PALOMAR POMERADO HEALTH
BOARD OF DIRECTORS
REGULAR MEETING AGENDA

Monday, June 9, 2008

Commences 6:30 p.m.

Palomar Medical Center
555 E. Valley Pkwy
Graybill Auditorium
Escondido, CA

Mission and Vision

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

"The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services."

			Time	Page
I.		**CALL TO ORDER**		
II.		**OPENING CEREMONY**	*2 min*	
		A. Pledge of Allegiance		
III.		**PUBLIC COMMENTS**	*5*	
		(5 mins allowed per speaker with cumulative total of 15 min per group – for further details & policy see Request for Public Comment notices available in meeting room).		
IV.	*	**MINUTES**	*5*	1-27
		Regular Board Meeting – May 12, 2008		
		Special Board Meeting – May 12, 2008		
		Special Board Meeting – Annual Board Self-Evaluation – April 21, 2008		
		Special Board Meeting – Legal RFPs – May 19, 2008		
		Special Board Meeting – Legal RFPs – May 21, 2008		
		Strategic Planning Meeting – Full Board – May 8, 2008		
V.	*	**APPROVAL OF AGENDA** ***to accept the Consent Items as listed***	*5*	28-53

A. Consolidated Financial Statements
B. Revolving Fund Transfers/Disbursements – April, 2008

1. Accounts Payable Invoices	**$33,502,892.00**
2. Net Payroll	**10,182,458.00**
Total	**$43,685,350.00**

C. Ratification of Paid Bills
D. April 2008 & YTD FY2008 Financial Report ***- Addendum A***

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

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

E. Conversion to SNF Beds to Sub-Acute ***-Addendum B (proposal)***
F. Psychiatric Medical Director Agreement Amendment – Paul R. Keith, M.D.
G. Medical Director Diagnostic Cardiology Services Agreement – Robert Stein, M.D.
H. Physician Recruitment Agreement – Gabriela M. DiLauro, M.D. and Escondido OBGYN, Inc.
I. Physician Recruitment Agreement – Radmila Kazanegra, M.D. and Escondido OBGYN, Inc.
J. Charity Policy – Governance Committee
K. Board Review of PPH Policies – GOV20 – Governance Committee
L. Annual Review of Committee Bylaws – Board Quality Review Committee – Governance Committee

VI. PRESENTATIONS -

1. Communities Against Substance Abuse – Award in Recognition of PPH Smoke-Free Policy — *5*

   Mary F. Harrison, Executive Director, Communities Against Substance Abuse
   Dana Stevens, Chair, Palomar Pomerado Health Committee on Alcohol, Tobacco and Other Drugs
   Lisa A. Archibald, MSW

2. Compliance 360

   Janine Sarti, PPH General Counsel
   Sharon LaDuke, PPH Contract Administator — *15*
   Addendum C

VII. REPORTS

A. **Medical Staffs** — *10* — 54-59

* 1. Palomar Medical Center – *John J. Lilley, M.D.*
   a. Credentialing/Reappointments

* 2. Pomerado Hospital – *Benjamin Kanter, M.D.*
   a. Credentialing/Reappointments

B. Administrative

1. Chairman of Palomar Pomerado Health Foundation – *Al Stehly*

   a. Update on PPHF Activities — *5* — *Verbal Report*

2. Chairman of the Board – *Bruce G. Krider, M.A.* — *10* — *Verbal Report*

3. President and CEO – *Michael H. Covert, FACHE* — *10* — *Verbal Report*

   a. Quarterly Reports from Executive Staff

Asterisks indicate anticipated action;
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- Gerald Bracht
- David Tam, M.D.
- Lorie Shoemaker, R.N.
- Sheila Brown, R.N.
- Steve Gold

VIII. INFORMATION ITEMS *(Discussion by exception only)* *5* 60-68

A. Auction Rate Securities – Finance
B. Annual Review of Bylaws Relating to HR Committee – Human Resources
C. Position Comparison – Human Resources
D. Workforce Planning Analysis and Succession Management – Human Resources
E. CSUSM RN Program – Human Resources
F. Outside Labor Attorney Costs – Human Resources
G. Calendar Dates Planned for Quarterly Employee Wellness – Human Resources
H. Potential Use of Van Pool/Gas Use – Human Resources

IX. COMMITTEE REPORTS -

A. **Governance –** *Director Linda Greer, R.N., Chair* *10* 69-99

* 1. **Approval:** Amended and Restated PPH Bylaws

B. **Facililties and Grounds** – *Director Marcelo Rivera, M.D. Chair* *10* 100-102

* 1. **Approval:** DPR Construction, Inc. Draft Agreement
(Addendum D)

C. **Other Committee Chair Comments on Committee Highlights** *10* 103-106
(standing item)

Human Resources – *Nancy L. Bassett, RN, MBA, Chair*
Community Relations – *Linda Bailey, Chair*
Facilities and Grounds – *Marcelo Rivera, MD, Chair*
Quality Review – *Marcelo Rivera, MD, Chair*
Strategic Planning – *Alan W. Larson, MD, Chair*
Audit and Compliance – *Linda Greer, RN, Chair*
Governance – *Linda Greer, RN, Chair*
Finance – *T. E. Kleiter, Chair*

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

X. BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH

XI. ADJOURNMENT

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

ADDENDUM

A

Financial Statements

April 2008

PALOMAR POMERADO HEALTH

SPECIALIZING IN YOU

Table of Contents

Balanced Scorecard
Financial Indicators

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

January	February	March	April					YTD 2008				
Actual	Actual	Actual	Actual	Budget / PY	Variance	% Actual to Budget		Actual	Budget	Variance	% Actual to Budget	Prior Year Actual
							PPH Indicators:					
3.8%	9.2%	7.4%	8.1%	10.7%	(2.6%)	75.7%	OEBITDA Margin w/Prop Tax	6.7%	10.0%	(3.3%)	67.0%	9.1%
$ 2,636.61	$ 2,429.69	$ 2,426.76	$ 2,669.98	$ 2,668.74	$ (1.24)	100.0%	Expenses/Wtd Day	2,664.88	$ 2,680.41	$ 15.53	99.4%	2,511.30
$ 1,545.02	$ 1,408.08	$ 1,346.10	$ 1,508.97	$ 1,580.16	$ 71.19	95.5%	SWB/Wtd Day	1,570.56	$ 1,578.82	$ 8.26	99.5%	1,501.03
5.98	6.15	6.20	6.59	6.63	0.04	99.4%	Prod FTE's/Adj Occupied Bed	6.41	6.63	0.22	96.7%	6.02
13,967	13,874	14,498	13,173	13,381	(208)	98.4%	Weighted Patient Days	133,890	130,431	3,459	103.9%	128,897
							PPH North Indicators:					
5.5%	8.8%	9.5%	11.9%	11.6%	0.3%	102.6%	OEBITDA Margin w/Prop Tax	7.7%	11.0%	(3.3%)	70.0%	9.1%
$ 2,459.82	$ 2,274.22	$ 2,318.27	$ 2,375.62	$ 2,518.86	$ 143.24	94.3%	Expenses/Wtd Day	2,524.28	$ 2,523.46	$ (0.82)	100.0%	2,387.96
$ 1,254.22	$ 1,154.56	$ 1,155.14	$ 1,225.32	$ 1,315.62	$ 90.30	93.1%	SWB/Wtd Day	1,294.81	$ 1,310.02	$ 15.21	98.8%	1,244.17
4.90	5.01	5.16	5.40	5.35	(0.05)	100.9%	Prod FTE's/Adj Occupied Bed	5.29	5.30	0.01	99.8%	5.07
9,883	9,793	10,017	9,176	9,254	(78)	99.2%	Weighted Patient Days	93,184	91,391	1,793	104.2%	89,407
							PPH South Indicators:					
3.3%	12.3%	4.3%	(23.9%)	6.4%	(30.3%)	(373.4%)	OEBITDA Margin w/Prop Tax	2.2%	5.7%	(3.5%)	38.6%	6.7%
$ 2,622.56	$ 2,354.27	$ 2,268.94	$ 3,170.66	$ 2,555.86	$ (614.80)	124.1%	Expenses/Wtd Day	2,594.91	$ 2,570.30	$ (24.61)	101.0%	2,417.47
$ 1,314.90	$ 1,189.85	$ 1,152.19	$ 1,330.09	$ 1,303.99	$ (26.10)	102.0%	SWB/Wtd Day	1,298.43	$ 1,303.41	$ 4.98	99.6%	1,253.30
5.96	6.06	5.78	6.68	6.04	(0.64)	110.6%	Prod FTE's/Adj Occupied Bed	6.15	6.07	(0.08)	101.3%	5.39
3,875	3,886	4,289	3,813	3,874	(61)	98.4%	Weighted Patient Days	38,567	36,993	1,574	104.4%	36,924

Weighted Patient Days is compared with Prior Year Actual

Executive Summary of Key Indicators

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

	April 2008			FY 08 Y-T-D @ April 2008			
	Actual	Budget	Variance	Actual	Budget	Variance	Moody Benchmark
Statistics:							
Acute Admissions	2,364	2,445	(81)	24,181	24,854	(673)	
Acute Patient Days	9,112	9,352	(240)	95,588	95,093	495	
Acute ALOS	3.89	3.83	0.06	3.94	3.83	0.11	
Case Mix Index (w/o Births)	1.45	1.34	0.11	1.39	1.34	0.05	
Total Surgeries	1,730	1,638	92	14,510	14,408	102	
Births	400	451	(51)	4,519	4,585	(66)	
E/R Visits & Admissions	7,430	7,178	252	74,521	72,962	1,559	
ER to Admit Rate	16.7%	17.4%	(0.7%)	16.2%	17.4%	(1.2%)	
Productivity %	95.8%	100%	(4.2%)	99.1%	100%	(0.9%)	
Income Statement:							
Net Patient Revenue	32,842,110	33,979,239	(1,137,129)	344,204,512	345,311,157	(1,106,645)	
Total Net Revenue	35,046,965	35,237,373	(190,408)	352,980,058	357,892,495	(4,912,437)	
Sal., Wages, Cont. Lbr	17,147,856	16,187,155	(960,701)	171,930,597	164,462,642	(7,467,955)	
Supplies	5,794,111	5,160,173	(633,938)	55,821,025	52,427,234	(3,393,791)	
Total Expenses	35,148,150	34,200,368	(947,782)	356,772,302	349,320,777	(7,451,525)	
Net Inc. (Loss) before Non-Op	**(101,185)**	**1,037,005**	**(1,138,190)**	**(3,792,244)**	**8,571,718**	**(12,363,962)**	
Net Income (Loss)	**202,820**	**2,228,324**	**(2,025,504)**	**10,510,291**	**20,484,902**	**(9,974,611)**	
Cash Flow:							
Cash Collections	38,200,000	33,100,000	5,100,000	331,900,000	331,000,000	900,000	
Days in A/R - Gross				47.4	52.4	(5.0)	
Days Cash on Hand				77	80	(3)	
Ratios:							
OEBITDA w/ Prop. Tax	8.1%	10.7%	(2.6%)	6.7%	10.0%	(3.3%)	
Net Income Margin	0.6%	6.0%	(5.4%)	2.8%	5.5%	(2.7%)	
Bad Debt % of Net Revenue	7.9%	8.6%	0.7%	9.9%	8.6%	(1.3%)	6.6%
Return On Assets	-	-	-	1.9%	3.7%	(1.8%)	4.7%
Annual Debt Service Coverage	-	-	-	2.4	3.2	(0.8)	4.5
Cushion Ratio	-	-	-	5.0	-	-	15.5

Statistics

CONSOLIDATED	Mar	Apr	Mar vs Apr % Change	Apr Budget	Act vs Bud % Variance
Patient Days Acute	10,254	9,112	(11.1%)	9,352	(2.6%)
Patient Days SNF	6,288	6,189	(1.6%)	6,335	(2.3%)
ADC Acute	330.77	303.73	(8.2%)	311.74	(2.6%)
ADC SNF	202.84	206.30	1.7%	211.17	(2.3%)
Surgeries CVS Cases	12	7	(41.7%)	12	(41.7%)
Surgeries Total	1,666	1,730	3.8%	1,638	5.6%
Number of Births	441	400	(9.3%)	451	(11.3%)
NORTH					
Patient Days Acute	7,468	6,689	(10.4%)	7,061	(5.3%)
Patient Days SNF	2,456	2,511	2.2%	2,632	(4.6%)
ADC Acute	240.90	222.95	(7.5%)	235.37	(5.3%)
ADC SNF	79.23	83.70	5.6%	87.73	(4.6%)
SOUTH					
Patient Days Acute	2,786	2,423	(13.0%)	2,291	5.8%
Patient Days SNF	3,832	3,678	(4.0%)	3,703	(0.7%)
ADC Acute	89.87	80.77	(10.1%)	76.36	5.8%
ADC SNF	123.61	122.60	(0.8%)	123.43	(0.7%)

Balance Sheet:

Current Cash & Cash Equivalents increased $5.6 million from $69.6 million in March to $75.2 million in April. Total Cash and Investments are $85.6 million, compared to $82.0 million at March. Days Cash on Hand improved from 74 days in March to 77 days in April.

Net Accounts Receivable decreased $5.3 million from $96.5 million in March to $91.2 million in April. Gross A/R days is 50.0 days in March, compared to 47.4 days in April.

April patient account collections including capitation are $38.2 million compared to budget of $33.1 million. April YTD collections are $331.9 million compared to budget of $331.0 million.

Construction in Progress increased $10.1 million from $192.2 million in March to $202.3 million in April. The increase is mostly due to Building Expansion A & E Services and construction costs $9.4 million and the Cerner Optimization Project $0.5 million.

Other Current Liabilities decreased $4.9 million from $18.4 million in March to $13.5 million in April. This change is due to decreases in capitation liability medical group of $2.2 million, deferred income capitation of $1.6 million, and the realization of deferred property tax revenue of $1.1 million.

Income Statement:

Gross Patient Revenue for YTD reflects a favorable budget variance of $50.3 million. The $50.3 million favorable variance is composed of $5.6 million unfavorable volume variance and $55.9 million favorable rate variance based on adjusted discharges.

Routine revenue (inpatient room and board) reflects an unfavorable $3.0 million budget variance. Inpatient Ancillary revenue represents a $23.7 million favorable budget variance. North reflects a $11.0 million favorable variance and South reflects a $12.7 million favorable variance.

Outpatient revenue reflects a favorable budget variance of $29.6 million. North has a $27.9 million favorable variance and South has a $1.7 million favorable variance.

Deductions from Revenue reflect a YTD unfavorable variance of $51.4 million. Total Deductions from Revenue is 70.78% of gross revenue compared to a budget of 69.38%. Deductions from Revenue (excluding Bad Debt/Charity/Undocumented expenses) is 66.15% of YTD Gross Revenue compared to budget of 65.12%.

Income Statement (cont'd):

The net capitation reflects a YTD unfavorable budget variance of $3.7 million. Cap Premium and Out of Network Claim Expense both show a favorable budget variance of $1.1 million and $2.6 million, respectively. A favorable variance of Cap Premium is due to retro 2006 premium adjustments in August. Cap Valuation shows an unfavorable variance of $7.4 million.

Other Operating Revenue reflects a YTD unfavorable budget variance of $3.8 million. The most significant contributor to this variance is the Foundation where actual revenue is zero versus a budget of $2.9 million. After the budget was prepared, a change in procedure was initiated to credit the Foundation's expenses instead of revenue for funding requests. Therefore, the offset to this revenue loss is a reduction to expenses. This variance will be ongoing throughout the year. PPNC Health Development has a YTD unfavorable variance of $1.1 million. Also contributing to this variance is the Grant program for Home Health Outreach and Welcome Home Baby where the YTD variances are unfavorable by $1.0 million and $0.7 million, respectively. All these negative variances are offset by the Spartanburg Class Action Settlement of $0.2 million, VHA rebates of $0.2 million, the insurance settlement for the Graybill Auditorium water damage of $0.2 million and the disaster relief insurance claim of $1.3 million.

Salaries, Wages & Contract Labor has a YTD unfavorable budget variance of $7.5 million. The breakdown is as follows:

Consolidated	171,930,597	164,462,642	(7,467,955)
North	99,603,799	96,019,573	(3,584,226)
South	41,587,377	38,467,180	(3,120,197)
Central	23,560,371	22,569,044	(991,327)
Outreach	7,179,050	7,406,845	227,795

Income Statement (cont'd):

Benefits Expense has a YTD favorable budget variance of $3.1 million. This variance is due to $4.0 million favorable variance in Worker's Comp and $0.9 million unfavorable variance in other benefits.

Supplies Expense reflects a YTD unfavorable budget variance of $3.4 million. The breakdown is prosthesis supplies at $1.4 million, surgery general at $0.7 million, and other supplies at $1.3 million.

Prof Fees & Purchased Services reflect a YTD unfavorable budget variance of $1.0 million. The favorable variance of $1.0 million in professional fees is due to physician income guarantees not realized and consulting fees in Welcome Home Baby. The unfavorable variance of $2.0 million in purchase services is due to contracted purchased services.

Non-Operating Income reflects a YTD favorable variance of $2.3 million. This is due to a favorable investment income variance of $1.8 million. Interest expense is also favorable by $0.5 million.

Ratios & Margins:

One required bond covenant ratio did not meet requirements in April 2008. Days Cash on Hand is at 77 days which is under the minimum requirement of 80 days.

Key Variance Explanations
Month-To-Date April 2008

PALOMAR POMERADO HEALTH
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	Actual	Budget	Variance Detail	Variance
Net Income From Operations	**(101,185)**	**1,037,005**		**(1,138,190)**
Total Net Revenue				**(1,137,129)**
Net Patient Revenue			(1,137,129)	
Other Revenue				**946,721**
PPH Foundation			(294,835)	
PPNC Health Development			(116,864)	
Disaster Relief			1,323,267	
Other			35,153	
Salaries & Wages				**(639,611)**
Volume variance			(177,437)	
Rate & Efficiency			(462,174)	
Excess Overtime	(118,697)			
Disaster Relief	(21,716)			
Other	(214,600)			
Benefits				**1,360,795**
FICA			(228,365)	
Worker's Comp			1,178,588	
Other Benefits			410,572	
Contract Labor				**(321,090)**
Volume Variance			(8,341)	
Rate & Efficiency (Nursing & Non-Nursing)			(312,749)	
Supplies				**(633,938)**
Volume variance			(59,223)	
Rate Variance			(574,715)	
Prosthesis (631000)	(268,524)			
Other Medical (641000)	(99,403)			
Other non Medical (650000)	(97,781)			
Surgery General (634000)	(92,394)			
Other Minor Equipment (649000)	(62,225)			
Other	(13,611)			
Professional Fees				**(573,627)**
Jacobus (Revenue Cycle $163k, Clinical Resource Management $78k)			(242,225)	
IT Consulting			(318,022)	
Physician Income Guarantees Not Realized			142,584	
Other			(155,964)	
Purchased Services				**(251,559)**
Other			(251,559)	
Depreciation				**(67,862)**
Depreciation			(67,862)	
Other Direct Expenses				**179,111**
POP Rent			(449,629)	
Marketing			(143,641)	
Insurance			177,800	
Foundation			415,312	
Other			179,269	
Total Actual to Budget MTD Variance for April 2008			**(1,138,190)**	**(1,138,190)**
Investment Income	**(425,050)**	**481,251**		**(906,301)**

Key Variance Explanations Year-To-Date

PALOMAR POMERADO HEALTH
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	Actual	Budget	Variance Detail	Variance
Net Income From Operations	**(3,792,244)**	**8,571,718**		**(12,363,962)**
Total Net Revenue				**(1,106,645)**
Net Patient Revenue			(1,106,645)	
Other Revenue				**(3,805,792)**
PPH Foundation			(2,948,348)	
PPNC Health Development			(1,138,102)	
Home Health Outreach			(1,047,838)	
Welcome Home Baby			(692,008)	
Disaster Relief			1,323,267	
Other			697,237	
Salaries & Wages				**(5,449,304)**
Volume variance			788,545	
Rate & Efficiency			(6,237,849)	
Discretionary Bonus	(3,498,820)			
Excess Overtime	(3,320,758)			
Disaster Relief	(862,902)			
Benefits				**3,113,368**
Worker's Comp			4,063,755	
Other			(950,387)	
Contract Labor				**(2,018,651)**
Volume Variance			37,090	
Rate & Efficiency (Nursing & Non-Nursing)			(2,055,741)	
Supplies				**(3,393,791)**
Volume variance			263,195	
Rate Variance			(3,656,986)	
	Prothesis (631000)	(1,421,270)		
	Surgery General (634000)	(735,612)	--> da Vinci = (340,684)	
	Other Non Medical (650000)	(722,823)		
	Other Medical (641000)	(612,042)		
	Other Minor Equipment (649000)	(381,084)		
	Phamarcy (638000)	669,258		
	Other	(190,218)		
Professional Fees				**963,946**
Revenue Cycle			(55,993)	
I.T. Consulting			(179,983)	
Physician Income Gurantees Not Realized			1,188,875	
WHB Other Pro Fees (First Five Commision Subcontractors)			675,990	
Other			(664,943)	
Purchased Services				**(2,005,564)**
Repairs & Maintenance			(898,385)	
Facilities	(347,000)			
IT Maintenance Contracts	(500,000)			
Transcription Svcs & Iron Mtn			(384,924)	
Disaster Relief			(256,847)	
Other			(465,408)	
Depreciation				**(158,594)**
Depreciation			(158,594)	
Other Direct Expenses				**1,497,065**
POP Rent			(1,594,846)	
Foundation			2,152,449	
Other			939,462	
Total Actual to Budget YTD Variance for April 2008			**(12,363,962)**	**(12,363,962)**
Investment Income		**4,812,504**		**1,767,599**

Balance Sheet
Consolidated

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	$5,376,287	$3,623,073	$1,365,825
Cash Marketable Securities	69,802,428	65,987,333	107,847,524
Total Cash & Cash Equivalents	75,178,715	69,610,406	109,213,349
Patient Accounts Receivable	193,548,391	202,229,172	160,767,031
Allowance on Accounts	(102,387,847)	(105,690,768)	(81,286,268)
Net Accounts Receivable	91,160,544	96,538,404	79,480,763
Inventories	7,409,608	7,308,616	7,025,980
Prepaid Expenses	3,982,571	4,426,710	2,071,008
Other	5,952,709	10,791,682	5,094,523
Total Current Assets	183,684,147	188,675,818	202,885,623
Non-Current Assets			
Restricted Assets	364,143,310	366,465,171	173,111,797
Restricted by Donor	302,156	302,156	296,184
Board Designated	10,376,256	12,378,705	0
Total Restricted Assets	374,821,722	379,146,032	173,407,981
Property Plant & Equipment	362,792,912	363,369,302	373,271,092
Accumulated Depreciation	(226,888,058)	(226,371,573)	(222,304,232)
Construction in Process	202,253,077	192,150,071	121,244,746
Net Property Plant & Equipment	338,157,931	329,147,800	272,211,606
Investment in Related Companies	1,750,582	1,663,066	265,204
Deferred Financing Costs	20,182,927	20,294,052	17,245,255
Other Non-Current Assets	6,966,047	6,596,576	5,715,558
Total Non-Current Assets	741,879,209	736,847,526	468,845,604
Total Assets	$925,563,356	$925,523,344	$671,731,227

	Current Month	Prior Month	Prior Fiscal Year End
Liabilities			
Current Liabilities			
Accounts Payable	$16,091,384	$13,761,348	$27,500,989
Accrued Payroll	17,100,447	17,575,843	14,778,493
Accrued PTO	14,144,666	13,752,155	12,638,138
Accrued Interest Payable	5,855,860	4,415,881	1,906,574
Current Portion of Bonds	9,660,000	9,660,000	13,220,000
Est Third Party Settlements	363,416	222,203	(2,579,788)
Other Current Liabilities	13,550,590	18,370,547	12,085,069
Total Current Liabilities	76,766,363	77,757,977	79,549,475
Long Term Liabilities			
Bonds & Contracts Payable	531,959,047	532,025,463	294,723,824
General Fund Balance			
Unrestricted	306,159,539	303,059,046	297,161,750
Restricted for Other Purpose	302,156	302,156	296,184
Board Designated	10,376,256	12,378,705	0
Total Fund Balance	316,837,951	315,739,907	297,457,934
Total Liabilities / Fund Balance	$925,563,356	$925,523,344	$671,731,227

Income Statement: Monthly Trend
Consolidated

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	YTD
Statistics:											
Admissions - Acute	2,378	2,480	2,369	2,386	2,420	2,432	2,486	2,472	2,394	2,364	24,181
Admissions - SNF	98	83	95	82	79	97	75	85	110	99	903
Patient Days - Acute	9,000	9,910	9,617	9,161	9,291	9,397	9,876	9,970	10,254	9,112	95,588
Patient Days - SNF	6,453	6,703	6,262	6,200	6,252	6,441	6,448	5,932	6,288	6,189	63,168
LOS - Acute	3.77	4.03	4.03	3.85	3.84	3.82	3.95	4.04	4.15	3.89	3.94
LOS - SNF	74.17	77.94	63.90	68.89	90.61	68.52	80.60	68.98	59.32	63.80	70.74
Weighted Patient Days	12,587	13,756	13,284	12,775	12,969	13,000	13,967	13,874	14,498	13,173	133,890
Adjusted Discharges	3,283	3,357	3,250	3,272	3,305	3,357	3,458	3,387	3,476	3,349	33,495
Revenue:											
Gross Revenue	$ 111,773,221	$ 122,404,049	$ 116,030,872	$113,082,612	$114,581,236	$114,323,264	$120,157,964	$ 120,370,754	$ 126,448,231	$ 118,825,973	$ 1,177,998,179
Deductions from Rev	(78,069,250)	(86,911,029)	(80,952,920)	(79,532,906)	(78,791,347)	(79,944,031)	(85,159,672)	(86,557,550)	(91,891,099)	(85,983,863)	(833,793,667)
Net Patient Revenue	33,703,971	35,493,020	35,077,952	33,549,706	35,789,889	34,379,233	34,998,292	33,813,204	34,557,132	32,842,110	344,204,512
Other Oper Revenue	701,388	986,768	719,079	1,046,518	644,683	657,106	563,842	722,950	528,361	2,204,855	8,775,546
Total Net Revenue	34,405,359	36,479,788	35,797,031	34,596,224	36,434,572	35,036,339	35,562,134	34,536,154	35,085,493	35,046,965	352,980,058
Expenses:											
Salaries, Wages & Contr Labor	16,158,669	16,464,478	16,477,521	17,451,691	17,312,652	19,926,214	17,049,645	16,891,071	17,050,799	17,147,856	171,930,597
Benefits	4,208,437	4,396,919	4,327,260	4,393,500	4,252,006	4,406,086	4,531,188	2,647,480	2,468,978	2,719,203	38,351,057
Supplies	4,942,769	5,720,791	5,111,919	5,436,382	5,624,615	5,349,701	6,122,338	5,671,856	6,046,544	5,794,111	55,821,025
Prof Fees & Purch Svc	4,291,556	5,235,293	5,463,126	5,405,362	5,518,907	4,989,017	5,336,191	4,604,768	5,755,967	5,634,146	52,234,332
Depreciation	1,787,630	1,785,978	1,804,198	1,804,702	1,911,015	1,887,683	1,597,900	1,721,380	1,786,633	1,850,277	17,937,396
Other	2,455,357	1,944,304	1,937,161	2,125,075	1,797,432	1,785,175	2,190,850	2,178,440	2,081,542	2,002,557	20,497,895
Total Expenses	33,844,418	35,547,763	35,121,185	36,616,712	36,416,627	38,343,876	36,828,112	33,714,995	35,190,463	35,148,150	356,772,302
Net Inc Before Non-Oper Income	560,941	932,026	675,846	(2,020,488)	17,945	(3,307,537)	(1,265,978)	821,159	(104,970)	(101,185)	(3,792,244)
Property Tax Revenue	1,125,000	1,125,000	1,125,000	1,125,000	1,125,000	1,125,000	1,125,000	1,125,000	1,125,000	1,125,000	11,250,000
Non-Operating Income	331,466	517,863	795,728	174,686	918,390	76,272	1,013,956	161,786	(116,618)	(820,995)	3,052,535
Net Income (Loss)	$ 2,017,407	$ 2,574,888	$ 2,596,574	$ (720,802)	$ 2,061,335	$ (2,106,265)	$ 872,978	$ 2,107,945	$ 903,412	$ 202,820	$ 10,510,291
Net Income Margin	5.8%	5.8%	7.3%	(2.1%)	5.2%	(5.7%)	2.3%	5.3%	2.4%	0.6%	2.8%
OEBITDA Margin w/o Prop Tax	6.8%	6.1%	7.0%	(0.6%)	4.9%	(3.8%)	0.9%	6.4%	4.4%	4.9%	3.7%
OEBITDA Margin with Prop Tax	10.1%	8.6%	10.1%	2.6%	7.7%	(0.8%)	3.8%	9.2%	7.4%	8.1%	6.7%

Income Statement: Fiscal Year-to-Date
Consolidated – Adjusted Discharges

	Actual	Budget	Variance		Variance Volume	Variance Rate/Eff	$/Adjusted Discharges Actual	$/Adjusted Discharges Budget	$/Adjusted Discharges Variance
Statistics:									
Admissions - Acute	24,181	24,854	(673)						
Admissions - SNF	903	956	(53)						
Patient Days - Acute	95,588	95,093	495						
Patient Days - SNF	63,168	64,406	(1,238)						
ALOS - Acute	3.94	3.83	0.11						
ALOS - SNF	70.74	68.08	2.66						
Adjusted Discharges	33,495	33,664	(169)						
Revenue:									
Gross Revenue	$ 1,177,998,179	$ 1,127,713,689	$ 50,284,490	F	$ (5,661,348)	$ 55,945,838	$35,169.37	$ 33,499.10	$ 1,670.27
Deductions from Rev	(833,793,667)	(782,402,532)	(51,391,135)	U	3,927,817	(55,318,952)	(24,893.08)	(23,241.52)	(1,651.56)
Net Patient Revenue	344,204,512	345,311,157	(1,106,645)	U	(1,733,531)	626,886	10,276.30	10,257.58	18.72
Other Oper Revenue	8,775,546	12,581,338	(3,805,792)	U	(63,161)	(3,742,631)	262.00	373.73	(111.74)
Total Net Revenue	352,980,058	357,892,495	(4,912,437)	U	(1,796,692)	(3,115,745)	10,538.29	10,631.31	(93.02)
Expenses:									
Salaries, Wages & Contr Labor	171,930,597	164,462,642	(7,467,955)	U	825,635	(8,293,590)	5,133.02	4,885.42	(247.61)
Benefits	38,351,057	41,464,425	3,113,368	F	208,160	2,905,208	1,144.98	1,231.71	86.74
Supplies	55,821,025	52,427,234	(3,393,791)	U	263,195	(3,656,986)	1,666.55	1,557.37	(109.18)
Prof Fees & Purch Svc	52,234,332	51,192,714	(1,041,618)	U	256,998	(1,298,616)	1,559.47	1,520.70	(38.77)
Depreciation	17,937,396	17,778,802	(158,594)	U	89,253	(247,847)	535.52	528.13	(7.40)
Other	20,497,895	21,994,960	1,497,065	F	110,419	1,386,646	611.97	653.37	41.40
Total Expenses	356,772,302	349,320,777	(7,451,525)	U	1,753,660	(9,205,185)	10,651.51	10,376.69	(274.82)
Net Inc Before Non-Oper Income	(3,792,244)	8,571,718	(12,363,962)	U	(43,032)	(12,320,930)	(113.22)	254.63	(367.84)
Property Tax Revenue	11,250,000	11,250,000	-	-	(56,477)	56,477	335.87	334.18	1.69
Non-Operating Income	3,052,535	663,184	2,389,351	F	(3,329)	2,392,680	91.13	19.70	71.43
Net Income (Loss)	$ 10,510,291	$ 20,484,902	$ (9,974,611)	U	$ (102,838)	$ (9,871,773)	$ 313.79	$ 608.51	$ (294.72)
Net Income Margin	2.8%	5.5%	(2.7%)						
OEBITDA Margin w/o Prop Tax	3.7%	7.0%	(3.3%)						
OEBITDA Margin with Prop Tax	6.7%	10.0%	(3.3%)						

F= Favorable variance
U= Unfavorable variance

Income Statement: Month-to-Date
Consolidated – Adjusted Discharges

PALOMAR POMERADO HEALTH
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	Actual	Budget	Variance		Variance Volume	Variance Rate/Eff	$/Adjusted Discharges Actual	$/Adjusted Discharges Budget	$/Adjusted Discharges Variance
Statistics:									
Admissions - Acute	2,364	2,445	(81)						
Admissions - SNF	99	94	5						
Patient Days - Acute	9,112	9,352	(240)						
Patient Days - SNF	6,189	6,335	(146)						
ALOS - Acute	3.89	3.83	0.06						
ALOS - SNF	63.80	68.12	(4.32)						
Adjusted Discharges	3,349	3,311	38						
Revenue:									
Gross Revenue	$ 118,825,973	$ 110,936,877	$ 7,889,096	F	$ 1,273,211	$ 6,615,885	$ 35,481.03	$ 33,505.55	$ 1,975.48
Deductions from Rev	(85,983,863)	$ (76,957,638)	(9,026,225)	U	(883,235)	(8,142,990)	(25,674.49)	(23,243.02)	(2,431.47)
Net Patient Revenue	32,842,110	33,979,239	(1,137,129)	U	389,976	(1,527,105)	9,806.54	10,262.53	(455.99)
Other Oper Revenue	2,204,855	1,258,134	946,721	F	14,439	932,282	658.36	379.99	278.38
Total Net Revenue	35,046,965	35,237,373	(190,408)	U	404,416	(594,824)	10,464.90	10,642.52	(177.61)
Expenses:									
Salaries, Wages & Contr Labor	17,147,856	16,187,155	(960,701)	U	(185,778)	(774,923)	5,120.29	4,888.90	(231.39)
Benefits	2,719,203	4,079,998	1,360,795	F	(46,826)	1,407,621	811.94	1,232.26	420.31
Supplies	5,794,111	5,160,173	(633,938)	U	(59,223)	(574,715)	1,730.10	1,558.49	(171.61)
Prof Fees & Purch Svc	5,634,146	4,808,960	(825,186)	U	(55,192)	(769,994)	1,682.34	1,452.42	(229.92)
Depreciation	1,850,277	1,782,415	(67,862)	U	(20,457)	(47,405)	552.49	538.33	(14.16)
Other	2,002,557	2,181,668	179,111	F	(25,039)	204,150	597.96	658.92	60.96
Total Expenses	35,148,150	34,200,368	(947,782)	U	(392,514)	(555,267)	10,495.12	10,329.32	(165.80)
Net Inc Before Non-Oper Income	(101,185)	1,037,005	(1,138,190)	U	11,902	(1,150,091)	(30.21)	313.20	(343.41)
Property Tax Revenue	1,125,000	1,125,000	-	-	12,912	(12,912)	335.92	339.78	(3.86)
Non-Operating Income	(820,995)	66,319	(887,314)	U	761	(888,075)	(245.15)	20.03	(265.18)
Net Income (Loss)	$ 202,820	$ 2,228,324	$ (2,025,504)	U	$ 25,574	$ (2,051,077)	$ 60.56	$ 673.01	$ (612.44)
Net Income Margin	0.6%	6.0%	(5.4%)						
OEBITDA Margin w/o Prop Tax	4.9%	7.6%	(2.7%)						
OEBITDA Margin with Prop Tax	8.1%	10.7%	(2.6%)						

F= Favorable variance
U= Unfavorable variance

Income Statement: Current vs. Prior Year-to-Date

Consolidated – Adjusted Discharges

PALOMAR POMERADO HEALTH
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	April 08 YTD	April 07 YTD	Variance		Variance Volume	Variance Rate/Eff	$/Adjusted Discharges Actual	$/Adjusted Discharges Budget	$/Adjusted Discharges Variance
Statistics:									
Admissions - Acute	24,181	24,137	44						
Admissions - SNF	903	946	(43)						
Patient Days - Acute	95,588	93,600	1,988						
Patient Days - SNF	63,168	64,223	(1,055)						
ALOS - Acute	3.94	3.85	0.09						
ALOS - SNF	70.74	68.83	1.91						
Adjusted Discharges	33,495	33,010	485						
Revenue:									
Gross Revenue	$ 1,177,998,179	$ 1,031,547,037	$ 146,451,142	F	$ 15,156,023	$ 131,295,119	$ 35,169.37	$ 31,249.53	$ 3,919.84
Deductions from Rev	(833,793,667)	(712,380,441)	(121,413,226)	U	(10,466,662)	(110,946,564)	(24,893.08)	(21,580.75)	(3,312.33)
Net Patient Revenue	344,204,512	319,166,596	25,037,916	F	4,689,361	20,348,555	10,276.30	9,668.79	607.51
Other Oper Revenue	8,775,546	8,716,167	59,379	F	128,062	(68,683)	262.00	264.05	(2.05)
Total Net Revenue	352,980,058	327,882,763	25,097,295	F	4,817,423	20,279,872	10,538.29	9,932.83	605.46
Expenses:									
Salaries, Wages & Contr Labor	171,930,597	153,878,633	(18,051,964)	U	(2,260,864)	(15,791,100)	5,133.02	4,661.58	(471.45)
Benefits	38,351,057	39,599,766	1,248,709	F	(581,820)	1,830,529	1,144.98	1,199.63	54.65
Supplies	55,821,025	50,566,975	(5,254,050)	U	(742,956)	(4,511,094)	1,666.55	1,531.87	(134.68)
Prof Fees & Purch Svc	52,234,332	44,094,803	(8,139,529)	U	(647,864)	(7,491,665)	1,559.47	1,335.80	(223.67)
Depreciation	17,937,396	16,646,806	(1,290,590)	U	(244,583)	(1,046,007)	535.52	504.30	(31.23)
Other	20,497,895	18,757,924	(1,739,971)	U	(275,601)	(1,464,370)	611.97	568.25	(43.72)
Total Expenses	356,772,302	323,544,907	(33,227,395)	U	(4,753,689)	(28,473,706)	10,651.51	9,801.42	(850.09)
Net Inc Before Non-Oper Income	(3,792,244)	4,337,856	(8,130,100)	U	63,734	(8,193,834)	(113.22)	131.41	(244.63)
Property Tax Revenue	11,250,000	10,541,660	708,340	F	154,884	553,456	335.87	319.35	16.52
Non-Operating Income	3,052,535	2,232,721	819,814	F	32,804	787,010	91.13	67.64	23.50
Net Income (Loss)	$ 10,510,291	$ 17,112,237	$ (6,601,946)	U	$ 251,422	$ (6,853,368)	$ 313.79	$ 518.40	$ (204.61)
Net Income Margin	2.8%	4.9%	(2.1%)						
OEBITDA Margin w/o Prop Tax	3.7%	6.0%	(2.3%)						
OEBITDA Margin with Prop Tax	6.7%	9.1%	(2.4%)						

F= Favorable variance
U= Unfavorable variance

Income Statement: Fiscal Year Projection

Consolidated – Adjusted Discharges

					Variance		$/Adjusted Discharges		
	10 Act + 2 Bud	FY 08 Budget	Variance		Volume	Rate/Eff	Actual	Budget	Variance
Statistics:									
Admissions - Acute	29,154	29,827	(673)						
Admissions - SNF	1,094	1,147	(53)						
Patient Days - Acute	114,606	114,111	495						
Patient Days - SNF	76,025	77,263	(1,238)						
Adjusted Discharges	40,228	40,397	(169)						
Revenue:									
Gross Revenue	$ 1,403,549,755	$ 1,353,265,267	$ 50,284,489	F	$ (5,661,357)	$ 55,945,845	$ 34,889.87	$ 33,499.15	$ 1,390.72
Deductions from Rev	(990,274,202)	(938,883,067)	(51,391,135)	U	3,927,798	(55,318,933)	(24,616.54)	(23,241.41)	(1,375.14)
Net Patient Revenue	413,275,553	414,382,200	(1,106,646)	U	(1,733,559)	626,912	10,273.33	10,257.75	15.58
Other Oper Revenue	11,291,814	15,097,606	(3,805,792)	U	(63,161)	(3,742,631)	280.70	373.73	(93.04)
Total Net Revenue	424,567,367	429,479,806	(4,912,438)	U	(1,796,720)	(3,115,719)	10,554.03	10,631.48	(77.45)
Expenses:									
Salaries, Wages & Contr Labor	204,822,112	197,354,158	(7,467,954)	U	825,627	(8,293,581)	5,091.53	4,885.37	(206.16)
Benefits	46,643,779	49,757,147	3,113,368	F	208,158	2,905,210	1,159.49	1,231.70	72.22
Supplies	66,308,064	62,914,273	(3,393,791)	U	263,201	(3,656,992)	1,648.31	1,557.40	(90.91)
Prof Fees & Purch Svc	61,970,447	60,928,830	(1,041,616)	U	254,894	(1,296,511)	1,540.48	1,508.25	(32.23)
Depreciation	21,502,227	21,343,632	(158,594)	U	89,291	(247,886)	534.51	528.35	(6.16)
Other	24,896,898	26,393,963	1,497,065	F	110,419	1,386,646	618.89	653.36	34.47
Total Expenses	426,143,527	418,692,003	(7,451,522)	U	1,751,589	(9,203,113)	10,593.21	10,364.43	(228.77)
Net Inc Before Non-Oper Income	(1,576,160)	10,787,803	(12,363,960)	U	(45,131)	(12,318,832)	(39.18)	267.04	(306.23)
Property Tax Revenue	13,500,000	13,500,000	-	-	(56,477)	56,477	335.59	334.18	1.40
Non-Operating Income	3,185,171	795,822	2,389,349	F	(3,329)	2,392,678	79.18	19.70	59.48
Net Income (Loss)	$ 15,109,011	$ 25,083,625	$ (9,974,611)	U	$ (104,937)	$ (9,869,677)	$ 375.58	$ 620.93	$ (245.34)
Net Income Margin	3.3%	5.6%	(2.3%)						
OEBITDA Margin w/o Prop Tax	4.4%	7.1%	(2.7%)						
OEBITDA Margin with Prop Tax	7.4%	10.1%	(2.7%)						

F= Favorable variance
U= Unfavorable variance

Statement of Cash Flows

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

Fiscal Year 2008	April	YTD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss) from operations	(101,185)	(3,792,244)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,850,277	17,937,396
Provision for bad debts	2,581,394	34,139,292
Changes in operating assets and liabilities:		
Patient accounts receivable	2,796,466	(38,455,922)
Property Tax and other receivables	(2,865,623)	(25,292,272)
Inventories	(100,992)	(368,336)
Prepaid expenses and Other Non-Current assets	356,623	(1,871,696)
Accounts payable	2,330,036	(15,474,023)
Accrued compensation	(82,885)	3,282,364
Estimated settlement amounts due third-party payors	141,213	1,947,613
Other current liabilities	(3,694,957)	15,546,325
Net cash provided by operating activities	3,210,367	(12,401,500)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales of investments	509,215	(155,373,002)
Interest (Loss) received on investments	(425,050)	6,580,103
Investment in affiliates	166,531	(1,596,299)
Net cash used in investing activities	250,696	(150,389,198)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	3,449,030	10,371,742
Receipt of District Taxes	3,802,830	11,912,954
Net cash used in non-capital financing activities	7,251,860	22,284,697
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(9,070,868)	(72,405,816)
Proceeds from sale of asset	35	35
Deferred Financing Costs	111,125	(15,305,925)
G.O. Bond Interest paid	0	(3,382,325)
Revenue Bond Interest paid	0	(1,856,203)
Proceeds from issuance of debt	0	246,791,175
Payments of Long Term Debt	0	(13,220,000)
Net cash used in activities	(8,959,708)	140,620,941
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,753,214	114,940
CASH AND CASH EQUIVALENTS - Beginning of period	3,623,073	5,261,349
CASH AND CASH EQUIVALENTS - End of period	5,376,287	5,376,287

Summary of Key Indicators & Results

Fiscal Year-to-Date

	ACTUAL	BUDGET	VARIANCE	FY 2007
ADMISSIONS - Acute:				
Palomar Medical Center	18,172	19,165	(993)	18,440
Pomerado Hospital	6,009	5,689	320	5,697
Total:	24,181	24,854	(673)	24,137
ADMISSIONS - SNF:				
Palomar Medical Center	433	491	(58)	489
Pomerado Hospital	470	465	5	457
Total:	903	956	(53)	946
PATIENT DAYS - Acute:				
Palomar Medical Center	70,869	71,797	(928)	70,280
Pomerado Hospital	24,719	23,296	1,423	23,320
Total:	95,588	95,093	495	93,600
PATIENT DAYS- SNF:				
Palomar Medical Center	25,562	26,761	(1,199)	26,570
Pomerado Hospital	37,606	37,645	(39)	37,653
Total:	63,168	64,406	(1,238)	64,223

Summary of Key Indicators & Results

Fiscal Year-to-Date

	ACTUAL	BUDGET	VARIANCE	FY 2007
EMERGENCY ROOM VISITS & TRAUMA CASES:				
Palomar Medical Center	42,003	39,104	2,899	38,013
Pomerado Hospital	20,413	21,164	(751)	18,836
Total:	62,416	60,268	2,148	56,849
EMERGENCY & TRAUMA ADMISSIONS:				
Palomar Medical Center	9,162	9,535	(373)	9,212
Pomerado Hospital	2,943	3,159	(216)	3,323
Total:	12,105	12,694	(589)	12,535
SURGERIES:				
Palomar Medical Center	8,744	8,799	(55)	6,580
Pomerado Hospital	5,766	5,609	157	3,075
Total:	14,510	14,408	102	9,655
BIRTHS:				
Palomar Medical Center	3,522	3,670	(148)	3,644
Pomerado Hospital	997	915	82	899
Total:	4,519	4,585	(66)	4,543

Summary of Key Indicators & Results

Fiscal Year-to-Date

	ACTUAL	BUDGET	VARIANCE	FY 2007
WEIGHTED PATIENT DAYS				
Palomar Medical Center	93,184	91,391	1,793	89,407
Pomerado Hospital	38,567	36,993	1,574	36,924
Other Activities	2,139	2,047	92	2,566
Total:	133,890	130,431	3,459	128,897
ADJUSTED DISCHARGES				
Palomar Medical Center	23,927	24,411	(484)	23,653
Pomerado Hospital	8,906	8,536	370	8,529
Other Activities	662	717	(55)	828
Total:	33,495	33,664	(169)	33,010
AVERAGE LENGTH OF STAY- Acute:				
Palomar Medical Center	3.89	3.75	0.14	3.78
Pomerado Hospital	4.09	4.10	(0.01)	4.08
Total:	3.94	3.83	0.11	3.85
AVERAGE LENGTH OF STAY - SNF:				
Palomar Medical Center	60.86	55.64	5.22	56.17
Pomerado Hospital	79.51	80.96	(1.45)	81.85
Total:	70.74	68.08	2.66	68.83

Supplies Expense
Year-to-Date

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

Account	Descriptions	YTD Actual	YTD Budget	Variances
631000	Prosthesis	13,130,873	11,709,603	(1,421,270)
634000	Supplies Surgery General	4,045,236	3,309,624	(735,612)
650000	Other Non Medical	6,073,971	5,350,010	(723,961)
641000	Supplies Other Medical	12,412,728	11,800,686	(612,042)
649000	Other Minor Equipment	1,050,920	669,836	(381,084)
646000	Supplies Office/Administration	972,699	887,336	(85,363)
647000	Supplies Employee Apparel	137,971	77,386	(60,585)
636000	Supplies Oxygen/Gas	276,813	219,589	(57,224)
642000	Supplies Food/Meat	484,643	427,461	(57,182)
639000	Supplies Radioactive	690,692	647,630	(43,062)
645000	Supplies Cleaning	357,318	319,777	(37,541)
635000	Supplies Anesthesia Material	14,228	7,215	(7,013)
644000	Supplies Linen	27,522	22,332	(5,190)
632000	Sutures/Surgical Needles	1,283,817	1,287,728	3,911
648000	Instruments/Minor Equipment	337,453	347,786	10,333
633000	Supplies Surgical Pack	1,534,495	1,555,806	21,311
643000	Supplies Food Other	2,169,400	2,197,014	27,614
637000	Supplies IV Solutions	398,915	430,774	31,859
640000	Supplies X-ray Material	29,126	63,500	34,374
646100	Supplies Forms	473,475	508,152	34,677
638000	Supplies Pharmaceutical	9,918,732	10,587,989	669,258
Grand Total		**55,821,027**	**52,427,234**	**(3,393,793)**

→ da Vinci expenses=($340,684)

Bond Covenant Ratios

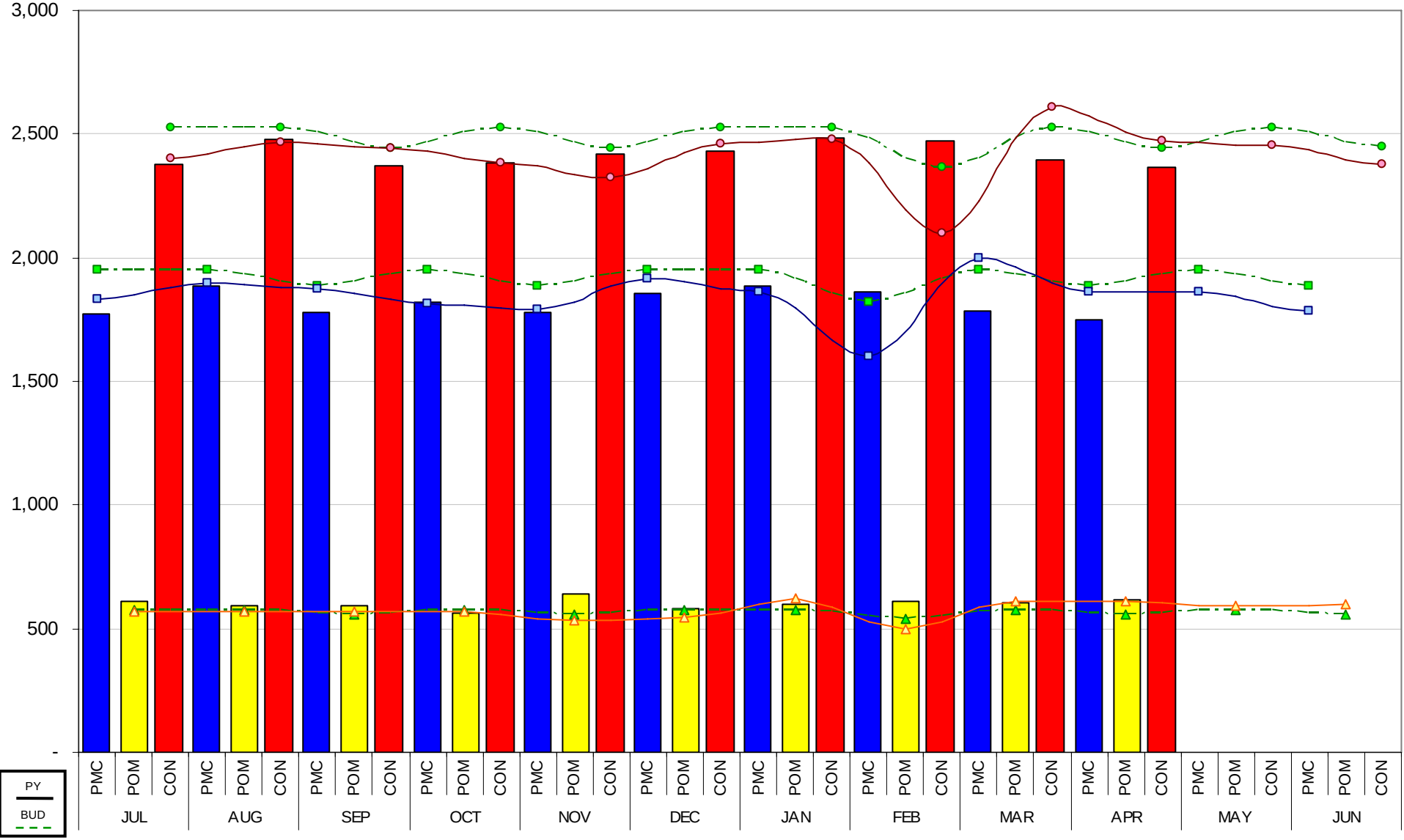
Cushion Ratio	Jun-06	Jun-07	Apr-08
Cash and Cash Equivalents	112,036,430	109,213,349	75,178,715
Board Designated Reserves	9,267,526	-	10,376,256
Trustee-held Funds (Revenue Fund only)	252,463	249,531	153,986
Total	121,556,419	109,462,880	85,708,957
Divided by:			
Annual Debt Service (excludes GO Bonds) (Bond Year 11/1/2008)	10,697,594	16,972,692	16,972,692
Cushion Ratio	**11.4**	**6.4**	**5.0**
REQUIREMENT	**1.5**	**1.5**	**1.5**
	Achieved	**Achieved**	**Achieved**

Days Cash on Hand	Jun-06	Jun-07	Apr-08
Cash and Cash Equivalents	112,036,430	109,213,349	75,178,715
Board Designated Reserves	9,267,526	-	10,376,256
Trustee-held Funds (Revenue Fund only)	252,463	249,531	153,986
Total	121,556,419	109,462,880	85,708,957
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	364,120,335	385,355,509	356,772,302
Less: Depreciation	18,737,467	19,453,013	17,937,396
Adjusted Expenses	345,382,868	365,902,496	338,834,906
Number of days in period	365	365	305
Average Adjusted Expenses per Day	946,254	1,002,473	1,110,934
Days Cash on Hand	**128**	**109**	**77**
REQUIREMENT	**90**	**80**	**80**
	Achieved	**Achieved**	**NOT ACH'VD**

Net Income Available for Debt Service	Jun-06	Jun-07	Apr-08
Excess of revenue over expenses Cur Mo.	1,315,850	2,963,446	202,820
Excess of revenues over expenses YTD (General Funds)	11,558,633	21,974,509	10,510,291
ADD:			
Depreciation and Amortization	18,737,467	19,453,013	17,937,396
Interest Expense	4,405,929	3,343,683	3,825,437
Net Income Available for Debt Service	34,702,029	44,771,205	32,273,124
Aggregate Debt Service			
1993 Insured Refunding Revenue Bonds	3,639,772	0	0
1999 Insured Refunding Revenue Bonds	6,950,508	8,249,916	6,875,738
2006 Certificates of Participation		4,373,342	6,452,456
Aggregate Debt Service	10,590,280	12,623,258	13,328,193
Net Income Available for Debt Service	**3.28**	**3.55**	**2.42**
Required Coverage	**1.15**	**1.15**	**1.15**
	Achieved	**Achieved**	**Achieved**

Statistical Indicators
Admissions – Acute

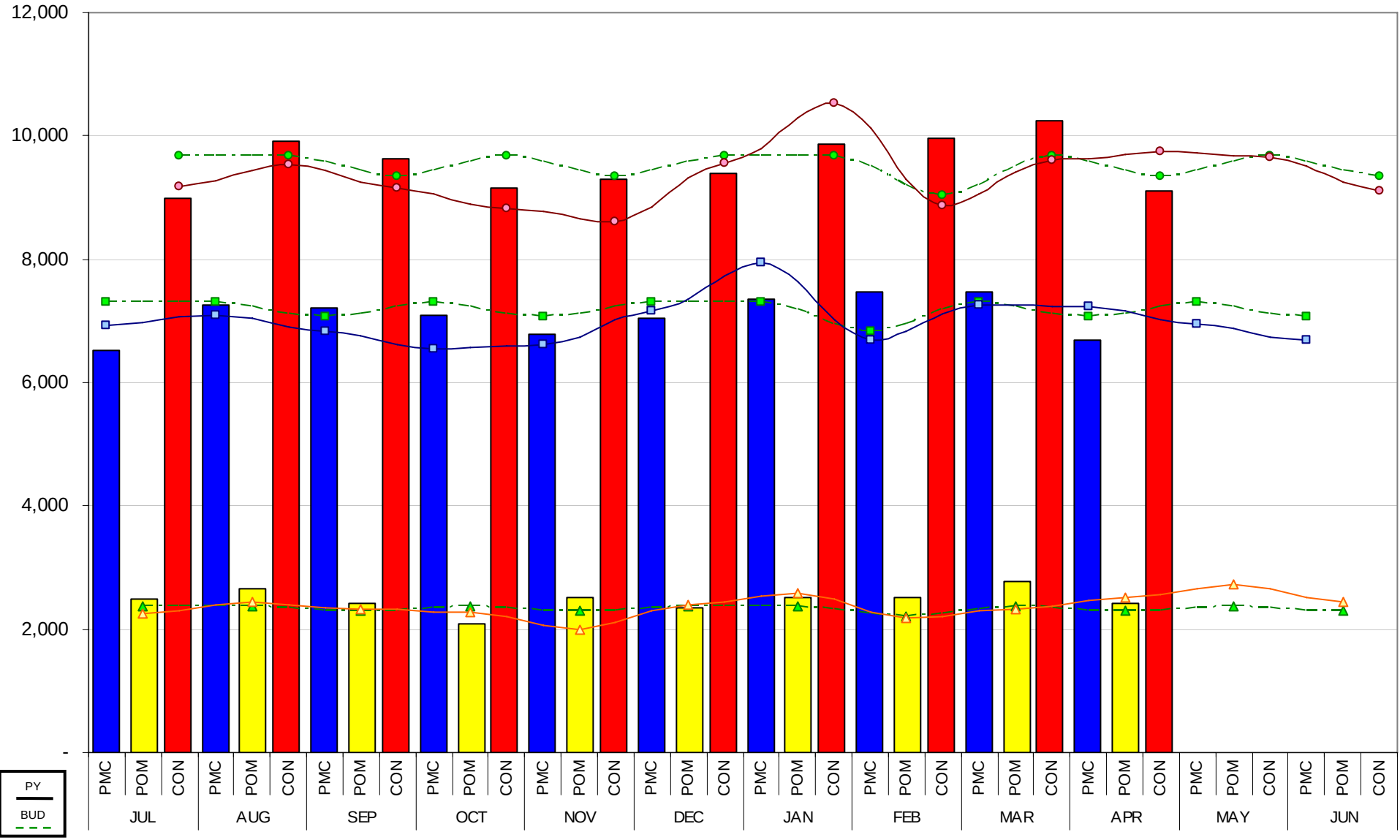
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	1,770	1,885	1,777	1,823	1,780	1,853	1,886	1,864	1,787	1,747	-	-	18,172	19,165
POM	608	595	592	563	640	579	600	608	607	617	-	-	6,009	5,689
CON	2,378	2,480	2,369	2,386	2,420	2,432	2,486	2,472	2,394	2,364	-	-	24,181	24,854

Statistical Indicators
Patient Days – Acute

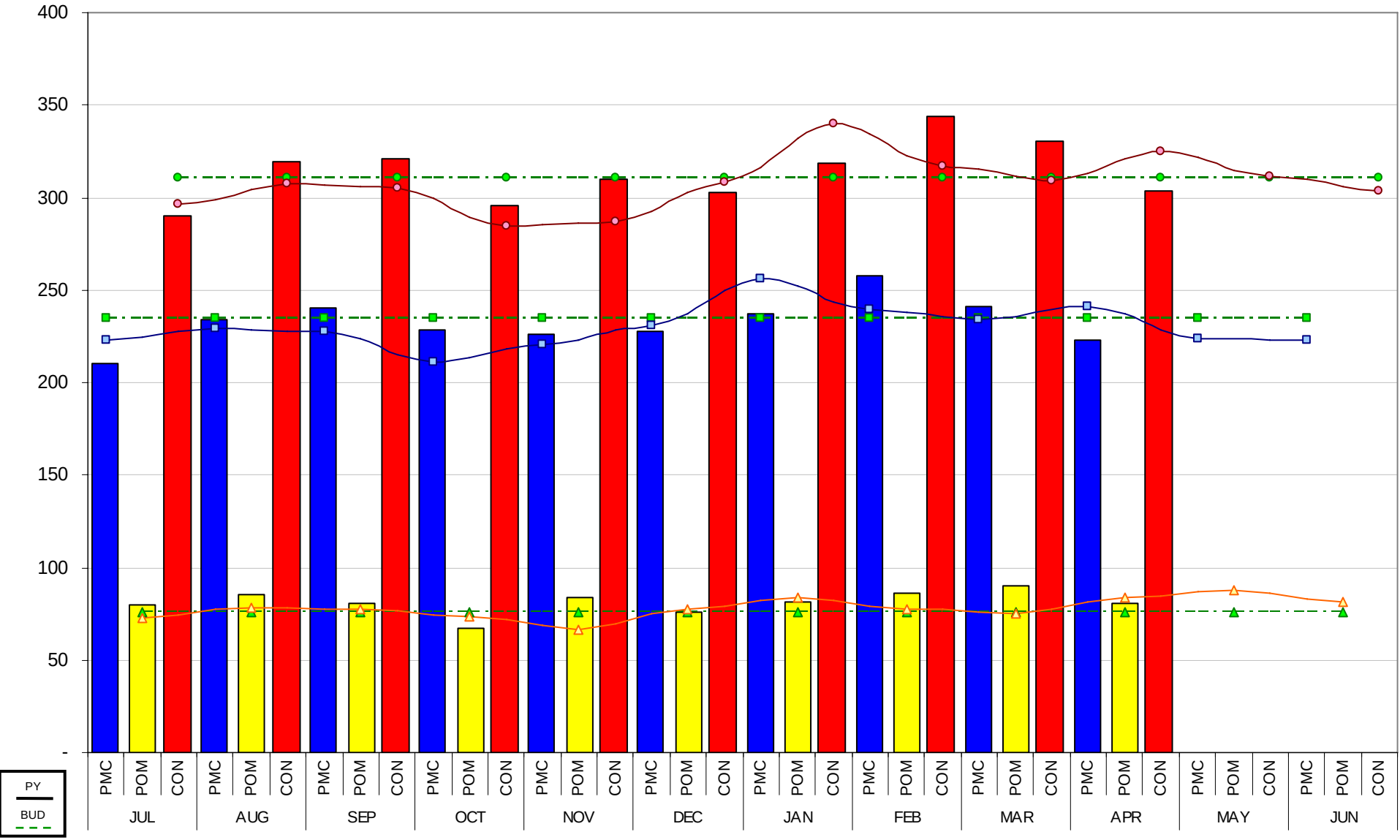
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	6,516	7,255	7,205	7,081	6,789	7,049	7,351	7,466	7,468	6,689	-	-	70,869	71,797
POM	2,484	2,655	2,412	2,080	2,502	2,348	2,525	2,504	2,786	2,423	-	-	24,719	23,296
CON	9,000	9,910	9,617	9,161	9,291	9,397	9,876	9,970	10,254	9,112	-	-	95,588	95,093

Statistical Indicators
Average Daily Census – Acute

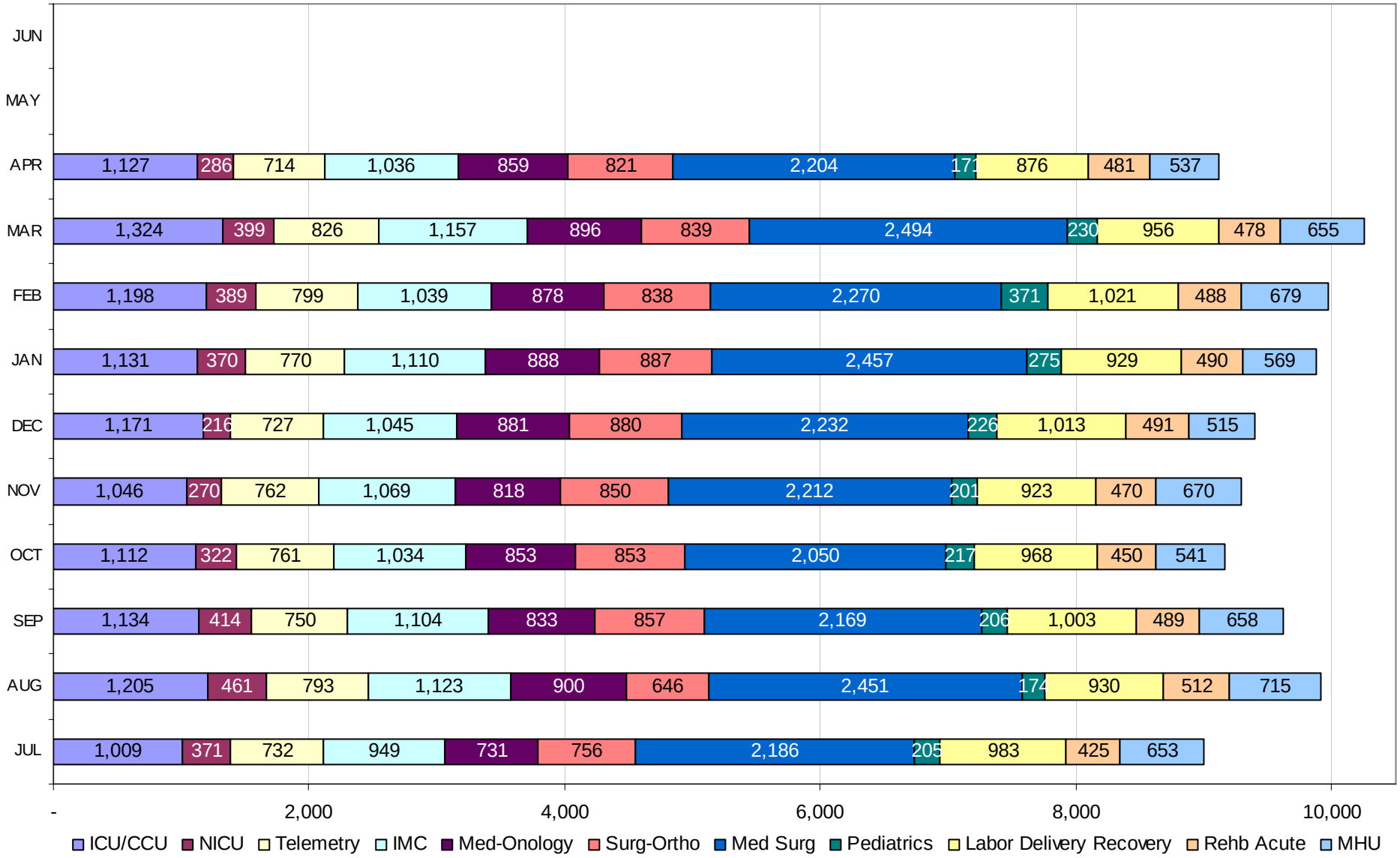
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	210	234	240	228	226	227	237	257	241	223	-	-	232	235
POM	80	86	80	67	83	76	81	86	90	81	-	-	81	76
CON	290	320	321	296	310	303	319	344	331	304	-	-	313	312

