**Document No. 5 - Preliminary Official Statement**

# PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER ___, 2007

NEW ISSUE – FULL BOOK-ENTRY

**RATINGS: See "MISCELLANEOUS – Ratings"**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Palomar Pomerado Health, 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.*

**[PPH Logo]**

## $[250,000,000]*
## PALOMAR POMERADO HEALTH
## General Obligation Bonds, Election of 2004, Series 2007A

**Dated: Date of Delivery** **Due: August 1, as shown on the inside cover**

The Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A (the "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, of which $80,000,000 were issued in July 2005. The Bonds are the second 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 as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Bonds will be issued in book-entry form only and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). DTC will act as security depository for the Bonds. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

Interest with respect to the Current Interest Bonds accrues from their date of delivery, and is payable on February 1 and August 1 of each year, commencing [February 1, 2008]. The Current Interest Bonds are issuable as fully registered Bonds in denominations of $5,000 or any integral multiple thereof. The Capital Appreciation Bonds will not bear current interest, but will increase in value by the accumulation of earned interest from their initial principal amounts on the date of issuance thereof to their respective accreted values at maturity. Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1, commencing [February 1, 2008] and shall be payable at maturity. The Capital Appreciation Bonds are issuable as fully registered bonds in denominations of $5,000 accreted value at maturity 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 be resold to the Underwriter identified below.

**The Current Interest Bonds are subject to optional and mandatory sinking fund redemption, as described herein. The Capital Appreciation Bonds are not subject to redemption prior to their respective maturity dates.**

[Payment of principal of and interest on the Bonds maturing in years _________ through _________ (the "Insured Bonds") when due will be insured by a financial guaranty insurance policy to be issued by [Insurer] (the "Insurer") simultaneously with the delivery of the Bonds. The Bonds maturing in the years ____ and ____ (the "Uninsured Bonds") will not be insured. See "BOND INSURANCE" herein and APPENDIX H—"Form of 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 to the District. 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, special counsel to the District. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about [December __], 2007.

# Citi

The date of this Official Statement is [December __], 2007.

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* Preliminary, subject to change

**MATURITY SCHEDULE***
**$[250,000,000]**

**PALOMAR POMERADO HEALTH**
**GENERAL OBLIGATION BONDS, ELECTION OF 2004, SERIES 2007A**

**$__________ CURRENT INTEREST BONDS**

| Maturity (August 1) | Principal Amount | Interest Rate | Yield | CUSIP[1] |
|---|---|---|---|---|

**$__________ ___% Current Interest Term Bond due August 1, 20__ - Yield ___%**

**$__________ CAPITAL APPRECIATION BONDS**

| Maturity (August 1) | Initial Principal Amount | Accretion Rate (approximate) | Accreted Value at Maturity | Yield to Maturity | CUSIP[1] |
|---|---|---|---|---|---|

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* Preliminary, subject to change

[1] Copyright 2007, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the holders of the Bonds. The District is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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 [or 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, M.D., *Chairman*
Nancy L. Bassett, R.N., MBA, *Vice-Chair*
T. E. Kleiter, *Treasurer*
Linda C. Greer, R.N., *Secretary*
Bruce G. Krider, MBA, *Director*
Alan W. Larson, M.D., *Director*

### District Administration

Michael H. Covert, *President and Chief Executive Officer*
Robert Hemker, *Chief Financial Officer*
Gerald Bracht, *Chief Administrative Officer*
Steve Gold, *Interim Chief Administrative Officer*
Marcia Jackson, *Chief Planning Officer*
Janine Sarti, Esq., *General Counsel*

## PROFESSIONAL SERVICES

### Bond Counsel

Orrick, Herrington & Sutcliffe LLP

### District Special 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
Los Angeles, California

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**$[250,000,000] ***
**PALOMAR POMERADO HEALTH**
**General Obligation Bonds, Election of 2004, Series 2007A**

## 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 $[250,000,000]* aggregate principal amount of Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A (the "Bonds"). The Bonds are being issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"), as more fully described herein.

*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, dated as of July 1, 2005 (as supplemented and amended, the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"), or if not defined therein, as in the Bond Resolution (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, Poway, Ramona, Rancho Bernardo, Rancho Penasquitos, San Marcos, Valley Center, Pauma Valley Santa Ysabel and Julian. The total 2007-08 net assessed valuation of property within the District is $63.3 billion. See APPENDIX A for certain information concerning the District, its operations and revenues from operations.

