

ADDENDUM C

Financial Statements

October 2006

Tim Nguyen

Corporate Controller

December 5, 2006

PALOMAR POMERADO HEALTH

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PALOMAR POMERADO HEALTH
OCTOBER 2006 FINANCIAL RESULTS
EXECUTIVE SUMMARY and HIGHLIGHTS

Statistics:

	Sep-06	Oct-06	Sep vs Oct % Change	Oct-06 Budget	Act vs Bud % Variance	YTD Actual	YTD Budget	Act vs Bud % Variance
CONSOLIDATED								
Patient Days Acute	9,151	8,819	(3.6%)	9,922	(11.1%)	36,685	39,368	(6.8%)
Patient Days SNF	6,308	6,590	(4.5%)	6,591	(0.0%)	26,050	26,151	(0.4%)
ADC Acute	305	284	(6.9%)	320	(11.3%)	298.24	320	(6.8%)
ADC SNF	210	213	(1.4%)	213	(0.0%)	211.79	213	(0.6%)
Surgeries CVS Cases	16	8	(50.0%)	11	(27.3%)	43	43	(0.0%)
Surgeries Total	944	1,023	(8.4%)	1,041	(1.7%)	3,929	4,130	(4.9%)
Number of Births	477	496	(4.0%)	499	(0.6%)	1945	1980	(1.8%)
NORTH								
Patient Days Acute	6,822	6,547	(4.0%)	7,396	(11.5%)	27,390	29,345	(6.7%)
Patient Days SNF	2,624	2,737	(4.3%)	2,747	(0.4%)	10,802	10,899	(0.9%)
ADC Acute	227	211	(7.0%)	239	(11.7%)	223	238	(6.3%)
ADC SNF	87	88	(1.1%)	89	(1.1%)	88	89	(1.1%)
SOUTH								
Patient Days Acute	2,329	2,272	(2.4%)	2,526	(10.1%)	9,295	10,023	(7.3%)
Patient Days SNF	3,684	3,853	(4.6%)	3,844	(0.2%)	15,248	15,252	(0.0%)
ADC Acute	78	73	(6.4%)	81	(9.9%)	76	81	(6.2%)
ADC SNF	123	124	(0.8%)	124	(0.0%)	124	124	(0.0%)

Balance Sheet:

Current Cash & Cash Equivalents decreased \$0.5 million from \$98.5 million in September to \$98.0 million in October. The decrease is mainly due to the purchase of capital equipment in October. Total Cash and Investments are \$108 million, compared to \$121 million at June 30, 2006. Days Cash on Hand went from 115 days in September to 111 days in October compared to 128 in June.

Net Accounts Receivable increased to \$88.3 million in October as compared to \$86.7 million in September. Gross A/R days decreased from 56.1 days in September to 53.9 days in October.

October patient account collections including capitation are \$28.6 million compared to budget of \$30.3 million. October YTD collections are \$105 million compared to budget of \$121 million. October collections being below budget; is consistent with previous years' trends. Budget is based on an even spread throughout the year and summer collections are typically low.

Construction in Progress reflected minimal activity in the month of October.

Other Current Liabilities decreased \$1.5 primarily due to the realization of Deferred Property Tax Revenue of \$1.1 million and a decrease in Deferred Income Capitation of \$640 thousand in October.

Income Statement:

Gross Patient Revenue for YTD October reflects an unfavorable budget variance of \$19.3 million. This unfavorable variance is composed of a \$17.7 million unfavorable volume variance and \$1.6 million unfavorable rate variance.

Routine revenue (inpatient room and board) reflects an unfavorable \$6.4 million budget variance. North is responsible for \$5.5 million of this variance.

Inpatient Ancillary revenue represents a \$16.1 million unfavorable budget variance. North reflects an unfavorable variance of \$7.9 million and South reflects \$8.1 million unfavorable variance. The main contributors to North's unfavorable variance are Surgery and supply departments totaling \$7.1 million lower than budget. The main contributors to South's unfavorable variance is Respiratory Therapy, Surgery and supply departments totaling \$7.0 million lower than budget.

Outpatient revenue reflects a favorable budget variance of \$3.1 million. North has a \$2.5 million favorable variance and South has a \$0.9 million favorable variance. These two amounts are decreased by Outreach's \$0.3 unfavorable variance.

Deductions from Revenue reflects a YTD favorable variance of \$14.4 million. This is due to lower-than-budgeted volume and budgeted gross revenue. Total Deductions from Revenue is 69.2% of gross revenue compared to a budget of 69.4%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), is 64.2% of YTD Gross Revenue compared to budget of 64.8%.

The net capitation reflects a favorable budget variance of \$960 thousand. Cap Premium and Out of Network Claim Expense both show an unfavorable budget variance of \$1.13 million and \$2.07 million, respectively. Cap Valuation shows a favorable variance of \$4.16 million to offset.

Other Operating Revenue reflects a YTD unfavorable budget variance of \$380 thousand. This is due primarily to the Foundation, where actual PPH funding requests are \$178 thousand below budget and PPNC Health Development where actual grants are \$210 thousand below budget.

Salaries, Wages & Contract labor reflects a YTD favorable variance of \$2.1 million. This favorable variance is composed of: 1) Favorable Salaries and Wages – \$2.3 million (actual \$58.2 million), 2) Unfavorable Contract Labor – \$174 thousand (actual \$2.9 million). These variances are composed of: PPH North favorable \$546 thousand, PPH South favorable \$712 thousand, Central Office favorable \$894 thousand and Outreach \$12 thousand unfavorable.

Benefits Expense has a YTD unfavorable budget variance of \$62 thousand. This variance is primarily due to the employer's contribution towards deferred compensation.

Supplies Expense reflects YTD favorable budget variance of \$1.9 million. This favorable variance is composed of a \$918 thousand favorable volume variance and \$988 thousand favorable rate variance. The favorable variance is pharmacy at \$1.03 million, prosthesis at \$250 thousand, other medical and non-medical at \$639 thousand.

Prof Fees & Purchased Services reflects a YTD unfavorable budget variance of \$1.2 million. The unfavorable variance of \$612 thousand in professional fees is due to higher legal fees, rehabilitation therapy fees and Pomerado ED calls. The unfavorable variance of \$553 thousand in purchased services is due to survey and cost report services and repair and maintenance.

Non-Operating Income reflects a favorable YTD variance of \$1.2 million in October. This is due to a favorable investment income variance. Investment income reflects a 6.1% investment rate of return through October compared to budget of 4.25%.

Ratios & Margins:

All required bond covenant ratios were achieved in October 2006.