Statistical Indicators
Patient Days

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

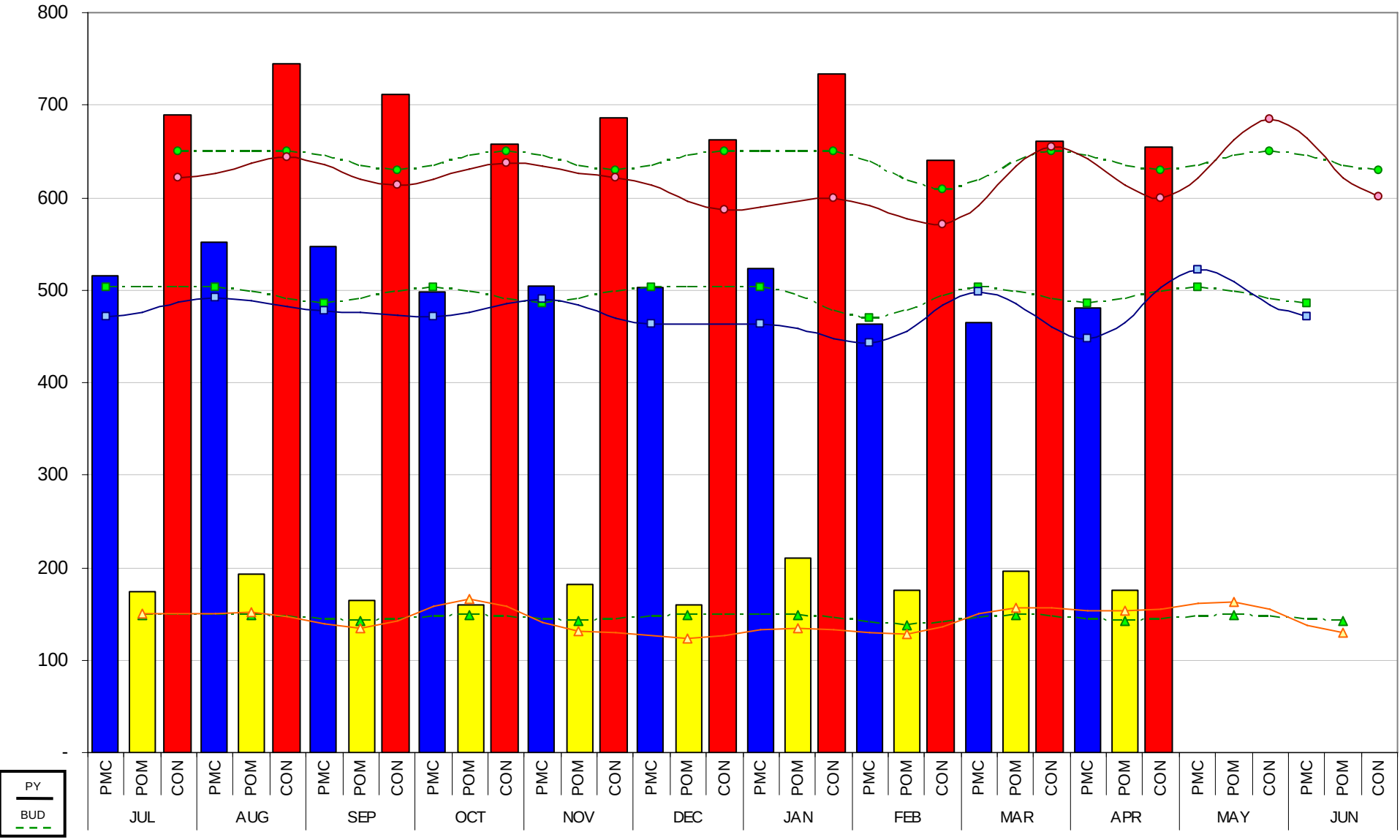


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	6,516	7,255	7,205	7,081	6,789	7,049	7,351	7,466	7,468	6,689	-	-	70,869	71,797
POM	2,484	2,655	2,412	2,080	2,502	2,348	2,525	2,504	2,786	2,423	-	-	24,719	23,296
CON	9,000	9,910	9,617	9,161	9,291	9,397	9,876	9,970	10,254	9,112	-	-	95,588	95,093

Statistical Indicators

Surgeries (*Inpatient only*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

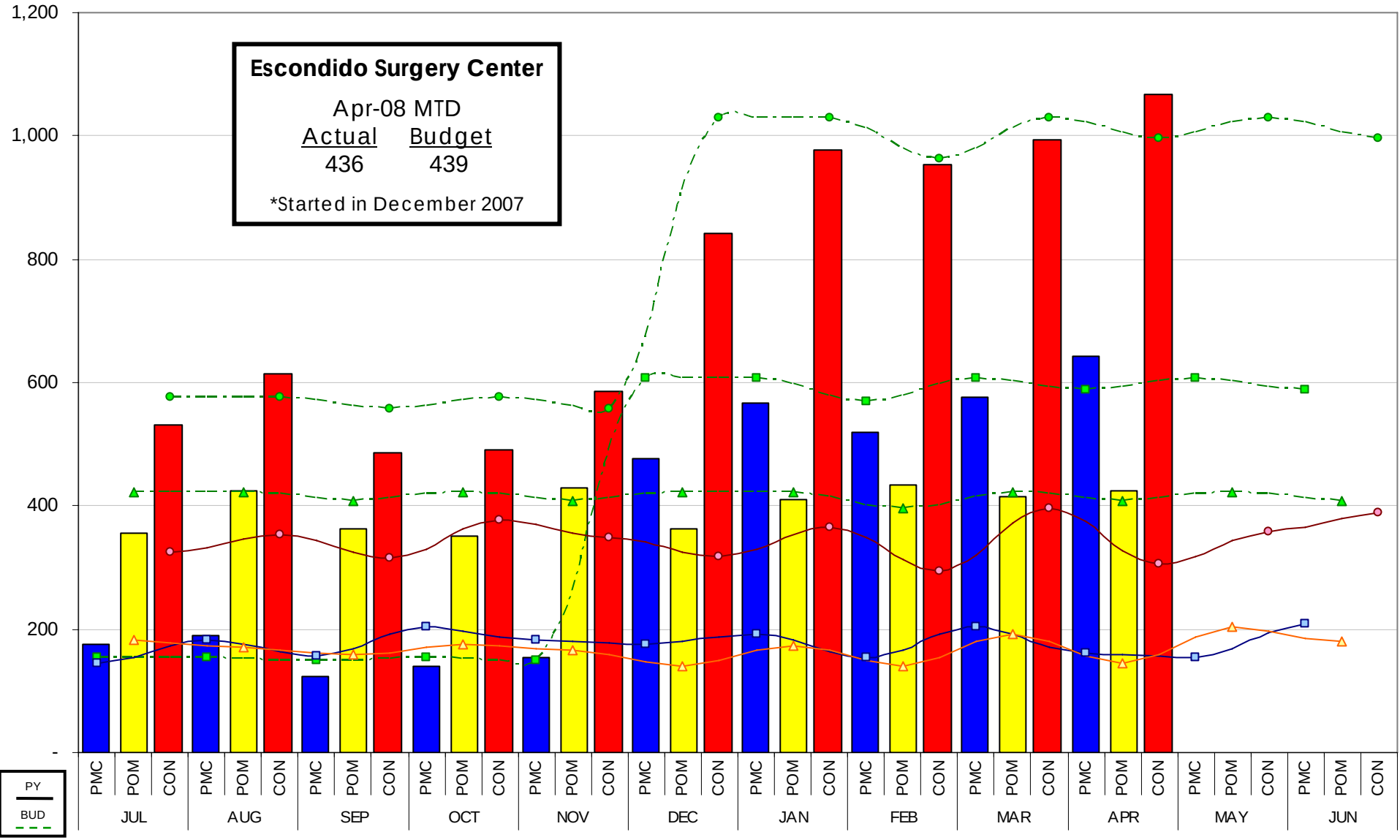


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	516	552	547	498	504	502	524	464	465	480	-	-	6,052	4,940
POM	174	193	165	160	182	160	210	176	196	175	-	-	1,791	1,455
CON	690	745	712	658	686	662	734	640	661	655	-	-	6,843	6,395

Statistical Indicators

Surgeries (*Outpatient only*)

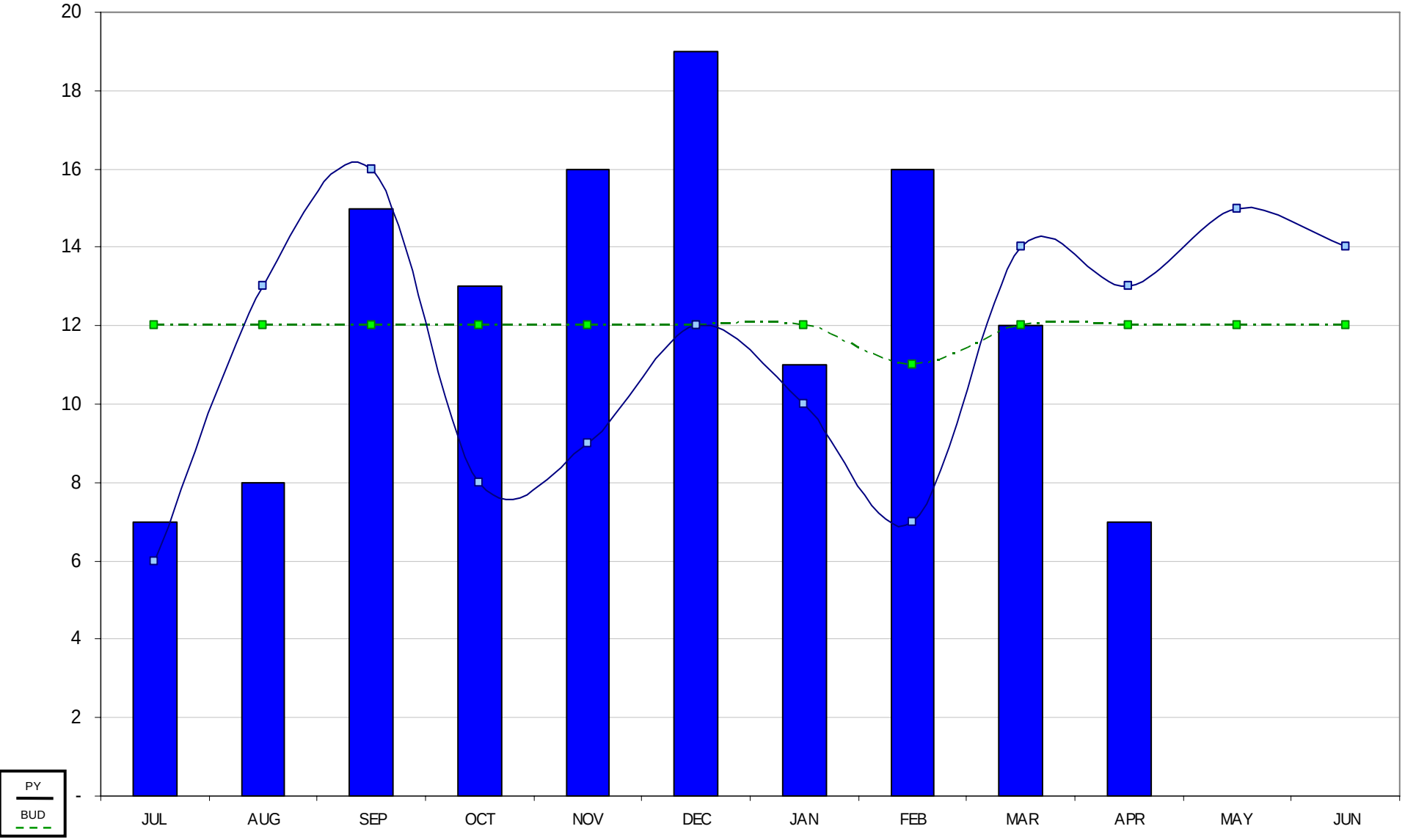
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	176	190	123	141	155	477	567	519	577	643	-	-	3,568	3,740
POM	356	425	363	350	430	364	411	435	416	425	-	-	3,975	4,154
CON	532	615	486	491	585	841	978	954	993	1,068	-	-	7,543	7,894

Statistical Indicators
Surgeries – CVS *(PMC only)*

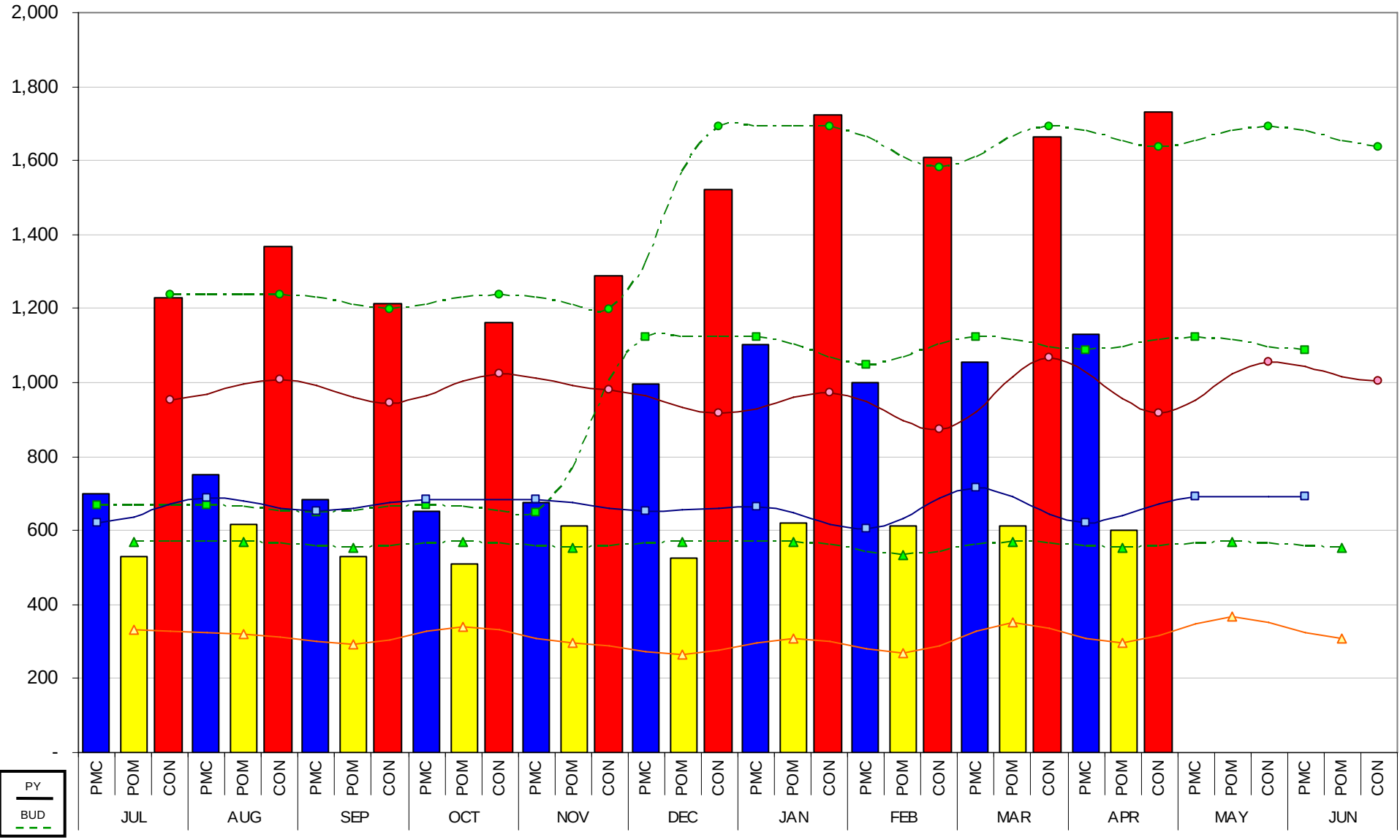
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	7	8	15	13	16	19	11	16	12	7	-	-	124	119
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	7	8	15	13	16	19	11	16	12	7	-	-	124	119

Statistical Indicators
Total Surgeries

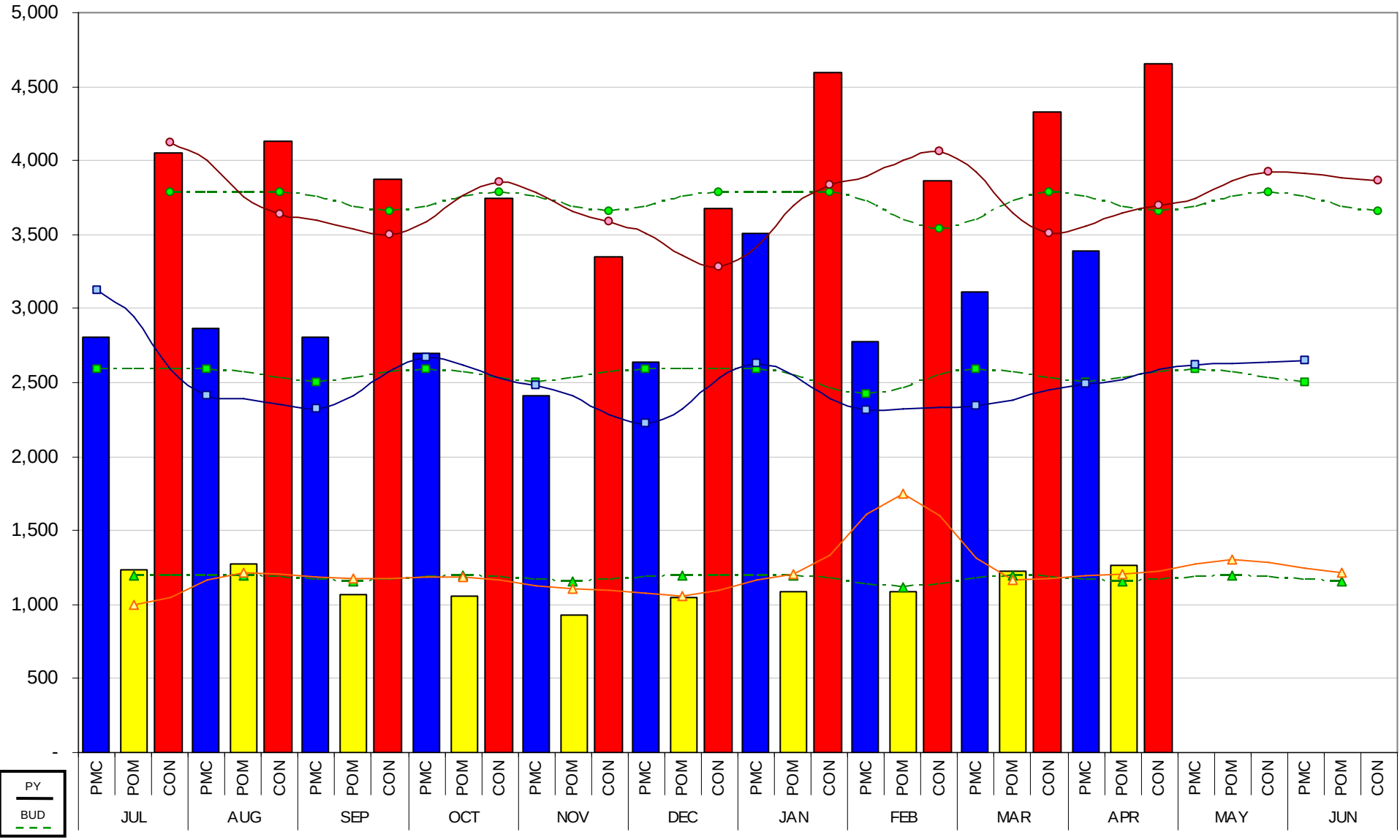
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	699	750	685	652	675	998	1,102	999	1,054	1,130	-	-	8,744	8,799
POM	530	618	528	510	612	524	621	611	612	600	-	-	5,766	5,609
CON	1,229	1,368	1,213	1,162	1,287	1,522	1,723	1,610	1,666	1,730	-	-	14,510	14,408

Statistical Indicators
Outpatient Registrations (*excludes Lab*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

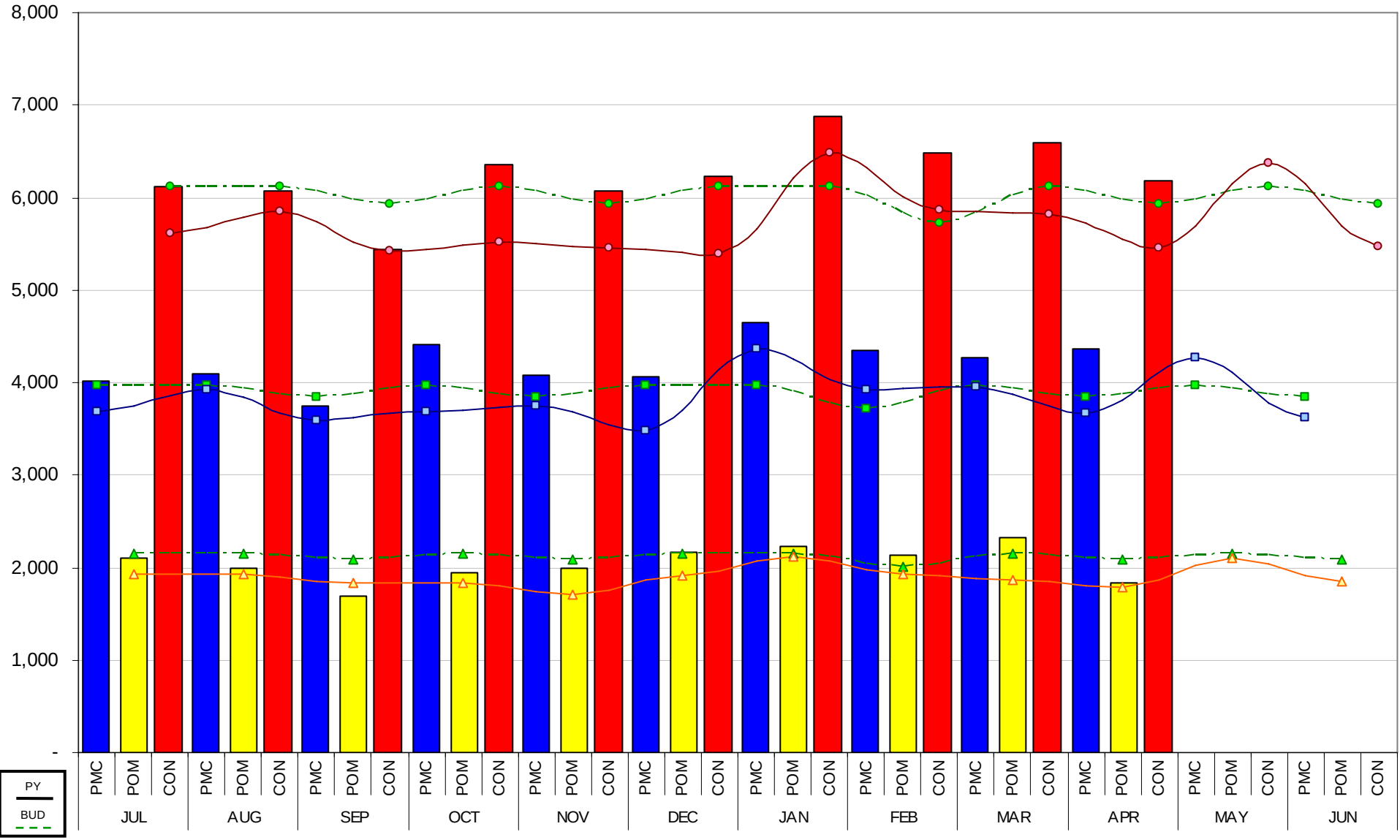


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	2,811	2,861	2,808	2,693	2,414	2,635	3,510	2,774	3,110	3,392	-	-	29,008	25,461
POM	1,238	1,274	1,066	1,057	932	1,044	1,085	1,086	1,223	1,261	-	-	11,266	11,749
CON	4,049	4,135	3,874	3,750	3,346	3,679	4,595	3,860	4,333	4,653	-	-	40,274	37,210

Statistical Indicators

ER Visits *(includes Trauma, Outpatient only)*

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

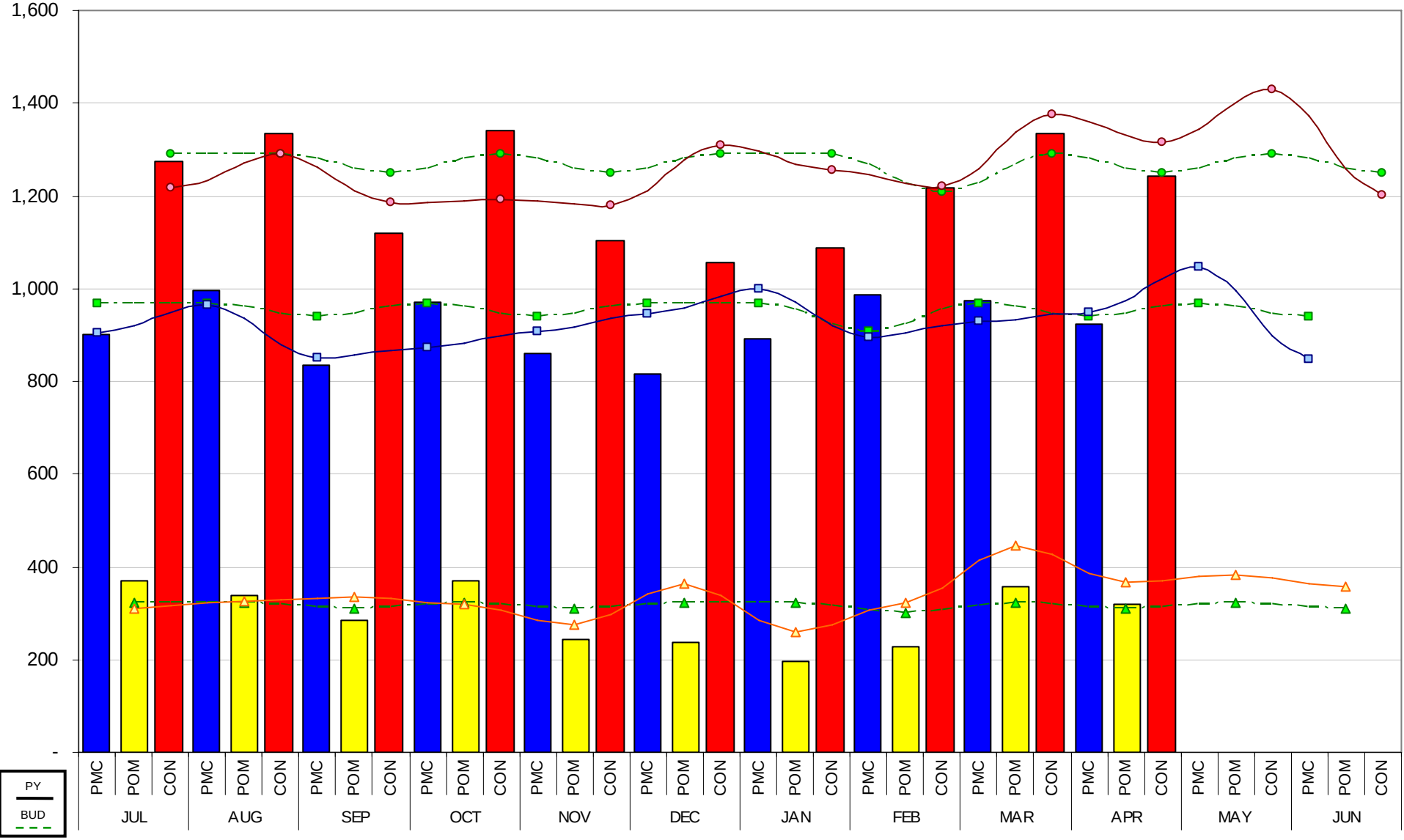


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	4,014	4,087	3,743	4,404	4,080	4,060	4,645	4,345	4,266	4,359	-	-	42,003	39,104
POM	2,110	1,990	1,688	1,947	1,988	2,170	2,235	2,134	2,322	1,829	-	-	20,413	21,164
CON	6,124	6,077	5,431	6,351	6,068	6,230	6,880	6,479	6,588	6,188	-	-	62,416	60,268
CON/DAY	198	196	181	205	202	201	222	223	213	206	-	-	205	198

Statistical Indicators

ER Admissions *(includes Trauma, Inpatient only)*

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

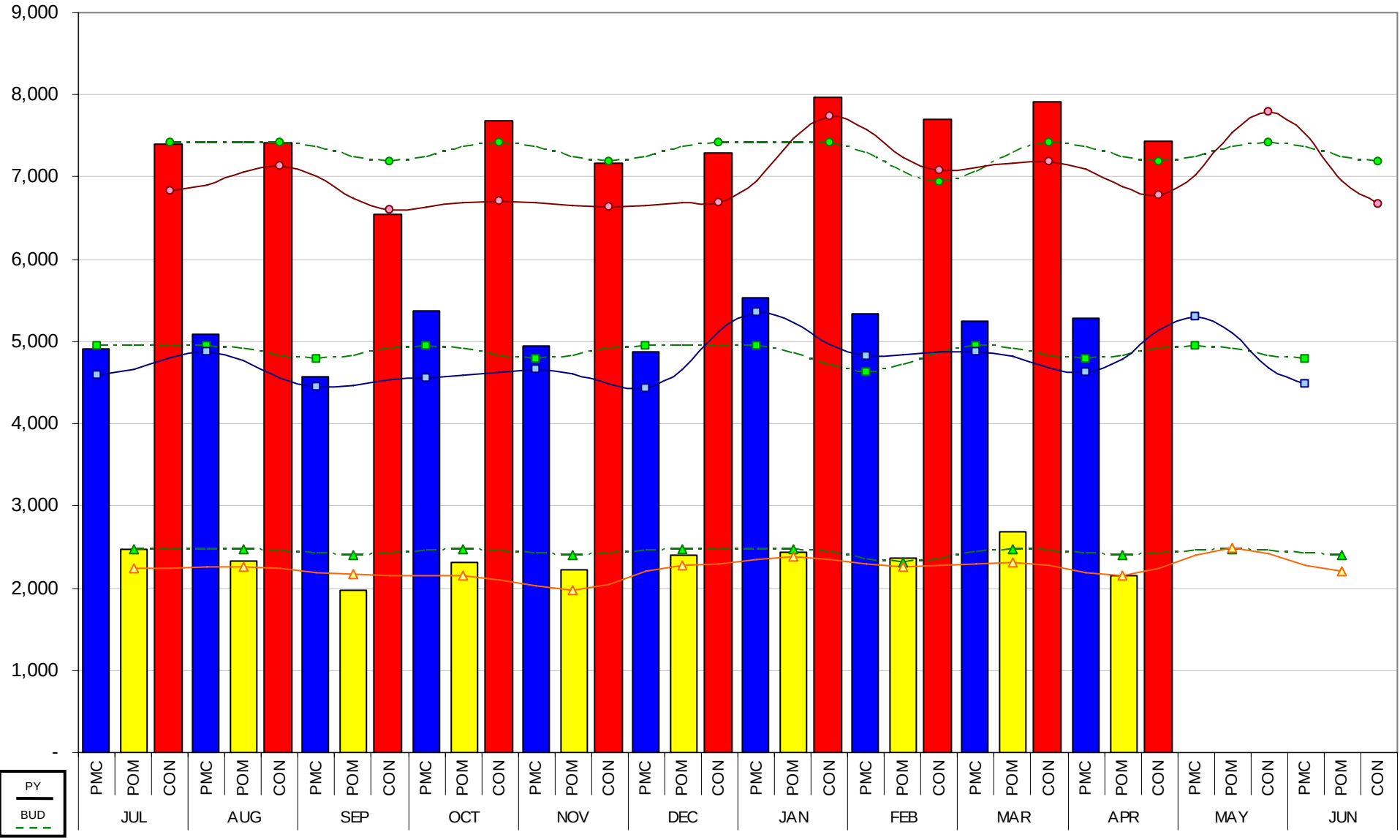


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	902	997	835	971	861	817	893	988	975	923	-	-	9,162	9,535
POM	371	337	284	370	243	238	195	228	358	319	-	-	2,943	3,159
CON	1,273	1,334	1,119	1,341	1,104	1,055	1,088	1,216	1,333	1,242	-	-	12,105	12,694

Statistical Indicators

Total ER Visits (*includes Trauma & Admissions*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

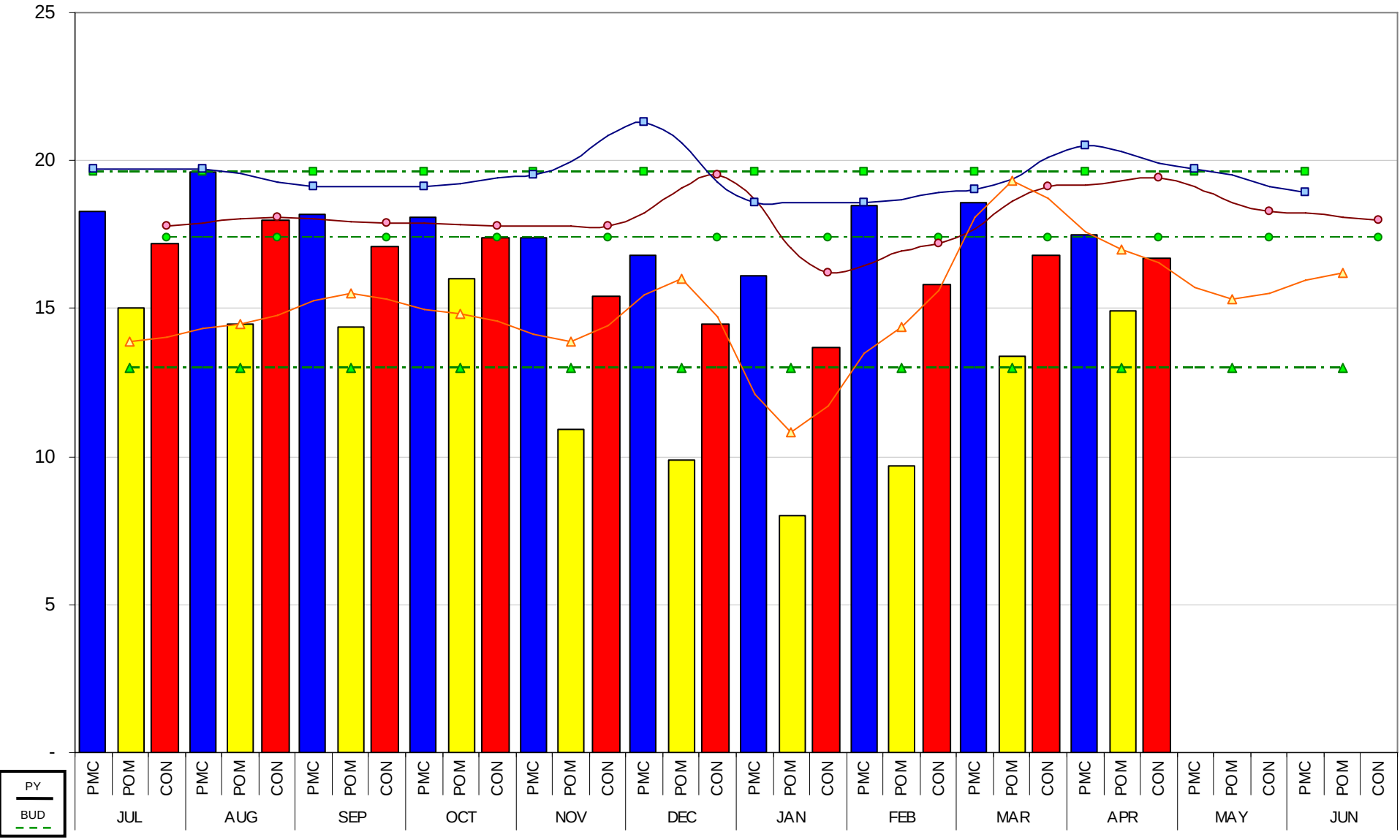


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	4,916	5,084	4,578	5,375	4,941	4,877	5,538	5,333	5,241	5,282	-	-	51,165	48,639
POM	2,481	2,327	1,972	2,317	2,231	2,408	2,430	2,362	2,680	2,148	-	-	23,356	24,323
CON	7,397	7,411	6,550	7,692	7,172	7,285	7,968	7,695	7,921	7,430	-	-	74,521	72,962

Statistical Indicators

ER Conversion *(ER Admits as % of ER Visits)*

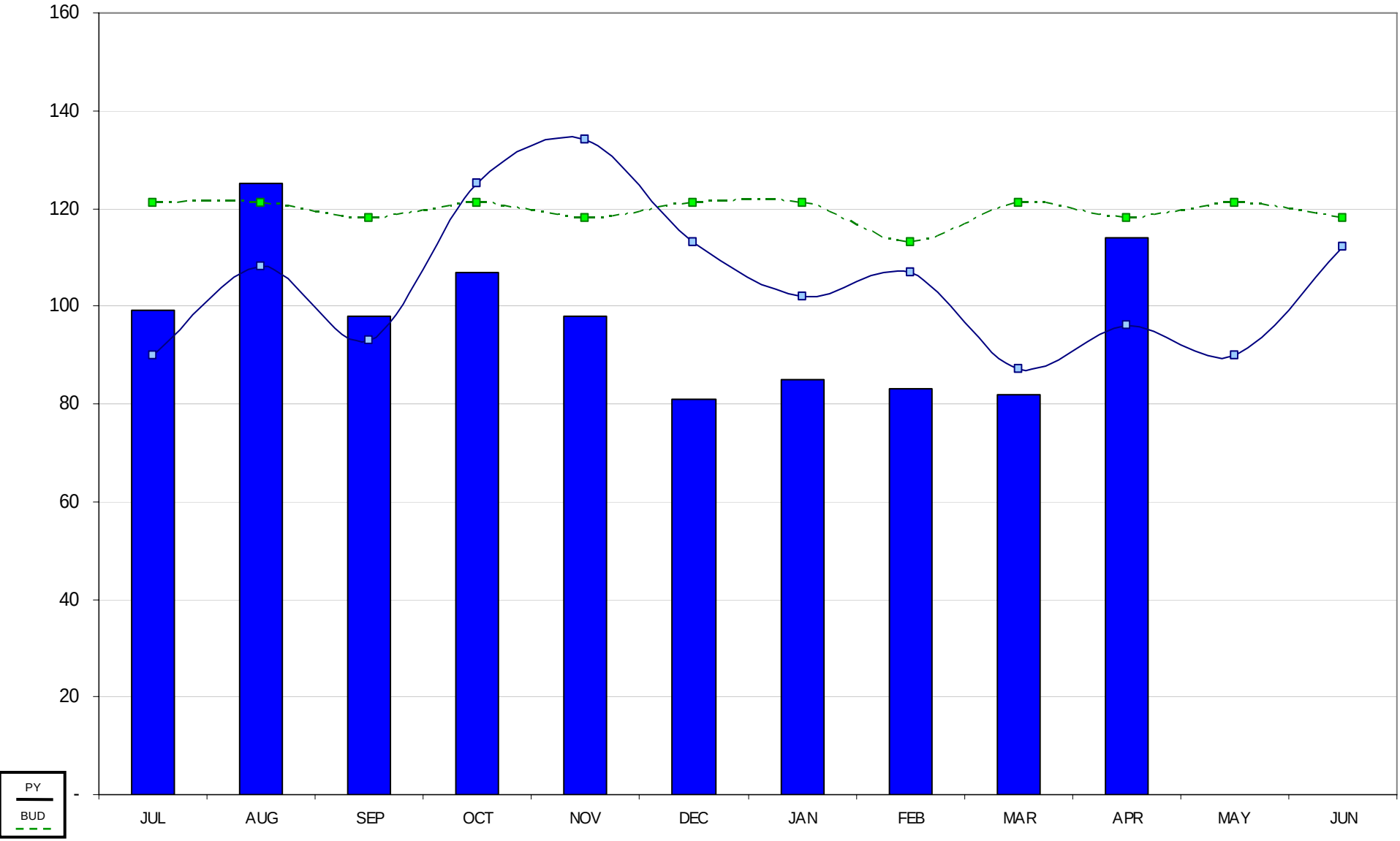
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	18.3	19.6	18.2	18.1	17.4	16.8	16.1	18.5	18.6	17.5	-	-	17.9	19.6
POM	15.0	14.5	14.4	16.0	10.9	9.9	8.0	9.7	13.4	14.9	-	-	12.6	13.0
CON	17.2	18.0	17.1	17.4	15.4	14.5	13.7	15.8	16.8	16.7	-	-	16.2	17.4

Statistical Indicators
Trauma Cases (*PMC only*)

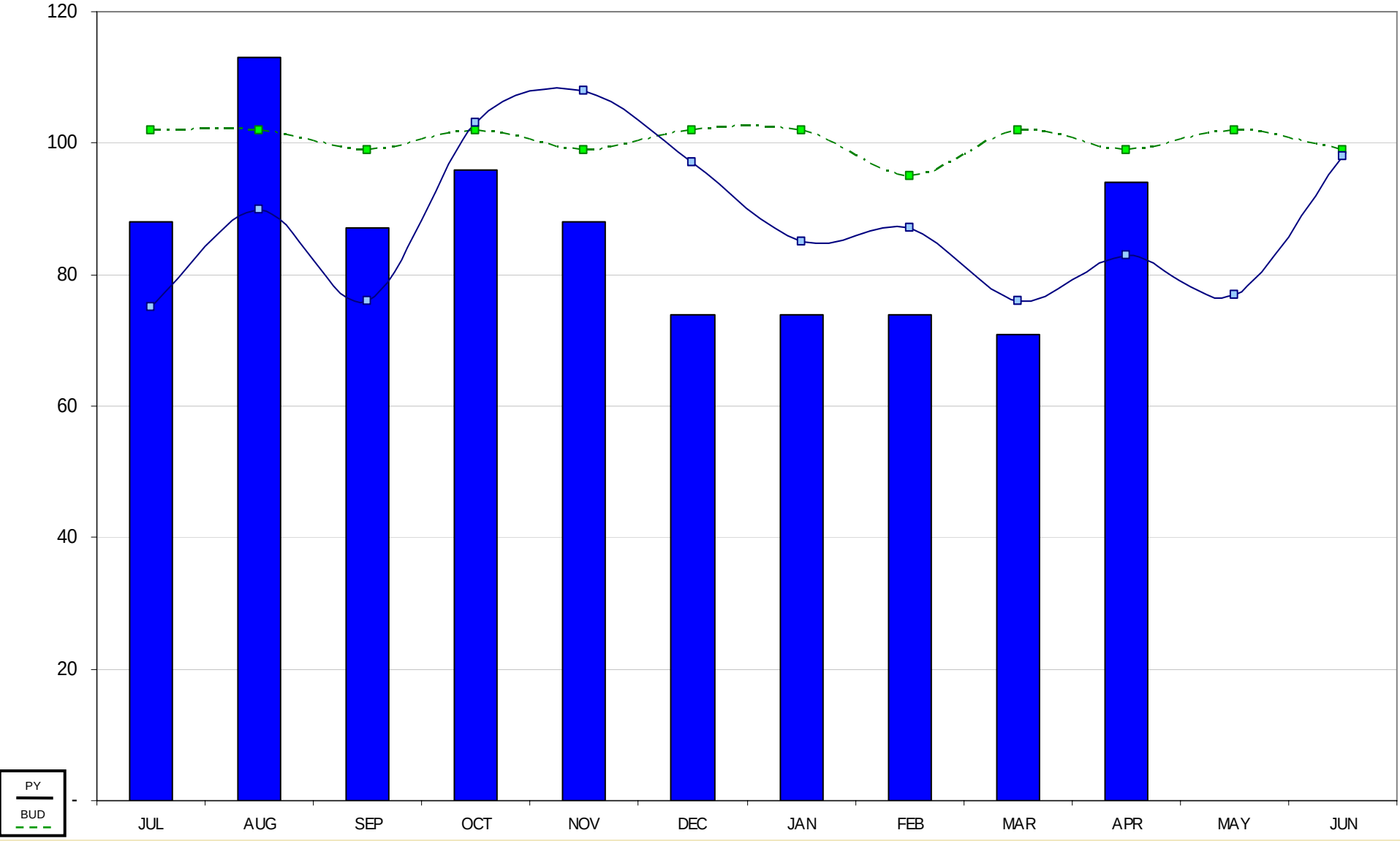
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	99	125	98	107	98	81	85	83	82	114	-	-	972	1,193
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	99	125	98	107	98	81	85	83	82	114	-	-	972	1,193

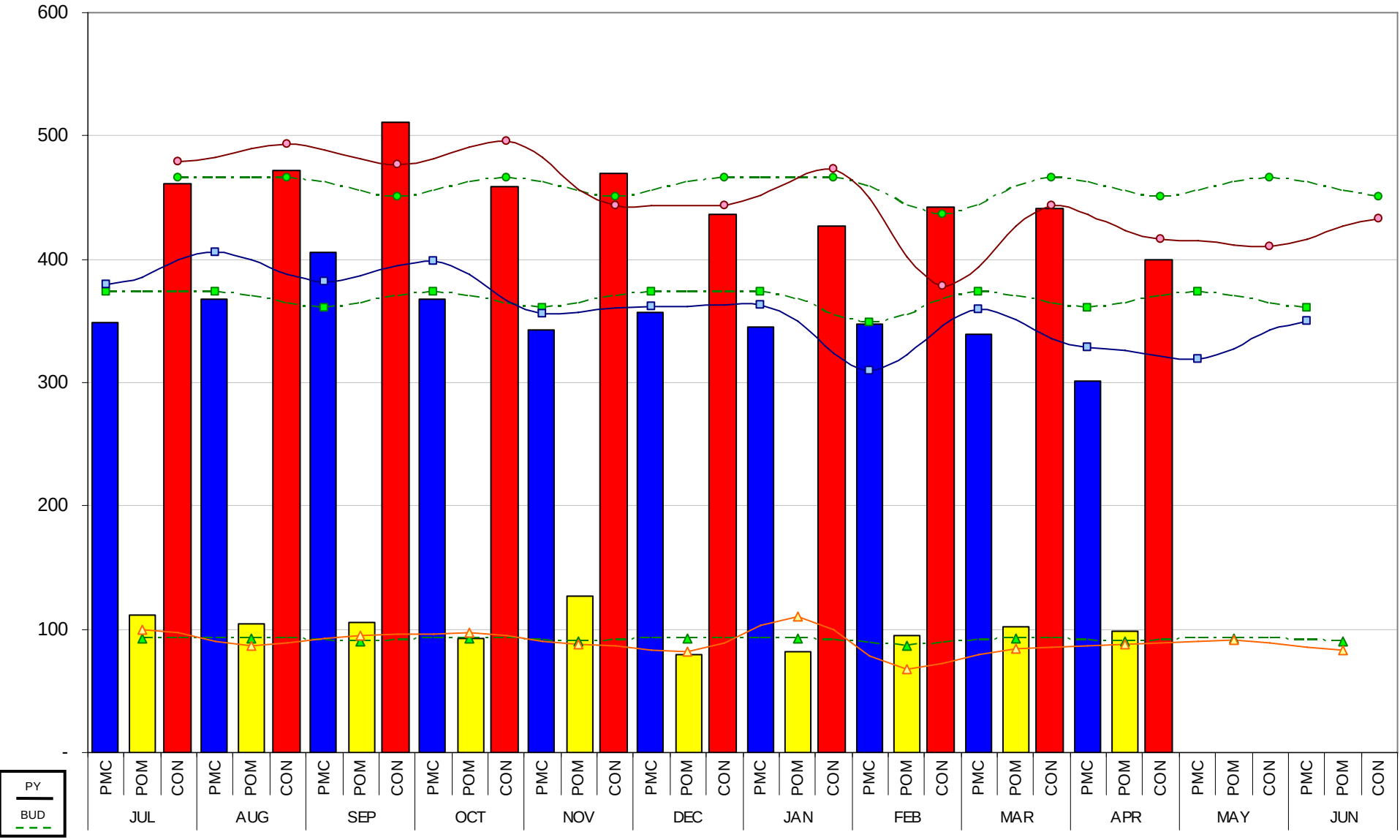
Statistical Indicators
Trauma Admissions (*PMC only*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	88	113	87	96	88	74	74	74	71	94	-	-	859	1,004
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	88	113	87	96	88	74	74	74	71	94	-	-	859	1,004

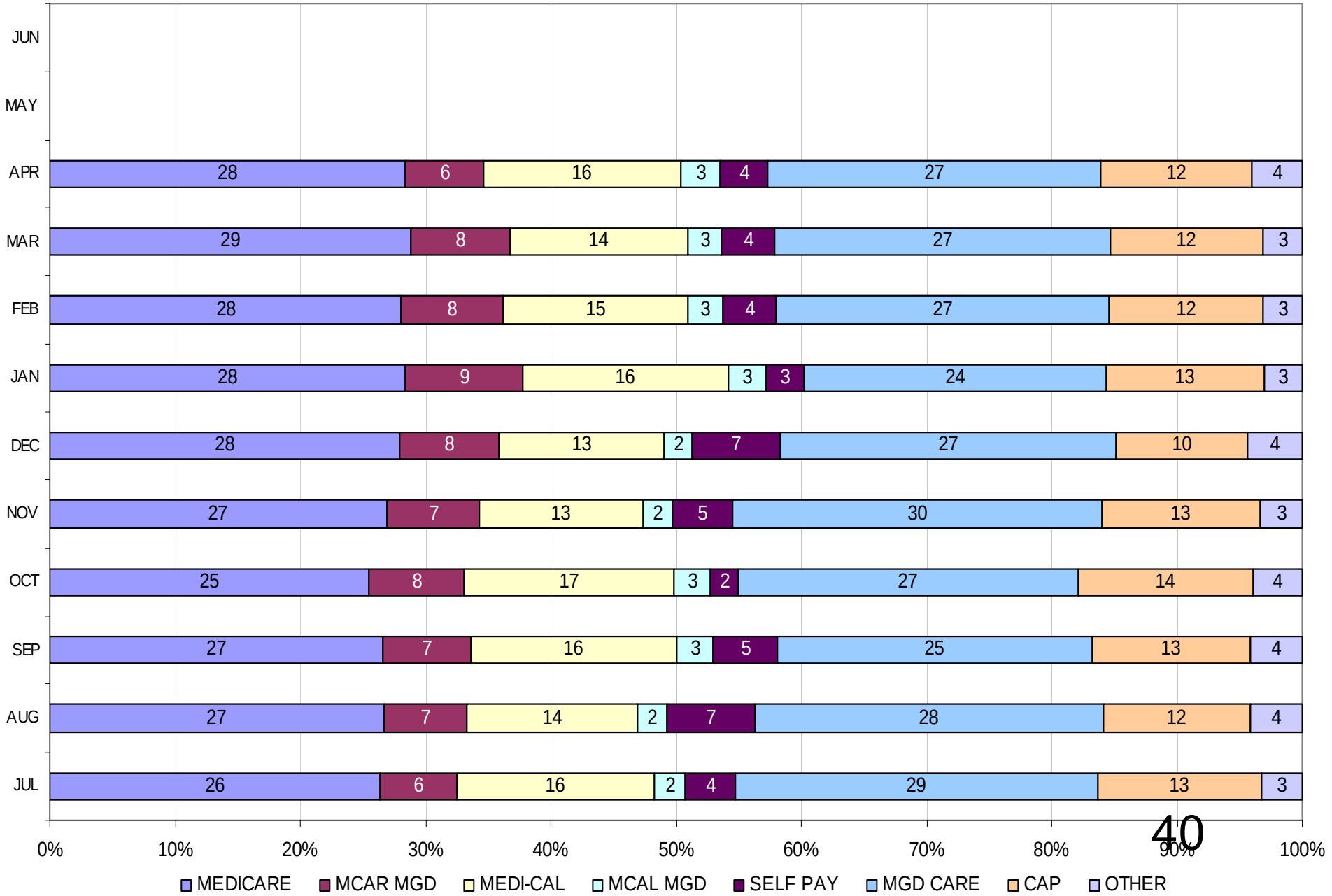
Statistical Indicators
Deliveries



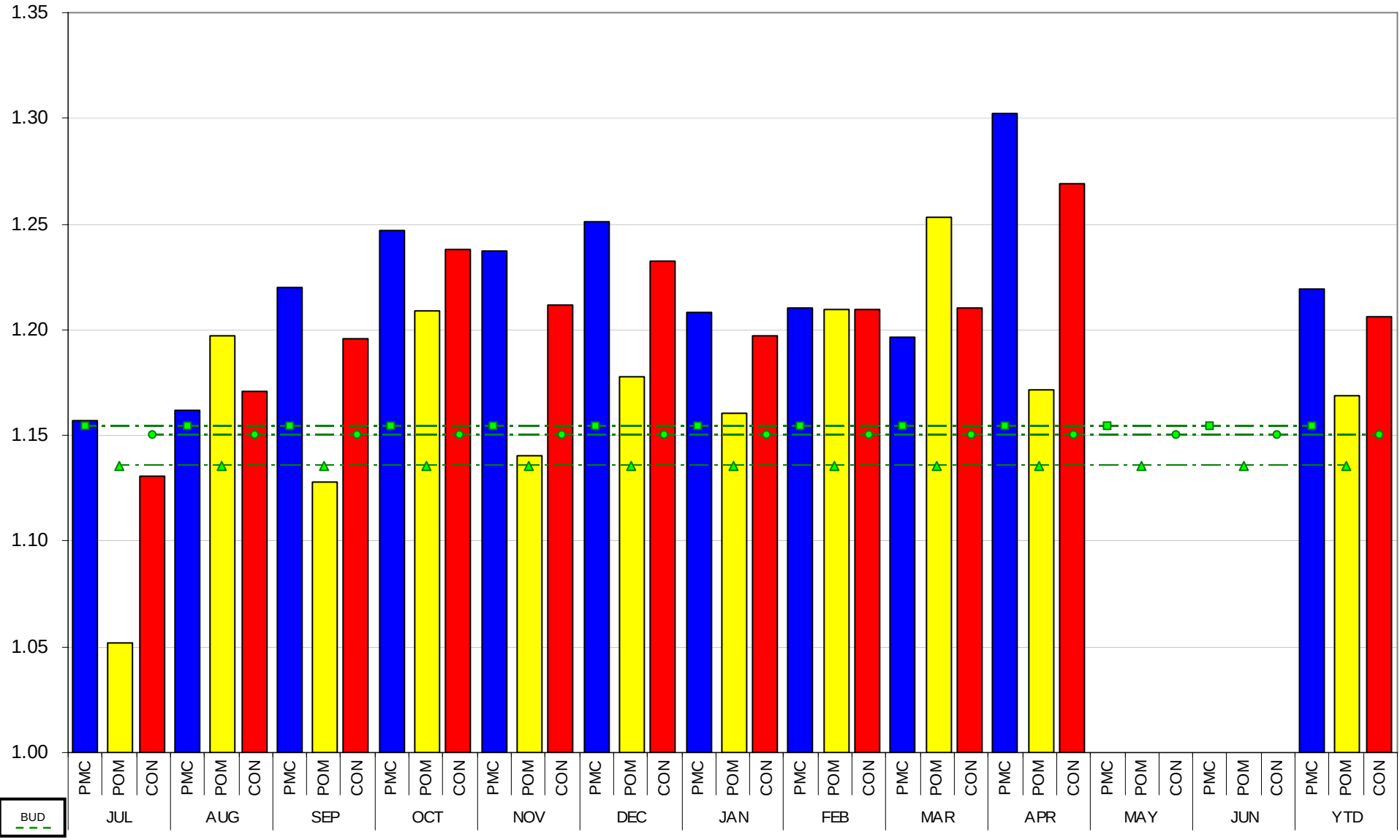
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	349	368	406	367	343	357	345	347	339	301	-	-	3,522	3,670
POM	112	104	105	92	127	79	82	95	102	99	-	-	997	915
CON	461	472	511	459	470	436	427	442	441	400	-	-	4,519	4,585

Payor Mix
Based on Gross Revenue

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



Case Mix Index

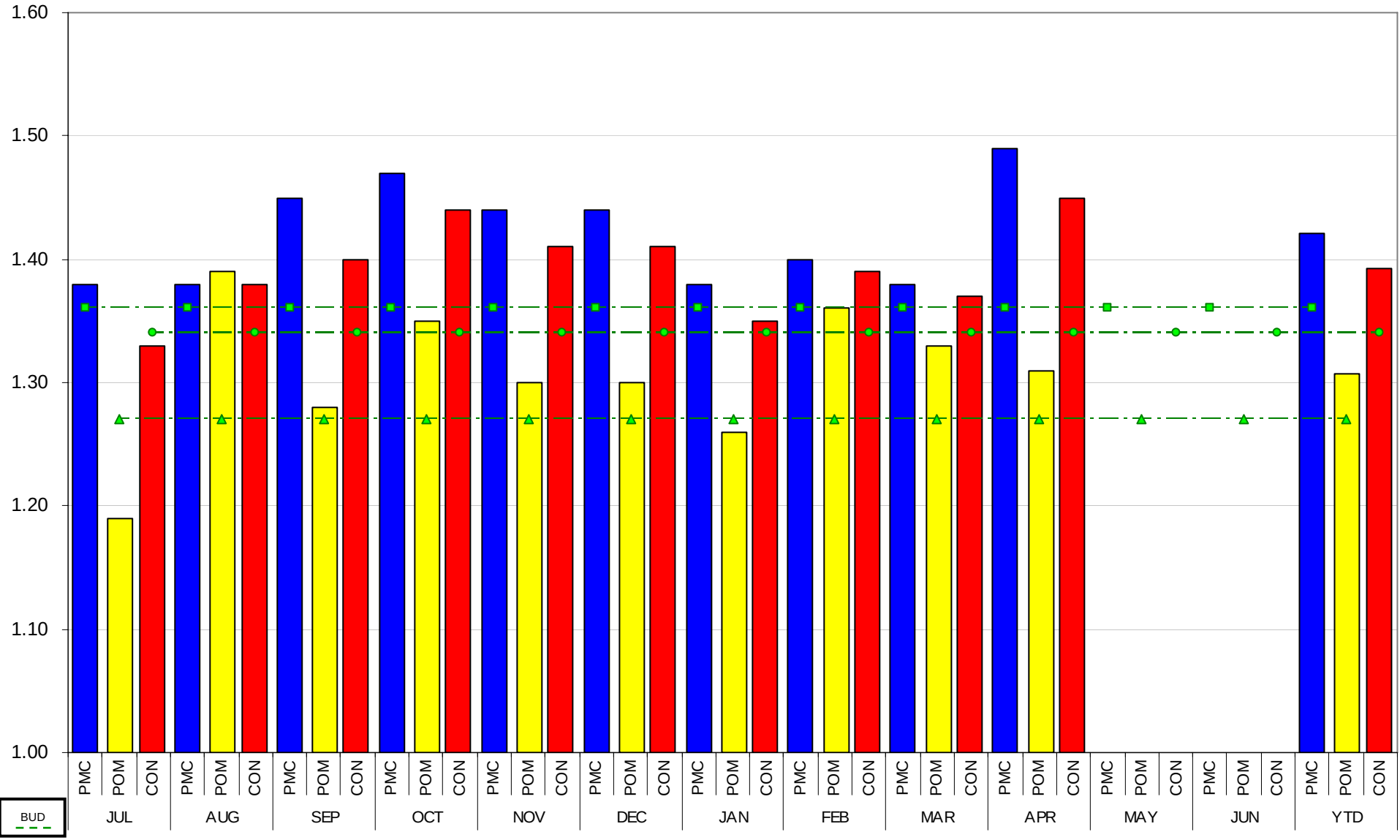


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.16	1.16	1.22	1.25	1.24	1.25	1.21	1.21	1.20	1.30	-	-	1.22
POM	1.05	1.20	1.13	1.21	1.14	1.18	1.16	1.21	1.25	1.17	-	-	1.17
CON	1.13	1.17	1.20	1.24	1.21	1.23	1.20	1.21	1.21	1.27	-	-	1.21

Case Mix Index by Region

(excludes Deliveries)

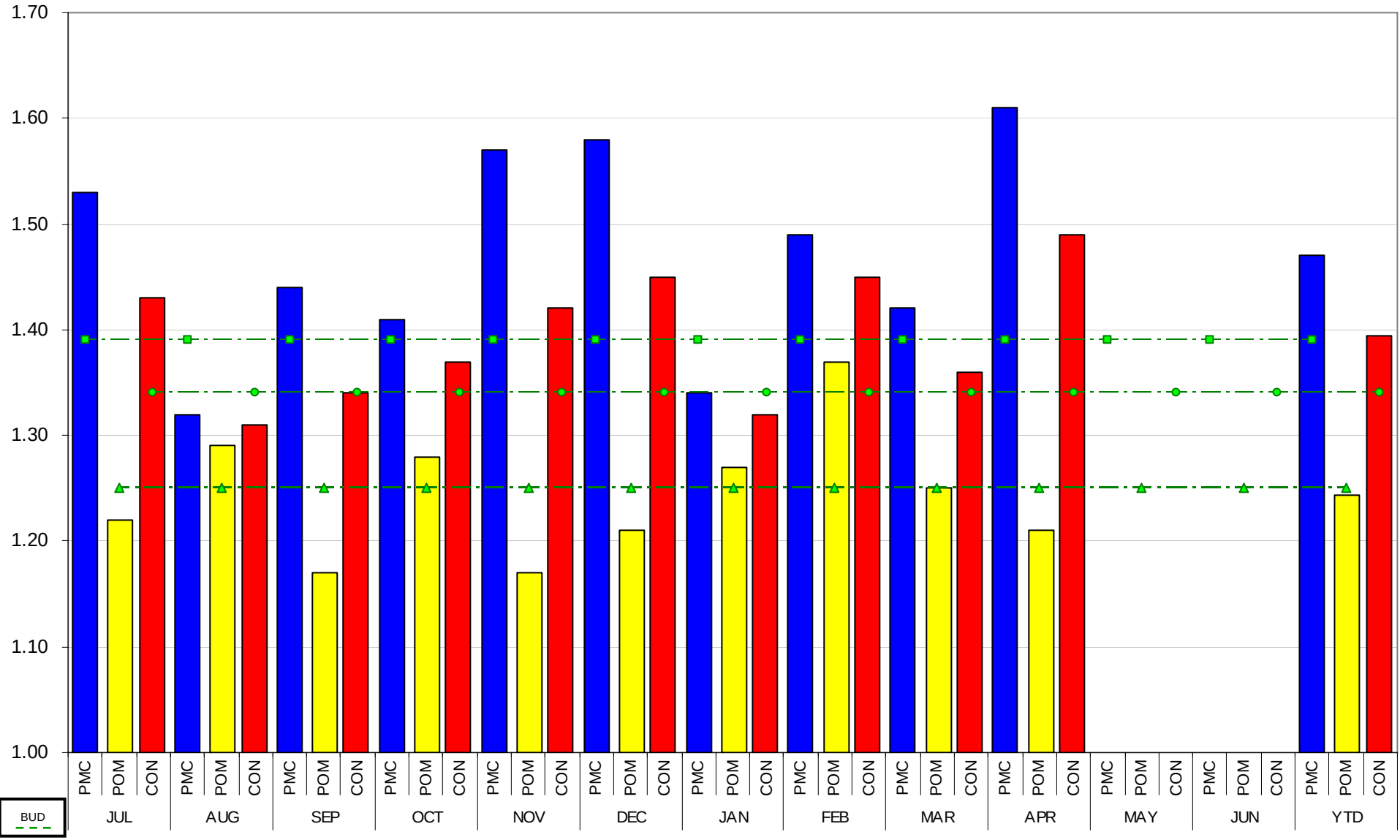
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.38	1.38	1.45	1.47	1.44	1.44	1.38	1.40	1.38	1.49	-	-	1.42
POM	1.19	1.39	1.28	1.35	1.30	1.30	1.26	1.36	1.33	1.31	-	-	1.31
CON	1.33	1.38	1.40	1.44	1.41	1.41	1.35	1.39	1.37	1.45	-	-	1.39

