

# ADDENDUM A2

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**Document No. 1 - Summary of Financing Documentation**

## **Summary of Financing Documentation**

### **Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A**

#### **Financing Documents**

First Supplemental Paying Agent Agreement, between Palomar Pomerado Health (the "District") and Wells Fargo Bank, National Association, as paying agent, supplements the Paying Agent Agreement entered into in connection with the initial series of general obligation bonds issued in 2005, sets forth the specific terms and provisions of the second series of general obligation bonds being issued, the above-referenced Series 2007A Bonds.

Tax Certificate, executed and delivered by the District, sets forth the requirements which the District must comply with to maintain the tax-exempt status of interest on the Series 2007 A Bonds.

#### **Disclosure Documents**

Official Statement in preliminary form (the "Official Statement"), approved and executed by the District, describes the terms and provisions of the Series 2007 A Bonds, the ad valorem property taxes which are the security and source of payment for the Series 2007A Bonds, and certain other matters related to the Series 2007A Bonds.

Appendix A - Information Concerning Palomar Pomerado Health, Appendix to Official Statement, describes the District, including its organizational structure and governance, includes current financial and operational data concerning the District, and includes a discussion of risks related to health care operations.

Appendix C - Economic and Demographic Profile of San Diego County, Appendix to Official Statement, presents certain general background information concerning San Diego County.

Continuing Disclosure Undertaking, executed by the District, sets forth the District's agreement to provide ongoing financial disclosure to the financial markets.

#### **Underwriting Document**

Bond Purchase Agreement, executed and delivered by Citigroup Global Markets Inc. ("Citigroup"), agreed to and accepted by the District and the North San Diego Health Facilities Financing Authority (the "JPA"), provides for the sale of the Series 2007A Bonds by the District to the JPA and the simultaneous resale by the JPA to Citigroup, as underwriter.

**Document No. 2 - Resolution**

**PALOMAR POMERADO HEALTH**  
**RESOLUTION NO. 11.12.07 ( ) - \_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR POMERADO HEALTH AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$250,000,000 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 FIRST SUPPLEMENTAL 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**, pursuant to said favorable vote, the Board of Directors of the District (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**, on July 7, 2005, the District issued \$80,000,000 aggregate principal amount of Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A," of which \$68,360,000 aggregate principal amount remain outstanding, pursuant to a Paying Agent

Agreement, dated as of June 1, 2005 (the "Original Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"), for the purpose of financing a portion of the hospital and health care facilities projects as referenced and described in Measure BB;

**WHEREAS**, for the purpose of financing an additional 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 additional general obligation bonds (hereinafter referred to as the "Bonds"), in an aggregate principal amount not to exceed \$250,000,000 aggregate principal amount;

**WHEREAS**, the Bonds will be issued pursuant to and in accordance with the provisions of The Local Health Care District Law and other applicable law and the Original Paying Agent Agreement, as supplemented and amended by the First Supplemental Paying Agent Agreement (the "First Supplemental Paying Agent Agreement," and, together with the Original Paying Agent Agreement, hereinafter collectively referred to as the "Paying Agent Agreement"), to be entered into between the District and the Paying Agent;

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

**WHEREAS**, the proceeds of the Bonds shall be applied as provided in Measure BB to finance or reimburse the District for its prior payment of costs of the Project and to pay costs of issuance of the Bonds;

**WHEREAS**, in order to facilitate such financing or reimbursement, the District has requested the assistance of the North San Diego County Health Facilities Financing Authority (the "Authority"), which was established and created pursuant to a joint exercise of powers agreement (the "JPA Agreement"), between the District and Tri-City Healthcare District;

**WHEREAS**, pursuant to a request received from Grossmont Healthcare District, a local health care district duly organized and existing under the laws of the State of California ("Grossmont"), and a "public agency" as such term is defined in the JPA Agreement, the Board of Directors of the Authority approved the addition of Grossmont as an additional Member (as such term is defined in the JPA Agreement) on May 11, 2007 in accordance with the provisions set forth in Section 19 of the JPA Agreement;

**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 executed by the Purchaser and agreed to and accepted by the District and the Authority;

**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**, 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 and agreements, forms of which have been prepared and presented to this meeting:

- (1) First Supplemental Paying Agent Agreement;
- (2) Bond Purchase Agreement;
- (3) Official Statement; and
- (4) Continuing Disclosure Undertaking.

