

Document No. 9 - Bond Purchase Agreement

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

BOND PURCHASE AGREEMENT

December [5], 2007

North San Diego County Health Facilities Financing Authority
15255 Innovation Drive, Suite 204
San Diego, California 92128

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

Ladies and Gentlemen:

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

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

1. Purchase and Sale of the Bonds. (a) Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Authority hereby agrees to purchase from the District, and the Authority hereby agrees to sell to the Underwriter for offering to the public, and the District hereby agrees to sell to the Authority, and the Underwriter hereby agrees to purchase from the Authority, all (but not less than all) of the \$[250,000,000] aggregate principal amount of the Palomar Pomerado Health, General Obligation Bonds, Election of 2004, Series 2007A (the "Bonds"). The Bonds shall bear interest at the rates and shall mature in the years shown on Exhibit A hereto, which is incorporated herein by this reference.

(b) The Underwriter shall purchase the Bonds at a price of \$[] consisting of: the principal amount of the Bonds (\$[250,000,000].00), less an Underwriter's discount of \$[] [plus/less] net original issue [premium/discount] of \$[] (the "Purchase Price") [and less \$[] which is the premium for a financial guaranty insurance policy (the "Bond Insurance Policy") issued by [Insurer] (the "Bond Insurer"), which amount the Underwriter shall wire transfer to the Bond Insurer to pay the premium for the Bond Insurance

Policy.] [The Bond Insurance Policy insures all Bonds, except those Bonds maturing on _____].

(c) At or prior to the execution of this Purchase Agreement, the District shall cause to be delivered to the Underwriter a letter of Deloitte & Touche LLP to the effect that (i) they are independent certified public accountants as defined in Rule 101 of the Code of Professional Ethics of the American Institute of Certified Public Accountants with respect to the District, (ii) they consent to the inclusion of their report dated _____, 2007 on the audited financial statements of the District in the Preliminary Official Statement (defined below); and (iii) they consent to all references to their firm included in the Preliminary Official Statement.

2. The Bonds. (a) The Bonds shall be dated the date of their delivery. The Bonds shall mature on August 1 in the years shown in Exhibit A hereto, except as provided herein, and shall otherwise be as described in, and shall be issued and secured under the provisions of the resolution of the District adopted on [November 12], 2007 (the "District Resolution"), that certain Paying Agent Agreement, dated as of June 1, 2005 (the "Original Paying Agent Agreement"), between Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"), and the District, as supplemented by the First Supplemental Paying Agent Agreement, dated as of December 1, 2007 (the "First Supplement" and the Original Paying Agent Agreement, as so supplemented, the "Paying Agent Agreement"), between the Paying Agent and the District, Measure BB approved by more than two-thirds of votes cast on such ballot measure at an election held in the District on November 2, 2004 (the "Measure BB"), the provisions of Sections 32000 *et seq.* of the Health and Safety Code of the State of California (the "Act") and other applicable provisions of law.

The Bonds are being sold to the Authority for immediate resale to the Underwriter pursuant to the resolution of the Authority adopted on [November __], 2007 (the "Authority Resolution").

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

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

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

4. Public Offering of the Bonds. The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields to be set forth on the inside front cover page of the Official Statement and Exhibit A hereto. The Underwriter also

reserves the right (a) to over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market, and (b) to discontinue such stabilizing, if commenced, at any time. A “bona fide public offering” shall include an offering to a representative number of institutional investors or registered investment companies regardless of the number of such investors to which the Bonds are sold.

5. Preliminary and Final Official Statement; Continuing Disclosure. (a) The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated November [20], 2007 (the “Preliminary Official Statement”). The District represents that it deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), yield(s) to maturity, selling compensation, aggregate principal amount and maturity value, denominational amount and maturity value per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and under Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”).

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

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

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

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

6. Closing. At 8:00 A.M., California time, on December [18], 2007, or at such other time or on such other date as are mutually agreed upon by the District, the Authority and Underwriter, (the “Closing Date”), the District will deliver or cause to be delivered to the Authority and the Authority shall redeliver to the Underwriter, through the facilities of The

Depository Trust Company (“DTC”), the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price [_____, less the premium for the Bond Insurance Policy], thereof in immediately available funds by wire transfer to the account of the Paying Agent.

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

- (a) Due Organization. The District is a local health care district, duly organized and validly existing under Act, with the power to issue the Bonds under the Act and other applicable law.
- (b) Due Authorization; Valid and Binding Obligations. (i) On or before the Closing Date, the District will have taken all action required to be taken by it to authorize the issuance, sale and delivery of the Bonds; (ii) the District had the requisite legal right, power and authority to enter into the Original Paying Agent Agreement and has requisite legal right, power and authority to issue the Bonds, to enter into this Purchase Agreement, the First Supplement, the Continuing Disclosure Undertaking and the Tax Certificate of the District, dated the Closing Date (the “Tax Certificate”) (hereinafter collectively referred to as the “Financing Documents”), to adopt the District Resolution, to execute the Official Statement and to observe, perform and consummate its obligations under the Bonds, the District Resolution and the Financing Documents and to observe, perform and consummate the transactions described in the Official Statement; (iii) the Bonds, the District Resolution, and the Financing Documents constitute valid and legally binding obligations of the District enforceable in accordance with their terms; (iv) the District has taken all action required to be taken by it to duly authorize the approval, use, execution and delivery of the Official Statement; and (v) the District has the requisite legal right, power and authority to sell the Bonds to the Authority as provided in this Purchase Agreement.
- (c) Consents. Except for the action of parties hereto, no consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any court or governmental agency or public body whatsoever is required in connection with the adoption of the District Resolution, the execution and delivery of the Financing Documents and the Official Statement, the issuance, delivery or sale of the Bonds or the consummation of the other transactions contemplated herein, hereby or by the Paying Agent Agreement, which have not been taken or obtained, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request and except for such governmental authorizations, approvals, permits and consents relating to the construction of the improvements to be financed with the Bonds as may be required subsequent to the date hereof,

all of which the District reasonably expects to obtain in ordinary course and at the times required.