42

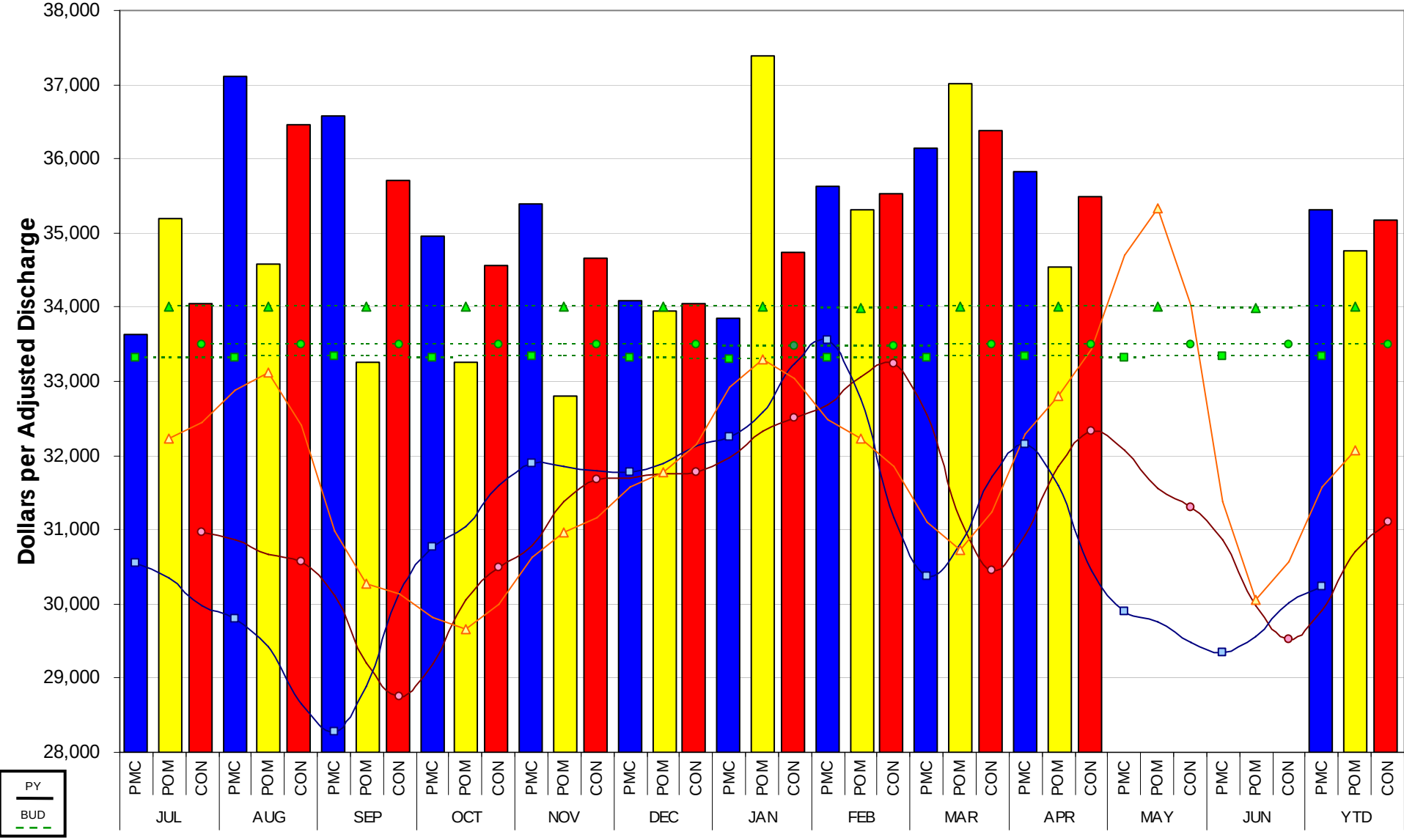
Case Mix Index by Region
Medicare



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.53	1.32	1.44	1.41	1.57	1.58	1.34	1.49	1.42	1.61	-	-	1.47
POM	1.22	1.29	1.17	1.28	1.17	1.21	1.27	1.37	1.25	1.21	-	-	1.24
CON	1.43	1.31	1.34	1.37	1.42	1.45	1.32	1.45	1.36	1.49	-	-	1.39

Adjusted Discharges
Gross Patient Revenue per Adjusted Discharges

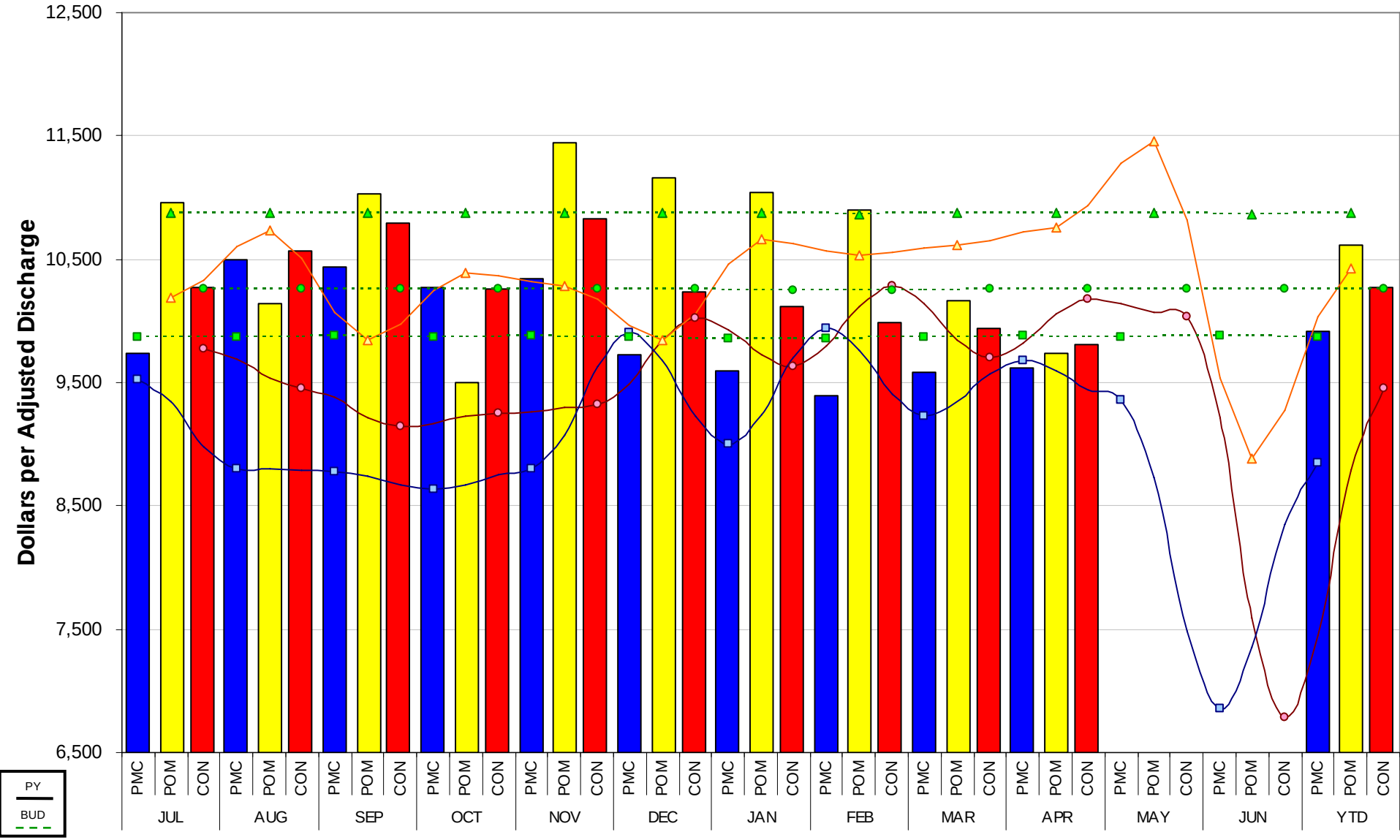
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	33,628	37,115	36,573	34,962	35,383	34,084	33,852	35,620	36,136	35,830	-	-	35,316	33,328
POM	35,188	34,573	33,267	33,266	32,806	33,958	37,385	35,308	37,021	34,544	-	-	34,749	34,050
CON	34,046	36,462	35,702	34,561	34,669	34,055	34,748	35,539	36,378	35,481	-	-	35,169	33,499

Adjusted Discharges
Net Patient Revenue per Adjusted Discharges

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

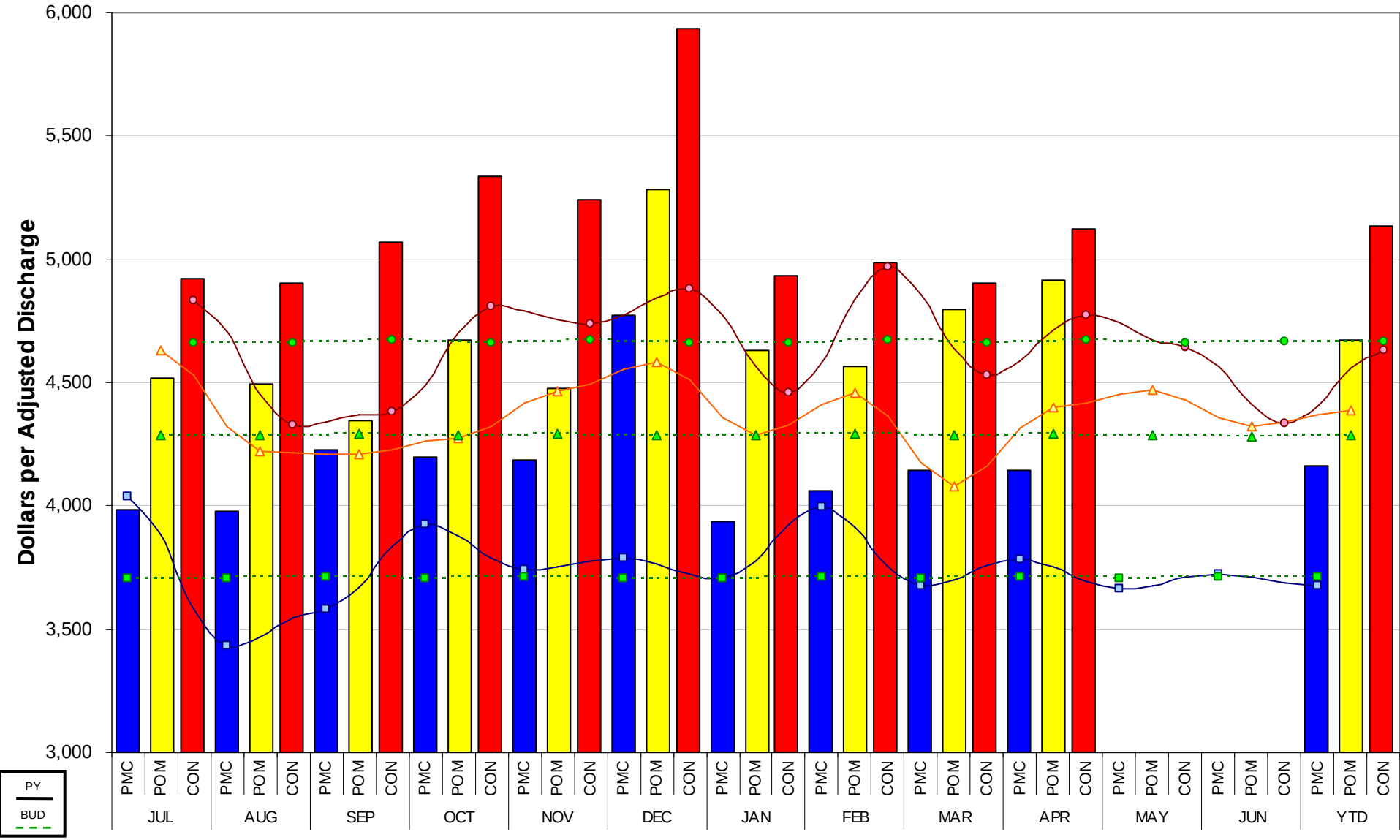


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	9,737	10,493	10,437	10,270	10,344	9,725	9,597	9,390	9,577	9,614	-	-	9,912	9,890
POM	10,963	10,138	11,028	9,505	11,450	11,160	11,046	10,903	10,163	9,736	-	-	10,619	10,892
CON	10,266	10,573	10,793	10,254	10,829	10,241	10,121	9,983	9,942	9,807	-	-	10,276	10,258

Adjusted Discharges

Salaries per Adjusted Discharges

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

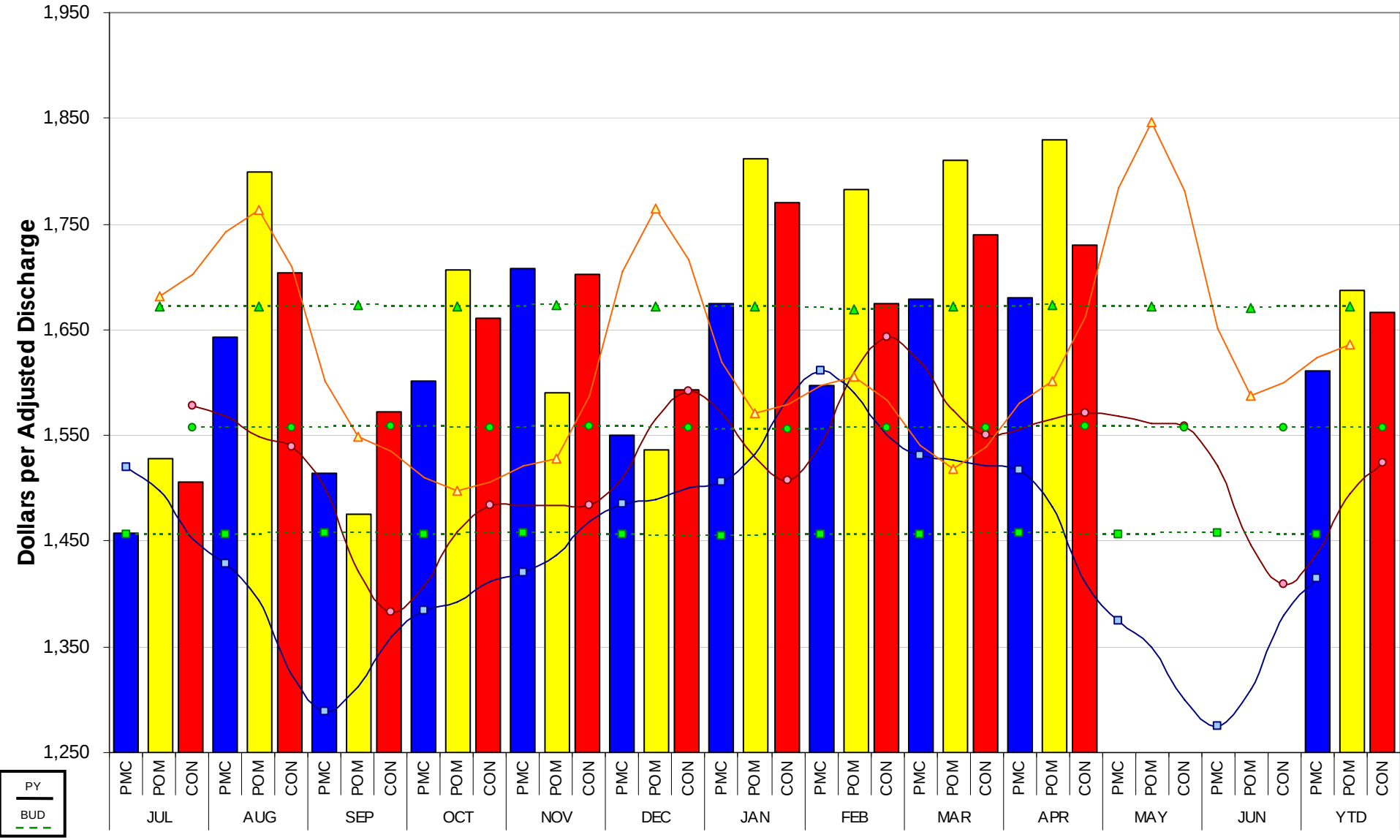


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	3,984	3,977	4,227	4,198	4,183	4,772	3,935	4,063	4,143	4,144	-	-	4,163	3,933
POM	4,518	4,494	4,344	4,672	4,477	5,280	4,630	4,567	4,799	4,913	-	-	4,670	4,506
CON	4,922	4,905	5,070	5,334	5,238	5,936	4,930	4,987	4,905	5,120	-	-	5,133	4,885

Adjusted Discharges

Supplies per Adjusted Discharges

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	1,457	1,643	1,514	1,601	1,708	1,550	1,675	1,597	1,679	1,680	-	-	1,612	1,466
POM	1,528	1,800	1,475	1,706	1,590	1,536	1,811	1,783	1,810	1,830	-	-	1,688	1,674
CON	1,506	1,704	1,573	1,661	1,702	1,594	1,770	1,675	1,740	1,730	-	-	1,667	1,557

Adjusted Discharges

Total Expenses per Adjusted Discharges

PALOMAR POMERADO HEALTH
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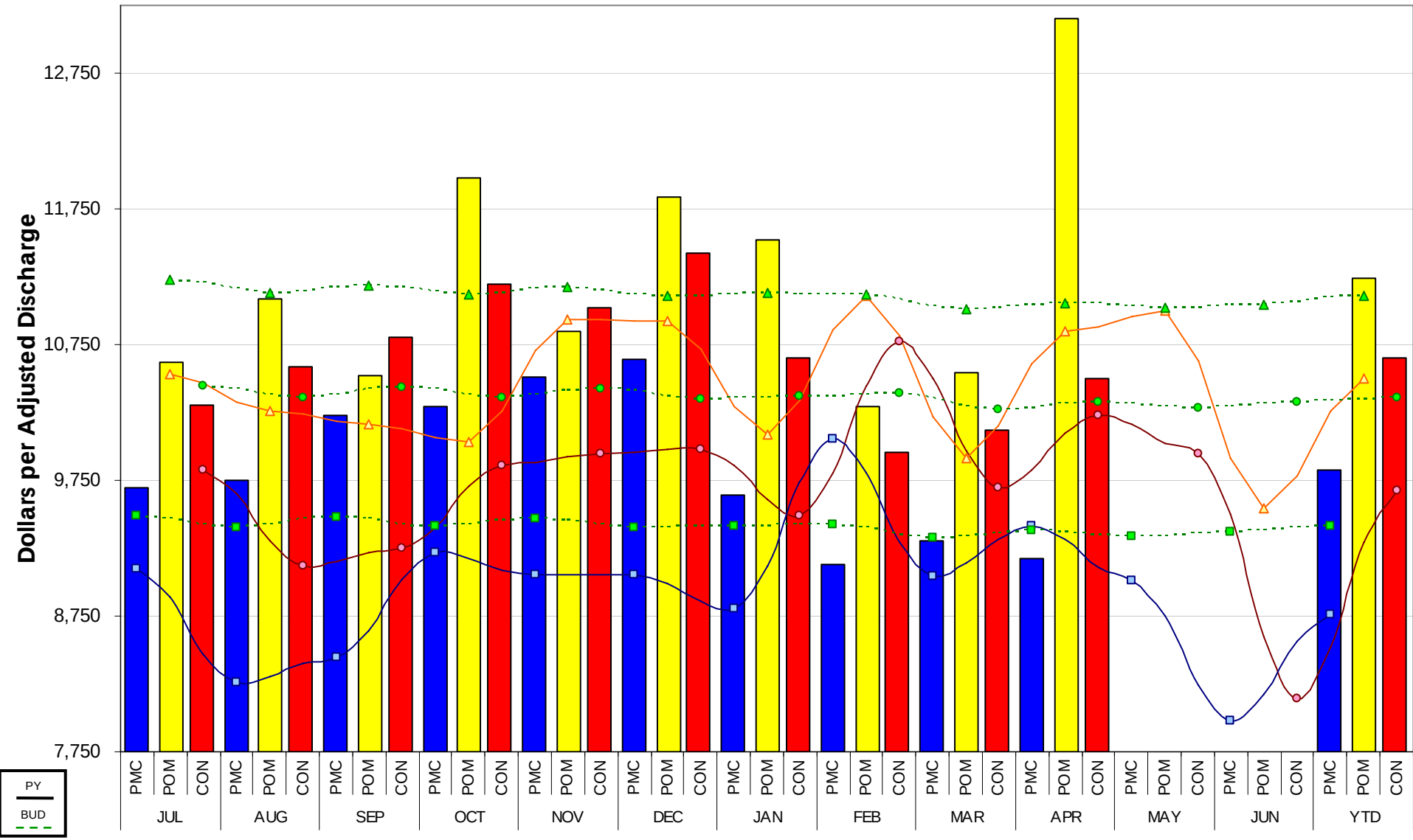
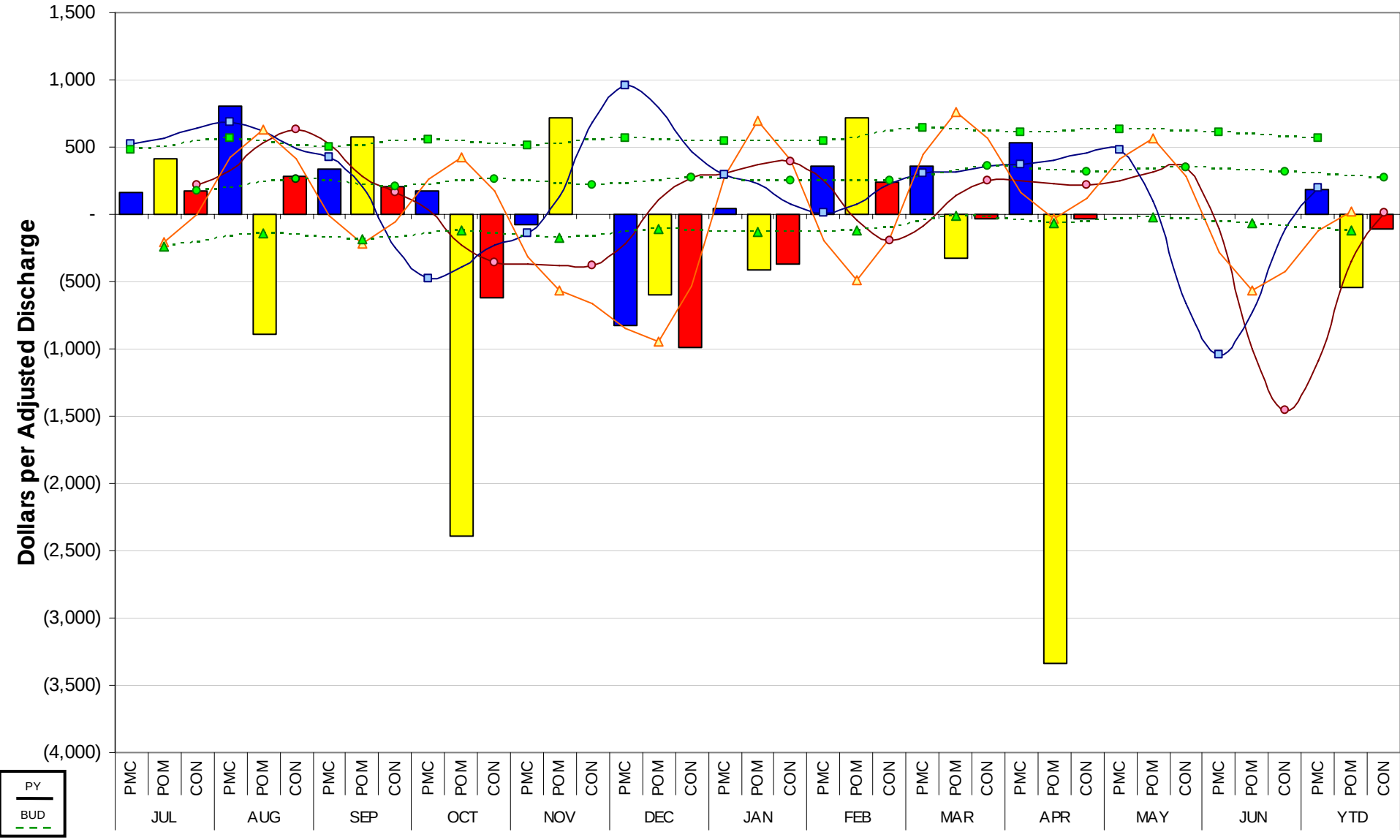


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	9,693	9,752	10,226	10,293	10,511	10,640	9,643	9,128	9,307	9,175	-	-	9,831	9,446
POM	10,622	11,090	10,523	11,977	10,846	11,836	11,522	10,291	10,543	13,155	-	-	11,237	11,139
CON	10,309	10,589	10,807	11,191	11,019	11,422	10,650	9,954	10,124	10,495	-	-	10,652	10,377

48

Adjusted Discharges
Net Operating Income per Adjusted Discharges

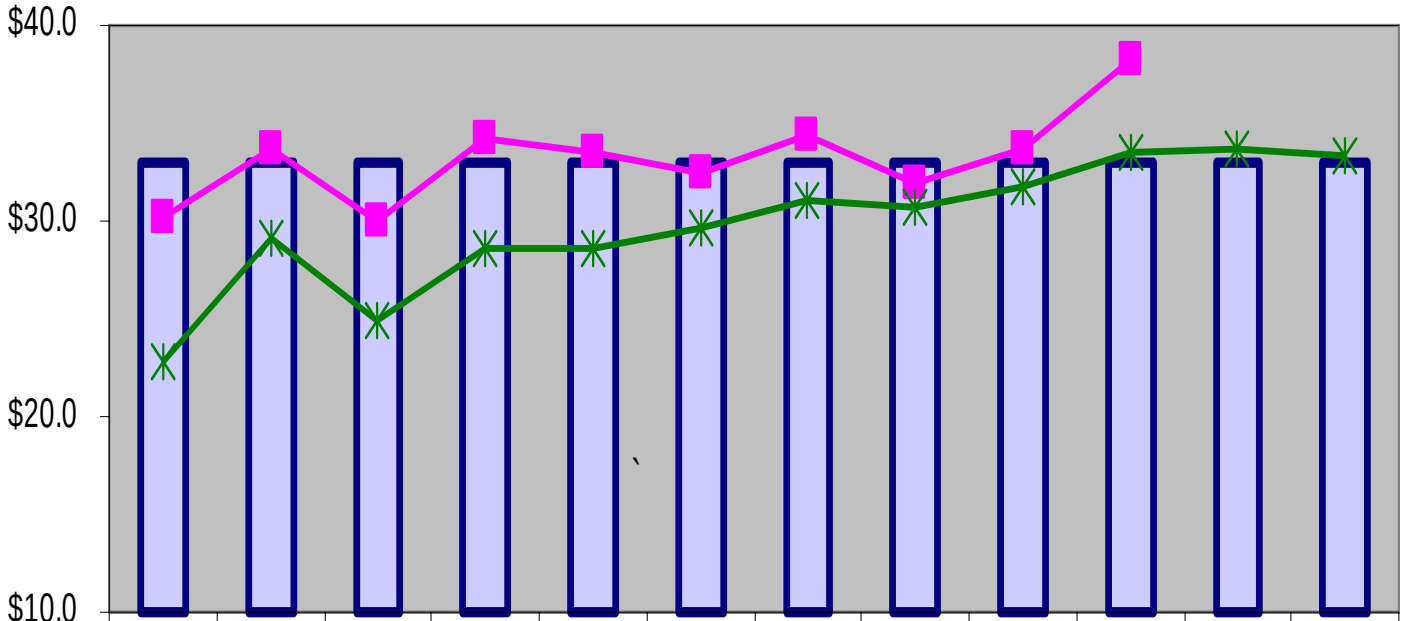
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	158	799	335	177	(72)	(828)	40	360	357	531	-	-	185	546
POM	411	(889)	575	(2,388)	722	(602)	(408)	719	(328)	(3,332)	-	-	(538)	(130)
CON	171	278	208	(618)	5	(985)	(366)	242	(30)	(30)	-	-	(113)	255

PBS Monthly Cash Collections

PBS Monthly Collections
in Millions



	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
FY08 Goal	$33.1	$33.1	$33.1	$33.1	$33.1	$33.1	$33.1	$33.1	$33.1	$33.1	$33.1	$33.1
Pr. Yr Actual	$22.8	$29.1	$24.9	$28.6	$28.5	$29.7	$31.1	$30.8	$31.7	$33.6	$33.6	$33.3
Curr. Yr Actual	$30.2	$33.6	$30.0	$34.1	$33.4	$32.4	$34.4	$32.0	$33.6	$38.2		

Revenue Cycle Key Indicators
Trend Report

HEALTHWORX™
THE PPH PRESCRIPTION FOR EXCELLENCE

	Source	Current Month End	Most Recent Month End	Previous Month End	Current Fiscal Year Year-to-Date	Most Recent Year End	Prior Year Y-T-D	Change from Prior Month
Period Ending		**4/30/2008**	**3/31/2008**	**2/29/2008**	**4/30/2008**	**6/30/2007**	**4/30/2007**	
Days in Period		**30**	**31**	**29**	**305**	**365**	**304**	
Revenue								
Gross for Month (Month to Date)		**116,883,778**	**124,330,002**	**118,302,671**	**$ 1,154,361,743**	**$ 1,205,732,433**	**$ 1,006,080,681**	**$ (7,446,224)**
Net Revenue	Financials	**35,298,901**	**32,541,603**	**32,936,772**	**$ 337,132,358**	**$ 371,016,682**	**$ 306,686,513**	**$ 2,757,298**
Net:Gross %	Financials	**30.2%**	**26.2%**	**27.8%**	**29.2%**	**30.8%**	**30.5%**	**4.0%**
Last 3 Month Daily Average (Gro	Financials	**3,994,627**	**3,966,440**	**3,836,472**	**$ 3,784,793**	**$ 3,303,377**	**$ 3,309,476**	**$ 28,187**
Last 3 Month Daily Average (Net	Financials	**1,119,748**	**1,095,508**	**1,107,814**	**1,105,352**	**1,016,484**	**1,008,837**	**24,239**
Cash Collections								
Month to Date	Cash Rpt	**38,240,148**	**33,639,070**	**32,002,678**	**$ 332,005,032**	**$ 357,733,249**	**$ 290,771,959**	**$ 4,601,078**
Month to Date Goal	Cash Rpt	**36,412,658**	**35,911,050**	**34,852,941**	**340,283,714**	**358,561,284**	**298,801,070**	**$ 501,607**
Over (under) Goal		**1,827,490**	**(2,271,980)**	**(2,850,263)**	**$ (8,278,682)**	**$ (828,035)**	**$ (8,029,111)**	**$ 4,099,471**
% of Goal	Calc	**105%**	**94%**	**92%**	**97.6%**	**99.8%**	**97.3%**	**11.3%**
Point of Service Collections	Cash 10 days	**328,788**	**283,564**	**245,741**	**$ 2,790,854**	**$ 3,244,728**	**$ 2,684,279**	**$ 45,224**
Month to Date Goal	Cash 10 days	**328,000**	**328,000**	**328,000**	**3,187,000**	**3,265,740**	**2,721,450**	**$ -**
Over (under) Goal		**788**	**$ (44,436)**	**$ (82,259)**	**$ (396,146)**	**$ (21,012)**	**$ (37,171)**	**$ 45,224**
% of Goal	Calc	**100%**	**86.5%**	**74.9%**	**87.6%**	**99.4%**	**98.6%**	**13.8%**
Accounts Receivable								
0-30	AR Comp	**$ 90,935,607**	**$ 92,648,411**	**$ 92,486,299**		**$ 73,718,929**	**$ 80,142,445**	**$ (1,712,804)**
31-60	AR Comp	**24,710,568**	**33,589,285**	**26,489,921**		**19,857,146**	**25,402,184**	**(8,878,717)**
61-90	AR Comp	**19,521,705**	**15,439,708**	**16,860,915**		**13,499,609**	**18,347,817**	**4,081,997**
91-180	AR Comp	**25,804,767**	**27,323,121**	**27,873,599**		**26,694,468**	**28,923,578**	**(1,518,354)**
Over 180	AR Comp	**24,732,333**	**25,332,012**	**24,750,643**		**21,653,269**	**27,926,760**	**(599,679)**
Total	Calc	**$ 185,704,980**	**$ 194,332,537**	**$ 188,461,377**		**$ 155,423,421**	**$ 180,742,784**	**$ (8,627,557)**
A/R Days (Gross)	Calc	**46.49**	**48.99**	**49.12**		**47.05**	**54.61**	**(2.51)**
% of AR aged over 180 days	calc	**13.3%**	**13.0%**	**13.1%**		**14%**	**15.5%**	**0.00**
Number of Accounts	ATB	**61,122**	**61,917**	**60,133**		**61,809**	**NA**	**(795)**
Credit Balance Accounts:								
Dollars	ATB	**$ (2,365,362)**	**$ (1,580,476)**	**$ (1,828,298)**		**$ (3,955,501)**		**(784,886)**
Number of Accounts	ATB	**2,660**	**1,847**	**1,434**		**1,642**		**813**

Revenue Cycle Key Indicators
Trend Report

HEALTHWORX™
THE PPH PRESCRIPTION FOR EXCELLENCE

	Source	Current Month End	Most Recent Month End	Previous Month End	Current Fiscal Year Year-to-Date	Most Recent Year End	Prior Year Y-T-D	Change from Prior Month
Period Ending		**4/30/2008**	**3/31/2008**	**2/29/2008**	**4/30/2008**	**6/30/2007**	**4/30/2007**	
Days in Period		**30**	**31**	**29**	**305**	**365**	**304**	
Accounts Receivable by Major Payer								
Medicare	AR Comp	**41,554,606**	**47,068,606**	**43,034,471**		**$ 31,212,504**	**$ 33,205,888**	**$ (5,514,000)**
Last 3 months daily average rev	Lawson	**1,137,871**	**1,130,598**	**1,083,838**		**965,874**	**984,800**	**$ 7,273**
Gross Days revenue outstandin	Calc	**37**	41.63	39.71		32.32	33.72	(5.11)
MediCal (Includes M-Cal HMO)	AR Comp	**27,027,305**	**28,438,805**	**27,179,916**		**23,655,071**	**24,775,128**	**(1,411,500)**
Last 3 months daily average rev	Lawson	**705,986**	**708,846**	**666,936**		**522,046**	**617,140**	**(2,860)**
Gross Days revenue outstandin	Calc	**38**	40.12	40.75		45.31	40.15	(1.84)
Comm/Managed Care (Incl Mcar	AR Comp	**82,989,340**	**86,482,646**	**84,715,775**		**72,445,182**	**85,878,531**	**(3,493,306)**
Last 3 months daily average rev	Lawson	**1,987,454**	**1,978,207**	**1,903,770**		**1,679,046**	**1,686,782**	**9,247**
Gross Days revenue outstandin	Calc	**42**	43.72	44.50		43.15	50.91	(1.96)
Self-Pay	AR Comp	**34,133,728**	**32,342,481**	**33,531,215**		**28,110,665**	**36,883,236**	**1,791,247**
Last 3 months daily average rev	Lawson	**163,317**	**148,789**	**181,928**		**165,713**	**136,798**	**14,527**
Gross Days revenue outstandin	Calc	**209**	217.37	184.31		169.63	269.62	(8.37)
Accounts to Collections								
M-T-D Amount net of Recovery	Adj Rpt	**3,966,386**	**5,051,833**	**2,196,785**	**29,328,338**	**28,183,764**	**$ 29,624,631**	**$ (1,085,447)**
% of Gross Revenue (Target < 2%)		**0**	4.1%	1.9%	2.5%	2.3%	2.9%	**(0.7%)**
Charity & Undocumented Write-o	Adj Rpt							
M-T-D Amount		**1,350,831**	**2,909,266**	**1,161,882**	**18,818,162**	**13,375,244**	**$ 20,695,735**	**$ (1,558,435)**
% of Gross Revenue (Target < 2%)		**0**	2.3%	1.0%	1.6%	1.1%	2.1%	**(1.2%)**
Denial & Other Admin Adjustmen	Adj Rpt							
M-T-D Amount		**816,490**	**397,845**	**566,363**	**5,439,984**	**3,471,349**	**$ 3,696,496**	**$ 418,645**
% of Gross Revenue (Target < 1%)		**0**	0.3%	0.5%	0.5%	0.3%	0.4%	0.4%

Revenue Cycle Key Indicators
Trend Report

HEALTHWORX™
THE PPH PRESCRIPTION FOR EXCELLENCE

	Source	Current Month End	Most Recent Month End	Previous Month End	Current Fiscal Year Year-to-Date	Most Recent Year End	Prior Year Y-T-D	Change from Prior Month
Period Ending		4/30/2008	3/31/2008	2/29/2008	4/30/2008	6/30/2007	4/30/2007	
Days in Period		30	31	29	305	365	304	
Discharged Not Final Billed (DNFB)								
DNFB Action Required								
HIM (Waiting for Coding)	DNFB Rpt	$ 6,054,125	$ 10,918,183	$ 8,425,053		6,249,765		$ (4,864,058)
PBS (Correction required)	DNFB Rpt	33,569	800,337	266,157		18,284		$ (766,768)
Other holds requiring correction	DNFB Rpt	-	-	-		-		$ -
Total Action Required		6,087,694	11,718,520	8,691,210		6,268,049		(5,630,826)
# of AR Days action Required		1.52	2.95	2.27		1.83		(1.43)
DNFB No Action Required								
4 Day Standard Delay	DNFB Rpt	$ 23,073,072	$ 14,670,398	$ 26,103,121		22,948,148		$ 8,402,674
Other	DNFB Rpt	3,715,260	2,094,079	5,247,606		664,451		1,621,181
Total No Action Required		26,788,332	16,764,477	31,350,727		23,612,599		10,023,855
Total DNFB		$ 32,876,026	$ 28,482,997	$ 40,041,937		29,880,648		4,393,029
Total Days in DNFB		8.23	7.18	10.44		8.73		1.05
Late Charges								
Late Charges from Date of Service 5 to 20 Days								
Number of line items		6,045	5,838	6,420	106,671			207
Dollar amount of Charges		879,861	879,629	810,743	8,448,423			$ 232
Dollar amount of Credits		(628,395)	(829,375)	(560,683)	(4,958,974)			$ 200,980
Net Dollar Amount		251,466	50,253	250,060	3,489,449			$ 201,213
Absolute Dollar Amount		$ 879,861	$ 879,629	$ 810,743	$ 10,036,522			$ 232
Late Charges from Date of Service > 21 Days								
Number of line items		64,946	10,715	25,434	436,952			54,231
Dollar amount of Charges		775,757	1,829,359	1,018,049	8,262,674			(1,053,602)
Dollar amount of Credits		(1,235,648)	(2,133,056)	(1,111,898)	(12,086,800)			897,408
Net Dollar Amount		(459,891)	(303,697)	(93,849)	(3,824,126)			(156,194)
Absolute Dollar Amount		$ 2,011,405	$ 3,962,415	$ 2,129,948	$ 20,349,474			$ (1,951,010)

SUPPLEMENTAL INFORMATION

May 08	May 2-8	May 9-15	May 16-22		MTD Total	MTD Budget	% Variance
ADC (Acute)	290	292	303	0	295	312	(5.34)
PMC	216	207	221	0	215	235	(8.86)
POM	74	85	82	0	81	76	5.48
PCCC	91	89	88	0	90	88	2.19
VP	123	122	122	0	122	123	(1.00)
Patient Days (Acute)	2031	2047	2120	0	6,198	6,548	(5.34)
PMC	1512	1450	1544		4,506	4,944	(8.86)
POM	519	597	576		1,692	1,604	5.48
PCCC	640	625	618		1,883	1,843	2.19
VP	859	851	856		2,566	2,592	(1.00)
Discharges	572	560	557	0	1,689	1,711	(1.30)
PMC	439	413	413		1,265	1,320	(4.14)
POM	133	147	144		424	392	8.29
Number of Surgeries	246	229	249	0	724	667	8.61
PMC	161	150	154		465	453	2.76
POM	85	79	95		259	214	20.99
Number of Births	102	101	94	0	297	316	(5.92)
PMC	81	77	73		231	253	(8.58)
POM	21	24	21		66	63	4.76

May 08	May 2-8	May 9-15	May 16-22		MTD Total	MTD Budget	% Variance
Outpatient Visits (inc. Lab)	2012	1904	1807	0	5,723	5,822	(1.70)
PMC	1256	1209	1139		3,604	3,844	(6.24)
POM	756	695	668		2,119	1,978	7.12
ER Visits	1750	1755	1747	0	5,252	5,023	4.56
PMC	1214	1224	1218		3,656	3,348	9.18
POM	536	531	529		1,596	1,675	(4.69)
Trauma Visits	23	23	15	0	61	82	(25.58)
IP	19	20	15		54	69	(21.85)
OP	4	3	0		7	13	(45.61)
Gross IP Revenue	19,585,124	20,343,427	19,897,511		59,826,062	59,507,597	0.54
Gross OP Revenue	6,828,209	6,905,341	6,713,711		20,447,261	18,135,878	12.74
Cash Collection	9,824,929	7,773,238	7,664,239		25,262,406	26,758,644	(5.59)
Days cash on hand	90	91	88		88	80	
Prod Hrs (PP 23)		217,363			217,363	214,057	(1.54)
PMC - North		125,381			125,381	122,957	(1.97)
POM - South		56,171			56,171	55,611	(1.01)
Others	-	35,811	-	-	35,811	35,489	(0.91)
Prod $ (PP 23)		6,746,875			6,746,875	6,632,555	(1.72)
PMC - North		3,881,711			3,881,711	3,847,690	(0.88)
POM - South		1,668,537			1,668,537	1,620,619	(2.96)
Others	-	1,196,627	-	-	1,196,627	1,164,246	(2.78)

Income Statement: Fiscal Year-to-Date

Consolidated – Weighted Patient Days

	Actual	Budget	Variance		Variance Volume	Variance Rate/Eff	$/Wtg Pt Days Actual	$/Wtg Pt Days Budget	$/Wtg Pt Days Variance
Statistics:									
Admissions - Acute	24,181	24,854	(673)						
Admissions - SNF	903	956	(53)						
Patient Days - Acute	95,588	95,093	495						
Patient Days - SNF	63,168	64,406	(1,238)						
ALOS - Acute	3.94	3.83	0.11						
ALOS - SNF	70.74	68.08	2.66						
Weighted Patient Days	133,890	130,431	3,459						
Revenue:									
Gross Revenue	$ 1,177,998,179	$ 1,127,713,689	$ 50,284,490	F	$ 29,906,707	$ 20,377,783	$ 8,798.25	$ 8,646.06	$ 152.20
Deductions from Rev	(833,793,667)	(782,402,532)	(51,391,135)	U	(20,749,134)	(30,642,001)	(6,227.45)	(5,998.59)	(228.86)
Net Patient Revenue	344,204,512	345,311,157	(1,106,645)	U	9,157,572	(10,264,217)	2,570.80	2,647.46	(76.66)
Other Oper Revenue	8,775,546	12,581,338	(3,805,792)	U	333,654	(4,139,446)	65.54	96.46	(30.92)
Total Net Revenue	352,980,058	357,892,495	(4,912,437)	U	9,491,226	(14,403,663)	2,636.34	2,743.92	(107.58)
Expenses:									
Salaries, Wages & Contr Labor	171,930,597	164,462,642	(7,467,955)	U	(4,361,511)	(3,106,444)	1,284.12	1,260.92	(23.20)
Benefits	38,351,057	41,464,425	3,113,368	F	(1,099,627)	4,212,995	286.44	317.90	31.47
Supplies	55,821,025	52,427,234	(3,393,791)	U	(1,390,358)	(2,003,433)	416.92	401.95	(14.96)
Prof Fees & Purch Svc	52,234,332	51,192,714	(1,041,618)	U	(1,357,619)	316,001	390.13	392.49	2.36
Depreciation	17,937,396	17,778,802	(158,594)	U	(471,490)	312,896	133.97	136.31	2.34
Other	20,497,895	21,994,960	1,497,065	F	(583,301)	2,080,366	153.10	168.63	15.54
Total Expenses	356,772,302	349,320,777	(7,451,525)	U	(9,263,906)	1,812,381	2,664.67	2,678.20	13.54
Net Inc Before Non-Oper Income	(3,792,244)	8,571,718	(12,363,962)	U	227,320	(12,591,282)	(28.32)	65.72	(94.04)
Property Tax Revenue	11,250,000	11,250,000	-	-	298,347	(298,347)	84.02	86.25	(2.23)
Non-Operating Income	3,052,535	663,184	2,389,351	F	17,587	2,371,764	22.80	5.08	17.71
Net Income (Loss)	$ 10,510,291	$ 20,484,902	$ (9,974,611)	U	$ 543,255	$ (10,517,866)	$ 78.50	$ 157.06	$ (78.56)
Net Income Margin	2.8%	5.5%	(2.7%)						
OEBITDA Margin w/o Prop Tax	3.7%	7.0%	(3.3%)						
OEBITDA Margin with Prop Tax	6.7%	10.0%	(3.3%)						

F= Favorable variance
U= Unfavorable variance

Income Statement: Month-to-Date
Consolidated – Weighted Patient Days

	Actual	Budget	Variance		Variance Volume	Variance Rate/Eff	$/Wtg Pt Days Actual	$/Wtg Pt Days Budget	$/Wtg Pt Days Variance
Statistics:									
Admissions - Acute	2,364	2,445	(81)						
Admissions - SNF	99	94	5						
Patient Days - Acute	9,112	9,352	(240)						
Patient Days - SNF	6,189	6,335	(146)						
ALOS - Acute	3.89	3.83	0.06						
ALOS - SNF	63.80	68.12	(4.32)						
Weighted Patient Days	13,173	12,826	347						
Revenue:									
Gross Revenue	$ 118,825,973	$ 110,936,877	$ 7,889,096	F	$ 3,001,333	$ 4,887,763	$ 9,020.42	$ 8,649.37	$ 371.04
Deductions from Rev	(85,983,863)	$ (76,957,638)	(9,026,225)	U	(2,082,044)	(6,944,181)	(6,527.28)	(6,000.13)	(527.15)
Net Patient Revenue	32,842,110	33,979,239	(1,137,129)	U	919,289	(2,056,418)	2,493.14	2,649.25	(156.11)
Other Oper Revenue	2,204,855	1,258,134	946,721	F	34,038	912,683	167.38	98.09	69.28
Total Net Revenue	35,046,965	35,237,373	(190,408)	U	953,327	(1,143,735)	2,660.52	2,747.34	(86.82)
Expenses:									
Salaries, Wages & Contr Labor	17,147,856	16,187,155	(960,701)	U	(437,934)	(522,767)	1,301.74	1,262.06	(39.68)
Benefits	2,719,203	4,079,998	1,360,795	F	(110,382)	1,471,177	206.42	318.10	111.68
Supplies	5,794,111	5,160,173	(633,938)	U	(139,605)	(494,333)	439.85	402.32	(37.53)
Prof Fees & Purch Svc	5,634,145	4,808,959	(825,185)	U	(130,104)	(695,082)	427.70	374.94	(52.77)
Depreciation	1,850,277	1,782,415	(67,862)	U	(48,222)	(19,640)	140.46	138.97	(1.49)
Other	2,002,558	2,181,668	179,110	F	(59,024)	238,134	152.02	170.10	18.08
Total Expenses	35,148,150	34,200,368	(947,782)	U	(925,271)	(22,511)	2,668.20	2,666.49	(1.71)
Net Inc Before Non-Oper Income	(101,185)	1,037,005	(1,138,190)	U	28,056	(1,166,246)	(7.68)	80.85	(88.53)
Property Tax Revenue	1,125,000	1,125,000	-	-	30,436	(30,436)	85.40	87.71	(2.31)
Non-Operating Income	(820,995)	66,319	(887,314)	U	1,794	(889,108)	(62.32)	5.17	(67.49)
Net Income (Loss)	$ 202,820	$ 2,228,324	$ (2,025,504)	U	$ 60,286	$ (2,085,790)	$ 15.40	$ 173.73	$ (158.34)
Net Income Margin	0.6%	6.0%	(5.4%)						
OEBITDA Margin w/o Prop Tax	4.9%	7.6%	(2.7%)						
OEBITDA Margin with Prop Tax	8.1%	10.7%	(2.6%)						

F= Favorable variance
U= Unfavorable variance

Income Statement: Current vs. Prior Year-to-Date

Consolidated – Weighted Patient Days

PALOMAR POMERADO HEALTH
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	April 08 YTD	April 07 YTD	Variance		Variance Volume	Variance Rate/Eff	$/Wtg Pt Days Actual	$/Wtg Pt Days Budget	$/Wtg Pt Days Variance
Statistics:									
Admissions - Acute	24,181	24,137	44						
Admissions - SNF	903	946	(43)						
Patient Days - Acute	95,588	93,600	1,988						
Patient Days - SNF	63,168	64,223	(1,055)						
ALOS - Acute	3.94	3.85	0.09						
ALOS - SNF	70.74	68.83	1.91						
Weighted Patient Days	133,890	128,897	4,993						
Revenue:									
Gross Revenue	$ 1,177,998,179	$ 1,031,547,037	$ 146,451,142	F	$ 39,958,373	$ 106,492,769	$ 8,798.25	$ 8,002.88	$ 795.38
Deductions from Rev	(833,793,667)	(712,380,441)	(121,413,226)	U	(27,595,022)	(93,818,204)	(6,227.45)	(5,526.74)	(700.71)
Net Patient Revenue	344,204,512	319,166,596	25,037,916	F	12,363,351	12,674,565	2,570.80	2,476.14	94.66
Other Oper Revenue	8,775,546	8,716,167	59,379	F	337,633	(278,254)	65.54	67.62	(2.08)
Total Net Revenue	352,980,058	327,882,763	25,097,295	F	12,700,983	12,396,312	2,636.34	2,543.76	92.59
Expenses:									
Salaries, Wages & Contr Labor	171,930,597	153,878,633	(18,051,964)	U	(5,960,697)	(12,091,267)	1,284.12	1,193.81	(90.31)
Benefits	38,351,057	39,599,766	1,248,709	F	(1,533,951)	2,782,660	286.44	307.22	20.78
Supplies	55,821,025	50,566,975	(5,254,050)	U	(1,958,780)	(3,295,270)	416.92	392.31	(24.61)
Prof Fees & Purch Svc	52,234,332	44,094,803	(8,139,529)	U	(1,708,072)	(6,431,457)	390.13	342.09	(48.04)
Depreciation	17,937,396	16,646,806	(1,290,590)	U	(644,837)	(645,753)	133.97	129.15	(4.82)
Other	20,497,895	18,757,924	(1,739,971)	U	(726,614)	(1,013,357)	153.10	145.53	(7.57)
Total Expenses	356,772,302	323,544,907	(33,227,395)	U	(12,532,951)	(20,694,444)	2,664.67	2,510.10	(154.56)
Net Inc Before Non-Oper Income	(3,792,244)	4,337,856	(8,130,100)	U	168,033	(8,298,133)	(28.32)	33.65	(61.98)
Property Tax Revenue	11,250,000	10,541,660	708,340	F	408,345	299,995	84.02	81.78	2.24
Non-Operating Income	3,052,535	2,232,721	819,814	F	86,487	733,327	22.80	17.32	5.48
Net Income (Loss)	$ 10,510,291	$ 17,112,237	$ (6,601,946)	U	$ 662,866	$ (7,264,812)	$ 78.50	$ 132.76	$ (54.26)
Net Income Margin	2.8%	4.9%	(2.1%)						
OEBITDA Margin w/o Prop Tax	3.7%	6.0%	(2.3%)						
OEBITDA Margin with Prop Tax	6.7%	9.1%	(2.4%)						

F= Favorable variance
U= Unfavorable variance

Income Statement: Fiscal Year Projection

Consolidated – Weighted Patient Days

	10 Act + 2 Bud	FY 08 Budget	Variance		Variance Volume	Variance Rate/Eff	$/Wtg Pt Days Actual	$/Wtg Pt Days Budget	$/Wtg Pt Days Variance
Statistics:									
Admissions - Acute	29,154	29,827	(673)						
Admissions - SNF	1,094	1,147	(53)						
Patient Days - Acute	114,606	114,111	495						
Patient Days - SNF	76,025	77,263	(1,238)						
Weighted Patient Days	43,856	40,397	3,459						
Revenue:									
Gross Revenue	$ 1,403,549,755	$ 1,353,265,267	$ 50,284,488	F	$ 115,873,569	$ (65,589,081)	$ 32,003.60	$ 33,499.15	$ (1,495.56)
Deductions from Rev	(990,274,202)	(938,883,067)	(51,391,135)	U	(80,392,022)	29,000,887	(22,580.13)	(23,241.41)	661.28
Net Patient Revenue	413,275,553	414,382,200	(1,106,647)	U	35,481,546	(36,588,193)	9,423.47	10,257.75	(834.28)
Other Oper Revenue	11,291,814	15,097,606	(3,805,792)	U	1,292,735	(5,098,527)	257.47	373.73	(116.26)
Total Net Revenue	424,567,367	429,479,806	(4,912,439)	U	36,774,281	(41,686,720)	9,680.94	10,631.48	(950.54)
Expenses:									
Salaries, Wages & Contr Labor	204,822,112	197,354,158	(7,467,954)	U	(16,898,483)	9,430,529	4,670.33	4,885.37	215.03
Benefits	46,643,779	49,757,147	3,113,368	F	(4,260,464)	7,373,832	1,063.57	1,231.70	168.14
Supplies	66,308,064	62,914,273	(3,393,791)	U	(5,387,045)	1,993,254	1,511.95	1,557.40	45.45
Prof Fees & Purch Svc	61,970,447	60,928,830	(1,041,616)	U	(5,217,041)	4,175,424	1,413.04	1,508.25	95.21
Depreciation	21,502,227	21,343,632	(158,594)	U	(1,827,552)	1,668,957	490.29	528.35	38.06
Other	24,896,898	26,393,963	1,497,065	F	(2,259,988)	3,757,053	567.70	653.36	85.67
Total Expenses	426,143,527	418,692,003	(7,451,522)	U	(35,850,574)	28,399,050	9,716.88	10,364.43	647.55
Net Inc Before Non-Oper Income	(1,576,160)	10,787,803	(12,363,961)	U	923,707	(13,287,670)	(35.94)	267.04	(302.98)
Property Tax Revenue	13,500,000	13,500,000	-	-	1,155,940	(1,155,940)	307.83	334.18	(26.36)
Non-Operating Income	3,185,171	795,822	2,389,349	F	68,142	2,321,207	72.63	19.70	52.93
Net Income (Loss)	$ 15,109,011	$ 25,083,625	$ (9,974,611)	U	$ 2,147,790	$ (12,122,404)	$ 344.51	$ 620.93	$ (276.41)
Net Income Margin	3.3%	5.6%	(2.3%)						
OEBITDA Margin w/o Prop Tax	4.4%	7.1%	(2.7%)						
OEBITDA Margin with Prop Tax	7.4%	10.1%	(2.7%)						

F= Favorable variance
U= Unfavorable variance

Weighted Patient Days
Gross Patient Revenue per WPD

PALOMAR POMERADO HEALTH
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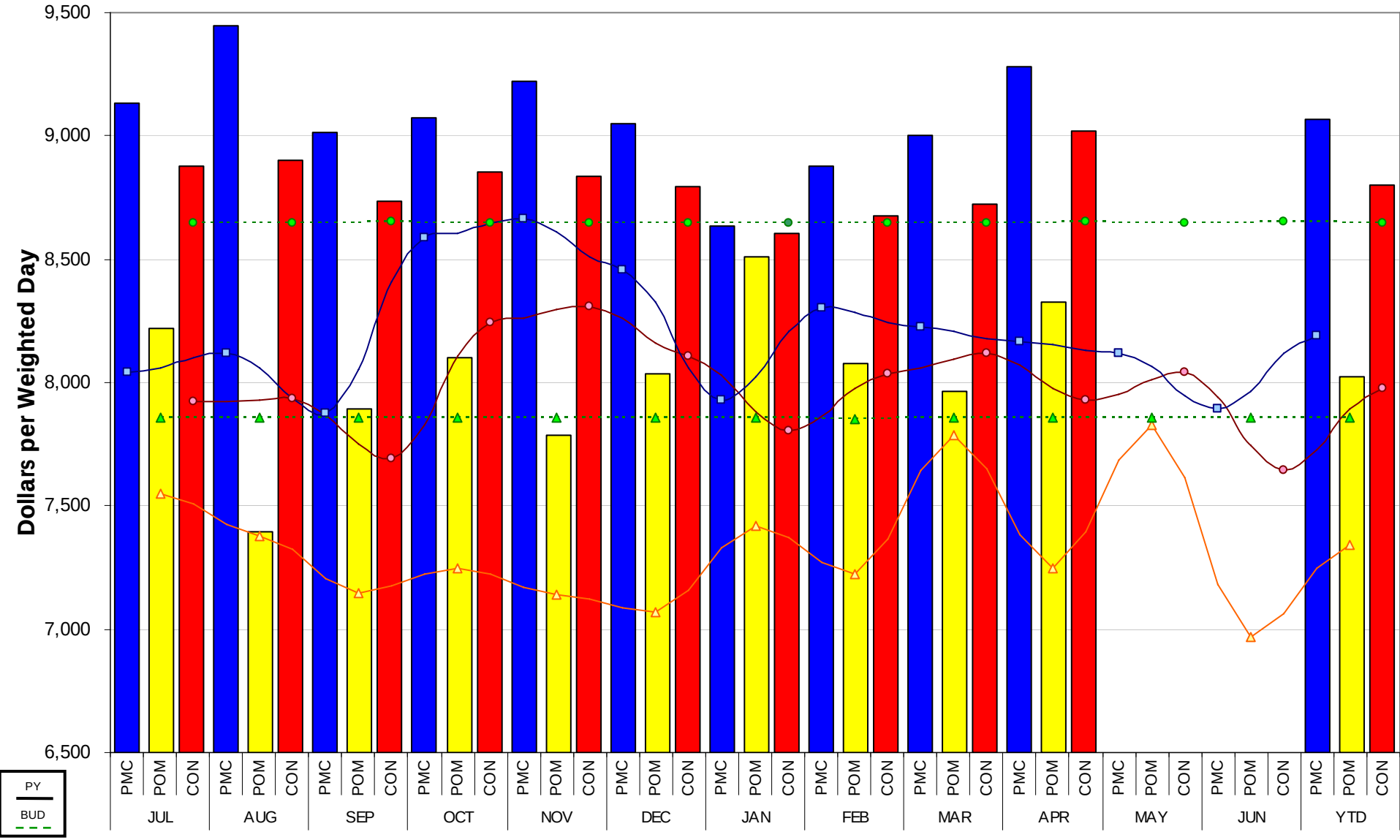

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	9,130	9,449	9,017	9,072	9,222	9,047	8,635	8,875	9,001	9,278	-	-	9,068	8,902
POM	8,222	7,392	7,892	8,102	7,784	8,035	8,509	8,077	7,967	8,326	-	-	8,024	7,857
CON	8,880	8,898	8,735	8,852	8,835	8,794	8,603	8,676	8,722	9,020	-	-	8,798	8,646

Weighted Patient Days
Net Patient Revenue per WPD

PALOMAR POMERADO HEALTH
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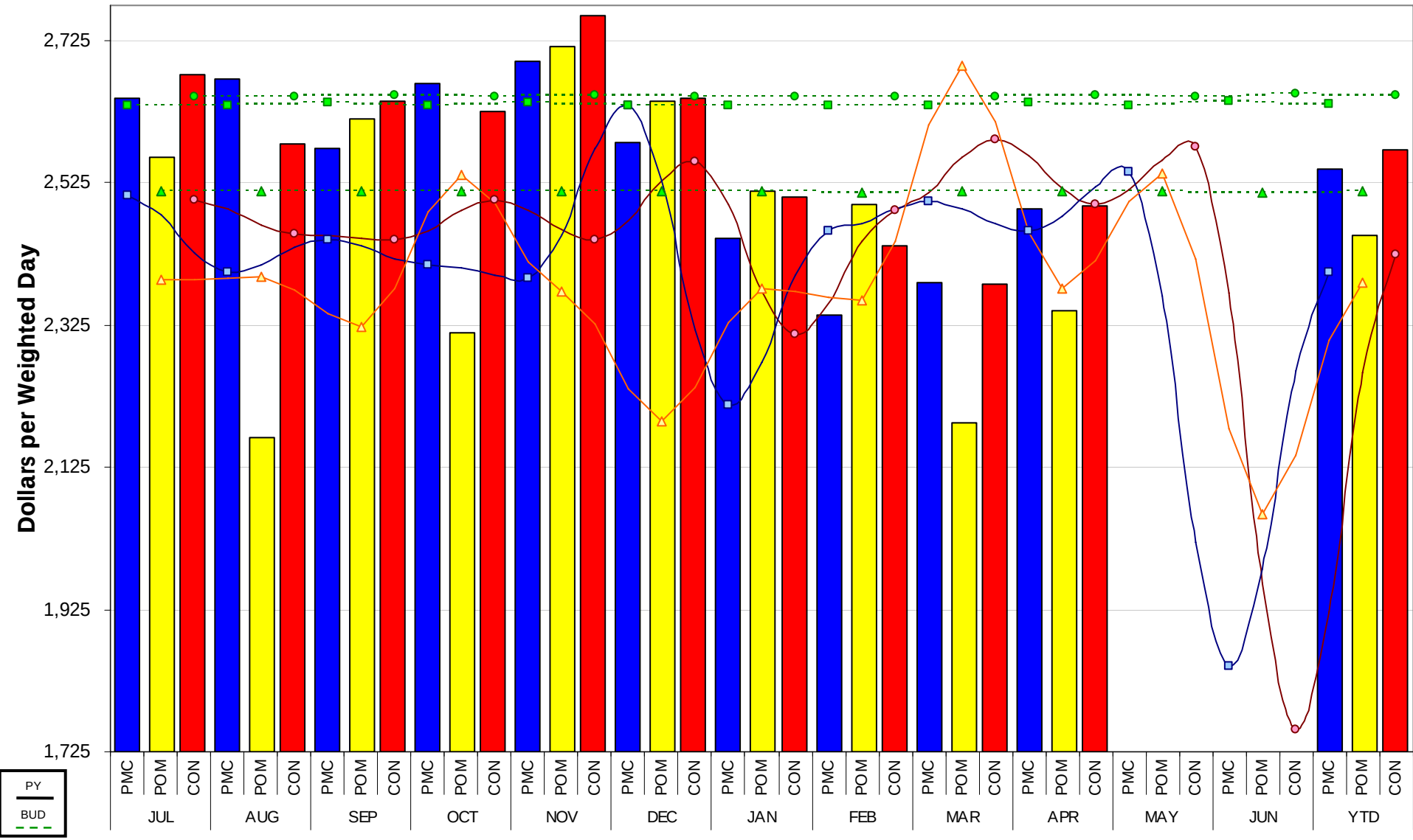
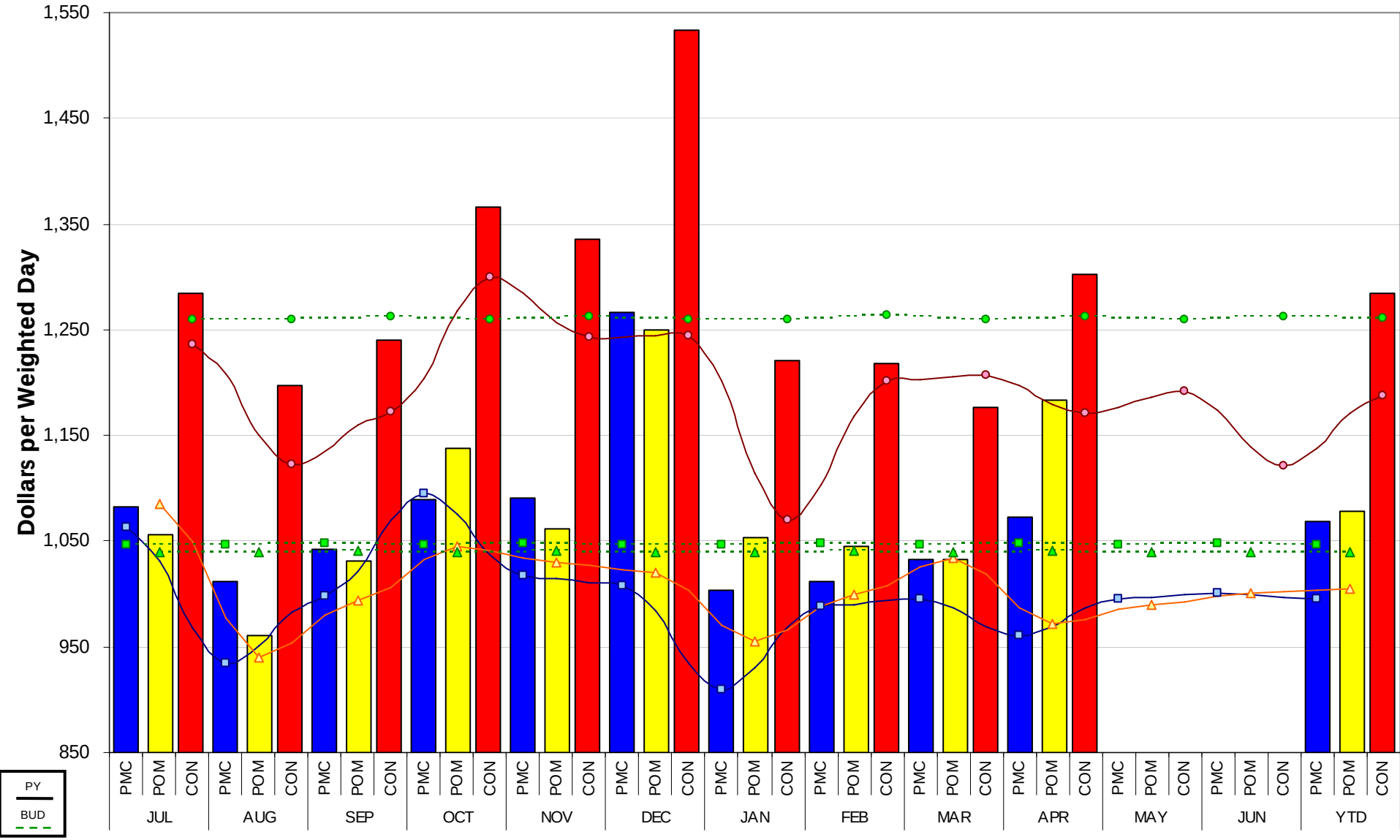


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	2,644	2,671	2,573	2,665	2,696	2,581	2,448	2,340	2,385	2,489	-	-	2,545	2,642
POM	2,562	2,168	2,616	2,315	2,717	2,641	2,514	2,494	2,187	2,346	-	-	2,452	2,513
CON	2,678	2,580	2,641	2,626	2,760	2,645	2,506	2,437	2,384	2,493	-	-	2,571	2,647

62

Weighted Patient Days
Salaries, Wages & Contract Labor per WPD

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	1,082	1,012	1,042	1,089	1,090	1,267	1,004	1,012	1,032	1,073	-	-	1,069	1,051
POM	1,056	961	1,031	1,138	1,062	1,249	1,054	1,045	1,033	1,184	-	-	1,078	1,040
CON	1,284	1,197	1,240	1,366	1,335	1,533	1,221	1,217	1,176	1,302	-	-	1,284	1,261