**WHEREAS**, on October 31, 2006, there was published in a newspaper of general circulation in the District, a notice of public hearing concerning the proposed issuance by the District of obligations, including general obligation bonds, pursuant to a plan of financing;



**WHEREAS**, on November 20, 2006, the Board of Directors held a public hearing for purposes of Section 147(f) of the Internal Revenue Code of 1986 (the "Code") at which interested persons were given an opportunity to express their views concerning the issuance of the above-referenced obligations and on the nature and location of the facilities proposed to be financed pursuant to the above-referenced plan of financing;

**WHEREAS**, the Board of Directors desires to approve the issuance of the Bonds for purposes of Section 147(f) of the Code, to authorize and direct the execution and delivery of each of the above-identified documents and agreements (hereinafter collectively referred to as the "Financing Documents"), to authorize the issuance and sale of the Bonds pursuant to Measure BB and the Financing Documents, to authorize the negotiation of, and, as applicable, the securing of bond insurance to provide credit support for the Bonds, 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 Financing Documents 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; Approval for Purposes of Section 147(f) of the Internal Revenue Code.** This Board of Directors hereby authorizes and approves the issuance and sale of not to exceed \$250,000,000 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 2007A" on the terms and conditions set forth herein, in the Original Paying Agent Agreement and in the First Supplemental Paying Agent Agreement, as finally executed and delivered.

It is the purpose and intent of the Board of Directors that this Resolution constitute approval of the issuance of the Bonds for purposes of Section 147(f) of the Code.

**Section 3. First Supplemental Paying Agent Agreement and Terms of the Bonds.** The proposed form of First Supplemental 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 First Supplemental 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 First Supplemental 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 or accreted values at maturity as shall be set forth in the First Supplemental 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 capital appreciation bonds or current interest serial bonds or current interest 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 First Supplemental 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 First Supplemental Paying Agent Agreement, as finally executed and delivered, and in the Bonds. The First Supplemental 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 First Supplemental 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 2007A Bonds shall not be in excess of 6.00%, (ii) the Purchaser's compensation shall not exceed 0.5% 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. Each 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. 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. Each 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 authorized and directed to deliver a copy of the Official Statement, as finally executed, to all actual purchasers of Bonds.

**Section 6. Continuing Disclosure Undertaking.** The proposed form of Continuing Disclosure Undertaking presented to this meeting is hereby approved. Each 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 7. 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 8. 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 previously established by the District pursuant to the Paying Agent Agreement and in accordance with Section 32127 of The Local Health Care District Law.

**Section 9. 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 10. Additional Actions.** Each Authorized District Representative or the designee of either Authorized District Representative, acting singly, is, and each of them hereby is, authorized and directed, for and in the name and on behalf of the District, (i) to do any and all things and to execute and deliver any and all documents, instruments and certificates, including signature certificates, no-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 any of the

documents and agreements authorized to be executed and delivered pursuant to this Resolution, including, without limitation, such documents, agreements, instruments or certificates as may be required or necessary to arrange for bond insurance for Bonds of one or more stated maturity dates, and (ii) to authorize payment of all reasonable fees and expenses incurred or to be incurred by the District in connection with the transactions contemplated by any of the documents and agreements authorized to be executed and delivered pursuant to this Resolution.

The Secretary of the Board of Directors of the District is hereby authorized to attest to the seal of the District and/or any signature of 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 11. 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, in connection with the issuance and sale of the Bonds are hereby ratified, confirmed and approved.

**Section 12. 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 12th day of November, 2007, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

**Dated:** November 12, 2007.

By: \_\_\_\_\_  
Marcelo Rivera, M.D.  
Chair, Board of Directors  
Palomar Pomerado Health

**Attested:**

\_\_\_\_\_  
Linda C. Greer, R. N.  
Secretary, Board of Directors

**Document No. 3 - First Supplemental Paying Agent Agreement**

FIRST SUPPLEMENTAL PAYING AGENT AGREEMENT

between

PALOMAR POMERADO HEALTH

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Paying Agent

Dated as of December 1, 2007

Relating  
to  
Palomar Pomerado Health  
General Obligation Bonds, Election of 2004,  
Series 2007A

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## FIRST SUPPLEMENTAL PAYING AGENT AGREEMENT

This FIRST SUPPLEMENTAL PAYING AGENT AGREEMENT, dated as of December 1, 2007 (this "Supplemental 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, this Supplemental Paying Agent Agreement is supplemental to the Paying Agent Agreement, dated as of June 1, 2005 (as supplemented or amended pursuant to this Supplemental Paying Agent Agreement, and as it may from time to time be further supplemented or amended pursuant to the provisions thereof, the "Paying Agent Agreement"), between the District and the Paying Agent;

WHEREAS, the Paying Agent Agreement provides that the District may issue general obligation bonds (as more fully defined in Section 1.01 of the Paying Agent Agreement, the "Bonds") in one or more Series (as such term is defined in the Paying Agent Agreement) from time to time as authorized by a supplemental paying agent agreement;

WHEREAS, 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 hospital and health care facilities projects as referenced and described in Measure BB (as such term is defined in the Paying Agent Agreement), the District has determined to issue a second Series of Bonds, which Bonds shall be designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A (the "Series 2007A Bonds");

WHEREAS, a portion of the proceeds of the Series 2007A Bonds will be applied to pay costs of issuance of the Series 2007A Bonds as provided pursuant to Section 32300.1 of the California Health and Safety Code and Measure BB;

WHEREAS, issuance and delivery of the Series 2007A Bonds was authorized and approved by the Board of Directors of the District pursuant to Resolution No. \_\_\_\_\_ (the "Series 2007A Bond Resolution"), adopted by the Board of Directors of the District on November [12], 2007; and

WHEREAS, all acts, conditions and things required by law and the Paying Agent Agreement to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Supplemental 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 Supplemental Paying Agent Agreement;

NOW, THEREFORE, the District and the Paying Agent hereby agree as follows:

## ARTICLE X

### DEFINITIONS

SECTION 10.01 Definitions. Unless otherwise specifically provided herein to the contrary or the context otherwise requires, capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in Section 1.01 of the Paying Agent Agreement.