**Palomar Pomerado Health
Balanced Scorecard
Financial Indicators
October 31, 2006**

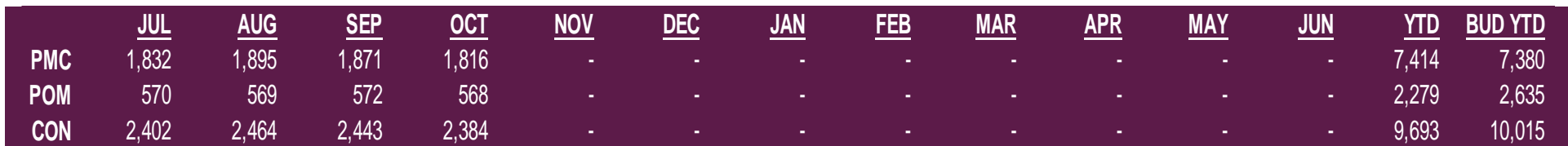
July	August	September	October						YTD 2007			% Actual	Prior Year
Actual	Actual	Actual	Actual	Budget / PY	Variance	% Actual to Budget		Actual	Budget	Variance	to Budget	Actual	
PPH Indicators:													
10.1%	13.2%	10.2%	4.4%	9.9%	-5.5%	44.4%	OEBITDA Margin w/Prop Tax	9.5%	9.9%	-0.4%	96.0%	7.8%	
\$ 2,546.07	\$ 2,396.55	\$ 2,504.83	\$ 2,697.64	\$ 2,483.14	\$ (214.50)	108.6%	Expenses/Wtd Day	2,533.57	\$2,487.18	\$ (46.39)	101.9%	2,396.62	
\$ 1,532.71	\$ 1,404.87	\$ 1,461.41	\$ 1,622.50	\$ 1,478.51	\$ (143.99)	109.7%	SWB/Wtd Day	1,503.48	\$1,479.69	\$ (23.79)	101.6%	1,414.41	
6.32	6.01	6.06	6.38	6.12	\$ (0.26)	104.2%	Prod FTE's/Adj Occupied Bed	6.13	6.12	(0.01)	100.2%	6.15	
12,517	13,150	12,568	12,431	12,214	\$ 217.00	101.8%	Weighted Patient Days	50,679	52,898	(2,219)	102.9%	49,246	
PPH North Indicators:													
11.2%	12.9%	11.3%	1.5%	9.8%	-8.3%	15.3%	OEBITDA Margin w/Prop Tax	9.2%	9.7%	-0.5%	94.8%	7.8%	
\$ 2,428.82	\$ 2,284.89	\$ 2,387.14	\$ 2,606.31	\$ 2,362.48	\$ (243.83)	110.3%	Expenses/Wtd Day	2,423.55	\$2,366.43	\$ (57.12)	102.4%	2,284.13	
\$ 1,307.07	\$ 1,164.54	\$ 1,239.14	\$ 1,365.10	\$ 1,224.57	\$ (140.53)	111.5%	SWB/Wtd Day	1,266.99	\$1,225.48	\$ (41.51)	103.4%	1,198.76	
5.32	5.09	5.16	5.42	5.08	\$ (0.34)	106.7%	Prod FTE's/Adj Occupied Bed	5.21	5.08	(0.13)	102.6%	5.18	
8,712	9,045	8,622	8,475	8,414	\$ 61.00	100.7%	Weighted Patient Days	34,865	36,515	(1,650)	100.1%	34,828	
PPH South Indicators:													
5.0%	10.3%	4.9%	11.1%	6.9%	4.2%	160.9%	OEBITDA Margin w/Prop Tax	8.0%	6.9%	1.1%	115.9%	5.1%	
\$ 2,459.24	\$ 2,277.51	\$ 2,392.00	\$ 2,450.64	\$ 2,398.74	\$ (51.90)	102.2%	Expenses/Wtd Day	2,393.38	\$2,402.03	\$ 8.65	99.6%	2,377.75	
\$ 1,315.29	\$ 1,153.48	\$ 1,213.22	\$ 1,285.60	\$ 1,270.24	\$ (15.36)	101.2%	SWB/Wtd Day	1,240.63	\$1,271.10	\$ 30.47	97.6%	1,241.23	
5.77	5.35	5.43	5.46	5.58	\$ 0.12	97.8%	Prod FTE's/Adj Occupied Bed	5.46	5.58	0.12	97.8%	5.75	
3,554	3,832	3,626	3,713	3,573	\$ 140.00	103.9%	Weighted Patient Days	14,724	15,144	(420)	107.7%	13,673	

Weighted Patient Days is compared with Prior Year Actual

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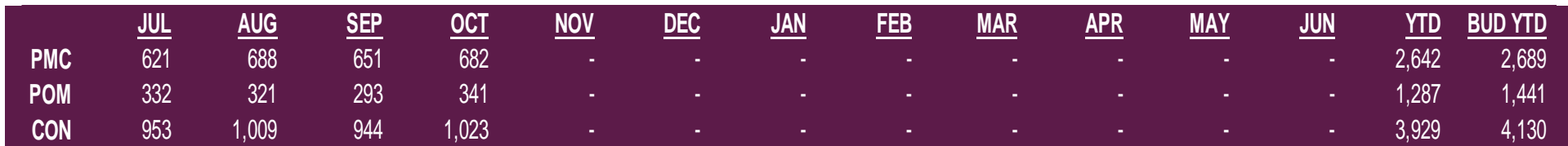
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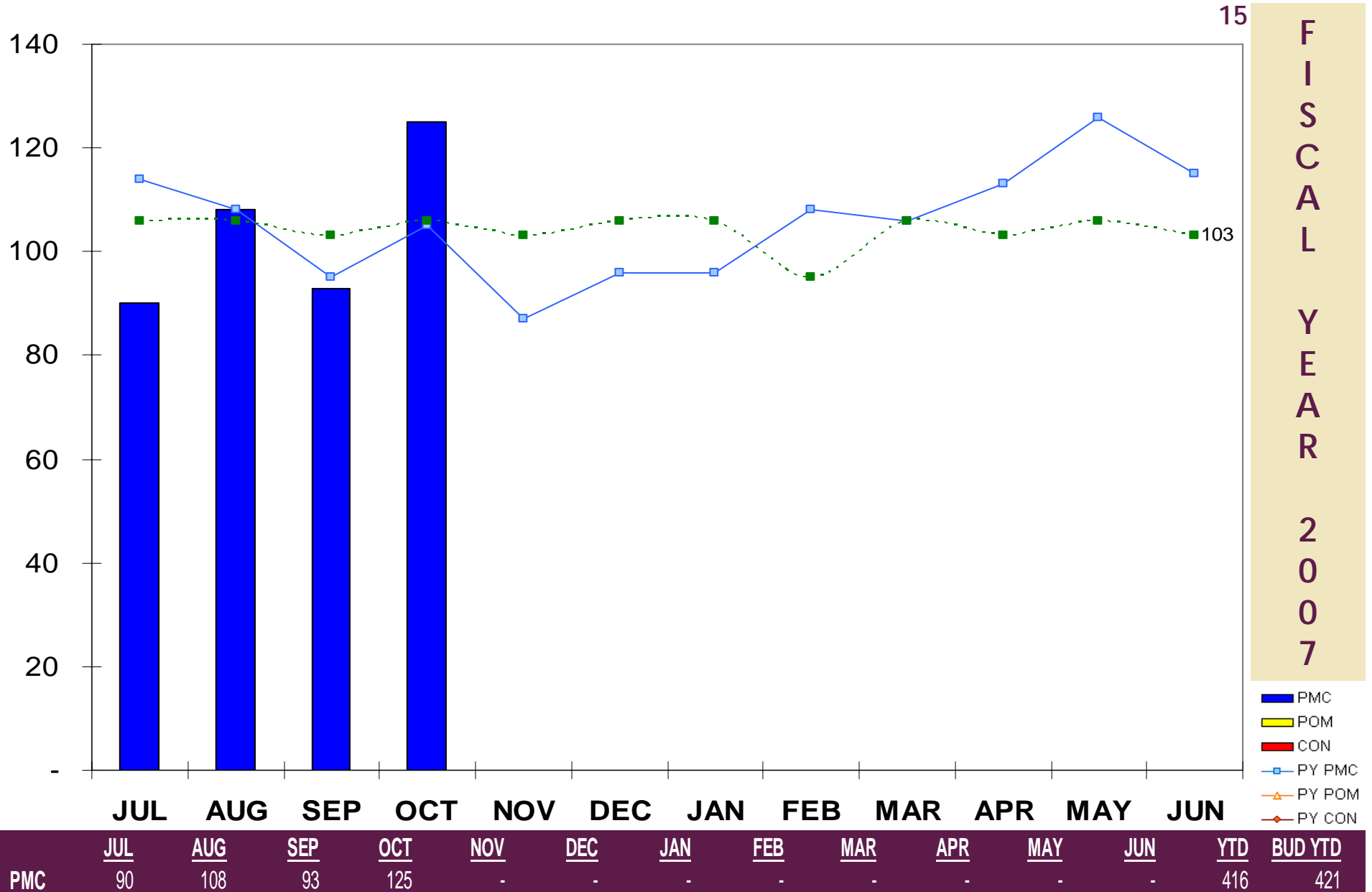
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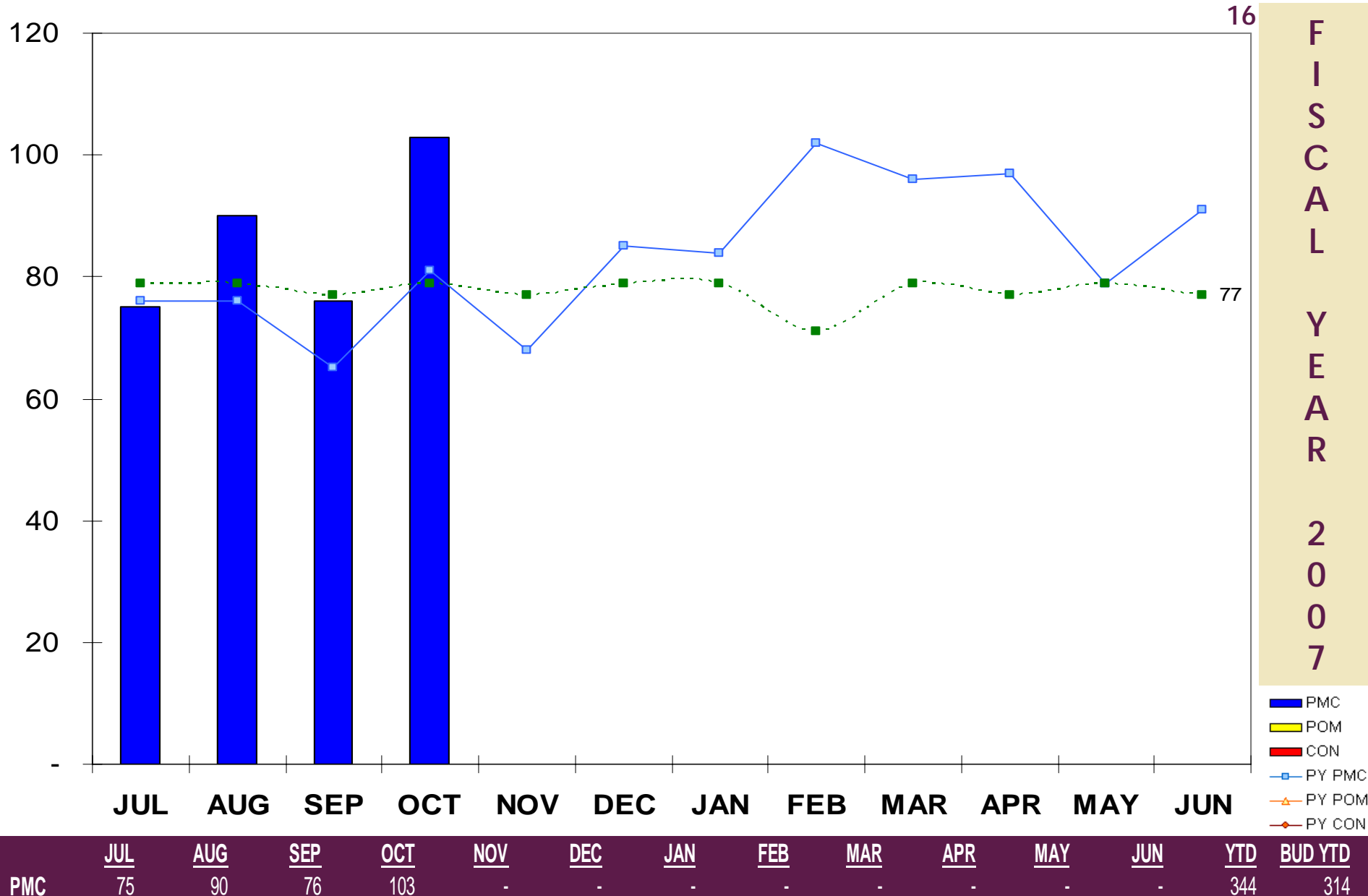
Trauma Cases (PMC)