- (d) Internal Revenue Code. The District has covenanted to comply with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.
- (e) No Conflicts. The sale and issuance of the Bonds, and the execution, delivery and performance of the Financing Documents, the District Resolution and the Bonds, and the compliance with the provisions hereof and thereof: (i) do not and will not conflict with or constitute a violation of or default under, the Constitution of the State of California (the "State"), the Act, or any other existing law, charter, ordinance, regulation, decree, order or resolution; (ii) do not and will not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and (iii) nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon the *ad valorem* taxes to be levied and collected for payment of the Bonds or any such law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument, except as expressly provided by the District Resolution.
- (f) Approval, Licenses and Authorizations. The District has obtained, or in timely manner, will obtain, all approvals, licenses, permits, franchises or other governmental authorizations necessary in connection with any use to which proceeds from the sale of the Bonds will be applied, including, without limitation, any approvals or authorizations required under the California Environmental Quality Act, California Public Resources Code Sections 210002 to 211787 and the regulations thereunder (collectively, "CEQA").
- (g) Litigation. No action, suit, proceeding, hearing or investigation, at law or in equity, is pending, or threatened, against or, to the knowledge of the District, affecting the District:
 - (i) in any way affecting the existence of the District or in any way challenging the respective powers of the Board of Directors of the District or the several officers of the District required to adopt the District Resolution, to execute the Bonds, the Financing Documents or any other documents or certificates in connection with the delivery of the Bonds or of the titles of the officials of the District to their respective offices; or
 - (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the levy and collection of *ad valorem* taxes of the District to pay the principal of

and interest on the Bonds or the levy of any *ad valorem* taxes contemplated by the District Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, the Financing Documents or the District Resolution, or contesting in any way its authority to issue, enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Official Statement, or any amendment or supplement thereto; provided however, for the purposes of this representation, performance of obligations does not include any obligation to construct any of the specific projects within the Master Facility Plan described in the Official Statement; or

- (iii) in which a final adverse decision, ruling or finding could (a) have a material adverse effect on the operations or finances of the District or the consummation of the transactions contemplated by the Financing Documents, the Official Statement, or the District Resolution, (b) declare the District Resolution, or the Financing Documents to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.
- (h) No Other Debt. Between the date hereof and the Closing Date, without the prior written consent of the Underwriter, neither the District directly, nor any other governmental agency or other body on behalf of the District, will have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.
- (i) Continuing Disclosure. Except as disclosed in the Official Statement, the District has never failed to comply in all material respects with any prior undertakings under Rule 15c2-12(b)(5).
- (j) Certificates. Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.
- (k) Official Statement Accurate and Complete. The Preliminary Official Statement, as of date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, excepting therefrom the information in the Preliminary Official Statement describing the Authority, The Depository Trust Company and its Book-Entry-Only System, and [the Bond Insurance Policy, Bond Insurer and the] Debt Report (as defined in the Preliminary Official Statement) (collectively, the “Excepted Portions”). At the date hereof and on the Closing Date, the final Official Statement (excluding the

Excepted Portions) did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided however, the District makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the final Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein.

- (l) At the Closing Date, the Bonds and the Financing Documents will have been duly authorized, executed and delivered by the District and will constitute valid, binding and enforceable obligations of the District in accordance with their respective terms except as the same may be limited by bankruptcy, insolvency and other laws affecting creditors' rights generally and except as the enforceability of indemnification provisions of this Purchase Agreement may be limited by applicable law.

- (m) Audited Financials. The audited financial statements of the District which appear in Appendix B to the Official Statement: (i) fairly present the financial position and results of operations of the District at the respective dates and for the respective periods indicated therein in accordance with the generally accepted accounting principles applicable to health care districts ("GAAP"), (ii) to the best of the District's knowledge, have been prepared in accordance with GAAP consistently applied throughout the periods concerned (except as otherwise disclosed in the notes to such audited financial statements); and such audited financial statements were audited by Deloitte & Touche LLP, independent auditors, and their opinion thereto appears in Appendix B to the Official Statement. [Since June 30, 2007, the District has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations, or conditions, financial or otherwise, of the District that is not described in the Official Statement, whether or not arising from transactions in the ordinary course of business.]

- (n) No Defaults. [The District is not now and has never been in default in the payment of principal of, or premium or interest on, or otherwise in default with respect to, any bonds, notes, financing leases or other obligations which it has issued, assumed or guaranteed as to payment of principal, premium or interest. The District has no knowledge of any event which has occurred or is continuing that, with the lapse of time or the giving of notice or both, would constitute an event of default under any such bonds, notes, financing leases or other obligations.] No event has occurred or is continuing that, upon the execution and delivery of the Bonds, would constitute an event of default pursuant to the Financing Documents, or which, with the lapse of time or the giving of notice or both, would constitute an event of default.

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

- (a) The Authority is a joint exercise of powers authority, duly organized and validly existing under the Sections 6500 et seq. of the Government Code of the State (the “JPA Act”) and under a Joint Exercise of Powers Agreement, dated May 27, 2005 (the “JPA Agreement”), between the District and Tri-City Healthcare District.
- (b) The Authority is duly authorized and has requisite legal right, power and authority to purchase the Bonds from the District, and to sell and to redeliver the Bonds to the Underwriter as provided in this Purchase Agreement.
- (c) The Authority has requisite legal right, power and authority to adopt the Authority Resolution, to enter into this Purchase Agreement, and to observe, perform and consummate the covenants and agreements made in this Purchase Agreement to be observed, performed and consummated by the Authority.
- (d) The Authority has duly adopted the Authority Resolution in accordance with its JPA Agreement, its bylaws and applicable law.
- (e) The statements and information contained in the Official Statement under the caption “THE AUTHORITY” are true and accurate in all material respects and fairly presents the information purported to be shown or summarized therein.

