the Series 2005A Bonds shall be payable in like lawful money to the Bondholder thereof upon the surrender thereof at the Principal Corporate Trust Office of the Paying Agent. So long as Cede & Co. or its registered assigns shall be the registered owner of any of the Series 2005A Bonds, payment shall be made thereto by wire transfer as provided in Section 2.09(c) hereof.

SECTION 2.04 Form and Registration of Bonds. (a) The Series 2005 A Bonds, the Paying Agent's certificate of authentication, and the form of assignment to appear thereon shall be in substantially the forms, respectively, attached hereto as Exhibit A, with necessary or appropriate variations, omissions and insertions as permitted or required by this Paying Agent Agreement. Each Series of additional Bonds, the Paying Agent's certificate of authentication, and the form of assignment to appear thereon shall be in substantially the forms, respectively, as shall be specified in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds, with necessary or appropriate variations, omissions and insertions as permitted or required by such Supplemental Paying Agent Agreement.

(b) Unless otherwise specified with respect to a Series of additional Bonds in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds, each Series of Bonds shall be initially registered in the name of "Cede & Co., as nominee of DTC and shall be evidenced by a single authenticated bond certificate for each stated maturity of such Series of Bonds, representing the aggregate principal amount of the Bonds of such Series and such maturity. Registered ownership of any Series of Bonds, or any portion thereof, may not thereafter be transferred except as set forth Section 2.09 hereof or, in the event the use of a depository for the Bonds is discontinued, in accordance with the provisions set forth in Section 2.06 hereof.

SECTION 2.05 Execution and Authentication of Bonds. The Bonds shall be signed by the manual or facsimile signature of the Chairperson of the Board of Directors of the District, under seal attested by the manual or facsimile signature of the Secretary of the Board of Directors of the District. Such seal of the District may be in the form of a facsimile of the District's seal and may be reproduced, imprinted or impressed on the Bonds. The Bonds shall be authenticated by a manual signature of a duly authorized signatory of the Paying Agent.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A hereto or, as applicable, in the form set forth in an Exhibit to a Supplemental Paying Agent Agreement establishing the terms and provisions of a Series of additional Bonds, executed by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Paying Agent Agreement, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Paying Agent Agreement.

SECTION 2.06 Transfer of Bonds. In the event that at any time any Bonds shall no longer be registered in the name of Cede & Co. as a result of the operation of Section 2.09 hereof or as otherwise provided herein, then the procedures contained in this Section 2.06 shall apply.

Any Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.08 hereof by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Bond or Bonds shall be surrendered for transfer, the designated District officials shall execute (as provided in Section 2.05 hereof) and the Paying Agent shall authenticate and deliver a new Bond or Bonds of the same Series and maturity, for a like aggregate principal amount of Bonds of the same Series and bearing the same rate of interest. The Paying Agent shall require the payment by the Bondholder requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of Bonds shall be required to be made by the Paying Agent during the period from any Record Date to the following Interest Payment Date or from the date on which notice of redemption is given with respect to such Bond to and including the specified Redemption Date for such Bond.

SECTION 2.07 Exchange of Bonds. In the event that at any time any Bonds shall no longer be registered in the name of Cede & Co. as a result of the operation of Section 2.09 hereof or as otherwise provided herein, then the procedures contained in this Section 2.07 shall apply with respect to the exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Paying Agent or such other place as the Paying Agent shall designate, for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, maturity and interest rate. The Paying Agent shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of Bonds shall be required to be made by the Paying Agent during the period from any Record Date to and including the following Interest Payment Date or from the date on which notice of redemption is given with respect to such Bond to and including the specified Redemption Date for such Bond.

SECTION 2.08 Bond Register. (a) The Paying Agent will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

(b) The District and the Paying Agent shall be entitled to treat the person in whose name any Bond is registered as the Bondholder thereof, notwithstanding any notice to the contrary received by the Paying Agent or the District, and the District and the Paying Agent shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds. Neither the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to the Beneficial Owners or to any other party including DTC or its successor (or substitute depository or its successor), except as the Bondholder of any Bonds.

SECTION 2.09 Use of Depository; Book-Entry System. (a) DTC is hereby appointed depository for the Bonds. Unless otherwise specified with respect to a Series of additional Bonds in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds, each Series shall be initially registered in the name of "Cede & Co., as nominee of DTC and shall be evidenced by a single authenticated bond certificate for

each stated maturity of such Series of Bonds, representing the aggregate principal amount of the Bonds of such Series and such maturity. Registered ownership of any Series of Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Section 2.06 or, in the event the use of a depository for the Bonds is discontinued, in accordance with the provisions set forth in Section 2.06 and Section 2.07 hereof:

(i) To any successor of Cede & Co., as nominee of DTC, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this Section (a "substitute depository"); provided, that any successor of Cede & Co., as nominee of DTC or substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any substitute depository not objected to by the District, upon (1) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the District to substitute another depository for DTC (or its successor) because DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, or (2) a determination by the District to remove DTC or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the Outstanding Bonds by the Paying Agent, together with a Request of the District, a single new Bond for each maturity of each Series of Bonds Outstanding shall be executed and delivered pursuant to the procedures described in the third paragraph of Section 2.06 hereof in the aggregate principal amount of the Bonds of such Series then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the Outstanding Bonds by the Paying Agent together with a Request of the District, new Bonds of each Series then Outstanding shall be executed and delivered in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested in such Request of the District, subject to the limitations of Section 2.04 hereof and the receipt of such a Request of the District, and thereafter, the Bonds shall be transferred pursuant to the provisions set forth in Section 2.06 of this Paying Agent Agreement and shall be exchanged pursuant to the provisions set forth in Section 2.07 of this Paying Agent Agreement; provided, that the Paying Agent shall not be required to deliver such new Bonds within a period of fewer than thirty (30) days.

(c) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, the District and the Paying Agent shall cooperate with Cede & Co., as sole holder, 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 (e.g., by wire transfer) on the date they are due.

ARTICLE III

DELIVERY OF BONDS; APPLICATION OF PROCEEDS; ESTABLISHMENT OF FUNDS

SECTION 3.01 Delivery of Series 2005A Bonds. Upon receipt of a Request of the District, the Paying Agent is hereby authorized to authenticate and deliver the Series 2005 A Bonds to Series 2005 A Underwriter pursuant to the Series 2005 A Bond Purchase Agreement.

SECTION 3.02 Application of Proceeds of Sale of Series 2005A Bonds. Upon the delivery of the Series 2005A Bonds to the Series 2005A Underwriter as described in Section 3.01 hereof and receipt from the Series 2005A Underwriter of the amount due in connection with the Bonds, \$_____, comprised of the principal amount of the Bonds (\$_____), less an underwriting discount in the amount of \$_____, plus initial issue premium in the amount of \$_____, [less the premium due in connection with the Series 2005A Bond Insurance Policy in the amount of \$_____ paid directly to Series 2005A Bond Insurer by the Series 2005A Underwriter on behalf of the District], the Paying Agent shall set aside and deposit \$_____ in the Series 2005A Measure BB Project Fund established pursuant to Section 3.04 hereof and \$_____ in the Series 2005A Measure BB Costs of Issuance Fund established pursuant to Section 3.05 hereof.

SECTION 3.03 Additional Bonds. (a) The District may by Supplemental Paying Agent Agreement establish the terms and provisions of one or more Series of additional Bonds, and the Paying Agent may authenticate and deliver to the Underwriter thereof, Bonds of any Series so established, in such principal amount as shall be determined by the District, provided that the aggregate principal amount of Bonds delivered hereunder shall not exceed any limitation imposed by law, including, without limitation the Local Health Care District Law, and Measure BB.

(b) Whenever the District shall determine to issue a Series of additional Bonds as provided in this Section 3.03, the District shall authorize the execution of a Supplemental Paying Agent Agreement specifying the terms and provisions of such Series of Bonds, shall cause such Supplemental Paying Agent Agreement to be executed by an Authorized District Representative, and shall deliver such Supplemental Paying Agent Agreement to the Paying Agent for execution by the Paying Agent. At any time thereafter, upon receipt of a Request of the District, the Paying Agent is hereby authorized to authenticate and deliver such Series of Bonds in accordance with the direction of the District set forth in such Request of the District.

(c) Upon receipt of the proceeds of the sale of each Series of additional Bonds, the Paying Agent shall apply the proceeds of the sale of such Series of Bonds as specified in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds and, as and to the extent applicable, the Bond Purchase Agreement entered into by the District in connection with the sale of such Series of Bonds.

SECTION 3.04 Establishment and Application of the Series 2005A Measure BB Project Fund. The Paying Agent shall establish and maintain and hold in trust a separate fund designated as the "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A Measure BB Project Fund" (the "Series 2005A Measure BB Project Fund"). All money on deposit in the Series 2005A Measure BB Project Fund shall be applied solely for the payment of authorized costs of the Project. Before any payment from the Series 2005A Measure BB Project Fund shall be made by the Paying Agent, the District shall file or cause to be filed with the Paying Agent a Requisition of the District, such Requisition to be in substantially such form as is set forth in Exhibit B hereto.

All money in the Series 2005A Measure BB Project Fund shall be invested by the Paying Agent in Investment Securities specified by the District in a Request of the District. Investment earnings on the Series 2005A Measure BB Project Fund shall be retained in the Series 2005A Measure BB Project Fund.

When the District determines that the portion of the Project financed from the Series 2005A Measure BB Project Fund has been completed, a Certificate of the District shall be delivered to the Paying Agent by the District stating: (i) the fact and date of such completion; and (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the Series 2005A Measure BB Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon receipt of such Certificate of the District, the Paying Agent shall transfer any remaining balance in the Series 2005A Measure BB Project Fund, less the amount of any such retention, to such other Measure BB Project Fund then existing as the District shall specify in the Certificate of the District delivered pursuant to this paragraph.

Upon receipt of a Written Request of the District, the Paying Agent shall transfer the Series 2005A Measure BB Project Fund to the District. In the event that the District shall request such transfer, the District shall hold the Series 2005A Measure BB Project Fund transferred to the District by the Paying Agent pursuant to such Written Request as a separate fund and shall withdraw moneys from such fund solely for the payment of authorized costs of the Project. Before the District shall make payment from the Series 2005A Measure BB Project Fund, the District shall prepare a Requisition of the District, such Requisition to be in substantially such form as is set forth in Exhibit B hereto and to be maintained in the records of the District.

Subsequent to the transfer of the Series 2005A Measure BB Project Fund to the District, all money in the Series 2005A Measure BB Project Fund shall be invested by the District in Investment Securities in accordance with Section 5.06 hereof. Investment earnings on the Series 2005A Measure BB Project Fund shall be retained therein.

When the District determines that the portion of the Project financed with proceeds of the Series 2005A Bonds has been completed, the District shall transfer any amount remaining on deposit in the Series 2005A Measure BB Project Fund to such other Measure BB Project Fund as shall then be in existence.

SECTION 3.05 Establishment and Application of the Series 2005A Measure BB Costs of Issuance Fund. The Paying Agent shall establish and maintain and hold in trust a separate fund designated as the "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A Measure BB Costs of Issuance Fund" (the "Series 2005A Measure BB Costs of Issuance Fund"). All money on deposit in the Series 2005A Measure BB Costs of Issuance Fund shall be applied solely for the payment of authorized Costs of Issuance. Before any payment from the Series 2005A Measure BB Costs of Issuance Fund shall be made by the Paying Agent, the District shall file or cause to be filed with the Paying Agent a Requisition of the District, such Requisition to be in substantially such form as is set forth in Exhibit C hereto.

All money in the Series 2005A Measure BB Costs of Issuance Fund shall be invested by the Paying Agent in Investment Securities specified by the District in a Request of the District. Investment earnings on the Series 2005A Measure BB Costs of Issuance Fund shall be transferred to the Series 2005A Measure BB Project Fund.

Any amounts remaining in the Series 2005A Measure BB Costs of Issuance Fund one hundred eighty (180) days after the date of issuance of the Series 2005A Bonds shall be transferred to the Series 2005A Measure BB Project Fund.

SECTION 3.06 Establishment and Application of the Interest and Sinking Fund. The Paying Agent shall establish, maintain and hold in trust a separate fund to be known as the "Palomar Pomerado Health Election of 2004 General Obligation Bond Interest and Sinking Fund" (the "Interest and Sinking Fund"). Upon receipt by the Paying Agent, taxes collected by the appropriate officials of the County pursuant to Measure BB to pay principal of, redemption premium, if any, and interest on the Bonds as the same shall become due and payable shall be deposited into the Interest and Sinking Fund. All sums to become due for the principal of, redemption premium, if any, and interest on the Bonds shall be paid from such Interest and Sinking Fund as the same shall become due and payable. All money in the Interest and Sinking Fund shall be invested by the Paying Agent in [Investment Securities] specified by the District in a Request of the District. Investment earnings on the Interest and Sinking Fund shall be retained therein. When all of the principal of and interest on the Bonds have been paid, any balance of money then remaining in the Interest and Sinking Fund shall be transferred to the District for deposit in the general fund of the District.

ARTICLE IV

REDEMPTION AND DEFEASANCE OF BONDS

SECTION 4.01 Terms of Redemption of Series 2005A Bonds. (a) Optional Redemption. Series 2005A Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their respective stated maturity dates. Series 2005A Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after August 1, 20__. Series 2005A Bonds shall be redeemed at the following redemption prices (expressed as a percentage of the principal amount of the Series

2005A Bonds called for redemption), together with interest accrued thereon to the date of redemption:

Redemption Date	Optional Redemption Price
August 1, 20__ through July 31, 20__	___%
August 1, 20__ through July 31, 20__	___%
August 1, 20__ and thereafter	100%

If less than all the Outstanding Series 2005A Bonds are to be redeemed on any one date, the District shall select the maturity date or dates of the Series 2005A Bonds to be redeemed, and if less than all the Series 2005A Bonds of any one maturity date are to be redeemed on any one date, the Paying Agent shall select the Series 2005A Bonds or the portions thereof of such maturity date to be redeemed on such date in any manner deemed fair by the Paying Agent, and the Paying Agent shall promptly notify the District in writing of the numbers of the Series 2005A Bonds so selected by it for redemption, and for purposes of such selection the Series 2005A Bonds shall be deemed to be composed of five thousand dollars (\$5,000) multiples and any such multiple may be separately redeemed.

(b) Mandatory Sinking Fund Redemption. Series 2005A Bonds maturing on August 1, 20__ are also subject to redemption prior to their stated maturity, in part, by lot, from mandatory sinking fund payments deposited in the Interest and Sinking Fund, on any August 1 on or after August 1, 20__, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedule:

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment Amount
20__	\$
20__	
20__	
20__	
20__	

The principal amount of each mandatory sinking fund payment of any maturity shall be reduced proportionately, in \$5,000 increments, by the amount of any Series 2005A Bonds of that maturity optionally redeemed prior to the mandatory sinking fund payment date.

(c) Terms of Redemption of Additional Bonds. Each Series of additional Bonds may be made subject to optional or mandatory sinking fund redemption prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and

upon such notice and with such effect as may be provided in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds.

(d) Notice of Redemption. Unless otherwise specified with respect to a Series of additional Bonds in the Supplemental Paying Agent Agreement establishing the terms and provisions of such Series of Bonds, each notice of redemption shall be given by the Paying Agent upon the Request of the District. Each notice of redemption shall be given by mail, first class postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date (i) to the respective Bondholders thereof at the addresses appearing on the bond registration books described in Section 2.08, (ii) to all organizations registered with the Securities and Exchange Commission as securities depositories, (iii) to such information services of national recognition which disseminate redemption information with respect to municipal securities as the District shall designate, and (iv) as may be further required in accordance with the applicable Continuing Disclosure Undertaking.

Each notice of redemption shall contain all of the following information: (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Series of Bonds to which such notice relates; (iii) the Redemption Date; (iv) the redemption price; (v) the dates of maturity of the Bonds to be redeemed; (vi) (if less than all of the Bonds of any maturity are to be redeemed) the distinctive numbers of the Bonds of each maturity to be redeemed; (vii) (in the case of Bonds redeemed in part only) the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the Bondholders at the Principal Corporate Trust Office of the Paying Agent, or at such other place or places designated by the Paying Agent; and (x) notice that further interest on such Bonds will not accrue after the designated Redemption Date; provided, that neither the District nor the Paying Agent shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the District nor the Paying Agent shall be liable for any inaccuracy in such numbers.

Upon surrender of any Bond redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the registered owner thereof at the expense of the District a new Bond or Bonds of the same Series and maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

(e) Effect of Notice of Redemption. A certificate of the Paying Agent that notice of call and redemption has been given to Bondholders and to the other parties as herein provided shall be conclusive as against all parties. The actual receipt by the Bondholder of any Bond or by any other party designated herein to receive such notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

If notice of redemption has been duly given as aforesaid and money for the payment of the principal of and redemption premium, if any, on, together with interest to the Redemption Date on, the Bonds or portions thereof so called for redemption is set aside as provided in subsection (f) hereof, then on the Redemption Date designated in such notice, such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Bondholders of such Bonds shall have no rights in respect thereof except to receive payment of the principal of and redemption premium, if any, on the Bonds or such portions thereof and the interest accrued thereon to the Redemption Date, such payment to be made solely from such funds as are provided therefor.