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Trauma Admissions (PMC)

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PALOMAR POMERDO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FYTD October 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>ADMISSIONS - Acute:</u>				
Palomar Medical Center	7,414	7,380	34	7,314
Pomerado Hospital	2,279	2,635	(356)	2,242
Total:	<u>9,693</u>	<u>10,015</u>	<u>(322)</u>	<u>9,556</u>
<u>ADMISSIONS - SNF:</u>				
Palomar Medical Center	214	261	(47)	218
Pomerado Hospital	183	211	(28)	185
Total:	<u>397</u>	<u>472</u>	<u>(75)</u>	<u>403</u>
<u>PATIENT DAYS - Acute:</u>				
Palomar Medical Center	27,390	29,345	(1,955)	27,848
Pomerado Hospital	9,295	10,023	(728)	8,817
Total:	<u>36,685</u>	<u>39,368</u>	<u>(2,683)</u>	<u>36,665</u>
<u>PATIENT DAYS- SNF:</u>				
Palomar Medical Center	10,802	10,899	(97)	10,385
Pomerado Hospital	15,248	15,252	(4)	15,178
Total:	<u>26,050</u>	<u>26,151</u>	<u>(101)</u>	<u>25,563</u>

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SUMMARY OF KEY INDICATORS AND RESULTS
FYTD October 2006

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	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>WEIGHTED PATIENT DAYS:</u>				
Palomar Medical Center	34,865	36,515	(1,650)	34,828
Pomerado Hospital	14,724	15,144	(420)	13,673
Other Activities	1,090	1,239	(149)	745
Total:	<u>50,679</u>	<u>52,898</u>	<u>(2,219)</u>	<u>49,246</u>
<u>AVERAGE LENGTH OF STAY- Acute:</u>				
Palomar Medical Center	3.67	4.02	(0.35)	3.91
Pomerado Hospital	4.04	3.96	0.08	3.88
Total:	<u>3.76</u>	<u>4.00</u>	<u>(0.24)</u>	<u>3.91</u>
<u>AVERAGE LENGTH OF STAY - SNF:</u>				
Palomar Medical Center	51.68	40.52	11.16	48.08
Pomerado Hospital	85.18	73.68	11.50	81.60
Total:	<u>67.14</u>	<u>54.94</u>	<u>12.20</u>	<u>63.59</u>

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PALOMAR POMERDO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FYTD October 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>EMERGENCY ROOM VISITS & TRAUMA CASES:</u>				
Palomar Medical Center	14,876	15,177	(301)	14,304
Pomerado Hospital	7,516	7,865	(349)	7,389
Total:	<u>22,392</u>	<u>23,042</u>	<u>(650)</u>	<u>21,693</u>
<u>EMERGENCY & TRAUMA ADMISSIONS:</u>				
Palomar Medical Center	3,591	3,824	(233)	3,553
Pomerado Hospital	1,290	1,377	(87)	1,255
Total:	<u>4,881</u>	<u>5,201</u>	<u>(320)</u>	<u>4,808</u>
<u>SURGERIES:</u>				
Palomar Medical Center	2,642	2,689	(47)	2,643
Pomerado Hospital	1,287	1,441	(154)	1,324
Total:	<u>3,929</u>	<u>4,130</u>	<u>(201)</u>	<u>3,967</u>
<u>BIRTHS:</u>				
Palomar Medical Center	1,566	1,508	58	1,543
Pomerado Hospital	379	472	(93)	386
Total:	<u>1,945</u>	<u>1,980</u>	<u>(35)</u>	<u>1,929</u>

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Key Variance Explanations for October 2006

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	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Weighted Patient Days	12,431	13,331	(900)
Gross Patient Revenue:	102,455,908	106,338,260	(3,882,352)
Due to lower than budgeted volumes			(3,296,737)
Contractuals:	71,518,551	73,812,302	2,293,751
Due to lower than budgeted gross revenue			
Net Capitation:	144,087	63,927	80,160
Other Operating Revenue:	836,197	1,007,597	(171,400)
Health Development			(55,750)
PPH Foundation			(64,256)
Salaries & Wages:	15,471,247	15,256,595	(214,652)
Annual merit increase and longevity			
Benefits:	4,022,437	3,774,533	(247,904)
Deferred Compensation			(164,450)
Contract Labor:	675,568	678,883	3,315

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Key Variance Explanations for October 2006 (Cont'd)

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	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Professional Fees:	2,169,854	1,815,681	(354,173)
Physician Fees (includes some retro fees)			(223,528)
Legal Fees			(96,000)
Consulting Fees			(30,430)
Supplies:	4,986,864	5,503,090	516,226
Prosthesis			250,019
Due to lower than budgeted volumes			144,702
Other non-medical			126,770
Purchased Services:	2,321,346	2,164,495	(156,851)
Survey service fees			(63,583)
Collection Fees			(37,222)
Cost Report service fees			(34,181)
Elevator services late billing			(23,912)

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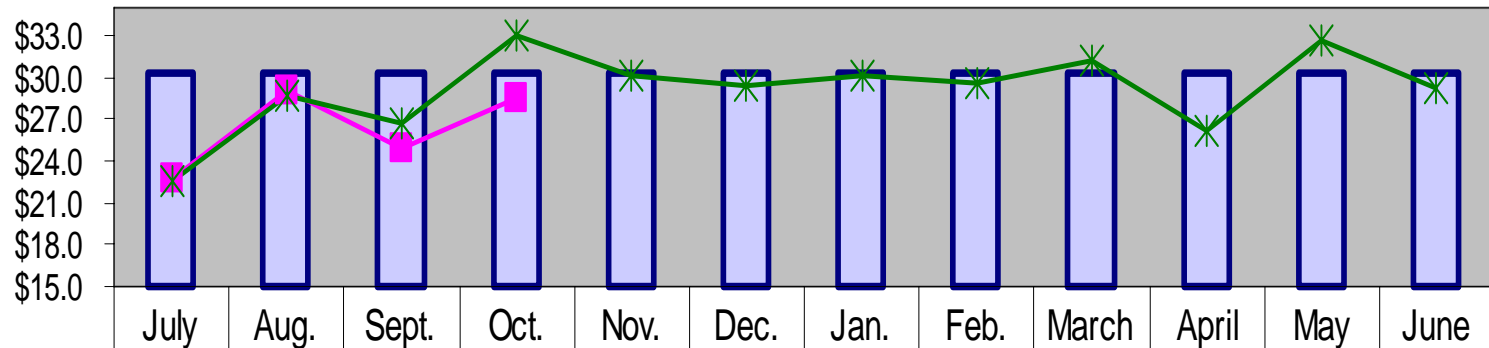
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Key Variance Explanations for October 2006 (Cont'd)