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

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

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

- (a) Securities Laws. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states

and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which it is not so subject as of the date hereof.

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

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

- (e) If the information contained in the Official Statement is amended or supplemented pursuant to subparagraph (d), at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or

amended, excluding the Excepted Portions, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

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

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

- (a) Obligations Performed. As of the Closing Date, (i) the Official Statement, the District Resolution, Authority Resolution, and the Financing Documents must be in full force and effect and may not have been amended, modified or supplemented from the forms thereof previously provided to the Underwriter except as agreed to in writing by the Underwriter, which agreement will not be unreasonably withheld, conditioned or delayed; (ii) all actions under the Act, the JPA Act and other laws which, in the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), are necessary or appropriate in connection with the Bonds

and the transactions contemplated by the Financing Documents and the Official Statement prior to the issuance of the Bonds must have been duly taken and must be in full force and effect; (iii) the District must have performed all of its obligations required under or specified in the District Resolution, this Purchase Agreement or the Official Statement to be performed at or prior to the Closing Date, and (iv) the Authority must have performed all of its obligations required under or specified in the Authority Resolution, this Purchase Agreement or the Official Statement to be performed at or prior to the Closing Date.

- (b) Official Statement. At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, which agreement will not be unreasonably withheld, conditioned or delayed.
- (c) Adverse Rulings. No decision, ruling or finding has been entered by any court or governmental authority since the date of this Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District or Authority, pending or threatened which would constitute a ground for termination of this Purchase Agreement by the Underwriter or, which contests in any way the completeness or accuracy of the Official Statement.
- (d) Delivery of Documents. On or before the Closing Date, sufficient copies of the following documents, in each case dated as of the Closing Date and reasonably satisfactory in form and substance to the Underwriter, shall be provided to the Underwriter:
 - (i) *Legal Opinion of Bond Counsel*. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the Closing Date, addressed to the District, in substantially the form appended to the Official Statement;
 - (ii) *Supplemental Opinion of Bond Counsel*. A supplemental opinion of Bond Counsel addressed to the Underwriter, dated the Closing Date substantially in the form attached hereto as Exhibit C;
 - (iii) *Underwriter's Counsel Opinion*. The opinion of Squire, Sanders & Dempsey L.L.P., as counsel to the Underwriter ("Underwriter's Counsel"), in form and substance satisfactory to the Underwriter, addressed to the Underwriter, dated the Closing Date, to the effect that:
 - (A) during the course of serving as Underwriter's Counsel in connection with the issuance of the Bonds and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would

lead them to believe that the Official Statement (excluding therefrom any financial statements, statistical data or forecasts, numbers, charts, estimates, projections, real property values, assumptions, expressions of opinion, information regarding [the Bond Insurer,] The Depository Trust Company and its book-entry system, and the appendices to the Official Statement, as to which no opinion need be expressed), as of the date thereof or the Closing Date, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

- (B) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the District Resolution and the Paying Agent Agreement is exempt from registration under the Trust Indenture Act of 1939, as amended; and
 - (C) the Continuing Disclosure Undertaking satisfies Section (b)(5)(i) of Rule 15c2-12, which requires an undertaking for the benefit of the holders, including beneficial owners, of the Bonds to provide certain annual financial information and event notices to various information repositories at the time and in the manner required by the Rule.
- (iv) *District Counsel Opinions.* The opinions and negative assurance of Latham & Watkins LLP, as special counsel to the District, dated the Closing Date, substantially in the forms attached hereto as Exhibit D-1 and Exhibit D-2.
 - (v) *Authority Counsel Opinion.* The opinion of Orrick Herrington & Sutcliffe LLP, as counsel to the Authority, dated the Closing Date, substantially in the form attached hereto as Exhibit E.
 - (vi) *Certificate of the District.* A certificate signed by an appropriate official of the District to the effect that:
 - (A) each of the Financing Documents, the Official Statement and the Bonds have been duly executed and delivered by an official of the District authorized to execute the Bonds and each such document;
 - (B) the representations, agreements and warranties of the District in the Financing Documents are true and correct in all material respects as of the date of Closing;
 - (C) the District has complied with all applicable terms of the Act, the JPA Act and other laws of the State, and of the Financing Documents, which are necessary to be complied with prior to or

before the Closing Date and such Financing Documents are in full force and effect;

- (D) the District has reviewed the Official Statement and on such basis certifies that the Official Statement, excluding the Excepted Portions, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;
 - (E) the Bonds being delivered on the Closing Date to the Underwriter under this Purchase Agreement substantially conform to the descriptions thereof contained in the District Resolution and Official Statement;
 - (F) no event has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement thereto, but should be disclosed in order to make the statements in the Official Statement, in light of the circumstances in which they were made, not misleading;
 - (G) [since June 30, 2007, no material and adverse change has occurred in the financial position or results of operation of the District that is not described in or contemplated by the Official Statement;]
 - (H) [since June 30, 2007, the District has not incurred any material liabilities other than in the ordinary course of business which are not described in or contemplated by this Official Statement]; and
 - (I) the District Resolution authorizes the execution and delivery by the District of the District Financing Documents, and approving the Official Statement and distribution thereof.
- (vii) *Certificate of the Authority.* A certificate signed by an appropriate official of the Authority to the effect that:
- (A) this Purchase Agreement has been duly executed and delivered by an official of the Authority authorized to execute such document;
 - (B) the representations, agreements and warranties of the Authority herein are true and correct in all material respects as of the Closing Date;
 - (C) the Authority has complied with all the terms of the JPA Act and other laws of the State and the Authority Resolution and this Purchase Agreement, which are necessary to be complied with prior to the Closing Date and the Purchase Agreement is in full force and effect; and