### Authority for Issuance and Sale of the Bonds

The Bonds constitute the second series of bonds issued under a $496,000,000 authorization ("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 District issued its Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A (the "2005 GO Bonds") on July 7, 2005 in the aggregate principal amount of $80,000,000, of which $68,360,000 is currently outstanding. The Bonds are issued pursuant to certain

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* Preliminary, subject to change.

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 November 12, 2007 (the "Bond Resolution"). See "THE BONDS – Authority for Issuance." The Bonds will be sold by the District to the North 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 Citigroup Global Markets Inc. (the "Underwriter"), as described under "MISCELLANEOUS – Underwriting" herein.

**Use of Bond Proceeds**

Prior to the adoption of Measure BB, the District Board approved a facilities master plan for the District, which it has amended from time to time, most recently on November 12, 2007 (as amended, the "Facilities Master Plan"). The 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 to 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 initial phase of the Facilities Master Plan and authorized by Measure BB and may also be used to pay cost of issuance of the Bonds and/or to fund interest. The initial phase of the Facilities Master Plan is currently expected to be substantially completed before the end of fiscal year 2014 at a total cost currently estimated at approximately $983 million. The District will use the 2005 GO Bonds and a portion of revenue obligations incurred by the District in 2006 in the aggregate principal amount of $180 million to pay portions of the costs of the initial phase of the Facilities Master Plan. See APPENDIX A—"INFORMATION CONCERNING PALOMAR POMERADO HEALTH—FACILITIES MASTER PLAN, SERVICE AREA AND COMPETITION."

**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.

References herein to payment of principal on the Bonds includes payment of principal of the Current Interest Bonds at their maturity and payment of the accreted value of Capital Appreciation Bonds at their maturity.

**[Bond Insurance**

Payment of principal of and interest on the Bonds maturing on August 1, ____ (the "Insured Bonds") when due will be insured by a financial guaranty insurance policy to be issued by ________________ (the "Insurer") simultaneously with the delivery of the Bonds. The Bonds maturing in the years _____ and ______ (the "Uninsured Bonds") will not be insured. See "BOND INSURANCE" and "MISCELLANEOUS – Rating" 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 certain annual financial and operational information and notices of certain events. See "LEGAL MATTERS – Continuing Disclosure" herein and APPENDIX E—"FORM OF CONTINUING DISCLOSURE UNDERTAKING."

### 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 being issued pursuant to the provisions of The Local Health Care District Law, other applicable laws and 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 on Measure BB. The Bonds are the second series of bonds to be issued under the Measure BB authorization. Certain terms and provisions of the Bonds are set forth in the Paying Agent Agreement.

### 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.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references in the Official Statement to "Holder," "Bondholder" 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.

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 Bondholders 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.

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."

***Current Interest Bonds.*** Interest with respect to the Current Interest Bonds accrues from their date of delivery, and is payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing [February 1, 2008]. Interest on the Current Interest Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The Current Interest Bonds are issuable in denominations of $5,000 or any integral multiple thereof and will mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Interest on the Current Interest 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 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 Bonds aggregating not less than $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 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 Bonds, payment shall be made to Cede & Co. by wire transfer as provided in the Paying Agent Agreement .

*Capital Appreciation Bonds*. The Capital Appreciation Bonds shall not bear current interest. Each Capital Appreciation 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 APPENDIX G. Interest on the Capital Appreciation 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.

The Capital Appreciation Bonds shall be issued as fully registered bonds in denominations of $5,000 accreted value at maturity ("maturity value") or any integral multiple of $5,000, provided that one maturity value of such Capital Appreciation Bond may be issued such that the maturity value is not in an integral multiple of $5,000. Each Capital Appreciation Bond shall be dated the date of its initial delivery and shall mature on the date and in the accreted value at maturity set forth on the inside cover page hereto.

The stated accreted value at maturity of the Capital Appreciation Bonds shall be payable in lawful money to the registered owner 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 Bonds, payment shall be made to Cede & Co by wire transfer as provided in the Paying Agent Agreement.

**Redemption**

***Capital Appreciation Bonds.*** The Capital Appreciation Bonds are not subject to redemption prior to their respective stated maturities.

***Current Interest Bonds.***

*Optional Redemption.* The Current Interest Bonds maturing on or before August 1, 2017 are not subject to redemption prior to their fixed maturity dates. The Current Interest Bonds maturing on or after August 1, 2018 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, 2017, or on any date thereafter at the par amount thereof without premium, together with interest accrued thereon to the date of redemption.