	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Depreciation:	1,668,606	1,568,084	(100,522)
CIP's newly closed			(64,832)
Escondido Surgery Center			(35,290)
Other Direct Expenses:	1,818,374	1,949,209	130,835
Marketing / Recruiting			90,704
Utilities			83,938
 Net Income From Operations	 <u>(\$1,216,655)</u>	 <u>\$886,912</u>	 <u>(\$2,103,567)</u>

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PBS Monthly Collections in Millions



 FY07 Goal	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3
 Pr. Yr Actual	\$22.6	\$28.7	\$26.8	\$33.1	\$30.1	\$29.5	\$30.2	\$29.6	\$31.2	\$26.2	\$32.6	\$29.2
 Curr. Yr Actual	\$22.8	\$29.1	\$24.9	\$28.6								

PALOMAR POMERADO HEALTH
Consolidated Balance Sheet
As of October 31, 2006

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$5,415,265	\$172,781	\$2,001,279
Cash Marketable Securities	92,637,284	98,333,076	110,035,151
Total Cash & Cash Equivalents	98,052,549	98,505,857	112,036,430
Patient Accounts Receivable	176,940,672	182,435,472	149,045,009
Allowance on Accounts	-88,664,851	-95,690,974	-78,078,378
Net Accounts Receivable	88,275,821	86,744,498	70,966,631
Inventories	6,880,380	6,872,906	6,937,645
Prepaid Expenses	2,387,017	2,115,754	2,293,992
Other	18,209,847	17,562,924	3,868,903
Total Current Assets	213,805,614	211,801,939	196,103,601
Non-Current Assets			
Restricted Assets	52,329,424	54,216,818	66,734,609
Restricted by Donor	291,127	289,774	288,265
Board Designated	10,256,775	12,235,047	9,267,526
Total Restricted Assets	62,877,326	66,741,639	76,290,400
Property Plant & Equipment	339,312,674	339,933,839	343,335,572
Accumulated Depreciation	-221,231,290	-220,923,479	-220,455,460
Construction in Process	100,360,230	98,379,353	85,858,842
Net Property Plant & Equipment	218,441,614	217,389,713	208,738,954
Investment in Related Companies	1,360,849	1,305,985	268,203
Deferred Financing Costs	3,594,315	3,469,576	3,354,469
Other Non-Current Assets	2,555,197	2,555,197	2,594,765
Total Non-Current Assets	288,829,301	291,462,110	291,246,791
Total Assets	\$502,634,915	\$503,264,049	\$487,350,392

	Current Month	Prior Month	Prior Fiscal Year End
Liabilities			
Current Liabilities			
Accounts Payable	\$17,417,008	\$20,074,089	\$23,154,953
Accrued Payroll	17,694,697	16,271,101	13,504,395
Accrued PTO	11,527,623	11,094,734	11,133,368
Accrued Interest Payable	2,875,619	2,256,333	2,265,274
Current Portion of Bonds	12,015,000	12,015,000	12,745,000
Est Third Party Settlements	-277,639	-472,484	-995,051
Other Current Liabilities	19,897,474	21,351,613	9,482,924
Total Current Liabilities	81,149,782	82,590,386	71,290,863
Long Term Liabilities			
Bonds & Contracts Payable	145,962,266	145,944,428	151,347,395
General Fund Balance			
Unrestricted	264,974,965	262,204,417	255,156,342
Restricted for Other Purpose	291,127	289,774	288,265
Board Designated	10,256,775	12,235,047	9,267,526
Total Fund Balance	275,522,867	274,729,238	264,712,133
Total Liabilities / Fund Balance	\$502,634,915	\$503,264,049	\$487,350,392

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FY 2007 Month-to-Date as of October

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	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	2,384	2,524	(140)					
Admissions - SNF	104	119	(15)					
Patient Days - Acute	8,819	9,922	(1,103)					
Patient Days - SNF	6,590	6,591	(1)					
ALOS - Acute	3.64	4.00	(0.36)					
ALOS - SNF	69.37	54.93	14.44					
Weighted Pt Days	12,431	13,331	(900)					
Revenue:								
Gross Revenue	\$ 102,455,908	\$ 106,338,260	\$ (3,882,352) U	\$ (7,179,089)	\$ 3,296,737	\$ 8,241.97	\$ 7,976.77	\$ 265.20
Deductions from Rev	(71,374,464)	(73,748,375)	2,373,911 F	4,978,887	(2,604,976)	(5,741.65)	(5,532.10)	(209.55)
Net Patient Revenue	31,081,444	32,589,885	(1,508,441) U	(2,200,202)	691,761	2,500.32	2,444.67	55.65
Other Oper Revenue	836,197	1,007,597	(171,400) U	(68,025)	(103,375)	67.27	75.58	(8.32)
Total Net Revenue	31,917,641	33,597,482	(1,679,841) U	(2,268,227)	588,386	2,567.58	2,520.25	47.33
Expenses:								
Salaries, Wages & Contr Labor	16,146,815	15,935,478	(211,337) U	1,075,833	(1,287,170)	1,298.92	1,195.37	(103.55)
Benefits	4,022,437	3,774,533	(247,904) U	254,826	(502,730)	323.58	283.14	(40.44)
Supplies	4,986,864	5,503,090	516,226 F	371,524	144,702	401.16	412.80	11.64
Prof Fees & Purch Svc	4,491,200	3,980,176	(511,024) U	268,709	(779,733)	361.29	298.57	(62.72)
Depreciation	1,668,606	1,568,084	(100,522) U	105,864	(206,386)	134.23	117.63	(16.60)
Other	1,818,374	1,949,209	130,835 F	131,595	(760)	146.28	146.22	(0.06)
PPH Allocation	-	-	-	-	-	-	-	-
Total Expenses	33,134,296	32,710,570	(423,726) U	2,208,350	(2,632,076)	2,665.46	2,453.72	(211.73)
Net Inc Before Non-Oper Income	(1,216,655)	886,912	(2,103,567) U	(59,877)	(2,043,690)	(97.87)	66.53	(164.40)
Property Tax Revenue	1,054,166	1,054,166	-	(71,169)	71,169	84.80	79.08	5.73
Non-Operating Income	190,429	73,058	117,371 F	(4,932)	122,303	15.32	5.48	9.84
Net Income (Loss)	\$ 27,940	\$ 2,014,136	\$ (1,986,196) U	\$ (135,978)	\$ (1,850,218)	\$ 2.25	\$ 151.09	\$ (148.84)
Net Income Margin	0.1%	5.7%	-5.6%					
OEBITDA Margin w/o Prop Tax	1.3%	7.0%	-5.7%					
OEBITDA Margin with Prop Tax	4.4%	9.9%	-5.5%					

F= Favorable variance
U= Unfavorable variance

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CONSOLIDATED
FY 2007 Year-to-Date as of October