- (D) no event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.
- (viii) *Certificate of the Paying Agent.* A certificate signed by an appropriate officer of the Paying Agent to the effect that:
- (A) the Paying Agent is duly organized and validly existing as a national banking association in good standing under the laws of the United States, having the full power, including trust powers, and authority to enter into and perform its duties under the Paying Agent Agreement;
 - (B) the Paying Agent has duly authorized, executed and delivered the Paying Agent Agreement;
 - (C) the Bonds were examined by the Paying Agent and found to be in the form required by the Paying Agent Agreement and were authenticated in the name of an on behalf of an authorized signatory of the Paying Agent; and
 - (D) to the best knowledge of the Paying Agent, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Paying Agent or threatened against the Paying Agent, which in the reasonable judgment of the Paying Agent would affect the existence of the Paying Agent, or in any way contesting or affecting the validity or enforceability of the Paying Agent Agreement or contesting the powers of the Paying Agent or its authority to enter into and perform its obligations under the Paying Agent Agreement.
- (ix) *Tax Certificate and IRS Form 8038.* A Tax Certificate of the District and IRS Form 8038, in a form satisfactory to Bond Counsel;
- (x) *District Resolution.* A certificate, together with a fully executed copy of the District Resolution, of the Secretary of the District Board of Directors to the effect that:
- (A) such copy is a true and correct copy of the District Resolution;
 - (B) the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing Date; and

- (xi) *Election Proceedings.* Certificates of:
 - (A) The Secretary of the District Board of Directors certifying:
 - (i) Resolution No. 08.04.04(01)-8 adopted by the Board on August 4, 2004, calling and providing for a special election to be held on November 2, 2004 with respect to Measure BB, and
 - (ii) Acceptance of results therefrom;
 - (B) The Registrar of Voters, County of San Diego, certifying:
 - (i) Notice of Date Fixed for Submitting Arguments;
 - (ii) Excerpt of San Diego County Administrative Code Authorizing Consolidation of Election;
 - (iii) Sample Ballot and Other Election Materials Mailed to Voters; and
 - (iv) Certified Statement of Results of Election.
- (xii) *Authority Resolution.* A certificate, together with a fully executed copy of the Authority Resolution, of the Secretary of the governing body of the Authority to the effect that:
 - (A) such copy is a true and correct copy of the Authority Resolution; and
 - (B) the Authority Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing Date;
- (xiii) *Official Statement.* Two copies of Official Statement executed by an appropriate official of the District;
- (xiv) A certificate, together with a fully executed copy of the Original Paying Agent Agreement, of the Secretary of the District Board of Directors to the effect that:
 - (A) such copy is a true and correct copy of the Original Paying Agent Agreement;
 - (B) the Original Paying Agent Agreement was duly executed and delivered and, other than by the First Supplement, has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing Date; and
- (xv) A fully executed copy of the First Supplement;

- (xvi) *Continuing Disclosure Undertaking.* A fully executed Continuing Disclosure Undertaking of the District in a form satisfactory to the Underwriter which complies with S.E.C. Rule 15c2-12(b)(5), in substantially the form appended to the Official Statement.
- (xvii) *DTC.* The Blanket Issuer Letter of Representations of the District, addressed to DTC.
- (xviii) *Ratings.* Evidence that the [Insured Bonds have been rated “AAA” by Fitch Rating and “Aaa” by Moody’s, based on the Bond Insurance Policy, and that the Uninsured] Bonds have been rated [issued an underlying rating of] “____” by Fitch and “____” by Moody’s.
- (xix) *Underwriter’s Certifications.* At or before Closing, and contemporaneously with the acceptance of delivery of the Bonds and the payment of the Purchase Price thereof [, less the premium for the Bond Insurance Policy which the Underwriter agrees to pay directly to the Bond Insurer,] the Underwriter will provide (or cause to be provided) to the District and the Authority:
 - (A) the receipt of the Underwriter, in form satisfactory to the District and the Authority and signed by an authorized officer of the Underwriter, confirming delivery of the Bonds to the Underwriter, receipt of all documents required by the Underwriter, and the satisfaction of all conditions and terms of this Purchase Agreement by the District and the Authority, respectively, and confirming to the District and the Authority that as of the Closing Date all of the representations of the Underwriter contained in this Purchase Agreement are true, complete and correct in all material respects.
 - (B) the certification of the Underwriter, in form satisfactory to Bond Counsel, regarding the prices at which the Bonds have been reoffered to the public, as described in Section 4 hereof.
 - (C) [the certification of the Underwriter, in form satisfactory to Bond Counsel, that the present value of the interest saved as a result of the Bond Insurance Policy with respect to the insured Bonds exceeds the premium paid for said Bond Insurance Policy, and said premium is not unreasonable.]
- (xx) [Copy of fully executed Bond Insurance Policy issued by the Bond Insurer.]
- (xxi) A letter of Deloitte & Touche dated the date of Closing, to the effect that (i) they are independent certified public accountants as defined in Rule 101 of the Code of Professional Ethics of the American Institute of Certified Public Accountants with respect to the District, (ii) they consent to the inclusion of their report dated [____], 2007, on the audited

financial statements of the District in the final Official Statement; and (iii) they consent to all references to their firm included in the final Official Statement.

- (xxii) [A certificate of an authorized representative of the Bond Insurer, in form and substance satisfactory to Bond Counsel and Underwriter, with respect to the information contained in the Official Statement describing the Bond Insurer and its Bond Insurance Policy;]
- (xxiii) [An opinion of counsel to the Bond Insurer with respect to its Bond Insurance Policy and to the information contained in the Official Statement describing the Bond Insurer and its Bond Insurance Policy, addressed to the District and the Underwriter and in form and substance satisfactory to Bond Counsel and Underwriter;]
- (xxiv) *Other Documents.* Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence (A) compliance by the District and the Authority with all requirements of the Act, the JPA Act and all other legal requirements, (B) the truth and accuracy, as of the time of Closing, of the representations of the District and the Authority herein contained and of the statements and information contained in the Official Statement, and (C) the due performance or satisfaction by the District and the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District and the Authority.

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

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

12. Underwriter's Right to Terminate. (a) Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds have not been delivered by the District to the Authority and re-delivered by the Authority to the Underwriter prior to 10:00 a.m.