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

*Mandatory Sinking Fund Redemption.* The Current Interest Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, beginning August 1,__ 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 Current Interest Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Maturity Date: August 1, 20__

| Redemption Date (August 1) | Principal Amount |
|---|---|
| (Maturity) | |

The Current Interest Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, beginning August 1,__ 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 Current Interest Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Maturity Date: August 1, 20__

| Redemption Date (August 1) | Principal Amount |
|---|---|
| (Maturity) | |

**Notice of Redemption**

Notice of redemption of any Current Interest Bonds shall be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) to the respective Bondholders thereof at the addresses appearing on the bond registration books maintained by the Paying Agent, (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 Continuing Disclosure Undertaking of the District.

Each notice of redemption shall contain all of the following information: (i) the date of such notice; (ii) the name of the Current Interest Bonds and the date of issue of the Current Interest Bonds; (iii) the date of redemption (the "Redemption Date"); (iv) the redemption price; (v) the dates of maturity of the Current Interest Bonds to be redeemed; (vi) if less than all of the Current Interest Bonds of any maturity are to be redeemed, the distinctive numbers of the Current Interest Bonds of each maturity to be redeemed; (vii) in the case of Current Interest Bonds redeemed in part only, the respective portions of the principal amount of the Current Interest Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Current Interest Bonds to be redeemed; (ix) a statement that such Current Interest 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 Current Interest Bonds will not accrue after the designated Redemption Date.

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 those Current Interest 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 and interest due on the Current Interest Bonds called for redemption. Notice of rescission shall be given in the same manner in which notice of redemption was originally given.

The actual receipt by the Holder of any Current Interest Bond or by any other party designated to receive notice of such redemption or rescission shall not be a condition precedent to redemption or rescission, 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 Current Interest Bond or the cessation of interest on the date fixed for redemption, or such rescission, as applicable. A certificate of the Paying Agent that notice of call and redemption has been given to Holders and the other parties designated in the Paying Agent Agreement to receive such notice 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 Current Interest Bonds called for redemption is set aside in the Interest and Sinking Fund or the escrow fund established for such purpose, the Current Interest 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. The Holders of such Current Interest Bonds so called for redemption after such redemption date shall have no rights under the Paying Agent Agreement except to receive payment of the principal of and redemption premium, if any, on the Current Interest Bonds and the interest accrued thereon to the Redemption Date, such payment to be made solely from the funds provided therefor.

**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 senior debt obligations of other government sponsored agencies, 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 and interest) at or before their respective maturity dates.

**Registration, Transfer and Exchange of Bonds**

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 provided in the Paying Agent Agreement.

The Capital Appreciation 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 Bonds, representing the accreted value at maturity of the Capital Appreciation Bonds of such maturity. Registered ownership of the Capital Appreciation Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Paying Agent Agreement.

The Current Interest 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 Bonds, representing the aggregate principal amount of the current Interest Series 2007A Bonds of such maturity. Registered ownership of the Current Interest Bonds, or any portion thereof, may not thereafter be transferred except as set forth 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 transfer, and exchange of the Bonds.*

Any Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of the Paying Agent Agreement 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 from approved by the Paying Agent. 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 maturity and interest rate. A Capital Appreciation Bond may only be transferred or exchanged for a Capital Appreciation Bond and a Current Interest Bond may only be transferred or exchanged for a Current Interest Bond. No transfer or exchange 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.

**Investment of Bond Proceeds**

The District expects to invest monies in the Series 2007A 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 on Bonds and 2005 GO Bonds**

The following table summarizes the debt service requirements for the 2005 GO Bonds, the Current Interest Bonds and the Capital Appreciation Bonds (assuming no optional redemptions on the 2005 GO Bonds or the Current Interest Bonds):*

**DEBT SERVICE SCHEDULE**

| | | Current Interest Bonds | | Capital Appreciation Bonds | | |
|---|---|---|---|---|---|---|
| Year Ending (August 1) | Total Debt Service on 2005 GO Bonds | Principal | Interest | Accreted Value | Total Debt Service on Bonds | Aggregate Annual Debt Service |
| Total | | | | | | |

* For discussion of revenue obligations of the District, see APPENDIX A—"INFORMATION CONCERNING PALOMAR POMERADO HEALTH — MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE — Outstanding Long-Term Debt."

## 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* | |
| [Net] Original Issue Premium | |
| Total Sources | |
| Uses of Funds | |
| Measure BB Project Costs | |
| Funded Interest | |
| 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."