(f) Right to Rescind Notice of Redemption. The District may rescind any optional redemption and any notice of 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 Bondholders of the 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 Interest and Sinking 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, interest, and any premium due on the Bonds called for redemption. Notice of rescission of optional redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Bondholder of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

(g) Funds for Redemption. Prior to or on the Redemption Date of any Bonds there shall be available in the Interest and Sinking Fund or in an escrow fund established for such purpose and held in trust by the Paying Agent or by an escrow agent selected by the District, moneys for the purpose of redeeming and sufficient to redeem, at the premiums payable as in this Paying Agent Agreement provided, the Bonds designated in said notice of redemption. Such moneys so set aside in any such escrow fund shall be applied on or after the Redemption Date solely for payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds, provided that all moneys in the Interest and Sinking Fund shall be used for the purposes established and permitted by the Local Health Care District Law. Any interest due on or prior to the Redemption Date shall be paid from the Interest and Sinking Fund, unless otherwise provided for to be paid from such escrow fund. In the event an escrow fund shall have been established in connection with the redemption of any Bonds, if there are moneys remaining in such escrow fund after all of such Bonds shall have been redeemed or cancelled, said moneys shall be transferred to the Interest and Sinking Fund for payment of any Outstanding Bonds; provided, however, that if said moneys are part of the proceeds of bonds of the District (other than the Bonds), said moneys shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such Bonds are at such time Outstanding and such moneys are not part of the proceeds of bonds of the District (other than the Bonds) to be transferred to the fund created for the payment of principal of and interest on such bonds, said moneys shall be transferred to the District for deposit in the general fund of the District as provided and permitted by law.

(h) Purchase of Bonds by District. The District may purchase Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding interest which is payable from the Interest and Sinking Fund provided for herein) as the District determines; provided that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

SECTION 4.02 Defeasance of Bonds. (a) If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Bondholders of all Outstanding Bonds all of the principal, interest and premium, if any, represented by Bonds at the times and in the manner provided herein and in the Bonds or provisions shall have been made for the payment of the same as provided in Section 4.02(b) and Section 4.02(c) or as otherwise provided by law consistent herewith, then such Bondholders shall cease to be entitled to the obligation to levy taxes for payment of the Bonds as described in Section 5.02 hereof, and such obligation and all agreements and covenants of the District to such Bondholders hereunder and under the Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Bonds, but only out of moneys on deposit in the Interest and Sinking Fund or in the escrow fund held in trust for such payment, as applicable; provided, further, however, that the provisions of Section 4.02(d) hereof shall apply in all events.

(b) For purposes of this Section, the District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

(c) If moneys shall have been set aside in the Interest and Sinking Fund or held by the Paying Agent or an escrow agent for the payment or redemption of any Bonds and the interest installments therefor at the maturity or Redemption Date thereof, such Bonds shall be deemed to be paid within the meaning and with the effect provided in this Section 4.02. Any Outstanding Bond shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section 4.02 if: (i) in case said Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Paying Agent in form satisfactory to the Paying Agent irrevocable instructions to mail notice of redemption of such Bonds on such Redemption Date, such notice to be given in accordance with the provisions of this Paying Agent Agreement; and (ii) there shall have been deposited with the Paying Agent or an escrow agent either moneys in an amount which shall be sufficient, or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys in the Interest and Sinking Fund, be fully sufficient, to pay when due the principal of and the redemption premiums, if any, and the interest

due and to become due on such Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be.

(d) Any moneys held by the Paying Agent in trust for the payment and discharge of any of the Bonds as provided in this Section 4.02 and remaining unclaimed for two (2) years after the date when such Bonds has become due and payable (whether by maturity or upon prior redemption) if such money was held by the Paying Agent at such date, or for two (2) years after the date of deposit of such money, if such money was deposited with the Paying Agent after the date when such Bonds became due and payable, shall be transferred to the Interest and Sinking Fund for payment of any Outstanding Bonds payable from the Interest and Sinking Fund; or, if no such Bonds are at such time Outstanding, said moneys shall be transferred to the District for deposit in the general fund of the District as provided and permitted by law. The District and the Paying Agent hereby agree that the Bondholder of any such Bond shall thereafter look only to the District for the payment of such Bond and that all liability of the Paying Agent with respect to any such moneys shall thereupon cease.

ARTICLE V

COVENANTS OF THE DISTRICT

SECTION 5.01 Payment of Principal and Interest. On or prior to the date any payment is due in respect of the Bonds, the District will cause moneys to be deposited with the Paying Agent in an amount sufficient to pay the principal of and the interest on and redemption premium, if any, to become due in respect of all Bonds Outstanding on such payment date. When and as paid in full, and following surrender thereof to the Paying Agent, all Bonds shall be cancelled by the Paying Agent, and thereafter such Bonds shall be destroyed. The Paying Agent hereby acknowledges, and the Treasurer-Tax Collector, by acknowledgment of this Paying Agent Agreement hereby acknowledges, that pursuant to the general laws of the State of California, including, without limitation, the Local Health Care District Law, the obligation to levy and collect taxes for the payment of the Bonds, are legal obligations of the County and the Treasurer-Tax Collector and shall be performed by the County and the Treasurer-Tax Collector.

SECTION 5.02 Obligation to Levy Taxes For Payment of Bonds. The Bonds represent a general obligation of the District. The money for the payment of principal and interest and redemption premium, if any, on the Bonds shall be raised by *ad valorem* taxation without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) upon all taxable property in the District, and provision shall be made (i) for the levy and collection of such taxes in the manner provided by law and (ii) for payment of such amounts out of the Interest and Sinking Fund as provided in the Local Health Care District Law and herein. The Board of Supervisors of the County and the officers of the County are obligated by statute to provide for the levy and collection of property taxes in each year sufficient to pay all principal and interest coming due on the Bonds in such year. Annually on or before the date specified by law, the District shall furnish to the [Treasurer-Tax Collector] of the County an estimate in writing of the amount of money, if any, necessary to be raised by taxation for all purposes required under the provisions of the Local Health Care District Law during the

next ensuing fiscal year, including a tax sufficient to pay the principal of and interest on all of the Bonds as the same become due. The District shall take all steps required by law and by the County to ensure that a tax upon all taxable property in the District sufficient to pay the principal and interest on the Bonds as and when the same become due is levied and collected. The District shall cause such taxes as collected to be deposited into the Interest and Sinking Fund and all sums to become due for the principal of and interest on the Bonds shall be paid from such Interest and Sinking Fund.

SECTION 5.03 Validity of Bonds. The recital contained in the Bonds that the same are regularly issued pursuant to the Local Health Care District Law and all other applicable laws shall be conclusive evidence of their validity and of compliance with the provisions of the Local Health Care District Law and all other applicable laws in their issuance.

SECTION 5.04 Further Assurances. The District will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondholders all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Paying Agent Agreement.

SECTION 5.05 Tax Covenants; Rebate Fund. (a) The District covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on any Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the District covenants that it will comply with the requirements of each Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds.

(b) In the event that at any time the District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Paying Agent or other custodian on behalf of the District, the District shall so instruct the Paying Agent or other custodian in writing.

(c) Notwithstanding any provision of this Section, if the District shall obtain and provide to the Paying Agent or other custodian, as appropriate, an Opinion of Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, said party may conclusively rely on such Opinion of Counsel in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

(d) The District hereby agrees and covenants to establish and maintain a fund separate from any other fund established and maintained by the District, such fund to be designated as the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Rebate Fund (the "Rebate Fund") and within the Rebate Fund, the District shall maintain such accounts as shall be necessary to comply with the provisions of each Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Chief Financial Officer of the District, in

trust, to the extent required to satisfy the rebate obligation (as described in each Tax Certificate), for payment to the United States of America. Notwithstanding any other provision of this Paying Agent Agreement to the contrary, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this Section and by each Tax Certificate.

SECTION 5.06 Investment of Funds Created Hereunder and Held by the District. Moneys held in any fund created hereunder and held by the District shall be invested in Investment Securities.

SECTION 5.07 Continuing Disclosure. Upon the issuance of a Series of Bonds requiring an undertaking under Rule 15c2-12, the District hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Undertaking executed and delivered in connection with such Series of Bonds. Any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. Failure of the District to comply with any Continuing Disclosure Undertaking shall not be considered an event of default under the Bonds, this Paying Agent Agreement or any other document or agreement entered into by the District in connection with the Bonds.

ARTICLE VI

THE PAYING AGENT

SECTION 6.01 Appointment; Acceptance. [Wells Fargo Bank, National Association] is hereby appointed Paying Agent, and hereby accepts and agrees to perform the duties and obligations of the Paying Agent, registrar and transfer agent specifically imposed upon it by this Paying Agent Agreement, and no implied duties shall be read into this Paying Agent Agreement against the Paying Agent.

SECTION 6.02 Resignation, Removal, Replacement of Paying Agent. The Paying Agent may at any time resign by giving written notice to the District of such resignation, whereupon the District shall promptly appoint a successor Paying Agent by the resignation date. Resignation of the Paying Agent will be effective forty-five (45) days after notice of the resignation is given as stated above or upon appointment of a successor Paying Agent, whichever first occurs. The District may at any time remove the Paying Agent and any successor Paying Agent by an instrument given in writing. After removal or receiving a notice of resignation of the Paying Agent, the District may appoint a temporary Paying Agent or temporarily assume the duties of the Paying Agent to replace the former Paying Agent until the District appoints a successor Paying Agent. Any such temporary Paying Agent so appointed by the District shall immediately and without further act be superseded by the successor Paying Agent upon the appointment of and acceptance thereof by such successor.

Any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Paying Agent may sell or

transfer all or substantially all of its corporate trust business shall be the successor to such Paying Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03 Duties of Paying Agent. (a) The Paying Agent hereby agrees to use the funds transferred to the Paying Agent for deposit in the Interest and Sinking Fund for the payment of the principal of, interest on and redemption premiums, if any, on the Bonds, solely for such purpose as the same shall become due.

(b) The Paying Agent is hereby authorized and hereby agrees to pay or redeem the Bonds when duly presented for payment at maturity, or on prior redemption, and to cancel all Bonds upon payment thereof. When and as paid in full, and following surrender thereof to the Paying Agent, all Bonds shall be cancelled by the Paying Agent, and thereafter such Bonds shall be destroyed. The Paying Agent hereby agrees to keep accurate records of all funds administered by it and of all Bonds paid and discharged.

(c) The Paying Agent hereby further agrees to pay from each Measure BB Project Fund held by the Paying Agent any amounts duly authorized to be paid therefrom pursuant to a Requisition of the District.

(d) The Paying Agent hereby further agrees to pay from each Measure BB Costs of Issuance Fund held by the Paying Agent any amounts duly authorized to be paid therefrom pursuant to a Requisition of the District.

SECTION 6.04 Reliance on Documents.

(a) The Paying Agent may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on Certificates or opinions furnished to the Paying Agent by the District.

(b) The Paying Agent shall not be liable for any error of judgment made in good faith. The Paying Agent shall not be liable for other than its negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Paying Agent Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) The Paying Agent may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent need not examine the ownership of any Bond, but is protected in acting upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Bondholder or agent of the Bondholder.

(e) The Paying Agent may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Paying Agent may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

SECTION 6.05 Recitals of District. The recitals contained herein and in the Bonds (other than the Certificate of Authentication executed by the Paying Agent) shall be taken as the statements of the District, and the Paying Agent assumes no responsibility for their correctness.

SECTION 6.06 Paying Agent May Own Bonds. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not the Paying Agent for the Bonds.

SECTION 6.07 Investment of Funds Held by the Paying Agent. Moneys held in any fund or account created hereunder and held by the Paying Agent shall be invested solely in Investment Securities pursuant to a Request of the District. If and to the extent the Paying Agent does not receive investment instructions from the District with respect to the moneys in the funds and accounts held by the Paying Agent pursuant to this Paying Agent Agreement, such moneys shall be invested in Investment Securities described in clause [(8)] of the definition thereof and the Paying Agent shall thereupon immediately request written investment instructions from the District for such moneys.

SECTION 6.08 Money Held by Paying Agent. Money held by the Paying Agent hereunder (other than funds held any escrow fund established by the Paying Agent to provide for the payment of principal, premium, if any, and interest on the Bonds) may be commingled with other funds held by the Paying Agent, but shall be separately accounted for.

SECTION 6.09 Other Transactions. The Paying Agent may engage in or be interested in any financial or other transaction with the District.

SECTION 6.10 Interpleader. The Paying Agent may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The Paying Agent has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

SECTION 6.11 Indemnification. The District shall indemnify the Paying Agent, its officers, directors, employees, and agents ("Indemnified Parties") for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Paying Agent's acceptance or administration of the Paying Agent's duties hereunder or under the Bonds (except any loss, liability or expense as may be adjusted by a court of competent jurisdiction to be attributable to the Paying Agent's negligence or willful misconduct), including without limitation the cost and expense (including its counsel fees and disbursements, including the allocated costs and disbursements of internal counsel) of defending itself against any claim or liability (except such action as may be brought against the Paying Agent by the District) in

connection with the exercise or performance of any of its powers or duties under this Paying Agent Agreement. The provisions of this Section 6.11 shall survive termination of this Paying Agent Agreement and shall continue for the benefit of any Paying Agent after its resignation as Paying Agent hereunder.

SECTION 6.12 Compensation. As compensation for the Paying Agent's services, the District hereby agrees to pay or cause to be paid to the Paying Agent the fees set forth in a separate agreement between the Paying Agent and the District providing for payment of such fees.

ARTICLE VII

MODIFICATION OR AMENDMENT OF PAYING AGENT AGREEMENT

SECTION 7.01 Modifications or Amendments Without Consent. This Paying Agent Agreement may be modified or amended at any time without the consent of the Bondholders in order: (i) to add to the covenants or agreements of the District or to surrender any right or power herein reserved to or conferred upon the District; (ii) to establish the terms and provisions of an additional Series of Bonds; (iii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein; or (iv) in regard to matters or questions arising hereunder which the District may deem desirable or necessary; provided, however, that no such modification or amendment shall materially adversely affect the rights of the Bondholders.

SECTION 7.02 Modifications or Amendments Requiring Consent. Modifications or amendments other than such modifications or amendments as are permitted pursuant to Section 7.01 shall require [either the written consent of each Insurer then providing a Bond Insurance Policy for a Series of Bonds or] the written consent of the Bondholders of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such modification or amendment will not, by its terms, take effect so long as Bonds of any Series or of any maturity of any Series remain Outstanding, the consent of the Bondholders of Bonds of such Series or such maturity shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section and provided further that, no such modification or amendment shall extend the maturity of, reduce the interest rate on or principal amount of any Bond or reduce the percentage of consent required for amendment hereof without the express consent of all Bondholders so affected. In the event that the consent of the Bondholders shall be required in connection with any modification or amendment of this Paying Agent Agreement, it shall not be necessary for the consent of the Bondholders to approve the particular form of such modification or amendment to this Paying Agent Agreement, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 7.03 Disqualified Bonds. In determining whether the Bondholders of the requisite aggregate principal amount of Bonds have concurred in any consent required to modify or amend this Paying Agent Agreement, Bonds owned or held by or for the

account of the District shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

SECTION 7.04 Form of Modification or Amendment; Notice. Any modification or amendment of this Paying Agent Agreement shall be in writing and shall be executed by the District and the Paying Agent. Promptly after the execution by the District and the Paying Agent of any modification or amendment to this Paying Agent Agreement pursuant to this Article VII, the Paying Agent shall mail a notice on behalf of the District, setting forth in general terms the substance of such modification or amendment, such notice to be sent to the Bondholders at the addresses shown on the registration books maintained by the Paying Agent. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such modification or amendment. A copy of such notice shall be provided to each Insurer, if any, then providing a Bond Insurance Policy with respect to a Series of Bonds.

SECTION 7.05 Endorsement or Replacement of Bonds After Modification or Amendment. After the effective date of any modification or amendment to this Paying Agent Agreement, the District may determine that the Bonds may bear a notation by endorsement in form approved by the District as to such action, and in that case upon demand of the Bondholder of any Outstanding Bonds and presentation of its Bond for such purpose at the Principal Corporate Trust Office of the Paying Agent a suitable notation as to such action shall be made on such Bond. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such modification or amendment shall be prepared and executed, and in that case upon demand of the Bondholder of any Outstanding Bond a new Bond or Bonds shall be exchanged at the Principal Corporate Trust Office of the Paying Agent without cost to each Bondholder for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

SECTION 7.06 Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Bondholder from accepting any modification or amendment as to the particular Bonds held by such Bondholder, provided that due notation thereof is made on such Bonds.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01 Payment from Ad Valorem Taxes. Payment of principal of and interest on the Bonds shall be made from *ad valorem* taxes as described in Section 5.02 hereof.