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	Month Activity			Variance		\$/Wtg Pt Day			
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance	
Statistics:									
Admissions - Acute	9,693	10,015	(322)						
Admissions - SNF	397	472	(75)						
Patient Days - Acute	36,685	39,368	(2,683)						
Patient Days - SNF	26,050	26,151	(101)						
ALOS - Acute	3.76	4.00	(0.24)						
ALOS - SNF	67.14	54.94	12.20						
Weighted Pt Days	50,679	52,898	(2,219)						
Revenue:									
Gross Revenue	\$ 402,550,007	\$ 421,894,346	\$ (19,344,339) U	\$ (17,697,901)	\$ (1,646,438)	\$ 7,943.13	\$ 7,975.62	\$ (32.49)	
Deductions from Rev	(277,191,961)	(292,596,140)	15,404,179 F	12,274,015	3,130,164	(5,469.56)	(5,531.33)	61.76	
Net Patient Revenue	125,358,046	129,298,206	(3,940,160) U	(5,423,886)	1,483,726	2,473.57	2,444.29	29.28	
Other Oper Revenue	3,650,778	4,030,388	(379,610) U	(169,069)	(210,541)	72.04	76.19	(4.15)	
Total Net Revenue	129,008,824	133,328,594	(4,319,770) U	(5,592,955)	1,273,185	2,545.61	2,520.48	25.12	
Expenses:									
Salaries, Wages & Contr Labor	61,103,725	63,243,154	2,139,429 F	2,652,965	(513,536)	1,205.70	1,195.57	(10.13)	
Benefits	15,091,388	15,029,257	(62,131) U	630,457	(692,588)	297.78	284.12	(13.67)	
Supplies	19,938,178	21,843,561	1,905,383 F	916,308	989,075	393.42	412.94	19.52	
Prof Fees & Purch Svc	17,008,261	15,843,198	(1,165,063) U	664,601	(1,829,664)	335.61	299.50	(36.10)	
Depreciation	6,638,753	6,272,336	(366,417) U	263,116	(629,533)	131.00	118.57	(12.42)	
Other	7,026,502	7,766,970	740,468 F	325,814	414,654	138.65	146.83	8.18	
PPH Allocation	-	-	-	-	-	-	-	-	
Total Expenses	126,806,807	129,998,476	3,191,669 F	5,453,261	(2,261,592)	2,502.16	2,457.53	(44.63)	
Net Inc Before Non-Oper Income	2,202,017	3,330,118	(1,128,101) U	(139,694)	(988,407)	43.45	62.95	(19.50)	
Property Tax Revenue	4,216,664	4,216,664	-	(176,883)	176,883	83.20	79.71	3.49	
Non-Operating Income	1,461,917	292,232	1,169,685 F	(12,259)	1,181,944	28.85	5.52	23.32	
Net Income (Loss)	\$ 7,880,598	\$ 7,839,014	\$ 41,584 F	\$ (328,836)	\$ 370,420	\$ 155.50	\$ 148.19	\$ 7.31	
Net Income Margin	5.8%	5.6%	0.2%						
OEBITDA Margin w/o Prop Tax	6.5%	6.9%	-0.4%						
OEBITDA Margin with Prop Tax	9.5%	9.9%	-0.4%						

F= Favorable variance
U= Unfavorable variance

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CONSOLIDATED
MONTHLY TREND - FY 2007**

	Jul-06	Aug-06	Sep-06	Oct-06	FYTD
<u>Statistics:</u>					
Admissions - Acute	2,402	2,464	2,443	2,384	9,693
Admissions - SNF	104	99	90	104	397
Patient Days - Acute	9,180	9,535	9,151	8,819	36,685
Patient Days - SNF	6,635	6,517	6,308	6,590	26,050
LOS - Acute	3.86	3.82	3.70	3.64	3.76
LOS - SNF	72.12	63.27	64.37	69.37	67.14
Weighted Pt Days	12,517	13,150	12,568	12,431	50,679
<u>Revenue:</u>					
Gross Revenue	\$ 99,141,914	\$ 104,303,733	\$ 96,648,451	\$ 102,455,908	\$ 402,550,007
Deductions from Rev	(67,846,129)	(72,046,060)	(65,925,304)	(71,374,464)	(277,191,961)
Net Patient Revenue	31,295,785	32,257,673	30,723,147	31,081,444	125,358,046
Other Oper Revenue	872,741	1,024,339	917,501	836,197	3,650,778
Total Net Revenue	32,168,526	33,282,012	31,640,648	31,917,641	129,008,824
<u>Expenses:</u>					
Salaries, Wages & Contr Labor	15,474,327	14,754,829	14,727,754	16,146,815	61,103,725
Benefits	3,710,570	3,719,161	3,639,220	4,022,437	15,091,388
Supplies	5,053,134	5,252,262	4,645,918	4,986,864	19,938,178
Prof Fees & Purch Svc	3,957,885	4,023,887	4,535,289	4,491,200	17,008,261
Depreciation	1,647,188	1,661,866	1,661,093	1,668,606	6,638,753
Other	1,626,284	1,709,799	1,872,046	1,818,374	7,026,502
Total Expenses	31,469,388	31,121,804	31,081,320	33,134,296	126,806,807
Net Inc Before Non-Oper Income	699,138	2,160,208	559,328	(1,216,655)	2,202,017
Property Tax Revenue	1,054,166	1,054,166	1,054,166	1,054,166	4,216,664
Non-Operating Income	427,875	505,503	338,114	190,429	1,461,917
Net Income (Loss)	\$ 2,181,179	\$ 3,719,874	\$ 1,951,605	\$ 27,940	\$ 7,880,598
Net Income Margin	6.5%	10.0%	6.1%	0.1%	5.8%
OEBITDA Margin w/o Prop Tax	6.9%	10.3%	6.9%	1.3%	6.5%
OEBITDA Margin with Prop Tax	10.1%	13.2%	10.2%	4.4%	9.5%

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Palomar Pomerado Health
STATEMENTS OF CASH FLOWS
Fiscal Year 2007

	<u>October</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss from operations)	(1,216,655)	2,201,517
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,668,606	6,638,754
Provision for bad debts	2,926,630	11,631,806
Changes in operating assets and liabilities:		
Patient accounts receivable	(4,457,953)	(28,882,647)
Property Tax and other receivables	(1,171,648)	(1,105,937)
Inventories	(7,474)	57,265
Prepaid expenses and Other Non-Current assets	(326,127)	(1,185,671)
Accounts payable	(2,657,081)	(13,207,640)
Accrued comp	(372,997)	2,495,238
Estimated settlement amounts due third-party payors	264,891	787,458
Other current liabilities	2,152,434	4,529,372
Net cash provided by operating activities	<u>(3,197,374)</u>	<u>(16,040,485)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales on investments	9,560,105	30,810,941
Interest (Loss) received on investments	574,421	3,044,434
Investment in affiliates	283,097	686,148
Net cash used in investing activities	<u>10,417,623</u>	<u>34,541,523</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	234,158	559,389
Receipt of District Taxes	229,150	738,712
Net cash used in activities	<u>463,308</u>	<u>1,298,101</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(2,441,074)	(16,070,644)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	0	(1,838,488)
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	0	(6,185,000)
Net cash used in activities	<u>(2,441,074)</u>	<u>(24,094,132)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,242,483	(4,294,993)
CASH AND CASH EQUIVALENTS - Beginning of period	172,782	9,710,258
CASH AND CASH EQUIVALENTS - End of period	<u>5,415,265</u>	<u>5,415,265</u>

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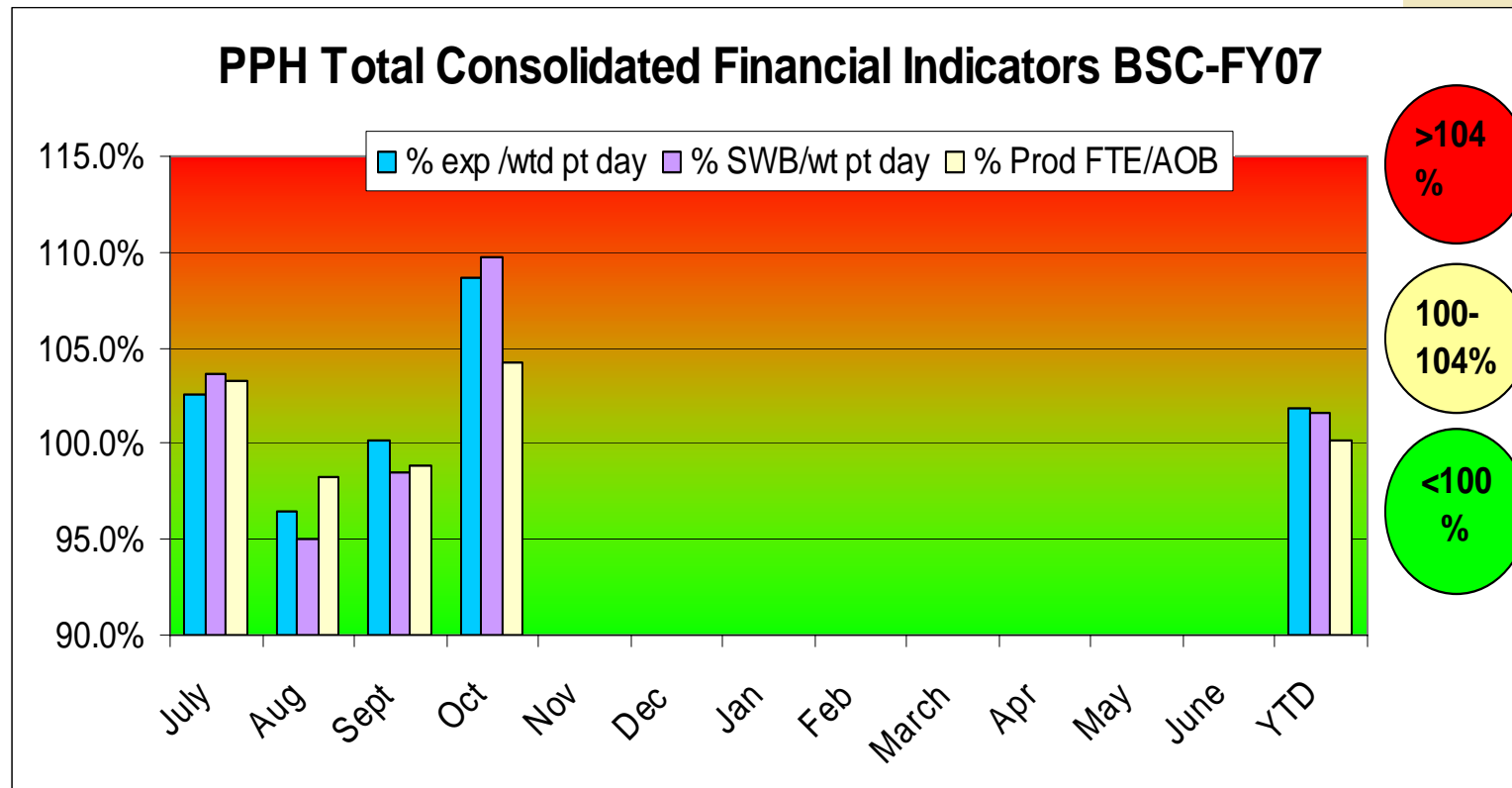
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PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