* Aggregate of principal amount of Current Interest Bonds and the initial principal amount of the Capital Appreciation Bonds.

## [BOND INSURANCE]

*[Payment of principal of and interest on the Insured Bonds when due will be insured by a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued by the Insurer simultaneously with the delivery of the Bonds.*

The following information has been provided by the Insurer for use in this Official Statement. *This information relates only to Insured Bonds.* Reference is made to APPENDIX H for a specimen of the Insurer's Financial Guaranty 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 BE PROVIDED BY THE INSURER]***

## SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

### General Obligation of District

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 collected by the County and transferred by the County to the Paying Agent. Pursuant to the provisions of the Paying Agent Agreement, the County will be directed to transfer such taxes on a monthly basis 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, the 2005 GO Bonds, and additional general obligation bonds issued under Measure BB (collectively, the "GO Bonds"), and interest thereon when due. Although the County is obligated to levy an ad valorem tax for the payment of the GO Bonds, the GO 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, or, with respect to the Capital Appreciation Bonds, the maturity date, to DTC for remittance by DTC to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

The District is required by Section 32127 of the Local Health Care District Law to use moneys in its maintenance and operation fund whenever ad valorem taxes will be insufficient to pay principal and interest on its GO Bonds. The District anticipates that ad valorem taxes will be sufficient to pay its GO Bonds when due. For certain information concerning the District, its operations and revenues derived from its operations, see APPENDIX A—"INFORMATION CONCERNING PALOMAR POMERADO HEALTH."

**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 the 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 District's GO Bonds will be based on the assessed valuation of taxable property in the District and the amount of debt service due on its GO Bonds. The District calculates the tax rate on an annual basis based on: the assessed valuation of taxable property in the District as of the preceding January 1; and the amount of debt service due on its GO Bonds. In calculating the tax rate, the District utilizes an assumed delinquency rate. Subsequent to the District's annual calculation of the tax rate, the District, in accordance with County policy, adopts a resolution notifying the County of the tax rate so established. The County, in turn, levies and collects the ad valorem taxes and transfers such ad valorem taxes to the Paying Agent as described above.

***Certain Risks Related to Ad Valorem Property Taxation.*** A reduction in the assessed valuation of taxable property located in the District, such as may be caused by deflation of land values, economic recession, 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, fire or other natural disaster, could cause a reduction in the assessed value of the District's tax roll and necessitate an unanticipated increase in the annual tax levy necessary to pay debt service on its GO Bonds. A significant decrease in assessed valuation, an unanticipated increase in the rate of tax delinquencies, or a declaration of bankruptcy by the District, could delay the payment of debt service on the District's GO Bonds. As stated above, the District calculates the annual tax rate, in part, based on an assumed delinquency rate, which historic assumed delinquency rate has exceeded twice the historic rate of delinquencies in the County (see "—Tax Levies, Collections and Delinquencies" below). In any given fiscal year, to the extent the delinquency rate is less than that which was assumed for such year, any excess taxes collected will be used to pay debt service in the following fiscal year. Conversely, if in any given year, the delinquency rate is higher than that which was assumed for such year and to the extent there are not sufficient funds on deposit in the Interest and Sinking Fund to pay debt service on the GO Bonds for such year, the District is required to provide funds from its operations to make up any deficiencies in the Interest and Sinking Fund to provide for payment of the GO Bonds. While the levy of ad valorem tax to pay debt service of the Bonds and other GO Bonds is not limited as to rate or amount, the risks discussed in this paragraph could affect a tax payor's willingness or ability to pay taxes.

**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 XIIIA 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 and public colleges, universities and hospitals, charitable institutions and governmental property, 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 2007-08 of $63,378,635,652. The following table presents the ten-year history of assessed valuations in the District.

**PALOMAR POMERADO HEALTH**
**Assessed Valuations of Real Property Within The District**

| Fiscal Year | Local Secured | Utility | Unsecured | Total |
|---|---|---|---|---|
| 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 |
| 2005-06 | 50,322,146,725 | 204,643,139 | 1,589,632,696 | 52,116,422,560 |
| 2006-07 | 56,241,876,525 | 367,226,118 | 1,862,529,854 | 58,471,632,497 |
| 2007-08 | 61,369,060,961 | 197,696,241 | 1,811,878,450 | 63,378,635,652 |

Source: California Municipal Statistics, Inc.