Weighted Patient Days
Supplies per WPD

PALOMAR POMERADO HEALTH
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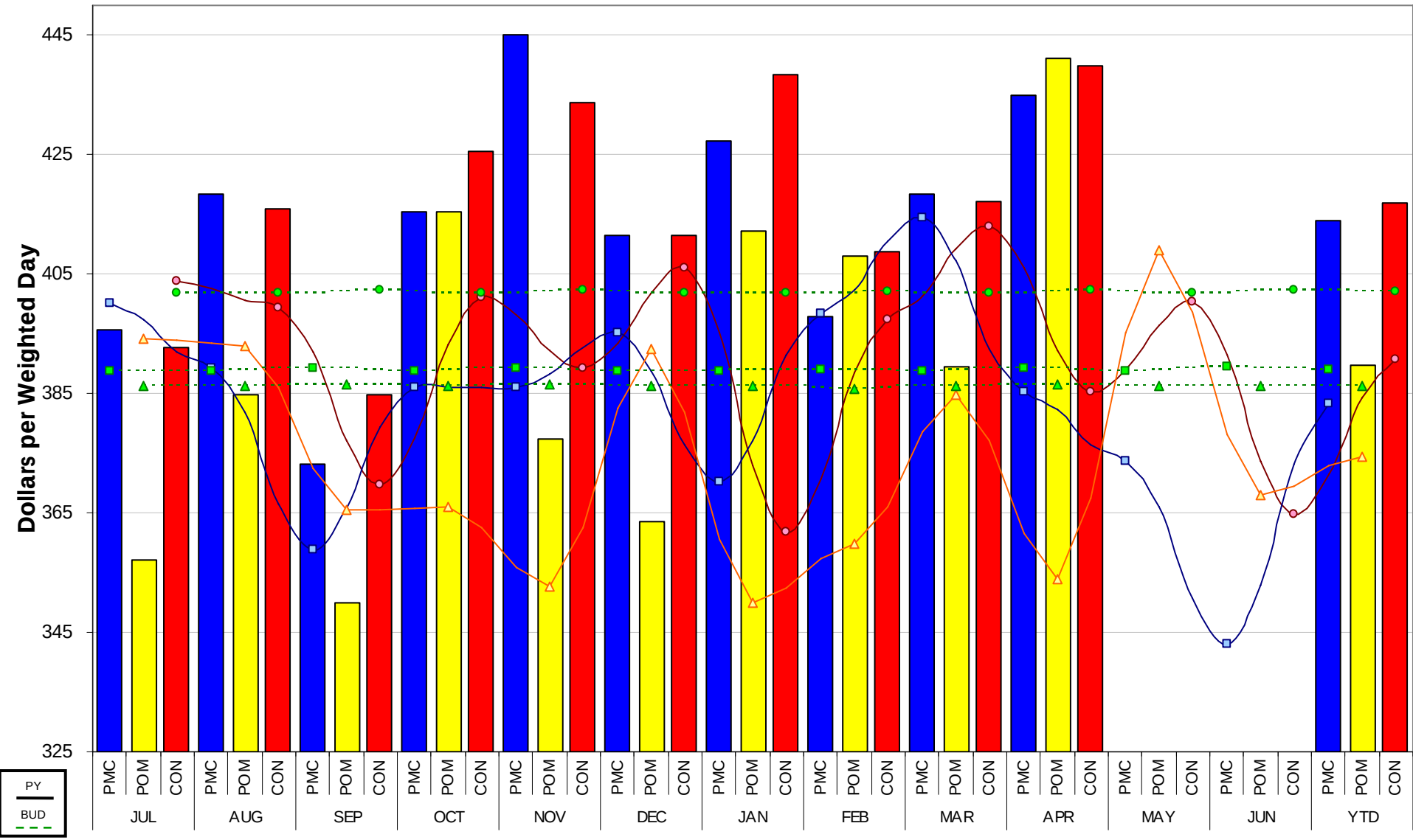
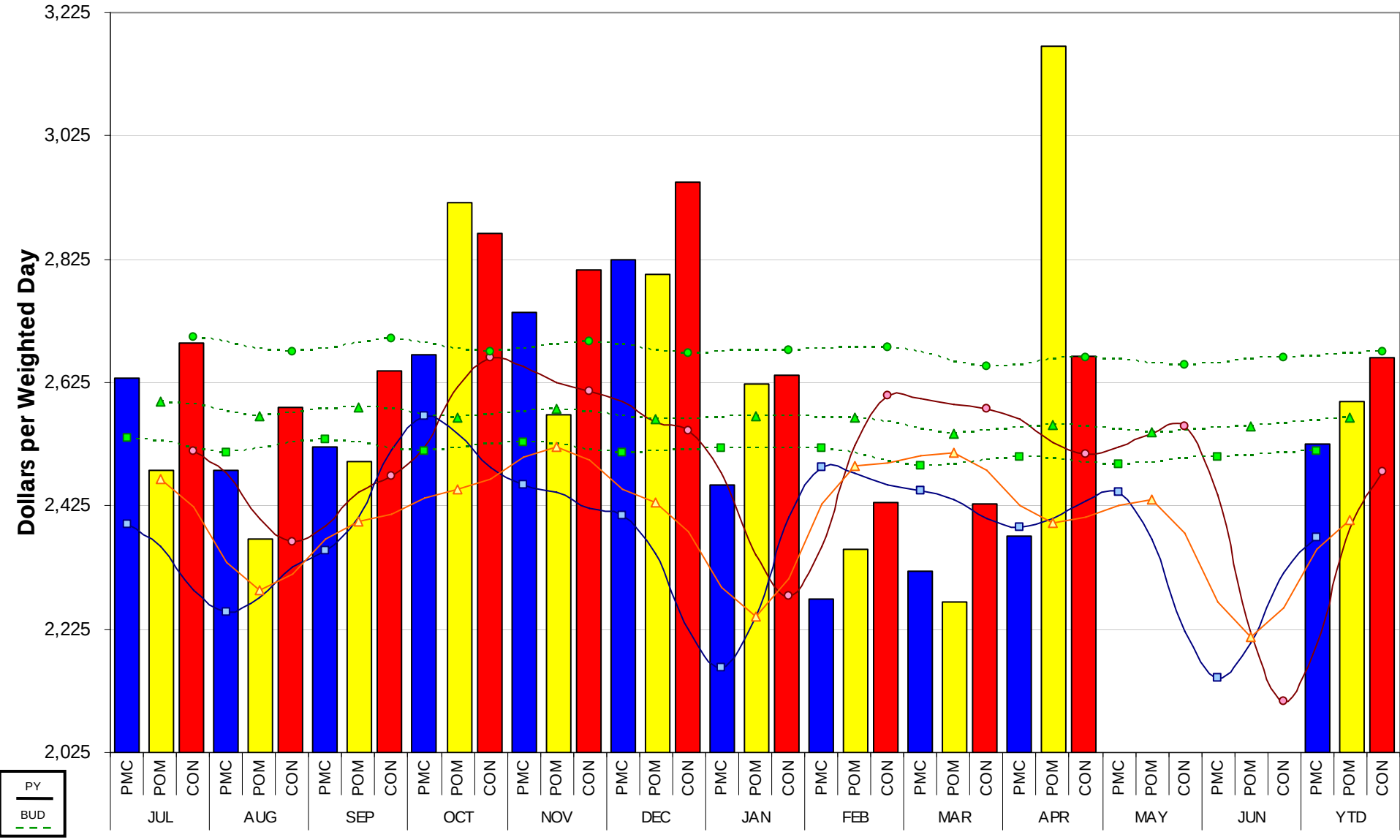


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	396	418	373	415	445	411	427	398	418	435	-	-	414	392
POM	357	385	350	416	377	364	412	408	389	441	-	-	390	386
CON	393	416	385	426	434	412	438	409	417	440	-	-	417	402

Weighted Patient Days
Total Expenses per WPD

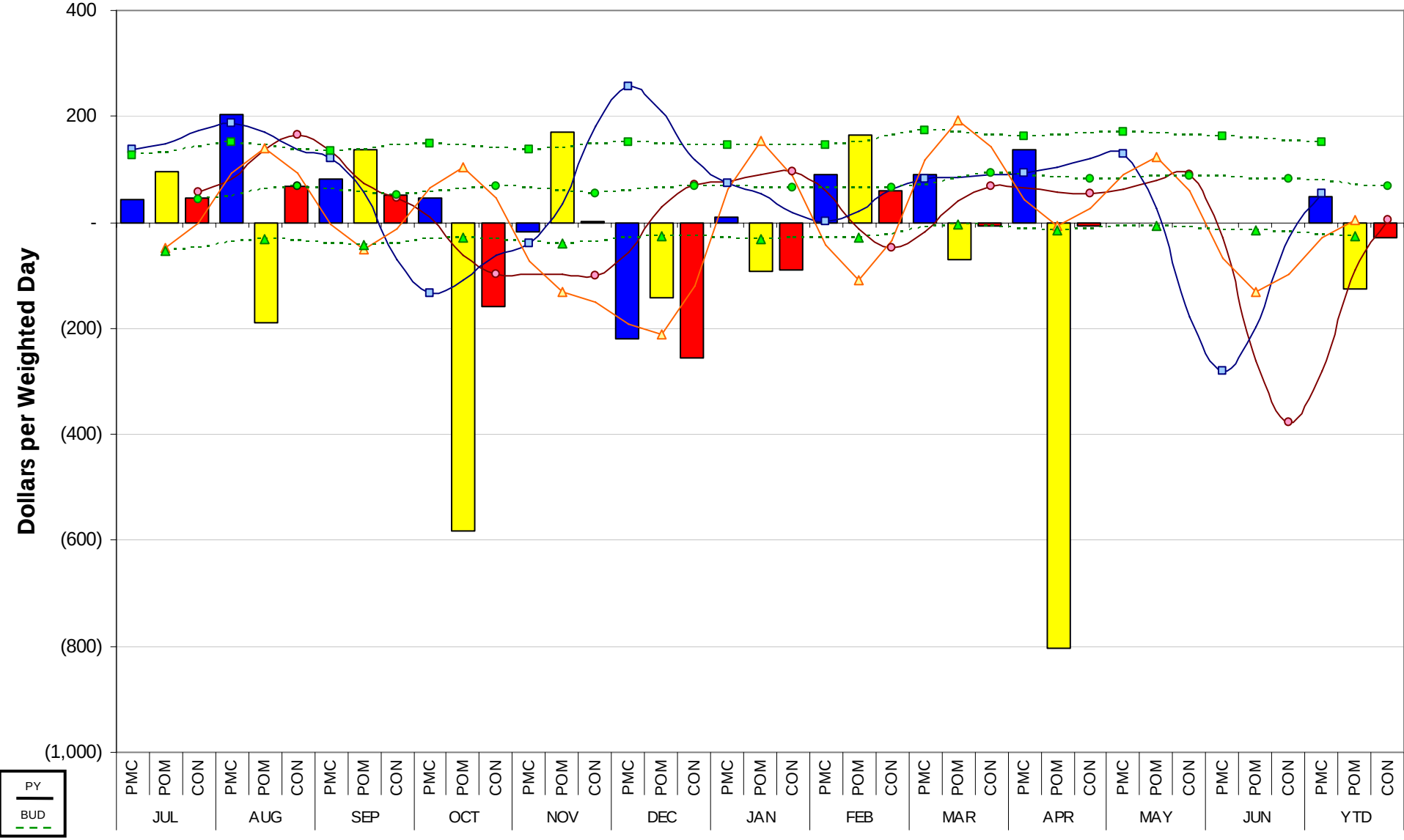
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	2,632	2,483	2,521	2,671	2,739	2,824	2,460	2,274	2,318	2,376	-	-	2,524	2,523
POM	2,482	2,371	2,496	2,917	2,573	2,801	2,623	2,354	2,269	3,171	-	-	2,595	2,570
CON	2,689	2,584	2,644	2,866	2,808	2,950	2,637	2,430	2,427	2,668	-	-	2,665	2,678

Weighted Patient Days
Net Operating Income per WPD

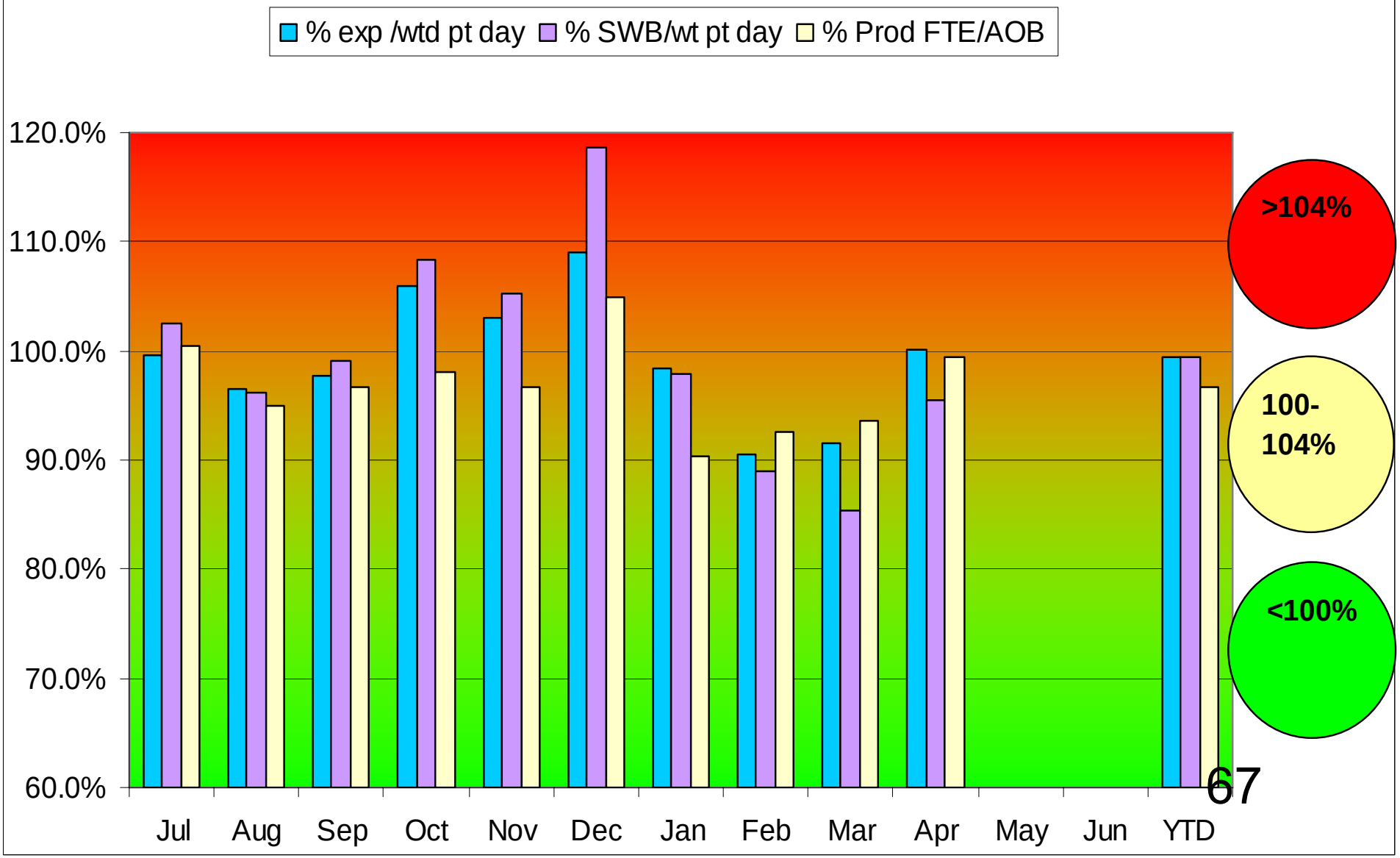
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



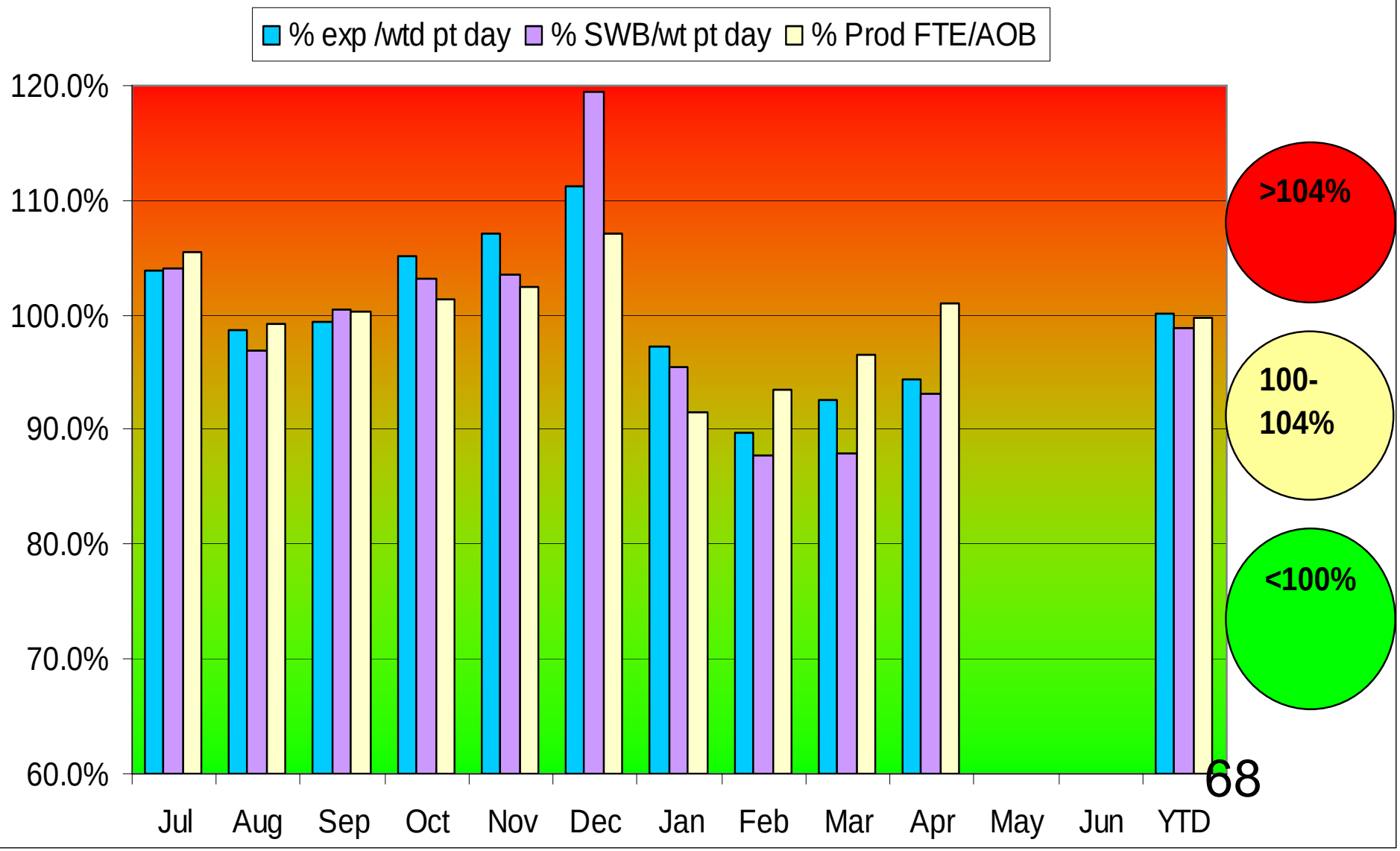
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	43	204	83	46	(19)	(220)	10	90	89	137	-	-	47	146
POM	96	(190)	136	(582)	171	(142)	(93)	165	(71)	(803)	-	-	(124)	(30)
CON	45	68	51	(158)	1	(254)	(91)	59	(7)	(8)	-	-	(28)	66

66

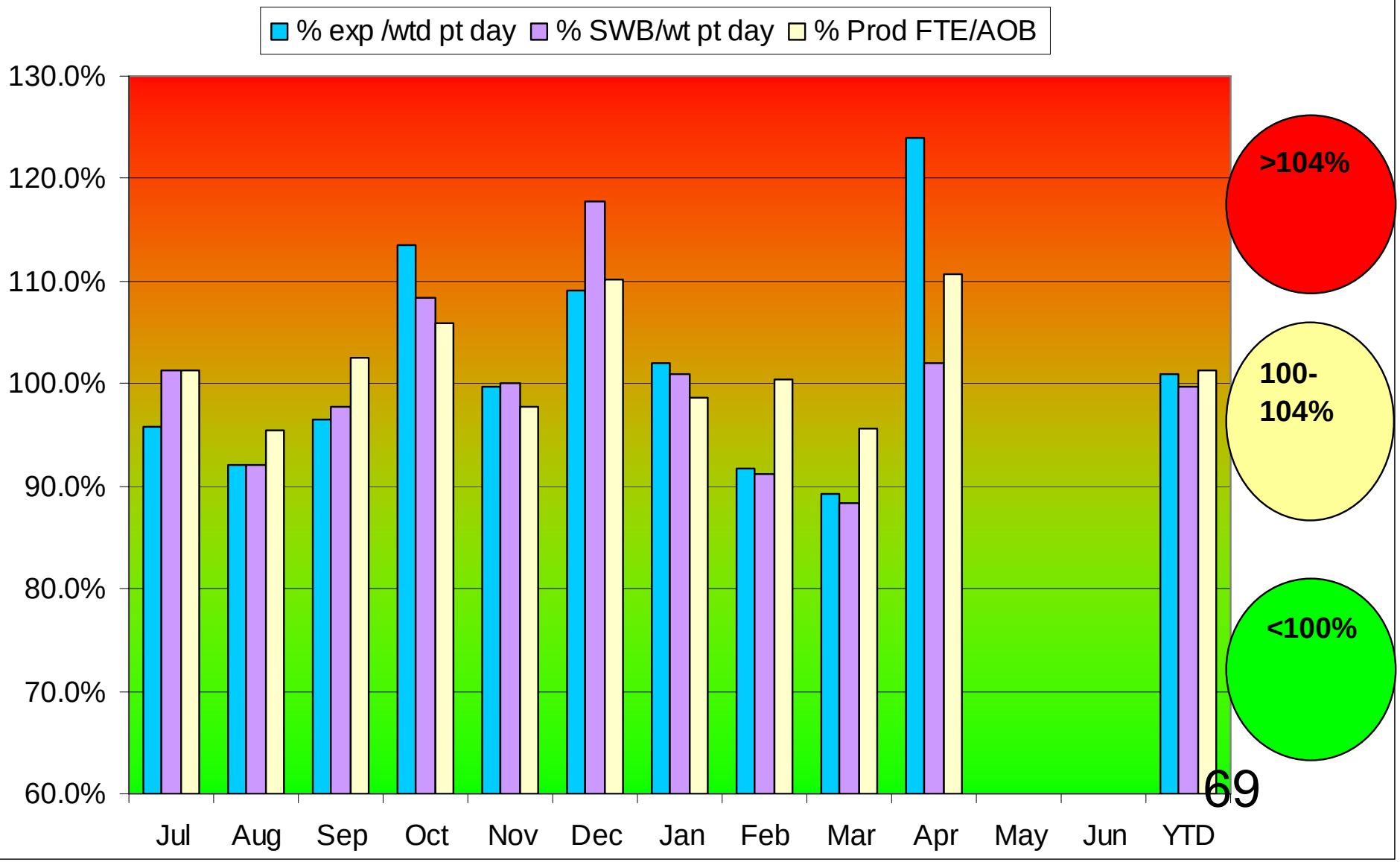
Total Consolidated Financial Indicators BSC-FY08



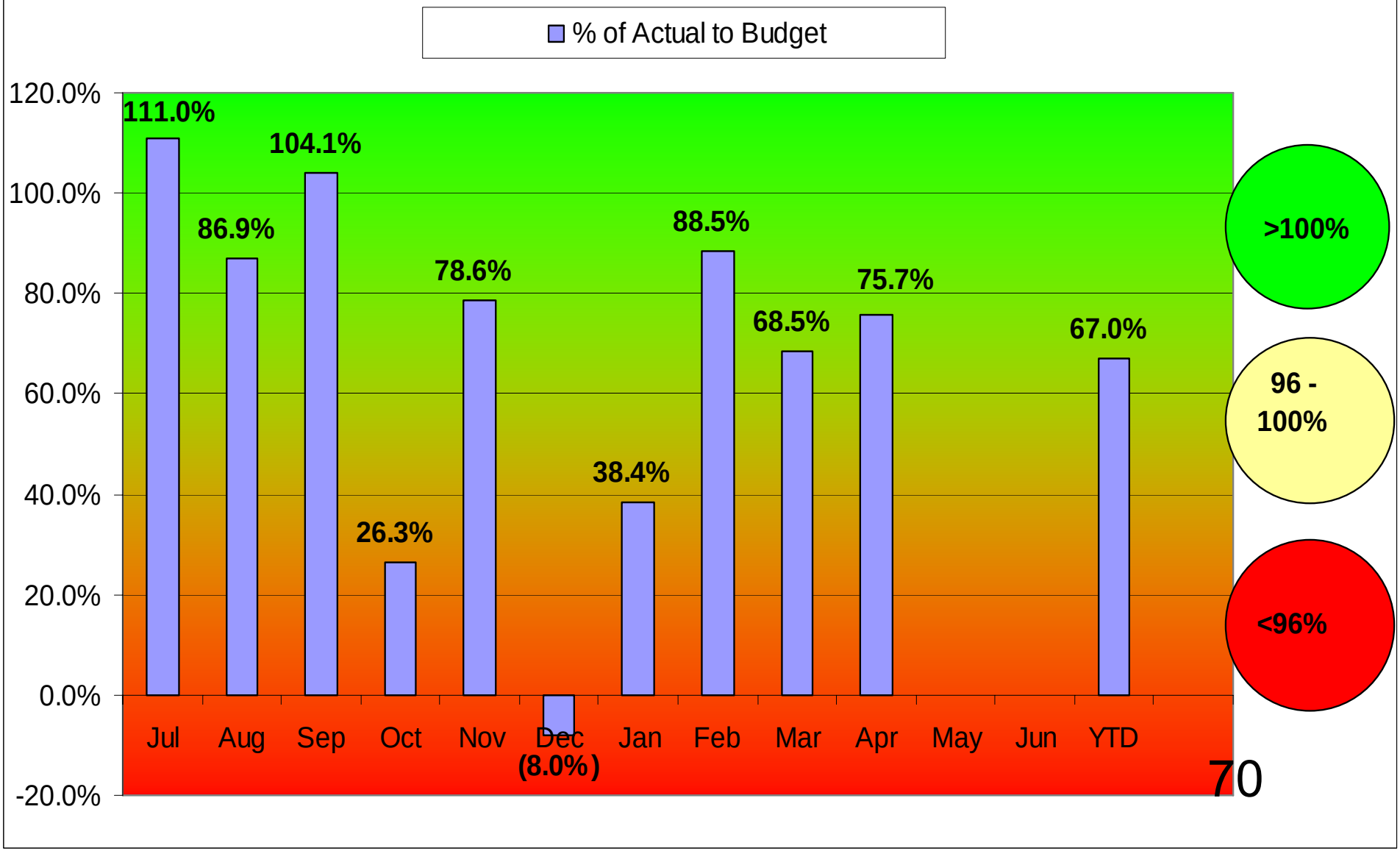
North Consolidated Financial Indicators BSC-FY08



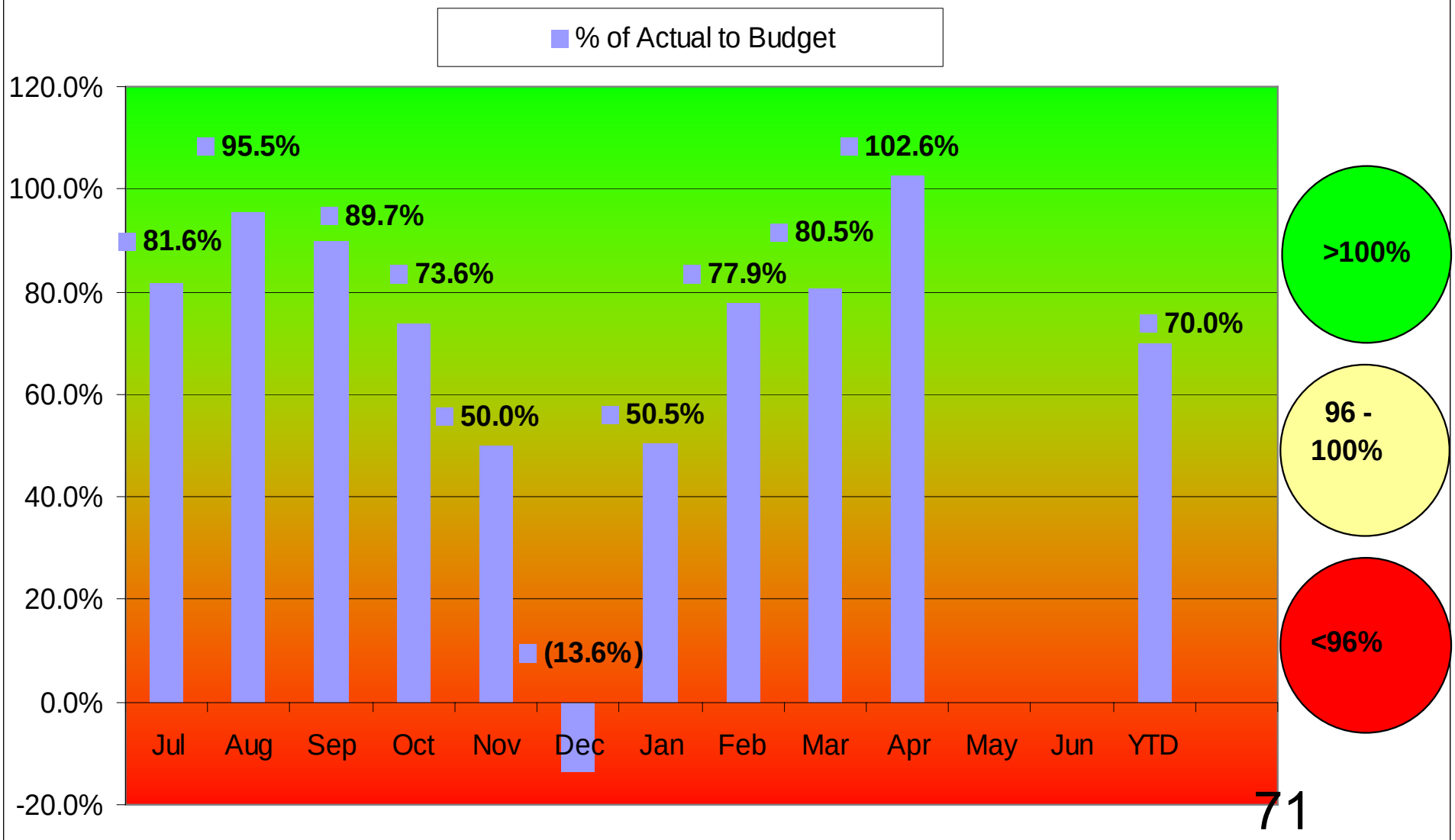
South Consolidated Financial Indicators BSC-FY08

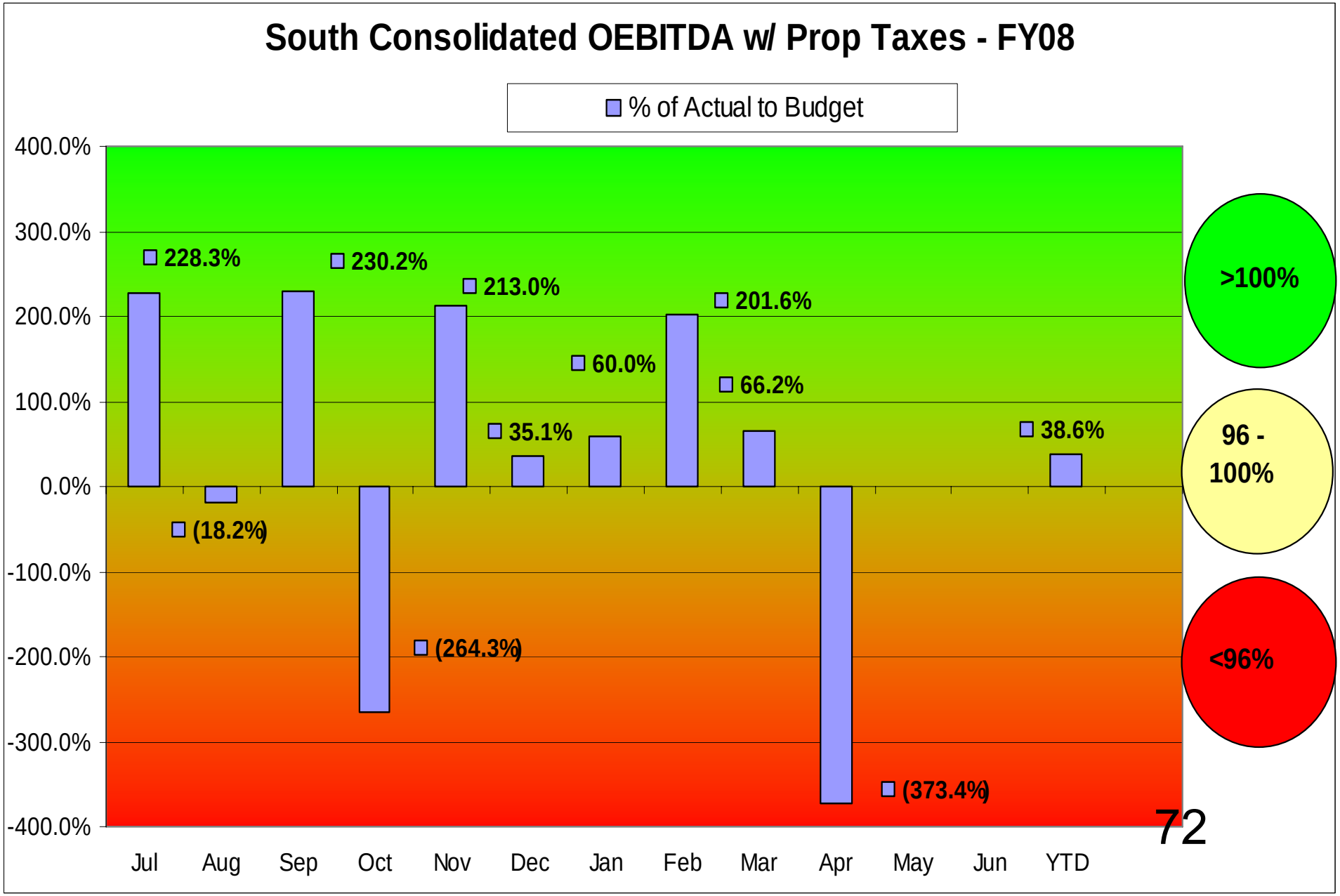


Total Consolidated OEBITDA w/ Prop Taxes -FY08



North Consolidated OEBITDA w/ Prop Taxes - FY08




South Consolidated OEBITDA w/ Prop Taxes - FY08
% of Actual to Budget
400.0%
300.0%
200.0%
100.0%
0.0%
-100.0%
-200.0%
-300.0%
-400.0%
228.3%
(18.2%)
230.2%
(264.3%)
213.0%
35.1%
60.0%
201.6%
66.2%
(373.4%)
38.6%
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
YTD
>100%
96 - 100%
<96%
72

ADDENDUM

B

Villa Pomerado Subacute Expansion

Business Plan

April 2008

Executive Summary

In August 2004, Villa Pomerado Skilled Nursing Facility and VitalCare America partnered together and successfully opened a 20 bed subacute program. The program's vision was to provide continued service to the medically complex patients in acute care, who were stable enough to move into a program that provided specialized treatments for their technologically dependent needs. It allowed patients to remain in Palomar Pomerado Health System's (PPH) post acute continuum, while being placed in a more appropriate cost effective setting that maximized the use of PPH's resources. Since the inception of the program, the subacute unit's census has grown and now operates at capacity. The subacute program has exceeded expectations and due to current bed limitations, it has not been able to effectively move acute patients into a more appropriate level of care.

The following business plan outlines expanding the existing 20 bed program to 32 beds by converting 12 additional beds within Villa Pomerado from Skilled to Subacute level. The market share and subacute patient population in North San Diego shows a demand for more than 32 sub-acute beds, yet the PPH system and community also has high demand for Skilled Nursing Services that must continue to be met.

The additional 12 beds will annually generate an additional $2.35M in revenue and $600K in margins annually, which will offset the projected loss of $2.1M due to Medi-Cal's 10% reduction in reimbursement for Palomar Continuing Care Center and Villa Pomerado Skilled Nursing and Sub-acute services. This reduction is anticipated to begin in July 2008, thus increasing the need to expedite approval of this plan to mitigate the potential loss in revenues and margins.

The targeted timeframe for the expansion project to be completed and in operation is September 2008. Meeting this deadline will be dependant on various factors which includes, but is not limited to OSHPD approval, construction funding, completion of construction, available nursing staff and placement of SNF residents.

During the past 4 years, the subacute program at Villa Pomerado has proven to be a vital service line for Palomar Pomerado Health System. Following PPH's mission and vision, the program offers patients with access to the highest quality of subacute care services within their own community. With the growing patient population and continual market demand for subacute services, this plan will outline the operational and financial objectives necessary to meet these needs by expanding subacute services at Villa Pomerado.

Detailed Plan and Analysis

The existing 20-bed subacute program under the distinct part, Skilled Nursing license of Villa Pomerado, operates under a subacute contract with the Department of Health Care Services, LTC Subacute Care Unit in Sacramento, California. The program must comply with all subacute specific regulations in Title 22, California Code of Regulations, in addition to all other Federal, State and County regulations for Skilled Nursing Facilities.

The subacute program provides 24 hour nursing care in a long-term care setting for patients who have:

- Multiple trauma, including head and/or spinal cord injury
- Degenerative diseases, including:

- Amyotrophic Lateral Sclerosis
- Multiple Sclerosis
- Muscular Dystrophy
- Parkinson's Disease
- Respiratory Diseases
- End Stage COPD
- Adult Respiratory Distress Syndrome
- Respiratory Failure

❖ Post-surgical orthopedic skilled care needs and as such may require the following:
- Respiratory support, including ventilator dependency
- Tracheostomies and/or feeding tubes
- Pre- and post-rehabilitation needs including occupational therapy, physical therapy, sensory stimulation, speech therapy and wound care

The 12 bed expansion will require OSHPD's approval of the construction and electrical upgrades required for the 6 rooms to meet DHCS's requirements. The facility is in the process of gaining OSHPD's approval of these plans. Upon completion of the construction and electrical upgrades, the subacute contract application will be submitted to the LTC Subacute Unit requesting an increase in the number of contracted subacute beds from 20 to 32. The proposed 12 beds are located on Nursing Station B. The additional 2-bed rooms are 155, 157, 161, 163, 243 and 245, which are contiguous to the exiting subacute program.

The program operated by Palomar Pomerado Health is under a management service agreement with VitalCare America, a wholly owned subsidiary of RehabCare Group, Inc. VitalCare America established in 1985, is the leading provider of subacute services within California and specializes in the development and management of these programs.

Under this service agreement, VitalCare provides the following:

- Onsite Staff:
  - Clinical Manager
  - Subacute Financial Coordinator
  - Medical Director

- Respiratory Therapy Service:
  - RCP Staffing 24 hours day / 7 days a week

- Regional Management/Support:
  - Clinical Services
  - Respiratory Service Manager
  - Social Services and Activities
  - Provider Relations Services
  - Patient Accounts Services
  - MDS/RAI Support Services
  - Quality Assurance Surveys
  - Training and Educational Services
  - Assistance with strategic planning regarding expansion
  - Assistance with reviews of the unit by Federal, State and/or local officials
  - Other assistance as requested by Facility to support the management and supervision of the unit

Project Team
Steve Gold, District Administrator SNF Services
Rachel Compton, VP VitalCare
Marilyn Bailey, Director of Nursing Villa Pomerado
Laura Webber, Nurse Practitioner, Sub-Acute Unite
James Otoshi, MD , Medical Director, Sub-Acute Unit
Robin Gurley, Nurse Consultant, VitalCare
Mike Shanahan, Architect
Joel Hermasillo, Contruction Project Manager

Mission and Strategic Implications

- The expansion of sub-acute bed capacity will allow the system to transfer post acute patients more expeditiously from our step down and surgical units and reduce length of stay at both hospitals.

  The program will expand our gross and net revenues for the skilled facilities, offset pending reductions in skilled per diem reimbursement rates ,improve overall quality and increase access so that patients will not have to transfer to other sub-acute facilities that are located in San Diego.

  The program is the only sub-acute level program in Northern San Diego County. The conversion of beds complements the facility master plan through provision of greater access to alternative post acute level services based upon the additional acute beds being added to the system hospitals.

Market Share Opportunity

The adult subacute program serves patients, 21 years and older, in need of specialized treatment for multiple trauma, including head and/or spinal cord injury, and degenerative diseases. These patients require respiratory care including tracheostomy, feeding tube and/or ventilator management. The program accepts Medi-Cal, Medicare, insurance plans and private pay.

Villa Pomerado 20 Bed Program:

- ADC
  - 2005 - 17.47 (6379 patient days) - 87% occupancy
  - 2006 - 19.36 (7048 patient days) - 97% occupancy
  - 2007 - 19.37 (7070 patient days) - 97% occupancy

- Admissions
  - 2005 - 48 Total (43 internal vs. 5 external or 10%)
  - 2006 - 33 Total (30 internal vs. 3 external or 9%)
  - 2007 - 41 Total (36 internal vs. 5 external or 12%)

Villa Pomerado currently has 20 subacute beds out of the total 226 adult beds in the San Diego market, which is 8.8% of the market. The additional 12 beds will increase Villa Pomerado to 32 out of a total of 238 beds or 13.4% of the market.

Below are the 5 competing adult subacute programs in San Diego County, which are also running close to occupancy:

- Chase Care Center, El Cajon - 35 Freestanding
- El Dorado Care Center, El Cajon – 37 Freestanding
- Sharp-Coronado Community Hospital, Coronado – 94 Distinct Part
- Villa Las Palmas HealthCare Center, El Cajon – 15 Freestanding
- Windsor Gardens Convalescent & Rehab of Golden Hill, San Diego – 25 Freestanding

Of the 5 competing programs, there is no other program located in North San Diego county and there is only one other distinct part program, which is located in South San Diego county. The availability and access to acute care services a distinct part program can offer has a significant advantage over its freestanding competitors, as it comforts and benefits the patients, families, staff and physicians with close access to all necessary services.

A market analysis for San Diego and Imperial Counties reflected there are at least 25,000 patients per year that have an acute discharge DRGs that fall within subacute clinical criteria. For Palomar Medical Center there are approximately 2100 cases per year and for Pomerado Hospital there are approximately 680 cases per year. The facility is admitting 2% of these internal cases per year. The additional 12-beds will serve between 25-30 new subacute admissions per year. Initially the program may accept external admissions; however, the PPH system will be the primary source for program admissions.

Operational Considerations

The proposed 12 bed subacute expansion will be in rooms contiguous with the existing rooms of subacute program on Nursing Station B, which complies with the State regulations for subacute services. This will allow the facility to gain efficiencies operationally and financially by utilizing the same management staff, information systems and support services. There will be changes in allocations of some overhead SNF labor costs to the Subacute cost center.

- Direct patient care nursing staff will continue at 7.6 hours per patient day.
- Clinical Manager will increase from .5 FTE to 1 FTE
- Medical Director will continue oversight of the expanded beds, which an increase in monthly compensation due to the increase in number of service hours required.

There will be a safe plan established for the communication and placement of the SNF level of care residents who currently reside in the 12 proposed beds.

There are no anticipated barriers with Managed Care plans, as the program already has established contracts in place and will continue following the established process for financial verification, negotiation of agreements, and securing authorization for payment of subacute services.

Human Resource Considerations

Physician capabilities and capacity
Dr. Robert Otoshi is the current medical director and will continue in that capacity. A nurse practitioner is also on staff full time to provide nursing and medical oversight under physician direction.

Management Structure and Workforce Development

- VitalCare will oversee the current management of the unit under a continuing contract. They provide RN manager, Financial representative, Respiratory Therapy Coverage and consultants for Nursing, Activities, Social Services, and Marketing.
- Staffing
- Minimum Staffing regulations are mandated through Medical by the State of California @ 4.0 HHPD for licensed nurses and 2.0 for unlicensed personnel. Staffing is currently set for a census of 20 patients. The addition of 12 patients will require hiring 2 RNs, 5 LVNs and 4 CNAs and a nurse staffing ratio of 7.67 hours per day.
- Staff will be recruited from the community through human resource advertising. 2 LVNs from the skilled unit have requested transfer to the subacute unit.
- Usual recruitment for an RN is 3-6 months
- Salary will be in the same range as current staff
- Nurses from the skilled units are able to float to ensure the HPPD is met per regulation
- The number of nurses required for the unit will be increased as the census increases, so not all staff will need to be hired upon increasing the capacity
- The subacute staff already in place will complete orientation and specialized education
- The current staff will provide ventilator education and certification

Equipment

The project cost of $374,674 (see addendum b) requires that all beds be served by emergency generator capacity . In addition, the air cooling system must be upgraded to serve the increased heat load placed on the room ventilation system by equipment generated heat. In addition, new furniture including beds, specialty air mattresses, overbed tables, bed side cabinets, new televisions and cabling are all included in the projections. Patient equipment items such as ventilators, O2 concentrators, suction machines and other items will be rented until such time that a better estimate of equipment need can be generated for future purchase.

Quality

Clinical Quality

- Clinical quality will be maintained through current performance improvement indicators reported on the balanced scorecard monthly, monthly reports to Vitalcare and internal management, the monthly quality review meetings, quarterly to the long term care quarterly review committee, and an annual report to the PPH board quality committee.
- This program will provide long term ventilator and tracheostomy support for patients from the district who currently are referred to units in East County or south San Diego
- SNF rooms 155,157,161,163,243 and 245 will be converted to subacute rooms. Quality will continue at the same high level that is already being provided in the existing 20 beds subacute unit.

- Service programs and service quality will be enhanced to exceed Medi-Cal's sub-acute required nursing hours per patient day, which is a minimum of 4.0 licensed nursing hours and 2.0 C.N.A hours per patient per day based on the acuity of the patients accepted.
- Increase facility's ability to accept additional patients who require specialized respiratory care.

Marketing Plan

Program will be an expansion of the existing program and continue using the existing PPH and VitalCare brands. There will be no impact on existing brands.

The marketing of the expanded program will be announced to physicians, case managers and discharge planners within the PPH system, as Palomar Medical Center and Pomerado Hospital are the primary source for admissions.

Program will be marketed to surrounding hospitals, facilities, and community resources by VitalCare America through existing services. Villa Pomerado's subacute program and VitalCare Provider Relations receive unsolicited daily-weekly calls from external discharge planners, case managers, and families seeking subacute placement for patients. The facility does not have available beds to accommodate these inquiries.

Existing VitalCare and facility staff will perform case management assessment services for all potential subacute admissions, working closely with discharge planners and VitalCare Provider Relations to facilitate timely, appropriate admissions into the unit.

VitalCare Provider Relations and Marketing services will continue promotion of Villa Pomerado subacute program, including attendance at trade shows, conventions, and promotional events.

Timeframe / Milestones

Construction/Renovation, Current Long Term Residents Relocated- May –July 08
Additional Reviews and Certification, Staff Hire and Orientation-August 08
First patients admitted –Sept 08

Financial Review & Analysis

See attached Pro-Formas, Assumptions, ROI, Margin Calculations-Appendix A

Summary Conclusion

The strategic implications for this project are all very positive as they offset the loses which will be experienced with proposed 10% Medi-Cal reductions in effect as of July 2008 for all licensed hospital based Skilled nursing beds. The 12 bed conversion totally offsets the losses experienced by the 10% reductions in all 225 licensed beds and adds an additional $250,000 in net revenues (when comparing the loss with the bed conversion itself). The system benefits by improved access to an additional post acute spectrum of beds, maintains its ability to provide care to additional post acute patients within the health district, and maintains the same quality standards being utilized to operate the current sub-acute beds. The margins and return on

investment are very positive and the payback period is less than one year based on a capital investment of $374,674. In terms of exit strategies, if the additional capacity does not carry the projected volumes, the option exists for us to decertify the additional beds at a future date and convert them back to long term care use.

PALOMAR POMERADO HEALTH

Palomar Pomerado Health
Construction Department
225 East Second Ave.,#250
Escondido, CA 92025
T: 760.739.3438
F: 760.738.3904

PROJECT: **VILLA POM SUBACUTE CONVERSION**
DATE: **March 18, 2008**
REVISION DATE: **April 8, 2008**

Category/Description	Rough Order of Magnitude Projected Costs Scheme A Renovate & Expand & Added Equipment	Comments
Interior Construction		
Tenant Improvements		
Electrical Work	23,831	
Nurse call upgrades	0	VOID - Existing Dukane System to be replaced.
Finishes	10,000	
Drywall and Demo Repair	20,539	
Infection Control	6,500	
Mechanical	56,300	
New Fan Coil Units	Incl.	
Duct Work	Incl.	
Chilled Water Piping	Incl.	
Control Valves	Incl.	
Pneumatic Air	Incl.	
New Condensate Pump	Incl.	
Secondary Condensate Drain Pan	Incl.	
Start-up & Commisioning	Incl.	
Structural Supports	9,000	
Subtotal	*117,170*	
Owner Contingency	29,293	
Subtotal	*146,463*	
Owner Technologies		
Network Services	0	
Data Cabling	0	
A/V - Converter	3,500	
A/V - TV Cabliing	5,000	Digital cable upgrades 6 wire
A/V - New LCD TV's	6,000	Six 26" LCD's
A/V - LCD Wall Mounts	3,000	
Telephone	0	
Security	0	
Subtotal	*17,500*	
Owner Contingency	1,750	
Subtotal	*19,250*	
Total Interiors	**165,713**	
TOTAL HARD COSTS	**165,713**	
FURNITURE, FIXTURES & EQUIPMENT		
Furniture, Fixtures & Equipment (FF&E)		
New Furnishings / Equipment		
Patient Furniture		
Resident LTC Bed	16,895	12 Total
Mattresses	32,854	12 Total
Bedside Cabinet	3,461	12 Total
LTC Overbed Table	1,701	
New Shelving	5,600	6 Total
	0	
	0	
Subtotal Furnishings	*60,511*	
Reuse Costs	0	
Facilities Maintenance Equipment	0	
Stereo / Satellite TV Equipment	0	
Subtotal	*60,511*	
Contingency	6,051	
TOTAL FF&E	**66,562**	
MOVE COST		
Move Coordination Consultant	0	
Moving Service	0	
TOTAL MOVE COST	**0**	
CORPORATE ART PROGRAM	0	
SOFT COST		
Architectural & Engineering Design Fees		
Consultants		
Architect	40,878	
Electrical Engineer	8,000	
Mechanical / Plumbing Engineer	15,000	
Structural Engineer	5,000	
Subtotal	*68,878*	
Interiors A&E	0	
Subtotal	*0*	
A&E Reimbursables	4,088	
Allowance for Additional Services	7,297	
Total A&E Fees	**80,262**	
Manager / Inspector		
Project Manager	19,040	
Inspector of Record	11,038	
Total Development Manager	**30,078**	
Total Legal, Accounting & Taxes	**0**	
Testing & Inspections	0	
Surveys	0	
Permits and Approvals	8,286	
Municipal Proffers	0	
Wetlands Mitigation	0	
Permit Performance Bonds	0	
Utilities Tap-on Fees	0	
Builders Risk Insurance	0	
Permanent Financing Fees	0	
Public Relations	0	
Special Events (Groundbreaking, Topping Out, Completion, Etc.)	0	
Miscellaneous (Meetings, Site Facilities, etc.)	0	
Subtotal Soft Costs	**118,626**	
Soft Cost Contingency	5,931	
TOTAL SOFT COSTS	**124,557**	
SUBTOTAL COSTS	**356,832**	
Project Financing		
Construction Period Interest/Financing Fees	17,842	
Total Project Financing	**17,842**	
TOTAL COSTS	**374,674**	

PALAMAR POMERADO HEALTH SYSTEM
VILLA POMERADO - 12 BED EXPANSION
Points of Discussion

(1) This financial analysis is to determine the feasibility of converting 12 skilled nursing beds to 12 sub acute beds at Villa Pomerado.

(2) Proposed equipment and renovation costs total $374,674.

(3) Assuming a discount rate of 5.0% and total capital costs of $374,674 the project provides a positive Internal Rate of Return of 64% (moderate) with a payback of less than one year.

(4) The contribution margin ranges from 27% to 31%.

(5) The revenue impact of the Medi-Cal 10% reduction in SNF and Subacute reimbursement for Villa Pomerado and Palomar Continuing Care Center is estimated to be $2.1M. At capacity, it is estimated that the 12 additional subacute beds will generate an additional $2.35M in revenue, offsetting the revenue impact of the SNF and Subacute reimbursement reductions.

VILLA POMERADO - 12 BED EXPANSION
ASSUMPTIONS

(1)	Equipment Cost	Equipment.	$ 66,562
(2)	Construction	Construction/Refurbishment.	$ 308,112
(3)	Patient Days	Assumes a total year one ADC of 28.67 patients.	3,420
	Discharges	Assumes an ALOS of 176.3 days.	19
(4)	Gross Patient Revenue per Patient Day	Assumes incremental Revenue for additional patient days from 12 bed expansion only. Includes all related ancillary revenue for total gross revenue per patient day.	$ 1,175
(5)	Net Patient Revenue Per Patient Day	Based on assumption of 5% Medicare, 15% Managed Care and 80% Medi-Cal.	$ 599
(6)	Incremental Salaries Per Patient Day	Include all staffing from the nursing unit, related ancillaries and support depts. Calculation of incremental cost ppd may be impacted by classification of certain benefit costs (i.e. PDO)	$ 107.40
(7)	Incremental Benefits Per Patient Day	Include all staffing from the nursing unit, related ancillaries and support depts. Calculation of incremental cost ppd may be impacted by classification of certain benefit costs (i.e. PDO)	$ 123.23
(8)	Supplies Per Patient Day	Includes all variable expense from chargeable and non-chargeable supplies.	$ 35.21
(9)	Incremental Purchased Services Per Patient Day	Includes respiratory therapy and management fees and other purchased services.	$ 119.68
(10)	Other Direct Expense Per Patient Day	Includes equipment rental and zone expense allocation.	$ 24.25

PALOMAR POMERADO HEALTH
VILLA POMERADO - 12 BED EXPANSION
PROJECTED INCREMENTAL FIVE-YEAR CASH FLOWS- CONSERVATIVE

		INCREMENTAL CASH FLOWS ONLY				
	FY '07 Actual	Year 1	Year 2	Year 3	Year 4	Year 5
Incremental Cash Flow	$ (374,674)	$ 449,338	$ 677,514	$ 675,552	$ 673,086	$ 670,090
Cumulative Cash Flow	$ (374,674)	$ 74,664	$ 752,177	$ 1,427,730	$ 2,100,815	$ 2,770,905
Equipment	**$ 66,562**					
Construction/Refurbishment	**$ 308,112**					
NPV	**$ 2,219,182**					
Discount Rate	**5.00%**					
IRR	**55.91%**					
Payback in Years	**0.8**					
Volumes:						
Additional Beds	-	12	12	12	12	12
Average Daily Census (ADC)	19.3	8.0	10.0	10.0	10.0	10.0
Discharges	40	17	21	21	21	21
Average Length of Stay (ALOS)	176.3	176.3	176.3	176.3	176.3	176.3
Patient Days	7,045	2,920	3,650	3,650	3,650	3,650
Gross Patient Revenue						
Daily Hospital Services	$ 4,928,131	$ 2,042,749	$ 2,103,970	$ 2,225,405	$ 2,709,726	$ 2,763,921
Ancillary Services	3,349,900	1,388,560	1,770,413	1,805,822	1,841,938	1,878,777
Total Gross Revenue	**$ 8,278,031**	**$ 3,431,308**	**$ 3,874,383**	**$ 4,031,227**	**$ 4,551,665**	**$ 4,642,698**
Net Revenue[1]	**$ 4,443,082**	**$ 1,748,058**	**$ 2,228,774**	**$ 2,273,349**	**$ 2,318,816**	**$ 2,365,193**
Net Revenue as a % of Gross	*53.67%*	*50.94%*	*57.53%*	*56.39%*	*50.94%*	*50.94%*
Revenue ppd	*$ 630.72*	*$ 598.65*	*$ 610.62*	*$ 622.84*	*$ 635.29*	*$ 648.00*
Direct Expenses						
Labor Expense[2]						
Salaries/Wages/PTO[2]	$ 1,506,206	$ 313,058	$ 429,229	$ 442,106	$ 455,369	$ 469,030
Direct/Indirect Benefits[2]	234,271	402,470	451,918	465,476	479,440	493,823
Total Labor Expense	**1,740,477**	**715,529**	**881,148**	**907,581**	**934,809**	**962,853**
Professional Fees - VitalCare[3]	701,207	389,933	421,292	433,930	446,948	460,357
Supplies[4]	248,050	105,903	136,350	140,441	144,654	148,994
Other Purchased Services[4]	38,754	16,546	21,303	21,942	22,600	23,278
Other Direct Expense[4]	20,703	8,839	11,380	11,722	12,073	12,435
Zone Expense Allocation[4]	145,150	61,971	79,787	82,181	84,646	87,186
Total Direct Expense	**$ 2,894,341**	**$ 1,298,720**	**$ 1,551,260**	**$ 1,597,797**	**$ 1,645,731**	**$ 1,695,103**
Net Incremental Cash	**$ -**	**$ 449,338**	**$ 677,514**	**$ 675,552**	**$ 673,086**	**$ 670,090**

PALOMAR POMERADO HEALTH
VILLA POMERADO - 12 BED EXPANSION
PROJECTED INCREMENTAL FIVE-YEAR CASH FLOWS- CONSERVATIVE

	FY '07 Actual	INCREMENTAL CASH FLOWS ONLY Year 1	Year 2	Year 3	Year 4	Year 5
Revenue Assumptions						
Gross Revenue Increase		2.0%	2.0%	2.0%	2.0%	2.0%
Net Revenue Growth		2.0%	2.0%	2.0%	2.0%	2.0%
Gross Revenue Per Patient Day						
Daily Hospital Services	$ 700	$ 700	$ 714	$ 728	$ 742	$ 757
Ancillary Services	476	476	485	495	505	515
Total Gross Revenue Per Patient Day	$ 1,175	$ 1,175	$ 1,199	$ 1,223	$ 1,247	$ 1,272
Net Revenue Per Patient Day						
Medicare		$ 372	$ 379	$ 387	$ 395	$ 403
Medi-Cal		$ 636	$ 649	$ 662	$ 675	$ 688
Managed Care		$ 475	$ 485	$ 494	$ 504	$ 514
Patient Days by FC						
Medicare		146	183	183	183	183
Medi-Cal		2,336	2,920	2,920	2,920	2,920
Managed Care		438	548	548	548	548
Total		2,920	3,650	3,650	3,650	3,650
% Patient Days by FC						
Medicare		5.0%	5.0%	5.0%	5.0%	5.0%
Medi-Cal		80.0%	80.0%	80.0%	80.0%	80.0%
Managed Care		15.0%	15.0%	15.0%	15.0%	15.0%
Total		100.0%	100.0%	100.0%	100.0%	100.0%
Volume Growth		41.5%	25.0%	0.0%	0.0%	0.0%
Expense Assumptions						
Supply cost ppd	$ 35	$ 36	$ 37	$ 38	$ 40	$ 41
Purchased Services Per Day	$ 6	$ 6	$ 6	$ 6	$ 6	$ 6
Other Direct Expenses Per Day	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3
Zone Expense Allocation Per Day	$ 21	$ 21	$ 22	$ 23	$ 23	$ 24

1. **Incremental net revenues are estimated assuming payor mix and reimbursement rates as noted above. No significant change in payor mix is anticipated. MediCal reduction of 10% is calculated into years 1, 2 and 3.**
2. **Incremental labor and benefit costs are estimated as the net difference between projected costs and reported FY07 labor costs. Incremental cost per day includes efficiencies gained through economies of scale.**
3. **Professional fees are estimated incremental expense for Vitalcare over FY07 expense, and include both management services and respiratory therapy services.**
4. **Supply, other purchase services and other direct expenses are projected to increase in proportion to the increase in patient days based on the inflation adjusted ppd cost incurred in FY07.**

PALOMAR POMERADO HEALTH
VILLA POMERADO - 12 BED EXPANSION
PROJECTED INCREMENTAL FIVE-YEAR CASH FLOWS - MODERATE

		INCREMENTAL CASH FLOWS ONLY				
	FY '07 Actual	Year 1	Year 2	Year 3	Year 4	Year 5
Incremental Cash Flow	$ (374,674)	$ 642,359	$ 863,441	$ 864,383	$ 864,853	$ 864,828
Cumulative Cash Flow	$ (374,674)	$ 267,685	$ 1,131,126	$ 1,995,509	$ 2,860,362	$ 3,725,190
Equipment	**$ 66,562**					
Construction/Refurbishment	**$ 308,112**					
NPV	**$ 3,005,792**					
Discount Rate	**5.00%**					
IRR	**64.45%**					
Payback in Years	**0.6**					
Volumes:						
Additional Beds	-	12	12	12	12	12
Average Daily Census (ADC)	19.3	9.4	11.2	11.2	11.2	11.2
Discharges	40	19	23	23	23	23
Average Length of Stay (ALOS)	176.3	176.3	176.3	176.3	176.3	176.3
Patient Days	7,045	3,420	4,088	4,088	4,088	4,088
Gross Patient Revenue						
Daily Hospital Services	$ 4,928,131	$ 2,392,569	$ 2,103,970	$ 2,225,405	$ 3,034,894	$ 3,095,591
Ancillary Services	3,349,900	1,626,350	1,982,863	2,022,520	2,062,971	2,104,230
Total Gross Revenue	**$ 8,278,031**	**$ 4,018,920**	**$ 4,086,833**	**$ 4,247,925**	**$ 5,097,864**	**$ 5,199,822**
Net Revenue[1]	**$ 4,443,082**	**$ 2,047,413**	**$ 2,496,227**	**$ 2,546,151**	**$ 2,597,074**	**$ 2,649,016**
Net Revenue as a % of Gross	*53.67%*	*50.94%*	*61.08%*	*59.94%*	*50.94%*	*50.94%*
Revenue ppd	*$ 630.72*	*$ 598.65*	*$ 610.62*	*$ 622.84*	*$ 635.29*	*$ 648.00*
Direct Expenses						
Labor Expense[2]						
Salaries/Wages/PTO[2]	$ 1,506,206	$ 367,309	$ 467,501	$ 481,526	$ 495,971	$ 510,851
Direct/Indirect Benefits[2]	234,271	421,458	465,314	479,273	493,651	508,460
Total Labor Expense	**1,740,477**	**788,767**	**932,815**	**960,798**	**989,622**	**1,019,311**
Professional Fees - VitalCare[3]	701,207	389,933	421,292	433,930	446,948	460,357
Supplies[4]	248,050	124,039	152,712	157,294	162,013	166,873
Other Purchased Services[4]	38,754	19,379	23,859	24,575	25,312	26,071
Other Direct Expense[4]	20,703	10,353	12,746	13,128	13,522	13,928
Zone Expense Allocation[4]	145,150	72,583	89,362	92,043	94,804	97,648
Total Direct Expense	**$ 2,894,341**	**$ 1,405,054**	**$ 1,632,786**	**$ 1,681,768**	**$ 1,732,221**	**$ 1,784,188**
Net Incremental Cash	**$ -**	**$ 642,359**	**$ 863,441**	**$ 864,383**	**$ 864,853**	**$ 864,828**

PALOMAR POMERADO HEALTH
VILLA POMERADO - 12 BED EXPANSION
PROJECTED INCREMENTAL FIVE-YEAR CASH FLOWS - MODERATE

	FY '07 Actual	INCREMENTAL CASH FLOWS ONLY Year 1	Year 2	Year 3	Year 4	Year 5
Revenue Assumptions						
Gross Revenue Increase		2.0%	2.0%	2.0%	2.0%	2.0%
Net Revenue Growth		2.0%	2.0%	2.0%	2.0%	2.0%
Gross Revenue Per Patient Day						
Daily Hospital Services	$ 700	$ 700	$ 714	$ 728	$ 742	$ 757
Ancillary Services	476	476	485	495	505	515
Total Gross Revenue Per Patient Day	$ 1,175	$ 1,175	$ 1,199	$ 1,223	$ 1,247	$ 1,272
Net Revenue Per Patient Day						
Medicare		$ 372	$ 379	$ 387	$ 395	$ 403
Medi-Cal		$ 636	$ 649	$ 662	$ 675	$ 688
Managed Care		$ 475	$ 485	$ 494	$ 504	$ 514
Patient Days by FC						
Medicare		171	204	204	204	204
Medi-Cal		2,736	3,270	3,270	3,270	3,270
Managed Care		513	613	613	613	613
Total		3,420	4,088	4,088	4,088	4,088
% Patient Days by FC						
Medicare		5.0%	5.0%	5.0%	5.0%	5.0%
Medi-Cal		80.0%	80.0%	80.0%	80.0%	80.0%
Managed Care		15.0%	15.0%	15.0%	15.0%	15.0%
Total		100.0%	100.0%	100.0%	100.0%	100.0%
Volume Growth		48.5%	19.5%	0.0%	0.0%	0.0%
Expense Assumptions						
Supply cost ppd	$ 35	$ 36	$ 37	$ 38	$ 40	$ 41
Purchased Services Per Day	$ 6	$ 6	$ 6	$ 6	$ 6	$ 6
Other Direct Expenses Per Day	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3
Zone Expense Allocation Per Day	$ 21	$ 21	$ 22	$ 23	$ 23	$ 24

1. **Incremental net revenues are estimated assuming payor mix and reimbursement rates as noted above. No significant change in payor mix is anticipated. MediCal reduction of 10% is calculated into years 1, 2 and 3.**
2. **Incremental labor and benefit costs are estimated as the net difference between projected costs and reported FY07 labor costs. Incremental cost per day includes efficiencies gained through economies of scale.**
3. **Professional fees are estimated incremental expense for Vitalcare over FY07 expense, and include both management services and respiratory therapy services.**
4. **Supply, other purchase services and other direct expenses are projected to increase in proportion to the increase in patient days based on the inflation adjusted ppd cost incurred in FY07.**