CUSHION RATIO	Jun-05	Jun-06	Oct-06
Cash and Cash Equivalents	109,043,208	112,036,430	97,269,032
Board Designated Reserves	22,388,648	9,267,526	10,256,775
Trustee-held Funds	12,026,055	12,170,183	15,963,894
Total	143,457,911	133,474,139	123,489,701
Divided by:			
Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594
CUSHION RATIO	13.4	12.5	11.5
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved
DAYS CASH ON HAND	Jun-05	Jun-06	Oct-06
Cash and Cash Equivalents	109,043,208	112,036,430	98,052,549
Board Designated Reserves	22,388,648	9,267,526	10,256,775
Total	131,431,856	121,303,956	108,309,324
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	340,338,156	364,120,335	126,806,807
Less: Depreciation	16,394,985	18,737,467	6,638,754
Adjusted Expenses	323,943,171	345,382,868	120,168,053
Number of days in period	365	365	123
Average Adjusted Expenses per Day	887,516	946,254	976,976
DAYS CASH ON HAND	148	128	111
REQUIREMENT	90	90	90
	Achieved	Achieved	Achieved
Net Income Available for Debt Service	Jun-05	Jun-06	Oct-06
Excess of revenue over expenses Cur Mo.	1,490,930	1,315,850	27,940
Excess of revenues over expenses YTD (General Funds)	17,052,649	11,558,633	7,880,598
ADD:			
Depreciation and Amortization	16,394,985	18,737,467	6,638,754
Interest Expense	5,272,031	4,405,929	1,591,473
Net Income Available for Debt Service	38,719,665	34,702,029	16,110,825
<u>Aggregate Debt Service</u>			
1993 Insured Refunding Revenue Bonds	6,020,301	3,639,772	816,196
1999 Insured Refunding Revenue Bonds	4,356,844	6,950,508	2,749,326
Aggregate Debt Service	10,377,145	10,590,280	3,565,522
Net Income Available for Debt Service	3.73	3.28	4.52
Required Coverage	1.15	1.15	1.15
	Achieved	Achieved	Achieved

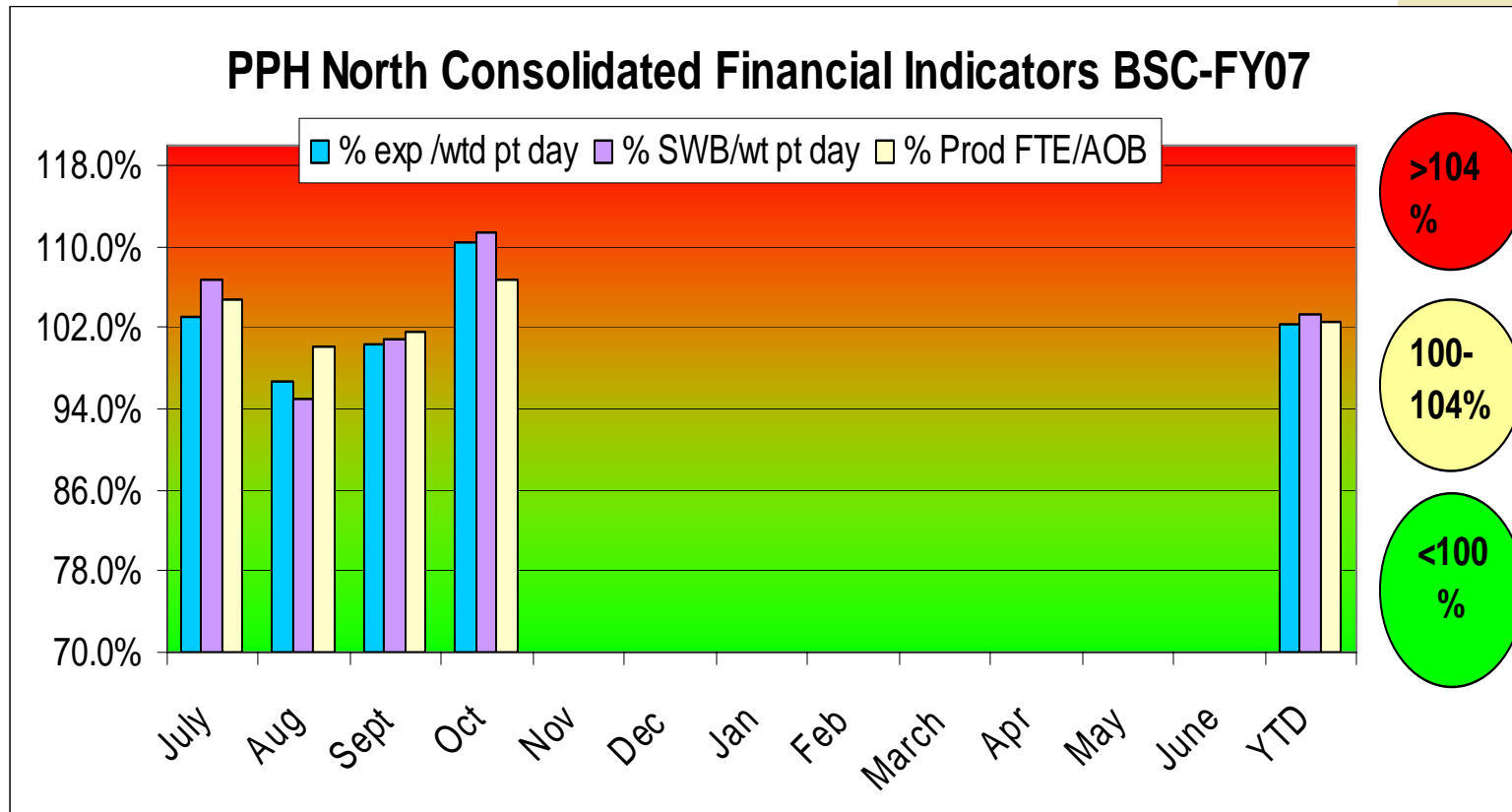
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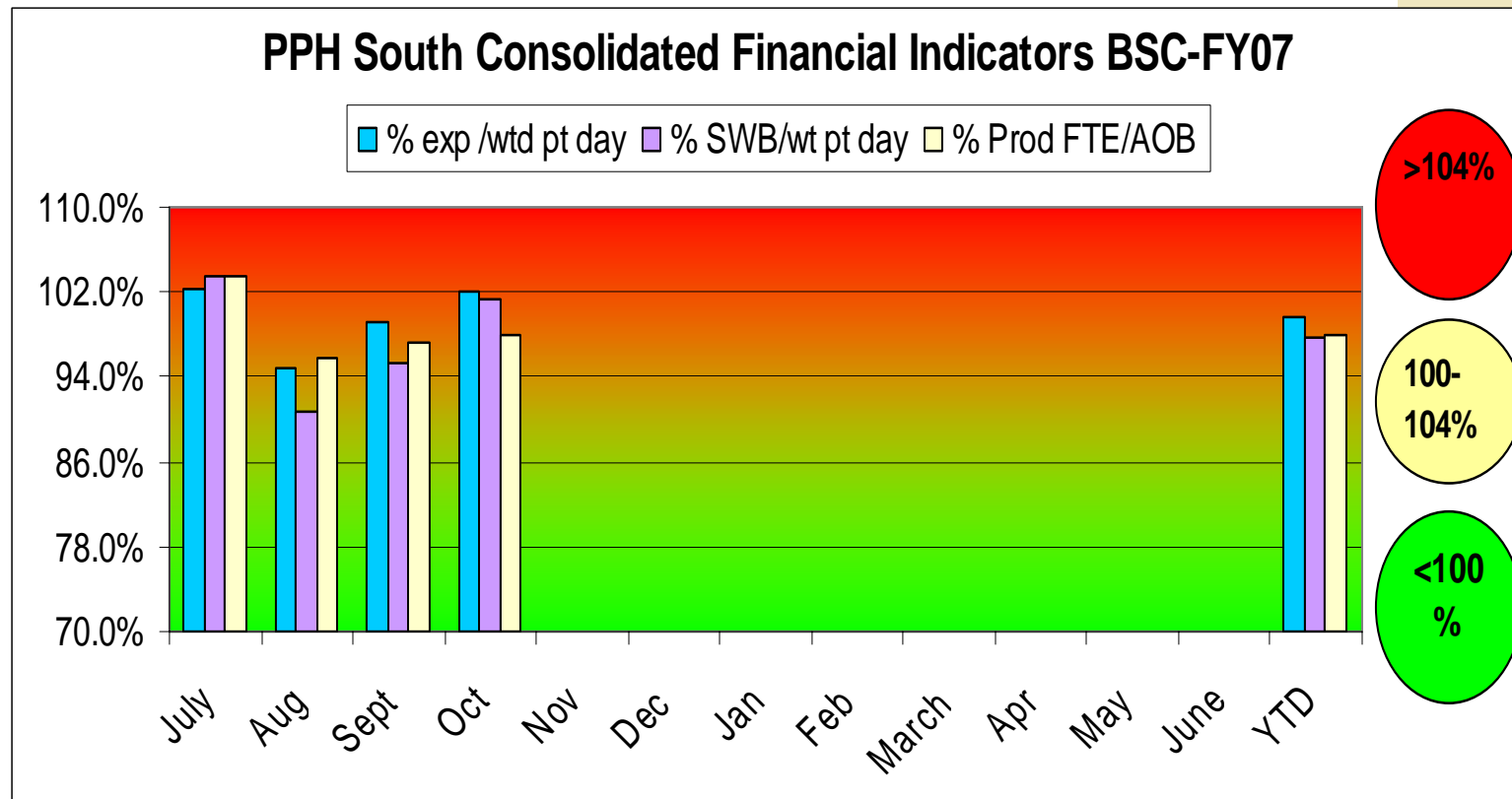
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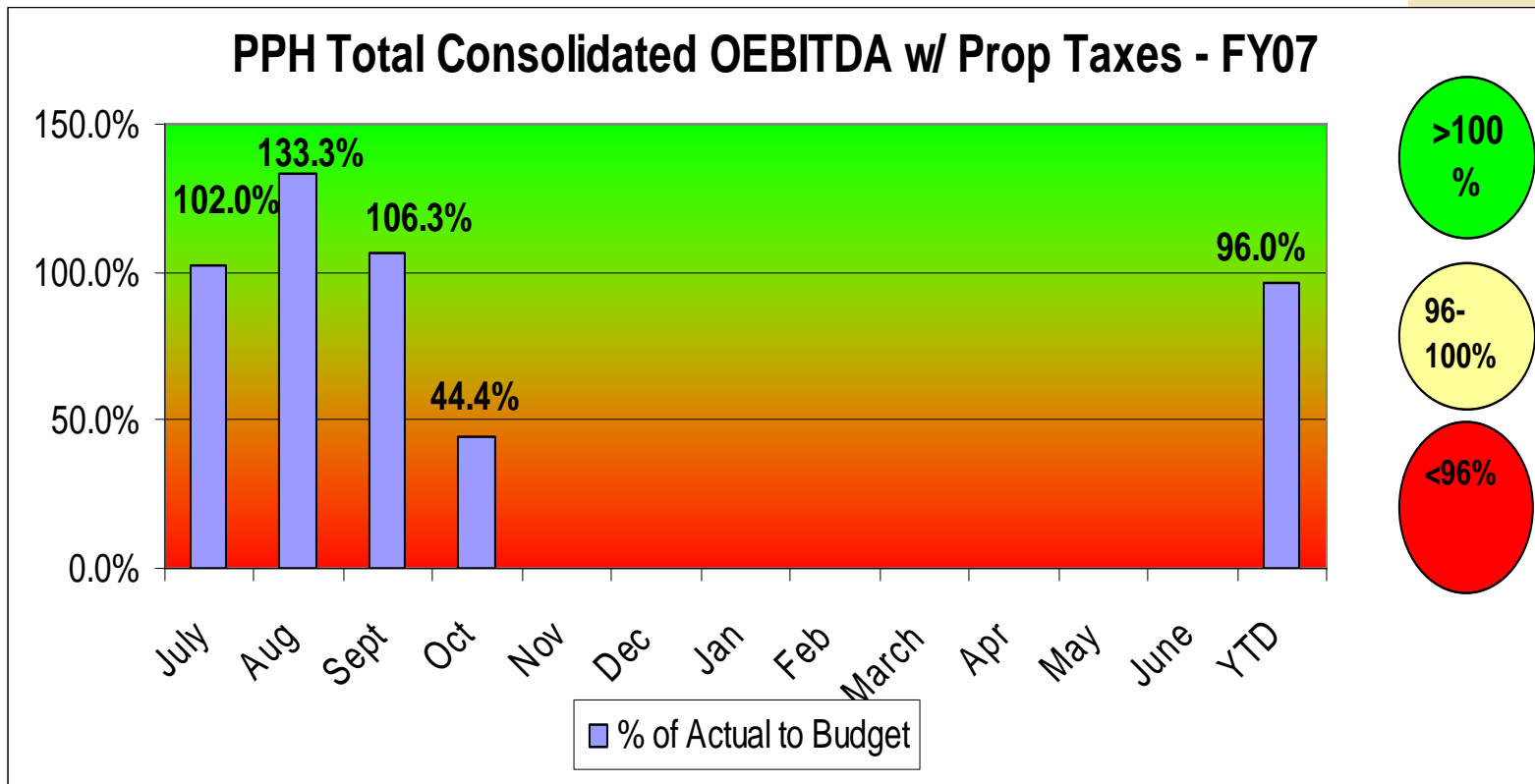
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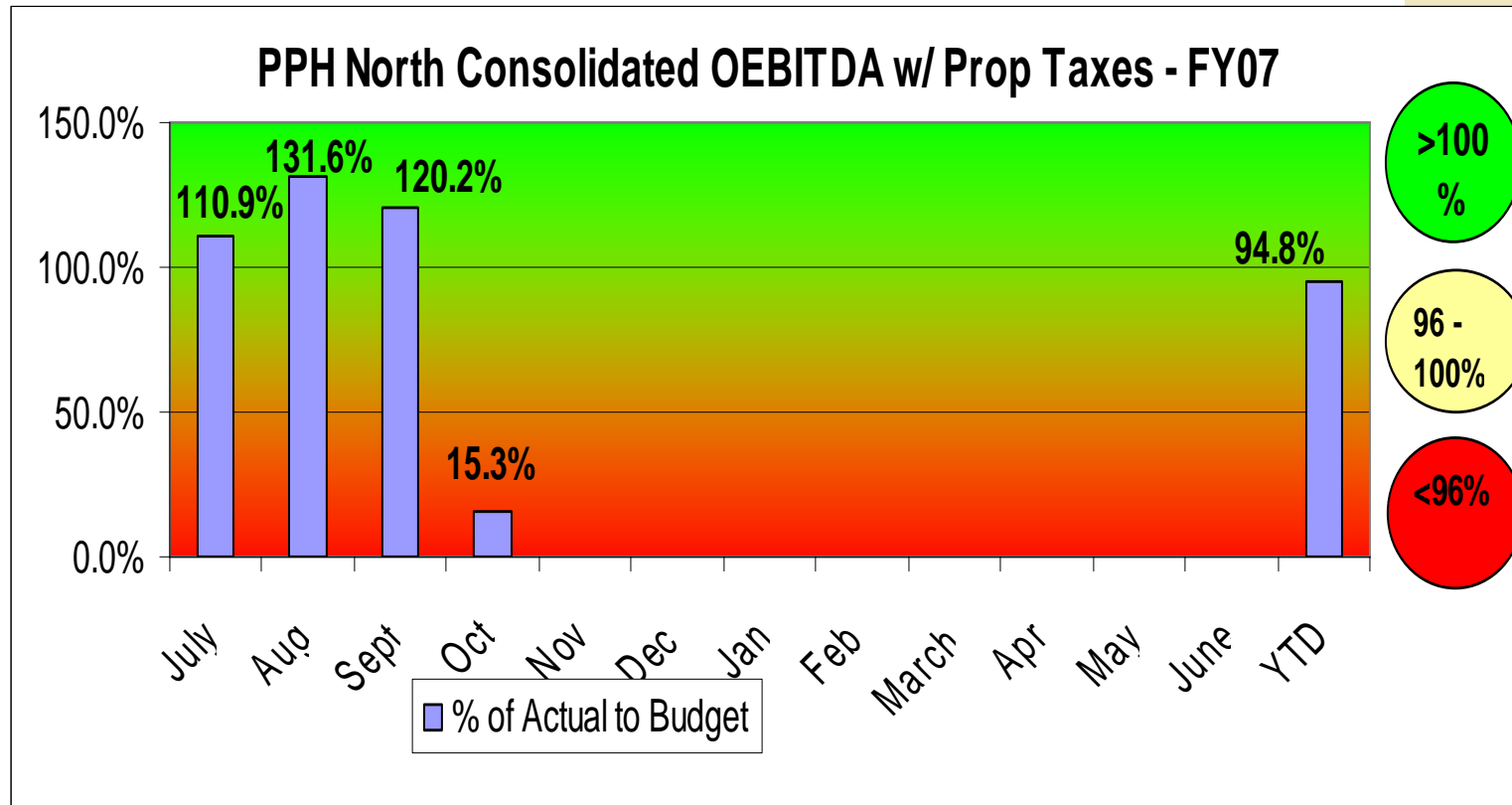
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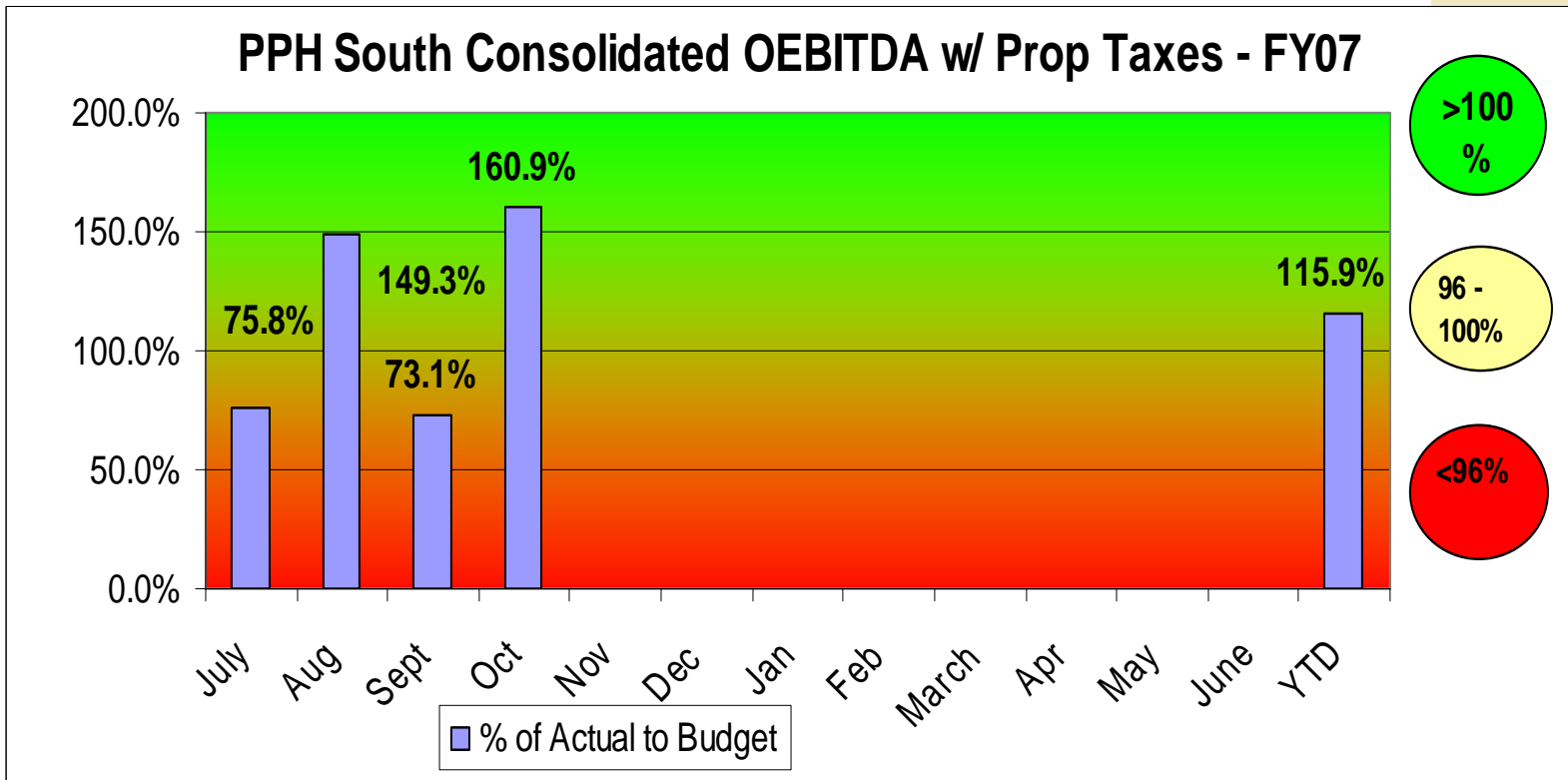
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PPH Weekly Flash Report

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Month: October 2006	Sep29 - Oct 5	Oct 6-12	Oct 13-19	Oct 20-26	MTD Total	MTD Budget	% Variance
ADC (Acute)	311	285	286	277	290	320	(9.43)
PMC	231	218	207	206	215	239	(9.76)
POM	80	68	80	71	75	81	(8.44)
PCCC	82	83	87	91	86	89	(3.19)
VP	124	125	125	127	125	124	0.95
Patient Days (Acute)	2176	1997	2005	1939	8117	8,962	(9.43)
PMC	1619	1523	1447	1439	6028	6,680	(9.76)
POM	557	474	558	500	2089	2,282	(8.44)
PCCC	577	584	607	634	2402	2,481	(3.19)
VP	867	876	874	888	3505	3,472	0.95
Discharges	567	478	534	520	2099	2280	(7.93)
PMC	441	373	391	382	1587	1,680	(5.54)
POM	126	105	143	138	512	600	(14.63)
Number of Surgeries	228	238	224	243	933	940	(0.77)
PMC	152	161	146	162	621	612	1.41
POM	76	77	78	81	312	328	(4.84)
Number of Births	117	122	107	118	464	451	2.95
PMC	95	98	86	94	373	343	8.67
POM	22	24	21	24	91	107	(15.34)
Outpatient Visits (inc. Lab)	1989	1593	1556	1503	6641	7657	(13.26)
PMC	1312	1060	1028	990	4390	5,221	(15.91)
POM	677	533	528	513	2251	2,436	(7.59)
ER Visits	1554	1439	1483	1564	6040	6429	(6.05)
PMC	1082	967	1019	1066	4134	4,326	(4.43)
POM	472	472	464	498	1906	2,104	(9.39)
Trauma Visits	30	20	26	34	110	96	14.89
IP	26	18	19	26	89	71	24.73
OP	4	2	7	8	21	24	(13.89)

PPH Weekly Flash Report

Month: October 2006	Sep29 - Oct 5	Oct 6-12	Oct 13-19	Oct 20-26	MTD Total	MTD Budget	% Variance
Gross IP Revenue	17,012,236	17,210,786	16,022,756	17,330,109	67,575,887	74,913,546	(9.79)
Gross OP Revenue	5,004,221	5,057,734	5,352,214	5,382,580	20,796,749	21,131,334	(1.58)
Cash Collection	5,714,681	5,584,200	6,357,774	6,925,561	24,582,216	27,556,885	(10.79)
Days cash on hand	115	113	108	104	104	80	
Productive Hours	207,319		205,462		412,781	420,666	1.87
PMC - North	120,356		119,312		239,668	244,364	1.92
POM - South	52,782		52,200		104,982	106,090	1.04
Others	34,181		33,950		68,131	70,212	2.96
Productive Dollars	6,135,138		6,038,925		12,174,063	12,704,187	4.17
PMC - North	3,563,187		3,493,229		7,056,416	7,378,126	4.36
POM - South	1,498,954		1,478,458		2,977,412	3,094,870	3.80
Others	1,072,997		1,067,238		2,140,235	2,231,191	4.08

Note: The number of trauma visits and cash collections have been revised for the third week