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

Under the Local Health Care District Law, the District's 2007-08 gross bonding capacity is equal to 2.5% of the assessed valuation of the taxable property within its boundaries, being $1,584,465,891. The District has voter approval by Measure BB to issue a total of $496,000,000 of GO Bonds. The Bonds are the second issuance under that authorization. The 2005 GO Bonds were issued on July 7, 2005 and are currently outstanding in an aggregate principal amount of $68,360,000.

The following table shows the assessed valuation of real property on the secured tax rolls within the District and the number of parcels by land uses for fiscal year 2007-08.

**PALOMAR POMERADO HEALTH**
**Assessed Valuation and Parcels by Land Use**

| | 2007-08 Assessed Valuation (1) | % of Total | No. of Parcels | % of Totals |
|---|---|---|---|---|
| Non-Residential: | | | | |
| Agricultural/Rural | $ 422,102,365 | 0.69% | 2,539 | 1.34% |
| Commercial | 6,357,042,213 | 10.36 | 3,337 | 1.76 |
| Vacant Commercial | 286,258,473 | 0.47 | 818 | 0.43 |
| Industrial | 5,588,111,271 | 9.11 | 2,269 | 1.19 |
| Vacant Industrial | 521,999,200 | 0.85 | 859 | 0.45 |
| Recreational/Open Space | 300,433,714 | 0.49 | 2,561 | 1.35 |
| Government/Social/Institutional | 76,009,806 | 0.12 | 862 | 0.45 |
| Subtotal Non-Residential | $13,551,957,042 | 22.08% | 13,245 | 6.97% |
| Residential: | | | | |
| Single Family Residence | $36,741,165,916 | 59.87% | 98,811 | 52.03% |
| Condominium/Townhouse | 5,482,870,410 | 8.93 | 24,667 | 12.99 |
| Mobile Home | 361,744,458 | 0.59 | 5,510 | 2.90 |
| Mobile Home Park | 160,418,158 | 0.26 | 111 | 0.06 |
| 2-4 Residential Units | 532,899,635 | 0.87 | 1,625 | 0.86 |
| 5+ Residential Units/Apartments | 3,037,534,667 | 4.95 | 801 | 0.42 |
| Miscellaneous Residential Improvements | 28,737,280 | 0.05 | 562 | 0.30 |
| Timeshare | 252,606,094 | 0.41 | 34,081 | 17.94 |
| Vacant Residential | 1,219,127,301 | 1.99 | 10,515 | 5.54 |
| Subtotal Residential | $47,817,103,919 | 77.92% | 176,683 | 93.03% |
| Total | $61,369,060,961 | 100.00% | 189,928 | 100.00% |

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

The table below shows the Fiscal Year 2007-08 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 2007-08 Assessed Valuation of Single Family Homes**

| | No. of Parcels | 2007-08 Assessed Valuation | Average Assessed Valuation | Median Assessed Valuation |
|---|---|---|---|---|
| Single Family Residential | 98,881 | $36,741,165,916 | $371,570 | $320,154 |

| 2007-08 Assessed Valuation[1] | No. of Parcels (1) | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| .$0 - $24,999 | 199 | 0.201% | 0.201% | $ 3,449,632 | 0.009% | 0.009% |
| $25,000 - $49,999 | 1,492 | 1.509 | 1.710 | 61,062,141 | 0.166 | 0.176 |
| $50,000 - $74,999 | 2,984 | 3.018 | 4.728 | 186,577,539 | 0.508 | 0.683 |
| $75,000 - $99,999 | 2,780 | 2.811 | 7.539 | 242,567,758 | 0.660 | 1.344 |
| $100,000 - $124,999 | 2,633 | 2.663 | 10.202 | 298,032,972 | 0.811 | 2.155 |
| $125,000 - $149,999 | 3,561 | 3.601 | 13.803 | 492,498,750 | 1.340 | 3.495 |
| $150,000 - $174,999 | 4,399 | 4.449 | 18.252 | 717,484,603 | 1.953 | 5.448 |
| $175,000 - $199,999 | 5,467 | 5.529 | 23.781 | 1,026,448,919 | 2.794 | 8.242 |
| $200,000 - $224,999 | 5,909 | 5.976 | 29.757 | 1,255,141,702 | 3.416 | 11.658 |
| $225,000 - $249,999 | 5,726 | 5.791 | 35.548 | 1,358,609,905 | 3.698 | 15.356 |
| $250,000 - $274,999 | 5,520 | 5.582 | 41.130 | 1,447,293,409 | 3.939 | 19.295 |
| $275,000 - $299,999 | 5,078 | 5.135 | 46.266 | 1,458,401,047 | 3.969 | 23.264 |
| $300,000 - $324,999 | 4,744 | 4.798 | 51.063 | 1,480,718,778 | 4.030 | 27.294 |
| $325,000 - $349,999 | 3,994 | 4.039 | 55.103 | 1,347,761,021 | 3.668 | 30.963 |
| $350,000 - $374,999 | 3,838 | 3.881 | 58.984 | 1,390,173,479 | 3.784 | 34.746 |
| $375,000 - $399,999 | 3,569 | 3.609 | 62.593 | 1,382,183,574 | 3.762 | 38.508 |
| $400,000 - $424,999 | 3,308 | 3.345 | 65.939 | 1,365,881,237 | 3.718 | 42.226 |
| $425,000 - $449,999 | 3,108 | 3.143 | 69.082 | 1,359,875,598 | 3.701 | 45.927 |
| $450,000 - $474,999 | 3,166 | 3.202 | 72.284 | 1,463,506,564 | 3.983 | 49.910 |
| $475,000 - $499,999 | 2,980 | 3.014 | 75.298 | 1,452,370,902 | 3.953 | 53.863 |
| $500,000 and greater | 24,426 | 24.702 | 100.000 | 16,951,126,386 | 46.137 | 100.000 |
| Total | 98,881 | 100.000% | | $36,741,165,916 | 100.000% | |