PALOMAR POMERADO HEALTH
VILLA POMERADO - 12 BED EXPANSION
PROJECTED INCREMENTAL FIVE-YEAR CASH FLOWS- AGGRESSIVE

		INCREMENTAL CASH FLOWS ONLY				
	FY '07 Actual	Year 1	Year 2	Year 3	Year 4	Year 5
Incremental Cash Flow	$ (374,674)	$ 731,358	$ 888,395	$ 889,417	$ 889,956	$ 889,988
Cumulative Cash Flow	$ (374,674)	$ 356,684	$ 1,245,079	$ 2,134,496	$ 3,024,452	$ 3,914,441
Equipment	**$ 66,562**					
Construction/Refurbishment	**$ 308,112**					
NPV	**$ 3,167,113**					
Discount Rate	**5.00%**					
IRR	**66.00%**					
Payback in Years	**0.5**					
Volumes:						
Additional Beds	-	12	12	12	12	12
Average Daily Census (ADC)	19.3	10.0	11.5	11.5	11.5	11.5
Discharges	40	21	24	24	24	24
Average Length of Stay (ALOS)	176.3	176.3	176.3	176.3	176.3	176.3
Patient Days	7,045	3,650	4,198	4,198	4,198	4,198
Gross Patient Revenue						
Daily Hospital Services	$ 4,928,131	$ 2,553,436	$ 2,995,180	$ 3,055,084	$ 3,116,185	$ 3,178,509
Ancillary Services	3,349,900	1,735,699	2,035,975	2,076,695	2,118,229	2,160,593
Total Gross Revenue	**$ 8,278,031**	**$ 4,289,135**	**$ 5,031,156**	**$ 5,131,779**	**$ 5,234,414**	**$ 5,339,103**
Net Revenue[1]	**$ 4,443,082**	**$ 2,185,073**	**$ 2,563,090**	**$ 2,614,352**	**$ 2,666,639**	**$ 2,719,972**
Net Revenue as a % of Gross	*53.67%*	*50.94%*	*50.94%*	*50.94%*	*50.94%*	*50.94%*
Revenue ppd	*$ 630.72*	*$ 598.65*	*$ 610.62*	*$ 622.84*	*$ 635.29*	*$ 648.00*
Direct Expenses						
Labor Expense[2]						
Salaries/Wages/PTO[2]	$ 1,506,206	$ 392,080	$ 493,016	$ 507,806	$ 523,040	$ 538,731
Direct/Indirect Benefits[2]	234,271	430,128	474,244	488,471	503,125	518,219
Total Labor Expense	**1,740,477**	**822,208**	**967,259**	**996,276**	**1,026,165**	**1,056,950**
Professional Fees - VitalCare[3]	701,207	389,933	421,292	433,930	446,948	460,357
Supplies[4]	248,050	132,379	156,803	161,507	166,352	171,343
Other Purchased Services[4]	38,754	20,682	24,498	25,233	25,990	26,770
Other Direct Expense[4]	20,703	11,049	13,087	13,480	13,884	14,301
Zone Expense Allocation[4]	145,150	77,463	91,755	94,508	97,343	100,264
Total Direct Expense	**$ 2,894,341**	**$ 1,453,715**	**$ 1,674,695**	**$ 1,724,935**	**$ 1,776,683**	**$ 1,829,983**
Net Incremental Cash	**$ -**	**$ 731,358**	**$ 888,395**	**$ 889,417**	**$ 889,956**	**$ 889,988**

PALOMAR POMERADO HEALTH
VILLA POMERADO - 12 BED EXPANSION
PROJECTED INCREMENTAL FIVE-YEAR CASH FLOWS- AGGRESSIVE

	FY '07 Actual	INCREMENTAL CASH FLOWS ONLY Year 1	Year 2	Year 3	Year 4	Year 5
Revenue Assumptions						
Gross Revenue Increase		2.0%	2.0%	2.0%	2.0%	2.0%
Net Revenue Growth		2.0%	2.0%	2.0%	2.0%	2.0%
Gross Revenue Per Patient Day						
Daily Hospital Services	$ 700	$ 700	$ 714	$ 728	$ 742	$ 757
Ancillary Services	476	476	485	495	505	515
Total Gross Revenue Per Patient Day	$ 1,175	$ 1,175	$ 1,199	$ 1,223	$ 1,247	$ 1,272
Net Revenue Per Patient Day						
Medicare		$ 372	$ 379	$ 387	$ 395	$ 403
Medi-Cal		$ 636	$ 649	$ 662	$ 675	$ 688
Managed Care		$ 475	$ 485	$ 494	$ 504	$ 514
Patient Days by FC						
Medicare		183	210	210	210	210
Medi-Cal		2,920	3,358	3,358	3,358	3,358
Managed Care		548	630	630	630	630
Total		3,650	4,198	4,198	4,198	4,198
% Patient Days by FC						
Medicare		5.0%	5.0%	5.0%	5.0%	5.0%
Medi-Cal		80.0%	80.0%	80.0%	80.0%	80.0%
Managed Care		15.0%	15.0%	15.0%	15.0%	15.0%
Total		100.0%	100.0%	100.0%	100.0%	100.0%
Volume Growth		51.8%	15.0%	0.0%	0.0%	0.0%
Expense Assumptions						
Supply cost ppd	$ 35	$ 36	$ 37	$ 38	$ 40	$ 41
Purchased Services Per Day	$ 6	$ 6	$ 6	$ 6	$ 6	$ 6
Other Direct Expenses Per Day	$ 3	$ 3	$ 3	$ 3	$ 3	$ 3
Zone Expense Allocation Per Day	$ 21	$ 21	$ 22	$ 23	$ 23	$ 24

1. **Incremental net revenues are estimated assuming payor mix and reimbursement rates as noted above. No significant change in payor mix is anticipated. MediCal reduction of 10% is calculated into years 1, 2 and 3.**
2. **Incremental labor and benefit costs are estimated as the net difference between projected costs and reported FY07 labor costs. Incremental cost per day includes efficiencies gained through economies of scale.**
3. **Professional fees are estimated incremental expense for Vitalcare over FY07 expense, and include both management services and respiratory therapy services.**
4. **Supply, other purchase services and other direct expenses are projected to increase in proportion to the increase in patient days based on the inflation adjusted ppd cost incurred in FY07.**

PALOMAR POMERADO HEALTH
VILLA POMERADO - 12 BED EXPANSION
Projected 5-Year Income Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Revenue					
Inpatient Revenue	$ 3,431,308	$ 3,874,383	$ 4,031,227	$ 4,551,665	$ 4,642,698
Outpatient Revenue	-	-	-	-	-
Gross Patient Revenue	3,431,308	3,874,383	4,031,227	4,551,665	4,642,698
Less Deductions From Revenue	1,683,250	1,645,609	1,757,877	2,232,848	2,277,505
Total Net Revenue	**$ 1,748,058**	**$ 2,228,774**	**$ 2,273,349**	**$ 2,318,816**	**$ 2,365,193**
Direct Operating Expense					
Salaries/Wages/PTO[2]	$ 313,058	$ 429,229	$ 442,106	$ 455,369	$ 469,030
Direct/Indirect Benefits[2]	402,470	451,918	465,476	479,440	493,823
Total Salaries and Benefits	715,529	881,148	907,581	934,809	962,853
Professional Fees - VitalCare[3]	389,933	421,292	433,930	446,948	460,357
Supplies[4]	105,903	136,350	140,441	144,654	148,994
Other Purchased Services[4]	16,546	21,303	21,942	22,600	23,278
Other Direct Expense[4]	8,839	11,380	11,722	12,073	12,435
Zone Expense Allocation[4]	61,971	79,787	82,181	84,646	87,186
Depreciation	24,914	24,914	24,914	24,914	24,914
Total Direct Expense	**$ 1,323,635**	**$ 1,576,175**	**$ 1,622,711**	**$ 1,670,645**	**$ 1,720,017**
Contribution Margin After Total Direct Expense	**$ 424,423**	**$ 652,599**	**$ 650,638**	**$ 648,171**	**$ 645,176**
Statistical Summary					
Patient Days	2,920	3,650	3,650	3,650	3,650
Contribution Margin %	24.28%	29.28%	28.62%	27.95%	27.28%
Deductions As % of Gross Revenue	49.06%	42.47%	43.61%	49.06%	49.06%

PALOMAR POMERADO HEALTH
VILLA POMERADO - 12 BED EXPANSION
Projected 5-Year Income Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Revenue					
Inpatient Revenue	$ 4,018,920	$ 4,086,833	$ 4,247,925	$ 5,097,864	$ 5,199,822
Outpatient Revenue	-	-	-	-	-
Gross Patient Revenue	4,018,920	4,086,833	4,247,925	5,097,864	5,199,822
Less Deductions From Revenue	1,971,507	1,590,606	1,701,774	2,500,790	2,550,806
Total Net Revenue	**$ 2,047,413**	**$ 2,496,227**	**$ 2,546,151**	**$ 2,597,074**	**$ 2,649,016**
Direct Operating Expense					
Salaries/Wages/PTO[2]	$ 367,309	$ 467,501	$ 481,526	$ 495,971	$ 510,851
Direct/Indirect Benefits[2]	421,458	465,314	479,273	493,651	508,460
Total Salaries and Benefits	788,767	932,815	960,798	989,622	1,019,311
Professional Fees - VitalCare[3]	389,933	421,292	433,930	446,948	460,357
Supplies[4]	124,039	152,712	157,294	162,013	166,873
Other Purchased Services[4]	19,379	23,859	24,575	25,312	26,071
Other Direct Expense[4]	10,353	12,746	13,128	13,522	13,928
Zone Expense Allocation[4]	72,583	89,362	92,043	94,804	97,648
Depreciation	24,914	24,914	24,914	24,914	24,914
Total Direct Expense	**$ 1,429,968**	**$ 1,657,700**	**$ 1,706,683**	**$ 1,757,136**	**$ 1,809,102**
Contribution Margin After Total Direct Expense	**$ 617,445**	**$ 838,527**	**$ 839,469**	**$ 839,939**	**$ 839,914**
Statistical Summary					
Patient Days	3,420	4,088	4,088	4,088	4,088
Contribution Margin %	30.16%	33.59%	32.97%	32.34%	31.71%
Deductions As % of Gross Revenue	49.06%	38.92%	40.06%	49.06%	49.06%

PALOMAR POMERADO HEALTH
VILLA POMERADO - 12 BED EXPANSION
Projected 5-Year Income Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Revenue					
Inpatient Revenue	$ 4,289,135	$ 5,031,156	$ 5,131,779	$ 5,234,414	$ 5,339,103
Outpatient Revenue	-	-	-	-	-
Gross Patient Revenue	4,289,135	5,031,156	5,131,779	5,234,414	5,339,103
Less Deductions From Revenue	2,104,063	2,468,066	2,517,427	2,567,775	2,619,131
Total Net Revenue	**$ 2,185,073**	**$ 2,563,090**	**$ 2,614,352**	**$ 2,666,639**	**$ 2,719,972**
Direct Operating Expense					
Salaries/Wages/PTO[2]	$ 392,080	$ 493,016	$ 507,806	$ 523,040	$ 538,731
Direct/Indirect Benefits[2]	430,128	474,244	488,471	503,125	518,219
Total Salaries and Benefits	822,208	967,259	996,276	1,026,165	1,056,950
Professional Fees - VitalCare[3]	389,933	421,292	433,930	446,948	460,357
Supplies[4]	132,379	156,803	161,507	166,352	171,343
Other Purchased Services[4]	20,682	24,498	25,233	25,990	26,770
Other Direct Expense[4]	11,049	13,087	13,480	13,884	14,301
Zone Expense Allocation[4]	77,463	91,755	94,508	97,343	100,264
Depreciation	24,914	24,914	24,914	24,914	24,914
Total Direct Expense	**$ 1,478,629**	**$ 1,699,610**	**$ 1,749,849**	**$ 1,801,597**	**$ 1,854,898**
Contribution Margin After Total Direct Expense	**$ 706,444**	**$ 863,480**	**$ 864,503**	**$ 865,042**	**$ 865,074**
Statistical Summary					
Patient Days	3,650	4,198	4,198	4,198	4,198
Contribution Margin %	32.33%	33.69%	33.07%	32.44%	31.80%
Deductions As % of Gross Revenue	49.06%	49.06%	49.06%	49.06%	49.06%

PALOMAR POMERADO HEALTH

IMPACT OF 10% MEDI-CAL RATE REDUCTIONS

MEDI-CAL OPERATING REVENUE	Villa Pomerado SNF 109 Beds	Villa Pomerado Subacute 20 Beds	Palomar CCC SNF 96 beds
Medi-Cal ADC	84	16	68
Medi-Cal Per Diem	318	703	318
Medi-Cal Revenue	$ 9,749,880	$ 4,105,520	$ 7,892,760
10% Rate Reduction	$ (974,988)	$ (410,552)	$ (789,276)
Total			$ (2,174,816)

VITALCARE AMERICA
A RehabCare Company

VITALCARE AMERICA - *The Subacute Care Specialists*

VILLA POMERADO
POWAY, CA ***Expansion Phase 1: Increase Subacute Unit from 20 to 32 beds***
32 Bed Adult Subacute Unit

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
AVERAGE DAILY CENSUS	22.00	24.00	26.00	28.00	28.00	29.00	28.00	29.00	28.00	29.00	28.00	29.00	**27.33**	**29.00**	**29.00**	**29.00**	**29.00**
Avg Daily Medi-Cal patients	17.60	19.20	20.80	22.40	22.40	23.20	22.40	23.20	22.40	23.20	22.40	23.20	**21.87**	**23.20**	**23.20**	**23.20**	**23.20**
Avg Daily Medicare patients	1.10	1.20	1.30	1.40	1.40	1.45	1.40	1.45	1.40	1.45	1.40	1.45	**1.37**	**1.45**	**1.45**	**1.45**	**1.45**
Avg Daily Private patients	3.30	3.60	3.90	4.20	4.20	4.35	4.20	4.35	4.20	4.35	4.20	4.35	**4.10**	**4.35**	**4.35**	**4.35**	**4.35**
Total Monthly Patient Days	669.17	730.00	790.83	851.67	851.67	882.08	851.67	882.08	851.67	882.08	851.67	882.08	**9,976.67**	**10,585.00**	**10,585.00**	**10,585.00**	**10,585.00**
NET OPERATING REVENUE																	
Medi-Cal	$ 340,582	$ 371,544	$ 402,506	$ 433,468	$ 433,468	$ 448,949	$ 433,468	$ 448,949	$ 433,468	$ 448,949	$ 433,468	$ 448,949	**$ 5,077,764**	**$ 5,495,132**	**$ 5,605,034**	**$ 5,717,135**	**$ 5,831,478**
Medicare	12,442	13,573	14,704	15,835	15,835	16,401	15,835	16,401	15,835	16,401	15,835	16,401	**185,496**	**200,743**	**204,758**	**208,853**	**213,030**
Private	47,678	52,013	56,347	60,681	60,681	62,848	60,681	62,848	60,681	62,848	60,681	62,848	**710,838**	**769,265**	**784,650**	**800,343**	**816,350**
Total Net Operating Revenue	400,702	437,129	473,557	509,984	509,984	528,198	509,984	528,198	509,984	528,198	509,984	528,198	**5,974,098**	**6,465,140**	**6,594,442**	**6,726,331**	**6,860,858**
DIRECT OPERATING EXPENSES																	
Salaries & Benefits																	
Nursing - RN	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	**375,603**	**386,871**	**398,478**	**410,432**	**422,745**
Nursing - LVN	45,583	54,129	56,978	62,676	62,676	68,374	62,676	68,374	62,676	68,374	62,676	68,374	**743,565**	**845,100**	**870,453**	**896,566**	**923,463**
Nursing - CNA & RNA	30,974	32,646	35,989	37,661	37,661	39,333	37,661	39,333	37,661	39,333	37,661	39,333	**445,249**	**486,158**	**500,742**	**515,765**	**531,237**
Social Worker	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	**44,148**	**45,472**	**46,837**	**48,242**	**49,689**
Activities Director	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	**40,778**	**42,002**	**43,262**	**44,560**	**45,896**
MDS Coordinator	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	**54,454**	**56,088**	**57,771**	**59,504**	**61,289**
Case Manager	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	**56,652**	**58,352**	**60,102**	**61,905**	**63,762**
DSD	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	**19,448**	**20,031**	**20,632**	**21,251**	**21,889**
Unit Secretary	650	650	650	650	650	650	650	650	650	650	650	650	**7,800**	**8,034**	**8,275**	**8,523**	**8,779**
Housekeeping	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	**31,566**	**32,513**	**33,488**	**34,493**	**35,528**
Benefits @ 35%	45,183	48,759	50,927	53,506	53,506	56,086	53,506	56,086	53,506	56,086	53,506	56,086	**636,741**	**693,217**	**714,014**	**735,434**	**757,497**
Supplies	23,561	25,703	27,845	29,987	29,987	31,058	29,987	31,058	29,987	31,058	29,987	31,058	**351,278**	**390,762**	**402,485**	**414,560**	**426,996**
Other Purchased Service	3,680	4,015	4,350	4,684	4,684	4,851	4,684	4,851	4,684	4,851	4,684	4,851	**54,872**	**60,017**	**61,816**	**63,671**	**65,581**
Other Direct Expenses	15,752	17,184	18,616	20,048	20,048	20,764	20,048	20,764	20,048	20,764	20,048	20,764	**234,851**	**256,686**	**264,413**	**272,346**	**280,516**
Total Operating Expenses	217,270	234,974	247,243	261,101	261,101	273,004	261,101	273,004	261,101	273,004	261,101	273,004	**3,097,006**	**3,381,304**	**3,482,768**	**3,587,251**	**3,694,869**
Management Fee	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	**423,033**	**435,724**	**448,795**	**462,259**	**476,127**
Resp. Therapy Services	38,178	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	**668,107**	**707,811**	**729,045**	**750,917**	**773,444**
Total Direct Expenses	290,700	327,493	339,762	353,620	353,620	365,523	353,620	365,523	353,620	365,523	353,620	365,523	**4,188,146**	**4,524,840**	**4,660,609**	**4,800,427**	**4,944,440**
CONTRIBUTION MARGIN	**$ 110,001**	**$ 109,636**	**$ 133,795**	**$ 156,364**	**$ 156,364**	**$ 162,675**	**$ 156,364**	**$ 162,675**	**$ 156,364**	**$ 162,675**	**$ 156,364**	**$ 162,675**	**$ 1,785,952**	**$ 1,940,300**	**$ 1,933,833**	**$ 1,925,904**	**$ 1,916,418**

VITALCARE AMERICA
A RehabCare Company

VITALCARE AMERICA - *The Subacute Care Specialists*

VILLA POMERADO
POWAY, CA ***Expansion Phase 1: Increase Subacute Unit from 20 to 32 beds***
32 Bed Adult Subacute Unit

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
AVERAGE DAILY CENSUS	22.00	24.00	26.00	28.00	30.00	31.00	30.00	31.00	30.00	31.00	30.00	31.00	**28.67**	**30.50**	**30.50**	**30.50**	**30.50**
Avg Daily Medi-Cal patients	17.60	19.20	20.80	22.40	24.00	24.80	24.00	24.80	24.00	24.80	24.00	24.80	**22.93**	**24.40**	**24.40**	**24.40**	**24.40**
Avg Daily Medicare patients	1.10	1.20	1.30	1.40	1.50	1.55	1.50	1.55	1.50	1.55	1.50	1.55	**1.43**	**1.53**	**1.53**	**1.53**	**1.53**
Avg Daily Private patients	3.30	3.60	3.90	4.20	4.50	4.65	4.50	4.65	4.50	4.65	4.50	4.65	**4.30**	**4.58**	**4.58**	**4.58**	**4.58**
Total Monthly Patient Days	669.17	730.00	790.83	851.67	912.50	942.92	912.50	942.92	912.50	942.92	912.50	942.92	**10,463.33**	**11,132.50**	**11,132.50**	**11,132.50**	**11,132.50**
NET OPERATING REVENUE																	
Medi-Cal	$ 340,582	$ 371,544	$ 402,506	$ 433,468	$ 464,430	$ 479,911	$ 464,430	$ 479,911	$ 464,430	$ 479,911	$ 464,430	$ 479,911	**$ 5,325,460**	**$ 5,779,363**	**$ 5,894,950**	**$ 6,012,849**	**$ 6,133,106**
Medicare	12,442	13,573	14,704	15,835	16,966	17,532	16,966	17,532	16,966	17,532	16,966	17,532	**194,545**	**211,126**	**215,349**	**219,656**	**224,049**
Private	47,678	52,013	56,347	60,681	65,016	67,183	65,016	67,183	65,016	67,183	65,016	67,183	**745,513**	**809,054**	**825,236**	**841,740**	**858,575**
Total Net Operating Revenue	400,702	437,129	473,557	509,984	546,411	564,625	546,411	564,625	546,411	564,625	546,411	564,625	**6,265,517**	**6,799,543**	**6,935,534**	**7,074,245**	**7,215,730**
DIRECT OPERATING EXPENSES																	
Salaries & Benefits																	
Nursing - RN	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	**375,603**	**386,871**	**398,478**	**410,432**	**422,745**
Nursing - LVN	45,583	54,129	56,978	62,676	68,374	71,223	68,374	71,223	68,374	71,223	68,374	71,223	**777,752**	**862,706**	**888,587**	**915,245**	**942,702**
Nursing - CNA & RNA	30,974	32,646	35,989	37,661	39,333	42,677	39,333	42,677	39,333	42,677	39,333	42,677	**465,313**	**506,824**	**522,028**	**537,689**	**553,819**
Social Worker	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	**44,148**	**45,472**	**46,837**	**48,242**	**49,689**
Activities Director	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	**40,778**	**42,002**	**43,262**	**44,560**	**45,896**
MDS Coordinator	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	**54,454**	**56,088**	**57,771**	**59,504**	**61,289**
Case Manager	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	**56,652**	**58,352**	**60,102**	**61,905**	**63,762**
DSD	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	**19,448**	**20,031**	**20,632**	**21,251**	**21,889**
Unit Secretary	650	650	650	650	650	650	650	650	650	650	650	650	**7,800**	**8,034**	**8,275**	**8,523**	**8,779**
Housekeeping	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	**31,566**	**32,513**	**33,488**	**34,493**	**35,528**
Benefits @ 35%	45,183	48,759	50,927	53,506	56,086	58,253	56,086	58,253	56,086	58,253	56,086	58,253	**655,729**	**706,613**	**727,811**	**749,645**	**772,135**
Supplies	23,561	25,703	27,845	29,987	32,129	33,200	32,129	33,200	32,129	33,200	32,129	33,200	**368,414**	**409,824**	**422,118**	**434,782**	**447,825**
Other Purchased Service	3,680	4,015	4,350	4,684	5,019	5,186	5,019	5,186	5,019	5,186	5,019	5,186	**57,548**	**63,121**	**65,014**	**66,964**	**68,973**
Other Direct Expenses	15,752	17,184	18,616	20,048	21,480	22,196	21,480	22,196	21,480	22,196	21,480	22,196	**246,307**	**269,963**	**278,090**	**286,433**	**295,026**
Total Operating Expenses	217,270	234,974	247,243	261,101	274,958	285,273	274,958	285,273	274,958	285,273	274,958	285,273	**3,201,513**	**3,468,414**	**3,572,493**	**3,679,667**	**3,790,057**
Management Fee	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	**423,033**	**435,724**	**448,795**	**462,259**	**476,127**
Resp. Therapy Services	38,178	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	**668,107**	**707,811**	**729,045**	**750,917**	**773,444**
Total Direct Expenses	290,700	327,493	339,762	353,620	367,477	377,792	367,477	377,792	367,477	377,792	367,477	377,792	**4,292,653**	**4,611,949**	**4,750,333**	**4,892,843**	**5,039,629**
CONTRIBUTION MARGIN	**$ 110,001**	**$ 109,636**	**$ 133,795**	**$ 156,364**	**$ 178,934**	**$ 186,833**	**$ 178,934**	**$ 186,833**	**$ 178,934**	**$ 186,833**	**$ 178,934**	**$ 186,833**	**$ 1,972,864**	**$ 2,187,594**	**$ 2,185,201**	**$ 2,181,402**	**$ 2,176,101**

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VITALCARE AMERICA - *The Subacute Care Specialists*

VILLA POMERADO
POWAY, CA ***Expansion Phase 1: Increase Subacute Unit from 20 to 32 beds***
32 Bed Adult Subacute Unit

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
AVERAGE DAILY CENSUS	22.00	24.00	26.00	28.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	**29.00**	**30.83**	**30.83**	**30.83**	**30.83**
Avg Daily Medi-Cal patients	17.60	19.20	20.80	22.40	24.80	24.80	24.80	24.80	24.80	24.80	24.80	24.80	**23.20**	**24.67**	**24.67**	**24.67**	**24.67**
Avg Daily Medicare patients	1.10	1.20	1.30	1.40	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	**1.45**	**1.54**	**1.54**	**1.54**	**1.54**
Avg Daily Private patients	3.30	3.60	3.90	4.20	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	**4.35**	**4.63**	**4.63**	**4.63**	**4.63**
Total Monthly Patient Days	669.17	730.00	790.83	851.67	942.92	942.92	942.92	942.92	942.92	942.92	942.92	942.92	**10,585.00**	**11,254.17**	**11,254.17**	**11,254.17**	**11,254.17**
NET OPERATING REVENUE																	
Medi-Cal	$ 340,582	$ 371,544	$ 402,506	$ 433,468	$ 479,911	$ 479,911	$ 479,911	$ 479,911	$ 479,911	$ 479,911	$ 479,911	$ 479,911	**$ 5,387,384**	**$ 5,842,525**	**$ 5,959,375**	**$ 6,078,563**	**$ 6,200,134**
Medicare	12,442	13,573	14,704	15,835	17,532	17,532	17,532	17,532	17,532	17,532	17,532	17,532	**196,807**	**213,434**	**217,702**	**222,056**	**226,498**
Private	47,678	52,013	56,347	60,681	67,183	67,183	67,183	67,183	67,183	67,183	67,183	67,183	**754,181**	**817,897**	**834,254**	**850,940**	**867,958**
Total Net Operating Revenue	400,702	437,129	473,557	509,984	564,625	564,625	564,625	564,625	564,625	564,625	564,625	564,625	**6,338,372**	**6,873,855**	**7,011,332**	**7,151,559**	**7,294,590**
DIRECT OPERATING EXPENSES																	
Salaries & Benefits																	
Nursing - RN	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	31,300	**375,603**	**386,871**	**398,478**	**410,432**	**422,745**
Nursing - LVN	45,583	54,129	56,978	62,676	71,223	71,223	71,223	71,223	71,223	71,223	71,223	71,223	**789,147**	**874,443**	**900,677**	**927,697**	**955,528**
Nursing - CNA & RNA	30,974	32,646	35,989	37,661	42,677	42,677	42,677	42,677	42,677	42,677	42,677	42,677	**478,689**	**520,601**	**536,218**	**552,305**	**568,874**
Social Worker	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	3,679	**44,148**	**45,472**	**46,837**	**48,242**	**49,689**
Activities Director	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	3,398	**40,778**	**42,002**	**43,262**	**44,560**	**45,896**
MDS Coordinator	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	**54,454**	**56,088**	**57,771**	**59,504**	**61,289**
Case Manager	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	4,721	**56,652**	**58,352**	**60,102**	**61,905**	**63,762**
DSD	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	1,621	**19,448**	**20,031**	**20,632**	**21,251**	**21,889**
Unit Secretary	650	650	650	650	650	650	650	650	650	650	650	650	**7,800**	**8,034**	**8,275**	**8,523**	**8,779**
Housekeeping	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	2,631	**31,566**	**32,513**	**33,488**	**34,493**	**35,528**
Benefits @ 35%	45,183	48,759	50,927	53,506	58,253	58,253	58,253	58,253	58,253	58,253	58,253	58,253	**664,399**	**715,543**	**737,009**	**759,119**	**781,893**
Supplies	23,561	25,703	27,845	29,987	33,200	33,200	33,200	33,200	33,200	33,200	33,200	33,200	**372,698**	**414,589**	**427,027**	**439,838**	**453,033**
Other Purchased Service	3,680	4,015	4,350	4,684	5,186	5,186	5,186	5,186	5,186	5,186	5,186	5,186	**58,218**	**63,811**	**65,724**	**67,696**	**69,727**
Other Direct Expenses	15,752	17,184	18,616	20,048	22,196	22,196	22,196	22,196	22,196	22,196	22,196	22,196	**249,171**	**272,914**	**281,129**	**289,563**	**298,250**
Total Operating Expenses	217,270	234,974	247,243	261,101	285,273	285,273	285,273	285,273	285,273	285,273	285,273	285,273	**3,242,772**	**3,511,264**	**3,616,629**	**3,725,127**	**3,836,881**
Management Fee	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	35,253	**423,033**	**435,724**	**448,795**	**462,259**	**476,127**
Resp. Therapy Services	38,178	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	57,266	**668,107**	**707,811**	**729,045**	**750,917**	**773,444**
Total Direct Expenses	290,700	327,493	339,762	353,620	377,792	377,792	377,792	377,792	377,792	377,792	377,792	377,792	**4,333,911**	**4,654,800**	**4,794,469**	**4,938,303**	**5,086,453**
CONTRIBUTION MARGIN	**$ 110,001**	**$ 109,636**	**$ 133,795**	**$ 156,364**	**$ 186,833**	**$ 186,833**	**$ 186,833**	**$ 186,833**	**$ 186,833**	**$ 186,833**	**$ 186,833**	**$ 186,833**	**$ 2,004,461**	**$ 2,219,056**	**$ 2,216,863**	**$ 2,213,256**	**$ 2,208,138**

ADDENDUM

C

Contract Management Implementation

Compliance 360°

Janine Sarti, Esq.
General Counsel

Sharon LaDuke, Esq.
Contract Administrator

PPH LEGAL SERVICES MISSION STATEMENT

We believe:

- Our customers are our most valued assets.
- The relationships we develop are integral to our work.
- Honesty and integrity are the cornerstones of this department.

We promise :

- quality legal advice that is responsive to your needs and sets the standard of excellence for legal services;
- to demonstrate respect and compassion to all persons;
- to work with you as part of a team to achieve our mutual goals of quality care, creating healthy communities, and being a leader in the professions we serve.

PPH LEGAL SERVICES VISION STATEMENT

Unwavering focus on quality, cost, and access to legal services.

Contract Implementation Group

- Sharon LaDuke
- Kate Philbin
- Michele Gilmore
- Diana Horne
- Janine Sarti
- Jim Neal
- Tom Boyle

How do I benefit?

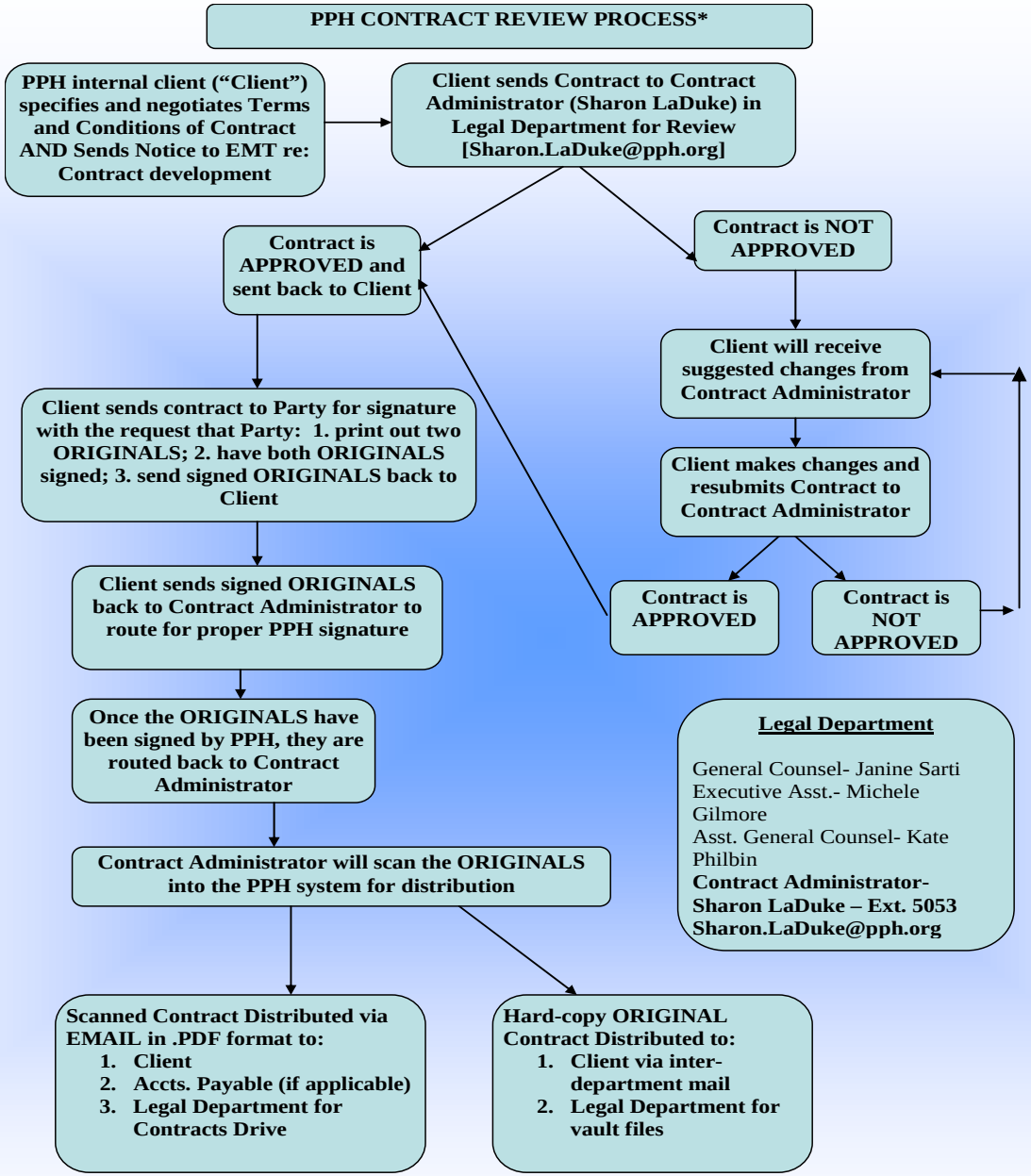
- **Immediate, accurate availability of information regarding contracts**
- **Ease of use**
- **Timely and automatic notification of contract expiration**
- **No payment of expired agreements**
- **Information available through one resource**
- **Easy to maintain and update by Contract Administrator**

Compliance 360 Folders

- Anesthesiology
- Behavioral Health
- Cardiology
- Clinical Outreach
- Diabetes Clinic
- Emergency/Trauma
- Escondido Surgery Center
- Human Resources
- Information Technology
- Finance
- Laboratory
- Managed Care
- Marketing
- North County Health Development
- Pharmacy

Why did we decide Compliance 360°?

- Widely used in Healthcare Industry
- Prior experience with organization
- Replaces manual process
- View, edit and approve contracts all in one place
- Suite of Services includes Contract Management, Compliance and Audit.
- Streamline contracting process


PPH CONTRACT REVIEW PROCESS*
PPH internal client ("Client") specifies and negotiates Terms and Conditions of Contract AND Sends Notice to EMT re: Contract development
Client sends Contract to Contract Administrator (Sharon LaDuke) in Legal Department for Review [Sharon.LaDuke@pph.org]
Contract is APPROVED and sent back to Client
Contract is NOT APPROVED
Client will receive suggested changes from Contract Administrator
Client makes changes and resubmits Contract to Contract Administrator
Contract is APPROVED
Contract is NOT APPROVED
Client sends contract to Party for signature with the request that Party: 1. print out two ORIGINALS; 2. have both ORIGINALS signed; 3. send signed ORIGINALS back to Client
Client sends signed ORIGINALS back to Contract Administrator to route for proper PPH signature
Once the ORIGINALS have been signed by PPH, they are routed back to Contract Administrator
Contract Administrator will scan the ORIGINALS into the PPH system for distribution
Legal Department
General Counsel- Janine Sarti
Executive Asst.- Michele Gilmore
Asst. General Counsel- Kate Philbin
Contract Administrator- Sharon LaDuke – Ext. 5053 Sharon.LaDuke@pph.org
Scanned Contract Distributed via EMAIL in .PDF format to:
1. Client
2. Accts. Payable (if applicable)
3. Legal Department for Contracts Drive
Hard-copy ORIGINAL Contract Distributed to:
1. Client via inter-department mail
2. Legal Department for vault files

Measure of Success

- **Contract expiration minimized**
- **Elimination of evergreen contract renewals**
- **Ability to track process for eliminating payment on expired agreements**
- **Standardize new policies and procedures**
- **Improved communication throughout PPH organization**
- **Timely renewal of contracts**
- **Allows users to confirm contract status at any time**
- **Central location for all contracts**
- **Improved management of contracting process**

Implementation Timeline

- Present to EMT April 23, 08
- Present to Management Counsel April 24, 08
- Begin Training for Core Team May 21, 2008
- Present to Leadership May 22, 2008
- Present to Board of Directors June 9, 2008
- Begin staff/end user training June, 2008
- **GO LIVE: August, 2008**

Follow-up Items

- **EMT, SLA, PM, Directors to provide contracts to Legal**
- **Transport contracts to Compliance 360°**
- **Staff Training**
- **Direct questions to Janine Sarti or Sharon LaDuke**

Questions?

ADDENDUM

D

PALOMAR MEDICAL CENTER WEST

INTEGRATED PROJECT DELIVERY CONTRACT

BY AND AMONG

PALOMAR POMERADO HEALTH ("OWNER or PPH")

CO ARCHITECTS ("ARCHITECT")

AND

DPR CONSTRUCTION, INC. ("CONSTRUCTION MANAGER")

FOR THE PROJECT LOCATED AT

2197 CITRACADO PARKWAY, ESCONDIDO, CA 92029

PALOMAR MEDICAL CENTER – WEST

INTEGRATED PROJECT DELIVERY CONTRACT

This Integrated Project Delivery Contract (the "Agreement") is made as of the ___ day of _____ in the year Two Thousand and Eight by and among **Palomar Pomerado Health**, a local healthcare district organized under Division 23 of the California Health and Safety Code, ("Owner" or "PPH"), located at;15255 Innovation Drive, San Diego, CA 92128; **CO Architects**, located at 5055 Wilshire Boulevard, 9th Floor, Los Angeles, CA 90036; and **DPR Construction, Inc.,** located at 6333 Greenwich Drive, Ste. 170, San Diego, CA 92122; the Construction Manager ("Construction Manager), for the design, development and construction of Palomar Medical Center – West (the "Project") on the property located at 2197 Citracado Parkway, Escondido, CA 92029. The parties hereto shall design and construct in accordance with the provisions of this Agreement, including all exhibits and attachments hereto.

The Parties agree as follows:

1. PARTIES

1.1 Project Management Team - "PMT."

The Project Management Team includes Owner, Architect and Construction Manager. The PMT is responsible for the design, management and implementation of the Project in order to achieve the Owner's Program (as defined below and attached in Exhibit A). The parties accept the relationship of mutual trust and confidence established with each other by this Agreement, and promise to collaborate and cooperate with the PMT and the Project Implementation Team ("PIT" described in 4, below) in actively pursuing an integrated project and furthering the interests of the Project. The parties recognize that each of their opportunities to succeed on the Project is directly tied to the performance of other Project participants. The parties shall therefore work together in the spirit of cooperation, collaboration, and mutual respect for the benefit of the Project, and within the limits of their professional expertise and abilities. Throughout the Project, the parties shall use their best efforts to perform the work in an expeditious and economical manner to achieve the Owner's Program and consistent with the interests of Project.

Although the PMT members will work collaboratively, each is an independent contractor and individually responsible for directing and managing its own work within its area of responsibility as described generally below. Nothing in this Agreement should be construed as establishing a joint venture or partnership among the PMT members, or any of them. The Parties acknowledge that this Agreement is not a design-build agreement and shall not make any party responsible for the errors or omissions or construction defects of any other party except as expressly provided in this Agreement.

(a) Palomar Pomerado Health - "Owner" or "PPH"

The Owner is responsible for developing the Owner's Program, providing decision making support throughout the Project, and making payments as required by this Agreement. In addition, the Owner will provide the team with its Information Technology and Security Requirements.

(b) CO Architects - "Architect."

Architect is responsible for designing the Project to achieve the Owner's Program and as described in its proposal to Owner, attached hereto as Exhibit B. Architect will retain the as-built surveying consultants for the entire Project and is responsible for coordinating its work with all acoustical, structural, graphics, lighting and code consultants and design/build subcontractors and coordinating all work between them. In addition, Architect will manage and coordinate all design submissions, questions and responses to the City of Escondido and County of San Diego and all other reviewing and permitting agencies. Architect will sign and seal the documents prepared by it and arranged for its subconsultants to sign and seal all documents prepared by them.

(c) DPR Construction, Inc. - "Construction Manager."

Construction Manager is responsible for assisting Architect during the design phase by providing cost and constructability information that will support target value design and to coordinate design information between design/build subcontractors and the Project Implementation Team. To the greatest extent possible, Construction Manager will manage Project information by using a Building Information Model or Models linked to cost and schedule databases. During construction, Construction Manager will be responsible to construct the Project in accordance with the Implementation Documents (as addressed in Section 5.5 below) and to commission the Project upon completion. The Owner shall retain the MEP, fire sprinkler and life safety design/build contractors and all other standard subcontractors and trade contractors.

2. DEFINITIONS

2.1 BIM or Building Information Model.

The Building Information Model is a parametric, data rich, digital virtualization of the Project design developed by the Architect, its consultants, and any design/build subcontractors, and includes construction details developed by the PMT members and their consultants and sub-contractors. As used in this Agreement, references to Building Information Model, BIM, or the model, include the primary design model or models and all linked, related, affiliated or subsidiary models developed for the design, estimating, detailing, fabrication, or construction of the Project, or of any portion or element of the Project.

2.2 Contract Documents.

The Contract Documents include the Building Information Model(s) developed to describe the Project, together with ancillary 2D drawings and specifications. These documents are complementary and what is required by one is required by all. If there are conflicting requirements between these documents, the PMT will determine which requirements will control as necessary to achieve the Owner's program.

2.3 Day.

A calendar day unless otherwise specifically noted.

2.4 Direct Costs.

Direct Costs are actual, out-of-pocket costs of the PMT members or subcontractors and subconsultants to PMT members, bonds and insurance specially purchased solely for this Project, permits and fees paid to reviewing agencies, and Project specific overhead, but does not include any profit or contingency at any level, any markups of consultants', subcontractors' or subconsultants' costs, general allowances, such as small tools, or any home office or other administrative expense. Direct costs should be calculated such that, without considering allocable home office overhead, if a party was paid only its direct costs, it would neither lose nor make any money on this Project. A schedule of allowable Direct Costs specifically applicable to the Architect are set forth on Exhibit D, Annex 1. A schedule of allowable Direct Costs specifically applicable to the Construction Manager are set forth on Exhibit E, Annex 1.

2.5 Estimated Direct Cost ("EDC").

The Direct Costs the Project Management Team estimates will be required to design and construct the Project as described in the Owner's Program.

2.6 Final Completion.

Completion of all services and work required under this Agreement, except obligations surviving termination of this Agreement. Final Completion includes, but is not limited to, completion of all punch list items and provision to the Owner of all warranties, product manuals, record documents, and building information models.

2.7 Final Completion Date.

The date by which the PMT anticipates the Project will achieve Final Completion, [Insert Date].

2.8 Final Payment.

Payment by Owner after successful completion of all Work, including delivery to the Owner of all manuals, warranties, lien waivers and release, and current versions of all Building Information Models, of all amounts due as Guaranteed Direct Costs or Incentive Compensation Layer payments. Final Payment does not waive Owner's right to later object to faulty design, materials or workmanship, or waive any warranty rights the Owner may have, nor does it release any party from any indemnification obligations under this Agreement.

2.9 Guaranteed Direct Costs ("GDC").

The actual direct costs incurred by Project Management Team members for this Project without any allowance for profit or contingency at any level, any markups of consultants', subcontractors' or subconsultants' costs, general allowances, such as small tools, or overhead unless specifically incurred for this Project.

2.10 Incentive Compensation Layer ("ICL").

A fund that is increased or decreased based on Project outcome and which is distributed to the non-Owner PMT members in accordance with their respective percentages.

Payment of the ICL is contingent upon achieving the aesthetic, environmental and functional goals of the Owner's Program which cannot be sacrificed to increase the amount of ICL funds available. Design and construction innovations that are consistent with the Owner's Program and that reduce cost [or schedule] can increase the ICL funds available for distribution.

2.11 Independent Assessor.

The Independent Assessor will be a neutral third party identified by the PMT who, at Final Completion, will inspect the Project, evaluate the quality of the Project using the Quality Comparison Standards set forth in Section 6.3(b)(iii) and score the Project between 0 and -2. The ICL will be adjusted based on the Independent Assessor's score.

2.12 Owner Provided Equipment.

Equipment provided by Owner for use in the Project, to be installed by Construction Manager. Costs for installing the Owner Provided Equipment will be incorporated in the EDC and are a Project cost.

2.13 Owner's Contribution.

An amount of funds contributed by the Owner as an added incentive to the non-Owner PMT and PIT members which may be added to the ICL for distribution. The Owner's Contribution is [$_____] or [an amount equal to __% of the ICL].

2.14 Owner's Directive.

A written directive from the Owner that supersedes a contrary unanimous decision of the non-Owner PMT members.

2.15 Owner's Program.

The Owner's Program is a general description of the functional, aesthetic, environmental and business goals that this Project seeks to achieve. It includes Owner's minimum corporate design and information technology standards but does not include design or construction details that are necessary to achieve those goals. Instead, it is the obligation of the Project Management Team to develop the design, and implement the Project to achieve the Owner's Program. The Owner's Program is attached as Exhibit A.

2.16 Project Contingency.

A portion of the Validated Target Cost in addition to the Estimated Direct Costs. The Project Contingency will first be used to pay any direct Project costs that exceed the Estimated Direct Costs, as necessary to achieve the Owner's Program. If, upon completion of the Project, there are unspent Project Contingency funds, forty percent (40%) of the unspent funds will be added to the Incentive Compensation Layer.

2.17 Project Facilitator.

The Project Facilitator will be an individual unaffiliated with any member of the PMT who will act to facilitate the PMT through the phases of the Project. The Project Facilitator's fees will be incorporated in the EDC and are a Project cost.

2.18 Substantial Completion or Substantially Complete.

Completion of all Work such that the Project meets all aesthetic and functional requirements of the Project and can be used for its intended purpose. Work is not Substantially Complete until issuance of all governmental permits necessary for occupancy and use.

2.19 Substantial Completion Date.

The date by which the PMT anticipates the Project will be Substantially Complete, **[Insert Date]**.

2.20 Validated Target Cost ("VTC").

The amount the Project Management Team agrees is sufficient to achieve the design and construction of a Project that achieves the Owner's Program and is the basis for target value design. The VTC is equal to the sum of the EDC and the Project Contingency. The VTC will be used to determine if the Project meets financial expectations and is a factor in determining the amount of ICL funds paid to the non-Owner Project Management Team members.

2.21 Work.

All design, procurement, construction, commissioning necessary to achieve the Owner's Program. Each party to this Agreement is responsible for executing its individual work scope and for assisting the other PMT and PIT members to the extent permitted by licensing laws and regulations.

3. PROJECT MANAGEMENT TEAM

3.1 Authority and Responsibility.

The PMT will manage and coordinate implementation of the Owner's Program and shall govern the function and operation of the Project. Project management and the PMT shall be facilitated the Project Facilitator. The PMT will exercise its authority in the best interest of the Project to achieve the Owner's Program. The PMT shall seek input and counsel from the PIT, but shall have ultimate decision making responsibility.

3.2 Meeting and Communication.

(a) Regular Meetings.

The PMT shall establish a regular meeting schedule, which in general should be no less frequently than [weekly] (each a "Regular Meeting"). The PMT shall be responsible for reviewing and stimulating the progress of the Project and developing benchmarks, metrics, or standards (the "criteria"). The PMT shall review the periodic Project evaluations using the developed criteria and shall plan and implement programs to improve Project performance. The PMT meetings shall be held separately from other meetings to assure the purpose of Regular Meetings is addressed and to encourage candor at the Regular Meetings. The Regular Meetings can include Senior Management Representatives from each of the PMT member firms as determined by the PMT members.

(b) Special Meetings.

In addition to the Regular Meetings, special PMT meetings may be requested by any PMT member, or the Project Facilitator, to allow the PMT to address a matter of urgency (a "Special Meeting"). The party requesting the Special Meeting shall provide at least [three (3)] days notice, unless all PMT members agree upon a shorter time. Notice of a Special Meeting shall identify the issues to be addressed. If a PMT member is not able to attend either a Regular or Special Meeting because of a scheduling conflict, an alternate may be designated in advance to attend.

(c) Direct Communications

The PMT members, and their employees, are encouraged to communicate directly as necessary to efficiently manage the Project and to execute each individual PMT member's responsibilities. All decisions, however, must be made by the PMT jointly in accordance with Section 3.3.

3.3 Decision Making.

Decisions of the PMT will be by unanimous agreement. If the PMT is unable to reach agreement, the PMT will refer the issue to the Senior Management Representative level (as defined below) which will first attempt to reach consensus but, if consensus is not reached, will decide the issue by majority vote. If a vote is tied, the Owner may serve as the tie-breaker to resolve the impasse. Notwithstanding the foregoing, the Owner shall have the right to make decisions that are opposed by all non-Owner members of the PMT by issuing a written Owner's Directive. If an Owner's Directive causes the cost of the Project or the time necessary to complete the Project to be increased, the Validated Target Cost or the Contract Time (as defined in Section 6.1) will be adjusted accordingly. Any dispute resulting from an Owner's Directive may be pursued under the Dispute Resolution Article (Article 18) of this Agreement.

(a) Parties' Representatives.

The PMT shall include one representative from each member of the PMT, each identified below. Each member of the PMT shall assure that its PMT representative attends all PMT meetings, has authority to act on behalf of the member, and fulfills his or her responsibilities as a PMT representative. The PMT may approve any representative's designation of an alternate representative; any proposed replacement of a PMT representative shall be subject to the PMT's approval, which shall not be unreasonably withheld.

- Owner: _____
- Architect : _____
- Construction Manager: _____

(b) Parties' Senior Management Representatives.

Each PMT member shall, in addition to the representatives listed above, identify a representative from senior management (the "Senior Management Representative") to act on its behalf with respect to the Dispute Resolution Procedures set forth in Article 18 below,

7

and to meet with the PMT at the Regular and/or Special Meetings (as defined below) per the PMT's request.

- Owner: _____
- Architect: _____
- Construction Manager: _____

(c) Written Confirmation of Decisions.

PMT decisions will be recorded in written minutes circulated to all PMT members and maintained chronologically (or in such other organization as the PMT specifies) on a collaborative web portal.

3.4 Personnel Management.

The PMT shall not supervise or control any person employed by Owner, Architect or Construction Manager in connection with the Project; provided, however, that the PMT may require any PMT member to remove any person employed in connection with the Project if it determines that the presence of the person is detrimental to the performance of the Work. Architect and Construction Manager recognize that they have been chosen based on the personnel they have agreed will be substantively involved in this Project (the "Key Personnel", each as listed below) and agree that they will not remove these Key Personnel, nor reduce their involvement with this Project, without Owner's written consent.

- _____
- _____
- _____
- _____

4. PROJECT IMPLEMENTATION TEAM

4.1 Project Implementation Team - "PIT".

The Project Implementation Team includes the PMT as well as the consultants, trade contractors and subconsultants, subcontractors, design-build subcontractors, etc., listed below. The PIT is responsible for designing and implementing the Project consistent with the Owner's Program. The PIT shall be directed by the PMT and shall meet regularly to discuss and address issues relating to the design and construction of the Project.

- [M/E/P]
- [A/V]
- _____
- _____

5. RESPONSIBILITIES BY PHASE.

The specific responsibilities of each party are delineated in the Task Matrix attached as Exhibit C. During each phase, the PMT will work together to achieve the following outcomes.

5.1 Process Design

Promptly after execution of this Agreement, the PMT shall meet to establish or deepen working relationships between the key participants, discuss the challenges and goals of the Project from the perspective of each PMT member, develop protocols for efficient and reliable communication, determine and implement information technology structures necessary to support the Project, and determine how the Building Information Model(s) will be developed, exchanged, related and used. The PMT and PIT members shall determine the extent and duration of co-location of key PMT and PIT members to enhance and expedite communication and decision making. By the end of the Process Design Phase, each PMT member will fulfill its responsibilities pursuant to Section 15.1 to identify the persons or entities to whom work will be subcontracted. At a minimum, the information technology and BIM discussions will consider:

(a) Organization, hosting, and administration of a collaborative website;

(b) Organization, hosting and administration of the Building Information Modeling tools;

(c) Criteria for interoperability, data transfer, granularity, tolerances, and verification/control of information (source of truth) and shall

(d) Appoint a Model Administrator to undertake the responsibilities of Paragraph 11.2.

5.2 Conceptualization.

During the Conceptualization phase, the PMT determines the goals to be achieved, the identities, roles and relationships of the key non-PMT Project participants, the processes necessary to successfully achieve the Owner's Program, and explores alternative designs and construction methodologies for achieving the Owner's Program. During the Conceptualization Phase, the Owner will provide the [Construction Manager/PMT] with the Pricing Package. The [Construction Manager/PMT] will have thirty days from receipt of the Pricing Package to evaluate the Pricing Package and provide a written proposal of the [Target Pricing - define? or EDC] for the Project. The [Construction Manager/PMT] will present the [Target Pricing/EDC] in sixteen-division CSI format in sufficient detail to identify a line item for each subcontractor or vendor bid with breakdowns of component parts, as well as all items comprising each of the 16 divisions as defined by the final Construction Documents, [including [structural steel], mechanical, electrical, plumbing, exterior systems (e.g., skin, curtain wall, etc.), [framing], [drywall], and all remaining work].

Owner will have fourteen (14) days from receipt of the proposed EDC to evaluate and negotiate with the PMT on a final EDC and VTC. If, at the conclusion of [the fourteen day period/the Conceptualization Phase], the PMT does not agree that the VTC is sufficient for the Owner's Program, the Owner may terminate this agreement without further obligation to the PMT. In that event, the Owner is only responsible to for paying PMT member's direct costs incurred prior to termination, without overhead, profit, or any costs related to termination. All

designs, models, drawings, calculations or reports prepared by the PMT or its members prior to termination will be delivered to the Owner for its use, at its discretion, for the continuation of the Project. In addition, during Conceptualization the following outcomes should be achieved.

(a) Performance goals are developed by the team:

(i) Design quality.

(ii) Size.

(iii) Sustainable or green criteria or goals.

(iv) Economic performance based on the complete building life span including operation.

(v) Successful outcome metrics (e.g. cost, schedule, quality, etc.).

(b) Cost structure is developed earlier and in greater detail than a conventional project.

(i) Costs may be linked to Building Information Model to enable rapid assessment of design decisions.

(ii) Costs are detailed by system, providing an understanding of the cost range and importance of each system.

(iii) Key parties assess areas where greatest improvements are possible.

(iv) Initial benchmarking comparison is performed to assess Project costs against market rates.

(c) Preliminary schedule is developed and linked to developing Model.

5.3 Criteria Design.

During Criteria Design, the Project begins to take shape as major options are evaluated, tested and selected. The Construction Manager and its specialty sub-contractors and vendors evaluate the developing design for constructability and provide the designers with continuous feedback regarding the cost implications of design decisions and alternatives. During Criteria Design, the following outcomes should be achieved.

(a) The following aspects of the Project are finalized, allowing the team to proceed with confidence to the next level of detail:

(i) Scope.

(ii) Form, adjacencies and spatial relationships.

(iii) Selection and initial design of major building systems (structure, skin, HVAC, etc.).

(iv) Cost estimate (at appropriate precision).

(v) Schedule (at appropriate precision).

(b) Agreement is reached on tolerances between trades to enable prefabrication.

(c) Agreement is reached on tolerances between trades to enable prefabrication.

5.4 Detailed Design.

During this phase, all key design decisions are finalized and the design, although not fully documented, is fully defined and coordinated. Cost information now has a high level of confidence and pre-fabrication and early procurement decisions can be made. During Detailed Design, the following outcomes are achieved.

(a) Building is fully and unambiguously defined, coordinated and validated.

(i) All major building systems are defined, including any furnishings, fixtures and equipment within the scope of the Project.

(ii) All building elements are fully engineered and coordinated. The team will have collaborated to resolve any inconsistencies, conflicts or constructability issues.

(iii) Agreement is reached on tolerances between trades to ensure constructability and to enable as much prefabrication as possible.

(iv) Quality levels are established.

(b) Prescriptive Specifications are completed based on prescribed and agreed systems.

(c) Cost is established to a high level of precision.

(d) Construction schedule is established to a high level of precision.

5.5 Implementation Documents.

The goal of Implementation Documents phase is to complete documentation of how the design intent will be implemented, not to change or develop it. The traditional shop drawing process is merged into this phase as constructors, trade contractors and suppliers document how systems and structure will be created. In addition, this phase generates the documents that third parties will use for permitting, financing and regulatory purposes.

During the Implementation Documents phase, the following outcomes are achieved.

(a) Construction means and methods are finalized and documented.

(b) Construction schedule is finalized and agreed upon.

(c) Cost is finalized and agreed upon.

(d) Costs are tied to the model.

(e) The specifications are finalized, supplementing the model with narrative documentation of the design intent wherever necessary.

(f) Implementation Documents define and visualize the Project for participants who aren't involved in the development of the model, providing:

(i) A "finance-able" Project (a completed model that gives "the bank" sufficient detail to finance the Project).

(ii) Bid documents for parties outside the integrated process.

(g) The "shop drawing" phase that in traditional phases occurs after Construction Documents will be largely completed during the Implementation Documents phase.

(h) Prefabrication of some systems can commence because the model is sufficiently fixed (object sizes and positions are frozen) to allow early purchasing and prefabrication to begin.

5.6 Buyout.

The Buyout phase concludes the placing of commitments for work and material. However, due to the early involvement of PMT and PIT members, much of the work and material should already by committed prior to the Buyout phase. Thus, buyout primarily involves the less critical subcontractors and vendors. During the Buyout phase, the following outcome is achieved.

(a) Commitments are in place for all work, materials and equipment needed to complete the Project.

5.7 Construction and Construction Administration.

The Construction phase achieves the physical realization of the Owner's Program. Design changes should rarely occur and primarily respond to changed conditions or unanticipated events, such as the unavailability of specific equipment or material. Requests for information should be rare as well, as design decisions have been made during prior phases and, because of the Construction Manager's input and involvement, the design has evolved based on the actual materials and equipment the Construction Manager and its subcontractors will use. Thus, construction contract administration is primarily a quality control and cost monitoring function. During the Construction and Construction Administration phase, the following outcomes are achieved.

(a) The Project is constructed and the Owner's program is physically realized.

(b) The Building Information Model is revised to include as-constructed conditions.

5.8 Commissioning and Closeout

During Commissioning and Closeout, the Project is brought into full operation, tested, adjusted and balanced. The PMT completes the final contract tasks, such as delivery of the Building Information Model, manuals and warranty information. In addition, the Project is evaluated and the PMT calculates the amount of ICL available to the non-owner PMT members. All commissioning activities are completed and the Project is accepted, if it has achieved the Owner's Program.

6. COMPENSATION.

6.1 Validated Target Cost.

(a) VTC Basis.

The Validated Target Cost is the sum of the Estimated Direct Cost of _____ plus a Project Contingency of _____. [____% of Estimated Direct Costs] The VTC is the standard for Target Value Design and will be a factor in determining Project success, and thus compensation, for the non-Owner PMT members.

6.2 Guaranteed Direct Costs.

On a monthly basis, as described in Article 7, below, the non-Owner PMT members will be paid their invoices for Direct Costs incurred from the proceeding invoice to the current invoice date. [plus the a monthly payment of __% of the agreed profit for CM/GC and Architect.]

(a) For the Architect, allowable Direct Costs approved by the PMT will be set forth on Exhibit D, Annex 2.

(b) For the Construction Manager, allowable Direct Costs approved by the PMT will be set forth on Exhibit E, Annex 2.

6.3 Incentive Compensation Layer.

(a) ICL Basis.

In addition to being paid their Guaranteed Direct Costs, the non-Owner PMT members may receive a percentage of an Incentive Compensation Layer. The amount of ICL available for distribution is based entirely on the success of the Project as a whole, not on individual success or the success of a portion of the Project. To obtain a percentage of the ICL, the non-owner PMT members must jointly work together to achieve the Owner's Program and it is a condition to ICL payment that the Owner's Program be [substantially] achieved.

The ICL is calculated as follows:

The ICL begins as _____ percent (__%) of the agreed sum of the normal profit of the non-owner PMT members for projects of similar size and complexity.

If any Validated Target Cost funds remains after payment of all Guaranteed Direct Costs, then ___ percent (__%) of the excess Validated Target Cost funds is added to the ICL.

The Owner may also add some or all of the Owner's Contribution to the ICL, subject to the level of success of the Project and as discussed below.

Once the ICL has been calculated, it is then adjusted for time, efficiency and quality, as discussed below.

(b) ICL Adjustments.

(i) Time Adjustment.

Unless otherwise agreed to by all parties, if the Project is not Substantially Complete on the Substantial Completion Date, then the ICL shall be decreased by $_____ for each day from the Substantial Completion Date until Substantial Completion is achieved. [Unless otherwise agreed to by all parties, if the Project is Substantially Complete before the Substantial Completion Date, then the ICL shall be increased by $_____ for each day from the date of actual Substantial Completion until the Substantial Completion Date.]

(ii) Efficiency Adjustment.

If the Guaranteed Direct Cost payments are less than the Estimated Direct Costs plus the Contingency, _____ percent (__%) of the difference is added to the ICL.

If the Guaranteed Direct Cost payments exceed the sum of the Estimated Direct Costs and the Project Contingency, then the ICL is decreased by the amount of the overrun.

(iii) Quality Adjustment.

The PMT is committed to designing and implementing this Project consistent with high standards of quality, innovation, functionality and aesthetics. To achieve this goal, the ICL, after adjustment for efficiency, will be further adjusted by a decrease of up to twenty percent of the ICL.

The quality comparison standards used to evaluate the quality of the Project will be based on the Contract Documents, generally accepted quality standards in the industry, Sand Canyon and the following five criteria (collectively, the "Quality Comparison Standards"):

Functionality: Does the Project meet the needs of the Owner's staff and assist them in carrying out their responsibilities? Does the Project meet the needs of the Owner's clients and others that will use the space?

Aesthetics: Is the Project, as designed and constructed, a visually appealing space that is consistent with the Owner's culture and uniqueness?

Materials: Are the installed materials of high quality, durable and easy to maintain?

Workmanship: Is the Project constructed in accordance with high standards of workmanship?

Sustainability: Have the project goals for LEED certification and sustainability been met or exceeded?

The PMT will identify the Independent Assessor who, at Final Completion, will inspect the Project, evaluate the quality of the Project using the Quality Comparison Standards and score the Project between 0 and -2. Then, ICL will be adjusted as follows:

Score	Narrative	ICL Adjustment
0	Meets Quality Comparison Standards	No ICL Adjustment
-1	Poorer than Quality Comparison Standards	ICL decreased by 10%
-2	Substantially Poorer than Quality Comparison Standards	ICL decreased by 20%

Notwithstanding the foregoing, the failure to identify the Independent Assessor prior to [_____] will result in the right of Owner, in its sole discretion, to terminate this Agreement. Upon termination pursuant to this provision, Owner shall be obligated to pay only those Guaranteed Direct Costs incurred by each non-Owner PMT member prior to the effective date of termination.

(iv) Owner Contribution Adjustment.

To provide greater incentive to the PMT to meet or exceed the Owner's Program, the Owner may contribute some or all of the Owner Contribution to the ICL for distribution to the non-Owner PMT members, in the Owner's sole discretion. The ICL adjustment will be made as follows:

If the Project costs are less than or equal to the VTC, if the Independent Assessor determines that the Project meets or exceeds the Quality Comparison Standards, and if the Project is Substantially Complete by the Substantial Completion Date, Owner shall add the entire Owner Contribution to the ICL for distribution to the non-Owner PMT members.

If the Project costs are greater than the VTC, and/or if the Independent Assessor determines that the Project fails to meet the Quality Comparison Standards, and/or if the Project is not Substantially Complete by the Substantial Completion Date, Owner will, in its discretion, add none or only a portion of the Owner Contribution to the ICL [insert specific criteria or formula for contribution?].

(c) Payment of ICL.

After adjustment for efficiency and quality, the ICL will be distributed to the non-Owner PMT members in the following percentages:

Architect __.__%

Construction Manager __.__%

6.4 Acceptance of Nonconforming Work. If Owner prefers to accept Nonconforming Work (as defined in Section 4.2 of Exhibit I), Owner may do so instead of requiring its removal and correction, in which case the amount to be paid to the Construction Manager will be reduced as appropriate and equitable. The adjustment shall be made whether or not Final Payment has been made. If Owner elects to proceed as indicated in this Section after Final Payment has been made, Construction Manager shall pay the amount to Owner immediately upon demand.

6.5 Audit Right. The Owner, at its expense, and as further provided for in Exhibit F hereto, may audit the financial information of any PMT team member related to (i) direct costs, profit and overhead calculations provided in establishing the VTC, and/or (ii) any application for payment or calculation of amounts owed by Owner. The PMT member being audited shall reasonably cooperate and make available for inspection and audit of its financial information.

7. PAYMENT

7.1 Payments. Payment applications ("Payment Applications") shall be prepared by non-Owner PMT members each in a format attached hereto as Exhibit G. The period covered by each Payment Application shall be the calendar month ending on the day of the month specified by the Project Management Team. Timely payment applications that satisfy all requirements of the Contract Documents and are approved by the Project Management Team will be paid within thirty (30) days of receipt by Owner.

7.2 Materials and Equipment. Payment Applications may include materials and equipment delivered and suitably stored at the site for subsequent incorporation into the Work or, with PMT's prior approval, suitably stored off the site at a location agreed upon in writing. Payment for materials and equipment stored on or off the site shall be conditioned upon compliance by Construction Manager with procedures satisfactory to Owner to establish Owner's title to the materials and equipment or otherwise protect Owner's interest, and shall include the costs of applicable insurance, storage and transportation to the site for the materials and equipment stored off the site. Except with the Project Management Team's prior approval, Construction Manager shall not make advance payments to suppliers for materials or equipment which have not been delivered and incorporated into the Work.

7.3 Supporting Documents. Each Payment Application shall be accompanied by the following:

(a) a duly executed conditional waiver and release form complying with applicable law covering all services and work performed by subcontractors, subconsultants or other vendors entitled to file mechanics' liens with respect to any services, work, equipment or material rendered or provided during the billing period.