Pacific Standard Time, on the Closing Date, then the Underwriter shall have the right to terminate its obligation to purchase Bonds hereunder, without liability therefor, by notice to the District and the Authority.

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

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

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

15. Indemnification Provisions. (a) To the extent permitted by law, the District agrees to indemnify and hold harmless the Authority, the directors, officers, employees and agents of the Authority and the Underwriter, the directors, officers, employees and agents of the Underwriter and each person who controls the Underwriter within the meaning of either the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statement or the final Official Statement (or in any supplement or amendment thereto), or arise out of or are based upon the omission or alleged omission to state in the Preliminary Official Statement or the final Official Statement a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however,* that the District will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made in the Preliminary Official Statement or the final Official Statement (or in any supplement or amendment thereto), in reliance upon and in conformity with written information furnished to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein or in reliance upon and in conformity with written information furnished to the District by or on behalf of the Bond Insurer specifically for inclusion therein. This indemnity agreement will be in addition to any liability which the District may otherwise have.

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

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

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

- (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party.

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

(d) If the indemnity provided in paragraph (a) or (b) of this Section 15 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the District and the Underwriter agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which the District and the Underwriter may be subject in such proportion as is appropriate to reflect the relative benefits received by the District on the one hand and by the Underwriter on the other from the offering of the Bonds. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the District and the Underwriter shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the District on the one hand and of the Underwriter on the other in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. In no case shall the Underwriter be responsible for any amount in excess of the purchase discount or commission applicable to the Bonds purchased by the Underwriter hereunder. Benefits received by the District shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by it, and benefits received by the Underwriter shall be deemed to be equal to the Underwriter's discount. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the District on the one hand or the Underwriter on the other, the intent of the parties and their relative knowledge, information and opportunity to correct or prevent such untrue statement or omission. The District and the Underwriter agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 15, each person who controls the Underwriter within the meaning of either the Securities Act or the Exchange Act and each director, officer, employee and agent of the Underwriter shall have the same rights to contribution as the Underwriter, and each person who controls the District within the meaning of either the Securities Act or the Exchange Act and each official, director, officer and employee of the District shall have the same rights to contribution as the District, subject in each case to the applicable terms and conditions of this paragraph (d).

16. Expenses.

(a) The District shall pay all expenses of the District and the Authority incident to the performance of their obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter, — including without limitation: [premiums and cost of Bond Insurance, if any,] fees and expenses of the District’s financial advisor and any other consultants retained by the District or Authority, fees of DTC, fees and expenses of rating agencies, and fees and expenses of Bond Counsel, of District’s Counsel, and of Squire, Sanders & Dempsey L.L.P., as Underwriter’s Counsel in an amount of \$_____. All fees and expenses to be paid by the District pursuant to this Purchase Agreement may be paid from Bond proceeds to the extent permitted by the District Resolution, the Paying Agent Agreement and the Tax Certificate.

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

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

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

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

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

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

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

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

[Reminder of Page Intentionally Left Blank]

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

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.

By: _____
Its: _____

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

PALOMAR POMERADO HEALTH

By: _____
Its: Chief Financial Officer

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

By: _____
Its: Treasurer/Controller

EXHIBIT A

INTEREST RATES AND MATURITIES; REDEMPTION

[\$250,000,000]

PALOMAR POMERADO HEALTH

General Obligation Bonds, Election of 2004, Series 2007A

A. Terms of Bonds

\$ _____ **CURRENT INTEREST BONDS**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
--------------------------------	-------------------------	----------------------	--------------	--------------

\$ _____ % Current Interest Term Bond due August 1, 20__ - Yield ____%

\$ _____ **CAPITAL APPRECIATION BONDS**

<u>Maturity (August 1)</u>	<u>Initial Principal Amount</u>	<u>Accretion Rate (approximate)</u>	<u>Accreted Value at Maturity</u>	<u>Yield to Maturity</u>	<u>Price</u>
--------------------------------	-------------------------------------	---	---------------------------------------	------------------------------	--------------

B. Redemption

Optional Redemption

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

Mandatory Sinking Fund Redemption

The Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, beginning August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date: August 1, 20__

<u>Redemption Date (August 1)</u>	<u>Principal Amount</u>
---------------------------------------	-------------------------

The 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, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date: August 1, 20__

<u>Redemption Date (August 1)</u>	<u>Principal Amount</u>
---------------------------------------	-------------------------

C. Terms Specified to be provided pursuant to Section 6589 of the Government Code of the State of California:

- | | |
|--|---|
| Minimum Rate of Interest: | Set forth in Section A above. |
| Costs of Issuance: | \$_[_____] (including the premium for the Bond Insurance Policy. |
| Amount of Required Reserve: | No Required Reserve. |
| Procedure to be used in case of default: | Set forth in Paying Agent Agreement, dated as of June 1, 2005, between Palomar Pomerado Health and Wells Fargo Bank, National Association, as paying agent, as supplemented by the First Supplemental Paying Agent Agreement, dated as of December 1, 2007. |

EXHIBIT B

TERMINATION EVENTS

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

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

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

EXHIBIT C

PROPOSED SUPPLEMENTAL OPINION OF BOND COUNSEL

[Date of Closing]

Citigroup Global Markets Inc.
Los Angeles, California

Palomar Pomerado Health
General Obligation Bonds, Election of 2004, Series 2007A
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you as underwriter (the "Underwriter") pursuant to Section 11(d)(ii) of the Bond Purchase Agreement, dated _____, 2007 (the "Bond Purchase Agreement"), among you, Palomar Pomerado Health (the "District") and the North San Diego County Health Facilities Financing Authority (the "Authority"), providing for the purchase of \$[_____] aggregate principal amount of Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A (the "Bonds"). The Bonds represent part of an issue, in the aggregate principal amount of \$496,000,000 authorized at an election held in the District on November 2, 2004, and are being issued under and pursuant to the provisions The Local Health Care District Law of the State of California (constituting Division 23 of the California Health and Safety Code and Resolution _____ adopted by the Board of Directors of the District on _____, 2007 ("the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Purchase Agreement.