[1] Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

The following table lists the major real property taxpayers in the District based solely on their 2007-08 secured assessed valuations.

**PALOMAR POMERADO HEALTH**
**Largest 2007-08 Local Secured Taxpayers**

| | Property Owner | Land Use | 2007-08 Assessed Valuation | % of Total (1) |
|---|---|---|---|---|
| 1. | Kilroy Realy LP | Office Buildings | $170,990,076 | 0.28% |
| 2. | North County Fair LLC | Shopping Center | 165,370,429 | 0.27 |
| 3. | Hewlett-Packard Co. | Industrial | 142,165,316 | 0.23 |
| 4. | Cymer Inc. | Office Buildings | 132,581,936 | 0.22 |
| 5. | Pacific Carmel Mountain Holdings LP | Office Buildings | 120,243,904 | 0.20 |
| 6. | McCrink Ranch Partners LLC | Residential Development | 109,889,509 | 0.18 |
| 7. | Bernardo Summit LLC | Industrial | 105,000,000 | 0.17 |
| 8. | Sony Electronics Inc. | Industrial | 92,399,880 | 0.15 |
| 9. | Arden Realty LP | Office Buildings | 90,288,803 | 0.15 |
| 10. | Sorrento West Properties Inc. | Industrial | 86,930,820 | 0.14 |
| 11. | Alliance I LLC | Apartments | 85,228,179 | 0.14 |
| 12. | I&G the Point Inc. | Office Buildings | 75,964,500 | 0.12 |
| 13. | Slough Poway I LLC | Industrial | 74,496,982 | 0.12 |
| 14. | BRE Properties Inc. | Apartments | 72,222,500 | 0.12 |
| 15. | BAE Systems Mission Solutions Inc. | Industrial | 72,063,845 | 0.12 |
| 16. | 4S Regency Partners LLC | Shopping Center | 67,572,260 | 0.11 |
| 17. | Apple Seven Hospitality Ownership Inc. | Hotel | 67,150,000 | 0.11 |
| 18. | Grand Plaza LLC | Shopping Center | 66,622,341 | 0.11 |
| 19. | NCR Corp. | Office Buildings | 61,400,018 | 0.10 |
| 20. | Goal Line | Recreational | 59,969,915 | 0.10 |
| | | Total: | $1,918,551,213.00 | 2.8628% |

(1) 2007-08 total Local Secured Assessed Valuation: $61,369,060,961
Source: California Municipal Statistics, Inc.

The following table sets forth a typical tax rate for property within the District for fiscal years 2000-01 through 2007-08.

**PALOMAR POMERADO HEALTH**
**Typical Total Tax Rate**

| | |
|---|---|
| 2000-01 | 1.01714% |
| 2001-02 | 1.01578% |
| 2002-03 | 1.01456% |
| 2003-04 | 1.01357% |
| 2004-05 | 1.01250% |
| 2005-06 | 1.02940% |
| 2006-07 | 1.02869% |
| 2007-08 | 1.03828% |

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.

There is no information on tax delinquency for the District. The County reports in its Comprehensive Annual Financial Report the following information concerning tax delinquencies related to property taxes administered County wide. For the fiscal year ended June 30, 2006, the County collected 98.96% of the tax levy for such fiscal year.

**COUNTY OF SAN DIEGO**
**Property Tax Levies and Collections**
**Fiscal Years 2001-02 through 2005-06***
**(in thousands)**

| | | Collections within the Fiscal Year of the Levy | | | Total Collections as of June 30, 2007 | |
|---|---|---|---|---|---|---|
| Fiscal Year Ended June 30, | Total Tax Levy for Fiscal Year[1] | Amount | Percentage of Levy | Collections in Subsequent Years | Amount | Percentage of Levy |
| 2002 | $2,144,837 | $2,123,067 | 98.99% | $16,544 | $2,139,611 | 99.76% |
| 2003 | 2,328,624 | 2,304,083 | 98.95 | 16,059 | 2,320,142 | 99.64 |
| 2004 | 2,549,997 | 2,525,796 | 99.05 | 15,140 | 2,540,936 | 99.64 |
| 2005 | 2,808,178 | 2,777,733 | 98.92 | 18,851 | 2,796,584 | 99.59 |
| 2006 | 3,179,585 | 3,146,615 | 98.96 | N/A | 3,146,615 | 98.96 |

[1] Includes the Secured, Unsecured and Unitary Tax Levy for the County and school districts, cities and special districts under the supervision of independent governing boards.
Source: County of San Diego, Comprehensive Annual Financial Report for fiscal year ended June 30, 2007.
*Most current data available.

**Overlapping Debt Obligations**

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated as of October 11, 2007, for debt outstanding as of November 1, 2007. 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

| | |
|---|---|
| 2007-08 Assessed Valuation: | $63,378,635,652 |
| Incremental Assessed Valuation: | $11,276,173,804 |
| Adjusted Assessed Valuation: | $52,102,461,848 |

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable [1] | Debt 11/1/07 |
|---|---|---|
| Metropolitan Water District | 2.896% | $ 10,399,970 |
| Palomar Pomerado Community College District | 64.734 | 103,574,400 |
| Poway Unified School District School Facilities Improvement District No. 2002-1 | 96.634 | 170,738,523 |
| San Diego Unified School District | 1.042 | 14,601,833 |
| San Marcos Unified School District School Facilities Improvement District | 71.699 | 11,563,628 |
| Escondido Union High School District | 99.772 | 34,978,046 |
| Escondido Union School District | 99.762 | 56,839,022 |
| Other School Districts | Various | 10,852,852 |
| City of Escondido | 100. | 83,180,000 |
| Other Cities | Various | 840,285 |
| City of San Diego Open Space Park Facilities District | 10.285 | 1,388,475 |
| **Palomar Pomerado Hospital District** | **100.** | **68,360,000**[2] |
| Community Facilities Districts | Various | 471,816,552 |
| 1915 Act Bonds (Estimate) | Various | 41,140,456 |
| TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $1,080,274,042 |
| Less: City of San Diego Open Space Park Facilities District | | 1,388,475 |
| TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $1,078,885,567 |

| OVERLAPPING GENERAL FUND OBLIGATION DEBT: | | |
|---|---|---|
| San Diego County General Fund Obligations | 15.257% | $ 50,818,016 |
| San Diego County Pension Obligations | 15.257 | 201,546,941 |
| San Diego County Superintendent of Schools Certificates of Participation | 15.257 | 2,734,436 |
| Poway Unified School District Certificates of Participation | 81.620 | 44,143,353 |
| Ramona Unified School District Certificates of Participation | 99.942 | 24,319,247 |
| Escondido Union School District Certificates of Participation | 99.762 | 29,798,909 |
| Other School District General Fund Obligations | Various | 9,282,912 |
| City of Escondido General Fund Obligations | 100. | 76,617,090 |
| City of Poway Certificates of Participation | 100. | 52,060,000 |
| City of San Diego General Fund Obligations | 10.285 | 48,720,559 |
| City of San Marcos General Fund Obligation | 91.285 | 49,449,085 |
| Other City General Fund Obligations | Various | 647,665 |
| Rainbow Municipal Water District Certificates of Participation | 10.441 | 53,771 |
| TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT | | $590,191,984 |
| | | |
| GROSS COMBINED TOTAL DEBT | | $1,670,466,026[3] |
| NET COMBINED TOTAL DEBT | | $1,669,077,551 |