(b) certification that applicant has no knowledge of any filed mechanic's liens with respect to the Work and that all subcontractors, subconsultants, and vendors have been paid to date or shall be paid with the proceeds of the Payment Application for all work covered under the Payment Application.

In addition to the foregoing, within 5 days after receipt of Final Payment, non-Owner PMT members shall provide Owner a duly executed unconditional waiver and release form complying with applicable law covering all services and work performed by subcontractors, subconsultants or other vendors entitled to file mechanics' liens with respect to any services, work, equipment or material rendered or provided for the Project.

7.4 Right to Withhold. Owner may refuse to approve a Payment Application or, because of subsequently discovered evidence or subsequent observations, may nullify the whole or a part of a prior payment to the extent the Project Management Team determines it necessary to protect Owner from loss for which Construction Manager is responsible because of:

(a) Nonconforming Work not remedied.

(b) Third-party claims filed against Owner or the Project or reasonable evidence indicating probable filing of the claims, unless security acceptable to Owner is provided.

(c) Failure of Construction Manager to make payments properly to subcontractors or for labor, materials or equipment.

(d) Damage to Owner or another contractor for which Construction Manager is potentially liable.

(e) Persistent failure to carry out the Work in accordance with the Contract Documents, or

(f) Insufficient documentation, erroneous estimates of value of the Work performed or other incorrect statements in the Application.

7.5 No Right to Stop Work. If Construction Manager disputes any determination with respect to any Payment Application, Construction Manager nevertheless expeditiously shall continue to prosecute the Work, provided amounts not in dispute are timely paid. Owner shall not be deemed to be in default or breach of this Contract by reason of the withholding of any payment pursuant to this Article 7.

7.6 Reliance. In taking action on Applications for Payment, the Project Management Team may rely on the accuracy and completeness of the information furnished by the applicant and shall not be deemed to represent that they have made a detailed examination, audit or arithmetic verification of the documentation or supporting data; that they have made exhaustive or continuous on-site inspections, or that the Project Management Team has made examinations to ascertain how or for what purposes the applicant has used amounts previously paid.

7.7 Warranty of Title. Construction Manager warrants that title to all work, materials and equipment covered by a Payment Application, whether incorporated in the Project or not, will pass to Owner at the time of payment by Owner, free and clear of all liens, claims, security interests or encumbrances in favor of Construction Manager, subcontractors, suppliers, or other persons or entities entitled to make a claim by reason of having provided labor, materials or equipment relating to the Work. Construction Manager shall defend, indemnify and hold Owner harmless from any and all liens, claims, security interests or encumbrances filed by Construction Manager, subcontractors, suppliers, or other persons or entities entitled to make a claim by reason of having provided labor, materials and equipment relating to the Work, provided Construction Manager has received payment pursuant to this Agreement.

7.8 No Waiver. Payment by Owner shall not constitute approval or acceptance of any item of cost in the Payment Application or final acceptance of approval of that portion of the Work to which the partial payment relates.

7.9 Payments to Subcontractors. Neither Owner, nor Architect shall have an obligation to pay nor to see to the payment of money to a subcontractor or supplier except as may otherwise be required by law.

8. TIME

8.1 Contract Time.

The effective date of the contract is _____ (the "Effective Date") with Substantial Completion on the Substantial Completion Date and Final Completion on the Final Completion Date. The Substantial Completion and Final Completion dates may only be extended by mutual agreement of the PMT, Force Majeure, or to the extent contract duration is increased due to an Owner's Directive.

8.2 Force Majeure.

If work on the critical path is delayed due to strikes, natural disasters, disruptions in utility service not caused by the Construction Manager, police actions, or actions of governmental agencies other than permitting, design review, or inspection of construction, the times for Substantial Completion and Final Completion shall be extended to the extent that the duration of the critical path has been increased by the Force Majeure event.

8.3 Owner's Directive.

If the Owner issues a Directive that is opposed by the other members of the PMT, and if the Owner's Directive increases the duration of the critical path, then the dates of Substantial and Final Completion shall be extended by the increase in the duration of the critical path.

9. DIFFERING SITE CONDITIONS

If, during the course of demolition or construction, concealed or unknown conditions are encountered that could not reasonably have been anticipated by the PMT, and which differ substantially from those conditions ordinarily encountered in work similar to this

Project, then the Contract Time and the Validated Target Cost will be adjusted to the extent that direct Project costs or the Project critical path are affected.

Differing Site Conditions will be brought to the attention of the PMT within 48 hours of their discovery. The PMT shall promptly investigate whether a Differing Site Condition exists and the affect, if any, on Contract Time and/or Validated Target Cost and render its decision pursuant to Section 3.3, Decision Making.

10. CHANGE ORDERS

Change Orders will be used to document changes to the Owner's Program, the Validated Target Cost, or the Dates of Substantial and Final Completion. The only grounds for Change Orders are Differing Site Conditions, Force Majeure, change in the Owner's Program, or an Owner's Directive.

Any PMT member may request a Change Order to this Agreement by providing the PMT with a written Change Order Request setting forth the nature of the change, the reason for the change, and the effect, if any, on the Validated Target Cost or the Dates of Substantial and Final Completion. The PMT shall review the Change Order Request and accept the request, accept the request in part or with modification, request additional information or perform its own investigation, or deny the Change Order Request. If a Change Order Request is accepted by the PMT, then a Change Order will be executed by the PMT members formally modifying this Agreement. Any disagreements with regard to a Change Order Request will be determined in accordance with Section 3.3, Decision Making.

11. BUILDING INFORMATION MODEL.

11.1 Software.

The Project shall be designed and implemented using Building Information Models and the subsidiary models as are necessary for design, fabrication and construction.

11.2 Model Administrator.

Each party is responsible for maintaining any individual design or analysis models and providing their modeling information, at appropriate intervals, to the administrator of the model (the "Model Administrator"). During Process Design, the PMT will select the Model Administrator who is responsible for receiving modeling information from the Project Information Team and incorporating the information into a master Building Information Model. Unless otherwise agreed, the Model Administrator will host and manage the modeling information.

11.3 Modeling Goals.

To the greatest extent practical, all Project information should be developed and maintained through the use of the Building Information Models. The design should be developed in the model, constructability and cost information should be incorporated through the model, conflict resolution should occur through the model, shop drawings should be submitted and reviewed through the model, and the model should be kept current to reflect as constructed conditions.

11.4 Building Information Modeling Workshop.

The Project Implementation Team will meet during the Conceptualization Phase to develop detailed protocols for the use of Building Information Modeling on this Project. Among other things, the protocols developed will:

- Specify where and how the model will be maintained;
- Specify protocols for version control, roll-back, gate keeping, and archiving;
- Specify the level of detail that will be modeled and incorporate appropriate allowances for differing construction tolerances;
- Specify when and how information regarding constructability and cost will be derived from the models and provided to the designers to inform design;
- Specify when and how existing site information is incorporated into the BIM;
- Specify how RFIs, clarifications, shop drawing and submittal information will be reviewed and incorporated into the model;
- Specify when and how conflict resolution sessions will occur;
- Specify how the BIM will be updated and function as a Record BIM; and
- Specify what design information, if any, must be developed or maintained outside of the BIM.

The BIM workshop will be scheduled by Project Facilitator at the commencement of the Conceptualization Phase. Any disagreement as to protocols, will be decided by the Project Management Team. The Project Facilitator shall document the decisions reached and incorporate them into the Project Manual.

11.5 Ownership of the Building Information Model.

(a) Ownership.

The master Building Information Model, and the subsidiary models necessary for design and construction of the Project will, upon completion of the Project, be property of the Owner and the parties agree to provide the Owner, as a deliverable before Final Completion, the most recent version of all building information modeling files. Notwithstanding the foregoing, design elements that were created by PMT or PIT members prior to the execution of this Agreement as extensions to commercially available building information modeling software remain the property of the respective PIT or PMT member that created the extension, even if used in a Building Information Model for this Project. Any Building Information Model extensions are, however, fully licensed for use by all PIT and PMT members for purposes related to the Project, and to the Owner for all purposes.

(b) Licensing.

The parties hereby license to each other, the right to use any BIM information for the purpose of designing, analyzing, or constructing this Project. Moreover, Owner hereby provides the parties with a limited license to use or display the Project BIM information for educational or promotional purposes.

11.6 Status of the Building Information Model.

Construction Manager will construct the Project in accordance with the BIM and other Instruments of Service deemed necessary by the PMT approved at the conclusion of the Implementation Documents Phase, subject to any agreed modifications, thereafter. Elements necessary for a fully functional Project, but not modeled due to their size or level or detail, will be provided by the Construction Manager as part of its work without any change to the ICL and with a level of quality consistent with the Project and the specifications. Moreover, it is anticipated that some design information, such as construction details, will not be incorporated into the BIM, but will be provided to the Construction Manager as conventional 2D or CAD files. Finally, some design information is best provided in narrative form and will be contained in written specifications. The BIM, the 2D drawings, and the written specifications are all Contract Documents, and what is required in one is required in all.

In the event of conflict between the BIM, the 2D drawings, and/or the written specifications, the Construction Manager shall notify the PMT of the conflict and the PMT shall decide which controls.

11.7 Submission of Signed and Stamped Drawings.

In order to obtain necessary permits and to comply with professional registration statutes, 2D drawings, calculations and specifications must be generated, reviewed, sealed and submitted to reviewing agencies and authorities. Architect and the design/build subcontractors shall each be responsible for, and shall sign and stamp, the drawings, specifications and calculations prepared by them. To the greatest extent possible, the 2D drawings shall be generated from the Building Information Model, but the Building Information Model, after incorporation of any agency review comments and requirements, shall control the construction of the Project.

12. PROJECT MANUAL

During Conceptualization, the PMT will develop a Project Manual that documents the quality assurance plan, safety plan, work hours and work restrictions, communication protocols, specifications, project terminology, forms and similar administrative and procedural requirements. In addition, the PMT, with the assistance of the PIT as required, will meet in a BIM workshop to discuss the technical and procedural issues as required in Section 11.4 above. The decisions reached and protocols developed will be documented in the Project Manual.

13. LIABILITY ALLOCATION

13.1 Liability Waiver as to Internal Claims.

Except for damages arising as a result of a party's fraud, willful misconduct, or gross negligence, Owner, Architect and Construction Manager waive claims against each other for all damages arising out of or relating to this Agreement. This mutual waiver includes: (i) damages incurred by the Owner for rental expenses, for losses of use, income, profit, financing, business and reputation, and for loss of management or employee productivity or of the services of its employees; and (ii) damages incurred by Architect or Construction Manager for principal office expenses including the compensation of personnel stationed there, for losses of financing, business and reputation and for loss of profit except anticipated profit arising directly from the Work. Notwithstanding the foregoing, in the event of termination of a non-Owner PMT member for cause as provided for in Section 14.4, the waiver provided for in this Section 13.1 shall be null and void as against the terminated non-Owner PMT member.

13.2 Third Party Claims.

(a) Insurance.

[Revise if OCIP] Owner, Architect and Construction Manager shall purchase and maintain insurance of the type and in the amounts set forth in Exhibit H, attached hereto. Owner, Architect and Construction Manager agree that their respective insurance companies shall have, to the extent available and to the extent coverage is not impaired, no right of subrogation against any other PMT member on account of any losses arising under insurance maintained or required to be maintained pursuant to this Agreement. Construction Manager shall request its Commercial General Liability insurance carrier to add the remaining PMT members as additional insureds to its CGL policy. Both the Owner and the Construction Manager shall be insureds under the Builder's Risk insurance policy.

(b) Indemnification.

(i) Property Damage and Bodily Injury.

To the fullest extent permitted by law, each PMT member (each an "Indemnitor") shall indemnify and hold harmless each other PMT member (each an "Indemnitee") from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, by Indemnitor's employees, arising out of or resulting from performance of the Work and attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property (other than the Work itself), but only to the extent caused by the negligent acts or omissions of the Indemnitor or anyone directly or indirectly employed by them or anyone for whose acts they may be liable, regardless of whether or not the claim, damage, loss or expense is caused in part by an Indemnitee.

(ii) Patent and Copyright.

Construction Manager and Architect represent and warrant that designs used by each for the Project do not and will not violate any patents, copyrights or trademarks. Construction Manager and Architect each indemnify Owner from and against

claims, damages, losses and expenses, including but not limited to attorneys' fees, attributable to patent, copyright or trademark violations from the use of infringing patents, copyrights or trademarks in violation of applicable law.

(iii) Lien Free Obligation.

Provided Owner has fulfilled its obligations under this Agreement, each non-Owner PMT member shall fully and promptly pay and discharge all commitments and claims and wholly defend, protect and indemnify and save harmless Owner and its property against all demands, claims, mechanics' liens on the Project or the property upon which it is situated asserted by the Architect, the Construction Manager, or any other consultant, subconsultant, contractor or subcontractor. Furthermore, the non-Owner PMT members shall not permit any lien, attachment, or other encumbrance to remain on record against the Project or the property upon which it is situated for any money due or any work done or materials furnished relative to the Work or by reason of any other claim or demand against the non-Owner PMT members by any other consultant, subconsultant, contractor or subcontractor. Each non-Owner PMT member shall impose substantially identical contractual requirements on any consultant, subconsultant, contractor or subcontractor. Provided Owner has fulfilled its obligations under this Agreement, if the non-Owner PMT members fail to remove any mechanics' lien filed by any other consultant, subconsultant, contractor or subcontractor by satisfaction, bonding or otherwise, Owner may retain sufficient funds, out of any money due or thereafter to become due to the non-Owner PMT member by Owner, to pay the lien and all costs incurred by reason of the lien, including reasonable attorneys' fees and the cost of any lien bonds Owner may elect to obtain. Additionally, without prejudice to any other rights or remedies and at its sole election, Owner may, upon thirty (30) days prior written notice to the non-Owner PMT member, pay any lien or liens and costs out of any funds that are or that become due to the non-Owner PMT member. During this thirty (30) day period, the non-Owner PMT member may elect to post a lien release bond if the lien is disputed.

14. DEFAULT, SUSPENSION AND TERMINATION

14.1 Termination for Convenience.

Owner may terminate this Agreement, and the Work hereunder, at any time for Owner's convenience and without cause ("Termination for Convenience"), upon written notice (the "Notice"). The Notice shall state the extent and effective date of the termination, and on the effective date the PMT members affected shall (1) as and to the extent directed, stop work under this Agreement, place no further orders and enter into no further subcontracts for materials, labor, services or facilities; (2) unless otherwise directed, terminate all subcontracts and orders; and (3) take such other actions as may be necessary or requested by Owner to protect and preserve the terminated Work and any other property in a PMT member's possession in which Owner has or may acquire an interest.

14.2 Payment Upon Termination for Convenience.

If this Agreement is Terminated for Convenience, Owner shall pay to each non-Owner PMT member (i) Guaranteed Direct Costs incurred by each non-Owner PMT member prior to the effective date of termination; (ii) reasonable direct costs of termination and demobilization; and (iii) a portion of the ICL equivalent to the percentage of the Project completed as determined by the Owner's evaluation of the percentage of the Project completed prior to termination; provided, and subject to the ICL adjustment factors set forth in Section 6.3,

however, that in no event shall the total amount paid to each non-Owner PMT member pursuant this Section 14.2 exceed the VTC. Notwithstanding the foregoing, upon Termination for Convenience, Owner shall have the right to adjust the ICL pursuant to the provisions of Section 6.3(b). Any payment under this Section 14.2 shall be made only upon the Owner's receipt of all requested statutory lien waiver and release forms as specified elsewhere in this Agreement, subject to withholding by Owner for reasons and in the manner provided in connection with Final Payment. Any dispute over the amount to be paid upon termination shall be resolved in accordance with the Dispute Resolution Procedures set forth in Article 18.

14.3 Suspension.

Owner may, without cause, order the PMT to suspend, delay or interrupt the Project for as long as Owner may determine. In the event the Project is suspended pursuant to this Section 14.3, the Contract Time shall be extended for a period reasonably caused by the suspension. In the event the suspension results in an increase in the cost of the Project, the Validated Target Cost also shall be increased by the amount reasonably caused by the suspension. No adjustment shall be made to the extent that:

- Performance is, was or would have been so suspended, delayed or interrupted by another cause for which any non-Owner PMT member is responsible; or
- An equitable adjustment is made or denied under another provision of the Agreement.

14.4 Termination for Cause.

Owner shall have the right to terminate this Agreement, or a party to this Agreement, for cause in the event of any of the following:

- Persistent failure by one or more parties to this Agreement to provide adequate labor and resources to achieve the Contract Time for the VTC.
- Refusal by a party to rectify Work not in accordance with the Contract Documents.
- Persistent failure by a party to work cooperatively with the PMT for the benefit of the Project.
- Failure by an non-Owner Party to pay non-PMT members of the PIT.

15. AWARD OF SUBCONTRACTS

15.1 Each PMT member responsible for any work subcontracted by them.

(a) Unless otherwise stated in the Contract Documents, each member of the PMT, as soon as practicable after execution of the Agreement but in no event later than the upon completion of the Process Design Phase described in Section 5.1, shall furnish in writing to the other members of the PMT the names of persons or entities (including those who are to furnish materials or equipment fabricated to a special design) proposed

for each principal portion of the Work. The PMT will promptly reply to such PMT member in writing stating whether or not the PMT, after due investigation, has reasonable objection to any such proposed person or entity. Failure of the PMT to reply promptly shall constitute notice of no reasonable objection.

(b) PMT members shall not contract with a proposed person or entity reasonably and timely objected to by the PMT.

(c) If the PMT members reasonably object to a person or entity proposed by a PMT member, the PMT member shall propose another to whom the PMT has no reasonable objection. If the proposed but rejected subcontractor was reasonably capable of performing the Work, the VTC and the Contract Time shall be adjusted by the difference, if any, occasioned by such change, and an appropriate Change Order shall be issued before commencement of the substitute subcontractor's Work. However, no increase in the VTC or Contract Time shall be allowed for such change unless the PMT member has acted promptly and responsively in submitting names as required.

(d) No PMT member shall change a subcontractor, person or entity previously selected if the remaining PMT members reasonably object to such substitute.

15.2 Required Subcontract / Subconsultant Contract Provisions.

(a) PMT members shall ensure that all subcontractors whose scope of Work is in excess of five percent (5%) of VTC and all subconsultants whose fees are anticipated to be more than $1,000,000 (each such subcontractor or subconsultant is a "Major Sub" and collectively, the "Major Subs") shall be subject to the following provisions:

(i) Major Subs and all non-PMT members of the PIT shall waive liability and claims against each PMT member and any other subcontractor or subconsultant working on the Project; such waivers to be in substantially the same form as set forth in this Agreement.

(ii) Major Subs shall be subject to compensation provisions substantially similar to provisions of this Agreement.

(b) Contracts with all subcontractors and subconsultants shall include assignment of the contract by the PMT member to Owner provided that such assignment is effective only after termination of this Agreement by the Owner for cause pursuant to Section 14.4 and only for those subcontract agreements which the Owner accepts by notifying the subcontractors and subconsultants and contracting non-Owner PMT member in writing. If the subcontract is assigned pursuant to this Section 15.2(b), and the Work has been suspended for more than thirty (30) days, the subcontractor's or subconsultant's compensation will be equitably adjusted for increases in cost resulting from the suspension.

16. GENERAL CONTRACT CONDITIONS

General Contract Conditions for the Project are addressed on Exhibit I.

17. SPECIAL CONTRACT CONDITIONS

Special Contract Conditions for the Project, if any, are addressed on Exhibit J.

18. DISPUTE RESOLUTION

18.1 Scope.

All Disputes in question between the parties to this Agreement which arise from or in connection with this Agreement shall be resolved as provided in this Article 18.

18.2 Continued Performance.

At all times during the pendency of a Dispute or a Dispute Resolution Proceeding, Work shall continue. Provided the Owner continues to comply with its obligations under this Agreement, the parties to the Dispute Resolution Proceeding shall comply with Owner's Directives.

18.3 Disputes.

The parties have waived all claims between them as set forth in Section 13.1. Nonetheless, issues may arise with regard to the interpretation of this Agreement that require resolution between the parties. Claims for compensation due for services and work performed for this Project, other than disputes arising from non-payment of amounts due under Article 6, are not disputes as they are within the type of claims waived by the parties.

18.4 Special Meeting.

Owner, Architect and Construction Manager shall attempt to resolve their disputes by reasonable business-like negotiations in accordance with the following procedures, and without resort to litigation. Upon receipt of a Notice of Potential Dispute, the affected parties shall attempt to resolve it through direct negotiations at the next regularly scheduled meeting of the PMT and notice shall be provided to all PMT members specifying the nature of the dispute to be resolved. This meeting shall be attended by non-attorney Project representatives of the affected parties, who shall attempt in good faith to resolve the dispute and have authority sufficient to do so. The PMT will review Disputes and take one or more of the following actions: (1) request additional supporting data from the claimant or a response with supporting data from the other party, (2) request a technical analysis of the Dispute from any PMT member; (3) proceed in an effort to achieve a negotiated resolution of the Dispute. The PMT may, but shall not be obligated to, consult with or seek information from either party or from persons with special knowledge or expertise who may assist the PMT in issuing a technical interpretation or recommendation.

18.5 Senior Representative Meeting.

If the PMT is unable to resolve the Dispute, any party may request Senior Management Representatives to meet with the PMT and attempt to resolve the Dispute. Senior

Management Representative from each PMT member will then review the claim in detail and then meet face-to-face to discuss and resolve the matter (a "Senior Representative Meeting"). This Senior Representative Meeting shall occur no later than fourteen (14) days after the PMT has declared an impasse in its efforts to resolve the dispute, unless the parties agree upon a longer period of time. This meeting shall be for the express purposes of (1) exchanging and reviewing all pertinent non-privileged documents and information relating to the matters and issues in dispute, (2) freely and candidly discussing each party's position, and (3) reaching agreement upon a reasonable, compromise resolution of the Dispute.

18.6 Non-Binding Mediation.

If the dispute has not been resolved as provided above, any party may, at its option, initiate mediation proceedings in which the remaining parties shall participate. These proceedings shall be conducted by a third-party mediator who is acceptable to all of the parties to the mediation and experienced in design and construction on projects of similar type and scope. The mediator shall be given written statement(s) of the parties and may inspect the Project site and other documents. The mediator shall schedule a mediation session, to be attended by representatives of Owner, Architect and Construction Manager with authority sufficient to resolve the dispute, together with any other party who has an interest in the Dispute, within a reasonable time of the mediator's selection. The cost of the mediation shall be borne equally by the parties to the dispute, i.e., if only Owner and Construction Manager are involved in the dispute, then only the two of them shall share the cost. No minutes shall be kept and the proceeding shall be confidential and not admissible except as provided below. The entire mediation process must be completed within thirty (30) days of the initial PMT meeting regarding the Dispute, unless all parties involved in the dispute extend the mediation period. If, as a result of the mediation, a negotiated settlement is reached, the parties agree that the settlement shall be reduced to writing and will be enforceable in a court of competent jurisdiction.

18.7 Arbitration.

If the parties are unable to resolve the dispute through mediation, they will pursue arbitration pursuant to the provisions of this Section 18.7, and the parties waive any right to seek an injunction, temporary restraining order, stop payment or other relief which would stop or delay the Work during arbitration. All disputes arising out of or related to this Agreement that are not resolved through mediation will be subject to arbitration. Any party to such a dispute may serve upon the others a written demand for arbitration within sixty (60) days after conclusion of mediation required under Section 18.6 or within the applicable statute of limitations if the claim were to be litigated, whichever is later. Disputes involving claims of $1,000,000 or less shall be subject to arbitration before a single arbitrator. Those involving claims in excess of $1,000,000 shall be subject to arbitration before a panel of three arbitrators. Within fifteen (15) days after service of a demand for arbitration, the parties or their attorneys shall confer and attempt to agree upon the choice of an arbitrator or arbitrators. Should they fail to reach agreement, the party who served the demand for arbitration shall file the demand with the American Arbitration Association and the dispute shall be resolved in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association. Should the parties reach agreement on the choice of an arbitrator (or arbitrators in the event of a three person panel), they shall proceed with arbitration using the Construction Industry Arbitration Rules of the American Arbitration Association, but shall not use the American Arbitration Association to administer the proceedings. The parties further agree that this arbitration may include, by consolidation or joinder, consultants to Owner or Architect and subcontractors or

suppliers to Construction Manager. The award rendered by the arbitrator or arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction.

18.8 Application of Procedures.

Architect and Construction Manager shall cause the provisions of this Article 18 to be incorporated in contracts with all subcontractors, suppliers and Architect's consultants, so that these parties shall also be bound to this dispute resolution procedure. This dispute resolution procedure shall not in any way affect any statutes of limitation relating to any Dispute, dispute or other matter arising out of the Contract Documents.

19. MISCELLANEOUS PROVISIONS

19.1 Licensure and Standard of Care.

Architect and Construction Manager represent that each and each of its consultants are licensed professionals qualified to practice their professions in California, and that each, if a partnership, corporation or other form of business entity, is in good standing and qualified to do business in California. As provided throughout the Contract Documents, each party shall perform its designated services in a competent professional manner in accordance with the standards of experienced professionals in the geographic location of the Project experienced in providing services for facilities of this size, complexity, and construction process. All services rendered in connection with this Agreement must be in accord with all applicable laws, ordinances, rules, regulations and lawful orders of public authorities. No party assumes any responsibility for tasks outside of its professional expertise or capability and outside of the scope of its licensure.

19.2 Notices.

All notices, requests, documents, approvals and other instruments made, given or delivered pursuant to and in connection with this Agreement shall be in writing and shall be deemed to have been duly given (1) when delivered, if delivered in person or by reputable overnight courier, (2) as evidenced by a facsimile confirmation, on the date transmitted by facsimile if between the hours of 8:00 a.m. and 5:00 p.m. Eastern Time on a business day, otherwise on the next business day, (3) three business days after deposit in the United States Mail, registered or certified mail, return receipt requested, postage prepaid, to the last business address known to party giving notice, or to such address as the parties may designate from time to time, or (4) upon receipt if sent by any other method. Any party may change its address or facsimile number, as set forth herein, upon notice to the other in the manner forth set above.

19.3 Governing Law.

This Agreement is to be construed in accordance with and governed by the substantive laws of the United States and the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California. Any legal action relating to this Agreement will be filed in either the Superior Court of California for the County of San Francisco, or in the United States District Court for the Northern District of California, and all parties consent to personal jurisdiction in these venues.

19.4 Entire Agreement.

This Agreement, which includes the other documents incorporated by reference, is the complete, entire, final, and exclusive statement of the terms and conditions of the agreement between the parties. This Agreement supersedes, and the terms of this Agreement govern, any prior or contemporaneous agreements between the parties with respect to the subject matter of this agreement. This Agreement may not be modified except in a writing executed by duly authorized representatives of the parties whose rights are affected or according to the Change Order procedures outlined in this Agreement.

19.5 Assignment.

Each party respectively binds itself, and each of its successors, assigns, and legal representatives to the other parties hereto and to successors, assigns, and legal representatives of the other parties with respect to covenants, agreements and obligations contained in the Contract Documents. Neither Owner, Construction Manager or Architect shall assign this Agreement, or rights hereunder, in whole or in part, without the other parties' prior written consent, except that each party may, with advance written notice, assign this Agreement to wholly-owned subsidiaries, parents, affiliates, or merger partners.

19.6 Rights and Remedies.

Duties and obligations imposed by the Contract Documents and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law or in equity.

19.7 Survival.

The following provisions shall survive the termination or expiration of this Agreement: Section 11.5, Articles 13 and 18, Exhibit H and Section 2 and 4 of Exhibit I.

19.8 Waiver.

No party's delay or omission in exercising any right, power or remedy upon a breach or default by any other party shall impair any such right, power or remedy. The exercise of any right or remedy provided in this Agreement will be without prejudice to the right to exercise any other right or remedy provided by law or equity

19.9 Severability.

If any provision of this Agreement is held as a matter of law to be unenforceable, unconscionable or invalid, the remainder of this Agreement shall be enforceable without that provision.

19.10 Execution.

By executing this agreement, each of the individuals represent that he or she has authority to execute this Agreement and to bind the party on whose behalf his or her execution is made.

OWNER:

Palomar Pomerado Health

By: _____
Name: _____
Title: _____
Address:

ARCHITECT:

ARCHITECT

CO ARCHITECTS

By: _____
Name: _____
Title: _____
Address: _____
_____

CONSTRUCTION MANAGER:

DPR CONSTRUCTION, INC.

By: _____
Name: _____
Title: _____
Address: _____
_____

EXHIBIT A

OWNER'S PROGRAM

Annexes	Document Title
1	Quantifiable Targets
2	Design Standards
3	Information Technology Standards
4	OSHPD Phased Review Schedule
5	Proposed Project Schedule

Exhibit A - Annex 1

Quantifiable Targets

- Schedule – Substantial Completion by _____, Final Completion by _____
- Budget – $_____
- OSHPD Phased Review Approval
- Quality and Innovation
- Successful Integrated Project Delivery Project

Exhibit A - Annex 2

Design Standards

[to provide]

Exhibit A - Annex 3

Information Technology Standards

[to provide]

Exhibit A - Annex 4

OSHPD Phased Review Schedule

[to provide]

Exhibit A - Annex 5

Proposed Project Schedule

[To be prepared by PMT]

EXHIBIT B

PROPOSAL TO OWNER

EXHIBIT C

TASK MATRIX

1. OWNER

1.1 IT;

1.2 Security; and

1.3 Content Development.

1.4 Contract with the following subcontractors:

(a) _____;

(b) _____;

(c) _____;

(d) _____; and

(e) All other standard subs.

2. ARCHITECT

2.1 Prepare and stamp drawings for permit submission.

2.2 Contract with the following subconsultants:

(a) _____;

(b) _____;

(c) _____;

(d) _____; and

(e) _____.

2.3 Engage a sub-consultant to prepare as-builts.

3. CONSTRUCTION MANAGER

3.1 Coordinate the BIM model.

EXHIBIT D

ARCHITECT'S DIRECT COSTS

Direct Costs with respect to the Architect shall include hourly salaries, usual and customary benefits, reimbursable costs for document reproduction and travel and an additional $___ per hour. A schedule itemizing such allowable Direct Costs specifically applicable to the Architect is set forth below:

EXHIBIT E

CONSTRUCTION MANAGER'S DIRECT COSTS

Direct Costs with respect to the Construction Manager shall be limited to the Construction Manager's direct out-of-pocket costs reasonably and necessarily incurred in the proper performance of the Work and shall be limited to the following:

- All payments made to Subcontractors and vendors included in the Schedule of Values as described in Article 6.2 of this Master Contract for Work performed and materials incorporated into the Work;

- Wages paid for hourly labor in the direct employ of Construction Manager in the performance of the Work on each Project site under applicable collective bargaining agreements (of, if there is no applicable collective bargaining agreement, under a wage, schedule including only appropriate allocations of social security, federal and state unemployment taxes, health plans, retirement plans, and employee benefits required by law or by an applicable collective bargaining agreement.

- Pro rata compensation for salaried staff labor while performing Work-related activities at the Project field office, employees engaged on the road expediting the production or transportation of materials and equipment required for the Work, and for such other personnel as may be approved in advance by Owner, including only appropriate allocations of social security, federal and state unemployment taxes, health plans, retirement plans, and employee benefits required by law;

- Costs of all materials, supplies, equipment, water and utilities used in or incorporated into the Work, including any costs of transportation and storage thereof;

- Costs, including transportation and maintenance, of all materials, supplied, equipment, temporary facilities and hand tools not owned by workers and which are used and fully consumed in the performance of the Work, and the costs, less salvage value, of such items used, but not fully consumed, which remain the property of Construction Manager, provided that such cost shall in no event exceed the fair market value to purchase such equipment;

- Rental charges not-to-exceed fair market value consistent with those prevailing in the Project area for all necessary machinery and equipment, exclusive of hand tools, used in the Work, whether rented from Construction Manager or others, including the costs of installation, repairs and replacements (except repairs or replacement of a capital nature), dismantling, removal, lubrication, transportation and delivery thereof, provided that such cost shall in no event exceed the fair market value to purchase such equipment;

- General Construction Manager's on-site overhead and general expenses, including office equipment purchases or rentals approved by Owner, and copying, telephone, facsimile ("fax") and postage expenses, provided that, unless otherwise agreed, any equipment purchased becomes the property of the Owner upon termination of this Master Contract or conclusion of the Work;

- Reasonable transportation, travel and lodging expense of Construction Manager's employee incurred with Owner's prior approval in discharge of Work-related duties beyond a 150-mile radius of the Project site;

- All premiums for insurance and sub contractor bonds, as required by Owner to be maintained by Construction Manager under the Contract Documents, as allocated to the Project under generally accepted accounting principles consistently applied;

- Applicable sales, use, or similar taxes related to the Work imposed by any government authority for which Construction Manager is liable and no exemption exists;

- Permit fees (except building permits), license fees (In California: include Office of Statewide Health Planning and Development ("OSHPD") fees, if any), tests (other than those performed by independent agencies retained by Owner) and royalties;

- All of Construction Manager's office and support personnel who are not working directly on the Project on a full time basis at the Project Site;

- All Home Office clerical and administrative personnel;

- All Home Office capital costs, rent and utilities. ("Home Office" as used herein shall include Construction Manager's principal office and all offices, sites and facilities not at the Project Site).

- All Home Office overhead;

- All Home Office supplies, equipment and machinery;

- All Home Office phone systems, computer systems and data systems;

- All accounting and audit activity and expenses such as tax preparation, payroll calculations and distribution;

- All office, shop and yard capital costs, rent and utilities, except to the extent such costs are compensated pursuant to subsection 5.1.1.1.2.1;

- All Construction Manager's capital costs, including without limitation, interest on, or depreciation of, any and all capital items employed either in any of Construction Manager's yard or shop facilities or on the Work or elsewhere, except to the extent such costs are compensated pursuant to subsection 5.1.1.1.2.1;

- Estimating that is not specifically related to this Project. (Project specific estimating is included within General Conditions Costs);

- All corporate safety and quality control/quality assurance personnel and development of all corporate safety and quality control/quality assurance programs;

- All travel expenses;

- All Construction Manager bonus programs, 401K programs, pensions, employee disability programs, savings programs and profit sharing programs and the like;

- All corporate safety incentive programs;
- All insurance premiums other than those for Project specific insurance;
- All hardware, software, supplies and support personnel necessary or convenient for Construction Manager's capture, documentation and maintenance of its costs and cost accounting data and cost accounting and control systems and work progress reporting, and all associated files and records, and for response to and support of any and all Owner audit requests, all as provided in Section 7;
- All supervision of insurance and taxation matters;
- All supervision of labor relations matters;
- All supervision of shop labor, except to the extent such costs are compensated pursuant to subsection 5.1.1.1.2.1;
- All storage of all materials and information required pursuant to Section 7;
- All Construction Manager profit;
- All items, activities and functions not specifically included in the Cost of the Work or General Conditions Costs;
- All items, activities and functions listed in Article 8.1.2 of the Contract;
- All Project Managers, and all Project Superintendents, and all assistants, including without limitation, all general supervisors and managers, all quality control and/or quality assurance managers, and all safety managers, and all detailing managers and all supervisors, and managers for all Construction Manager's labor at Construction Manager's fabrication shop or yard, and all others above the level of general foreman;
- All Project engineers and cost engineers;
- All Project estimators;
- All Project schedulers;
- All Project purchasing agents and expeditors;
- All Project document control clerks;
- All Project secretaries and clerks;
- All Project administrative personnel;
- All labor at Construction Manager's fabrication shop or yard, performing any activities ancillary to the actual fabrication of materials, equipment, machinery and components specifically fabricated for this Project and to be installed as part of the Work at the Project Site, including without limitation, loading, unloading, stocking and storage of

supplies, materials, equipment, machinery and components at the shop or yard, except to the extent such costs are compensated pursuant to subsection 5.1.1.1.2.1;

- All Project field and office trailers and other temporary facilities for Construction Manager, Owner and Owner's consultants.
- All build out of field and office trailers and other temporary facilities, and all furniture and fittings therefor;
- All utilities set up and connection required for Construction Manager's Project field offices and trailers and other temporary facilities;
- All CAD hardware, software, licenses, equipment, materials and supplies, and all hardware, software, licenses, equipment, materials and supplies necessary for Construction Manager's participation in the Building Information Modeling Work;
- All scheduling hardware, software, licenses, equipment, materials and supplies;
- All Project temporary electric power charges;
- All Project Site office equipment of all types, and all software therefor, including without limitation, computers, printers, plotters, copies, FAX machines, audiovisual equipment, and kitchen supplies and equipment;
- All electronic media, blueprints and reproductions;
- All materials, equipment and supplies used for Construction Manager's capture and/or management of any Project information;
- All communication and/or computer network setup, and usage;
- All repair and maintenance of any item, equipment or component listed in this subsection.;
- All Project Site office cleaning services, including for Construction Manager's, Owner's and Owner's Consultants' facilities;
- All Construction Manager motor vehicles used by any Construction Manager personnel on Attachment 1 hereto, and all operating costs thereof, including without limitation, fuel, license, insurance, maintenance and depreciation;
- All Small Tools, consumables and gang boxes;
- All safety supplies and equipment;
- All preparation, production and provision of As-Built Drawings;
- All preparation, production and provision of any operation and/or maintenance manuals and any other closeout papers or materials;
- All postage;

- All gross receipts taxes, not to exceed the amount thereof calculated based upon the Target Cost of the Work;
- All Project specific insurance;
- All travel, entertainment, lodging, board and the like;
- All activities in support of development and/or validation of the Contract Schedule, including without limitation cost and man loading, and all schedule revisions and updates;
- All estimates, and all updates and revisions thereof, whether due to Changes and Extras or otherwise;
- Preparation, production and provision of: (a) All Material Safety Data Sheets; (b) all Project Site specific safety manuals and updates and revisions thereto; and (c) all Project Site-specific quality control and/or quality assurance plans and all revisions and updates thereto;
- Preparation, production and provision of all Submittals, whether required by the Contract Documents or otherwise;
- Preparation, production and provision of all information and documentation required by the Contract for any Changes or Extra work;
- All Security for Construction Manager Advance Payment and Security for Subcontractor Advance Payment provided pursuant to Section 8;
- Preparation, production and provision of one field set and one office set of drawings that depict all changes that have been issued by Construction Manager;
- All labor burden and benefits not expressly described as included in the Cost of the Work;
- All items, activities and functions listed in Article 7 of the Contract; and
- All other items, activities and functions similar to any of those described in this subsection.

A schedule itemizing such allowable Direct Costs specifically applicable to the Construction Manager is set forth below.

EXHIBIT F

AUDIT RIGHT

1.

1.1 The Owner may examine, copy and audit all documents (other than those documents protected under the attorney/client privilege and/or attorney work product doctrine) (whether paper, electronic, or other media) and electronically stored information, including, but not limited to, any and all books, estimates, records, contracts, escrow bid documents, bid cost data, schedules, subcontracts, job cost reports, and other data, including computations and projections, of Construction Manager, subcontractors, lower-tier subcontractors and suppliers related to [bidding,] negotiating, pricing, or performing the Work covered by the Contract Documents. In the event that Construction Manager is a joint venture, the right to examine, copy and audit will apply collaterally and to the same extent to the records of the joint venture sponsor, and those of each individual joint venture member.

1.2 Upon written notice by the Owner, Construction Manager promptly will make available at its office at all reasonable times the materials noted in subparagraph 1.1 for examination, audit, or reproduction. Notice will be in writing, delivered by hand or by certified mail, and shall provide not fewer than five(5) -days' notice of the examination and/or audit. The Owner may take possession of the records and materials noted in subparagraph 1.1 by reproducing documents for off-site review or audit. When requested in the Owner's written notice of examination and/or audit, Construction Manager shall provide the Owner with copies of electronic documents and electronically stored information in a reasonably usable format that allows the Owner to access and analyze all such documents and information, at the Owner's expense. For documents and information that require proprietary software to access and analyze, Construction Manager shall provide the Owner with two commercially reasonable licenses with maintenance agreements authorizing the Owner to access and analyze all such documents and information.

1.3 The Owner has sole discretion as to the selection of an examiner or auditor and the scope of the examination or audit, as permitted herein.

1.4 The Owner may examine, audit, or reproduce the materials and records under this Exhibit F from the Effective Date until three (3) years after final payment under this Contract.

1.5 Construction Manager's failure to make available any of the records or materials noted in subparagraph 1.1 or refusal to cooperate with a notice of audit will be deemed a material breach of the Contract and grounds for Termination For Cause.

1.6 Construction Manager will insert a clause containing all the provisions of this Exhibit F in all subcontracts of [Major Subs].

EXHIBIT G

APPLICATION AND CERTIFICATE FOR PAYMENT

To Owner:	**Project:**	**Application No.:** **Period To:** **Contract for: General Construction**
From Construction Manager	**Via PMT:**	

CONSTRUCTION MANAGER'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.

1. Validated Target Cost	$
2. Net change by Change Orders	$
3. Validated Target Cost to Date (Lines 1 & 2)	$
4. Total Completed & Stored To Date	$
5. Less Previous Certificates for Payment (Line 6 from prior Certificates)	$
6. Current Payment Due	$
7. Balance to Finish (Line 3 less Line 6)	$

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	$	$
Total approved this month	$	$
TOTALS		$
Net Changes by Change Order		

The undersigned Construction Manager certifies that to the best of the Construction Manager's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Construction Manager for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONSTRUCTION MANAGER:

By: _____ **Date:** _____

Print Name:
Title:

State of _____)
County of _____)

Subscribed and sworn to (or affirmed) before me on this ____ day of _____, 2008, by _____ _____, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

_____
Notary Public

PMT CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, PMT certifies to the Owner that to the best of its knowledge, information and belief the Work has progress as indicated, the quality of the Work is in accordance with the Contract Documents, and the Construction Manager is entitled to payment of the Amount Certified.

Amount certified $ _____

(Attach explanation of amount certified differs from then amount applied. Initial all figures on the Application and on the Continuation Sheet that are changed to confirm with the amount certified.)

PMT

By: _____ **Date:** _____

This Certificate is not negotiable. The Amount Certified is payable only to the Construction Manager named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Construction Manager under this Contract.

EXHIBIT H

INSURANCE REQUIREMENTS

1. **ARCHITECT'S INSURANCE**

2. **CONSTRUCTION MANAGER'S LIABILITY INSURANCE**

3. **BUILDER'S RISK INSURANCE**

[Incorporate Provisions/OCIP]

EXHIBIT I

GENERAL CONTRACT CONDITIONS

1. SAFETY PRECAUTIONS AND PROGRAMS

1.1 Responsibility. Construction Manager shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with performance of the Work. This requirement applies continuously and is not limited to normal working hours. Construction Manager shall take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to:

(a) Personnel doing the Work and other persons who may be affected by the Work;

(b) The Work and materials and equipment to be incorporated, whether in storage on or off the site, under care, custody or control of Construction Manager or Construction Manager's subcontractors or sub subcontractors; and/or

(c) Other property at or adjacent to the site, such as structures and utilities not designated for removal, relocation or replacement in the course of construction.

1.2 Safety Notices. Construction Manager shall give notices and comply with applicable laws, ordinances, rules, regulations and lawful orders of public authorities bearing on safety of persons or property or their protection from damage, injury or loss.

1.3 Fines & Penalties. Construction Manager shall be responsible for the payment of all fines levied against Owner arising from or related to activities over which Construction Manager has responsibility under the Contract Documents, or for Work which does not conform to the Contract Documents.

1.4 Adjacent Owners. Construction Manager shall give notice in writing at least forty-eight (48) hours before breaking ground, to all persons having interests on or near the site, including utility companies, owners of property having structures or improvements in proximity to the site, superintendents, inspectors, or those otherwise in charge of property, streets, water pipes, gas pipes, sewer pipes, telephone cables, electric cables, railroads or otherwise who may be affected by Construction Manager's operation, in order that they may remove any obstruction for which they are responsible and have a representative on site to see that their property is properly protected. Such notice does not relieve Construction Manager of responsibility for any damages, claims, and defense of all actions against Owner and Architect resulting from performance the negligent performance of such Work.

1.5 Barriers & Warnings. Construction Manager shall erect and maintain, as required by existing conditions and performance of the Agreement, reasonable safeguards for safety and protection, including posting danger signs and other

warnings against hazards, promulgating safety regulations and notifying owners and users of adjacent sites and utilities.

1.6 Ultra-hazardous Activity. When use or storage of hazardous materials or equipment or unusual methods are necessary for execution of the Work, Construction Manager shall exercise utmost care and carry on such activities under supervision of properly qualified personnel.

1.7 Remedying Damage. Construction Manager shall promptly remedy damage and loss to property referred to in this Article caused in whole or in part by Construction Manager, a subcontractor, a sub subcontractor, or anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable and for which Construction Manager is responsible under this Agreement at the Construction Manager's sole cost. The foregoing obligations of Construction Manager are in addition to Construction Manager's indemnity obligations set forth elsewhere in the Contract Documents.

1.8 Safety Representative. Construction Manager shall designate a qualified member of Construction Manager's organization at the site as may be approved by Owner, to be primarily responsible for the prevention of accidents. If Owner, Architect or any public agency with jurisdiction notifies Construction Manager of any claimed dangerous condition at the site which is within Construction Manager's care, custody or control, Construction Manager shall take immediate action to rectify the condition at no additional cost to Owner.

1.9 Project Loading. Construction Manager shall not load or permit any part of the Work, existing property or structures, or the site to be loaded so as to endanger the safety of persons or property.

1.10 Site Damage. In addition to its other obligations pursuant to this Exhibit I, Construction Manager shall, at its sole cost and expense, promptly repair any damage or disturbance to walls, utilities and property of third parties (including municipalities) resulting from Construction Manager's negligent performance of the Work, whether by it or by its subcontractors.

1.11 Emergencies. In an emergency affecting safety of persons or property, Construction Manager shall act, at Construction Manager's discretion, to prevent threatened damage, injury or loss. Additional compensation or extension of time claimed by Construction Manager on account of an emergency shall be determined as provided elsewhere in this Agreement.

1.12 Accidents. Construction Manager shall promptly report in writing to the PMT all accidents arising out of or in connection with the Work which result in death, personal injury or property damage, giving full details and statements of any witnesses. In addition, if death, serious personal injuries or serious property damages are caused, the accident shall be reported immediately by telephone or messenger to the PMT members.

2. HAZARDOUS MATERIALS

[Insert standard provisions]

3. ADMINISTRATION OF THE AGREEMENT

3.1 Generally. Each PMT member shall participate with the PMT in making Project decisions and in administration of the Project.

3.2 PMT Duties.

(a) Construction Administration.

(b) The PMT will make all decisions required for construction administration as provided in Section 3 of the Agreement.

(c) Notwithstanding the foregoing, the PMT will not be responsible for the Construction Manager's failure to perform the Work in accordance with the requirements of the Contract Documents. The PMT will not have control over or charge of and will not be responsible for acts or omissions of the Construction Manager, subcontractors, or their agents or employees, or any other persons or entities performing portions of the Work.

(i) Communications Facilitating Contract Administration. All parties are authorized to communicate directly with each other for the purpose of obtaining information and coordinating their work. All decisions regarding design and construction, however, must be made through the PMT.

(ii) The PMT will have authority to reject Work that does not conform to the Contract Documents. Whenever the PMT considers it necessary or advisable, the PMT will have authority to require inspection or testing of the Work whether or not such Work is fabricated, installed or completed. However, neither this authority of the PMT nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to a duty or responsibility of the PMT to the Construction Manager, subcontractors, material and equipment suppliers, their agents or employees, or other persons or entities performing portions of the Work.

(d) Determination of Substantial and Final Completion

(i) Certificates of Completion. The Architect, on behalf of the PMT, will conduct inspections, pursuant to the provisions of this Section (c), to determine the date or dates of Substantial Completion and the date of Final Completion, will receive and forward to the PMT, for the Owner's review and records, written warranties and related documents required by the Agreement and assembled by the Construction Manager, and the Architect, upon a directive from the PMT, will issue a final Certificate for Payment upon compliance with the requirements of the Contract Documents.

(ii) Inspections. Upon receipt of the Construction Manager's list, each Architect will make an inspection to determine whether the Work or designated portion thereof is Substantially Complete. If the Architect's inspection discloses any item, whether or not included on the Construction Manager's list, which is not sufficiently complete in accordance with the Contract Documents so that the Owner can occupy or utilize the Work or designated portion thereof for its intended use, the Construction Manager shall, before issuance of the Certificate of Substantial Completion, complete or correct such item upon notification by the Architect. In such case, the Construction Manager shall then submit a request for another inspection by the Architect to determine Substantial Completion.

(iii) Certificates. When the Work or designated portion thereof is Substantially Complete, and pursuant to the directives of the PMT, the Architect will prepare a Certificate of Substantial Completion for its respective portion of the Project which shall establish the date of Substantial Completion, shall establish responsibilities of the Owner and Construction Manager for security, maintenance, heat, utilities, damage to the Work and insurance, and shall fix the time within which the Construction Manager shall finish all items on the list accompanying the Certificate. Warranties required by the Contract Documents shall commence on the date of Substantial Completion of the Work or designated portion thereof unless otherwise provided in the Certificate of Substantial Completion.

(iv) Submission to Owner. The Certificate of Substantial Completion shall be submitted to the Owner and Construction Manager for their written acceptance of responsibilities assigned to them in such Certificate.

3.3 Architect's Duties

(a) Site Visits. The Architect will visit the site at intervals appropriate to the stage of construction to become familiar with the progress and quality of the Work and to determine if the Work is proceeding in accordance with the Contract Documents. However, the Architect will not be required to make exhaustive or continuous on-site inspections to check quality or quantity of the Work. On the basis of on-site observations, the Architect will prepare site observation reports concerning the progress and quality of the Work, and promptly alert Owner and the PMT to any nonconformance or condition which might, in the Architect's professional opinion, adversely affect the Work. The Architect will submit a written report to the PMT within five (5) days after each site visit.

(b) Review Submittals

(i) Submittals. Submittals include Shop Drawings, Product Data and Samples, but are not Contract Documents. To the extent required

by the Contract Documents, Submittals demonstrate the way by which the Construction Manager and subcontractors propose to conform to the information given and the design concept expressed in the Contract Documents.

(1) "Shop Drawings" are drawings, diagrams, schedules and other data specially prepared for the Work by the Construction Manager or a subcontractor, Sub subcontractor, manufacturer, supplier or distributor to illustrate some portion of the Work.

(2) "Product Data" are illustrations, standard schedules, performance charts, instructions, brochures, diagrams and other information furnished by the Construction Manager to illustrate materials or equipment for some portion of the Work.

(3) "Samples" are physical examples which illustrate materials, equipment or workmanship and establish standards by which the Work will be judged.

(ii) Architect's Review. The Architect will review and approve or take other appropriate action upon the Construction Manager's Submittals, but only for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. Review of Submittals shall not relieve the Construction Manager of the obligations under Section 3.5(b)(iii) and Section 4 of this Exhibit I. The Architect's review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the Architect, of any construction means, methods, techniques, sequences or procedures. An Architect's approval of a specific item shall not indicate approval of an assembly of which the item is a component.

(c) Prepare punch lists. After the Construction Manager notifies the PMT that it believes the Project is Substantially Complete, the Architect will review the work and prepare punch lists of work that should be rectified prior to final completion of the work.

3.4 Requests For Information. The parties intend to exchange information directly and informally to increase common understanding and expedite resolution of any design and construction issues that occur after issuance of the Contract Documents. In most instances, issues relating to design and construction will be raised during PIT or PMT meetings and will be determined by the PIT or PMT collaboratively. Requests for Information (RFIs) are used to document the decisions reached by the PMT or PIT with regard to the issues raised.

(a) Issue Certificates of Substantial Completion. Pursuant to the provisions of Section 3.2(c) of this Exhibit I, the Architect will issue certificates of Substantial and Final completion.

3.5 Construction Manager's Duties.

(a) BIM Update. In connection with the management of the BIM as provided for in the Agreement, Construction Manager shall update the BIM with

RFI responses and clarifications provided by the Architect. In addition, the Construction Manager shall update the BIM with "as built" information such that the BIM, upon completion of the Project, reflects the Project as finally designed and constructed.

(b) Supervision and Coordination of All Subcontractor

(i) The Construction Manager shall supervise and direct the Work, using the Construction Manager's best skill and attention. The Construction Manager will be solely responsible for and have control over construction means, methods, techniques, sequences and procedures and for coordinating all portions of the Work under the Agreement, unless the Contract Documents give other specific instructions concerning these matters. If the Contract Documents give specific instructions concerning construction means, methods, techniques, sequences or procedures, the Construction Manager will evaluate the jobsite safety thereof and, except as stated below, will be fully and solely responsible for the jobsite safety of the means, methods, techniques, sequences or procedures as set forth in the Contract Documents. If the Construction Manager determines that the means, methods, techniques, sequences or procedures set forth in the Contract Documents may not be safe, the Construction Manager will give timely written notice to the PMT and will not proceed with that portion of the Work without further written instructions from the PMT. If the Construction Manager is then instructed to proceed with the required means, methods, techniques, sequences or procedures without acceptance of changes proposed by the Construction Manager, the Owner will be solely responsible for any resulting loss or damage.

(ii) The Construction Manager will be responsible for acts and omissions of the Construction Manager's employees, subcontractors and their agents and employees, and other persons or entities performing portions of the Work for or on behalf of the Construction Manager or any of its subcontractors.

(iii) The Construction Manager will be responsible for inspection of portions of Work already performed to determine that such portions are in proper condition to receive subsequent Work.

(c) Labor and Materials

(i) Unless otherwise provided in the Contract Documents, and except for the purchase of Owner Provided Equipment, the Construction Manager shall provide and pay for labor, materials, equipment, tools, construction equipment and machinery, water, heat, utilities, transportation, and other facilities and services necessary for proper execution and completion of the Work, whether temporary or permanent and whether or not incorporated or to be incorporated in the Work.

(ii) The Construction Manager may make substitutions only with the consent of the PMT, after evaluation by the PMT and in accordance with a Change Order.

(iii) The Construction Manager shall enforce strict discipline and good order among the Construction Manager's employees and other persons carrying out the provisions of the Agreement. The Construction Manager shall not permit employment of unfit persons or persons not skilled in tasks assigned to them.

(d) Permits & Fees

(i) Unless otherwise provided in the Contract Documents, the Construction Manager shall secure and pay for the building permit and other permits and governmental fees, licenses and inspections necessary for proper execution and completion of the Work which are customarily secured after execution of the Contract and which are legally required when bids are received or negotiations concluded.

(ii) The Construction Manager shall comply with and give notices required by laws, ordinances, rules, regulations and lawful orders of public authorities applicable to performance of the Work.

(iii) It is not the Construction Manager's responsibility to ascertain that the Contract Documents are in accordance with applicable laws, statutes, ordinances, building codes, and rules and regulations. However, if the Construction Manager observes that portions of the Contract Documents are at variance therewith, the Construction Manager shall promptly notify the PMT in writing, and necessary changes shall be accomplished by appropriate modification.

(iv) If the Construction Manager performs Work knowing it to be contrary to laws, statutes, ordinances, building codes, and rules and regulations without such notice to the PMT, the Construction Manager shall assume appropriate responsibility for such Work and shall bear the costs attributable to correction.

(e) Cleaning Up

(i) The Construction Manager will keep the premises and surrounding area free from accumulation of waste materials or rubbish caused by operations under the Agreement. At completion of the Work, the Construction Manager is responsible for removing waste materials, rubbish, the Construction Manager's tools, construction equipment, machinery and surplus materials from and about the Project. If the Construction Manager fails to clean up as provided in the Contract Documents, the Owner may do so and the cost thereof shall be charged to the Construction Manager.

(ii) If a dispute arises among the Construction Manager, separate subcontractors and the Owner as to the responsibility under their respective contracts for maintaining the premises and surrounding area free from waste materials and rubbish, the Owner may clean up and the PMT will allocate the cost among those responsible.

(f) Taxes

(i) The Construction Manager shall pay sales, consumer, use and similar taxes for the Work provided by the Construction Manager which are legally enacted when bids are received or negotiations concluded, whether or not yet effective or merely scheduled to go into effect.

4. WARRANTY

4.1 Subcontractor/Suppliers' Warranties.

Construction Manager shall secure on Owner's behalf the maximum warranty period available for all work and goods provided by subcontractors and/or suppliers. The warranty period shall not be less than one (1) year from the date of Substantial Completion. Construction Manager shall assign to Owner all warranties provided by subcontractors and/or suppliers and Construction Manager shall perform its obligations so as to preserve any warranties from subcontractors and suppliers. If a subcontractor's and/or supplier's warranty is not enforceable, Construction Manager shall perform all warranty obligations at Construction Manager's expense. The one (1) year period for correction of work shall be extended with respect to portions of Work performed after Substantial Completion by the period of time between Substantial Completion and actual completion of the Work in question.

4.2 Construction Manager's Warranty.

For a period of one (1) year from date of Substantial Completion, Construction Manager warrants to Owner that all materials and equipment furnished for the Project will be of good quality and new unless otherwise required or permitted by the Contract Documents, that the Work will be free from defects not inherent in the quality required or permitted, and that the quality of all workmanship and the Work will conform to the requirements of the Contract Documents. Work not conforming to these requirements, including substitutions not properly approved and authorized, will be considered defective ("Nonconforming Work"). Construction Manager's warranty excludes remedy for damage or defect caused by abuse, or normal wear and tear under normal usage.

4.3 Correction of Warranted Work.

Within seven (7) days after notice that warranted materials, equipment or Work requires repair or replacement, Construction Manager shall commence repairing or replacing the warranted item or Work and shall work continuously until the warranted materials, equipment or Work have been replaced or repaired to conform to the contract requirements. If Construction Manager does not undertake repair or replacement within seven (7) days, Owner may, at its option, repair or replace the warranted materials, equipment or Work at Construction Manager's expense. Correction of warranted materials, equipment or Work includes all work required to repair or replace any other item damaged during the repair or replacement process.

4.4 Warranty Limitation.

Nothing contained in this Article 4 of Exhibit I shall be construed to establish a period of limitation with respect to other obligations which Construction Manager might have under the Contract Documents. Establishment of the time period of one (1) year period as described in this Article relates only to the specific obligation of Construction Manager to correct the Work, and has no relationship to the time within which the obligation to comply with the Contract Documents may be sought to be enforced, nor to the time within which proceedings may be commenced to establish Construction Manager's liability with respect to Construction Manager's obligations to correct the Work. The only warranties by Construction Manager in connection with its self-perform Work and for Work performed by subcontractors are those set forth in this Article. Those warranties are exclusive and in lieu of all other warranties, whether statutory, express or implied, including warranties of merchantability, fitness for a particular purpose and those arising from course of dealing and usage of trade.

EXHIBIT J

SPECIAL CONTRACT CONDITIONS

[to provide]

PALOMAR
POMERADO
HEALTH

SPECIALIZING IN YOU

BOARD OF DIRECTORS
AGENDA PACKET

June 9, 2008

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

A California Health Care District (Public Entity)

PALOMAR POMERADO HEALTH
BOARD OF DIRECTORS

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

MISSION STATEMENT

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

VISION STATEMENT

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

CORE VALUES

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

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

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

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

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

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

Affiliated Entities

Escondido Surgery Center * Palomar Medical Center * Palomar Medical Auxiliary & Gift Shop * Palomar Continuing Care Center * Palomar Pomerado Health Foundation * Palomar Pomerado Home Care * Pomerado Hospital * Pomerado Hospital Auxiliary & Gift Shop * San Marcos Ambulatory Care Center * Ramona Radiology Center * VRC Gateway & Parkway Radiology Center * Villa Pomerado

- Palomar Pomerado Health Concern* Palomar Pomerado Health Source*Palomar Pomerado North County Health Development, Inc.*
- North San Diego County Health Facilities Financing Authority*

PALOMAR POMERADO HEALTH
BOARD OF DIRECTORS
REGULAR MEETING AGENDA

Monday, June 9, 2008

Commences 6:30 p.m.

Palomar Medical Center
555 E. Valley Pkwy
Graybill Auditorium
Escondido, CA

Mission and Vision

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

"The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services."

			Time	Page
I.		**CALL TO ORDER**		
II.		**OPENING CEREMONY**	*2 min*	
		A. Pledge of Allegiance		
III.		**PUBLIC COMMENTS**	*5*	
		(5 mins allowed per speaker with cumulative total of 15 min per group – for further details & policy see Request for Public Comment notices available in meeting room).		
IV.	*	**MINUTES**	*5*	1-27
		Regular Board Meeting – May 12, 2008		
		Special Board Meeting – May 12, 2008		
		Special Board Meeting – Annual Board Self-Evaluation – April 21, 2008		
		Special Board Meeting – Legal RFPs – May 19, 2008		
		Special Board Meeting – Legal RFPs – May 21, 2008		
		Strategic Planning Meeting – Full Board – May 8, 2008		
V.	*	**APPROVAL OF AGENDA** ***to accept the Consent Items as listed***	*5*	28-53

A. Consolidated Financial Statements
B. Revolving Fund Transfers/Disbursements – April, 2008

1. Accounts Payable Invoices	**$33,502,892.00**
2. Net Payroll	**10,182,458.00**
Total	**$43,685,350.00**

C. Ratification of Paid Bills
D. April 2008 & YTD FY2008 Financial Report ***- Addendum A***

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

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

E. Conversion to SNF Beds to Sub-Acute ***-Addendum B (proposal)***
F. Psychiatric Medical Director Agreement Amendment – Paul R. Keith, M.D.
G. Medical Director Diagnostic Cardiology Services Agreement – Robert Stein, M.D.
H. Physician Recruitment Agreement – Gabriela M. DiLauro, M.D. and Escondido OBGYN, Inc.
I. Physician Recruitment Agreement – Radmila Kazanegra, M.D. and Escondido OBGYN, Inc.
J. Charity Policy – Governance Committee
K. Board Review of PPH Policies – GOV20 – Governance Committee
L. Annual Review of Committee Bylaws – Board Quality Review Committee – Governance Committee

VI. PRESENTATIONS -

1. Communities Against Substance Abuse – Award in Recognition of PPH Smoke-Free Policy — *5*

   Mary F. Harrison, Executive Director, Communities Against Substance Abuse
   Dana Stevens, Chair, Palomar Pomerado Health Committee on Alcohol, Tobacco and Other Drugs
   Lisa A. Archibald, MSW

2. Compliance 360

   Janine Sarti, PPH General Counsel
   Sharon LaDuke, PPH Contract Administator — *15*
   Addendum C

VII. REPORTS

A. **Medical Staffs** — *10* — 54-59

* 1. Palomar Medical Center – *John J. Lilley, M.D.*
   a. Credentialing/Reappointments

* 2. Pomerado Hospital – *Benjamin Kanter, M.D.*
   a. Credentialing/Reappointments

B. Administrative

1. Chairman of Palomar Pomerado Health Foundation – *Al Stehly*

   a. Update on PPHF Activities — *5* — *Verbal Report*

2. Chairman of the Board – *Bruce G. Krider, M.A.* — *10* — *Verbal Report*

3. President and CEO – *Michael H. Covert, FACHE* — *10* — *Verbal Report*

   a. Quarterly Reports from Executive Staff

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

- Gerald Bracht
- David Tam, M.D.
- Lorie Shoemaker, R.N.
- Sheila Brown, R.N.
- Steve Gold

VIII. INFORMATION ITEMS *(Discussion by exception only)* *5* 60-68

A. Auction Rate Securities – Finance
B. Annual Review of Bylaws Relating to HR Committee – Human Resources
C. Position Comparison – Human Resources
D. Workforce Planning Analysis and Succession Management – Human Resources
E. CSUSM RN Program – Human Resources
F. Outside Labor Attorney Costs – Human Resources
G. Calendar Dates Planned for Quarterly Employee Wellness – Human Resources
H. Potential Use of Van Pool/Gas Use – Human Resources

IX. COMMITTEE REPORTS -

A. **Governance –** *Director Linda Greer, R.N., Chair* *10* 69-99

* 1. **Approval:** Amended and Restated PPH Bylaws

B. **Facililties and Grounds** – *Director Marcelo Rivera, M.D. Chair* *10* 100-102

* 1. **Approval:** DPR Construction, Inc. Draft Agreement
(Addendum D)

C. **Other Committee Chair Comments on Committee Highlights** *10* 103-106
(standing item)

Human Resources – *Nancy L. Bassett, RN, MBA, Chair*
Community Relations – *Linda Bailey, Chair*
Facilities and Grounds – *Marcelo Rivera, MD, Chair*
Quality Review – *Marcelo Rivera, MD, Chair*
Strategic Planning – *Alan W. Larson, MD, Chair*
Audit and Compliance – *Linda Greer, RN, Chair*
Governance – *Linda Greer, RN, Chair*
Finance – *T. E. Kleiter, Chair*

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

X. BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH

XI. ADJOURNMENT

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

Palomar Pomerado Health

BOARD OF DIRECTORS
REGULAR BOARD MEETING

Meeting Room E, Pomerado Hospital
Monday, May 12, 2008

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:30 pm Quorum comprised Directors Bailey, Greer, Kleiter, Krider, Larson and Rivera. Director Bassett was unable to be present.		
OPENING CEREMONY	The Pledge of Allegiance was recited in unison.		
MISSION AND VISION STATEMENTS			
	The PPH mission and vision statements are as follows: ***The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.*** ***The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.***		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None		
APPROVAL OF MINUTES • April 14, 2008		**MOTION:** by Bailey, 2nd by Kleiter and carried to approve the April 14, 2008 minutes as submitted. All in favor. None opposed.	
APPROVAL OF AGENDA ***to accept the Consent Items as listed*** A. Consolidated Financial Statements B. Revolving Fund Transfers and Disbursements – March, 2008 C. Ratification of Paid Bills D. March 2008 & YTD FY2008 Financial Report		**MOTION:** by Kleiter, 2nd by Bailey and carried to approve the Consent Items as submitted. All in favor. None opposed.	