SECTION 10.02 Additional Definitions. Unless the context otherwise requires, the terms defined in this Section 10.02 shall, for all purposes of this Supplemental Paying Agent Agreement, and of any paying agent agreement supplemental hereto, have the meanings herein specified in this Section 10.02.

"Capital Appreciation Series 2007A Bonds" means Series 2007A Bonds on which interest is compounded and paid at maturity.

"Current Interest Series 2007A Bonds" means Series 2007A Bonds which pay interest at least semiannually, commencing [February, 1 2008].

"Interest Payment Date" with respect to the Current Interest Series 2007A Bonds shall mean February 1 and August 1 of each year, commencing [February 1, 2008].

"Record Date" with respect to the Current Interest Series 2007A Bonds 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.

"Series 2007A Bonds" shall mean the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A, comprised of the Capital Appreciation Series 2007A Bonds and the Current Interest Series 2007A Bonds.

["Series 2007A Bond Insurance Policy" shall mean the financial guaranty insurance policy issued by the Series 2007A Insurer insuring the payment when due of the principal of and interest on the Series 2007A Insured Bonds as provided therein.]

"Series 2007A Bond Purchase Agreement" shall mean the Bond Purchase Agreement, dated December \_\_, 2007, among the Series 2007A Underwriter, the District and the Authority, providing for the sale of the Series 2007A Bonds by the District to the Authority and the simultaneous resale of the Series 2007A Bonds by the Authority to the Series 2007A Underwriter.

"Series 2007A Continuing Disclosure Undertaking" shall mean that certain Continuing Disclosure Undertaking, dated the date of issuance and delivery of the Series 2007A 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 2007A Insured Bonds" shall mean the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A, maturing August 1, 20\_\_ through August 1, 20\_\_.]

["Series 2007A Insurer" shall mean \_\_\_\_\_, a \_\_\_\_\_ and its successors and assigns, the issuer of the bond insurance policy insuring the Series 2007A Insured Bonds.]

"Series 2007A Measure BB Costs of Issuance Fund" shall mean the fund designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A Measure BB Costs of Issuance Fund " created pursuant to Section 12.04.

"Series 2007A Measure BB Project Fund" shall mean the fund designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A Measure BB Project Fund " created pursuant to Section 12.03.

"Series 2007A Underwriter" shall mean Citigroup Global Markets Inc., as purchaser of the Series 2007A Bonds from the Authority pursuant to the Series 2007A Bond Purchase Agreement.

## ARTICLE XI

### THE SERIES 2007A BONDS

SECTION 11.01 Authorization of 2007A Bonds. The Board of Directors hereby approves and authorizes the issuance of \$\_\_\_\_\_ aggregate principal amount of Series 2007A Bonds in accordance with the Series 2007A Bond Resolution and the Paying Agent Agreement. The Series 2007A Bonds shall be comprised of: (i) the Capital Appreciation Series 2007A Bonds, which are authorized to be issued in the aggregate principal amount of \$\_\_\_\_\_ ; and (ii) the Current Interest Series 2007A Bonds, which are authorized to be issued in the aggregate principal amount of \$\_\_\_\_\_.

SECTION 11.02 Purpose and Use of Proceeds of 2007 Series A Bonds. The Series 2007A Bonds shall be issued for the purpose of providing funds to pay Measure BB Costs. Proceeds of the sale of the Series 2007A Bonds shall be applied to pay Measure BB Costs and may also be applied to pay Costs of Issuance of the Series 2007A Bonds.

SECTION 11.03 Terms of the Capital Appreciation Series 2007A Bonds. (a) The Capital Appreciation Series 2007A Bonds shall be issued as fully registered bonds in denominations of five thousand dollars (\$5,000) accreted value at maturity ("maturity value") or any integral multiple of five thousand dollars (\$5,000)[, provided that one Capital Appreciation Series 2007A Bond may be issued in a denomination such that the maturity value of such Capital Appreciation Series 2007A Bond is not in an integral multiple of \$5,000]. Each Capital Appreciation Series 2007A Bond shall be dated the date of its initial delivery, shall be numbered from R-1 consecutively upwards in order of delivery, and shall mature on the date and in the accreted value at maturity set forth in the following schedule:

Maturity (August 1)	Initial Principal Amount	Accreted Value at Maturity
	\$ _____	\$ _____

[Copy to Come]

(b) The Capital Appreciation Series 2007A Bonds shall not bear current interest. Each Capital Appreciation Series 2007A Bond shall increase in value by the accumulation of earned interest from its initial principal (denominational) amount on the date of issuance thereof to its stated accreted value at maturity as set forth in the Table of Accreted Values attached hereto as Attachment I. Interest on the Capital Appreciation Series 2007A Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months, shall be compounded commencing on [February 1, 2008], and semiannually thereafter on February 1 and August 1 in each year and shall be payable only upon maturity.