(1) Based on 2006-07 ratios.
(2) Excludes Bonds to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2007-08 Assessed Valuation:
**Direct Debt ($68,360,000)** .......... **0.11%**
Total Gross Direct and Overlapping Tax and Assessment Debt....... 1.70%
Total Net Direct and Overlapping Tax and Assessment Debt.......... 1.70%

Ratios to Adjusted Assessed Valuation:
Gross Combined Total Debt.......... 3.21%
Net Combined Total Debt .......... 3.20%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $0

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 XIIIA, XIIIB, XIIIC and XIIID 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 XIIIA, Article XIIIC, and all applicable laws.*

### Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIA 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 XIIIA.

### Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. 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 XIIIB of the California Constitution**

In addition to the limits Article XIIIA 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 XIIIB of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, 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 XIIIB 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 XIIIB 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 2007-08, the District had an appropriation limit of $46,267,934 and appropriation subject to limitation of approximately $13,500,000.

**Article XIIIC and Article XIIID 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 XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), 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 XIIIC 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 XIIIC further provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds percent vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID 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 XIIIA of the California Constitution.

**Future Initiatives**

Article XIIIA, Article XIIIB, 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

Certain information concerning the District, its operations and revenues derived from its operations is discussed in APPENDIX A. As discussed under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein, 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 AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated as of May 27, 2005, between the District and Tri-City Health Care District. Pursuant to a resolution adopted by the Grossmont Healthcare District on April 20, 2007 and accepted by the Authority on May 11, 2007, Grossmont Health Care District, became a member of the Authority. 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, Tri-City and Grossmont 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 to the District ("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 F 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 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. Holders 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. Holders 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. Accordingly, this opinion is not intended to, and may not be relied upon in connection with any such actions, events or matters.

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 legislative proposals, if enacted into law, clarification of the Code or court decisions 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. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions 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 2007-08 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 and any notices of material events is included in APPENDIX E—"FORM OF CONTINUING DISCLOSURE UNDERTAKING" attached hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). Under a continuing disclosure undertaking with respect to certain revenue bonds of the District, the District failed, five years ago, to timely file its annual continuing disclosure, and on three occasions, it failed to timely file a notice regarding certain ratings changes. These filings were eventually made. The District is committed to meeting its disclosure obligations with respect to previous continuing disclosure undertakings and to its Continuing Disclosure Undertaking with respect to the Bonds.

**No Litigation**

No litigation of any nature is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District to the Underwriter at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the existence or powers of the District, the District's ability to receive ad valorem taxes to pay the Bonds or to collect other revenues or 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 finances 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 F 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 special 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, 2007 and 2006 included in this Official Statement in APPENDIX B have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing therein.

## MISCELLANEOUS

**Ratings**

[The Insured Bonds are expected to receive ratings of "Aaa" and "AAA" by Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"), respectively, based on the issuance by the Insurer of its Financial Guaranty Insurance Policy with respect to the Insured Bonds.] The [Uninsured] Bonds have been assigned a rating of "___" by Moody's and "___" by Fitch.

The ratings reflect only the views of the respective ratings agency, and any explanation of the significance of such ratings should be obtained from Fitch and Moody's at the following addresses: Moody's Investors Service, 99 Church Street, New York, NY 10007; and Fitch Ratings, One State Street Plaza, New York, NY 10004. 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 $[250,000,000], [plus/less] a net original issue [premium/discount] 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
President and Chief Executive Officer

APPENDIX A

INFORMATION CONCERNING PALOMAR POMERADO HEALTH

(Included as separate document in Finance Committee Packet. See Document No. 6.)

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF PALOMAR POMERADO HEALTH

(Provided to Finance Committee separately.)

APPENDIX C

ECONOMIC AND DEMOGRAPHIC PROFILE OF SAN DIEGO COUNTY

(Included as separate document in Finance Committee Packet. See Document No. 7.)

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

(Standard disclosure
information provided by The
Depository Trust Company to
be inserted prior to printing.)

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(Included as separate document in Finance Committee Packet. See Document No. 8.)

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

(To be provided by Bond Counsel and inserted prior to printing.)

APPENDIX G

TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS

(To be provided by Citigroup subsequent to pricing of Series 2005A Bonds.)

# APPENDIX H

## FORM OF FINANCIAL GUARANTY INSURANCE POLICY

(To be provided by Bond Insurer selected and inserted prior to printing.)