SECTION 8.02 Waiver of Personal Liability. No member of the Board of Directors of the District, officer or employee of the District shall be individually or personally liable for the payment of the principal of or interest on the Bonds, but nothing herein contained shall relieve any member of the Board of Directors of the District, officer or employee of the District from the performance of any official duty required by law.

SECTION 8.03 Acquisition of Bonds by the District. All Bonds acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Paying Agent for cancellation and destroyed.

SECTION 8.04 Benefits of Paying Agent Agreement. Nothing in this Paying Agent Agreement, expressed or implied, is intended to give to any person other than the District, the Paying Agent, each Insurer, if any, and the Bondholders any right, remedy or claim under or by reason of this Paying Agent Agreement. Any covenants, stipulations, promises or agreements in this Paying Agent Agreement contained by and on behalf of the District or any member of the Board of Directors of the District, officer or employee thereof shall be for the sole and exclusive benefit of the Paying Agent, each Insurer, if any, and the Bondholders.

SECTION 8.05 Limitations Concerning Insurer Notices and Consent. All provisions herein regarding notices to, and consent by, any Insurer shall be deemed not to require such notices to, or to permit such consents by, any Insurer, and shall be read as if such Insurer were not mentioned therein and as if the Bond Insurance Policy provided by such Insurer was not in effect during any time in which the Insurer has failed to honor a draw on such Bond Insurance Policy, or after the Bond Insurance Policy shall at any time for any reason cease to be valid and binding on the Insurer, or shall be declared to be null and void, or while the Insurer is denying further liability or obligation under the Bond Insurance Policy or after the Insurer has rescinded, repudiated or terminated the Bond Insurance Policy.

SECTION 8.06 Notices. Unless otherwise specified herein, all notices, statements, orders, requests or other communications hereunder by any party to another shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage prepaid, or if given by fax, electronically, or other means of written communication and confirmed by first class mail:

If to the District: Palomar Pomerado Health
15255 Innovation Drive
San Diego, California 92128
Attention: Chief Financial Officer

With a copy to:

Latham & Watkins LLP
633 West Fifth Street, Suite 4000
Los Angeles, California 90071
Attention: Ursula Hyman

If to the Paying Agent: [Wells Fargo Bank, National Association]

Attention: [Corporate Trust Department]

[If to the Series 2005 A Insurer]: [INSURER]

Attention: _____

SECTION 8.07 Counterparts. This Paying Agent Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

SECTION 8.08 Severability. If any covenant, agreement or provision, or any portion thereof contained in this Paying Agent Agreement, where the application thereof to any person or circumstance is held to be unconstitutional, invalid or unenforceable, the remainder of this Paying Agent Agreement and the application of such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Paying Agent Agreement shall remain valid, and the Bondholders shall retain all valid rights and benefits accorded to them under this Paying Agent Agreement and the Constitution and laws of the State of California.

SECTION 8.09 Governing Law. This Paying Agent Agreement shall be governed by and construed in accordance with, and the rights of the parties shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Paying Agent Agreement to be duly executed by their officers duly authorized as of the date first written above.

PALOMAR POMERADO HEALTH

By: _____
President and Chief Executive Officer

(Seal)

Attest:

Secretary of the Board of Directors
Palomar Pomerado Health

[WELLS FARGO BANK, NATIONAL
ASSOCIATION], as Paying Agent

By _____
Authorized Officer

Acknowledged:

By _____
Treasurer-Tax Collector
County of San Diego

Note: Exhibit A Subject to Revision.

Exhibit A

[Form of Bond]

Number	United States of America	Amount
R - ___	State of California	\$ _____
	San Diego County	

**Palomar Pomerado Health
General Obligation Bonds
Election of 2004, Series 2005A**

Interest Rate	Maturity Date	Dated	CUSIP No.
___%	August 1, 20__	_____, 2005	_____

Registered Bondholder: CEDE & Co.

Principal Sum: _____ Dollars

PALOMAR POMERADO HEALTH, a local health care district organized and existing under and pursuant to The Local Health Care District Law of the State of California (herein called the "District"), acknowledges itself obligated to and promises to pay to the registered owner identified above or registered assigns on the maturity date set forth above or upon redemption prior thereto, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money at the interest rate per annum stated above, computed on the basis of a 360-day year of twelve 30-day months, payable February 1, 2006, and thereafter on August 1 and February 1 in each year, until payment of said principal sum. If this bond is authenticated and registered on any date prior to the close of business on January 15, 2006, it shall bear interest from the date hereof. If authenticated during the period between any Record Date (defined as the [first day of the month in which an interest payment date /fifteenth day of the month prior to which an interest payment date] occurs) and the close of business on its corresponding interest payment date, it shall bear interest from such interest payment date. Otherwise, this Bond shall bear interest from the interest payment date immediately preceding the date of its authentication.

The principal hereof is payable to the registered owner hereof upon the surrender hereof at the principal corporate trust office (as such term is defined in the Paying Agent Agreement hereinafter described) of [Wells Fargo Bank, National Association] (herein called the "Paying Agent"), the paying agent/registrar and transfer agent of the District. The interest hereon is payable to the person whose name appears on the bond registration books of the Paying Agent as the registered owner hereof as of the close of business on the Record Date preceding each interest payment date, whether or not such day is a business day, such interest to be paid by check mailed to such registered owner at the owner's address as it appears on such registration

books, or at such other address filed with the Paying Agent for that purpose. Upon written request, given no later than the Record Date immediately preceding an interest payment date, of the owner of Bonds (hereinafter defined) aggregating at least \$1,000,000 in principal amount, interest will be paid by wire transfer to an account maintained in the United States as specified by the owner in such request. So long as Cede & Co. or its registered assigns shall be the registered owner of this Bond, payment shall be made by wire transfer as provided in the Paying Agent Agreement.

This Bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying series, numbers, denominations, interest rates, maturities and redemption provisions), amounting in the aggregate to \$[PAR AMOUNT], designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A" (the "Bonds"), and is issued and sold by the District, pursuant to and in strict conformity with the provisions of the Constitution and laws of the State of California, a resolution of the Board of Directors of the District, adopted on _____, 2005 (the "Resolution"), and a Paying Agent Agreement (the "Paying Agent Agreement"), dated as of [June 1], 2005, between the District and the Paying Agent.

The Bonds are issuable as fully registered bonds without coupons in the denomination of \$5,000 principal amount or any integral multiple thereof, provided that no Bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Paying Agent Agreement, Bonds may be exchanged for a like aggregate principal amount of Bonds of the same maturity and interest rate of other authorized denominations.

This Bond is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at said office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Paying Agent Agreement, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized denomination or denominations for the same maturity, interest rate, and same aggregate principal amount will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Bonds are subject to optional and mandatory sinking fund redemption on the terms and subject to the conditions specified in the Paying Agent Agreement and as shown in the attached Redemption Schedule. If this bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Board of Directors hereby certifies and declares that the total amount of indebtedness of the District, including the amount of this Bond, is within the limit provided by law, that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Bond have been done and performed in strict conformity with the laws

authorizing the issuance of this Bond, that this Bond is in the form prescribed by order of the Board of Directors of the District duly made and entered in the minutes of the Board of Directors of the District, that this Bond shall be payable out of the Interest and Sinking Fund, and that the money for the payment of the principal of this Bond, premium, if any, and the payment of interest hereon, shall be raised by taxation upon the taxable property of said District.

This Bond shall not be entitled to any benefit under the Resolution or Paying Agent Agreement, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Paying Agent.

IN WITNESS WHEREOF Palomar Pomerado Health has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Chairperson of the Board of Directors of the District and its seal to be reproduced hereon by facsimile and attested by the facsimile signature of the Secretary of the Board of Directors of the District, as of the date set forth.

PALOMAR POMERADO HEALTH

By: _____
Chairperson of the Board of Directors

(Seal)

By: _____
Secretary of the Board of Directors

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Paying Agent Agreement authenticated on _____.

[WELLS FARGO BANK, NATIONAL ASSOCIATION], as Paying Agent/Registrar and Transfer Agent

By: _____
Authorized Officer

[STATEMENT OF INSURANCE]

[Copy to Come, if Applicable]

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent/Registrar and Transfer Agent with full power of substitution in the premises.

I.D. Number

NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Registered Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: _____

Signature Guarantee: _____
Notice: Signature must be guaranteed by an eligible guarantor institution.

Redemption Schedule

[Copy to Come]

Exhibit B

[Form of Series 2005A Measure BB Project Fund Requisition]

Requisition No. ____

Series 2005A Measure BB Project Fund

The undersigned, _____, hereby certifies as follows:

1. I am _____ of Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California (the "District").

2. Pursuant to the provisions of that certain Paying Agent Agreement, dated as of [June 1], 2005 (the "Paying Agent Agreement"), between the District and [Wells Fargo Bank, National Association], as paying agent (the "Paying Agent"), I am an Authorized District Representative (as such term is defined in the Paying Agent Agreement) of the District and I am delivering this Requisition on behalf of the District. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Paying Agent Agreement.

3. The undersigned, acting on behalf of the District, does hereby authorize disbursement of funds from the Series 2005A Measure BB Project Fund created pursuant to Section 3.04 of the Paying Agent Agreement in connection with the payment of the costs of the Project being financed with the proceeds of the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A, to the parties, in the amounts and for the purposes set forth in Schedule I hereto.

TOTAL DISBURSEMENT AMOUNT AUTHORIZED: \$ _____

4. The undersigned, acting on behalf of the District, hereby certifies that: (a) obligations in the amounts set forth in Schedule I attached hereto have been incurred by the District and are presently due and payable; (b) each item is a proper charge against the Series 2005A Measure BB Project Fund; (c) each item has not been previously paid from the Series 2005A Measure BB Project Fund; and (d) there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: _____.

Palomar Pomerado Health

By: _____
Authorized District Representative

Schedule I To Requisition No. _____

**Name and Address
of Party To Be Paid**

**Payment
Amount**

**Nature of
Expenditure**

**Payment
Instructions**

Exhibit C

[Form of Series 2005A Measure BB Costs of Issuance Fund Requisition]

Requisition No. ____

Series 2005A Measure BB Costs of Issuance Fund

The undersigned, _____, hereby certifies as follows:

1. I am _____ of Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California (the "District").

2. Pursuant to the provisions of that certain Paying Agent Agreement, dated as of [June 1], 2005 (the "Paying Agent Agreement"), between the District and [Wells Fargo Bank, National Association], as paying agent (the "Paying Agent"), I am an Authorized District Representative (as such term is defined in the Paying Agent Agreement) of the District and I am delivering this Requisition on behalf of the District. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Paying Agent Agreement.

3. The undersigned hereby requests that the Paying Agent pay from the Series 2005A Measure BB Costs of Issuance Fund created pursuant to Section 3.05 of the Paying Agent Agreement the amounts specified in Schedule I hereto to the persons identified in Schedule I.

4. The undersigned, acting on behalf of the District, hereby certifies that: (a) obligations in the amounts set forth in Schedule I attached hereto have been incurred by the District and are presently due and payable; (b) each item is a proper charge against the Series 2005A Measure BB Costs of Issuance Fund; and (c) each item has not been previously paid from the Series 2005A Measure BB Costs of Issuance Fund.

Dated: _____.

Palomar Pomerado Health

By: _____
Authorized District Representative

Schedule I To Requisition No. _____

**Name and Address
of Party To Be Paid**

**Payment
Amount**

**Nature of
Expenditure**

**Payment
Instructions**

§ _____
PALOMAR POMERADO HEALTH
General Obligation Bonds, Election of 2004, Series 2005A

BOND PURCHASE AGREEMENT

June __, 2005

Northern San Diego County Health Facilities Financial Authority

Palomar Pomerado Health
15255 Innovation Drive, Suite 204
San Diego, California 92128

Ladies and Gentlemen:

Citigroup Global Markets Inc., (the "Underwriter"), offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with Palomar Pomerado Health (the "District") and Northern San Diego County Health Facilities Financial Authority (the "Authority") which, upon acceptance hereof, will be binding upon the District, the Authority and the Underwriter. This offer is made subject to the written acceptance of this Purchase Agreement by the District and the Authority and delivery of such acceptance to the Underwriter at or prior to 11:59 P.M., California time, on the date hereof.

Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the meaning ascribed to such terms as set forth in the District Resolution (defined below).

1. **Purchase and Sale of the Bonds.** (a) Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Authority hereby agrees to purchase from the District, and the Authority hereby agrees to sell to the Underwriter for offering to the public, and the District hereby agrees to sell to the Authority, and the Underwriter hereby agrees to purchase from the Authority, all (but not less than all) of the \$ _____ aggregate principal amount of the Palomar Pomerado Health, General Obligation Bonds, Election of 2004, Series 2005A (the "Bonds"). The Bonds shall bear interest at the rates and shall mature in the years shown on Exhibit A hereto, which is incorporated herein by this reference.

(b) The Underwriter shall purchase the Bonds at a price of \$ _____ consisting of: the principal amount of the Bonds (\$ _____), less an Underwriter's discount of \$ _____ plus original issue premium of \$ _____ (the "Purchase Price") [less \$ _____ which is the premium for a _____ (the "Bond Insurance Policy") issued by XXX (the

"Bond Insurer"), which amount the Underwriter shall wire transfer to the Bond Insurer to pay the premium for the Bond Insurance Policy].

(c) At or prior to the execution of this Purchase Agreement, the District shall cause to be delivered to the Underwriter a letter of Deloitte & Touche LLP to the effect that (i) they are independent certified public accountants as defined in Rule 101 of the Code of Professional Ethics of the American Institute of Certified Public Accountants with respect to the District, (ii) they consent to the inclusion of their report dated December 17, 2004, on the audited financial statements of the District in the Preliminary Official Statement; and (iii) they consent to all references to their firm included in the Preliminary Official Statement.

2. The Bonds. (a) The Bonds shall be dated the date of their delivery. The Bonds shall mature on August 1 in the years shown in Exhibit A hereto, except as provided herein, and shall otherwise be as described in, and shall be issued and secured under the provisions of the resolution of the District adopted on _____, 2005 (the "District Resolution"), that certain Paying Agent Agreement, dated as of June 1, 2005 between Wells Fargo Bank, National Association, as Paying Agent, and the District (the "Paying Agent Agreement"), Measure BB approved by more than two-thirds of votes cast on such ballot measure at an election held in the District on November 2, 2004 (the "Measure BB"), the provisions of Sections 32000 *et seq.* of the Health and Safety Code of the State of California (the "Act") and other applicable provisions of law.

The Bonds are being sold to the Authority for immediate resale to the Underwriter pursuant to the resolution of the Authority adopted on _____, 2005 (the "Authority Resolution").

(b) Certain provisions for the optional and mandatory sinking fund redemption of the Bonds not otherwise specified in the District Resolution are shown in Exhibit A hereto.

(c) The Bonds shall be executed and delivered under and in accordance with the provisions of the Act, this Purchase Agreement, the District Resolution and the Paying Agent Agreement.

3. Use of Documents. The Authority and the District, as applicable, hereby authorize the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Agreement, the Preliminary Official Statement and Official Statement (defined below), the District Resolution, the Authority Resolution, the Paying Agent Agreement and all information contained herein and therein and all of the documents, certificates or statements furnished by the District or the Authority to the Underwriter in connection with the transactions contemplated by this Purchase Agreement (except as such documents otherwise provided).

4. Public Offering of the Bonds. The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields to be set forth on the inside front cover page of the Official Statement and Exhibit A hereto. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Bonds.

5. Preliminary and Final Official Statement; Continuing Disclosure. (a) The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated _____, 2005 (the "Preliminary Official Statement"). The District represents that it deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), yield(s) to maturity, selling compensation, aggregate principal amount and maturity value, denominational amount and maturity value per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and under Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12").

(b) The Underwriter agrees that prior to the time the final Official Statement (as defined in Section 10(c)) relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

(c) The Underwriter hereby represents that it will provide, consistent with the requirements of Municipal Securities Rulemaking Board ("MSRB") Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases any Bonds during the underwriting period (as such term is defined in MSRB Rule G-11), and deliver a copy of the Official Statement to a national repository on or before the Closing Date, and that it will otherwise comply with all applicable statutes and regulations in connection with the offering and sale of the Bonds, including, without limitation, MSRB Rule G-32 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission.

(d) References herein to the Preliminary Official Statement and the final Official Statement include the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto.

(e) To assist the Underwriter in complying with Rule 15c2-12(b)(5), the District will undertake, under the District Resolution and a continuing disclosure undertaking (the "Continuing Disclosure Undertaking"), to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

6. Closing. At 8:00 A.M., California time, on _____, 2005, or at such other time or on such other date as are mutually agreed upon by the District, the Authority and Underwriter, (the "Closing Date"), the District will deliver or cause to be delivered to the Authority and the Authority shall redeliver to the Underwriter, through the facilities of The Depository Trust Company ("DTC"), the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price[, less the premium for the Bond Insurance Policy,] thereof in immediately available funds by wire transfer to the account of the District.