We have delivered our final legal opinion (the "Bond Opinion") as bond counsel concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the District. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel, we have reviewed the Bond Purchase Agreement; the Paying Agent Agreement, dated as of June 1, 2005, as supplemented and amended by the First Supplemental Paying Agent Agreement, dated as of December 1, 2007 (hereinafter collectively referred to as the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"); the Tax Certificate, dated the date hereof (the "Tax Certificate"); opinions of counsel to the District, the Authority and the Paying Agent, certificates of the District, the Authority, the Paying Agent and others; and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth herein.

The opinions or conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions referred to in the third paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Paying Agent Agreement, the Tax Certificate and the Bond Purchase Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated December ___, 2007 (the "Official Statement"), or other offering material relating to the Bonds and express no opinion relating thereto except as expressly set forth in numbered paragraph 2 below.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Paying Agent Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended. No opinion is expressed with respect to the Bond Insurance Policy.

2. The statements contained in the Official Statement under the captions "The Bonds" (excluding the statements under the subcaptions "General Provisions; Book-Entry Only System," "Investment of Bond Proceeds" and "Annual Debt Service" and all information about book-entry or The Depository Trust Company), "Security and Source of Payment for the Bonds" (excluding all paragraphs under such caption other than the first two paragraphs), "Tax Matters," and Appendix C-"Proposed Form of Opinion of Bond Counsel," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Bonds, the Paying Agent Agreement and the form and content of our Bond Opinion are accurate in all material respects.

This letter is furnished by us as bond counsel. No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriter of the

Bonds, is solely for your benefit as such Underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT D-1

PROPOSED OPINION OF DISTRICT COUNSEL

[To Be Updated by Lathaw & Watkins]

[Closing Date]

Citigroup Global Markets Inc.
444 South Flower Street, 27th Fl.
Los Angeles, CA 90071-2971

[Bond Insurer

Wells Fargo Bank, National Association
[Address]

North San Diego County Health
Facilities Financing Authority
15255 Innovation Drive, Suite 204
San Diego, California 92128

Re: [\$[250,000,000] Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A

Ladies and Gentlemen:

We have acted as special counsel to Palomar Pomerado Health, a local hospital district (the "District"), and are rendering this opinion in connection with the issuance and sale by the District of [\$[250,000,000]] Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A (the "Bonds"). The District will sell the Bonds to the North San Diego Health Facilities Financing Authority (the "Authority"), and the Authority will sell the Bonds to Citigroup Global Markets Inc., as underwriter (the "Underwriter") pursuant to that certain Bond Purchase Agreement dated [____], 2007 (the "Bond Purchase Agreement"), among the Underwriter, the District, and the Authority and the other Financing Documents (as defined below). This letter is furnished pursuant to Section 11(d)(v) of the Bond Purchase Agreement.

As such counsel, we have examined such matters of fact and questions of law as we have considered appropriate for purposes of this letter, except where a specified fact confirmation procedure is stated to have been performed (in which case we have with your consent performed the stated procedure), and except where a statement is qualified as to knowledge (in which case we have with your consent made no or limited inquiry as specified below). We have examined, among other things, the following:

- a. The Bond Purchase Agreement;

- b. The Paying Agent Agreement dated as of June 1, 2005, as supplemented by the First Supplement, dated as of _____ 1, 2007 between the District and Wells Fargo Bank, N.A. (the “Paying Agent Agreement”);
- c. The Continuing Disclosure Undertaking dated the date hereof, executed and delivered by the District (the “Continuing Disclosure Undertaking”);
- d. The Joint Exercise of Powers Agreement dated May 27, 2005 between the District and Tri-City Healthcare District (the “JPA Agreement”);
- e. The resolution calling the election, adopted by the Board of Directors of the District on August 4, 2004 (the “Election Resolution”);
- f. The resolution authorizing execution and delivery of the JPA Agreement, adopted by the Board of Directors of the District on April 11, 2005 (the “JPA Resolution”);
- g. The resolution authorizing the issuance of the Bonds, adopted by the Board of Directors of the District on [____], 2007 (the “Bond Resolution,” and, together with the Election Resolution and the JPA Resolution, the “Resolutions”);
- h. Proposition BB – Hospital, Emergency Care, Trauma Center Improvement and Repair Measure;
- i. The form of the Bonds;
- j. The Resolution establishing the Northern San Diego County Hospital District, filed with the California Secretary of State on June 24, 1948, and the Resolution of the Board of Board of Supervisors of San Diego Count dated June 21, 1948, setting forth the results of the voting to establish the District (collectively, the “Governing Documents”);
- k. The Bylaws of the District;
- l. The Preliminary Official Statement dated [____], 2007;
- m. The Official Statement dated [____], 2007;
- n. The agreements and instruments creating, evidencing or securing indebtedness of the Borrower for borrowed money identified to us by an officer of the Borrower as material to the Borrower and listed in Annex A (the “Material Agreements”);
- o. Such other documents as we have deemed necessary and advisable for the purpose of rendering the opinions set forth below.

The documents described in subsections (a) - (d) above are referred to herein collectively as the "Financing Documents."

With your consent, we have relied upon the foregoing, including the representations and warranties of the District in the Financing Documents, and upon certificates of officers of the District and of others with respect to certain factual matters. We have not independently verified such factual matters. Whenever a statement herein is qualified by "to the best of our knowledge," or a similar phrase, it is intended to indicate that those attorneys in this firm who have rendered legal services in connection with the issuance and sale of the Bonds by the District do not have current actual knowledge of the inaccuracy of any such statement. However, except as otherwise expressly indicated, we have not undertaken any independent investigation to determine the accuracy of any such statement.