(c) The stated accreted value at maturity of the Capital Appreciation Series 2007A 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 Capital Appreciation Series 2007A Bonds, payment shall be made thereto by wire transfer as provided in Section 2.09(c).

SECTION 11.04 Terms of the Current Interest Series 2007A Bonds. (a) The Current Interest Series 2007A 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 R-1 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
	\$ _____	_____%

[Copy to Come]

(b) Interest on the Current Interest Series 2007A Bonds shall be payable on February 1 and August 1 of each year, commencing [February 1, 2008] and shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

(c) Interest on the Current Interest Series 2007A 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 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 Current Interest Series 2007A 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 Current Interest Series 2007A 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 Current Interest Series 2007A Bonds, payment shall be made thereto by wire transfer as provided in Section 2.09(c).

SECTION 11.05 Provisions Regarding Maturity Dates for Series 2007A Bonds.  
 The Capital Appreciation Series 2007A Bonds may mature in the same year or years as the Current Interest Series 2007A Bonds, without limitation.

SECTION 11.06 Form of Series 2007A Bonds. The Capital Appreciation Series 2007A 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 the Paying Agent Agreement.

The Current Interest Series 2007A 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 B, with necessary or appropriate variations, omissions and insertions as permitted or required by the Paying Agent Agreement.

SECTION 11.07 Transfer and Exchange of Series 2007A Bonds. The provisions set forth in Section 2.06 and Section 2.07 of the Paying Agent Agreement shall apply to the Series 2007A Bonds, provided however, a Capital Appreciation Series 2007A Bond may only be transferred or exchanged for a Capital Appreciation Series 2007A Bond and a Current Interest Series 2007A Bond may only be transferred or exchanged for a Current Interest Series 2007A Bond.

SECTION 11.08 Registration of Series 2007A Bonds. The Capital Appreciation Series 2007A 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 Capital Appreciation Series 2007A Bonds, representing the accreted value at maturity of the Capital Appreciation Series 2007A Bonds of such maturity. Registered ownership of the Capital Appreciation Series 2007A Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.09 or, in the event the use of a depository for the Bonds is discontinued, in accordance with Section 2.06.

The Current Interest Series 2007A 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 Current Interest Series 2007A Bonds, representing the aggregate principal amount of the Current Interest Series 2007A Bonds of such maturity. Registered ownership of the Current Interest Series 2007A Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.09 or, in the event the use of a depository for the Bonds is discontinued, in accordance with Section 2.06.

## ARTICLE XII

### DELIVERY OF SERIES 2007A BONDS; APPLICATION OF PROCEEDS; ESTABLISHMENT OF FUNDS

SECTION 12.01 Delivery of Series 2007A Bonds. Upon receipt of a Request of the District, the Paying Agent is hereby authorized to authenticate and deliver the Series 2007A Bonds to Series 2007A Underwriter pursuant to the Series 2007A Bond Purchase Agreement.

SECTION 12.02 Application of Proceeds of Sale of Series 2007A Bonds. Upon the delivery of the Series 2007A Bonds to the Series 2007A Underwriter as described in Section 12.01 and receipt from the Series 2007A 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 net original issue premium in the amount of \$ \_\_\_\_\_,] [less the premium due in connection with the Series 2007A Bond Insurance Policy in the amount of \$ \_\_\_\_\_ paid directly to Series 2007A Bond Insurer by the Series 2007A Underwriter on behalf of the District], the Paying Agent shall set aside and deposit \$ \_\_\_\_\_ in the Series 2007A Measure BB Project Fund established pursuant to Section 12.03, [\$ \_\_\_\_\_ in the Series 2007A Measure BB Funded Interest Account established pursuant to Section 12.05] and \$ \_\_\_\_\_ in the Series 2007A Measure BB Costs of Issuance Fund established pursuant to Section 12.04.

SECTION 12.03 Establishment and Application of the Series 2007A 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 2007A Measure BB Project Fund" (the "Series 2007A Measure BB Project Fund"). All money on deposit in the Series 2007A Measure BB Project Fund shall be applied solely for the payment of authorized costs of a Project. Before any payment from the Series 2007A 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 of the District to be in substantially such form as is set forth in Exhibit C hereto and to include a certification to the effect that all Measure BB Costs identified on such Requisition of the District relate to Projects for which CEQA Compliance has been achieved.

All money in the Series 2007A 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 2007A Measure BB Project Fund shall be retained in the Series 2007A Measure BB Project Fund.

When the District determines that the portion of the Measure BB Costs to be paid from the proceeds of the Series 2007A Bonds have been paid, a Certificate of the District shall be delivered to the Paying Agent by the District stating that all of such Measure BB 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 2007A 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 2007A 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 Request of the District, the Paying Agent shall transfer the Series 2007A Measure BB Project Fund to the District. In the event that the District shall request such transfer, the District shall hold the Series 2007A Measure BB Project Fund transferred to the District by the Paying Agent pursuant to such Request of the District as a separate fund and shall withdraw moneys from such fund solely for the payment of authorized costs of a Project. Before the District shall make payment from the Series 2007A Measure BB Project Fund, the District shall prepare a Requisition of the District, such Requisition of the District to be in substantially such form as is set forth in Exhibit C hereto and to be maintained in



the records of the District and to include a certification to the effect that all Measure BB Costs identified on such Requisition of the District relate to Projects for which CEQA Compliance has been achieved.

Subsequent to the transfer of the Series 2007A Measure BB Project Fund to the District, all money in the Series 2007A Measure BB Project Fund shall be invested by the District in Investment Securities in accordance with Section 5.06 of the Paying Agent Agreement. Investment earnings on the Series 2007A Measure BB Project Fund shall be retained therein.

When the District determines that the portion of the Measure BB Costs to be paid from the proceeds of the Series 2007A Bonds have been paid, the District shall transfer any amount remaining on deposit in the Series 2007A Measure BB Project Fund to such other Measure BB Project Fund as shall then be in existence.

**SECTION 12.04**     Establishment and Application of the Series 2007A 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 2007A Measure BB Costs of Issuance Fund" (the "Series 2007A Measure BB Costs of Issuance Fund"). All money on deposit in the Series 2007A Measure BB Costs of Issuance Fund shall be applied solely for the payment of authorized Costs of Issuance. Before any payment from the Series 2007A 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 of the District to be in substantially such form as is set forth in Exhibit D hereto.

All money in the Series 2007A 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 2007A Measure BB Costs of Issuance Fund shall be transferred to the [Series 2007A Measure BB Funded Interest Account/Interest and Sinking Fund].

Any amounts remaining in the Series 2007A Measure BB Costs of Issuance Fund one hundred eighty (180) days after the date of issuance of the Series 2007A Bonds shall be transferred to the Interest and Sinking Fund.

**SECTION 12.05**     [Establishment and Application of Series 2007A Funded Interest Account. The Paying Agent shall establish, maintain and hold in trust a separate account within the Interest and Sinking Fund designated as the "Series 2007A Measure BB Funded Interest Account" (the "Series 2007A Measure BB Funded Interest Account"). Net original issue premium on the Series 2007A Bonds in the amount of \$\_\_\_\_\_ shall be deposited in the Series 2007A Measure BB Funded Interest Account. All amounts in the Series 2007A Measure BB Funded Interest Account shall be applied by the Paying Agent to the payment of interest coming due on the Current Interest Series 2007A Bonds on or prior to February 1, \_\_\_\_\_.]

**SECTION 12.06**     [Payment Provisions for the Series 2007A Bond Insurance Policy. As long as the Series 2007A Bond Insurance Policy shall be in full force and effect, the District

and the Paying Agent agree to comply with the following provisions:] [Copy to Come, if Applicable]

ARTICLE XIII

REDEMPTION OF SERIES 2007A BONDS

SECTION 13.01 Capital Appreciation Series 2007A Bonds Not Subject to Optional or Mandatory Redemption. The Capital Appreciation Series 2007A Bonds shall not be subject to optional or mandatory redemption prior to their respective stated maturities.

SECTION 13.02 Terms of Redemption of Current Interest Series 2007A Bonds.

(a) Optional Redemption. Current Interest Series 2007A Bonds maturing on or before August 1, 20\_\_, are not subject to redemption prior to their respective stated maturity dates. Current Interest Series 2007A 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\_\_ at the principal amount of the Current Interest Series 2007A Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

If less than all the Outstanding Current Interest Series 2007A Bonds are to be redeemed on any one date, the District shall select the maturity date or dates of the Current Interest Series 2007A Bonds to be redeemed, and if less than all the Current Interest Series 2007A Bonds of any one maturity date are to be redeemed on any one date, the Paying Agent shall select the Current Interest Series 2007A 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 Current Interest Series 2007A Bonds so selected by it for redemption, and for purposes of such selection the Current Interest Series 2007A 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. Current Interest Series 2007A 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 Date**

\$ \_\_\_\_\_

\_\_\_\_\_\*

\*Final maturity

(c) Mandatory Sinking Fund Redemption. Current Interest Series 2007A 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 Date**

\$ \_\_\_\_\_

\_\_\_\_\_\*

\_\_\_\_\_  
\*Final maturity

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 Current Interest Series 2007A Bonds of that maturity optionally redeemed prior to the mandatory sinking fund payment date.

#### ARTICLE XIV

##### [GENERAL PROVISIONS RELATING TO THE SERIES 2007A BOND INSURANCE POLICY AND THE SERIES 2007A INSURER]

SECTION 14.01 [General Provisions. Each of the covenants contained in this Article XIV is for the benefit of the Series 2007A Insurer and shall be in effect only so long as the Series 2007A Bond Insurance Policy remains in full force and effect and the Series 2007A Insurer is not then failing to make a payment as required in connection therewith. Any covenant contained in this Article XIV may be modified, amended or waived with the prior written consent of the Series 2007A Insurer without the consent of the District, the Paying Agent or any Holder.]

SECTION 14.02 [Consents. Any provision of the Paying Agent Agreement expressly recognizing or granting rights in or to the Series 2007A Insurer may not be amended in any manner which affects the rights of the Series 2007A Insurer hereunder without the prior written consent of the Series 2007A Insurer.]

SECTION 14.03 [Notices and Other Information to be Provided to Series 2007A Insurer. (a) While the Series 2007A Bond Insurance Policy is in effect, the District shall furnish to the Series 2007A Insurer, upon request, (i) a copy of any financial statement, audit and/or annual report of the District and (ii) such additional information as the Series 2007A Insurer may reasonably request.]

(b) [While the Series 2007A Bond Insurance Policy is in effect, the Paying Agent shall furnish to the Series 2007A Insurer a copy of any notice to be given to the Holders of the Series 2007A Insured Bonds, including, without limitation, notice of any redemption of or defeasance of Series 2007A Insured Bonds.]

SECTION 14.04 [Series 2007A Insurer as Third Party Beneficiary. To the extent that the Paying Agent Agreement confers upon or gives or grants to the Series 2007A Insurer any right, remedy or claim under or by reason of the Paying Agent Agreement, the Series 2007A Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.]

## ARTICLE XV

### MISCELLANEOUS

SECTION 15.01 Terms of Series 2007A Bonds Subject to the Paying Agent Agreement. Except as in this Supplemental Paying Agent Agreement expressly provided, every term and condition contained in the Paying Agent Agreement shall apply to this Supplemental Paying Agent Agreement and to the Series 2007A Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplemental Paying Agent Agreement.

This Supplemental Paying Agent Agreement and all the terms and provisions herein contained shall form part of the Paying Agent Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Paying Agent Agreement. The Paying Agent Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

SECTION 15.02 Effective Date of Supplemental Paying Agent Agreement. This Supplemental Paying Agent Agreement shall take effect upon its execution and delivery.

SECTION 15.03 Execution in Counterparts. This Supplemental Paying Agent Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

PALOMAR POMERADO HEALTH

By: \_\_\_\_\_  
Chief Financial Officer

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Paying Agent

By \_\_\_\_\_  
Authorized Officer

**Attachment I**

**Table of Accreted Values**

[Copy to Come]

**Exhibit A**

**[Form of Capital Appreciation Series 2007A Bond]**

Number **United States of America** Maturity Value  
**State of California**  
R - \_\_\_ **County of San Diego** \$ \_\_\_\_\_

**Palomar Pomerado Health  
General Obligation Bond, Election of 2004,  
Series 2007A**

**Capital Appreciation Bond**

<b>Maturity Date</b>	<b>Date</b>	<b>CUSIP No.</b>
August 1, 20__	December __, 2007	_____

Registered Owner: Cede & Co.

Initial Principal Amount: \_\_\_\_\_ Dollars

Accreted Value at Maturity \_\_\_\_\_ 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, the accreted value at maturity specified above in lawful money of the United States of America, such accreted value at maturity consisting of the initial principal amount hereof plus interest earned thereon and accumulated from the date hereof to such date as reflected in the Table of Accreted Values hereinafter set forth, compounded on February 1 and August 1 of each year, commencing [February 1, 2008], assuming in any such semiannual period that this Bond shall increase in value by the accumulation of earned interest in equal daily amounts on the basis of a 360-day year of twelve 30-day months, until the obligation represented hereby shall have been discharged, upon the surrender hereof at the principal corporate trust office of the hereinafter defined Paying Agent in accordance with the provisions of that certain Paying Agent Agreement, dated as of June 1, 2005, as supplemented and amended from time to time pursuant to its terms, including as supplemented and amended by the First Supplemental Paying Agent Agreement, dated as of December 1, 2007 (hereinafter collectively referred to as the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent (together with any successor paying agent, the "Paying Agent"). All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Paying Agent Agreement.

This Bond is one of a duly authorized issue of general obligation bonds designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004 (the "Bonds") of the Series designated above (each, a "Series 2007A Bond," and, collectively, the "Series 2007A Bonds"). The Series 2007A Bonds are 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 [November 12], 2007 (the "Resolution"), and the Paying Agent Agreement. The Series 2007A Bonds comprise a portion of \$496,000,000 aggregate principal amount of general obligation bonds authorized by the affirmative vote of more than two-thirds of the votes cast on a ballot measure, Measure BB, at an election duly and legally called, held and conducted in the District on November 2, 2004. The Series 2007A Bonds are comprised of capital appreciation bonds (each, a "Capital Appreciation Series 2007A Bond," and, collectively, the "Capital Appreciation Series 2007A Bonds") and current interest Series 2007A Bonds (each, a "Current Interest Series 2007A Bond," and, collectively, the "Current Interest Series 2007 A Bonds"). This Series 2007A Bond is a Capital Appreciation Series 2007A Bond.

The Capital Appreciation Series 2007A Bonds are issuable as fully registered bonds in the denomination of \$5,000 accreted value at maturity or any integral multiple thereof, [except that one Capital Appreciation Series 2007A Bond may be issued in an accreted value at maturity other than in an integral multiple of \$5,000]. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Paying Agent Agreement, Capital Appreciation Series 2007A Bonds may be exchanged for a like aggregate accreted value at maturity of Capital Appreciation Series 2007A Bonds of the same maturity of other authorized denominations.

This Capital Appreciation Series 2007A 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 Capital Appreciation Series 2007A Bond. Upon such transfer, a new Capital Appreciation Series 2007A Bond or Capital Appreciation Series 2007A Bonds of authorized denomination or denominations for the same maturity and same aggregate accreted value at maturity 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 Capital Appreciation Series 2007A Bonds are not subject to optional and mandatory sinking fund redemption prior to maturity.

The Board of Directors hereby certifies and declares that the total amount of indebtedness of the District, including the amount of this Capital Appreciation Series 2007A 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 Capital Appreciation Series 2007A Bond have been done and performed in strict conformity with the laws authorizing the issuance



of this Capital Appreciation Series 2007A Bond, that this Capital Appreciation Series 2007A 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 Capital Appreciation Series 2007A Bond shall be payable out of the Interest and Sinking Fund, and that the money for the payment of the accreted value at maturity of this Capital Appreciation Series 2007A Bond shall be raised by taxation upon the taxable property of said District.

This Capital Appreciation Series 2007A Bond shall not be entitled to any benefit under the Resolution or the 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 Capital Appreciation Series 2007A 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 above.

PALOMAR POMERADO HEALTH

By: \_\_\_\_\_  
Chairperson of the Board of Directors

(Seal)

By: \_\_\_\_\_  
Secretary of the Board of Directors

**[Form of Certificate of Authentication]**

This is one of the Capital Appreciation Series 2007A 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

**[Form of Statement of Insurance]**

[Copy to Come, if Applicable.]

**[Form of DTC Legend]**

Unless this Capital Appreciation Series 2007A Bond is presented by an authorized representative of The Depository Trust Company to the District or its agent for registration of transfer, exchange or payment, and any Capital Appreciation Series 2007A Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., **any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful** since the registered owner hereof, Cede & Co., has an interest herein.

**[Form of Assignment]**

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned Capital Appreciation Series 2007A 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 Capital Appreciation Series 2007A Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: \_\_\_\_\_

Signature Guaranteed by:: \_\_\_\_\_

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

**Table of Accreted Values**

[Copy to Come]

**Exhibit B**

**[Form of Current Interest Series 2007A Bond]**

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

**Palomar Pomerado Health  
General Obligation Bond, Election of 2004,  
Series 2007A**

**Current Interest Bond**

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Date</b>	<b>CUSIP No.</b>
_____%	August 1, 20__	December __, 2007	_____

Registered Owner: 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, 2008], and thereafter on February 1 and August 1 in each year (each, an "Interest Payment Date"), until payment of said principal sum. If this Bond is authenticated on any date prior to the close of business on [January 15, 2008], it shall bear interest from the date hereof. If authenticated during the period between any Record Date (defined as the fifteenth day of the month prior to the month in 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.

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Paying Agent Agreement, dated as of June 1, 2005, as supplemented and amended from time to time pursuant to its terms, including as supplemented and amended by the First Supplemental Paying Agent Agreement, dated as of December 1, 2007 (hereinafter collectively referred to as the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent (together with any successor paying agent, the "Paying Agent").

The principal hereof is payable to the registered owner hereof upon the surrender hereof at the Principal Corporate Trust Office of the Paying Agent. 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: (i) 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; or (ii) by wire transfer in accordance with the provisions set forth in the Paying Agent Agreement.

This Bond is one of a duly authorized issue of general obligation bonds designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004 (the "Bonds") of the Series designated above (each, a "Series 2007A Bond," and, collectively, the "Series 2007A Bonds"). The Series 2007A Bonds are 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 [November 12], 2007 (the "Resolution"), and the Paying Agent Agreement. The Series 2007A Bonds comprise a portion of \$496,000,000 aggregate principal amount of general obligation bonds authorized by the affirmative vote of more than two-thirds of the votes cast on a ballot measure, Measure BB, at an election duly and legally called, held and conducted in the District on November 2, 2004. The Series 2007A Bonds are comprised of capital appreciation bonds (each, a "Capital Appreciation Series 2007A Bond," and, collectively, the "Capital Appreciation Series 2007A Bonds") and current interest Series 2007A Bonds (each, a "Current Interest Series 2007A Bond," and, collectively, the "Current Interest Series 2007 A Bonds"). This Series 2007A Bond is a Current Interest Series 2007A Bond.

The Current Interest Series 2007A Bonds are issuable as fully registered bonds in the denomination of \$5,000 principal amount or any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Paying Agent Agreement, Current Interest Series 2007A Bonds may be exchanged for a like aggregate principal amount of Current Interest Series 2007A Bonds of the same maturity and interest rate of other authorized denominations.

This Current Interest Series 2007A 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 Current Interest Series 2007A Bond. Upon such transfer, a new Current Interest Series 2007A Bond or Current Interest Series 2007A 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 Current Interest Series 2007A Bonds are subject to optional and mandatory sinking fund redemption as described below on the terms and subject to the conditions specified in the Paying Agent Agreement. If this Current Interest Series 2007A 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.

Current Interest Series 2007A Bonds maturing on or before August 1, 20\_\_, are not subject to redemption prior to their respective stated maturity dates. Current Interest Series 2007A 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\_\_, at the principal amount of Current Interest Series 2007A Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Current Interest Series 2007A Bonds maturing on August 1, 20\_\_ and 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, at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

The Board of Directors hereby certifies and declares that the total amount of indebtedness of the District, including the amount of this Current Interest Series 2007A 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 Current Interest Series 2007A Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Current Interest Series 2007A Bond, that this Current Interest Series 2007A 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 Current Interest Series 2007A Bond shall be payable out of the Interest and Sinking Fund, and that the money for the payment of the principal of this Current Interest Series 2007A Bond, premium, if any, and the payment of interest hereon, shall be raised by taxation upon the taxable property of said District.

This Current Interest Series 2007A Bond shall not be entitled to any benefit under the Resolution or the 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 Current Interest Series 2007A 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 above.

PALOMAR POMERADO HEALTH

By: \_\_\_\_\_  
Chairperson of the Board of Directors

(Seal)

By: \_\_\_\_\_  
Secretary of the Board of Directors



**[Form of Certificate of Authentication]**

This is one of the Current Interest Series 2007A 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

**[Form of Statement of Insurance]**

[Copy to Come, if Applicable.]

**[Form of DTC Legend]**

Unless this Current Interest Series 2007A Bond is presented by an authorized representative of The Depository Trust Company to the District or its agent for registration of transfer, exchange or payment, and any Current Interest Series 2007A Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., **any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful** since the registered owner hereof, Cede & Co., has an interest herein.

**[Form of Assignment]**

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned Current Interest Series 2007A 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 Current Interest Series 2007A Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: \_\_\_\_\_

Signature Guaranteed by:: \_\_\_\_\_

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

**Exhibit C**

**[Form of Series 2007A Measure BB Project Fund Requisition]**

**Requisition No. \_\_\_\_**

**Series 2007A 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, as supplemented and amended by the First Supplemental Paying Agent Agreement, dated as of December 1, 2007 (hereinafter collectively referred to as 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) 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 2007A Measure BB Project Fund created pursuant to Section 12.03 of the Paying Agent Agreement 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) each item relates to a Project for which CEQA Compliance has been achieved; (b) obligations in the amounts set forth in Schedule I attached hereto have been incurred by the District and are presently due and payable; (c) each item is a proper charge against the Series 2007A Measure BB Project Fund; (d) each item has not been previously paid from the Series 2007A Measure BB Project Fund; and (e) 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. \_\_\_\_\_

<b>Name and Address of Party To Be Paid</b>	<b>Payment Amount</b>	<b>Nature of Expenditure</b>	<b>Payment Instructions</b>
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**Exhibit D**

**[Form of Series 2007A Measure BB Costs of Issuance Fund Requisition]**

**Requisition No. \_\_\_\_**

**Series 2007A 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, as supplemented and amended by the First Supplemental Paying Agent Agreement, dated as of December 1, 2007 (hereinafter collectively referred to (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) 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 2007A Measure BB Costs of Issuance Fund created pursuant to Section 12.04 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 2007A Measure BB Costs of Issuance Fund; and (c) each item has not been previously paid from the Series 2007A Measure BB Costs of Issuance Fund.

Dated: \_\_\_\_\_.

**Palomar Pomerado Health**

By: \_\_\_\_\_  
Authorized District Representative

**Schedule I To Requisition No. \_\_\_\_\_**

<b>Name and Address of Party To Be Paid</b>	<b>Payment Amount</b>	<b>Nature of Expenditure</b>	<b>Payment Instructions</b>
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**Document No. 4 - Tax Certificate**



**Tax Certificate to be provided for review and approval of Chief Financial Officer and District Counsel approximately 10 days prior to Closing.**