1

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
E. Auction Rate Securities F. Physician Recruitment Agreement - Internal Medicine – Carlos Franco, M.D. and Graybill Medical Group G. Physician Recruitment Agreement - Internal Medicine – Manuel Tanguma, III, M.D. and Graybill Medical Group H. Independent Citizens' Oversight Committee – Applications to Replace Pending Vacancies I. PPH *expresscare*-Escondido – Medical Director – Administrative Oversight/Quality Assurance and Alejandro Paz, M.D.			
PRESENTATION			
▪ Faith and Health Partnership – Kay Stuckhardt, MPH	Kay Stuckhardt, MPH, Program Coordinator, Faith and Health Partnership, was present to provide an update about the activities of the Faith and Health Partnership Program. The program is a component of the PPH Community Outreach Department. PPH has the only Faith and Health Partnership Program in San Diego County. Program objectives were outlined and specific activities were highlighted. PPH is an official intern site for SDSU as well. SDSU Intern, Tracy Hoos, was introduced and briefly spoke about her experience with the students involved in the program at Mission Hills High School. A brief discussion ensued with Dr. Larson inquiring about how momentum for the school programs can be sustained. Involvement of administration and teachers was noted to be key. Dr. Rivera inquired about the role of the Health Academy and the encouragement of intramural programs. Supervision of such along with planning and preparation were identified as necessary components.	Director Bailey commented that Ms. Stuckhardt is the best person to coordinate this program. She was congratulated for what she has accomplished with the Faith and Health Partnership Program.	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
REPORTS			
Medical Staff			
Palomar Medical Center			
▪ **Credentialing**	John J. Lilley, MD., Chief of PMC Medical Staff, presented PMC's requests for approval of Credentialing Recommendations.	**MOTION:** by Bailey, 2nd by Kleiter and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the PMC Medical Staff, as presented. All in favor. None opposed. Directors Greer and Larson abstained to avoid potential conflict of interest.	
▪ **Department of OB/GYN Rules and Regulations**	John J. Lilley, MD., Chief of PMC Medical Staff, presented Department of OB/GYN Rules and Regulations for approval.	**MOTION:** by Kleiter, 2nd by Bailey and carried to approve the PMC Department of OB/GYN Rules and Regulations for the PMC Medical Staff, as presented. All in favor. None opposed.	
▪ **Department of Surgery Rules and Regulations**	John J. Lilley, MD., Chief of PMC Medical Staff, presented Department of Surgery Rules and Regulations for approval.	**MOTION:** by Bailey, 2nd by Kleiter and carried to approve the PMC Department of Surgery Rules and Regulations for the PMC Medical Staff, as presented. All in favor. None opposed.	
Pomerado Hospital			
▪ **Credentialing**	Benjamin Kanter, MD., Chief of Pomerado Medical Staff, presented Pomerado Hospital's requests for approval of Credentialing Recommendations.	**MOTION:** by Bailey, 2nd by Kleiter and carried to approve the Pomerado Hospital Medical Staff Executive Committee credentialing recommendations for the Pomerado Medical Staff, as presented. All in favor. None opposed. Directors Greer and Larson abstained to avoid potential conflict of interest.	
Administrative			
Chairman - Palomar Pomerado Health Foundation			
	Mr. Al Stehly reported on the Foundation's recent activities, noting that the Night of	Mr. Stehly was thanked for his efforts and leadership on the Foundation	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	Nights gala goal for 40 tables has been exceeded and is now at 75 tables sold. The event is totally sold out and there is a waiting list. There are 37 committed sponsors as well as $75,000-$100,000 worth of auction items which have been donated so far. The Employee Campaign is at $487,000 in cash and pledges. A search firm has been retained to conduct several Foundation related searches. Candidates are being identified for the Chief Development Officer and Senior Director of Giving positions. Interviews will most likely occur at the end of June or early July.	Board.	
Chairman of the Board - Palomar Pomerado Health	*Bruce G. Krider, MA*		
• **Board Self-Evaluation**	The Board self-evaluation was held on April 21. A continuation of the Board self-evaluation will be scheduled when all Board members are available to attend.		
• **Board IT Capacity**	Board members have been provided with laptops for their use while conducting PPH related business. There remains some difficulty with some of the Board members ability to access the Board portal, etc. IT will assist in helping to resolve remaining issues as soon as possible.		
President and CEO	*Michael H. Covert, FACHE*		
• **Joint Commission Visit**	Joint Commission was on site to survey Pomerado Hospital and Villa Pomerado last week. Based on an unofficial report Pomerado and Villa Pomerado will be accredited. The official report will be available as soon as the Environment of Care survey report is completed. Michael expressed his thanks to the staff and medical staff leadership involved in the survey. The survey for Palomar Medical Center, PCCC and Home Health remains to be		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	done within the next 30 days.		
• **Budget Preparation**	Budget preparation is underway. It is anticipated that the budget will be before the Board the second week of June. The expectation is that financial targets will be met. Work continues to ensure that goals will be accomplished.		
• **VHA Award**	Pomerado Hospital was the recipient of an award given at the VHA Leadership meeting held last week in Philadelphia. The award was for performance in core measures in the category of acute MI. PPH staff and medical staff were recognized for their efforts in receiving this national recognition. Dr. Roger Acheatel was recognized for his leadership resulting in the recognition by VHA.		
• **Certificate of Recognition – California Assembly**	PPH recently received a Certificate of Recognition from Assemblyman, 75th District, George A. Plescia, on behalf of the California State Legislature. Congratulations were extended on being selected as one of the 2008 California's Best Places to Work.		
• **National Hospital Week**	This week is designated as National Hospital Week. A variety of activities will be held to thank and recognize PPH employees for their hard work throughout the year.		
• **National Nurses Week**	Last week was National Nurses Week. Lorie Shoemaker, R.N., CNO, was asked to comment about the activities of the week. Jerry Kolins, M.D. and his family have stepped forward to endow the Nurse of the Year award known as the Roz and Len Kolins Nursing Excellence Award, named in honor of his parents. Nurse of the Year pins and a check for $550 were presented to the 2008 Nurse of the Year recipients - Clinical Outreach Services - Beth Blackmon, R.N., Palomar Medical Center – Madelyn Goble R.N., Pomerado Hospital – Vicki Sanchez, R.N.		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
• **Expresscare Health Centers**	PPH Expresscare Health Centers opened for business as of today.		
• **Mock Up Rooms**	Mock up rooms of PPH West are now up at the Andreasen Street warehouse.		
• **Legal Counsel RFPs**	Interviews of four firms for outside legal counsel will be held May 19 and May 21 at Graybill Auditorium in Escondido.		
INFORMATION ITEMS	***Discussion by exception only***		
▪ **Finance**			
▪ **Facilities and Grounds**			
COMMITTEE REPORTS			
Finance	*T. E. Kleiter, Chair*		
• **Resolution No. 05.12.08 (01) – 05 Bank Investment Accounts – Authorizing Closure of Bank Accounts as listed.**		**MOTION:** by Kleiter, 2nd by Bailey and carried that Resolution No. 05.12.08 (01) – 05 Bank Investment Accounts – Authorizing Closure of Bank Accounts as listed be approved. All in favor. None opposed.	
• **Resolution No. 5.12.08 (02) – 06 – Bank and Investment Accounts – Authorizing formalizing the Opening of the Two Investment Accounts as listed.**		**MOTION:** by Kleiter, 2nd by Bailey and carried that Resolution No. 05.12.08 (02) – 06 Bank Investment Accounts – Authorizing formalizing the Opening of the Two Investment Accounts as listed be approved. All in favor. None opposed.	
• **Special Session of the Board**	The Board Finance Committee recommends that a Special Session of the Full Board be scheduled on Tuesday, August 12, 2008. The meeting would be a concurrent meeting with the Board Strategic Planning Committee which is scheduled to be held that same date.	**MOTION:** by Kleiter; 2nd by Bailey and carried to approve scheduling of a Special Session of the Full Board on Tuesday, August 12, 2008. All in favor. None opposed.	
Strategic Planning	*A. Larson, M.D., Chair*		
• **Weight Solutions Program**	The Board Finance Committee and Board Strategic Planning Committee have reviewed the Weight Solutions Program proposal in their respective committees as have recommended that it be brought forward for review and	**MOTION:** by Larson; 2nd by Kleiter and carried to approve the implementation of the Weight Solutions Program. All in favor. None opposed.	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	approval of the full Board. This is a supervised medical weight loss program which would be a supplement to the Bariatric Program. Financial implications and 5 year flow sheet have been distributed and reviewed. Director Greer requested review of the success of the program in 3 to 6 months. Supplies are purchased on a "just in time" basis and if not used can be returned for a small re-stocking fee. The program can be terminated at any time. Director Kleiter asked if there is a contract in place for a medical director. Sheila Brown responded that there is not at this time as program approval had not yet been received. Director Kleiter requested that the contract for the medical director state it will end when the program ends. Director Greer inquired about salary and wages for the program. Kris Hedges responded that there will be an educator, coordinator, scheduler and .5 RN position. The hope will be to hire positions from within PPH.		
COMMITTEE CHAIR COMMENTS			
• **Internal Audit**	There was no meeting in April. The 3M scrubber issue has been solved. No additional funds will need to be spent on software. The program will be up and running in next few weeks. Board Audit Committee for May has been cancelled.		
• **Governance**	There was no meeting in April. Reduction from four to three Board members on the Finance and Strategic Planning Committees will be on the agenda in May		
• **Human Resources**	There was no meeting in April.		
• **Strategic Planning**	The Integrative Medicine Implementation Plan was approved at the May 8 Full Board meeting. The research component was removed from the budget.		
• **Community Relations**	The next meeting is in June. The Community		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	Relations Department was commended for assisting with the Night of Nights gala planning and preparation.		
• **Board Facilities and Grounds**	The Facility Master Plan is well under way, on time and costs are being addressed.		
• **Board Quality Review**	There will be a full report next month.		
• **Finance**	Financial report and budget issues are being addressed to bring the budget back to target. ICOC action was taken regarding vacancies. Both candidates are well qualified and they were appointed to the ICOC. There is now a full complement of members on ICOC.		
BOARD MEMBER COMMENTS and AGENDA ITEMS FOR NEXT MONTH	Director Bailey advised that she will be out of town until next Friday. Dr. Rivera commented that the Nurse of the Year was a wonderful event and camaraderie surrounding the activities was sincere and heartwarming. He recommended reading of the Forces of Magnetism Report and offered congratulations to all involved in the preparation of that document. He noted that he was in attendance at the CHA Board of Directors and Trustees meeting on April 25. He encouraged the reading of the CHA Code Blue Public Advocacy Program information which has been distributed to the Board. Director Kleiter commented that Kay Stuckhardt's presentation and information that PPH is the only Faith and Health Partnership Program in San Diego County needs to be promoted by PR and Marketing. It is an important program to people in our area and they need to be informed. He also briefly mentioned two positive patient comments he received in regard to the friendly and concerned staff that cared for family members when they were recently in PPH facilities. Director Krider extended his congratulations to		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	all involved in regard to activities and recognitions related to National Nurses Week.		
ADJOURNMENT	**7:45 p.m.**		
SIGNATURES ▪ **Board Secretary** ▪ **Interim Board Assistant**	_____ **Linda Bailey** _____ **Nancy Wood**		

Palomar Pomerado Health

BOARD OF DIRECTORS
SPECIAL BOARD MEETING

Pomerado Hospital, Meeting Room E
Monday, May 12, 2008

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:30 pm Quorum comprised Directors Bailey, Greer, Kleiter, Krider, Larson, Rivera		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None		
	Pursuant to Gov Code Subdivision (a) of Section 54956.9 – Conference with Legal Counsel – Existing Litigation – Quarterly Claims/Risk Management Report		
ADJOURNMENT TO CLOSED SESSION (if any)		**MOTION:** by Krider, to adjourn to closed session. All in favor. None opposed.	
OPEN SESSION RESUMES/FINAL ADJOURNMENT		**MOTION:** by Krider, to resume open session and final adjournment.	
SIGNATURES ▪ **Board Secretary** ▪ **Assistant to the CEO**	_____ **Linda Bailey** _____ **Nancy M. Wood**		

Palomar Pomerado Health

BOARD OF DIRECTORS
SPECIAL BOARD MEETING
ANNUAL BOARD SELF-EVALUATION

Rancho Bernardo Inn, Grandee Room, 17550 Bernardo Oaks Drive, Rancho Bernardo, California 92128
Monday, April 21, 2008

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:30 pm Quorum comprised Directors Bailey, Bassett, Greer, Kleiter, Krider, Larson and Rivera. Invited Guest: Mr. Michael Covert		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None		
Board Self-Assessment Discussion	The Board entered into a discussion of their performance as an elected body over the previous year. A number of items for deliberation had been forwarded to the Governance Committee by the membership for consideration. Chairman Krider noted a communication he had sent to all the Board members with questions to consider when looking at performance, education, communications, relationship with management, governance, accountability and other miscellaneous areas. He then led the group through a communications exercise prior to a brief philosophical discussion on the role of the Board and relationship to management.		
Board Committee Membership	The members turned their attention to the role of committees with particular emphasis on the number of members on each committee. Reference was made to the Finance and Strategic Planning Committees that have four Board members each. A history of the reasons for such was discussed noting that the number went from three to four when physician leadership was added to each as voting committee members. The concern at the	After much debate, the Board voted to return the Finance and Strategic Planning Committees to three Board representatives each. They remanded the action to the Governance Committee to alter the bylaws to reflect this change. Chairman Krider will visit with each of the present chairs of those two committees to determine which	Governance Committee will alter the bylaws to reflect the change from four to three Board members per committee. Chairman Krider to follow up with the respective Chairs of the Finance and Strategic Planning

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	time being whether the Board could be out voted by non-Board members. Of concern to membership present was the potential for disenfranchisement of Board member votes at the Board meeting. Ratification of actions taken by the committee could be considered "rubber stamping" since the other Board members not at the Finance or Strategic Planning Committee would have had no opportunity to "weigh" into the discussion during the original deliberation of an issue.	representative will be asked to step down. He will communicate this action to the Board.	Committees regarding membership and communication back to the Board.
Board Committee Communication	The group then turned its attention to the communication of information between Board committees and particularly to members of the Board who do not serve on a respective committee that has made a decision and because the committee will recommend an action to the full Board at its regular monthly meeting. The question was raised as to how members of a committee come to a conclusion, reached a decision or deliberated on an item of interest to that committee. The Chairman could then report on such at the meeting. Though there was discussion as to where such reporting should occur on the agenda, no action was taken in regard to adjusting the format for the Board Committee reports.	After a thorough "vetting" of how best to ensure that good cross communications takes place, the Board agreed to ask each Chair of a committee to give a brief report on their deliberations and actions taken. Administration will be directed to complete a brief synopsis for the Board members and that such be included in the Board meeting packet prior to the Board meeting.	Administration to complete a brief synopsis of Board committee activities to be included in the monthly Board meeting packet.
Continuation of Discussion of Board Self-Assessment	It was agreed to continue discussion on agenda items that had been noted by the Governance Committee at an upcoming Board education session.		
ADJOURNMENT	**10:00 p.m.**		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
SIGNATURES ▪ **Board Secretary** ▪ **Board Assistant**	**_____** **Linda Bailey** **_____** **Christine D. Meaney**		

Palomar Pomerado Health

BOARD OF DIRECTORS
SPECIAL BOARD MEETING

Palomar Medical Center, Graybill Auditorium, Escondido, CA
Monday, May 19, 2008

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:00 pm Quorum comprised Directors Bassett, Greer, Kleiter, Krider, Larson and Rivera. Invited Guests: Michael Covert, President and CEO; Janine Sarti, General Counsel		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None		
Introduction			
Hooper and Lundy, LLP	Cary Miller, Esq., Bob Lundy, Esq., Lloyd Bookman, Esq., Craig Cannizzo, Esq., Steve Treadgold, Esq. were present to represent the firm of Hooper and Lundy, LLP. Members of the firm introduced themselves to the PPH Board of Directors, members of the medical staff and others who were present. A presentation outlining the firm's legal services, capabilities, client base, representation, experience with healthcare districts, financial and regulatory expertise, and overall efficiency of operation was made to the Board. Following extensive questioning by the Board, including depth and breadth of representation, other large health care system representation, representation specific to the PPH Board, alignment of values with PPH and value added to PPH, areas of firm expertise, transition with general counsel, representation of medical staff and board interests, views on medical staff independence, and the medical staff bylaws project, the firm's representatives	Informational	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	were thanked for their time and taking part in the interview process.		
Latham and Watkins, LLP	Paul DeMuro, Esq., Kathy Lauer, Esq., Kim Ware, Esq., were present to represent the firm of Latham and Watkins, LLP. Members of the firm introduced themselves to the PPH Board of Directors, members of the medical staff and others who were present. A presentation outlining the firm's approach to providing legal services and serving PPH, local presence, firm overview, client base, technology expertise, key personnel, other relevant areas of expertise, firm qualifications, cost effective management of PPH legal needs, medical staff specialization, and familiarity with PPH was provided. Following extensive questioning by the Board, including questions regarding cost in the new relationship with PPH, working relationship with administration and the medical staff by Ms. Ware, on-site representation for medical staff matters, cost vs volume of work, the representatives were thanked for their time and taking part in the interview process.	Informational	
ADJOURNMENT	**8:40 p.m.**		
SIGNATURES ▪ **Board Vice Chair** ▪ **Interim Board Assistant**	**_____** **Marcelo Rivera, M.D.** **_____** **Nancy Wood**		

Palomar Pomerado Health

BOARD OF DIRECTORS
SPECIAL BOARD MEETING

Palomar Medical Center, Graybill Auditorium, Escondido, CA
Monday, May 21 2008

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:30 pm Quorum comprised Directors Bassett, Greer, Kleiter, Larson and Rivera. Invited Guests: Michael Covert, President and CEO; Janine Sarti, General Counsel		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None		
Foley and Lardner, LLP	Michael Scarano, Jr., Esq., Bill Abalona, Esq., Lynn Goodfellow, Esq., Richard Moskitis, Esq., Charles Oppenheim, Esq., Judy Waltz, Esq. were present to represent the firm of Foley and Lardner, LLP. Members of the firm introduced themselves to the PPH Board of Directors, members of the medical staff and others who were present. A presentation was given outlining the firm's legal services, health care client base, recognition of quality by outside organizations, experience in physician relationships, public agencies, compliance, labor issues, health care transactions, reimbursement, cost containment, budgeting, technology, added value services and health care public policy. Following extensive questioning by the Board and medical staff representatives, including questions regarding cost containment, experience working with in-house counsel, outsourcing services and volume discounts, representation of other San Diego area health	Informational	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	care organizations, balancing advise and counsel to different constituencies in the organization, caps on rate increases, ability to provide legal services to the organized and independent medical staff and the board of directors at the same time, experience with bylaws of the medical staff, working collaboratively with general counsel to manage costs, types of unique issues encountered working with public entities, managed care representation, relationship with board versus in-house counsel, handling of ethics issues, positive experiences working with a public health system, the members of the firm were thanked for their participation in the interview process.		
Fulbright and Jaworski, LLP	Ken Yood, Esq., Andy Demetriou, Esq., Mark Kadzielski, Esq., Lisel Wells, Esq. were present to represent the firm of Fulbright and Jaworski, LLP. Members of the firm introduced themselves to the PPH Board of Directors, members of the medical staff and others who were present. A presentation was given outlining the firm's legal services, responsiveness, cost effectiveness, quality service, compensation, conflict of interest and compliance oversight, hospital operations specialization, areas of medical staff specialization, bond issuance services, general terms of engagement, and value added services. Following extensive questioning by the Board and medical staff representatives, including provision of services to the independent medical staff, medical staff and board representation and handling of potential conflicts, availability of local representation, experience with medical staff bylaws, hearing processes involving members of the medical	Informational	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	staff, other health care district representation, representation of other health care organizations in San Diego County, collaboration with in-house counsel, provision of education to medical staff and nursing staff, charges for travel time, availability to attend Board subcommittees, handling of ethics issues, expertise representation of public health care districts in California, other key representation from the firm, cost management, the members of the firm were thanked for their participation in the interview process.		
Review/Discussion	Review and discussion of the selection process was undertaken by the Board members.	Following discussion, Michael Covert and Janine Sarti were asked to pursue negotiations with the firm of choice based on the results of the scoring method used by the Board. The results of the negotiations will be reported to the Board.	
ADJOURNMENT	**9:00 p.m.**		
SIGNATURES ▪ **Board Vice Chair** ▪ **Interim Board Assistant**	_____ **Marcelo Rivera, M.D.** _____ **Nancy Wood**		

Palomar Pomerado Health
JOINT BOD/STRATEGIC PLANNING COMMITTEE
INNOVATION – CONFERENCE ROOMS B & C
May 8, 2008

AGENDA ITEM	DISCUSSION	CONCLUSION/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
CALL TO ORDER	Dr. Larson called the meeting to order at 6:10 p.m.		
ESTABLISHMENT OF QUORUM	Dr. Larson, Linda Bailey, Nancy Bassett, Linda Greer, Ted Kleiter, Bruce Krider, Dr. Rivera, and Dr. Kanter. Also attending were Lorie Harmon and Marcia Jackson. Guests: Natalie Bennett, Tom Chessum, Kim Colonnelli, Gerry DeWulf, Dr. Esmaeili, Kris Hedges, Lisa Hudson, Ann Koeneke, Dr. Kung, Dr. Macleay, Stonish Pierce, Mike Shanahan, Randy Wilson.		
NOTICE OF MEETING	The notice of meeting was mailed consistent with legal requirements.		
REQUEST FOR PUBLIC COMMENTS	There were no requests for public comments.		
APPROVAL OF MINUTES – April 8, 2008		**Motioned, seconded, and carried unanimously for approval.**	

AGENDA ITEM	DISCUSSION	CONCLUSION/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
Integrative Medicine Implementation Plan **Ann Koeneke, Director Product Line Development/ Marketing, COS** **5/8/08**	**<u>Background To Date</u>** PPH's Board of Directors agreed unanimously on August 13, 2007 to establish a task force that would consider Integrative Medicine as a supplement to the current medical offerings available in the PPH system. Integrative Medicine is commonly looked at as an approach to health care which combines therapies from conventional medicine and complementary and alternative medicine for which there is some high quality scientific evidence of safety and effectiveness. On February 12, 2008 the Integrative Medicine Team presented recommendations to the Strategic Planning Committee. The recommendations were that Integrative Medicine services would be offered as an enhancement to PPH's current in and outpatient services, not as a "stand alone" product line. Next steps were to: form an Integrative Medicine Physician/Clinician Interdisciplinary Panel; formalize and put into operation in-and-out-patient Integrative Medicine programs; and develop a marketing campaign to brand "Integrative Medicine" services at PPH. The anticipated startup is in the fall of 2008. The Integrative Medicine Team came back to the Board Strategic Planning Committee to review the implementation plan and the recommended budget, to be included in the FY09 budget. Sheila Brown previously indicated that she wanted to create a contingency fund, an estimated $250,000 budget as a placeholder as the program goes through the approval process. The Implementation Team met in May, and they would like to start some pilot sites for testing and introducing programs, on a small scale, such as: • 9th Floor Acute Rehab Inpatient Unit (under Dr. Esmaeili) • Stroke Unit		**20**

AGENDA ITEM	DISCUSSION	CONCLUSION/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	• Integrative Medical Spa with Dr. Cottel at the POP Women's Outpatient Medical Spa • Villa POM and POM to explore formalized art, pet, and music therapy The budget of $250,000 would include: • Lead staff person to measure and coordinate the programs • Clinical nurse specialist(s) • Training costs • Marketing The Strategic Planning Committee previously discussed the Implementation Plan and was supportive. It was felt that it is a good approach to establish several pilot projects to monitor and measure and see how this could be rolled out more broadly. There was discussion about whether insurance will fund any of this or whether it will all be self-pay. It was anticipated that most services will be offered for free as value-added, such as music, art, and pet therapy, and some services may include a cash fee, such as massage therapy. The Integrative Medicine Plan was presented at the Strategic Planning Committee meeting on April 8, 2008, and the Committee expressed support for the implementation of the Integrative Medicine Plan and also expressed a desire to approve it. It was suggested that the Integrative Medicine Implementation Plan be added to the May Committee meeting agenda as an action item for approval. **<u>May 8 Joint BOD/Strategic Planning Committee Meeting</u>** At the May 8 Joint BOD/Strategic Planning Committee meeting, Ted Kleiter asked if there would be any anticipated revenue from the Integrative Medicine programs, and Ann Koeneke		**21**

AGENDA ITEM	DISCUSSION	CONCLUSION/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	responded that there could be potential reimbursement on services such as acupuncture, but not on healing touch, since that was not a reimbursable service. Bruce Krider asked if we are looking at grants to fund this research, and Ann responded that we are, and that Todd Saretsky from Health Development's Research Institute is on the Integrative Medicine Committee and is looking into this possibility. Ben Kanter reminded the Committee that if this group were ever to be presenting data, then they would need IRB approval. Dr. Larson likes the trial – start-up, generates enthusiasm in employees, patients, community; wide variety of community input, will break-even at some point, hopefully. Look at what we spend in PR/Marketing. Dr. Rivera thinks that Integrative Medicine has a role in the future, but that it is the wrong time now for PPH financially. If we can get grants then the program can go forward. They (PPH Board of Directors) need to set a fiscal example in order to have credibility. Michael Covert reminded the Committee that Integrative Medicine is not funded with monies to be used in the next 6 weeks; this item doesn't come under the FY 08 budget, and therefore wouldn't affect the current budget situation. Linda Greer would like to see if there are any grants available first. Nancy Bassett was concerned with taking nurses away from patient care; Dr. Esmaeili assured her that they would have extra staff available for this, and that this was built into the budget.		**22**

AGENDA ITEM	DISCUSSION	CONCLUSION/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	Bruce Krider - if we are trying to cut back, and need to do it, then we have to cut back, but what drives numbers here is the need to do research; pet therapy and art therapy don't involve hiring people – they are using volunteers, and don't need anywhere near $250,000 to start up. Linda Bailey mentioned next year's budget, and thought that grant money is out there, even if it is just funds to be matched. Dr. Esmaeili said that Sharp, Scripps all have Integrative Medicine, and that if we wait, we will never catch up. He feels that waiting is not a good idea at this point. Dr. Larson said that it would be a shame to pull the plug after all of this work and suggested partial funding at $125,000. He suggested removing the Inpatient ARU Pilot Program of approximately $110,200 and proceed with others, and ask Brad Wiscons about grants. Dr. Larson motioned to approve without the Inpatient ARU Pilot Program, and fund at $125,000, and look into research via grants. Linda Greer seconded the motion. Ted Kleiter said that if it's a pilot program, we could get a grant; he couldn't commit to the motion now. Voting in favor of the motion were: Dr. Larson, Linda Greer, Bruce Krider, and Linda Bailey. Voting against the motion were: Dr. Rivera, Ted Kleiter, and Nancy Bassett.	**The motion to approve the Integrative Medicine Implementation Plan without the Inpatient ARU Pilot Program, and fund at $125,000, and look into research via grants, was passed by a vote of 4 to 3, with voting in favor of the motion: Dr. Larson, Linda Greer, Bruce Krider, and Linda Bailey, and voting against the motion: Dr. Rivera, Ted Kleiter, and Nancy Bassett.**	**Sheila Brown**

AGENDA ITEM	DISCUSSION	CONCLUSION/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
Construction Management Firm Selection for Palomar Medical Center West Mike Shanahan 5/8/08	Facilities, Planning & Development along with PPH Administration evaluated proposals from construction management firms for the Palomar Medical Center West project. Based on analysis, interviews and evaluations, PPH Administration is prepared to make a recommendation to the Board regarding construction management services. Administration would like the Board to approve the staff recommendation to select DPR, Inc. as the construction management firm for Palomar Medical Center West, and are requesting approval to move forward to negotiate with DPR. Bruce Krider moved, Linda Bailey seconded, and motion carried unanimously.	**Motion to select DPR, Inc. as the construction management firm for Palomar Medical Center West, and to move forward to negotiate with DPR. carried unanimously.**	**Mike Shanahan**

AGENDA ITEM	DISCUSSION	CONCLUSION/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
Facility Update Mike Shanahan 5/8/08	On a regular basis, the Strategic Planning Committee meeting is expanded to a full PPH Board meeting for the purpose of reviewing the facilities planning and design. This Committee meeting was one of these meetings. The Facilities Update was provided at this meeting. Mike Shanahan showed photographs of the rebar and cement that is in place at PMC West. Mike also shared the Interior Design process and some suggestions to improve it through use of 3-D renderings and the mock-up rooms. POM has an oxygen farm, and a new helipad. Dr. Kanter suggested that photos of the new facility be put up at the rear entrance of this facility to spruce up the place, and make it look less like the loading dock that it is. The bridge will hopefully be completed by 2010. Dr. Rivera, as chair of the Facilities and Grounds Committee, invited Board input on how to improve the process. He discussed the fact that there was no point of accountability on POP decision-making process. Linda Greer wants a joint Facilities and Grounds and Strategic Planning Committee meeting Nancy Bassett requested that all color schemes come to the Board in the future. Board at least needs to be able to see if they can accept the selections. Dr. Kanter mentioned that our projectors are not even close to high enough resolution to see the true colors of presentations. Ted Kleiter said that the Committee will never decide, and that's why we need to hire a professional and let them go, and live with it. We don't have time to do everything.		**25**

AGENDA ITEM	DISCUSSION	CONCLUSION/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	Dr. Larson wants to see choices, like on the exterior design, get the community's input, what the top 3 nouveau hospitals in the country are doing. Bruce Krider said that there has to be some kind of iterative process. Dr. Rivera asked for financials, and Mike Shanahan provided them, and the Committee discussed them The satellite clinics at Rancho Peñasquitos and Ramona were also discussed.		
COMMITTEE COMMENTS, SUGGESTIONS	Bruce Krider had an update per the Board Self-Evaluation, that there should only be 3 Board Members per Board Committee Meeting, and that he would step down from the Strategic Planning Committee meeting; however, he would still like to be on the public mailing list and receive the packets either electronically or by mail, however we distribute them. When the packets do become available electronically, Nancy Bassett and Linda Bailey would like to receive theirs this way.		
ADJOURNMENT	8:25 p.m.		

AGENDA ITEM	DISCUSSION	CONCLUSION/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
SIGNATURES			
Committee Chairperson	_____ Alan Larson, M.D., Committee Chair		
Chairman of the Board	_____ Bruce Krider, Board Chair		
Recording Secretary	_____ Lorie Harmon		

PALOMAR POMERADO HEALTH
CONSOLIDATED DISBURSEMENTS
FOR THE MONTH OF
APRIL 2008

04/01/08	TO	04/30/08	ACCOUNTS PAYABLE INVOICES	$33,502,892.00
04/04/08	TO	04/18/08	NET PAYROLL	$10,182,458.00
				$43,685,350.00

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

CHIEF FINANCIAL OFFICER

APPROVAL OF REVOLVING, PATIENT REFUND AND PAYROLL FUND DISBURSEMENTS:

Treasurer, Board of Directors PPH _____

Secretary, Board of Directors PPH _____

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

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

April 2008 & YTD FY2008 Financial Report

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, May 27, 2008

MEETING DATE: Monday, June 9, 2008

BY: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for April 2008 and YTD FY2008 are submitted for the Finance Committee's approval *(Addendum C).*

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the Board Financial Reports (unaudited) for April 2008 and YTD FY2008.

Motion: **X**

Individual Action:

Information:

Required Time:

Conversion of SNF Beds to Sub-Acute

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, May 27, 2008

MEETING DATE: Monday, June 9, 2008

BY: Steve Gold, District Administrator-SNF Services

Background: Villa Pomerado operates 20 sub-acute beds out of the 129 licensed SNF beds in this facility. This is the only sub-acute facility in North San Diego County. Occupancy runs at 100% with a wait list. Kaiser also wants to contract additional sub-acute beds. This proposal *(Addendum B)* would add 12 additional beds, creating a 32-bed unit.

Budget Impact: This project will offset the loss experienced by the 10% reduction in reimbursement to hospital-based facilities, effective as of July 2009. The 12-bed conversion is projected to cover the 10% loss in per diem reimbursement for all 225 beds in operation. The total project cost is $374,674, with an ROI of 69% and a payback of less than one year. Contribution margins range from 21% to 26%.

Staff Recommendation: Proceed with project

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the 12-bed conversion at Villa Pomerado of SNF beds to Sub-acute beds.

Motion: **X**

Individual Action:

Information:

Required Time:

PALOMAR MEDICAL CENTER
MEDICAL DIRECTOR – MENTAL HEALTH UNIT

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, May 27, 2008

DATE: Monday, June 9, 2008

BY: Sheila Brown, R.N., M.B.A., Chief Clinical Outreach Officer
Susan Linback, R.N., M.B.A., Service Line Administrator, Behavioral Health

BACKGROUND: This is a request to approve an Amendment to the Psychiatric Medical Director Agreement with Paul R. Keith, M.D. Dr. Keith provides Medical Director coverage and medical leadership for the Palomar Medical Center Mental Health Unit. This inpatient treatment program provides needed services to acutely ill patients who suffer from severe mental health disorders.

This Amendment represents a new one-year term – from July 1, 2008 through June 30, 2009. The current Agreement expired on December 31, 2007, and a letter of intent has been signed by both parties to extend services pending finalization of the Amendment, to include Board approval.

BUDGET IMPACT: No Budget Impact

STAFF RECOMMENDATION: Approval

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the new one-year **[July 1, 2008 through June 30, 2009]** Amendment to the Psychiatric Medical Director Agreement with **Paul R. Keith, M.D.**

Motion: **X**

Individual Action:

Information:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Second Amendment to Medical Director Agreement – Palomar Medical Center Mental Health Unit
	AGREEMENT DATE	July 1, 2008
	PARTIES	1) PPH 2) Paul R. Keith, M.D.
Recitals E	**PURPOSE**	To provide Psychiatric oversight for Palomar Medical Center's Mental Health Unit
Exhibit A	**SCOPE OF SERVICES**	Paul R. Keith, M.D., will provide Medical Director coverage for Palomar Medical Center's Mental Health Unit. This inpatient treatment program provides needed services to acutely ill patients who suffer from mental health disorders, both the adult and Senior populations.
	PROCUREMENT METHOD	☐ **Request for Proposal** ■ **Discretionary**
4.1	**TERM**	July 1, 2008 through June 30, 2009
	RENEWAL	N/A
4.2 4.2	**TERMINATION**	a. Immediately for cause b. Not less than 30 days of written notice without cause
3.1	**COMPENSATION METHODOLOGY**	Monthly payment on or before the 15th of each month with supporting documentation of the prior month's time records.
	BUDGETED	■ **YES** ☐ **NO - IMPACT:** None.
	EXCLUSIVITY	■ **NO** ☐ **YES** – **EXPLAIN:**
	JUSTIFICATION	In order to remain compliant with CMS requirements for Inpatient Behavioral Health Services, medical oversight is needed.
	POSITION NOTICED	■ **YES** ☐ **NO** **METHODOLOGY & RESPONSE:** Posted in Medical Staff Offices for 30 days
	ALTERNATIVES/IMPACT	Proceeding without this arrangement would cause the services to be out of compliance with CMS requirements and jeopardize ongoing mental health to a vulnerable population.
Exhibit A	**DUTIES**	■ **PROVISION FOR STAFF EDUCATION** ■ **PROVISION FOR MEDICAL STAFF EDUCATION** ■ **PROVISION FOR PARTICIPATION IN QUALITY IMPROVEMENT**
	COMMENTS	
	APPROVALS REQUIRED	■ Officer ■ CFO ■ CEO ■ BOD Finance Committee ■ BOD

SECOND AMENDMENT TO MEDICAL DIRECTOR AGREEMENT
BETWEEN
PALOMAR POMERADO HEALTH
AND
PAUL R. KEITH, M.D.

This Second Amendment to the **Medical Director Agreement** is entered into effective **July 1, 2008**, ("Effective Date") by and between **Palomar Pomerado Health**, a local healthcare district organized under Division 23 of the California Health and Safety Code ("PPH"), and **Paul R. Keith, M.D.**, an individual ("Medical Director") (collectively, the "Parties"), and amends the **Medical Director Agreement** between the Parties dated **January 1, 2004** ("Agreement") and the Amendment dated June 12, 2007 ("Amendment").

RECITALS

1. Pursuant to this Second Amendment, Medical Director agrees to:
   1.1. Provide Psychiatric Medical oversight to the Mental Health Unit at Palomar Medical Center
   1.2. Assist PPH Administration in development and implementation of Strategic Business Plan and program development, prioritization of objectives and the ongoing assessment/ appraisal of the strengths, weaknesses, and overall quality of the Department.
   1.3. Implement measures that result in "Patient Satisfaction with Psychiatrist" scores meeting or exceeding the established baseline for the Mental Health Unit.

AGREEMENT

1. **Term.** Section 4.1 of the Agreement is hereby amended as follows:

   4.1 **Term.** This Agreement is effective as of July 1, 2008, and shall continue through June 30, 2009, unless sooner terminated as otherwise provided in this Agreement.

2. **Continuation.** Except as specifically amended by this Second Amendment, the Agreement dated January 1, 2004, and the Amendment dated June 12, 2007, shall continue in full force and effect in accordance with the terms in existence on the date of this Second Amendment.

3. **Conflicts.** In the event of any conflict between the terms and provisions of this Second Amendment, the Agreement dated January 1, 2004, and the Amendment dated June 12, 2007, the terms and provisions of this Second Amendment shall control.

IN WITNESS WHEREOF, this Second Amendment has been duly executed by Medical Director and Palomar Pomerado Health on the dates set forth below.

PAUL R. KEITH, M.D.	**PALOMAR POMERADO HEALTH**
By:_____	By:_____
Paul R. Keith, M.D.	Robert A. Hemker
Medical Director	Chief Financial Officer
Date:_____	Date:_____

PALOMAR POMERADO HEALTH/PALOMAR MEDICAL CENTER
Medical Director for Diagnostic Cardiology Services

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, May 27, 2008

MEETING DATE: Monday, June 9, 2008

BY: William E. Kail
Service Line Administrator, Radiology and Cardiology

BACKGROUND: Robert Stein M.D. has been the Medical Director for Diagnostic Cardiology Services at Palomar Medical Center for a number of years. He is a well-trained physician and member of the active medical staff. This Agreement represents a new term – from July 1, 2008 through June 30, 2009. The current Agreement expired on April 30, 2008, and a letter of intent has been signed by both parties to extend services pending finalization of the new Agreement, to include Board approval.

The Medical Director has been supportive of operational efforts to maintain staff competency, involved in the operating and capital budgeting process, and assisted in the expansion of services.

BUDGET IMPACT: Budgeted

STAFF RECOMMENDATION: Approval

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the one-year **[July 1, 2008 through June 30, 2009]** Medical Director Agreement for Diagnostic Cardiology Services at Palomar Medical Center with **Robert Stein, M.D.**

Motion: **X**

Individual Action:

Information:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Cardiology Medical Director Agreement
	AGREEMENT DATE	July 1, 2008
	PARTIES	Robert Stein, M.D. and Palomar Medical Center
	PURPOSE	To provide Medical Director services at Palomar Medical Center.
	SCOPE OF SERVICES	Perform Medical Director services and functions as required by State, by JCAHO, Hospital Bylaws and Medical Staff Executive Committee.
	PROCUREMENT METHOD	☐ **Request For Proposal** ■ **Discretionary**
§4.1	**TERM**	July 1, 2008 through June 30, 2009
	RENEWAL	
§4.2	**TERMINATION**	As described under §4.2
§3.1	**COMPENSATION METHODOLOGY**	Monthly installments on or before the fifteenth day of each month, with respect to the preceding calendar month
	BUDGETED	■ **YES** ☐ **NO** – **IMPACT:**
	EXCLUSIVITY	☐ **NO** ■ **YES – EXPLAIN:**
	JUSTIFICATION	Regulatory required for Cardiology services.
	AGREEMENT NOTICED	■ **YES** ☐ **NO** **Methodology & Response:** Medical staff solicited for comment.
	ALTERNATIVES/IMPACT	N/A
	Duties	■ **Provision for Staff Education** ■ **Provision for Medical Staff Education** ■ **Provision for participation in Quality Improvement** ■ **Provision for participation in budget process development**
	COMMENTS	This is a renewal of the previous agreement in order to conform to legal counsel template for Cardiology Medical Director services. Legal review completed.
	APPROVALS REQUIRED	■ VP ■ CFO ■ CEO ■ BOD Finance Committee ■ BOD

CARDIOLOGY MEDICAL DIRECTOR AGREEMENT

between

PALOMAR POMERADO HEALTH
a local health care district

and

ROBERT STEIN, M.D.

July 1, 2008

MEDICAL DIRECTOR AGREEMENT

THIS MEDICAL DIRECTOR AGREEMENT ("Agreement") is made and entered into effective July 1, 2008, by and between Palomar Pomerado Health, a local health care district organized pursuant to Division 23 of California Health and Safety Code ("PPH") and Robert Stein, M.D. ("Medical Director").

RECITALS

A. Palomar Pomerado Health is the owner and operator of Palomar Medical Center, a general acute care hospital located at 555 East Valley Parkway, Escondido, California ("Hospital").

B. Hospital operates a Department of Diagnostic and Interventional Cardiology ("the Department").

C. Medical Director is a physician who is qualified and licensed to practice medicine in the State of California, is experienced and qualified in the specialized field of Internal Medicine/Cardiovascular Diseases, and who is a member of the Medical Staff of Hospital ("Medical Staff").

D. Department consists of facilities and equipment owned by Hospital and staffed by Hospital employees.

E. Hospital desires to retain Medical Director as an independent contractor to provide certain administrative services ("Administrative Services") in the operation of the Department and has determined hereunder this proposed arrangement with Medical Director will enhance the Department's and Hospital's organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among the Department's providers and users.

F. Hospital and Medical Director acknowledge and agree hereunder this Agreement shall supersede the agreements, if any, previously entered into by the parties for the provision of Administrative Services.

G. It is the intent of both Hospital and Medical Director that the terms and conditions of this Agreement, and the manner in which services are to be performed hereunder, fulfill and comply with all applicable requirements of any applicable "safe harbor" or exception to Stark I, II, and III including, but in no way limited to, the applicable requirements set forth in regulations promulgated by the Department of Health and Human Services, Office of Inspector General, and in the Ethics in Patient Referral Act.

Physician Recruitment Agreement

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, May 27, 2008

MEETING DATE: Monday, June 9, 2008

BY: Marcia Jackson, Chief Planning Officer

Background: The PPH community lacks an adequate number of obstetricians and gynecologists as verified by Medical Development Specialists, a national consulting firm that specializes in physician manpower studies. PPH has an established physician recruitment program and had allocated resources to attract additional Obstetrics and Gynecology physicians to relocate to Inland North San Diego County. Gabriela M. DiLauro, M.D., and Escondido OBGYN, Inc., have signed the PPH Physician Recruitment Agreement in order for Dr. DiLauro to join Escondido OBGYN and establish a practice in their Escondido office. She intends to begin practicing in September of 2008.

Budget Impact: None

Staff Recommendation: Approval of the Physician Recruitment Agreement with Gabriela M. DiLauro, M.D., and Escondido OBGYN, Inc.

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the Physician Recruitment Agreement with Gabriela M. DiLauro, M.D., and Escondido OBGYN, Inc.

Motion: **X**

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Physician Recruitment Agreement—Obstetrics & Gynecology
	AGREEMENT DATE	March 18, 2008, Start date September 1, 2008
	PARTIES	1) PPH 2) Gabriela M. DiLauro, M.D. 3) Escondido OBGYN, Inc.
Recitals	**PURPOSE**	Provide recruitment assistance to enable Dr. DiLauro to establish a practice within Escondido OBGYN.
Article 4	**SCOPE OF SERVICES**	Dr. DiLauro will establish a full-time Obstetrics & Gynecology practice in Escondido OBGYN's Escondido office and will participate in government-funded programs.
2.1; 2.2; 6.2; 6.4; 6.5	**TERM**	1 year of income assistance; two year repayment/forgiveness period
Recruitment procedure D.2	**RENEWAL**	None available
Article 8; 9.17	**TERMINATION**	Contract stipulates conditions for termination
Article 2	**COMPENSATION METHODOLOGY**	For monthly income guarantee physician will submit monthly report of expenses and collections. For relocation and start-up cost assistance physician will submit receipts.
	BUDGETED	X **YES** ☐ **NO** – **IMPACT:** None
5.1; 9.19	**EXCLUSIVITY**	X **NO** ☐ **YES – EXPLAIN:** Government prohibits hospitals from requiring physician to exclusively have privileges or make referrals only to their hospital. The contract does include a non-compete clause.
	PHYSICIAN MANPOWER STUDY	Medical Development Specialists, a national consulting firm who performed our Physician Manpower Study, completed an analysis which confirmed there is a justifiable community need for this recruitment
	EXTERNAL FINANCIAL VERIFICATION	X **YES** ☐ **NO** **Methodology:** Medical Development Specialists (MDS) developed a pro forma for the practice to establish the contract value to cover income guarantee and cash flow needs. MDS also provided the market comparison to establish an appropriate income guarantee.
	LEGAL COUNSEL REVIEW	X **Yes** ☐ **NO** No exceptions to the standard agreement. Legal Counsel has approved this contract.
	APPROVALS REQUIRED	X CPO X General Counsel X CFO X CEO X BOD Finance Committee on May 27, 2008 X BOD

PRACTICE RECRUITMENT AGREEMENT
BETWEEN PALOMAR POMERADO HEALTH,
ESCONDIDO OB/GYN, INC.,
AND
GABRIELA M. DILAURO, M.D.

This is an Agreement dated March 18, 2008 (**"Agreement"**) between Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code (**"PPH**"), Escondido OBGYN, Inc. ("**Group**"), and Gabriela M. DiLauro, M.D. (**"Physician**") (collectively the "**parties**").

PPH owns and operates Palomar Medical Center, an acute-care hospital located in Escondido, California, and Pomerado Hospital, an acute-care hospital in Poway, California (collectively "**PPH**"). The service area of PPH includes, but is not limited to, north San Diego County and other surrounding communities (**"Service Area**").

PPH has determined that a portion of its Service Area has substantial unmet medical needs, evidenced by a population that is rapidly expanding and that is in need of services in Physician's medical specialty. PPH has further determined that under available benchmark criteria, the number of physicians in its Service Area practicing in Physician's medical specialty is insufficient to serve current and potential patients in need of such services.

PPH's Service Area has not proven sufficiently appealing on its own to attract and retain a suitable number of physicians in Physician's specialty. The Board of Directors of PPH has determined that it is within PPH's mission to recruit a physician in Physician's specialty who is willing to locate a medical practice in PPH's service area, join the medical staff of PPH and an appropriate physician group, provide a reasonable amount of charity care, and serve the medical needs of the community.

Group is a professional corporation comprised of licensed medical doctors who provide medical care in the Service Area. Group seeks to cooperate with PPH in recruiting a qualified physician to join Group and provide medical care in the Service Area.

Physician is a medical doctor specializing in OB/GYN who has not previously practiced that specialty in the Service Area. Physician is willing to join Group and establish a medical practice in Escondido, California, on the terms and conditions set forth below, and PPH is willing to provide assistance to Physician and make certain advances to Group for the benefit of Physician to help establish such a practice:

Therefore, the parties agree as follows:

Physician Recruitment Agreement

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, May 27, 2008

MEETING DATE: Monday, June 9, 2008

BY: Marcia Jackson, Chief Planning Officer

Background: The PPH community lacks an adequate number of obstetricians and gynecologists as verified by Medical Development Specialists, a national consulting firm that specializes in physician manpower studies. PPH has an established physician recruitment program and had allocated resources to attract additional Obstetrics and Gynecology physicians to relocate to Inland North San Diego County. Radmila Kazanegra, M.D., and Escondido OBGYN, Inc., have signed the PPH Physician Recruitment Agreement in order for Dr. Kazanegra to join Escondido OBGYN and establish a practice in their Escondido office. She intends to begin practicing in August of 2008.

Budget Impact: None

Staff Recommendation: Approval of the Physician Recruitment Agreement with Radmila Kazanegra, M.D., and Escondido OBGYN, Inc., and recommend approval by the full Board of Directors.

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the Physician Recruitment Agreement with Radmila Kazanegra, M.D., and Escondido OBGYN, Inc

Motion: **X**

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Physician Recruitment Agreement—Obstetrics & Gynecology
	AGREEMENT DATE	May 8, 2008, Start date August 1, 2008
	PARTIES	1) PPH 2) Radmila Kazanegra, M.D. 3) Escondido OBGYN, Inc.
Recitals	**PURPOSE**	Provide recruitment assistance to enable Dr. Kazanegra to establish a practice within Escondido OBGYN.
Article 4	**SCOPE OF SERVICES**	Dr. Kazanegra will establish a full-time Obstetrics & Gynecology practice in Escondido OBGYN's Escondido office and will participate in government-funded programs.
2.1; 2.2; 6.2; 6.4; 6.5	**TERM**	1 year of income assistance; two year repayment/forgiveness period
Recruitment procedure D.2	**RENEWAL**	None available
Article 8; 9.17	**TERMINATION**	Contract stipulates conditions for termination
Article 2	**COMPENSATION METHODOLOGY**	For monthly income guarantee physician will submit monthly report of expenses and collections. For relocation and start-up cost assistance physician will submit receipts.
	BUDGETED	X **YES** ☐ **NO** – **IMPACT:** None
5.1; 9.19	**EXCLUSIVITY**	X **NO** ☐ **YES – EXPLAIN:** Government prohibits hospitals from requiring physician to exclusively have privileges or make referrals only to their hospital. The contract does include a non-compete clause.
	PHYSICIAN MANPOWER STUDY	Medical Development Specialists, a national consulting firm who performed our Physician Manpower Study, completed an analysis which confirmed there is a justifiable community need for this recruitment
	EXTERNAL FINANCIAL VERIFICATION	X **YES** ☐ **NO** **Methodology:** Medical Development Specialists (MDS) developed a pro forma for the practice to establish the contract value to cover income guarantee and cash flow needs. MDS also provided the market comparison to establish an appropriate income guarantee.
	LEGAL COUNSEL REVIEW	X **Yes** ☐ **NO** No exceptions to the standard agreement. Legal Counsel has approved this contract.
	APPROVALS REQUIRED	X CPO X General Counsel X CFO X CEO X BOD Finance Committee on May 27, 2008 X BOD

PRACTICE RECRUITMENT AGREEMENT
BETWEEN PALOMAR POMERADO HEALTH,
ESCONDIDO OB/GYN, INC.,
AND
RADMILA KAZANEGRA, M.D.

This is an Agreement dated May 8, 2008 (**"Agreement"**) between Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code (**"PPH**"), Escondido OBGYN, Inc. ("**Group**"), and Radmila Kazanegra, M.D. (**"Physician**") (collectively the "**parties**").

PPH owns and operates Palomar Medical Center, an acute-care hospital located in Escondido, California, and Pomerado Hospital, an acute-care hospital in Poway, California (collectively "**PPH**"). The service area of PPH includes, but is not limited to, north San Diego County and other surrounding communities (**"Service Area**").

PPH has determined that a portion of its Service Area has substantial unmet medical needs, evidenced by a population that is rapidly expanding and that is in need of services in Physician's medical specialty. PPH has further determined that under available benchmark criteria, the number of physicians in its Service Area practicing in Physician's medical specialty is insufficient to serve current and potential patients in need of such services.

PPH's Service Area has not proven sufficiently appealing on its own to attract and retain a suitable number of physicians in Physician's specialty. The Board of Directors of PPH has determined that it is within PPH's mission to recruit a physician in Physician's specialty who is willing to locate a medical practice in PPH's service area, join the medical staff of PPH and an appropriate physician group, provide a reasonable amount of charity care, and serve the medical needs of the community.

Group is a professional corporation comprised of licensed medical doctors who provide medical care in the Service Area. Group seeks to cooperate with PPH in recruiting a qualified physician to join Group and provide medical care in the Service Area.

Physician is a medical doctor specializing in OB/GYN who has not previously practiced that specialty in the Service Area. Physician is willing to join Group and establish a medical practice in Escondido, California, on the terms and conditions set forth below, and PPH is willing to provide assistance to Physician and make certain advances to Group for the benefit of Physician to help establish such a practice:

Therefore, the parties agree as follows:

Charity Policy

TO: Board of Directors

MEETING DATE: Monday, June 9, 2008

FROM: Governance Committee
May 20, 2008

BY: Linda Greer, RN
Chair, Governance Committee

Background: This document defines Palomar Pomerado Health's (PPH) policy for the identification, documentation and handling of Financial Assistance (Charity Care). In accordance with its Statement of Mission, it is the policy of PPH to provide a reasonable amount of hospital services without charge to eligible patients who cannot afford to pay for care. In addition, PPH is regulated and follows the California Assembly Bill, AB774, which mandates certain practices related to providing charity care or discounting for the uninsured or underinsured.

Budget Impact: None

Staff Recommendation: Board adoption of policy

Committee Questions: The Board Finance Committee questioned if AB774 is applicable to Districts. Management to research and validate applicability. Findings to be forwarded to Governance Committee. Governance Committee (per PPH Compliance Officer) determined that PPH is subject to AB774.

COMMITTEE RECOMMENDATION: The Governance Committee recommends adoption of the revised Board Policy for the Identification, Documentation and Handling of Financial Assistance (Charity Care) with removal of reference to "Queenscare".

Motion: **X**

Individual Action:

Information:

Required Time:

I. PURPOSE:

This document defines Palomar Pomerado Health's (PPH) procedure for the identification, documentation and handling of Financial Assistance (Charity Care). In accordance with its Statement of Mission, it is the policy of PPH to provide a reasonable amount of hospital services without charge to eligible patients who cannot afford to pay for care. In addition, PPH is regulated and follows the California Assembly Bill, AB774, which mandates certain practices as it related to providing charity care or discounting for the uninsured or underinsured.

II. DEFINITIONS:

Financial Assistance is defined as health care services provided for no charge or at a reduced charge to the patient (the term "patient" refers to the patient or guarantor ultimately responsible for the financial resolution of an account) who does not have or cannot obtain adequate financial resources to pay for his/her health care services. This is in contrast to bad debt, which occurs when a patient who, having the requisite financial resources to pay for health care services, has demonstrated by his/her actions an unwillingness to resolve his/her bill. Financial Assistance eligibility may be determined prior to or at the time of an admission, during a hospital stay or after a patient is discharged. Each situation is different and shall be evaluated at the time of the application based upon the patient's circumstances. Eligibility for Financial Assistance does not apply to services rendered by any physician, whether rendered on an inpatient or outpatient basis, or to health care providers other than PPH.

III. TEXT / STANDARDS OF PRACTICE:

A. The General guidelines for Financial Assistance approval are:
   1. Patients who do not have or cannot obtain adequate financial resources to pay for their health care services.
   2. Uninsured patients, as well as insured patients for the portion of their bill not covered by insurance, may be eligible.
   3. Resources from third party payors, local charitable agencies, Queenscare, Victim of Crime, Medi-Cal, Healthy Families, etc. must be exhausted before a charity adjustment can be applied.
   4. Only hospital services provided by PPH shall be considered.
   5. Eligibility determinations shall be based primarily upon income and family size. While expenses and other factors may be considered, these shall not serve as the primary basis for determining eligibility.

B. Clinical Determination:
   The evaluation of the necessity for medical treatment of any patient shall be based upon clinical judgment, regardless of insurance or financial status, in compliance with PPH's Statement of Mission. The clinical judgment of the patient's personal physician or the Emergency Department (ED) staff physician shall be the primary determining criteria for a patient's admission. In cases where an emergency medical condition exists, any evaluation of possible payment alternatives shall occur only after an appropriate medical screening examination has occurred and necessary stabilizing services have been provided in accordance with all applicable State and Federal laws and regulations.

C. Exclusions:
   Patients who are not permanent citizens or permanent residents of the United States.

IV. ADDENDUM:

V. DOCUMENT / PUBLICATION HISTORY:

VI. CROSS-REFERENCE DOCUMENTS:

Charity Care Services at PPH (Procedure #2467)
Self Pay Discounting and Extended Payment Plan (Procedure #25853)
Undocumented Compensation Program (Procedure #26152)

Board Review of PPH Policies

TO: Board of Directors

MEETING DATE: June 9, 2008

FROM: Governance Committee Meeting May 20, 2008

BY: Jim Neal, Director Corporate Compliance & Integrity

BACKGROUND: Reviewed and approved revisions of current Board Policy listed below. In attendance were: Directors Linda Greer (Chair), Ted Kleiter, together with CEO, Michael Covert, Janine Starti, Nancy Wood and Jim Neal. Board approval is sought.

Policies for approval:

- GOV-20 Public Comments and Attendance at public Board Meetings

BUDGET IMPACT: None

STAFF RECOMMENDATIONS: Staff Recommended approval

COMMITTEE RECOMMENDATION: Board approval requested for the above listed revised policy.

Motion: X

Individual Action:

Information:

PALOMAR POMERADO HEALTH

BOARD POLICY

GOV-20

PUBLIC COMMENTS AND ATTENDANCE AT PUBLIC BOARD MEETINGS

June 9, 2008

Change Summery

1. Reviewed the current Government Code § 54953 and 54954, Health and Safety Code; and the Administrative Code for compliance.
2. Changed the term "presentations" to "comments" in sections III.B and III.E.

I. PURPOSE:

A. To provide guidelines in the interest of conducting orderly, open public meetings while ensuring that the public is afforded opportunity to attend and to address the board.

II. DEFINITIONS:

None

III. TEXT / STANDARDS OF PRACTICE

A. Members of the public who wish to address the board are asked to complete a *Request for Public Comment* form and submit to the Board Assistant prior to the meeting. The information requested shall be limited to name, address, phone number and subject.

B. Should Board action be requested, the request should be included on the form as well. Written copies of ~~presentation~~ comments are encouraged and may be attached to the form.

C. The subject matter is to be confined to the topic requested and must be germane to Palomar Pomerado Health's jurisdiction.

D. The maximum allowable time is five minutes per speaker with a cumulative total of fifteen minutes per group.

E. The time and date of ~~presentation~~ comments are at the discretion of the Board Chair. Questions or comments will be entertained either during "Public Comments" section on the agenda or at the time the subject is discussed, provided that either time is prior to or during the time the item is being considered. Public comments at Board workshops will be limited to the "Public Comments" section.

F. The public shall be accommodated by a designated seating area at all public meetings, unless room accommodations preclude it.

G. In the event of a disturbance that is sufficient to impede the proceedings, all persons may be excluded with the exception of newspaper personnel who were not involved in the disturbance in question.

H. The public shall be afforded those rights listed below (Government Code Section 54953 and 54954).

1. To receive appropriate notice of meetings;
2. To attend with no pre-conditions to attendance;
3. To testify within reasonable limits prior to ordering consideration of the subject in question;
4. To know the result of any ballots cast;
5. To broadcast or record proceedings (conditional on lack of disruption to meeting);
6. To review recordings of meetings within thirty days of recording; minutes to be Board approved before release,

7. To publicly criticize Palomar Pomerado Health or the Board; and
8. To review without delay agendas of all public meetings and any other writings distributed at the meeting.

I. Board Committee Meetings.

1. The public may attend Committee meetings of the Board and will comply with the following:
   a. Members of the public will not sit at the table unless invited to do so by the Committee Chair.
   b. Members of the public will not eat the food and beverages provided to the Board and invited guest.
   c. Members of the public will not comment or interrupt the proceedings of the Committee until invited to do so by the Committee Chair at the beginning of the meeting.

J. This policy will be reviewed and updated as required or at least every three years.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 2/94
Reviewed: 8/95; 1/99; 9/05; 4/06; 3/08
Revision Number: 2 Dated: 4/11/06
Document Owner: Michael Covert
Authorized Promulgating Officers: Bruce G. Krider, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005, this policy was Board Policy 10-406

Governance Committee

Annual Review of Committee Bylaws

TO: Board of Directors
June 9, 2008

FROM: Governance Committee Meeting May 20, 2008

BY: Linda Greer, RN
Chair, Governance Committee

BACKGROUND: Each year, each standing committee is to review its relevant section of the bylaws, as provided below, to provide an opportunity to amend as needed and provide feedback to the Board of Directors via the Governance Committee. The Board Quality Review Committee reviewed the bylaws during the October 16, 2007 Q. R. Committee meeting, and additional duties were added. The Q. R. Committee again reviewed the bylaws on December 18, 2007 and the language was refined and approved by the Committee and is submitted to the Board as set out below ***(see amendments)***. These amendments were forwarded to Governance Committee for review and approval on May 20, 2008.

From: PPH Bylaws revised by the Board as of February 13, 2006

6.2 STANDING COMMITTEES. There shall be the following standing committees of the Board: Finance, Governance, Human Resources, Strategic Planning, Community Relations, Quality Review, Audit Committee, and Facilities and Grounds Committee. Standing committees will be treated as the Board with respect to Article V of these bylaws. All provisions in Article V that apply to Board members shall apply to members of any standing committee.

6.2.5 Quality Review Committee.

(a) Voting Membership: The committee shall consist of five voting members. Including three members of the Board and the Chairs of Medical Staff Quality Management Committees of the Hospitals or ***Physician Chair of Quality Council*** (voting position will rotate between Chairs of Medical Staff Quality Management Committees and ***Physician Chair Quality Council*** allowing only two votes total for these three positions) and an alternate, who shall attend and enjoy voting rights only in the absence of a voting Committee Member.

(b) Non-Voting Membership: The President and Chief Executive Officer, the Chief Administrators of Pomerado Hospital and Palomar Medical Center, a nurse representative, the Chief Quality and Clinical Effectiveness Officer, Chair of the Patient Safety Committee, ***Chief Nurse Executive and Chief Clinical Outreach Officer***.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Pursuant to the Palomar Pomerado Health Performance Improvement/Patient Safety Plan oversees the performance improvement/patient safety and risk management activities (***including but not limited to claims and potential litigations) of the Hospitals and other Facilities, if applicable, and shall periodically report its conclusions and recommendations to the Board;***

(ii) ***Yearly review of the credentialing process;***

(iii) ***Yearly review of physician satisfaction scores;***

(iv) ***Nursing Survey regarding physician behavior will be reviewed when appropriate; and***

(v) ***Quarterly review of customer satisfaction scores.***

BUDGET IMPACT: None, for information only.

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: The Governance Committee recommends approval of the amendments to the Board Quality Review Committee bylaws. Amendments pertained to outlining duties of the Committee.

Motion: **X**

Individual Action:

Information:

May 22, 2008

TO: Board of Directors

BOARD MEETING DATE: June 9, 2008

FROM: John J. Lilley, M.D., Chief of Staff
PMC Medical Staff Executive Committee

SUBJECT: Palomar Medical Center Medical Staff Credentialing Recommendations

I. Provisional Appointment (06/09/2008 – 05/31/2010)
Marc S. Chuang, M.D., Urology
Vincent J. Flynn, Jr., M.D., Urology
Ving Yam, D.O., Family Practice

II. Advance from Provisional to Active Status
Gregory S. Campbell, M.D., Critical Care Surgery (06/09/2008 – 05/31/2010) (Includes PCCC)
Elizabeth T. Cerrone, D.O., OB/GYN (07/01/2008 – 06/30/2010)
Sandi C. Rigsby, M.D., Anesthesiology (06/09/2008 – 05/31/2010)
Jerry T. Tseng, M.D., Internal Medicine (06/09/2008 – 06/30/2009)
Farah Zeeda, M.D., Internal Medicine (06/09/2008 – 06/30/2009) (Includes PCCC)
Rong Zou, M.D., Internal Medicine (06/09/2008 – 12/31/2009)

III. Additional Privileges
John H. Detwiler, M.D., Cardiology
- Performance and Interpretation of CT Coronary Angiography

Jay B. Federhart, M.D., Diagnostic Radiology
- Nuclear Medicine Therapy

IV. Voluntary Resignations/Withdrawals
Erika Albani, M.D., Family Practice (Effective 07/01/2008)
Jeng-Hsien Chen, M.D., Hematology/Oncology (Effective 06/30/2008)
Charles C. Liu, M.D., Diagnostic Radiology (Effective 05/08/2008)

V. Automatic Termination of Membership and Privileges
Patricia L. Christie, M.D., Family Practice (Effective 06/09/2008)

VI. Reappointment Effective 07/01/2008 – 06/30/2010

Douglas J. Bates, M.D. (Changed from Active to Consulting Category)	Diagnostic Radiology	Dept of Radiology	Consulting
Hamed Bayat, M.D.	Cardiology	Dept of Medicine	Active
Russel A. Buzard, D.O. (Changed from Active to Associate Status)	Family Practice	Dept of Family Practice	Associate
Silverio T. Chavez, M.D.	OB/GYN	Dept of OB/GYN	Active
Julie J. Chuan, M.D. (Includes PCCC)	Family Practice	Dept of Family Practice	Active

(Reappointment – Continued)

Edward R. Curley, M.D.	Pediatrics	Dept of Pediatrics	Active
Timothy L. Feng, M.D.	Diagnostic Radiology	Dept of Radiology	Active
Robert D. Jacobs, M.D.	Otolaryngology	Dept of Surgery	Courtesy
Mikhail R. Malek, M.D.	Cardiology	Dept of Medicine	Active
Nicholas D. Morell, M.D.	OB/GYN	Dept of OB/GYN	Active
Erwin M. Omens, M.D.	Ophthalmology	Dept of Surgery	Active
(Changed from Courtesy to Active Status)			
Benjamin Padilla, M.D.	OB/GYN	Dept of OB/GYN	Active
James H. Price, M.D.	OB/GYN	Dept of OB/GYN	Active
Daniel C. Robbins, D.O.	Pediatrics	Dept of Pediatrics	Associate
(Changed from Courtesy to Associate Status)			
Cynthia E. Sorrell, M.D.	Internal Medicine	Dept of Medicine	Active
Gary P. Spoto, M.D.	Diagnostic Radiology	Dept of Radiology	Active
Merton C. Suzuki, M.D.	Plastic Surgery	Dept of Surgery	Courtesy
Vrijesh S. Tantuwaya, M.D.	Neurosurgery	Dept of Surgery	Active
Barry M. Uhl, M.D.	Radiation Oncology	Dept of Radiology	Associate
Daniel Vicario, M.D.	Hematology/Oncology	Dept of Medicine	Associate
(No clinical privileges)			
Robert S. Warren, M.D.	Neurology	Dept of Medicine	Active
John J. Weber, M.D.	Internal Medicine	Dept of Medicine	Active
Geoffrey D. Weinstein, M.D.	Therapeutic Radiology	Dept of Radiology	Associate
Jack M. Wilson, M.D.	Emergency Medicine	Dept of Emergency Medicine	Active

VII. Allied Health Professional Reappointment Effective 07/01/2008 – 06/30/2010

Glenn C. Frey, CCP, Perfusionist; Sponsors: Drs. Reichman, Rosenburg, Young
Roseanne M. Hoffman, CCP, Perfusionist; Sponsors: Drs. Reichman, Rosenburg, Young
James H. Kimber, P.A.-C, Physician Assistant; Sponsors: Drs. Yoo, Stern, Marcisz
Mary M. Lesniewski, N.P., Nurse Practitioner; Sponsors: Drs. Herip, Esmaeili
Leslee E. Siegel, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Cerrone, Ghosh, Leon, Cizmar

Certification by and Recommendation of Chief of Staff:

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

PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
June, 2008

PERSONAL INFORMATION

Provider Name & Title	Marc S. Chuang , M.D.
PPHS Facilities	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

Specialties	Surgery, Urology – Not Board Certified

ORGANIZATIONAL NAME

Name	Kaiser Permanente

EDUCATION/AFFILIATION INFORMATION

Medical Education Information	Texas A & M Health Science Center, College Station, TX From: 08/01/1996 To: 05/20/2000 Doctor of Medicine Degree
Internship Information	University of Chicago Hospitals, Chicago, IL General Surgery From: 06/24/2000 To: 06/30/2001
Residency Information	University of Chicago Hospitals, Chicago, IL Urology From: 07/01/2001 To: 06/30/2006
Fellowship Information	University of Chicago Hospitals, Chicago, IL Urology From: 07/01/2006 To: 06/30/2007 Minimally Invasive Urological Surgery
Current Affiliation Information	Kaiser Permanente, San Diego Louis A. Weiss Memorial Hospital, Chicago, IL

PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
June, 2008

PERSONAL INFORMATION

Provider Name & Title	Vincent J. Flynn, Jr., M.D.
PPHS Facilities	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

Specialties	Surgery, Urology - Certified 2005

ORGANIZATIONAL NAME

Name	Kaiser Permanente

EDUCATION/AFFILIATION INFORMATION

Medical Education Information	Medical University of South Carolina, Charleston From: 08/01/1993 To: 05/16/1997 Doctor of Medicine Degree
Internship Information	Tulane University Medical Center, New Orleans, LA General Surgery From: 07/01/1997 To: 06/30/1999
Residency Information	Tulane University Medical Center, New Orleans, LA Urology From: 07/01/1999 To: 06/30/2003
Fellowship Information	N/A
Current Affiliation Information	Kaiser Permanente, San Diego

PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
June, 2008

PERSONAL INFORMATION

Provider Name & Title	Ving Yam, D.O.
PPHS Facilities	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

Specialties	Family Practice – Certified: 2005

ORGANIZATIONAL NAME

Name	Ving Yam, D.O.

EDUCATION/AFFILIATION INFORMATION

Medical Education Information	Philadelphia College of Osteopathic Medicine, Philadelphia, PA From: 09/01/1998 To: 06/02/2002 Doctor of Osteopathy
Internship Information	N/A
Residency Information	Riverside County Regional Medical Center, Riverside, CA Family Practice From: 07/01/2002 To: 06/30/2005
Fellowship Information	N/A
Current Affiliation Information	Corona Regional Medical Center, Corona, CA Riverside Community Hospital, Riverside, CA Parkview Community Hospital Medical Center, Riverside, CA

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

DATE: May 27, 2008
TO: Board of Directors - June 9, 2008 Meeting
FROM: Benjamin Kanter, M.D., Chief of Staff, Pomerado Hospital Medical Staff
SUBJECT: Medical Staff Credentials Recommendations – May

Advancements:
Sandi C. Rigsby, M.D. – Anesthesia – Active - 06/09/2008 – 05/31/2010
Farah Zeeda, M.D. – Internal Medicine – Active – 06/09/2008 – 06/30/2009 (includes Villa)
Rong Zou, M.D. – Internal Medicine – Active – 06/09/2008 – 12/31/2009
Rensheng Zhang, M.D. – Anesthesia – Active – 06/09/2008 – 12/31/2008

Biennial Reappointments: (07/01/2008 – 06/30/2010)
Douglas J. Bates, M.D. – Radiology - Consulting
Hamed Bayat, M.D. – Cardiology - Active
Julie J. Chuan, M.D. – Family Practice – Active (includes Villa)
Terese M. Dudarewicz, M.D. – Family Practice - Affiliate
David A. Edwards, Jr., M.D. – Ophthalmology - Active
Timothy L. Feng, M.D. – Radiology - Active
Stuart N. Graham, M.D. – Pediatrics - Active
Robert D. Jacobs, M.D. – Otolaryngology - Courtesy
Alan W. Larson, M.D. – Gastroenterology - Active
Mikhail R. Malek, M.D. – Cardiology - Active
Erwin M. Omens, M.D. – Ophthalmology - Active
Gary P. Spoto, M.D. – Radiology - Active
Merton C. Suzuki, M.D. – Plastic Surgery - Active
Vrijesh S. Tantuwaya, M.D. - Neurosurgery - Courtesy
Jack M. Wilson, M.D. – Emergency Medicine – Active
Kevin Yoo, M.D – Neurosurgery (07/01/2008 – 09/30/2008)
Robert P. Zgliniec, M.D. – Internal Medicine – Active (includes Villa)

Additional Privileges:
Jay B. Federhart, M.D. - Nuclear Medicine Therapy

Voluntary Resignation:
Charles Liu, M.D.
Marcus Van, M.D.

Expiration of Membership:
Thomas S. Velky, M.D.

Allied Health Professional Reappointments: (07/01/2008 – 6/30/2010)
James Kimber, P.A.-C – Sponsors – Dr. Yoo
Mary M. Lesniewski, M.P. – Sponsor Dr. Herip

Expiration of Membership:
Rae L. Richard, N.P.

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

Auction Rate Securities

TO: Board of Directors

MEETING DATE: Monday, June 9, 2008

FROM: Board Finance Committee
Tuesday, May 27, 2008

BY: Bob Hemker, CFO

Background: In December 2006, PPH closed a Revenue Bond financing through the issuance of $180 million of Auction Rate Securities (ARS) in 3 Series of $60 million each. The ARS instrument was utilized in lieu of Fixed Rate Bonds based upon significant due diligence, establishment of a Board variable rate debt policy, tolerance for risk, safety of ARS instruments, significant debt service savings, and stability of the marketplace related to ARSs. This form of financing had been widely utilized by well respected healthcare entities

Until the week of February 11, 2008, the performance on the ARS weekly resets of PPH bonds was performing well - averaging 3.79%. However, the recent market turmoil related to ARSs, ratings of Bond Insurers, etc., has caused significant uncertainty in the ARS marketplace (approximately $325 billion of issued debt). These market conditions and uncertainty have resulted in interest rate resets at significantly higher levels, including failed auctions in many cases. While PPH has not had any failed auctions, resets have ranged from 6.7% to 10% on each of the Series. As a result, we are evaluating options that include the use of Variable Rate Demand Obligations (VRDOs) and/or refunding to fixed rate bonds to mitigate the interest rate exposure while the future of ARS instruments is defined by the marketplace.

At the March and April Board Finance Committee meetings, the Bond Financing Team presented in-depth assessments of then-current conditions, options available to PPH on a go-forward basis, and recommended strategies. The final recommendation was that Management be allowed to continue to monitor the situation with regard to the ARS market, moving forward with continued diligence and negotiations for a possible refinancing to Synthetic Fixed Rate Bonds with an underlying VRDO option, subject to bond insurer and bank participation; with the alternative refinancing options utilizing fixed rate insured bonds, fixed rate uninsured bonds, postponement of refinancing based upon ongoing market conditions.

At the May meeting of the Board Finance Committee, information on current market conditions and the status of ongoing negotiations with the bond insurer and banking organizations was provided. Key for Bond Insurer FSA is current and future profitability and liquidity (ie, days' cash on hand). Based on more normalized resets for all three series of bond—the week of May 26th they were 3%, 3.39% and 3.25%—Management will continue to monitor the market and will resume discussions with FSA in mid-June.

Budget Impact: TBD based upon strategy utilized and market conditions at the time of executing the strategy.

Staff Recommendation:

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee requested that the Board be kept up to date with regular emails.

Motion:

Individual Action:

Information: **X**

Required Time:

Informational: Annual Review of PPH Bylaws Relating to HR Committee

TO: PPH Board of Directors

MEETING DATE: June 9, 2008

FROM: Human Resources Committee: May 8, 2008

BACKGROUND:

HR Committee reviewed the PPH Bylaws relating to this Committee.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:
HR Committee members made the following recommendations for change:

1. 6.2.3 (c) Duties: (ii) to include the word *process* …."Maintain ultimate oversight of annual performance review *process*…"
2. 6.2.3 (c) Duties: (vi) New verbiage: *"Oversight of labor relations activities and decisions on behalf of PPH."*
3. 6.2.3 (c) Duties: With the inclusion of the new verbiage for (vi), the original (vi) becomes (vii).

Revisions to be forward to the June 17, 2008, Governance Committee for review/approval.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: ***X***

Required Time:

Informational: Position Comparison

TO: PPH Board of Directors

MEETING DATE: June 9, 2008

FROM: Human Resources Committee: May 8, 2008

BACKGROUND:

1. N. Bassett had requested a comparison of management positions to hourly workers to ensure that management positions are being regulated so the cost of management is not detrimental to the hourly employees.
2. W. George shared comparison information including: comparisons of the percentage of executives, service line administrators (SLA) and directors to employees; executive position changes by hire date; and a listing of all executives, SLAs and directors.
3. Per ensuing discussion it was agreed that a more accurate comparison would be a percentage comparison of management position salaries to hourly worker salaries.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:
Information will be provided at the June 17 HR Committee relating to a percentage comparison of management position salaries to hourly worker salaries.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: ***X***

Required Time:

Informational: Workforce Planning Analysis and Succession Management

TO: PPH Board of Directors

MEETING DATE: June 9, 2008

FROM: Human Resources Committee: May 8, 2008

BACKGROUND:
Wallie George, CHRO provided the HR Committee with an analysis provided by Watson Wyatt outlining PPH Workforce Planning.

1. Information reviewed PPH turnover, aging issues, replacement needs and staffing needs addressing future needs for nursing, hard to fill positions, and those departments with aging staff.
2. M. Covert noted that as a supplement to the HR strategic plan, a Succession Management Program is in the process of being developed. This program will help identify PPH talent, orient them and train them to move into positions being vacated in the future. The goal is to have a succession plan through the Director level completed this year.
3. W. George shared that HR has initiated a pre-screening tool that has been having a positive impact on employees being hired. This tool will help ensure that the right employees are being hired for the PPH environment.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:
N. Bassett requested the full Board receive a copy of the Watson Wyatt packet.

COMMITTEE QUESTIONS:

1. A. Larson asked if there is a formal/long term workforce strategic plan being developed.
   a. Information being passed on to the HR Committee at this meeting is Step 1 in the development of the Workforce Strategic Plan.
2. N. Bassett asked if there is any correlation of ethnic diversity in turnover.
   a. At this point in time there does not appear to be any correlation.
3. N. Bassett asked how often the Wyatt Watson information presented at this meeting is updated. She would like to see information annually to see how PPH is meeting staffing needs.
   a. The HR Committee will be fully apprised of workforce development, including updates of information, as the Workforce Strategic Plan is developed and how well it addresses PPH needs as we move into the future.

Informational: Workforce Planning Analysis and Succession Management

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: ***X***

Required Time:

Presentation: CSUSM RN Program

TO: PPH Board of Directors

MEETING DATE: June 9, 2008

FROM: Human Resources Committee: May 8, 2008

BACKGROUND:
Nancy Bassett, Committee Chair, requested an update on the CSUSM RN Program.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:
N. Bassett requested L. Shoemaker present a medic update to the full Board.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: ***X***

Required Time:

Informational: Outside Labor Attorney Costs

TO: PPH Board of Directors

MEETING DATE: June 9, 2008

FROM: Human Resources Committee: May 8, 2008

BACKGROUND:
Nancy Bassett, Committee Chair, requested a discussion relative to outside labor attorney costs with the possible recommendation to hire an in-house labor attorney.

1. W. George provided information on monies paid out over the past year for outside labor attorney fees.
2. W. George noted that some cases are now being handled internally. J. Sarti and her team along with S. Gray are addressing some issues. However, there will remain a need for specialized expertise in labor and employment for more involved cases. Also noted:
   a. An external attorney has access to labor contracts from other healthcare organizations.
   b. An external labor attorney remains current in all labor/employment laws.
3. J. Sarti added that she now keeps spreadsheets on all outside Counsel by subject matter. At this point in time she recommends not hiring a labor attorney for PPH, but to review annually.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:
Continue to monitor outside labor attorney costs and evaluate in one year.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: ***X***

Required Time:

Informational: Calendar Dates Planned for Quarterly Employee Wellness

TO: PPH Board of Directors

MEETING DATE: June 9, 2008

FROM: Human Resources Committee: May 8, 2008

BACKGROUND:
Nancy Bassett, Committee Chair, requested an update on calendar dates planned for quarterly employee wellness.
Clarification was requested from N. Bassett as to what type of information she was looking for:

a. Calendar dates for the Employee Wellness Committee
b. Progress of employees identified as obese or diabetic: are we identifying more employees, are they getting healthier?
c. Is the Health Risk Assessment helping?
d. Are employees at risk using more PTO? Workman's comp issues?

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:
Topic to be on the June 17 HR Committee agenda.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: ***X***

Required Time:

Informational: Potential Use of Van Pool / Gasoline Use

TO: PPH Board of Directors

MEETING DATE: June 9, 2008

FROM: Human Resources Committee: May 8, 2008

BACKGROUND:
Nancy Bassett, Committee Chair, requested revisiting the use of van pools and gasoline use. N. Bassett is concerned that we may loose employees due to financial stress caused as increasing fuel costs affect living expenses.

1. In light of increasing fuel costs, N. Bassett asked if it might be feasible to explore offering a van pool to employees again.
2. W. George suggested taking another look at geography by occupation to help determine potential employees that would benefit from use of a van pool.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:
W. George to work with J. Wortman to complete a new employee survey.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: ***X***

Required Time:

Governance Committee
Amended and Restated PPH Bylaws

TO: Board of Directors

MEETING DATE: June 9, 2008

FROM: Board Governance Committee, May 20, 2008

BY: Linda Greer, RN
Chair, Governance Committee

BACKGROUND: At the Board Self-Evaluation meeting on April 21, the Board voted to return the Finance and Strategic Planning Committees to three Board representatives each instead of four. They remanded the action to the Governance Committee to alter the bylaws to reflect this change. (redlined of current bylaws attached for reference).

Section 6.2.1 would read:

6.2.1 Finance Committee (a) Voting Membership. The Finance Committee shall consist of six voting members, three members of the Board, the President and Chief Executive Officer and the Chief of Medical Staff from each hospital. One alternate Committee member shall also be appointed by the Chairperson who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member. The Chairperson of the Board may appoint the Treasurer as the chairperson of the Finance Committee.

Section 6.2.4 would read:

6.2.4 Strategic Planning (a) Voting Membership. The Strategic Planning Committee shall consist of six voting members, including three members of the Board and one alternate who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member, the President and Chief Executive Officer and the Chiefs of Staff of the Hospitals or the designees of the Chiefs of Staff, as approved by the Committee Chairperson.

For ease in administering the Bylaws and in order to avoid confusion, PPH now desires to restate the Bylaws to incorporate the above amendments and adopt such restated Bylaws. A copy of the restated Bylaws, including anticipated Board-approval of Annual Review of Board Quality Review Committee Bylaws already listed on this June 9, 2008 board agenda, is also attached.

BUDGET IMPACT: None

STAFF RECOMMENDATIONS: Staff Recommends approval

Governance Committee
Amended and Restated PPH Bylaws

COMMITTEE RECOMMENDATION: **Adoption of attached PPH Amended and Restated Bylaws, as submitted.**

Motion:

Individual Action: **X**

Information:

1.1.1 Finance Committee.

(a) Voting Membership. The Finance Committee shall consist of six voting members, three members of the Board, the President and Chief Executive Officer and the Chief of Medical Staff from each hospital. One alternate Committee member shall also be appointed by the Chairperson who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member. The Chairperson of the Board may appoint the Treasurer as the chairperson of the Finance Committee.

Deleted: seven

Deleted: four

(b) Non-Voting Membership. The Chief Financial Officer (CFO), the Chief Administrative Officers Palomar Medical Center and Pomerado Hospital and a nurse representative.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Review the preliminary, annual operating budgets for the District and Facilities and other entities;

(ii) Develop and recommend to the Board the final, annual, operating budgets;

(iii) Develop and recommend to the Board a three-year, capital expenditure plan that shall be updated at least annually. The capital expenditure plan shall include and identify anticipated sources of financing for and objectives of each proposed capital expenditure in excess of $100,000;

(iv) Review and recommend approval of the monthly financial statements to the Board.

(v) Recommend to the Board cost containment measures and policies;

(vi) Review annually those policies and procedures within its purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing or creation of new policies and procedures; and

(vii) Perform such other duties as may be assigned by the Board.

1.1.2 Strategic Planning Committee.

(a) Voting Membership. The Committee shall consist of six voting members, including three members of the Board and one alternate who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member, the President and Chief Executive Officer and the Chiefs of Staff of the Hospitals or the designees of the Chiefs of staff, as approved by the Committee Chairperson.

Deleted: seven

Deleted: four

(b) Non-Voting Membership. The Chief Financial Officer, Chief Planning Officer, Chief Administrative Officers Palomar Medical Center and Pomerado Hospital, the Chief Nurse Executive, Chief Executive Officer of the Palomar Pomerado Health Foundation, a board member of the Palomar Pomerado Health Foundation recommended by the Foundation and approved by the Committee Chairperson and an additional physician from each hospital as recommended by each hospital's Chief of Staff and as approved by the Committee Chairperson.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Review and make recommendations to the Board regarding the District's short and long range strategic plans, master and Facility plans, physician development plans and strategic collaborative relationships; and

(ii) Review annually those policies within the Committee's purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing, or creation of new policies; and

(iii) Undertake planning regarding physician recruitment and retention and program development of new and enhanced services and Facilities; and

(iv) Monitor new initiatives and programs; and

(v) Perform such other duties as may be assigned by the Board.

AMENDED AND RESTATED

BYLAWS

OF

PALOMAR POMERADO HEALTH

TABLE OF CONTENTS

74

75

BYLAWS
OF
PALOMAR POMERADO HEALTH

ARTICLE I.
DEFINITIONS

1.1 "Hospital(s)" means Palomar Medical Center, 555 East Valley Parkway, Escondido, California, and/or Pomerado Hospital, 15615 Pomerado Road, Poway, California.

1.2 "Board" means the Board of Directors of the District.

1.3 "District" means Palomar Pomerado Health.

1.4 "Medical Staff(s)" or "Staff(s)" means the organized medical staff of Palomar Medical Center, the organized medical staff of Pomerado Hospital, and/or the organized medical staff of other District Facilities, as indicated.

1.5 "Facility" or "Facilities" means a Hospital or the Hospitals, Home Health, Skilled Nursing Facilities, or any other health care facility or facilities operated by the District.

1.6 "Practitioner" means a physician (*i.e.*, M.D. or D.O.), dentist (D.D.S. or D.M.D.) or podiatrist (D.P.M.) who is duly licensed in the State of California to practice within the scope of said license.

ARTICLE II.
ORGANIZATION, POWERS AND PURPOSES

2.1 ORGANIZATION. The District is a political subdivision of the State of California organized under the Division 23 of the Health and Safety Code ("Local Health Care District Law").

2.2 PURPOSES AND POWERS. The District is organized for the purposes described in the Local Health Care District Law and shall have and may exercise such powers in the furtherance of its purposes as are now or may hereafter be set forth in the Local Health Care District Law and any other applicable statutes, rules or regulations of the State of California.

2.3 BYLAWS, POLICIES AND PROCEDURES

2.3.1 The Board shall have the powers to adopt, amend, and promulgate District Bylaws, Policies, and Procedures as appropriate, and may delegate its power to promulgate Procedures in its discretion. For purposes of these Bylaws, "Policies" shall denote Board approved statements that provide broad strategic directions and/or governing mandates for the District, enabling the development of Procedures. The term "Procedures" shall mean any specific

instruction or mode of conduct for the purpose of implementing a policy that may be promulgated by those District officers designated by the Board. The Board shall review and approve the District Bylaws annually.

2.3.2 The Governance Committee will have the responsibility to oversee and ensure collaboration between the Board and District management for the purpose of developing, reviewing and revising the District Bylaws, Policies, Procedures, and other rules or regulations prior to being brought to the full Board for approval.

2.4 DISSOLUTION. Any proposal to dissolve the District shall be subject to confirmation by the voters of the District in accordance with the Government Code.

ARTICLE III.
OFFICES

3.1 PRINCIPAL OFFICE. The principal office of the District is hereby fixed and located at 15255 Innovation Drive, San Diego, California.

3.2 OTHER OFFICES. Branch or subordinate offices may be established at any time by the Board at any place or places.

ARTICLE IV.
BOARD

4.1 GENERAL POWERS. The Board is the governing body of the District. All District powers shall be exercised by or under the direction of the Board. The Board is authorized to make appropriate delegations of its powers and authority to officers and employees.

4.2 OPERATION OF FACILITIES. The Board shall be responsible for the operation of the Facilities according to the best interests of the public health, and shall make and enforce all rules, regulations and bylaws necessary for the administration, government, protection and maintenance of the Facilities and all property belonging thereto, and may prescribe the terms upon which patients may be admitted to the Facilities. Such rules, regulations and bylaws applicable to the Facilities shall include but not be limited to the provisions specified in the Health and Safety Code, and shall be in accordance with and contain minimum standards no less than the rules and standards of private or voluntary hospitals. Unless specifically prohibited by law, the Board may adopt other rules which could be lawfully adopted by private or voluntary hospitals.

4.3 RATES. In setting the rates the Board shall, insofar as possible, establish such rates as will permit the Facilities to be operated upon a self-supporting basis. The Board may establish different rates for residents of the District than for persons who do not reside within the District.

4.4 NUMBER AND QUALIFICATION.

4.4.1 The Board shall consist of seven members, each of whom shall be a registered voter residing in the District.

4.4.2 Except as otherwise provided in applicable law, no Board member shall possess any ownership interest in any other hospital serving the same area as that served by the District or be a director, policymaking management employee, or medical staff officer of any hospital serving the same area as that served by the District, unless the boards of directors of the District and the hospital have determined that the situation will further joint planning, efficient delivery of health care services, and the best interests of the areas served by their respective hospitals, or unless the District and the hospital are affiliated under common ownership, lease, or any combination thereof. No Board member shall simultaneously hold any other position over which the Board exercises a supervisory, auditory, or removal power.

4.4.3 For purposes of this section, a hospital shall be considered to serve the same area as the District if more than five percent of the hospital's patient admissions are District residents.

4.4.4 For purposes of this section, the possession of an ownership interest, including stocks, bonds, or other securities by the spouse or minor children or any person shall be deemed to be the possession or interest of the person.

4.4.5 Any candidate who elects to run for the office of member of the Board, and who owns stock in or who works for any health care facility that does not serve the same area served by the District, shall disclose on the ballot his or her occupation and place of employment.

4.5 CONFLICTS OF INTERESTS. The Board shall endeavor to eliminate from its decision making processes financial or other interests possessed by its members that conflict with the District's interests. Board members and other persons who are "Designated Employees," as defined in the current Conflict of Interests Code of Palomar Pomerado Health as it may be amended from time to time, shall at all times comply with said Code any and all laws and regulations relating to conflicts of interests, including but not limited to the Government Code.

4.6 ELECTION AND TERM OF OFFICE. An election shall be held in the District on the first Tuesday after the first Monday in November in each even-numbered year, at which a successor shall be chosen to each Director whose term shall expire on the first Friday of December following such election. The election of Board members shall be an election at large within the District and shall be consolidated with the statewide general election. The candidates receiving the highest number of votes for the offices to be filled at the election shall be elected thereto. The term of office of each elected Board member shall be four years, or until the Board member's successor is elected and has qualified, except as otherwise provided by law in the event of a vacancy.

4.7 NEW MEMBER ORIENTATION. An orientation shall be provided which familiarizes each new Board member with his or her duties and responsibilities, including the Board's responsibilities for quality care and the Facilities' quality assurance programs. Continuing education opportunities shall be made available to Board members.

4.8 EVALUATION. The Board shall evaluate its own performance as well as those of its officers and employees on an annual or other periodic basis.

4.9 VACANCIES. Vacancies on the Board shall be filled in accordance with the applicable provisions of the Government Code.

4.10 RESIGNATION OR REMOVAL. Any Board member may resign effective upon giving written notice to the Chairperson or the Secretary of the Board, unless the notice specifies a later time for the effectiveness of such resignation. The term of any member of the Board shall expire if the member is absent from three consecutive regularly scheduled monthly Board meetings or from three of any five consecutive regular meetings of the Board and if the Board by resolution declares that a vacancy exists on the Board. All or any of the members of the Board may be recalled at any time by the voters following the recall procedure set forth in Division 16 of the Election Code.

4.11 LIABILITY INSURANCE. The Board may purchase and maintain liability insurance on behalf of any person who is or was a director, officer, employee or agent of the District, or is or was serving at the request of the District as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or as a member of any committee or similar body, against any liability asserted against such person and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the District would have the power to indemnify him or her against such liability.

4.12 COMPENSATION. The Board shall serve without compensation unless the Board authorizes, by resolution adopted by majority vote, compensation of not to exceed $100 per meeting for a maximum of five meetings per month for each member of the Board. For purposes of this section, "meeting" shall mean any regular or special Board meeting, whether open or closed, any standing or ad hoc committee meetings or any orientation sessions. For compensation purposes, successive open and closed meetings shall be considered as one meeting.

4.13 HEALTH AND WELFARE BENEFITS. Notwithstanding Section 4.12 above, the Board may provide health and welfare benefits, pursuant to Government Code Section 53200 *et seq*., for the benefit of its elected and former members and their dependents, or permit its elected and former members and their dependents to participate in District programs for such benefits, in accordance with all applicable laws and regulations.

4.14 TRAVEL AND INCIDENTAL EXPENSES REIMBURSEMENT. Each member of the Board shall be reimbursed for his or her actual necessary traveling and incidental expenses incurred in the performance of official business of the District as approved by

the Board and in accordance with District Policy. Such reimbursement, if approved by the Board, shall not constitute "compensation" for purposes of Section 4.12 above.

ARTICLE V.
BOARD MEETINGS

5.1 MEETINGS OPEN TO THE PUBLIC. Meetings of the Board shall be open to the public, except as otherwise provided in applicable laws or regulations, including but not limited to the Brown Act and the Local Health Care District Law.

5.2 BOARD MEETING. A meeting of the Board is any congregation of a majority of the members of the Board at the same time and place to hear, discuss or deliberate upon any item that is within the subject matter jurisdiction of the Board. A meeting is also the use of direct communication, personal intermediaries or technological devices that is employed by a majority of the members of the Board to develop a collective concurrence as to action to be made on an item by the members of the Board. Board meetings may be held by teleconference subject to applicable laws and regulations including the Government Code.

5.3 REGULAR MEETINGS. Regular meetings of the Board shall be held as follows:

5.3.1 The Board's annual organizational meeting shall be held in December at the place and time designated by the Board in the Resolution discussed in Section 5.3.2 below.

5.3.2 At the annual organizational meeting, the Board shall pass a resolution stating the dates, times and places of the Board's regular monthly meetings for the following calendar year.

5.4 HOLIDAYS. Meetings of the Board may be held on any calendar day as determined by the Board.

5.5 NOTICE AND ACTION. The Board shall provide public notice of its meetings in accordance with the Brown Act. No "action," as defined in the Brown Act, shall be taken on any item not appearing on the posted agenda unless permitted under applicable law.

5.6 MEMBERS OF THE PUBLIC. Members of the public shall be afforded an opportunity to participate in District decision making processes and Board meetings to the extent permitted under applicable laws, including but not limited to the Brown Act and the Local Health Care District Law.

5.7 ANNUAL ORGANIZATIONAL MEETING. At its annual organizational meeting, the Board shall organize by the election of officers. One member shall be elected as Chairperson, one as Vice Chairperson and one as Secretary. The Board may also appoint the Treasurer at the annual organizational meeting, who may also be the Chairperson of the Finance Committee.

5.8 SPECIAL MEETINGS.

5.8.1 A special meeting may be called at any time by the Chairperson, or by four or more Board members, by delivering personally or by mail written notice to each Board member and to each local newspaper of general circulation, radio or television station requesting notice in writing. Such notice must be delivered personally or by mail at least 24 hours before the time of such meeting as specified in the notice. The call and notice shall specify the time and place of the special meeting and the business to be transacted; no other business shall be considered at special meetings. Written notice may be dispensed with as to any Board member who at or prior to the time the meeting convenes files with the Secretary a written waiver of notice. Such written notice may also be dispensed with as to any member who is actually present at the meeting at the time it convenes.

5.8.2 The call and notice shall also be posted at least 24 hours prior to the special meeting in a location that is freely accessible to members of the public. Notice shall be required pursuant to this Section regardless of whether any action is taken at the special meeting.

5.8.3 In the case of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities, the Board may hold an emergency meeting without complying with either or both the 24 hour notice or posting requirements. In the event the notice and/or posting requirements are dispensed with due to an emergency situation, each local newspaper of general circulation and radio or television station which has requested notice of special meetings shall be notified by the Chairperson, or his designee, one hour prior to the emergency meeting, by telephone. All telephone numbers provided in the most recent request of such newspaper or station for notification of special meetings shall be exhausted. In the event that telephone services are not functioning, the notice requirements of this paragraph shall be deemed waived, and the Board, or its designee, shall notify those newspapers, radio stations or television stations of the fact of the holding of the emergency meeting, the purpose of the meeting, and any action taken at the meeting as soon after the meeting as possible. Notwithstanding this Section, the Board shall not meet in closed session during a meeting called as an emergency meeting. With the exception of the 24 hours notice and posting requirements, all requirements contained in this Section shall be applicable to any meeting called due to an emergency situation.

5.8.4 The minutes of an emergency meeting, a list of persons who the Chairperson, or his designee, notified or attempted to notify, a copy of the roll call vote, and any actions taken at the meeting shall be publicly posted for a minimum of ten days as soon possible after the meeting.

5.9 QUORUM. A vote is to be determined by a simple "majority vote". If there are abstentions on a vote, the non-abstaining members of the Board must constitute a quorum of the whole board (four members or more) for the transaction of business. Except as otherwise provided by law or these Bylaws, the act of the majority of the non-abstaining Board members voting will be the "majority vote".

5.10 ADJOURNMENT AND CONTINUANCE. The Board may adjourn any of its meetings in accordance with applicable laws, including but not limited to the Brown Act.

5.11 DISRUPTED MEETINGS. In the event that any meeting is willfully interrupted by a group or groups of persons so as to render the orderly conduct of such meeting unfeasible, and order cannot be restored by the removal of individuals who were willfully interrupting the meeting, the Board may order the meeting room closed and continue in session. Only matters appearing on the agenda may be considered in such a session. Representatives of the press or other news media, except those participating in the disturbance, shall be allowed to attend any session held pursuant to this section. The Board may establish a procedure for readmitting an individual or individuals not responsible for willfully disrupting the orderly conduct of the meeting.

5.12 MEDICAL STAFF REPRESENTATION. The Medical Staff of each Facility shall have the right of representation at all meetings of the Board, except closed sessions at which such representation is not requested, by and through the Chief of Staff or President of each Medical Staff, who shall have the right of attendance, the right to participate in Board discussions and deliberations, but who shall not have the right to vote.

ARTICLE VI.
BOARD COMMITTEES

6.1 APPOINTMENT. Standing committees are established by the Board and shall be advisory in nature unless otherwise specifically authorized to act by the Board. Members of all committees, whether standing or special (ad hoc) shall be appointed by the Chairperson of the Board.

6.1.1 A standing committee of the Board is any commission, committee, board or other body, whether permanent or temporary, which is created by formal action of the Board and has continuing subject matter jurisdiction and/or a meeting schedule fixed by charter, ordinance, resolution, or formal action of the Board. Actions of committees shall be advisory in nature with recommendations being made to the full Board.

6.1.2 Special or ad hoc committees are appointed by the Chair of the Board and shall exist for a single, limited purpose with no continuing subject matter or jurisdiction. Special or advisory committees shall be advisory in nature and shall make recommendation to the full Board. The committee shall be considered disbanded upon conclusion of the purpose for which it was appointed.

6.1.3 The Audit Committee of the Board shall function pursuant to a charter approved by the Board and amended from time to time.

6.2 STANDING COMMITTEES. There shall be the following standing committees of the Board: Finance, Governance, Human Resources, Strategic Planning, Community Relations, Quality Review, Audit Committee, and Facilities and Grounds Committee. Standing committees will be treated as the Board with respect to Article V of these bylaws. All provisions in Article V that apply to Board members shall apply to members of any standing committee.

6.2.1 Finance Committee.

(a) Voting Membership. The Finance Committee shall consist of six voting members, three members of the Board, the President and Chief Executive Officer and the Chief of Medical Staff from each hospital. One alternate Committee member shall also be appointed by the Chairperson who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member. The Chairperson of the Board may appoint the Treasurer as the chairperson of the Finance Committee.

(b) Non-Voting Membership. The Chief Financial Officer (CFO), the Chief Administrative Officers Palomar Medical Center and Pomerado Hospital and a nurse representative.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Review the preliminary, annual operating budgets for the District and Facilities and other entities;

(ii) Develop and recommend to the Board the final, annual, operating budgets;

(iii) Develop and recommend to the Board a three-year, capital expenditure plan that shall be updated at least annually. The capital expenditure plan shall include and identify anticipated sources of financing for and objectives of each proposed capital expenditure in excess of $100,000;

(iv) Review and recommend approval of the monthly financial statements to the Board.

(v) Recommend to the Board cost containment measures and policies;

(vi) Review annually those policies and procedures within its purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing or creation of new policies and procedures; and

(vii) Perform such other duties as may be assigned by the Board.

6.2.2 Governance Committee.

(a) Voting Membership. Membership shall consist of no more than three members of the Board and one alternate. The alternate shall attend and enjoy voting rights only in the absence of a voting Committee member.

(b) Non-Voting Membership. The President and Chief Executive Officer, the General Counsel and the Chief marketing and Communication Officer.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Review periodically and make recommendations regarding pending and existing federal, state and local legislation which, in the committee's opinion, may impact the District;

(ii) Make an annual, comprehensive review of the District bylaws, policies and procedures and receive reports regarding same, and elicit recommendations on such issues from management;

(iii) Review any initiation of legislation;

(iv) Review such other issues associated with PPH and/or Board governance and its effectiveness, including but not limited to Board member orientation and continuing education;

(v) Make recommendations regarding the annual self-assessment of the Board; and

(vi) Perform such other duties as may be assigned by the Board.

(vii) The Committee will advise the Board on the appropriate structure and operations of all committees of the Board, including committee member qualifications;

(viii) The Committee will monitor developments, trends and best practices in corporate governance, and propose such actions to the full Board; and

(ix) The Committee will oversee, as it deems appropriate, an evaluation process of the Board and each of the Board Committees as well as an annual self-performance evaluation, and present its findings to the Board.

6.2.3 Human Resources Committee.

(a) Voting Membership. Membership shall consist of no more than three members of the Board and one alternate. The alternate shall attend Committee meetings and enjoy voting rights only in the absence of a voting Committee member.

(b) Non-Voting Membership. The President and Chief Executive Officer, Chief Human Resources Officer, the Chief Administrative Officers Palomar Medical Center and Pomerado Hospital and the Chief Nurse Executive.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Make recommendations to the President and Chief Executive Officer and the Board to improve communications among the Board, Medical Staffs, District employees and auxiliaries, including initiating special studies;

(ii) Maintain ultimate oversight of annual performance reviews of all District officers and employees and, in the appropriate circumstances and upon request by the Board, make a report of such reviews to the Board; and

(iii) Review annually those policies and procedures within its purview and report the results of such review to the Governance Committee. Such reports shall include recommendations to the Board regarding modification of existing or creation of new policies and procedures; and

(iv) Review and make recommendations to the Board regarding compensation, incentive, and benefit plans offered to District Officers and other employees.

(v) Ensure that all special studies and recommendations/proposals are in alignment with the PPH mission, vision and strategic plan as well as government regulations.

(vi) Perform such other duties as may be assigned by the Board.

(d) Meeting Requirement. The human resources committee will meet a minimum of six (6) times per year or more often if needed.

6.2.4 Strategic Planning Committee.

(a) Voting Membership. The Committee shall consist of six voting members, including three members of the Board and one alternate who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member, the President and Chief Executive Officer and the Chiefs of Staff of the Hospitals or the designees of the Chiefs of staff, as approved by the Committee Chairperson.

(b) Non-Voting Membership. The Chief Financial Officer, Chief Planning Officer, Chief Administrative Officers Palomar Medical Center and Pomerado Hospital, the Chief Nurse Executive, Chief Executive Officer of the Palomar Pomerado Health Foundation, a board member of the Palomar Pomerado Health Foundation recommended by the Foundation and approved by the Committee Chairperson and an additional physician from each hospital as recommended by each hospital's Chief of Staff and as approved by the Committee Chairperson.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Review and make recommendations to the Board regarding the District's short and long range strategic plans, master and Facility plans, physician development plans and strategic collaborative relationships; and

(ii) Review annually those policies within the Committee's purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing, or creation of new policies; and

(iii) Undertake planning regarding physician recruitment and retention and program development of new and enhanced services and Facilities; and

(iv) Monitor new initiatives and programs; and

(v) Perform such other duties as may be assigned by the Board.

6.2.5 Quality Review Committee.

(a) Voting Membership. The Committee shall consist of five voting members, including three members of the Board and the Chairs of

Medical Staff Quality Management Committees of the Hospitals or Physician Chair, Quality Council (voting position will rotate between Chairs of Medical Staff Quality Management Committees and Physician Chair, Quality Council allowing only two votes total for these three positions) and an alternate, who shall attend and enjoy voting rights only in the absence of a voting Committee Member.

(b) Non-Voting Membership. The President and Chief Executive Officer, the Chief Administrators of Pomerado Hospital and Palomar Medical Center, a nurse representative, the Chief Quality and Clinical Effectiveness Officer, Chair of the Patient Safety Committee, Chief Nurse Executive and Chief Clinical Outreach Officer.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Pursuant to the Palomar Pomerado Health Performance Improvement/Patient Safety Plan oversees the performance improvement, patient safety and risk management activities (including but not limited to claims and potential litigation's) of the hospitals and other facilities, if applicable, and shall periodically report this conclusion and recommendations to the Board; and

(ii) Yearly review of credentialing process;

(iii) Yearly review of physician satisfaction scores;

(iv) Nursing survey regarding physician behavior will be reviewed when appropriate; and

(v) Quarterly review of customer satisfaction scores.

6.2.6 Community Relations Committee.

(a) Voting Membership. The Committee shall consist of five voting members, including three members of the Board and one alternate who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member, the President and Chief Executive Officer and a Board member of the Palomar Pomerado Heath Foundation recommended by the Foundation and approved by the Committee Chairperson.

(b) Non-Voting Membership. The Chief Marketing and Communications Officer, the Community Outreach Director, the Chief Executive Officer of the Palomar Pomerado Health Foundation, the Director

HealthSource, the Director Marketing and Public Relations, a nurse representative and a representative of each District Auxiliary, as approved by the Committee Chairperson.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Review and make recommendations to the Board regarding the District's community relations and outreach activities, including marketing, community education and wellness activities;

(ii) Review marketing policies to ensure that they support the District's mission and goals. Such policies shall include market research, specific and marketing program planning and development, and internal and external communications. The Committee shall report its review of such policies to the Board on a regular basis;

(iii) Serve as Board liaison to the Foundation and annually review, recommend and prioritize capital projects and contemplated funding requests to the Foundation's Board of Directors, and review annual reports from the Foundation regarding donations and projects funded during the previous year;

(iv) Review annually those policies within the Committee's purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing, or creation of new, policies;

(v) Advise the Board on issues relating to health care advisory councils and District grant procurements;

(vi) Undertake planning regarding the District's community relations and outreach activities, including marketing, community education and wellness activities; and

(vii) Perform such other duties as may be assigned by the Board.

6.2.7 Audit and Compliance Committee.

(a) Voting Membership. The Audit Committee shall consist of no more than three members of the Board and one alternate. The alternate shall attend Committee meetings and enjoy voting rights only in the absence of a voting Committee member.

(b) Non-Voting Membership. The President and Chief Executive Officer, Director of Audit Services, Director Corporate Compliance and Integrity and a representative from each Hospital's Medical Staff. Any District Executive, representative or director will attend as an invited guest.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Approve the overall audit scope;

(ii) Ensuring that audits are conducted in an efficient and cost effective manner;

(iii) Overseeing the organizations financial statements and internal controls;

(iv) Recommending to the Board a qualified firm to conduct an annual, independent financial audit;

(v) Recommending to the Board the approval of the organizations annual audit reports;

(vi) Review annually those policies within its purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing or creation of new policies; and

(vii) Assess and monitor the independent status of the outside independent auditors;

(viii) Direct special investigations for the Board;

(ix) Meet periodically in closed session with only committee members present.

(x) Perform such other duties as may be assigned by the Board.

6.2.8 Facilities and Grounds Committee.

(a) Voting Membership. The Facilities and Grounds Committee shall consist of four voting members, including three members of the Board, and the President and Chief Executive Officer. One alternate Committee member shall also be appointed by the Chairperson who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member.

(b) Non-Voting Membership. Chief Administrative Officer Pomerado Hospital, the Chief Financial Officer (CFO) or designee, nurse representative from PMC or POM and the Director of Facilities Planning and Development. As needed, other appropriate relevant staff in engineering, architectural, planning and Compliance and a Physician Advisory Committee member may be requested to attend along with PPH staff to facilitate the work of the committee.

(c) Duties. The duties of the Committee shall include but are not limited to:

(i) Review construction estimates and expenses for accuracy and architectural plans completeness and effectiveness;

(ii) Approve construction project change orders in accordance with applicable district law and PPH policies;

(iii) Receive reports from the Construction Manager and the Director of Facilities Planning and Development and recommend action to the Board regarding facilities design and maintenance;

(iv) Review regulations and reports regarding facilities and grounds from external agencies, accrediting bodies and insurance carriers and make recommendations for appropriate action regarding the same to the Board;

(v) Approve the annual Facilities Development Plan and regularly review updates on implementation of plan;

(vi) Receive a biannual Environment of Care report;

(vii) Perform such other duties as may be assigned by the Board.

6.3 SPECIAL COMMITTEES. Special or ad hoc committees may be appointed by the Chairperson for special tasks as circumstances warrant and upon completion of the task for which appointed such special committee shall stand discharged. The Chairperson shall make assignments on special committees, and/or individual Board member assignments, to assure that each Board member shall have equal participation on special committees or individual Board assignments throughout the year. Some of the functions that may be the topic of special committees include the review of new projects, the review of special bylaw changes or the review of the Bylaws periodically, the meeting with other public agencies or health facilities on a specific topic and the evaluation of the Board.

6.4 ADVISORS. A committee chairperson may invite individuals with expertise in a pertinent area to voluntarily work with and assist the committee. Such advisors shall not

vote or be counted in determining the existence of a quorum and may be excluded from any committee session in the discretion of the committee chairperson.

6.5 MEETINGS AND NOTICE. Meetings of a committee may be called by the Chairperson of the Board, the chairperson of the committee, or a majority of the committee's voting members. The chairperson of the committee shall be responsible for contacting alternate committee members in the event their participation is needed for any given committee meeting.

6.6 QUORUM. A majority of the voting members of a committee shall constitute a quorum for the transaction of business at any meeting of such committee. Each committee shall keep minutes of its proceedings and shall report periodically to the Board.

6.7 MANNER OF ACTING. The act of a majority of the members of a committee present at a meeting at which a quorum is present shall be the act of the committee so meeting. No act taken at a meeting at which less than a quorum was present shall be valid unless approved in writing by the absent members. Special committee action may be taken without a meeting by a writing setting forth the action so taken signed by each member of the committee entitled to vote.

6.8 TENURE. Each member of a committee described above shall serve a one year term, commencing on the first day of January after the annual organizational meeting at which he or she is elected or appointed. Each committee member shall hold office until a successor is elected, unless he or she sooner resigns or is removed from office by the Board.

ARTICLE VII.
OFFICERS

7.1 CHAIRPERSON. The Board shall elect one of its members as Chairperson at an organizational regular meeting. In the event of a vacancy in the office of Chairperson, the Board may elect a new Chairperson. The Chairperson shall be the principal officer of the District and the Board, and shall preside at all meetings of the Board. The Chairperson shall appoint all Board committee members and committee chairpersons, and shall perform all duties incident to the office and such other duties as may be prescribed by the Board from time to time.

7.2 VICE CHAIRPERSON. The Board shall elect one of its members as Vice Chairperson at an organizational meeting. In the absence of the Chairperson, the Vice Chairperson shall perform the duties of the Chairperson.

7.3 SECRETARY. The Board shall elect one of its members Secretary at an organizational meeting. The Secretary shall provide for the keeping of minutes of all meetings of the Board. The Secretary shall give or cause to be given appropriate notices in accordance with these bylaws or as required by law and shall act as custodian of District records and reports and of the District's seal.

7.4 TREASURER. The Board shall appoint a Treasurer who shall serve at the pleasure of the Board. The Treasurer shall be charged with the safekeeping and disbursal of the funds in the treasury of the District. The Treasurer may be the chairperson of the Finance Committee.

7.5 TENURE. Each officer described above shall serve a one-year term, commencing on the first day of January after the organizational meeting at which he or she is elected to the position. Each officer shall hold office until the end of the one year term, or until a successor is elected, unless he or she shall sooner, resign or is removed from office.

7.6 REMOVAL. An officer described above may be removed from office by the affirmative vote of four members of the Board not counting the affected Board member. In addition, an officer described above will automatically be removed from office when his or her successor is elected and is sworn in as a Board member.

7.7 PRESIDENT AND CHIEF EXECUTIVE OFFICER. The Board shall select and employ a President and Chief Executive Officer who shall report to the Board. The President and Chief Executive Officer shall have sufficient education, training, and experience to fulfill his or her responsibilities, which shall include but not be limited to:

7.7.1 Reviewing, recommending changes to, and implementing District Policies and Procedures. By working with standing and special committees of the Board and joint committees of the Medical Staffs of the Facilities, the President and Chief Executive Officer is to participate in the elaboration of policies which provide the framework for patient care of high quality at reasonable cost.

7.7.2 Maintaining District records and minutes of Board and committee meetings.

7.7.3 Overall operation of the District, its Facilities and other health services, including out-of-hospital services sponsored by the District. This includes responsibility for coordination among Facilities and services to avoid unnecessary duplication of services, facilities and personnel, and control of costs. This also includes responsibility for sound personnel, financial, accounting and statistical information practices, such as preparation of District budgets and forecasts, maintenance of proper financial and patient statistical records, collection of data required by governmental and accrediting agencies, and special studies and reports required for efficient operation of the District.

7.7.4 Implementing community relations activities, including, as indicated, public appearances, responsive communication with the media.

7.7.5 Assisting the Board in planning services and facilities and informing the Board of Governmental legislation and regulations and requirements of official agencies and accrediting bodies, which affect the planning and operation of the facilities, services and programs sponsored by the District,

and maintenance appropriate liaison with government and accrediting agencies and implementing actions necessary for compliance.

7.7.6 Ensuring the prompt response by the Board and/or District personnel to any recommendations made by planning, regulatory or accrediting agencies.

7.7.7 Hiring and termination of all employees of the District. To the extent the President and Chief Executive Officer deems appropriate, the President and Chief Executive Officer shall delegate to the District Officers the authority to hire and terminate personnel of their respective hospitals or other entities.

7.7.8 Administering professional contracts between the District and Practitioners.

7.7.9 Providing the Board and Board committee with adequate staff support.

7.7.10 Sending periodic reports to the Board and to the Medical Staffs on the overall activities of the District and the Facilities, as well as pertinent federal, state and local developments that effect the operation of District Facilities.

7.7.11 Providing liaison among the Board, the Medical Staffs, and the District's operating entities.

7.7.12 The maintenance of insurance or self-insurance on all physical properties of the District.

7.7.13 Designate other individuals by name and position who are, in the order or succession, authorized to act for the District Officers during any period of absence.

7.7.14 Participating as a non-voting member in all meetings of standing committees of the Board unless authorized by the Board to be a voting member of a specific Committee.

7.7.15 Such other duties as the Board may from time to time direct.

7.8 ADMINISTRATIVE OFFICERS. The President and Chief Executive Officer, with the approval of the Board, may select and employ an Administrative Officer or other responsible individual for each of the Facilities, who shall report to the President and Chief Executive Officer. The Administrative Officer or other responsible individual shall be responsible for the day-to-day administration of their respective Facilities. Specifically, each such individual shall:

7.8.1 Be responsible for implementing policies of the Board in the operation of the Facility.

7.8.2 Provide the Facility's professional staff with the administrative support and personnel reasonably required to carry out their review and evaluation activities.

7.8.3 Organize the administrative functions of the Facility, delegate duties, and establish formal means of accountability on the part of subordinates.

7.8.4 Be responsible for selecting, employing, controlling and discharging employees, in accordance with the authority delegated by the President and Chief Executive officer.

7.8.5 Assist the President and Chief Executive Officer and the Finance Committee in annually reviewing and updating a capital budget and preparing an operating budget showing the expected receipts and expenditures for the Facilities, and supervise the business affairs of the Facilities to assure that the funds are expended in the best possible advantage.

7.8.6 Perform any other duty within the express or implicit terms of his or her duties hereunder that may be necessary for the interest of the Facilities.

7.8.7 Be responsible for the maintenance of the Facility's property.

7.8.8 Perform such other duties as the Board or President and Chief Executive Officer may from time to time direct.

7.9 SUBORDINATE OFFICERS. The President and Chief Executive Officer, with the approval of the Board, may select and employ, such other officers as the District may require, each of who shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

ARTICLE VIII.
MEDICAL STAFFS

8.1 ORGANIZATION.

8.1.1 There shall be separate Medical Staff organizations for each of the District's Hospitals with appropriate officers and bylaws and with staff appointments on a biennial basis. The Medical Staff of each Hospital shall be self-governing with respect to the professional work performed in that Hospital. Membership in the respective Medical Staff organization shall be a prerequisite to the exercise of clinical privileges in each Hospital, except as otherwise specifically provided in the Hospital's Medical Staff bylaws.

8.1.2 District Facilities other than the Hospitals may also have professional personnel organized as a medical or professional staff, when deemed appropriate by the Board pursuant to applicable law and Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") and/or other appropriate accreditation standards. The Board shall establish the rules and regulations applicable to any such staff and shall delegate such responsibilities, and perform such functions, as may be required by applicable law and JCAHO and/or other appropriate accreditation standards. To the extent provided by such rules, regulations, laws and standards, the

medical or professional staffs of such Facilities shall perform those functions specified in this Article VIII.

8.2 MEDICAL STAFF BYLAWS. Each Medical Staff organization shall propose and adopt by vote bylaws, rules and regulations for its internal governance which shall be subject to, and effective upon, Board approval, which shall not be unreasonably withheld. The bylaws, rules and regulations shall be periodically reviewed for consistency with Hospital policy and applicable legal or other requirements. The bylaws shall create an effective administrative unit to discharge the functions and responsibilities assigned to the Medical Staffs by the Board. The bylaws, rules and regulations shall state the purpose, functions and organization of the Medical Staffs and shall set forth the policies by which the Medical Staffs exercise and account for their delegated authority and responsibilities. The bylaws, rules and regulations shall also establish mechanisms for the selection by the Medical Staff of its officers, departmental chairpersons and committees.

8.3 MEDICAL STAFF MEMBERSHIP AND CLINICAL PRIVILEGES.

8.3.1 Membership on the Medical Staffs shall be restricted to Practitioners who are competent in their respective fields, worthy in character and in professional ethics, and who are currently licensed by the State of California. The bylaws of the Medical Staffs may provide for additional qualifications for membership and privileges, as appropriate.

8.3.2 While retaining its ultimate authority to independently investigate and/or evaluate Medical Staff matters, the Board hereby delegates to the Medical Staffs the responsibility and authority to carry out Medical Staff activities, including the investigation and evaluation of all matters relating to Medical Staff membership, clinical privileges and corrective action. The Medical Staffs shall forward to the Board specific written recommendations, with appropriate supporting documentation that will allow the Board to take informed action, related to at least the following:

(a) Medical Staff structure and organization;

(b) The process used to review credentials and to delineate individual clinical privileges;

(c) Appointing and reappointing Medical Staff members, and restricting, reducing, suspending, terminating and revoking Medical Staff membership;

(d) Granting, modifying, restricting, reducing, suspending, terminating and revoking clinical privileges;

(e) All matters relating to professional competency;

(f) The process by which Medical Staff membership may be terminated; and

(g) The process for fair hearing procedures.

8.3.3 Final action on all matters relating to Medical Staff membership, clinical privileges and corrective action shall be taken by the Board after considering the Medical Staff recommendations. The Board shall utilize the advice of the Medical Staff in granting and defining the scope of clinical privileges to individuals, commensurate with their qualifications, experience, and present capabilities. If the Board does not concur with the Medical Staff recommendation relative to Medical Staff appointment, reappointment or termination of appointment and granting or curtailment of clinical privileges, there shall be a review of the recommendation by a conference of two Board members and two members of the relevant Medical Staff, before the Board renders a final decision.

8.3.4 No applicant shall be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or on the basis of any other criterion lacking professional justification. The Hospitals shall not discriminate with respect to employment, staff privileges or the provision of professional services against a licensed clinical psychologist within the scope of his or her licensure, or against a physician, dentist or podiatrist on the basis of whether the physician or podiatrist holds an M.D., D.O, D.D.S., D.M.D. or D.P.M. degree. Wherever staffing requirements for a service mandate that the physician responsible for the service be certified or eligible for certification by an appropriate American medical board, such position may be filled by an osteopathic physician who is certified or eligible for certification by the equivalent appropriate American Osteopathic Board.

8.4 PERFORMANCE IMPROVEMENT.

8.4.1 The Medical Staffs shall meet at regular intervals to review and analyze their clinical experience, in order to assess, preserve and improve the overall quality and efficiency of patient care in the Hospitals and other District Facilities, as applicable. The medical records of patients shall be the basis for such review and analysis. The Medical Staffs shall identify and implement an appropriate response to findings. The Board shall further require mechanisms to assure that patients with the same health problems are receiving a consistent level of care. Such performance improvement activities shall be regularly reported to the Board.

8.4.2 The Medical Staffs shall provide recommendations to the Board as necessary regarding the organization of the Medical Staffs' performance improvement activities as well as the processes designed for conducting, evaluating and revising such activities. The Board shall take appropriate action based on such recommendations.

8.4.3 The Board hereby delegates to the Medical Staffs the responsibility and authority to carry out these performance improvement activities. The Board,

through the President and Chief Executive Officer, shall provide whatever administrative assistance is reasonably necessary to support and facilitate such performance improvement activities.

8.5 MEDICAL RECORDS. A complete and accurate medical record shall be prepared and maintained for each patient.

8.6 TERMS AND CONDITIONS. The terms and conditions of Medical Staff membership, and of the exercise of clinical privileges, shall be as specified in the Hospitals' Medical Staff bylaws.

8.7 PROCEDURE. The procedure to be followed by the Medical Staff and the Board in acting on matters of membership status, clinical privileges, and corrective action, shall be specified in the applicable Medical Staff bylaws.

8.8 APPELLATE REVIEW. Any adverse action taken by the Board with respect to a Practitioner's Staff status or clinical privileges, shall, except under circumstances for which specific provision is made in the Medical Staff bylaws, be subject to the practitioner's right to an appellate review in accordance with procedures set forth in the bylaws of the Medical Staffs.

ARTICLE IX.
AUXILIARY ORGANIZATIONS

9.1 FORMATION. The Board may authorize the formation of auxiliary organizations to assist in the fulfillment of the purposes of the District. Each such organization shall establish its bylaws, rules and regulations, which shall be subject to Board approval and which shall not be inconsistent with these bylaws or the policies of the Board.

9.2 EXISTING ORGANIZATIONS. The Palomar Medical Center Auxiliary and the Pomerado Hospital Auxiliary are existing auxiliary organizations to assist in the fulfillment of the purposes of the District, both of which have been authorized, and their bylaws approved, by the Board.

ARTICLE X.
CLAIMS AND JUDICIAL REMEDIES

10.1 CLAIMS. The District is subject to Division 3.6 of Title 1 of the California Government Code, pertaining to claims against public entities. The Chief Executive Officer or his designee is authorized to perform those functions of the Board specified in Part 3 of that Division, including the allowance, compromise or settlement of any claims if the amount to be paid from the District's treasury does not exceed $50,000. Any allowance, compromise or settlement of any claim in which the amount to be paid from the District's treasury exceeds $10,000 shall be approved personally by the Chief Executive Officer rather than his or her designee.

10.2 JUDICIAL REVIEW. The California Code of Civil Procedure shall govern the rights of any person aggrieved by any decision of the Board or the District, including but not limited to an action taken pursuant to Article VIII of these Bylaws.

10.3 CLAIMS PROCEDURE. Notwithstanding any exceptions contained in Section 905 of the Government Code, no action based on a claim shall be brought against the District unless presented to the District within the time limitations and in the manner prescribed by Government Code Section 910 *et seq*., and shall be further subject to Section 945.4 of the Government Code.

ARTICLE XI.
AMENDMENT

These bylaws may be amended or repealed by vote of at least four members of the Board at any Board meeting. Such amendments or repeal shall be effective immediately, except as otherwise indicated by the Board.

SECRETARY'S CERTIFICATE

I, the undersigned, the duly appointed, qualified and acting Secretary of the Board of Directors for Palomar Pomerado Health, do hereby certify that attached hereto is a true, complete and correct copy of the current Bylaws of Palomar Pomerado Health.

Dated: _____, 2008

_____
Secretary

PALOMAR POMERADO HEALTH
Actionable Item

TO: Board of Directors

MEETING DATE: Monday, June 9, 2008

FROM: Facilities and Grounds Committee

BY: Michael Shanahan

Background:

Integrated Project Delivery-PMC West Campus Construction. PPH had engaged in a process to re-evaluate Construction Management Services for the support of the new Palomar Medical Center West Campus in early December of 2007. That process concluded with Full Board Direction to negotiate with DPR Construction Inc. on May 8th 2008 for these services along with the direction to include key means and methodologies for the provision of LEAN construction principles, integrated project delivery-(IPD) We believe by the utilization of the IPD contract, that we, PPH, will have improved financial benefits and improved reliability of in project schedule performance. Included with this package is a draft form of agreement that we intend to modify to include DPR, CO Architects and PPH that will further define the terms of this contractual arrangement. The staff is asking for the Board of Directors to approve this template for Construction Managements Services.

Budget Impact: $40,045,000.00-as apart of the Facilities Master Plan Budget

Staff Recommendation: approval

Committee Questions:

COMMITTEE RECOMMENDATION:
Motion:

Individual Action: X

Information:

Required Time:

Memorandum

To: Janine Sarti, General Counsel

CC: Michael Shanahan

Gregg Sauter

From: Sharon J. LaDuke, Contract Administrator

Date: 6/4/2008

Re: Palomar Medical Center West
DPR Construction, Inc.

Per your request, I have reviewed four forms of agreement that are based on principles of integrated project delivery ("IPD") or lean construction concepts. PPH has engaged in negotiations with DPR Construction, Inc. to replace Rudolph and Sletten, Inc. I recommend PPH approve the adoption of an agreement in the form of the attached draft Integrated Project Delivery Contract with DPR. It is the most conducive and adaptable to the current state of the contracts/development/construction of the PMC Project, which I understand exceeds a cost of $775 million.

The Agreement is conducive to a collaborative project delivery because it adopts a structure where team continuity is of the utmost importance.

- It integrates PPH, CO Architects, and DPR into a process that collaboratively harnesses the talents and insights of all participants.

- The trade contractors which are key supporting participants whose contracts are held by PPH, are involved and advise as part of the Project Implementation Team ("PIT") as their expertise is needed.

- The IPD creates a Project Management Team (PMT) with management and decision making processes which are arrived at through consensus and seek the best project outcomes.

- In the event of an impasse on an issue, PPH holds the tie-breaker vote.

- Building Information Modeling ("BIM"), one of the most powerful tools supporting IPD, is used.

- The compensation system adopts an incentive compensation layer ("ICL") which has a method for calculation, and adjustments for time, efficiency, and quality, with contributions by PPH, CO Architects and DPR as well as some participation by the trade contractors.

- The dispute resolution procedures adopt the team approach of IPD, including arbitration as a last resort.

- The IPD seeks to have all major participants focus on achieving shared goals and encourages communication of all participants.

- The compensation and incentives are tied to project success rather than individual goals.

- The incentive compensation layer is calculated with funds contributed by all participants and the formulas for pain and gain will consider the parties respective contributions.

- Consistent with the team approach, each of the parties waives any and all claims against every other party.

- Since the project is already multi-prime with PPH holding all the trade contracts, PPH has control over the trades and anticipates reducing construction cost by eliminating the higher fee of a general contractor over a CM not at risk.

- Compensation structures are an open book so each party's interest and contributions are similarly transparent.

- IPD focuses each team member not only on its own performance but on the quality of other team member's performance as well.

- Changes orders are limited under the Integrated Agreement.

- The goals are clearly stated and the involvement of each team member defined as part of the entire delivery system.

PPH Board Subcommittee Activity Summary

May 2008

Internal Audit Committee – No meeting in May

Governance Committee – May 20

ACTION ITEMS:

- **Annual Review of Committee Bylaws** – Proposed amendments to the Board Quality Review Committee bylaws were reviewed. Governance Committee recommended that the amendments be forwarded to the Full Board for approval.

- **Charity Policy –** Review of the revised Board Policy for Identification, Documentation and Handling of Financial Assistance (Charity Policy) was undertaken by the Committee. Governance Committee recommended that the amendments be forwarded to the Full Board for approval.

- **Finance Committee and Strategic Planning Committee Bylaws Change** – The Governance Committee approved the revisions to the bylaws to reflect that Finance and Strategic Planning Committees will have three Board representatives each instead of four. They also agreed that bylaws with updated revisions will be made available upon each modification. Full Board approval will be sought after each modification.

- **GOV 20** –It was recommended that wording be changed from "presentations" to "comments" in sections III B and III E. The Governance Committee recommended that the wording changes be forwarded to the Full Board for approval.

INFORMATION ITEMS:

- **Decision Tree Protocol** – Discussion was undertaken regarding the potential development of a decision tree protocol in order to ensure that policies, approvals, reviews, etc. follow the proper channels through various Board committees. Further discussion to continue at the next Governance Committee meeting.

Human Resources Committee – May 8

- **HR Committee Bylaws** - were reviewed and revisions made. Revisions forwarded to Governance Committee.

- **Comparison of Management Positions** - Nancy Bassett had requested a comparison of management positions to hourly workers to ensure that management positions are being regulated so the cost of management is not detrimental to the hourly employees. Per ensuing discussion it was agreed that a more accurate comparison would be a percentage comparison of management position salaries to hourly worker salaries. Wallie George to present the requested information at the June 17, 2008, HR Committee.

- **Watson Wyatt Survey/Analysis** – The Committee was provided with specific information from a recent Watson Wyatt survey/analysis of PPH, including information on PPH turnover, aging issues, replacement needs and staffing issues with respect to future needs for nursing, hard to fill positions, and those departments with aging staff.

- **Attorney Fees** - Nancy Bassett requested information on outside labor attorney fees. Wallie George provided information on monies paid over the past year. Janine Sarti added that she keeps spreadsheets on all outside Counsel by subject matter.

Strategic Planning – May 8

- **Integrative Medicine Implementation Plan** - The Strategic Planning Committee expressed support for the implementation of the Integrative Medicine Plan at their April meeting and brought back the proposal at a $250K level.

  After discussion on finances, Dr. Larson motioned to approve without the Inpatient ARU Pilot Program, and fund at $125,000, and look into research via grants.

- **Construction Management Firm Selection for PMC West** - Facilities, Planning & Development along with PPH Administration evaluated proposals from construction management firms for the Palomar Medical Center West project. Based on analysis, interviews and evaluations, PPH Administration recommended to the Board regarding construction management services the firm of DPR Construction, Inc. After discussion the committee approved the request.
- **Facility Update** – Mr. Shanahan presented an overview of the projects, their finances and where they are to date.

Community Relations – No Meeting in May

Board Facilities and Grounds – No Meeting in May

Board Quality Review Committee – May 19

- **Closed Session** - held to review risk management issues

Finance Committee – May 27

ACTION ITEMS:

- **Physician Agreements:** One-year [July 1, 2008 through June 30, 2009] Amendment to the Psychiatric Medical Director Agreement for the PMC Mental Health Unit with Paul R. Keith, M.D.

  One-year [July 1, 2008 through June 30, 2009] Medical Director Agreement for Diagnostic Cardiology Services at Palomar Medical Center with Robert Stein, M.D.

  Physician Recruitment Agreement with Radmila Kazanegra, M.D., and Escondido OBGYN, Inc.

  Physician Recruitment Agreement with Gabriela M. DiLauro, M.D., and Escondido OBGYN, Inc.

- **Conversion of SNF Beds to Sub-Acute:** Recommended approval for the conversion of 12 SNF beds at Villa Pomerado to 12 additional Sub-acute beds, based upon utilization demand and positive contribution margin. In addition, the margin is anticipated to cover the 10% loss in per diem reimbursement from Medi-Cal for all 225 beds in the district, scheduled to go into effect in July 2008.

- **April 2008 Financial Report:** Reviewed April financial performance and the $2 million net income shortfall to budget. Focused discussion regarding causes for the shortfall, utilizing the Executive Summary of Key Indicators and Key Variance Explanations. The Committee will continue to closely monitor and will keep the Board apprised of the current situation through the remainder of the fiscal year.

INFORMATION ITEMS:

- **Auction Rate Security (ARS) Bonds:** Review of market conditions and status of ongoing negotiations with the Bond Insurer FSA and banking organizations.

Based on more normalized market resets the week of May 26th (3%, 3.39% and 3.25%), Management will continue to monitor the market and will resume discussions with FSA in mid-June.