We are opining herein as to the effect on the subject transaction only of the federal laws of the United States and the internal laws of the State California, and we express no opinion with respect to the applicability to the opinions expressed herein, or the effect thereon, of the laws of any other jurisdiction or as to any matters of municipal law or the laws of any local agencies within any state other than the Health Care District Law of the State of California. Unless otherwise stated herein, our opinions herein are based upon our consideration of only those statutes, rules and regulations which, in our experience, are normally applicable to California Health Care Districts. We express no opinion as to any state or federal laws or regulations applicable to the subject transactions because of the legal or regulatory status of any parties to the Financing Documents other than (i) Division 23 of the California Health and Safety Code (the "Local Health Care District Law") and other California laws governing governmental bodies such as the District, (ii) California Government Code section 6589, and (iii) with respect to Paragraph 5, below, the California Environmental Quality Act.

Subject to the foregoing and the other matters set forth herein, it is our opinion that, as of the date hereof:

1. The District is a local hospital district validly existing under the Local Hospital District Law of the State of California with local hospital district power and authority to adopt the Resolutions, issue the Bonds, execute and deliver the Official Statement, and enter into the Financing Documents and perform its obligations thereunder.
2. Each of the Resolutions was duly adopted at a meeting of the governing body of the District which was duly called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption, has not been modified, amended, rescinded or revoked, and is in full force and effect.
3. The issuance of the Bonds, and the execution, delivery and performance of the Financing Documents by the District and the execution and delivery of the Official Statement by the District have been duly authorized by all necessary action of the District. The Bonds, the Financing Documents,

and the Official Statement have been duly executed and delivered by the District.

4. Each of the Bonds and the Financing Documents constitutes a legally valid and binding obligation of the District, enforceable against the District in accordance with its terms.
5. The execution and delivery of the Official Statement by the District, the execution and delivery of the Financing Documents by the District, the performance of the obligations of the District under the Financing Documents, the adoption of each of the Resolutions by the District, and the issuance, delivery, or sale of the Bonds by the District, on the date hereof do not:
 - (i) violate the provisions of the Governing Documents or the Bylaws of the District,
 - (ii) result in the breach of or a default under any of the Material Agreements,
 - (iii) violate any federal or California statute, rule, or regulation applicable to the District; any provision of the California Constitution applicable to the District; or any court or governmental order applicable to the District, or
 - (iv) require any consents, approvals, or authorizations to be obtained by the District from, or any registrations, declarations or filings to be made by the District with any governmental authority, under any federal or California statute, rule or regulation applicable to the District on or prior to the date hereof that have not been obtained or made, except for governmental authorizations, approvals, permits and consents that are required in the ordinary course of development of the Project.
 - (v) Based solely on review of officer's certificates from the District and docket search results dated [____], 2007 obtained from docket searches of the United States District Court (Statewide, California) and the United States Bankruptcy Court (Statewide, California) and docket search results dated [____], 2007 from the San Diego County Superior Court, there is no action, suit, proceeding, inquiry or investigation before or by any judicial body or administrative agency, state or federal, which is pending or threatened against the District, which if determined against the District, could (a) materially adversely affect the consummation of the transactions contemplated by the Bonds, the Financing Documents, the Resolutions or the Official Statement, (b) declare the Bonds or the Financing Documents to be invalid or

unenforceable in whole or in material part, (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation, (d) adversely affect the existence of the District or in any way challenge the respective powers of the several officers of the District required to execute any documents or certificates in connection with the delivery of the Bonds or of the titles of the officials of the District to their respective offices, or (e) restrain or enjoin the sale, issuance or delivery of the Bonds, the application of the proceeds of the sale of the Bonds, or the levy and collection of *ad valorem* taxes of the District to pay the principal of and interest on the Bonds.

The opinions expressed in paragraphs 4 and 5 do not include any opinions with respect to the creation, validity, perfection or priority of any security interest or lien, and the opinions expressed in paragraphs 4 and 5 do not include any opinions with respect to compliance with laws relating to permissible rates of interest.

The opinions expressed in paragraph 4 are further subject to the following limitations, qualifications and exceptions:

- a. the effects of bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws relating to or affecting the rights or remedies of creditors;
- b. the effects of general principles of equity, whether considered in a proceeding in equity or at law (including the possible unavailability of specific performance or injunctive relief), concepts of materiality, reasonableness, good faith and fair dealing, and the discretion of the court before which a proceeding is brought;
- c. the unenforceability under certain circumstances under law or court decisions of provisions for the indemnification or exculpation of or contribution to a party with respect to a liability where such indemnification, exculpation or contribution is contrary to public policy;
- d. certain rights, remedies and waivers contained in the Financing Documents and the Bonds may be limited or rendered ineffective by applicable California laws or judicial decisions governing such provisions, but such laws or judicial decisions do not render the Financing Documents or the Bonds invalid or unenforceable as a whole; and
- e. we express no opinion as to the validity or enforceability of any provisions for liquidated damages, default interest, late charges,

monetary penalties, prepayment or make-whole premiums (excluding any premiums upon optional redemption of the Bonds) or other economic remedies and call to your attention the provisions of Sections 1717 and 1717.5 of the California Civil Code, which limit and create obligations for the payment of attorney's fees.

Without limiting the generality of the foregoing, the opinions expressed above are also subject to the following limitations, exceptions and assumptions:

In rendering the opinions in clause (ii) of paragraph 5 insofar as they require interpretation of the Material Agreements, with your consent, (i) we have assumed that all courts of competent jurisdiction would enforce such agreements in accordance with their plain meaning, (ii) to the extent that any questions of legality or legal construction have arisen in connection with our review, we have applied the laws of California in resolving such questions, although certain of the Material Agreements may be governed by other laws which differ from the law of California, (iii) we express no opinion with respect to the effect of any discretionary action or inaction by the District under the Financing Documents or the Material Agreements which may result in a breach or default under any Material Agreement (provided that the issuance of the Bonds is not treated as a discretionary action), and (iv) we express no opinion with respect to any matters which require the performance of a mathematical calculation or the making of a financial or accounting determination. In rendering the opinions in clauses (iii) and (iv) of paragraph 5, we express no opinion as to securities laws (including blue-sky laws), tax laws, antitrust or trade regulation laws, insolvency or fraudulent transfer laws, pension or employee benefit laws, compliance with fiduciary duty requirements, usury laws, environmental laws (other than the California Environmental Quality Act), or other laws excluded by customary practice.