7. Representations, Warranties and Agreements of the District. The District hereby represents, warrants and agrees with the Authority and the Underwriter that, as of the date hereof and as of the Closing Date:

- (a) **Due Organization.** The District is a local health care district, duly organized and validly existing under Act, with the power to issue the Bonds under the Act and other applicable law.
- (b) **Due Authorization; Valid and Binding Obligations.** (i) On or before the Closing Date, the District will have taken all action required to be taken by it to authorize the issuance, sale and delivery of the Bonds; (ii) the District has requisite legal right, power and authority to issue the Bonds, to enter into this Purchase Agreement, the Paying Agent Agreement and the Continuing Disclosure Undertaking (hereinafter collectively referred to as the "Financing Documents"), to adopt the District Resolution, and to observe, perform and consummate its obligations under the Bonds, the District Resolution and the Financing Documents; (iii) the Bonds, the District Resolution and the Financing Documents constitute valid and legally binding obligations of the District enforceable in accordance with their terms; (iv) the District will have taken all action required to be taken by it to duly authorize the use, execution and delivery of the Official Statement; and (v) the District has the requisite legal right, power and authority to sell the Bonds to the Authority as provided in this Purchase Agreement.
- (c) **Consents.** Except for the action of parties hereto, no consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any court or governmental agency or public body whatsoever is required in connection with the adoption of the District Resolution, the execution and delivery of the Financing Documents and the Official Statement, the issuance, delivery or sale of the Bonds or the consummation of the other transactions contemplated herein or hereby, which have not been taken or obtained, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request.
- (d) **Internal Revenue Code.** The District has covenanted to comply with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.
- (e) **No Conflicts.** The sale and issuance of the Bonds, and the execution, delivery and performance of the Financing Documents, the District Resolution and the Bonds, and the compliance with the provisions hereof and thereof: (i) do not and will not conflict with or constitute a violation of or default under, the Constitution of the State of California (the "State"), the Act, or any other existing law, charter, ordinance, regulation, decree, order or resolution; (ii) do not and will not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is 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 default or an event of default under any such instrument; and (iii) 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 the *ad valorem* taxes pledged under the District Resolution for payment of the Bonds or any such law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument, except as expressly provided by the District Resolution.

- (f) The District has obtained, or in timely manner, will obtain, all approvals, licenses, permits, franchises or other governmental authorizations necessary in connection with any use to which proceeds from the sale of the Bonds will be applied, including, without limitation, any approvals or authorizations required under the California Environmental Quality Act, California Public Resources Code Sections 210002 to 211787 and the regulations thereunder (collectively, "CEQA").
- (g) Litigation. No action, suit, proceeding, hearing or investigation, at law or in equity, is pending, or threatened, against the District:
 - (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several officers of the District required to execute the Bonds, the Financing Documents or any other documents or certificates in connection with the delivery of the Bonds or of the titles of the officials of the District to their respective offices; or
 - (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the levy and collection of *ad valorem* taxes of the District to pay the principal of and interest on the Bonds or the levy of any *ad valorem* taxes contemplated by the District Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, the Financing Documents or the District Resolution, or contesting in any way its authority to issue, enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Official Statement, or any amendment or supplement thereto; or
 - (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by the Financing Documents or the District Resolution, (b) declare the District Resolution or the Financing Documents to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

- (h) No Other Debt. Between the date hereof and the Closing Date, without the prior written consent of the Underwriter, neither the District directly, nor any other governmental agency or other body on behalf of the District, will have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.
- (i) Continuing Disclosure. The District has never failed to comply in all material respects with any prior undertakings under Rule 15c2-12(b)(5).
- (j) Certificates. Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.
- (k) Official Statement Accurate and Complete. The Preliminary Official Statement, as of date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, excepting therefrom the information in the Preliminary Official Statement and Official Statement describing the Authority, The Depository Trust Company and its Book-Entry-Only System[, and the Bond Insurance Policy and Bond Insurer] (collectively, the "Excepted Portions"). At the date hereof and on the Closing Date, the final Official Statement (excluding the Excepted Portions) did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided however, the District makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the final Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein.
- (l) At the Closing Date, the Bonds and the Financing Documents will have been duly authorized, executed and delivered by the District and will constitute valid, binding and enforceable obligations of the District in accordance with their respective terms except as the same may be limited by bankruptcy, insolvency and other laws affecting creditors' rights generally and except as the enforceability of indemnification provisions of this Purchase Agreement may be limited by applicable law.

8. Representations, Warranties and Agreements of the Authority. The Authority hereby represents, warrants and agrees with the District and the Underwriter that, as of the date hereof and as of the Closing Date:

- (a) The Authority is a joint exercise of powers authority, duly organized and validly existing under the Sections 6500 et seq. of the Government Code of the State (the

“JPA Act”) and under a Joint Exercise of Power Agreement, dated as of _____, 2005 (the “JPA Agreement”), between the District and Tri-City Healthcare District.

- (b) The Authority is duly authorized and has requisite legal right, power and authority to purchase the Bonds from the District, and to sell and to redeliver the Bonds to the Underwriter as provided in this Purchase Agreement.
- (c) The Authority has requisite legal right, power and authority to adopt the Authority Resolution, to enter into this Purchase Agreement, and to observe, perform and consummate the covenants and agreements made in this Purchase Agreement to be observed, performed and consummated by the Authority.
- (d) The Authority has duly adopted the Authority Resolution in accordance with its JPA Agreement, its bylaws and applicable law.
- (e) The statements and information contained in the Official Statement under the caption “The Authority” are true and accurate in all material respects and fairly presents the information purported to be shown or summarized therein.

9. Representations, Warranties and Agreements of the Underwriter. The Underwriter represents to and agrees with the District and the Authority that, as of the date hereof and as of the Closing Date:

- (a) The Underwriter is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it.
- (b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District and the Authority, and is not prohibited thereby from acting as underwriter with respect to the Bonds.
- (c) The Underwriter has, and has had, no financial advisory relationship with the District or the Authority with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

10. Covenants of the District. The District covenants and agrees with the Authority and the Underwriter that:

- (a) Securities Laws. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably 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 jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which it is not so subject as of the date hereof.

- (b) Application of Proceeds. The District will apply the proceeds from the sale of the Bonds for the purposes for which the Bonds were authorized.
- (c) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the 7th business day following the date this Purchase Agreement is signed, and in sufficient time to accompany any confirmation that requests payment from a customer, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as are accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in such quantities (including a representative number of originally executed copies) as may be requested by the Underwriter in order to permit the Underwriter to comply with paragraph (b)(4) of Rule 15c2-12 and with the rules of the Municipal Securities Rulemaking Board. Such Official Statement shall contain all information previously permitted to be omitted by Rule 15c2-12.
- (d) If, between the date of this Purchase Agreement and up to and including the 25th day following the "end of the underwriting period" (as such term is defined in Rule 15c2-12(f)(2)) any event occurs, of which the District has knowledge, or information becomes known to the District, which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of the material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, then (i) the District shall promptly notify the Underwriter of such event, and (ii) if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, then the District shall amend or supplement the Official Statement in a form and in a manner approved by the Underwriter, provided all expense thereby incurred will be paid by the District.

For the purposes of subdivisions (d) and (f), the District may assume that the "end of the underwriting period" for the purposes of Rule 15c2-12 will occur on the date of the Closing unless otherwise notified, in writing, by the Underwriter on or prior to the date of Closing.

- (e) If the information contained in the Official Statement is amended or supplemented pursuant to subparagraph (d), 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 of the Closing, the portions of the Official Statement so supplemented or amended, excluding the Excepted Portions, will 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 such information therein, in the light of the circumstances under which it was presented, not misleading.

- (f) From the date of the final Official Statement through twenty-five (25) days from the date of the end of the underwriting period (as such term is defined in Rule 15c2-12)), (i) the District shall not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing and (ii) if any event shall occur or information becomes known as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement true and correct in all material respects and not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, then the District shall forthwith prepare and furnish to the Underwriter (at the expense of the District for ninety (90) days from the date of Closing, and thereafter at the expense of the Underwriter) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.
- (g) Levy of Tax. The District hereby agrees to take any and all actions as may be required by San Diego County (the "County") or otherwise necessary in order to arrange for: the levy and collection of *ad valorem* taxes to pay the Bonds when due; and the payment of the Bonds when due.

11. Conditions to Closing. The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations, warranties and agreements on the part of the District and Authority contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the District and Authority made in any certificates or other documents furnished pursuant to the provisions hereof, and to the performance by the District and Authority of its respective obligations to be performed hereunder on or prior to the Closing Date, and to the following additional conditions:

- (a) Obligations Performed. As of the Closing Date, (i) the Official Statement, the District Resolution, Authority Resolution, the Tax Certificate of the District, dated the date of delivery of the Bonds (the "Tax Certificate") and the Financing Documents must be in full force and effect and may not have been amended, modified or supplemented except as agreed to in writing by the Underwriter, which agreement will not be unreasonably withheld, conditioned or delayed; (ii) all actions under the Act, the JPA Act and other laws which, in the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), are necessary or appropriate in connection with the Bonds and the transactions contemplated by the Financing Documents and the Official Statement prior to the issuance of the Bonds must have been duly taken and must be in full force and effect; (iii) the District must have performed all of its obligations required under or specified in the District Resolution, this Purchase Agreement or the Official Statement to be

performed at or prior to the Closing Date, and (iv) the Authority must have performed all of its obligations required under or specified in the Authority Resolution, this Purchase Agreement or the Official Statement to be performed at or prior to the Closing Date.

- (b) Official Statement. At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, which agreement will not be unreasonably withheld, conditioned or delayed.
- (c) Adverse Rulings. No decision, ruling or finding has been entered by any court or governmental authority since the date of this Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District or Authority, pending or threatened which would constitute a ground for termination of this Purchase Agreement by the Underwriter or, which contests in any way the completeness or accuracy of the Official Statement.
- (d) Delivery of Documents. On or before the Closing Date, sufficient copies of the following documents, in each case dated as of the Closing Date and reasonably satisfactory in form and substance to the Underwriter, shall be provided to the Underwriter:
 - (i) *Bond Opinion*. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the Closing Date, addressed to the District, in substantially the form appended to the Official Statement;
 - (ii) *Supplemental Opinion of Bond Counsel*. A supplemental opinion of Bond Counsel addressed to the Underwriter, dated the Closing Date, substantially in the form attached hereto as Exhibit C; [to be substantially to the following effect:]
 - (A) The District has requisite legal right, power and authority to carry out and effectuate the transactions contemplated by the Bonds, the District Resolution, Purchase Contract, the Continuing Disclosure Undertaking and the Official Statements.
 - (B) The District Resolution has been duly authorized by the District, and constitutes a legal, valid and binding obligation of the District enforceable in accordance with its terms, subject to any applicable bankruptcy, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies.
 - (C) The District is authorized by law to sell its Bonds to the Authority and to cause the Authority to sell the Bonds to the Underwriter, all as provided in this Purchase Agreement. This Purchase Agreement

has been duly authorized, executed and delivered by the District and the Authority and constitutes a valid, legal and binding agreement of the District and the Authority enforceable in accordance with its terms, provided that no opinion need be expressed with regard to the enforceability of the indemnification provisions herein.

- (D) The Continuing Disclosure Undertaking has been duly authorized, executed and delivered by the District, and constitutes the legal, valid and binding obligation of the District, enforceable in accordance with its terms.
- (E) The Act, the JPA Act, the District Resolution and the Bonds conform as to form and tenor with the terms and provisions thereof summarized in the Official Statement.
- (F) The Official Statement has been duly authorized, executed and delivered by the District.
- (G) The Bonds are exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), and the District Resolution and the Paying Agent Agreement are exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended; and
- (H) The statements and information contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE BONDS," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS," "THE AUTHORITY," "TAX MATTERS," and in Exhibit A thereto, but excluding any statistical or financial information set forth under such headings, as to which we express no opinion, insofar as such statements purport to summarize certain provisions of the Act, the JPA Act, the Bonds, the District Resolution, the Authority, State law and our opinion with respect to certain federal and State income tax matters relating to the Bonds, are true and accurate in all material respects and fairly represent the information purported to be set forth or summarized therein.
- (I) All requirements of the Act, JPA Act and other laws and regulations pertaining to District in connection with the authorization and issuance of the Bonds, the authorization of and compliance with the District Resolution, the Bonds, Purchase Agreement and the Continuing Disclosure Undertaking and the transactions contemplated by and related thereto, have been

complied with, and all approvals, authorizations, consents or other orders of or filings or registrations with such public boards, bodies, or officials, if any, as may be legally required to be obtained by District with respect to all or any of such matters and compliance with such documents, have been taken or obtained and are in full and continuing force and effect, except that no opinion is expressed as to any approvals, obligations or proceedings which may be required under any federal securities laws or state blue sky or securities laws.

(J) [OTHER TOPICS TO COME]

- (iii) *Reliance Letter.* A reliance letter from Bond Counsel to the effect that the Underwriter can rely upon the approving opinion described in (d)(i) above;
- (iv) *Underwriter's Counsel Opinion.* The opinion of Squire, Sanders & Dempsey L.L.P., as counsel to the Underwriter ("Underwriter's Counsel"), in form and substance satisfactory to the Underwriter, addressed to the Underwriter, dated the Closing Date, to the effect that:
 - (A) during the course of serving as Underwriter's Counsel in connection with the issuance of the Bonds 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, no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would lead them to believe that the Official Statement (excluding therefrom any financial statements, statistical data or forecasts, numbers, charts, estimates, projections, real property values, assumptions, expressions of opinion, information regarding the [Bond Insurer,] The Depository Trust Company and its book-entry system, and the appendices to the Official Statement, as to which no opinion need be expressed), as of the date thereof or the Closing Date, contains any untrue statement of a material fact or omits 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;
 - (B) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the District Resolution and the Paying Agent Agreement is exempt from registration under the Trust Indenture Act of 1939, as amended; and
 - (C) the Continuing Disclosure Undertaking satisfies Section (b)(5)(i) of Rule 15c2-12, which requires an undertaking for the benefit of

the holders, including beneficial owners, of the Bonds to provide certain annual financial information and event notices to various information repositories at the time and in the manner required by the Rule.

- (v) *District Counsel Opinion.* The opinion of Latham & Watkins LLP, as counsel to the District, dated the Closing Date, in substantially the form attached hereto as Exhibit D [to be substantially to the following effect:]
- (A) The District is a local health care district, duly organized and validly existing under the Constitution and the laws of the State.
 - (B) The District Resolution was duly adopted at a meeting of the governing body of the District which was duly called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption, has not been modified, amended, rescinded or revoked, and is in full force and effect; and the Bonds, this Purchase Agreement, the Paying Agent Agreement and Continuing Disclosure Undertaking have been duly authorized, executed and delivered by the District.
 - (C) The Bonds, the District Resolution, Continuing Disclosure Undertaking, the Paying Agent Agreement and this Purchase Agreement, assuming due authorization, execution and delivery by the other parties thereto, constitute valid, legal and binding agreements of the District enforceable in accordance with their respective terms, provided that no opinion need be expressed with regard to the enforceability of the indemnification provisions herein.
 - (D) No consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any court or governmental agency or public body whatsoever is required in connection with the adoption of the District Resolution, the execution and delivery of the Purchase Agreement, the Paying Agent Agreement or the Continuing Disclosure Undertaking, the issuance, delivery or sale of the Bonds or the consummation of the other transactions contemplated by such documents, which have not been taken or obtained, except no opinion is expressed with respect to such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States.
 - (E) The sale and issuance of the Bonds, and the execution, delivery and performance of the Purchase Agreement, the Paying Agent Agreement, the Continuing Disclosure Undertaking, the District Resolution and the Bonds, and the compliance with the provisions

hereof and thereof, do not and will not, in any material way, conflict with or constitute a violation of or default under, the Constitution of the State, the Act, or any other existing law, charter, ordinance, regulation, decree, order or resolution (including, without limitation, CEQA), and do not, in any material way, conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject, 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 the *ad valorem* taxes required to be used for payment of the Bonds or any such law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument, except as expressly provided by the District Resolution.

- (F) No action, suit, proceeding, hearing or investigation is pending against the District:
- (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several officers of the District required to execute any documents or certificates in connection with the delivery of the Bonds or of the titles of the officials of the District to their respective offices; or
 - (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the levy and collection of *ad valorem* taxes of the District to pay the principal of and interest on the Bonds, or the levy of any *ad valorem* taxes contemplated by the District Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, the Purchase Agreement, the Paying Agent Agreement, the Continuing Disclosure Undertaking or the District Resolution or contesting the powers of the District or its authority with respect to the Bonds, the District Resolution, the Continuing Disclosure Agreement, the Paying Agent Agreement or this Purchase Agreement; or
 - (iii) in which a final adverse decision could (a) declare the Purchase Agreement, the Continuing Disclosure Undertaking or the Paying Agent Agreement to be invalid or unenforceable in whole or in material part, or (b) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes

and the exemption of such interest from California personal income taxation.

- (G) Without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the information or the statements contained in the Official Statement, to our knowledge, such statements and information, as of the date hereof and thereof (except for the financial, demographic and statistical data and expressions of opinion and information under headings ["Bond Insurance,"] "The Authority" and "Tax Matters", as to all of which we express no opinion or view) contain no untrue statement of a material fact or omit to state any material fact required to be stated therein or which is necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

- (vi) *Authority Counsel Opinion.* The opinion of _____, in form and substance reasonably satisfactory to the Underwriter, addressed to the Underwriter, the District and the Authority, dated the Closing Date, to the effect that:
 - (A) The Authority is a joint exercise of powers authority, duly organized and validly existing under the Constitution, the JPA Act and other laws of the State.
 - (B) The Authority has full legal right, power and authority to carry out and effectuate the transactions contemplated by the Authority Resolution and the Purchase Contract.
 - (C) The Authority Resolution was duly adopted at a meeting of the governing body 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 at the time of adoption, has not been modified, amended, rescinded or revoked, and is in full force and effect; and this Purchase Agreement has been duly authorized, executed and delivered by the Authority.
 - (D) The Authority is authorized by law to purchase the Bonds from the District and to sell the Bonds to the Underwriter, all as provided in the Purchase Contract.
 - (E) The Authority Resolution and this Purchase Agreement, assuming due authorization, execution and delivery by the other parties thereto, constitute valid, legal and binding agreements of the Authority enforceable in accordance with their respective terms.
 - (F) The statements and information contained in the Official Statement under the caption "The Authority" is true and accurate in all

material respects and fairly presents the information purported to be shown or summarized therein.

- (vii) *Certificate of the District.* A certificate signed by an appropriate official of the District to the effect that:
- (A) each of the Financing Documents and the Tax Certificate (hereinafter collectively referred to as the "District Documents"), the Official Statement and the Bonds have been duly executed and delivered by an official of the District authorized to execute each such document;
 - (B) the representations, agreements and warranties of the District in the District Documents are true and correct in all material respects as of the date of Closing;
 - (C) the District has complied with all applicable terms of the Act, the JPA Act and other laws of the State, and of the District Documents, which are necessary to be complied with prior to or before the Closing Date and such District Documents are in full force and effect;
 - (D) the District has reviewed the Official Statement and on such basis certifies that the Official Statement, excluding the Excepted Portions, 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 to make the statements therein, in light of the circumstances in which they were made, not misleading;
 - (E) the Bonds being delivered on the Closing Date to the Underwriter under this Purchase Agreement substantially conform to the descriptions thereof contained in the District Resolution and Official Statement; and
 - (F) no event has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement thereto, but should be disclosed in order to the make the statements in the Official Statement, in light of the circumstances in which they were made, not misleading.
- (viii) *Certificate of the Authority.* A certificate signed by an appropriate official of the Authority to the effect that:
- (A) this Purchase Agreement has been duly executed and delivered by an official of the Authority authorized to execute such document;

- (B) the representations, agreements and warranties of the Authority herein are true and correct in all material respects as of the Closing Date; and
 - (C) the Authority has complied with all the terms of the JPA Act and other laws of the State and the Authority Resolution and this Purchase Agreement, which are necessary to be complied with prior to the Closing Date and such documents are in full force and effect.
- (ix) *Tax Certificate and IRS Form 8038.* A Tax Certificate of the District and IRS Form 8038, in a form satisfactory to Bond Counsel;
- (x) *District Resolution.* A certificate, together with a fully executed copy of the District Resolution, of the Secretary of the District Board of Directors to the effect that:
- (A) such copy is a true and correct copy of the District Resolution;
 - (B) the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing Date; and
- (xi) *Election Proceedings.* A certificate of the Secretary of the District Board of Directors certifying:
- (A) Resolution No. 08.04.04(01)-8 adopted by the Board on August 4, 2004, calling and providing for a special election to be held on November 2, 2004 with respect to Measure BB;
 - (B) Evidence of publication by the Registrar of Voters of the County of the notice of election on November 2, 2004;
 - (C) Copy of applicable sections of County voter information pamphlet and sample ballot;
 - (D) Evidence of mailing of voter pamphlet and sample ballot by the Registrar of Voters of the County;
 - (E) Results of election certified by the Registrar of Voters of the County; and
 - (F) Election declaration adopted by the District Board on _____.
- (xii) *Authority Resolution.* A certificate, together with a fully executed copy of the Authority Resolution, of the Secretary of the governing body of the Authority to the effect that:

- (A) such copy is a true and correct copy of the Authority Resolution; and
 - (B) the Authority Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing Date.
- (xiii) *Official Statement.* Two copies of Official Statement executed by an appropriate official of the District. Certificates of an appropriate official of the District and the Authority (relating solely to heading "THE AUTHORITY") evidencing the determinations respecting the Official Statement in accordance with Rule 15c2-12;
- (xiv) A fully executed copy of the Paying Agent Agreement;
- (xv) *Continuing Disclosure Undertaking.* A fully executed Continuing Disclosure Undertaking of the District in a form satisfactory to the Underwriter which complies with S.E.C. Rule 15c2-12(b)(5), in substantially the form appended to the Official Statement.
- (xvi) *DTC.* The Blanket Issuer Letter of Representations of the District, addressed to DTC.
- (xvii) *Ratings.* Evidence [that the Bonds have been rated "Aaa" by Standard & Poor's Ratings Services ("S&P") and "AAA" by Moody's, based on the Bond Insurance Policy, and that] the Bonds have been issued an underlying rating of " _____ " by S&P and " _____ " by Moody's.
- (xviii) *Underwriter's Certifications.* At or before Closing, and contemporaneously with the acceptance of delivery of the Bonds and the payment of the Purchase Price thereof [, less the premium for the Bond Insurance Policy which the Underwriter agrees to pay directly to the Bond Insurer], the Underwriter will provide (or cause to be provided) to the District and the Authority:
- (A) the receipt of the Underwriter, in form satisfactory to the District and the Authority and signed by an authorized officer of the Underwriter, confirming delivery of the Bonds to the Underwriter, receipt of all documents required by the Underwriter, and the satisfaction of all conditions and terms of this Purchase Agreement by the District and the Authority, respectively, and confirming to the District and the Authority that as of the Closing Date all of the representations of the Underwriter contained in this Purchase Agreement are true, complete and correct in all material respects.

- (B) the certification of the Underwriter, in form satisfactory to Bond Counsel, regarding the prices at which the Bonds have been reoffered to the public, as described in Section 4 hereof.
 - (C) [the certification of the Underwriter, in form satisfactory to Bond Counsel, that the present value of the interest saved as a result of the Bond Insurance Policy with respect to the Bonds exceeds the premium paid for said Bond Insurance Policy, and said premium is not unreasonable.]
- (xix) Copy of fully executed Bond Insurance Policy issued by the Bond Insurer.
 - (xx) A letter of Deloitte & Touche dated the date of Closing, to the effect that (i) they are independent certified public accountants as defined in Rule 101 of the Code of Professional Ethics of the American Institute of Certified Public Accountants with respect to the District, (ii) they consent to the inclusion of their report dated December 17, 2004, on the audited financial statements of the District in the final Official Statement; and (iii) they consent to all references to their firm included in the final Official Statement.
 - (xxi) A certificate of an authorized representative of the Bond Insurer, in form and substance satisfactory to Bond Counsel and Underwriter, with respect to the information contained in the Official Statement describing the Bond Insurer and its Bond Insurance Policy;
 - (xxii) An opinion of counsel to the Bond Insurer with respect to its Bond Insurance Policy, addressed to the District and the Underwriter and in form and substance satisfactory to Bond Counsel and Underwriter; and
 - (xxiii) *Other Documents.* Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence (A) compliance by the District and the Authority with all requirements of the Act, the JPA Act and all other legal requirements, (B) the truth and accuracy, as of the time of Closing, of the representations of the District and the Authority herein contained and of the statements and information contained in the Official Statement, and (C) the due performance or satisfaction by the District and the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District and the Authority.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Agreement shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance reasonably satisfactory to the Underwriter and Underwriter's Counsel.

- (e) **Cancellation.** If the District or the Authority is unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Agreement or if the Underwriter's obligations are terminated for any reason permitted by this Purchase Agreement, then this Purchase Agreement may be canceled by the Underwriter at, or at any time prior to, the Closing Date. Notice of cancellation shall be given to the District and the Authority in writing, including by facsimile, or by telephone and confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District and the Authority under this Purchase Agreement and the performance of any and all conditions contained in this Purchase Agreement for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

12. Underwriter's Right to Terminate. (a) Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds have not been delivered by the District to the Authority and re-delivered by the Authority to the Underwriter prior to 10:00 a.m. Pacific Standard Time, on _____, 2005, then the Underwriter shall have the right to terminate its obligation to purchase Bonds hereunder, without liability therefor, by notice to the District and the Authority.

(b) In addition, the Underwriter has the right to terminate this Purchase Agreement, without liability therefor, by notice to the District and the Authority at any time at or prior to the Closing, upon the occurrence of any Termination Event as described in Exhibit B.

13. Conditions to Obligations of the District. The performance by the District of its obligations is conditioned upon (i) the performance by the Authority, the Bond Insurer, and the Underwriter of their obligations hereunder; and (ii) receipt by the District of opinions and certificates being delivered on the Closing Date by persons and entities other than the District, District counsel and the Underwriter.

14. Conditions to Obligations of the Authority. The performance by the Authority of its obligations is conditioned upon (i) the performance by the District and the Underwriter of their obligation hereunder; and (ii) receipt by the Authority of opinions and certificates being delivered on the Closing Date by person and entities other than the Authority and the Underwriter.

15. Indemnification Provisions. (a) To the extent permitted by law, the District agrees to indemnify and hold harmless the Authority, the directors, officers, employees and agents of the Authority and the Underwriter, the directors, officers, employees and agents of the Underwriter and each person who controls the Underwriter within the meaning of either the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statement or the final Official Statement (or in any supplement or amendment thereto), or arise out of or are based upon the omission or alleged

omission to state in the Preliminary Official Statement or the final Official Statement 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 agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however*, that the District will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made in the Preliminary Official Statement or the final Official Statement (or in any supplement or amendment thereto), in reliance upon and in conformity with written information furnished to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein or in reliance upon and in conformity with written information furnished to the District by or on behalf of the Bond Insurer specifically for inclusion therein. This indemnity agreement will be in addition to any liability which the District may otherwise have.

(b) The Underwriter agrees to indemnify and hold harmless the District and the Authority, each of their respective officials, directors, officers and employees, and each person who controls the District or the Authority within the meaning of either the Securities Act or the Exchange Act, to the same extent as the foregoing indemnity from the District and the Authority to the Underwriter, but only with reference to written information relating to the Underwriter furnished to the District or the Authority by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion in the Preliminary Official Statement or the final Official Statement (or in any amendment or supplement thereto). This indemnity agreement will be in addition to any liability which the Underwriter may otherwise have. The District and the Authority acknowledge that the statement set forth in the preface of the Preliminary Official Statement and of the final Official Statement regarding the Underwriter's involvement in the preparation of the Official Statement, and the information under the caption "UNDERWRITING," constitute the only information furnished in writing by or on behalf of the Underwriter for inclusion in the Preliminary Official Statement or the final Official Statement (or in any amendment or supplement thereto).

(c) Promptly after receipt by an indemnified party under this Section 15 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 15, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses; and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense, to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); *provided, however*, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and

the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if:

- (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest;
- (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party;
- (iii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or
- (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party.

An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding.

(d) If the indemnity provided in paragraph (a) or (b) of this Section 15 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the District and the Underwriter agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which the District and the Underwriter may be subject in such proportion as is appropriate to reflect the relative benefits received by the District on the one hand and by the Underwriter on the other from the offering of the Bonds. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the District and the Underwriter shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the District on the one hand and of the Underwriter on the other in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. In no case shall the Underwriter be responsible for any amount in excess of the purchase discount or commission applicable to the Bonds purchased by the Underwriter hereunder. Benefits received by the District shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by it, and benefits received by the Underwriter shall be deemed to be equal to the total purchase discounts and commissions set forth on the inside front cover of the final Official Statement. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the District on the one hand or the

Underwriter on the other, the intent of the parties and their relative knowledge, information and opportunity to correct or prevent such untrue statement or omission. The District and the Underwriter agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 15, each person who controls the Underwriter within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee and agent of the Underwriter shall have the same rights to contribution as the Underwriter, and each person who controls the District within the meaning of either the Securities Act or the Exchange Act and each official, director, officer and employee of the District shall have the same rights to contribution as the District, subject in each case to the applicable terms and conditions of this paragraph (d).

16. Expenses.

(a) All expenses of the District and the Authority incident to the performance of their obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter, including premiums and cost of Bond Insurance, if any, fees and expenses of the District's financial advisor and any other consultants retained by the District or Authority, fees of DTC, fees and expenses of rating agencies, and fees and expenses of Bond Counsel, District's Counsel, and Underwriter's Counsel, shall be paid by the District. All fees and expenses to be paid by the District pursuant to this Purchase Agreement may be paid from Bond proceeds to the extent permitted by the District Resolution, the Paying Agent Agreement and the Tax Certificate.

(b) All expenses of selling the Bonds, all out-of-pocket expenses of the Underwriter, including travel and other expenses, CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees, any fees charged by the Municipal Securities Rulemaking Board, blue sky fees, and printing, publishing and electronic distribution costs related to the preparation and distribution of the Preliminary Official Statement and the Official Statement shall be paid by the Underwriter.

(c) The District shall also pay for expenses (included in the expense component of the spread) incurred on behalf of the District's employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees, and the District shall reimburse the Underwriter if the Underwriter pays for any such expenses on behalf of the District.

17. Notices. Any notice or other communication to be given under this Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the District, to Palomar Pomerado Health, 15255 Innovation Drive, Suite 204, San Diego, California 92128, Attn: _____, with a copy to: Ursula Hyman, Esq., Latham & Watkins LLP, 633 West 5th Street, Los Angeles, California 90071; if to the Authority, to _____; or if to the Underwriter, to Citigroup Global Markets Inc., 444 South Flower Street, 27th Floor, Los Angeles, California 90071, Attn: _____.

18. Parties in Interest; Survival of Representations, Agreements and Warranties. This Purchase Agreement when accepted by the District and the Authority in writing as heretofore specified shall constitute the entire agreement between the District, the Authority and the Underwriter. This Purchase Agreement is made solely for the benefit of the District, the Authority and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All representations, warranties and agreements of the District and the Authority in this Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, and (b) delivery of and payment by the Underwriter for the Bonds hereunder.

19. Severability. If any provision of this Purchase Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof.

20. Non-assignment. Notwithstanding anything stated to the contrary herein, none of the parties hereto may assign or transfer its interest herein, or delegate or transfer any of its obligations hereunder, without the prior consent of the other parties hereto.

21. Entire Agreement. This Purchase Agreement, when executed by the parties hereto, shall constitute the entire agreement of the parties hereto, including their permitted successors and assigns, respectively.

22. Execution in Counterparts. This Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

23. Applicable Law. This Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State applicable to contracts made and performed in such State.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.

By: _____
Its: _____

The foregoing is hereby agreed to and accepted as
of the date first above written:

PALOMAR POMERADO HEALTH

By: _____
Its: _____

**NORTHERN SAN DIEGO COUNTY
HEALTH FACILITIES FINANCING AUTHORITY**

By: _____
Its: _____

EXHIBIT A

INTEREST RATES AND MATURITIES; REDEMPTION

\$ _____
PALOMAR POMERADO HEALTH
General Obligation Bonds, Election of 2004, Series 2005A

A. Terms of Bonds

Maturity Date (_____ 1)	Principal	Interest Rate	Yield	Price
Total:	\$			

C = Priced to call on _____ 1, 20__.

B. Redemption

Optional Redemption

The Bonds maturing on or before _____ 1, 20__ are not subject to redemption. The Bonds maturing on or after _____ 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date, commencing _____ 1, 20__, at a redemption price equal to the principal amount thereof called for redemption, together with interest accrued thereon, to the date of redemption, without premium.

Mandatory Sinking Fund Redemption

The Bonds maturing on _____ 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on _____ 1 of each year, on and after _____ 1, 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

Redemption Date (_____ 1)	Principal Amount
20	
20	
20	
20 (Maturity)	

C. Reserve Requirement.

There is no reserve fund required for the Bonds.

EXHIBIT B

TERMINATION EVENTS

The following events are each defined as Termination Events for all purposes of this Purchase Agreement:

- (a) any event occurs, or information becomes known, which, in the reasonable opinion of the Underwriter, causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or
- (b) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially adversely affected by any of the following:
 - (i) an amendment to the Constitution of the United States, or by any legislation pending in or enacted by the Congress of the United States, or by any legislation pending in or enacted by the State of California, or
 - (ii) the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or
 - (iii) the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or
 - (iv) the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or
 - (v) any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the District, or the interest on bonds or notes or obligations of the general character of the Bonds; or

- (c) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State of California, or a decision by any court of competent jurisdiction within the State of California or any court of the United States shall be rendered which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds; or
- (d) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the District Resolution or Paying Agent Agreement needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or
- (e) additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions, in the reasonable opinion of the Underwriter, materially adversely affect the Underwriter's ability to trade the Bonds; or
- (f) a general banking moratorium has been established by federal or State of California authorities; or
- (g) there occurs any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis, the effect of which on financial markets is such as to make it, in the sole yet reasonable judgment of the Underwriter, impractical or inadvisable to proceed with the offering or delivery of the Bonds as contemplated by the final Official Statement (exclusive of any amendment or supplement thereto); or
- (h) any rating of the Bonds has been downgraded, suspended or withdrawn by a national rating service, which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Bonds; or
- (i) the commencement of any action, suit or proceeding which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds; or
- (j) there is in force a general suspension of trading on the New York Stock Exchange; or

- (k) there occurs any other event which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability of the Bonds at the rates set forth in Exhibit A.

EXHIBIT C

PROPOSED SUPPLEMENTAL OPINION OF BOND COUNSEL

[To be provided by Bond Counsel]

EXHIBIT D

PROPOSED OPINION OF DISTRICT COUNSEL

[To be provided by District Counsel]

Notice of Exemption

To: County Clerk
 County of San Diego
 County Administration Center
 1600 Pacific Highway, Room 103
 San Diego, California 92101-2480

From: Palomar Pomerado Health
 15255 Innovation Drive
 San Diego, California 92128

Title Of Governmental Action: Issuance and sale by Palomar Pomerado Health (the "District") of not to exceed \$80,000,000 aggregate principal amount of general obligation bonds (the "Bonds") and execution of related agreements for the financing of health care facilities in accordance with the ballot measure ("Measure BB") approved by the electorate of the District in the election of November 2, 2004.

The issuance and sale of the Bonds does not commit the District to construct any health care facility at any particular location, and therefore there is no project approved by this action. The selection of a particular site or location, and the application of bond proceeds to a specific project, will not occur prior to compliance by the District with all requirements of the California Environmental Quality Act ("CEQA").

Location of Governmental Action: 15255 Innovation Drive; San Diego, California 92128

Description of Nature, Purpose and Beneficiaries of Governmental Action: The issuance and sale of the Bonds and the execution of the related agreements will ensure the availability of funds for the future construction of health care facilities in accordance with Measure BB, after the receipt of the necessary entitlements and after the completion of CEQA review for each such facility. Beneficiaries would include the District and the citizens served by the District.

Name of Public Agency Taking Governmental Action: Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California.

- Name of Persons and Agencies Carrying Out Governmental Action:
- Palomar Pomerado Health
 - Wells Fargo Bank, National Associations, as paying agent
 - North San Diego County Health Facilities Financing Authority (in the process of being organized), as purchaser and reseller of the Bonds
 - Citigroup Global Markets Inc., as purchaser and underwriter of the Bonds

Exempt Status:

Title 14 Cal. Code of Regulations Sections 15060(c)(3); 15352(a): CEQA requires the consideration of the environmental effects of any project for which an approval is granted through governmental action, and which has the potential for causing a physical change in the environment.

In this case, the issuance and sale of the Bonds and the execution of the related agreements only ensures the availability of funds for the future construction of health care facilities in accordance with Measure BB after the receipt of the necessary entitlements and after the completion of CEQA review for each such facility. It does not commit the District to the construction of any health care facility at any particular location.

The issuance and sale of the Bonds will not result in a direct or reasonably foreseeable indirect physical change in the environment, and no commitment to a project may occur until CEQA review is completed. Also, the issuance and sale of the Bonds does not commit the District to a definite course of action in regard to a project intended to be carried out by any person, and, accordingly, does not constitute an "approval" under CEQA.

Accordingly, the issuance and sale of the Bonds by the District is not subject to CEQA.

Reasons Why
Governmental Actions
Are Exempt From
CEQA Compliance:

The issuance and sale of Bonds and the execution of the related agreements does not have the potential to have any physical impacts on the environment. While the construction of specific health care facilities in the future would have such effects, no such facility has yet been approved, and the District has not committed to apply bond proceeds to any such facilities. The District will review the potential environmental impacts of each such facility in accordance with CEQA before committing to a definite course of action with respect to, or otherwise approving the construction, siting or further development of, any such facility. The issuance and sale of the Bonds and the execution of the related agreements therefore does not have the potential for resulting in a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and therefore does not constitute a "project" for purposes of CEQA pursuant to 14 California Code of Regulations Section 15060(c)(3). Moreover, the issuance and sale of the Bonds and the execution of the related agreements does not commit the District to a definite course of action in regard to a project intended to be carried out by any person, and, as such, does not constitute an "approval" under CEQA. 14 California Code of Regulations Section 15352(a).

Contact Person at Lead Agency

Telephone Number

Signature of Representative of Lead Agency

Date of Signature of Representative of Lead Agency

Signature of Applicant

Date of Signature of Applicant

Date Received for Filing By County Clerk

Signature of Representative Of Clerk's Office

Title of Representative Of Clerk's Office

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2005

NEW ISSUE – FULL BOOK-ENTRY

RATING: See "MISCELLANEOUS – Ratings"

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

\$80,000,000***PALOMAR POMERADO HEALTH****General Obligation Bonds, Election of 2004, Series 2005A****Dated: Date of Delivery****Due: August 1, as shown below**

The captioned Bonds are being issued by Palomar Pomerado Health (the "District"), a local healthcare district located in north San Diego County, California. The Bonds were authorized at an election held on November 2, 2004 in the District, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of \$496,000,000 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, as more fully described herein.

The Bonds represent general obligations of the District payable from *ad valorem* taxes levied and collected by the County of San Diego (the "County"). The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, 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 of and interest on the Bonds when due.

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 of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds. Interest with respect to the Bonds accrues from their date of delivery, and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2006. The Bonds are issuable as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by Wells Fargo Bank, National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – General Provisions Book-Entry Only System" herein.

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

The Bonds are subject to optional and mandatory sinking fund redemption, as described herein.

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by XXX (the "Insurer"). See "THE BONDS – Bond Insurance" herein and APPENDIX D – "Form of Municipal Bond Insurance Policy."]

[Insurer logo]

MATURITY SCHEDULE
(See Inside Front Cover)

The cover page contains information for reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds will be offered when, as and if issued, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters are being passed upon for the Underwriter by Squire, Sanders & Dempsey, L.L.P, and for the District by Latham & Watkins LLP. It is anticipated that the Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about June __, 2005, in New York, New York.

Citigroup

The date of this Official Statement is _____, 2005.

[ADD RED HERRING]

* Preliminary, subject to change

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MATURITY SCHEDULE*

**PALOMAR POMERADO HEALTH
GENERAL OBLIGATION BONDS, ELECTION OF 2004, SERIES 2005A**

<u>Maturity Date</u> <u>August 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity Date</u> <u>August 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
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\$ _____ % Term Bonds due August 1, ____ - Yield ____%

* Preliminary, subject to change

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement is not to be construed as a contract with any purchaser of the Bonds. The information set forth herein has been obtained from the District and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. No representation is made that the past experience, as shown by financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representation of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District [] and the Insurer] since the date hereof.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "project," "forecast" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which 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 such forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based, change or fail to occur.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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 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.

This Official Statement and the information contained herein is in a form deemed final by the District for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

PALOMAR POMERADO HEALTH

District Board of Directors

Marcelo Rivera, *Chairman*
Nancy L. Bassett, *Vice-Chair*
T.E. Kleiter, *Treasurer*
Nancy H. Scofield, *Secretary*
Linda Greer, *Director*
Bruce Krider, *Director*
Alan W. Larson, *Director*

District Administration

Michael H. Covert, *President and Chief Executive Officer*
Robert Hemker, *Chief Financial Officer*
Gerald Bracht, *Chief Administrative Officer*
James Flinn, *Chief Administrative Officer*
Marcia Jackson, *Chief Planning Officer*

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

District Counsel

Latham & Watkins LLP
San Diego, California

Underwriter's Counsel

Squire, Sanders & Dempsey L.L.P.
San Francisco, California

Financial Advisor

Kaufman Hall & Associates, Inc.
Los Angeles, California

Paying Agent

Wells Fargo Bank, National Association
_____, California

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\$80,000,000*
PALOMAR POMERADO HEALTH
General Obligation Bonds, Election of 2004, Series 2005A

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the initial issuance and sale by Palomar Pomerado Health of \$80,000,000* aggregate principal amount of Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A (the "Bonds").

This introduction contains only a brief summary of certain of the terms of the Bonds being offered and a brief description of this Official Statement. A full review should be made of the entire Official Statement, including the cover page and the Appendices. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the laws of the State of California (the "State") or any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Paying Agent Agreement, or if not defined therein, as in the Bond Resolution (each defined below).

The District

Palomar Pomerado Health (the "District") is a local health care district, formed by a vote of the District's electorate in 1948, and organized pursuant to Division 23 of the Health and Safety Code of the State of California (the "Local Health Care District Law"). The District's boundaries encompass an area of approximately 800 square miles in northern San Diego County. Included within the District boundaries are the cities of Escondido, Ramona, Rancho Bernardo, Rancho Penasquitos, San Marcos, Valley Center and Vista. The estimated population living within the District's boundaries as of _____, 2004 was approximately 463,000 people. The total 2004-05 net assessed valuation of property within the District is \$46,031,102,416.

Authority for Issuance of the Bonds

The Bonds constitute the first series issued under a \$496,000,000 authorization (the "Measure BB") approved by more than a two-thirds vote of the voters of the District voting at an election on November 2, 2004. The Bonds are issued pursuant to certain provisions of the Local Health Care District Law and other applicable laws, and pursuant to a resolution adopted by the Board of Directors of the District (the "District Board") on _____, 2005 (the "Bond Resolution"). See "THE BONDS – Authority for Issuance." The Bonds will be sold by the District to the Northern 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 6484) of the California Government Code. The Bonds purchased by the Authority will be resold immediately to

* Preliminary, subject to change

Citigroup Global Markets, Inc. (the "Underwriter"), as described under "MISCELLANEOUS – Underwriting" herein.

Use of Bond Proceeds

In the summer of 2004, the District Board approved a facilities master plan (the "Facilities Master Plan") for the District. This Facilities Master Plan is intended to enable the District to meet expanding community needs, which are driven by a growing and aging population, as well as meet the mandated State standards for earthquake safety. Proceeds of the Bonds will be used for paying portions of the costs of acquiring and constructing facilities contemplated in the Facilities Master Plan and authorized by Measure BB and may also be used to pay cost of issuance of the Bonds.

The Facilities Master Plan includes construction of an additional hospital facility of approximately 800,000 gross square feet, renovation of the existing hospital campus in the City of Escondido, expansion of the existing hospital campus in the City of Poway and the acquisition and construction of several outpatient medical facilities. See "THE DISTRICT."

The Facilities Master Plan is expected to be completed in approximately 2013 at an estimated total cost of approximately \$753 million. The District intends to obtain additional funds needed for completion of the Facilities Master Plan through the issuance and sale, in one or more series over the next 10 years, of its remaining Measure BB general obligation bonds, and of revenue bonds and available District funds and contributions. The Facilities Master Plan will be periodically reviewed by the District Board and is subject to change from time to time.

Source of Payment for the Bonds

The Bonds represent general obligations of the District payable from *ad valorem* taxes. The Board of Supervisors of the County of San Diego (the "County") has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

[Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by XXX (the "Insurer"). See "BOND INSURANCE" and "MISCELLANEOUS – Rating" herein.

Description of the Bonds

Offering: The Bonds are offered when, as and if issued, subject to approval of validity and certain other matters by Bond Counsel. It is anticipated that the Bonds in book-entry only form will be available for delivery through DTC on or about June __, 2005.

Registration. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners"), under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry Only System" herein. In event that the book-entry only system described

below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Paying Agent Agreement described herein. See "THE BONDS – Registration, Transfer and Exchange of Bonds" herein.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount, or any integral multiple thereof.

Redemption. The Bonds are subject to optional and mandatory redemption as described herein. See "THE BONDS – Redemption" herein.

Payment Dates. Interest on the Bonds accrues from their date of delivery, and is payable semiannually on each February 1 and August 1, commencing February 1, 2006. The Bonds mature on August 1 in the years indicated on the inside cover page hereof.

Tax Matters

See "TAX MATTERS" herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Undertaking of the District relating to disclosure of annual financial information and notices of certain events. See "LEGAL MATTERS – Continuing Disclosure" herein and "APPENDIX E – Form of Continuing Disclosure Undertaking."

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP, is acting as Bond Counsel to the District with respect to the Bonds. Certain legal matters are being passed on for the Underwriter by Squire, Sanders & Dempsey L.L.P., and for the District by Latham & Watkins LLP. Kaufman Hall & Associates, Inc. is acting as Financing Advisor to the District. Wells Fargo Bank, National Association is acting as Paying Agent for the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement is intended to be made available through The Bond Buyer, Secondary Market Disclosure, 395 Hudson Street, 3rd Floor, New York, New York 10014, telephone: (212) 807-3814.

Copies of documents referred to herein and information concerning the Bonds are available from Palomar Pomerado Health, 15255 Innovation Drive, Suite 204, San Diego, California 92128, Attn: Office of CFO or by telephone: (858) 675-5567. The District may impose a charge for copying, mailing and handling.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Sections 32000 *et seq.* of the Health & Safety Code of the State of California and other applicable laws, and pursuant to the Bond Resolution. The District received authorization to issue \$496,000,000 of general obligation bonds at an election held on November 2, 2004 by more than two-thirds of the votes cast by eligible voters within the District. The Bonds are the first series of bonds to be issued under this Measure BB authorization. Certain terms and provisions of the Bonds are set forth in that certain Paying Agent Agreement, dated as of June 1, 2005 (the "Paying Agent Agreement") between the District and the Paying Agent.

General Provisions; Book-Entry Only System

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 DTC. Purchasers will not receive bond certificates representing their interest in the Bonds.

Interest with respect to the Bonds accrues from their date of delivery, and is payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2006. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2006 in which event it shall bear interest from the date of delivery of the Bonds. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the cover page thereof.

Payment of interest on any Bonds on any Interest Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the 15th day of the month prior to the month in which an Interest Payment Date occurs (the "Record Date") immediately preceding such Interest Payment Date, such interest to be paid by check mailed to such Owner on the Interest Payment Date, at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate principal amount of \$1,000,000 or more may request 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, such request to be made in writing. The principal and interest on the Bonds shall be payable upon maturity upon surrender at the designated 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, 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") 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 Only 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 of and interest on the Bonds and matters pertaining to their exchange while the Book-Entry Only System is place, see Appendix D – Book-Entry Only System.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 20__* are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after August 1, 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 August 1, 20__, or on any date thereafter at the following redemption prices (expressed as a percentage of the principal amount of the Bonds called for redemption), together with interest accrued thereon to the date of redemption:

<u>Redemption Period*</u>	<u>Principal Amount Redeemed*</u>
August 1, 20__ through August 31, 20__	___%
August 1, 20__ and thereafter	___

If less than all the Outstanding Bonds are to be optionally redeemed on any one date, the District shall select the maturity date or dates of the Bonds to be redeemed, and if less than all the Bonds of any one maturity date are to be redeemed on any one date, the Paying Agent shall select the Bonds or the portions thereof of such maturity date in any manner deemed fair by the Paying Agent.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption from moneys in the Interest and Sinking Fund prior to their stated maturity date, at the principal amount thereof without premium on each August 1, on and after August 1, 20__ in the principal amounts as set forth in the following table:

<u>Redemption Dates</u>	<u>Principal Amounts</u>
-------------------------	--------------------------

TOTAL

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 (i) by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books maintained by the Paying Agent, (ii) by registered or certified mail to all organizations registered with the Securities and Exchange Commission as securities

*Preliminary, subject to change

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depositories, (iii) to at least one of the information services of national recognition which disseminate redemption information with respect to municipal securities, and (iv) as may be further required in accordance with the Continuing Disclosure Undertaking of the District.

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 of such Bond to be redeemed, and (g) 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 actual receipt by the Owner of any Bond or of any securities depository or securities information service of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice mailed, shall not affect the validity of the proceedings for the redemption of such Bond or the cessation of interest on the date fixed for redemption. A certificate of the Paying Agent or the District that notice of call and redemption has been given to owners and the appropriate securities depositories and information services shall be conclusive as against all parties.

When notice of redemption has been given as provided in the Paying Agent Agreement, and when the redemption price of the Bonds called for redemption is set aside in the Interest and Sinking Fund or the escrow fund established for such purpose, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The owners of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium, if any, thereon only to the Interest and Sinking Fund or the escrow fund established for such purpose. All Bonds redeemed shall be canceled forthwith by the Paying Agent and shall not be reissued.

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 other non-callable obligations the timely payment of the principal of an interest on which is fully guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates.

Paying Agent

As long as DTC's Book-Entry Only 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

The Paying Agent will keep or cause to be kept at its designated corporate trust office sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Paying Agent Agreement.

In the event that the Book-Entry Only System as described in APPENDIX D is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the designated office of the Paying Agent, initially located in _____, California, together with a request for exchange signed by the Registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the Registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the Owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bonds during the period from the 15th day of the month preceding each Interest Payment Date to such Interest Payment Date or from the sixteenth day next preceding a date on which such Bond has been selected for redemption in whole or in part.

Investment of Bond Proceeds

The District expects to invest monies in the Series 2005A Measure BB Project Fund as permitted by the Paying Agent Agreement, which includes, without limitation any one or more investments generally permitted to local health care districts under the laws of the State, including guaranteed investment contracts.

Annual Debt Service

The following table summarizes the debt service requirements for the Bonds (assuming no optional redemptions):

DEBT SERVICE SCHEDULE

<u>Year Ending (June 30)</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment⁽¹⁾</u>	<u>Total Annual Debt Service</u>
200_			

TOTAL

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2006.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds

Principal Amount of Bonds	\$
Original Issue Premium	
Total Sources	\$

Uses of Funds

Measure BB Project Costs	\$
Costs of Issuance ⁽¹⁾	
Total Uses	\$

- ⁽¹⁾ All costs of issuance, including [bond insurance premium,] underwriter's discount, fees of the financial advisor, rating agency, Bond Counsel, District Counsel and other costs of issuance. See "MISCELLANEOUS – Underwriting herein."

[BOND INSURANCE

The following information has been provided by XXX (the "Bond Insurer") for use in this Official Statement. Reference is made to Appendix F for a specimen of the Bond Insurer's municipal bond insurance policy. The District and the Underwriter make no representation as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof.]

[To Come]

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

The Bonds represent general obligations of the District payable from *ad valorem* taxes. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds. Such taxes will be transferred directly to the Paying Agent and the Paying Agent, pursuant to the Paying Agent Agreement, shall deposit all such taxes in the Interest and Sinking 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 Measure BB, 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 a debt of the County.

The moneys in the Interest and Sinking 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 Interest Payment Date to DTC for remittance by DTC to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

***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 which is located in the District as of the preceding January 1. See “- Tax Levies, Collections and Delinquencies” below.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the County based on the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. 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, 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 San Diego 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 California Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein.

Certain classes of property, such as churches, not-for-profit colleges, universities and hospitals, charitable institutions and governmental buildings, 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 2004-05 of \$46,031,102,416. The following table presents the five-year history of assessed valuations in the District.

PALOMAR POMERADO HEALTH
Assessed Valuations of Real Property Within The District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
1995-96	\$23,308,931,205	\$5,587,082	\$ 850,375,228	\$24,164,893,515
1996-97	23,243,306,787	5,630,534	890,264,556	24,139,201,877
1997-98	23,813,524,906	5,695,236	985,617,186	24,804,837,328
1998-99	25,469,233,029	5,950,049	1,032,282,018	26,507,465,096
1999-00	28,113,223,336	5,745,070	1,178,159,557	29,297,127,963
2000-01	30,813,486,785	4,410,714	1,224,964,391	32,042,861,890
2001-02	33,780,505,569	2,710,662	1,409,669,406	35,192,885,637
2002-03	36,806,807,000	2,596,223	1,556,491,545	38,365,894,768
2003-04	40,289,884,045	2,109,932	1,514,796,896	41,806,790,873
2004-05	44,564,471,198	5,326,359	1,461,304,859	46,031,102,416

Source: California Municipal Statistics, Inc.

(1) All years shown at full cash value and include secured, unsecured and utility property, but excludes tax-exempt property.

The District's 2004-05 gross bonding capacity is equal to 2.5% of the assessed valuation of the taxable property within its boundaries, being \$1,150,777,560. The District has voter approval by Measure BB to issue a total of \$496,000,000 of general obligation bonds. The Bonds are the first issuance under that authorization.

The following table shows the assessed valuation of real property within the District and the number of parcels by land uses for fiscal year 2004-05.

PALOMAR POMERADO HEALTH
Assessed Valuation and Parcels by Land Use

	2004-05 <u>Assessed Valuation (1)</u>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Agricultural/Rural	\$ 998,568,622	2.24%	5,189	2.94%
Commercial	5,095,215,486	11.43	2,963	1.68
Vacant Commercial	325,937,902	0.73	829	0.47
Industrial	4,611,264,109	10.35	2,077	1.18
Vacant Industrial	462,997,604	1.04	689	0.39
Recreational/Open Space	375,040,438	0.84	1,057	0.60
Government/Social/Institutional	<u>72,411,893</u>	<u>0.16</u>	<u>333</u>	<u>0.19</u>
Subtotal Non-Residential	<u>\$11,941,436,054</u>	<u>26.80%</u>	<u>13,137</u>	<u>7.44%</u>
Residential:				
Single Family Residence	\$24,146,961,196	54.18%	94,440	53.46%
Condominium/Townhouse	3,274,266,061	7.35	19,251	10.90
Mobile Home	335,053,172	0.75	5,517	3.12
Mobile Home Park	145,838,297	0.33	108	0.06
2-4 Residential Units	462,245,680	1.04	1,589	0.90
5+ Residential Units	2,781,136,294	6.24	720	0.41
Miscellaneous Residential Improvements	27,137,223	0.06	480	0.27
Timeshare	136,033,571	0.31	24,475	13.85
Vacant Residential	<u>1,314,363,650</u>	<u>2.95</u>	<u>16,935</u>	<u>9.59</u>
Subtotal Residential	<u>\$32,623,035,144</u>	<u>73.20%</u>	<u>163,515</u>	<u>92.56%</u>
Total	\$44,564,471,198	100.00%	176,652	100.00%

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

The table below shows the Fiscal Year 2004-05 aggregate, average and median assessed valuations of single family homes within the District and a breakdown of single family homes by assessed valuation range.

PALOMAR POMERADO HEALTH
Per Parcel 2004-05 Assessed Valuation of Single Family Homes

	<u>No. of Parcels</u>	<u>2004-05 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>		
Single Family Residential	94,440	\$24,146,961,196	\$255,686	\$223,459		
	<u>No. of</u>	<u>% of</u>	<u>Cumulative</u>	<u>Total</u>	<u>% of</u>	<u>Cumulative</u>
<u>2004-05</u>	<u>Parcels (1)</u>	<u>Total</u>	<u>% of Total</u>	<u>Valuation</u>	<u>Total</u>	<u>% of Total</u>
<u>Assessed Valuation</u> ⁽¹⁾						
\$0 - \$24,999	270	0.286%	0.286%	\$ 5,396,220	0.022%	0.022%
\$25,000 - \$49,999	1,859	1.968	2.254	67,420,353	0.279	0.302
\$50,000 - \$74,999	2,644	2.800	5.054	173,012,784	0.716	1.018
\$75,000 - \$99,999	2,991	3.167	8.221	264,449,265	1.095	2.113
\$100,000 - \$124,999	4,235	4.484	12.705	499,484,370	2.069	4.182
\$125,000 - \$149,999	6,742	7.139	19.844	930,483,646	3.853	8.035
\$150,000 - \$174,999	8,939	9.465	29.310	1,479,136,330	6.126	14.161
\$175,000 - \$199,999	10,875	11.515	40.825	2,044,793,625	8.468	22.629
\$200,000 - \$224,999	9,756	10.330	51.155	2,112,515,460	8.749	31.377
\$225,000 - \$249,999	8,922	9.447	60.602	2,116,566,060	8.765	40.143
\$250,000 - \$274,999	7,014	7.427	68.029	1,853,344,290	7.675	47.818
\$275,000 - \$299,999	5,832	6.175	74.205	1,647,913,248	6.825	54.643
\$300,000 - \$324,999	4,651	4.925	79.130	1,473,599,585	6.103	60.745
\$325,000 - \$349,999	3,763	3.985	83.114	1,271,871,422	5.267	66.012
\$350,000 - \$374,999	3,337	3.533	86.648	1,225,126,158	5.074	71.086
\$375,000 - \$399,999	2,459	2.604	89.251	954,977,240	3.955	75.041
\$400,000 - \$424,999	1,875	1.985	91.237	780,738,750	3.233	78.274
\$425,000 - \$449,999	1,527	1.617	92.854	668,879,445	2.770	81.044
\$450,000 - \$474,999	933	0.988	93.842	438,076,155	1.814	82.858
\$475,000 - \$499,999	801	0.848	94.690	392,289,750	1.625	84.483
\$500,000 and greater	<u>5,015</u>	<u>5.310</u>	100.000	<u>3,746,887,040</u>	<u>15.517</u>	100.000
Total	94,440	100.000%		\$24,146,961,196	100.000%	

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

The following table lists the major real property taxpayers in the District based solely on their 2004-05 secured assessed valuations.

**PALOMAR POMERADO HEALTH
Largest 2004-05 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Land Use</u>	<u>2004-05 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	Hewlett-Packard Co.	Industrial	\$ 186,981,042	0.42%
2.	North County Fair LLC	Shopping Center	155,832,252	0.35
3.	Sony Corp. of America	Industrial	127,662,322	0.29
4.	Pacific Carmel Mountain LLC	Commercial Building	105,119,433	0.24
5.	BAE Systems Mission Solutions Inc.	Industrial	80,851,106	0.18
6.	BRE Properties Inc.	Apartments	68,291,706	0.15
7.	Arden Realty Finance LLC	Industrial	67,759,292	0.15
8.	Calwest Industrial Holdings LLC	Industrial	62,072,807	0.14
9.	FBTC Leasing Corp.	Industrial	60,995,314	0.14
10.	Cymer Inc.	Industrial	56,921,750	0.13
11.	Goal Line	Industrial	56,510,994	0.13
12.	NCR Corp.	Office Building	54,575,802	0.12
13.	Kilroy Realty LP	Commercial Building	54,290,279	0.12
14.	CCC Retirement Communities I LP	Convalescent Hospital	54,136,464	0.12
15.	Miller Brothers Investments LLC	Commercial Building	49,225,344	0.11
16.	PPC/GIA Carmel Mountain LLC	Apartments	47,578,993	0.11
17.	Legacy Sabre Springs LLC	Office Building	46,960,303	0.11
18.	Lincoln RECP Pointe OPCO LLC	Industrial	46,796,925	0.11
19.	Carmel Mountain Ranch San Diego LP	Apartments	44,200,000	0.10
20.	Rreef American REIT Portfolio LP	Commercial Building	<u>41,779,330</u>	<u>0.09</u>
			<u>\$1,468,541,458</u>	<u>3.30%</u>

(1) 2004-05 total Local Secured Assessed Valuation: \$44,564,471,198

Source: California Municipal Statistics, Inc.

The following table sets forth typical tax rates for property within the District for fiscal years 2000-01 through 2004-05.

**PALOMAR POMERADO HEALTH
Typical Total Tax Rate (TRA 8-141)**

2000-01	1.01714%
2001-02	1.01578%
2002-03	1.01456%
2003-04	1.01357%
2004-05	1.01250%

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property on the tax rolls as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

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 State-assessed public utilities property and real property having a tax lien which 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 fiscal 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 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent property taxes and the delinquency penalty, 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, if unpaid, 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.

Method of Tax Apportionment – Teeter Plan

[UND TO CONFIRM]. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy in fiscal year 2005-06. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors were to order discontinuance of the Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Debt Obligations

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and dated as of April 15, 2005, for debt outstanding as of May 1, 2005. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District in whole or in part; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

PALOMAR POMERADO HEALTH

Statement of Direct and Overlapping Bonded Debt

2004-05 Assessed Valuation: \$46,031,102,416
 Incremental Assessed Valuation: 7,814,534,286
 Adjusted Assessed Valuation: \$38,216,568,130

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/05</u>
Metropolitan Water District	2.808%	\$ 11,742,775
Poway Unified School District School Facilities Improvement District No. 2002-1	96.490	66,192,140
San Diego Unified School District	1.079	17,285,161
San Marcos Unified School District School Facilities Improvement District	76.446	14,741,097
Escondido Union High School District	99.750	40,401,721
Escondido Union School District	99.739	62,251,720
Other School Districts	Various	8,063,194
Cities	Various	1,887,667
City of San Diego Open Space Parking	10.474	2,710,671
Palomar Pomerado Health	100%	- (1)
Community Facilities District	Various	225,971,526
1915 Act Bonds	Various	<u>50,374,938</u>
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$501,622,610
Less: City of San Diego Open Space Park Facilities District		<u>2,710,671</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$498,911,939

<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
San Diego County General Fund Obligations	15.134%	\$ 58,418,242
San Diego County Pension Obligations	15.134	189,514,443
San Diego County Superintendent of Schools Certificates of Participation	15.134	1,940,557
Poway Unified School District Certificates of Participation	83.717	83,717,000
Ramona Unified School District Certificates of Participation	99.955	24,543,950
Escondido Union School District Certificates of Participation	99.739	13,375,000
Other School District General Fund Obligations	Various	10,791,806
City of Escondido General Fund Obligations	100.	79,344,937
City of Poway Certificates of Participation	100.	55,990,000
City of San Diego General Fund Obligations	10.474	54,131,727
City of San Marcos General Fund Obligation	95.678	54,314,848
Other City General Fund Obligations	Various	1,078,148
Rainbow Municipal Water District Certificates of Participation	10.172	<u>194,285</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$627,354,943

GROSS COMBINED TOTAL DEBT \$1,128,977,553 (2)
 NET COMBINED TOTAL DEBT \$1,126,266,882

- (1) Excludes Bonds to be sold.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2004-05 Assessed Valuation:

Direct Debt0% (1)
 Total Gross Direct and Overlapping Tax and Assessment Debt 1.09%
 Total Net Direct and Overlapping Tax and Assessment Debt 1.08%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt 2.95%
 Net Combined Total Debt..... 2.95%

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein. Articles XIII A, XIII B, XIII C and XIII D of the Constitution, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy ad valorem taxes for payment of the Bonds. The ad valorem tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A ("Article XIII A") of the State Constitution, 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 the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds percent of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, 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.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity 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 1979.

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.

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 ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Article XIII B of the California Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriation limit" imposed by Article XIII B of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, as subsequently amended by Propositions 98 and 111, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies.

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 that fiscal year and the fiscal year immediately following it 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. In fiscal year 2004-05, the District had an appropriation limit of \$38,168,790 and appropriation subject to limitation of approximately \$10,200,000.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California 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 XIII C 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 XIII C 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 California Constitution and special taxes approved by a two-thirds percent vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D 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 which are subject to the provisions of Proposition 218. It does receive a portion of the basic one percent *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing

authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Future Initiatives

Article XIII A, Article XIII B, and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California'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. As discussed under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," the Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment of the Bonds.

The District is a local health care district formed by a vote of the District's electorate in 1948, and organized pursuant to the Local Health Care District Law. Originally known as the Northern San Diego County Hospital District, the District has been known as Palomar Pomerado Health since 2001. The District is located inland in north San Diego County and is the largest California health care district in terms of geographical area, covering approximately 800 square miles. The 2004 population in the District was estimated at approximately 463,000. Source: _____ Included within the District boundaries are all or a portion of the cities and communities of Escondido, Ramona, Rancho Bernardo, Rancho Penasquitos, San Diego, San Marcos, Valley Center and Vista.

The District provides health care services at two acute care hospital facilities: the 324-bed Palomar Medical Center in Escondido that opened in 1950, and the 107-bed Pomerado Hospital in Poway that opened in 1977. The District also provides health care services at the Escondido Surgery Center, the Gateway and Parkway Outpatient Radiology centers, Palomar Pomerado Home Care and at two skilled nursing facilities: the 96-bed Palomar Continuing Care Center and 129-bed Villa Pomerado.

Palomar Medical Center's campus is located in downtown Escondido, is a full-service tertiary facility and serves as the only designated trauma center in all of north San Diego County. The trauma center has a service area of approximately 1,400 square miles from the San Diego/Riverside County line to the north, to the coast on the west, to the Anza Borrego desert on the east and south to Mira Mesa. Pomerado Hospital is located in Poway and is a full-service community hospital.

UTILIZATION INFORMATION
Fiscal Year 2003-2004

	<u>Palomar Medical Center</u>	<u>Pomerado Hospital</u>
Staffed [Licensed] Beds ⁽¹⁾	324	107
Admissions	20,536	6,721
Emergency Department Visits	50,652	25,023
Surgeries	7,456	3,452
Deliveries	4,162	1,255
Outpatient Registrations	139,449	61,386
Active Medical Staff ⁽²⁾	503	362
Employees (FTEs) ⁽²⁾	1,475	592

⁽¹⁾ As of _____, 200_

⁽²⁾ As of _____, 200_

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated as of May __, 2005, between the District and Tri-City Health Care District (the "Agency"). 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 (the "JPA Act"), the Authority has legal authority to exercise any powers common to the District and the Agency 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 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.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix A hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line

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interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Paying Agent Agreement, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the beneficial owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the beneficial owners to incur significant expense.

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of Bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (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 report for the 2004-05 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 under the caption "APPENDIX E – Form of Continuing Disclosure Undertaking." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply with any continuing disclosure obligation.

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

From time to time there are lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the operations of the District.

Legal Opinions

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix A hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon by Latham & Watkins LLP, San Diego, California, as counsel for the District, and by Squire, Sanders & Dempsey L.L.P., San Francisco, California, as counsel for the Underwriter. These law firms undertake no responsibility for the accuracy, completeness or fairness of this Official Statement, except as otherwise stated in their respective opinions delivered upon the issuance of the Bonds, and none of such opinions is addressed to or may be relied upon by purchasers of the Bonds.

INDEPENDENT AUDITORS

The financial statements of the District as of and for the years ended June 30, 2004 and 2003 included in this Official Statement in Appendix B have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing therein. [_____] Deloitte & Touche, LLP was not requested to consent to the inclusion of its report in APPEXDIX B, nor has it undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Deloitte & Touche, LLP with respect to any event subsequent to the date of its report. The District represents that there has been no material adverse change in its financial position since June 30, 2004.]

MISCELLANEOUS

Ratings

[The Bonds have been assigned a rating of “___” and “___” by Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc. (“S&P”), respectively, based on the issuance by XXX of its municipal bond insurance policy with respect to the Bonds.] S&P has assigned the Bonds an underlying rating of “___” and Moody’s has assigned the Bonds an underlying rating of “___”.

The ratings reflect only the views of the respective ratings agency, and any explanation of the significance of such ratings should be obtained from S&P and Moody’s at the following addresses: Moody’s Investors Service, 99 Church Street, New York, NY 10007; and Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc., Public Finance Department, 55 Water Street, New York, NY 10041. In order to obtain such ratings, the District furnish to the rating agency certain information and materials, some of which has not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and their own investigation, studies and assumptions. There is no assurance that the ratings will be maintained for any given period of time or that they will not be revised downward or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

The District expects to furnish to each rating agency such information and materials as it may request. The District, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Bonds.

Underwriting

The Bonds are being purchased by the Authority for resale to the Underwriter pursuant to a bond purchase agreement 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 \$ _____ (principal amount of the Bonds of \$ _____, plus original issue premium of \$ _____, less 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.

Financial Advisor

Kaufman Hall & Associates, Inc. ("KHA"), Los Angeles, California, was engaged by the District to provide financial advisory services in connection with the execution and delivery of the Bonds. KHA is a national consulting firm which acts as a capital advisor to health care organizations.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Bond Resolution, the Paying Agent Agreement and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Certain financial data contained herein has been obtained from California Municipal Statistics, Inc. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein (excluding the chart entitled "Statement of Direct and Overlapping Bonded Debt") is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement and its distribution has been approved by the Board of the District.

PALOMAR POMERADO HEALTH

By: _____
Michael H. Covert
Chief Executive Officer

APPENDIX A

Proposed Form of Opinion of Bond Counsel

APPENDIX B
Audited Financial Statements

APPENDIX C

Economic and Demographic Profile of San Diego County

[UND. TO UPDATE]

The following information about the County of San Diego (the "County") is presented as general background information because the District is located in the northern part of the County. As discussed under "SECURITY AND SOURCE OF PAYMENT OF THE BONDS," the Bonds are payable from ad valorem taxes, and are not a debt of, nor payable by, the County.

General Information on the County of San Diego

The County is the southern most major metropolitan area in the State of California. The County covers 4,255 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange counties form the northern boundary. The County is approximately the size of the State of Connecticut.

Topography of the County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most of the population and resources are located. Average annual rainfall in the coastal areas is approximately 10 inches.

The County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence which contributes approximately \$10 billion annually to the retail and service businesses of the area.

The County is also growing as a major center for culture and education. Over 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

In addition to the City of San Diego, other principal cities in the County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of the County has a dry, desert-like topography.

Population

There are 18 incorporated cities in the County, and a number of unincorporated communities. For many years the population of the County has grown at a greater rate than that of either California or the nation. The County population for January 1, 2004, was estimated to be 3,017,200, making it the third largest County by population in California. The 2004 population increased 7.2% from 2000. The following table sets forth population trends for the County and the State for the census of 2000 and the years 2001 through 2004.

**County and State Population
2000 Through 2004**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>% Change 2000-2004</u>
County of San Diego	2,813,833	2,868,900	2,924,100	2,976,100	3,017,200	7.23%
State of California	33,873,294	34,431,000	35,049,000	35,612,000	36,144,000	6.70%

Source: 2000: U.S. Bureau of the Census. 2001-2004: California State Department of Finance with 2000 DRU Benchmark

Employment

The strength of the regional economy is indicated by the County's relatively low unemployment rates, which historically have been lower than both the State's and the nation's. The unemployment rate has risen from a rate of 3.1% in 1999 to 4.3% in 2003. In comparison, the State's unemployment rate increased from 5.2% in 1999 to 6.7% in 2003, while the nation's rate increased from 4.2% to 6.0% for the same period.

**County of San Diego, California, and United States
Labor Force, Employment and Unemployment
Annual Averages From 1999 Through 2003
Not Seasonally Adjusted (in thousands)**

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate*</u>
1999				
San Diego	1,348	1,307	42	3.1%
California	16,596	15,731	865	5.2
United States	139,368	133,488	5,880	4.2
2000				
San Diego	1,391	1,349	42	3.0%
California	16,884	16,049	835	4.9
United States	142,583	136,891	5,692	4.0
2001				
San Diego	1,418	1,372	46	3.2%
California	17,183	16,260	923	5.4
United States	143,734	136,933	6,801	4.7
2002				
San Diego	1,458	1,396	62	4.3%
California	17,376	16,215	1,161	6.7
United States	144,863	136,485	8,378	5.8
2003				
San Diego	1,482	1,419	63	4.3%
California	17,460	16,283	1,177	6.7
United States	146,510	137,736	8,774	6.0

* Unemployment rate is based on unrounded data. Note: Totals may not add due to independent rounding. Source: U.S. Department of Labor, Bureau of Labor Statistics.

The largest components of employment by industry in the County in 2003 were government, trade, transportation and utilities and professional and business services. All of these sectors have grown over the time period of 2000 through 2003. Over the same time period, manufacturing has declined in the County, from 10.2% of the total employment in 2000, to 8.5% in 2003.

County of San Diego
Wage and Salary Nonagricultural Workers by Industry
Annual Averages for 2000 Through 2003 (in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Mining	300	300	300	300
Construction	69,700	75,100	76,400	79,600
Manufacturing	122,600	119,000	112,300	105,400
Trade, Transportation & Utilities	202,600	209,000	208,600	208,600
Information	39,200	38,800	37,700	37,100
Financial Activities	71,200	72,000	75,000	80,500
Professional and Business Services	195,200	198,200	201,700	201,600
Educational & Health Services	115,300	116,000	119,700	122,000
Leisure & Hospitality	129,000	131,400	133,800	139,900
Other Services	42,200	44,900	45,600	47,200
Government	206,600	213,800	219,700	219,800
Non-Agricultural Total	1,193,800	1,218,400	1,230,700	1,241,900

Note: Totals may not add due to independent rounding.
Source: California Employment Development Department

Building Activity

County of San Diego New Residential Building Permits Calendar Years 2000 Through 2003

(Dollars in thousands)

	2000	2001	2002	2003
Construction Costs Residential Bldg. Permits	\$2,732,529	\$2,799,950	\$2,499,539	\$2,999,360
New Housing Units				
Single Units	9,287	9,377	8,880	9,758
Multiple Units	6,305	6,028	4,804	8,273
Total	15,592	15,405	13,684	18,031

Source: U.S. Census Bureau.

Commercial Activity

Consumer spending in 2002 resulted in \$38.59 billion in taxable sales in the County. This total is 17.8% above 1999.

	1999	2000	2001	2002	1999-2002 % Change
Retail Stores					
Apparel	\$ 1,050,003	\$ 1,182,173	\$ 1,274,552	\$ 1,374,858	30.94%
General Merchandise	3,966,854	4,307,562	4,445,352	4,557,457	14.89%
Specialty	3,311,320	3,663,924	3,718,292	3,803,803	14.87%
Food Stores and Packaged Liquors	1,469,238	1,557,224	1,595,933	1,650,104	12.31%
Eating and Drinking	2,929,084	3,211,306	3,366,463	3,505,859	19.69%
Home Furnishings and Appliances	1,085,001	1,237,271	1,314,860	1,353,158	24.71%
Building Materials	1,882,514	2,104,100	2,343,008	2,510,931	33.38%
Automotive	5,868,743	6,955,856	7,426,582	7,862,366	33.97%
All other retail stores	672,926	733,653	778,296	803,063	19.34%
Total Retail Stores	22,235,683	24,953,089	26,263,338	27,421,599	23.32%
Business and Personal Services	1,863,511	1,954,589	1,957,109	1,977,606	6.12%
All Other Outlets	8,653,211	9,337,740	9,478,886	9,196,342	6.28%
Total All Outlets	\$ 32,752,405	\$ 36,245,418	\$ 37,699,333	\$ 38,595,547	17.84%

Source: "Taxable Sales in California," California State Board of Equalization.

Personal Income

The following table compares personal income, per capita personal income, and per capita income as a percent of the U.S. personal income for both San Diego County and the State of California.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
San Diego County Personal Income (\$ in thousands)	\$84,346,910	\$92,654,006	\$97,140,802	\$101,292,563	N/A
State of California Personal Income (\$ in thousands)	\$995,325,859	\$1,100,679,390	\$1,134,883,849	\$1,149,143,635	\$1,185,301,773
San Diego County Per Capita Personal Income	\$30,236	\$32,797	\$33,926	\$34,872	N/A
State of California Per Capita Personal Income	\$29,712	\$32,363	\$32,864	\$32,831	\$33,403
San Diego County Per Capita Personal Income as a percent of U.S.	108%	110%	111%	113%	N/A
State of California Per Capita Personal Income as a percent of U.S.	107%	109%	108%	107%	106%

Source: _____

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 23 airlines. A West Terminal was completed in mid-1979, approximately doubling terminal capacity. In addition to San Diego International Airport there are two naval air stations and seven general aviation airports located in the County.

McClellan-Palomar Airport is located in Carlsbad, California and can accommodate private and light commercial aircraft. Oceanside Municipal Airport is located eight miles north in Oceanside, California.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Del Mar and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

An excellent climate, proximity to Mexico, extensive maritime facilities, and such attractions as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory allow San Diego to attract a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the expansion of the San Diego Convention Center. San Diego's visitor industry is a major sector of the region's economy. In 2003, there were a total of 26.4 million visitors, of which 15.4 million were overnight visitors. Spending was approximately \$5.3 billion in 2003, according to an estimate by the San Diego Convention and Visitors Bureau. The San Diego Convention Center, containing over 525,000 square feet of exhibit space and over 200,000 square feet of meeting/banquet space, with total interior space of over 1.1 million square feet, opened in November 1989, and was expanded in 2001. During fiscal year 2003, 231 conventions and trade shows were held in the Convention Center, attracting over 810,000 attendees and contributing \$20.1 million in hotel tax room revenues and \$996.1 million in total regional economic impact (direct and indirect spending). The Convention Center can accommodate a wide range of events from small meetings to large convention and trade shows. The Convention Center enables the City of San Diego to compete with Los Angeles and San Francisco in attracting the largest conventions and trade shows.

Education

Elementary and secondary public education services in the County are provided by 27 elementary, six high and 10 unified school districts offering instruction from kindergarten through high school. For the 2003-04 school year, 499,356 students were enrolled in grades K through 12 in the public schools in the County. Facilities include 656 schools.

Community colleges in California are locally operated and administered. They offer the Associate of Arts and Associate of Science degrees and have extensive vocational curricula. There are five community college districts in San Diego County at nine campuses. Among the four-year institutions of higher education in metropolitan San Diego are the University of California at San Diego, University of San Diego, United States International University, and Point Loma College.

APPENDIX D

Book-Entry Only System

The information in this Appendix D concerning DTC and DTC's Book-Entry Only System has been obtained from DTC and the District takes no responsibility for the accuracy thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. The owners of book-entry interest will not receive or have the right to receive physical delivery of the Bonds.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Securities Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners

are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other names as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds such as redemption (if any), defaults, and proposed amendments to [the Resolution.] For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, the Bonds are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered to DTC.

THE DISTRICT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS OR TO INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND RESOLUTION (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (5) ANY CONSENT GIVEN OR ANY OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (6) ANY OTHER MATTERS.

When reference is made in the Official Statement to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the District or the Paying Agent to DTC only.

APPENDIX E

Form of Continuing Disclosure Undertaking

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by Palomar Pomerado Health (the "District") in connection with the issuance of \$ _____ Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Directors of the District adopted on _____, 2005 (the "Bond Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution and that certain Paying Agent Agreement, dated as of June 1, 2005, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bond Counsel" shall mean a firm of attorneys of national reputation experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, which is selected by the District.

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Undertaking.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission can be found at www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Undertaking, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 6 months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2004-05 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Undertaking. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) information on the aggregate assessed value of property within the District and if San Diego County is no longer on the Teeter Plan as of June 30, the delinquent property taxes;
- (b) outstanding District general obligation bond; and
- (c) receipts of *ad valorem* taxes pledged to the Bond(s); and
- (d) The top ten local secured taxpayers in the District, if the aggregate of their assessed valuation exceeds 10% of the total assessed valuation of the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Holders.
4. optional, contingent or unscheduled bond calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. unscheduled draws on the debt service reserves reflecting financial difficulties.
9. unscheduled draws on the credit enhancements reflecting financial difficulties.
10. substitution of the credit or liquidity providers or their failure to perform.
11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice

of such occurrence with the Repositories or provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Bond Resolution. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(b).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. A Dissemination Agent which is not the District may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Undertaking and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Alternate Means of Disclosure. Notwithstanding the provisions of Sections 3, 4 and 5 requiring that the District file its Annual Report, notice of any Material Event and notice of any failure to comply with this Undertaking with each of the National Repositories and any State Repository, the District may instead comply with the provisions of this Undertaking by filing the required information with an entity then recognized by the Securities and Exchange Commission as eligible to receive filings and submit such filings to such National Repositories and any State Repository for purposes of the Rule (a "Central Post Office"). As of the date of this Disclosure Undertaking, the Central Post Office that has been so recognized by the Securities and Exchange Commission is:

DisclosureUSA.org
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
<http://www.disclosureUSA.org>

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the District may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, provided that the District first obtain an opinion of Counsel that such amendment or waiver is permitted under the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the District shall describe such amendment in the next Annual Report.

SECTION 10. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set

forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the District shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Undertaking, the sole remedy hereunder of any Holder or Beneficial Owner of the Bonds shall be any actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Bonds or any agreement entered into by the District in connection with the Bonds.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Undertaking shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 13. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2005

PALOMAR POMERADO HEALTH

By: _____

Its: _____

APPENDIX F

[Form of Municipal Bond Insurance Policy]

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by Palomar Pomerado Health (the "District") in connection with the issuance of \$_____ Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Directors of the District adopted on _____, 2005 (the "Bond Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution and that certain Paying Agent Agreement, dated as of June 1, 2005, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bond Counsel" shall mean a firm of attorneys of national reputation experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, which is selected by the District.

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Undertaking.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission can be found at www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Undertaking, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 6 months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2004-05 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more that sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Undertaking. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District’s audited financial statements):

- (a) information on the aggregate assessed value of property within the District and if San Diego County is no longer on the Teeter Plan as of June 30, the delinquent property taxes;
- (b) outstanding District general obligation bond; and

- (c) receipts of *ad valorem* taxes pledged to the Bond(s); and
- (d) ~~The top ten local secured taxpayers in the District, if the aggregate of their assessed valuation exceeds 10% of the total assessed valuation of the District.~~

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Holders.
4. optional, contingent or unscheduled bond calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. unscheduled draws on the debt service reserves reflecting financial difficulties.
9. unscheduled draws on the credit enhancements reflecting financial difficulties.
10. substitution of the credit or liquidity providers or their failure to perform.
11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the Repositories or provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Bond Resolution. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(b).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. A Dissemination Agent which is not the District may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Undertaking and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Alternate Means of Disclosure. Notwithstanding the provisions of Sections 3, 4 and 5 requiring that the District file its Annual Report, notice of any Material Event and notice of any failure to comply with this Undertaking with each of the National Repositories and any State Repository, the District may instead comply with the provisions of this Undertaking by filing the required information with an entity then recognized by the Securities and Exchange Commission as eligible to receive filings and submit such filings to such National Repositories and any State Repository for purposes of the Rule (a "Central Post Office"). As of the date of this Disclosure Undertaking, the Central Post Office that has been so recognized by the Securities and Exchange Commission is:

DisclosureUSA.org
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
<http://www.disclosureUSA.org>

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the District may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, provided that the District first obtain an opinion of Counsel that such amendment or waiver is permitted under the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Undertaking, the District shall describe such amendment in the next Annual Report.

SECTION 10. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the District shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Undertaking, the sole remedy hereunder of any Holder or Beneficial Owner of the Bonds shall be any

actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Bonds or any agreement entered into by the District in connection with the Bonds.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Undertaking shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 13. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2005

PALOMAR POMERADO HEALTH

By: _____

Its: _____