With your consent, we have assumed (a) that the Financing Documents and Bonds have been duly authorized, executed and delivered by the parties thereto other than the District (to the extent that there are other parties thereto), (b) that the Financing Documents constitute legally valid and binding obligations of the parties thereto other than the District, enforceable against each of them in accordance with their respective terms, and (c) that the status of the Financing Documents and Bonds as legally valid and binding obligations of the parties is not affected by any (i) breaches of, or defaults under, agreements or instruments, (ii) violations of statutes, rules, regulations or court or governmental orders, or (iii) failures to obtain required consents, approvals or authorizations from, or make required registrations, declarations or filings with, governmental authorities, provided that we make no such assumption to the extent we have opined as to such matters with respect to the District herein.

This letter is furnished only to you and is solely for your benefit in connection with the transactions covered hereby. This letter may not be relied upon by you for any other purpose, or furnished to, assigned to, quoted to or relied upon by any other person, firm or entity for any purpose, without our prior written consent, which may be granted or withheld in our discretion.

Very truly yours,

D-1-6

ANNEX A
MATERIAL AGREEMENTS

[identify by title, date and parties]

EXHIBIT D-2

PROPOSED OPINION OF DISTRICT COUNSEL

[Closing Date]

Citigroup Global Markets Inc.
444 South Flower Street, 27th Fl.
Los Angeles, CA 90071-2971

Re: [\$250,000,000] Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A

Ladies and Gentlemen:

We have acted as counsel to Palomar Pomerado Health, a local hospital district (the "District"), in connection with the issuance by the District of \$[250,000,000] Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A (the "Bonds"). The District will sell the Bonds to the North San Diego Health Facilities Financing Authority (the "Authority"), and the Authority will sell the Bonds to Citigroup Global Markets Inc., as underwriter (the "Underwriter") pursuant to that certain Bond Purchase Agreement dated [____], 2007 (the "Bond Purchase Agreement"), among the Underwriter, the District, and the Authority. This letter is furnished pursuant to Section 11(d)(5) of the Bond Purchase Agreement. The Bonds are described in that certain Official Statement dated [____], 2007 (the "Official Statement").

The primary purpose of our professional engagement was not to establish or confirm factual matters or financial or quantitative information. Therefore, we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in, or incorporated by reference in, the Official Statement, and have not made an independent check or verification thereof. However, in the course of acting as counsel to the District in connection with the preparation of the Official Statement, we reviewed the Official Statement and participated in conferences and telephone conversations with officers and other representatives of the District, the independent public accountants for the District, your representatives, and your counsel, during which conferences and conversations the contents of the Official Statement and related matters were discussed. We also reviewed and relied upon certain District records and documents, letters from counsel and accountants, and oral and written statements of officers and other representatives of the District and others as to the existence and consequence of certain factual and other matters.

Based on our participation, review and reliance as described above, we advise you that no facts came to our attention that caused us to believe that the Official Statement, as of the date of the Official Statement and as of this date, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading; it being understood that we express no belief with respect to the financial statements, schedules, or other financial, demographic, and statistical data included or

incorporated by reference in, or omitted from, the Official Statement, or as to the accuracy, completeness or fairness of the information contained in the sections of the Official Statement under the headings titled ["Bond Insurance,"] "The Authority" or "Tax Matters," or with respect to Appendices A-F.

This letter is furnished only to you in your capacity as underwriter in connection with the transactions referenced in the first paragraph. This letter may not be relied upon by you for any other purpose, or furnished to, assigned to, quoted to, or relied upon by any other person, firm or other entity for any purpose (including any person, firm or other entity that acquires Bonds from you) without our prior written consent, which may be granted or withheld in our sole discretion.

Very truly yours,

EXHIBIT E

PROPOSED OPINION OF AUTHORITY COUNSEL

[Date of Closing]

North San Diego Health Facilities Financing Authority
San Diego, California

Citigroup Global Markets Inc.
Los Angeles, California

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

Ladies and Gentlemen:

We have acted as special counsel to the North San Diego County Health Facilities Financing Authority (the "Authority") in connection with the purchase and sale of \$[250,000,000] aggregate principal amount of Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A (the "Bonds") pursuant to a Bond Purchase Agreement, dated December [], 2007 (the "Bond Purchase Agreement"), among you, Palomar Pomerado Health (the "District") and the Authority. In such connection, we have reviewed Resolution No. [], adopted by the Authority on November __, 2007 (the "Resolution"); the Bond Purchase Agreement; certificates of the Authority and others as to certain factual matters; and such documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. With the delivery of this letter, our engagement with respect to the Bonds has concluded, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the first paragraph hereof. We express no opinion herein as to the validity or enforceability of the Bonds or as to the tax status of interest on the Bonds. We call attention to the fact that the rights and obligations under the Resolution and the Bond Purchase Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Bond Purchase Agreement. We also undertake no responsibility of

any kind for the Official Statement, dated December ___, 2007, or other offering material relating to the Bonds.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority is a joint powers agency organized and existing under the laws of the State of California.

2. The Resolution was duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout. The Resolution is in full force and effect and has not been amended, modified or rescinded.

3. The Bond Purchase Agreement has been duly executed and delivered by the Authority and is a valid and binding agreement of the Authority.

This letter is furnished by us as special counsel to the Authority. No attorney-client relationship has existed or exists between our firm and the addressees hereto (other than the Authority) in connection with the Bonds or by virtue of this letter. This letter is solely for the benefit of the addressees hereof, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any person other than the addressees to this letter. This letter is not intended to, and may not, be relied upon by the owners of any Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP