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Board Finance Committee Meeting
Attendance Roster & Meeting Minutes
Calendar Year 2008

Members	**Meeting Dates:**										
	1/22/08	**2/26/08**	**3/25/08**	**4/29/08**	**5/27/08**	**7/1/08**	**7/29/08**	**8/26/08**	**9/30/08**	**10/28/08**	**12/2/08**
Nancy Bassett, R.N.	P	P	P	P							
Ted Kleiter – Chair	P	P	P	P	P	P	P	P	P	P	P
Bruce Krider, M.A.	P	P	P	P	P	E	P	P	E	E	P
Marcelo Rivera, M.D.	P	P	P	P	P	E	P[1]	A	P	P	P
Michael Covert, FACHE	P	P	P	P	P	P	E[2]	P	P	E	E
Ben Kanter, M.D.	E	P	P	P	P	E	P	P	E	A	P
John Lilley, M.D.	P	E	P	E	A	P	E	A	E	A	P
Linda Greer – Alternate			Guest			P	P[1]			P	
Linda Bailey – 2nd Alternate						E	Guest		P		
Alan Larson, M.D. – 3rd Alternate						E					
Nancy Bassett, R.N. – 4th Alternate						P	Guest				
Staff Attendees											
Bob Hemker	P	P	P	P	P	P	P	P	P	P	P
Gerald Bracht	P	P	P	P	P	P	P	P	P	P	P
David Tam			P	P	P	E	P	E	P	P	P
Steve Gold	P	P									
Tanya Howell – Secretary	P	P	P	P	P	P	P	P	P	P	P
Invited Guests	**See Text of Minutes For Names of Guest Presenters**										

[1] Director Rivera left the meeting following the Plan of Finance update, and was replaced by Linda Greer as the Finance Committee Alternate

[2] Sheila Brown attended as Interim CEO, with full voting privileges

Board Finance Committee – Meeting Minutes – Tuesday, December 2, 2008				
Agenda Item	**Discussion**	**Conclusion/Action**	**Follow Up/ Responsible Party**	**Final ?**
Meeting Location	Graybill Auditorium, 555 East Valley Parkway, Escondido, CA			
Meeting Called To Order	6:09 p.m. by Chair Ted Kleiter			
Establishment Of Quorum	See roster			
Public Comments	• None			
Independent Citizens' Oversight Committee (ICOC) – Applications for Vacant Seat	There are four applicants for the vacant seat on the ICOC, all of whom were invited to attend this evening's meeting. Candidates were invited to address the Committee and state why they wanted to be on the ICOC. • John A. Amodeo – unable to attend this evening • William Hoffman o Resides in Escondido by Lake Hodges o Background in business and finance – self-employed as business and financial planner o Extensive background in local community service o No conflict of interest • Tim Regello o Resident of San Marcos o Professional Civil Engineer o Does community service as a local Boy Scout leader • Mark B. Silber o Has lived in Poway for 27 years o Retired university teacher ■ Taught MBAs and PhDs o Worked with numerous hospitals in 25 years in health industry consulting o Now volunteers as a conductor on the Poway railroad Chairman Kleiter stated that he wanted to ensure the applicants understood that the role of the ICOC is to assure the citizens that bond monies are being spent the way the district said they were going to be spent. The ICOC doesn't make any judgment calls as to what the monies should be spent for, they merely review previously spent monies to ensure they were spent as allowed by Measure BB. The ICOC has no engineering or financial say regarding whether or not the monies have been spent wisely nor on which portion/portions of the project they should have been spent. • Chairman Kleiter distributed blank sheets of paper and requested a secret vote by ballot for one candidate	**MOTION:** By Director Rivera seconded by Dr. Kanter and carried to nominate William Hoffman for appointment by the Board to the vacant seat on the Independent Citizens' Oversight Committee. All in favor. None opposed.	Nominee forwarded to the December 8, 2008, Board of Directors meeting with a recommendation for appointment.	Y

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL ?
	• William Hoffman received a majority of the votes and will be presented to the Board as the Finance Committee's nominee for the seat.			
INFORMATION ITEM(S)	• Best of holiday season • There will be a Special Board meeting on January 8, 2009, consisting of merged topics from Facilities & Grounds and Finance Committees of the Board o Updates on the Facilities Master Plan (FMP) and the Financial and Capital Plan including the Plan of Finance (PoF), with a more in-depth market update than will be provided at tonight's meeting	***Information Only***		Y
MINUTES – OCTOBER 28, 2008	No discussion.	**MOTION:** By Director Krider, seconded by Director Rivera and carried to approve the minutes of the October 28, 2008, Board Finance Committee meeting as presented. All in favor. None opposed.		Y
INDEPENDENT CONTRACTOR AGREEMENTS				
VOICE RECOGNITION PROJECT MANAGEMENT	Ben Kanter, MD, CMIO, and Kim Colonnelli, SLA for Emergency/Trauma/Forensic Health, addressed the contracts with Christopher Wiesner, MD, and Kevin Daly, MD. • The physicians already work under the contract with CEP o Will also function as independent contractors for the voice recognition project, which is part of dictation for the Electronic Medical Record (EMR) for ED physicians as both have experience with voice recognition systems • The contracts in the agenda packet are substantially correct, as they utilized the standard independent contractor template o Originally contracted for 3 months' duration – October 1, 2008 to December 31, 2008 ■ Extended to five months – October 1, 2008 to March 31, 2009 – as they will be assisting in the physician training process o Utilized the same contract as for CPAC and forgot to extend hours from the 6 hours per month to which they are being held ■ Drs. Wiesner and Daly will actually be contracted to work NMT 30 hours per month ➢ Monthly hours after the first of the year should be substantially less than that o Budgeted funds ■ Will amount to significant savings as it would have cost much more to hire outside project managers • Will be voting on both physicians at the same time	**MOTION:** Motion by Director Rivera seconded by Director Krider and carried to recommend approval of the five-month **(October 1, 2008, to March 31, 2009)** Independent Contractor Agreements with Christopher Wiesner, MD and Kevin Daly, MD, for Project Management of the Voice Recognition System. All in favor. None opposed.	Forwarded to the December 8, 2008, Board of Directors meeting with a recommendation for approval.	Y

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, DECEMBER 2, 2008				
AGENDA ITEM	**DISCUSSION**	**CONCLUSION/ACTION**	**FOLLOW UP/ RESPONSIBLE PARTY**	**FINAL ?**
ELECTRONIC MEDICAL RECORD PROJECT MANAGEMENT	• Aria Anvar, BS, MD, MBA o Has been working with PPH o Renewal of the contract signed last year o Completely budgeted	**MOTION:** Motion by Director Rivera seconded by Director Krider and carried to recommend approval of the one-year **(April 1, 2008 to March 31, 2009)** Independent Contractor Agreement with Aria Anvar, BS, MD, MBA to provide assistance to the CMIO in the development and maintenance of the Electronic Medical Record. All in favor. None opposed.	Forwarded to the December 8, 2008, Board of Directors meeting with a recommendation for approval.	Y
CERNER OPTIMIZATION	• Cerner Physician Advisory Counsel (CPAC) is currently comprised of: o Greg Hirsch, MD o Frank Martin, MD o John Steele, MD o Robert Reichman, MD o Mikhail Malek, MD o Nabil Fatayerji, MD o Jaime Rivas, MD o George Moore, MD • Same contract as last year with fewer hours o NMT 6 hours/month o Brought in when needed o Cannot bill for any time outside of call-in meetings	**MOTION:** Motion by Director Rivera seconded by Director Krider and carried to recommend approval of the one-year **(May 3, 2008 to April 30, 2009)** Independent Contractor Agreement with the CPAC physicians to provide assistance to the CMIO in the development and maintenance of the Electronic Medical Record with regard to Cerner Optimization. All in favor. None opposed.	Forwarded to the December 8, 2008, Board of Directors meeting with a recommendation for approval.	Y
MARKET UPDATE	Utilizing the attached presentation *(Attachment 1)* Bob Hemker presented a broad-based market update. The new General Obligation GO) Bond issue and the conversion of the Auction Rate Securities have been put on hold, with anticipation of going back to the market with a current target date of February 2009. The presentation included key components to be discussed for moving forward toward the January meeting, including: • Slides 10-20 provided an update on Citi, which included their bond rating, financial performance and corporate structure o PPH does business with the Institutional Clients' Group o Very small part of Citi overall, with less than 100 total employees • Slides 25-31 provided an update on FSA – the bond insurer for PPH's outstanding bonds	***Information only***	Forwarded to the December 8, 2008, Board of Directors meeting as information. Bob Hemker is to email the information to the Board, along with a summary cover sheet (by end of day tomorrow)	Y Y

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL ?
	• The remainder of the presentation provided an overview and discussion of the current strategy, bond performance and options going forward • Discussion o Citi does have cash reserves o Why did they have to get a bailout? ■ Problematic business units are primarily their credit card and commercial banking books of business o Why couldn't they access their credit reserves instead of a bailout? ■ They're required to maintain a specific amount in cash reserve ■ The infusion was to help acquire liquidity – it kept the ratios up and allowed them to get back into the lending cycle o What effect would there have been to PPH if the Government hadn't bailed them out? ■ Existing relationships on ARS ⅄ Would have begged the question of who would have taken the counter-party position and/or who would have been servicing those bonds? ⅄ Might have caused us to find a solution for ARS sooner as we would have needed to seek a new counterparty on those bonds o As we move forward, what should we be doing or reviewing regarding a co-banker position? ■ Continue partnership with Citi, but also bring in someone else as a Co-manager? ⅄ Would need someone with retail market access to add to the commercial access provided by Citi o Insurer ratings ■ FSA was downgraded by Moody's and lost their AAA rating ⅄ This downgraded the rating of Assured Guaranty, as they are in the process of buying FSA ■ Brookshire Hathaway is the only AAA rated insurer remaining ⅄ Not active in the healthcare sector nor anxious to move into that market ■ No enhanced value to insurance on GOs at this time ⅄ PPH has a higher rating than current insurer ⅄ Can't drive up underlying rating with addition of insurance at this point o ARS Performance ■ 5.41% average since February ⅄ Averaged 3.54% prior to then			

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL ?
	■ 6.93% 12-week rolling average ➢ Regaining some parity and stability ■ Why convert and deal with swap termination issue? ➢ Still want option to move to a more predictable instrument • Options for review o Possible inclusion of a Co-Banker? o Will Citi be an asset, neutral or a liability when we're ready for market?			
FINANCIAL REPORT **OCTOBER 2008 & YTD 2009**	Bob Hemker provided a summary review of the October 2008 & YTD FY2009 financial report, utilizing portions of the presentation distributed as Addendum F in the agenda packet. • Indicators on Balanced Scorecard (BSC) – *Pg C-4* o Board-approved initiatives require 5% less than budget as targeted o Color-coding was updated to reflect the Board-approved initiatives and related targets, not just actual to budget ■ To be green, total would have to be 7% less than budget ■ Yellow would be 5% to <7% ■ Blue means outstanding – better than green o Must meet improvement targets to meet goals—not just budget—since targets are in excess of budget • Year-to-date (YTD) focus o Acute admissions are down 209 o ALOS is very close to budget, just under o Case Mix Index is just over budget o Net Patient Revenues are up 1.01% o Total Expenses are up 1.01% o Net Income before Non-Operating Income is up $598K o Net Income is down about $420K, due mostly to investment income • Collections are down both against prior year and budget o Due to delays in payment processing by payors ■ Medi-Cal is to release funds in March ■ Change to Palmetto has caused delays in Medicare processing o Bad debt as a percentage of net revenue has a negative variance and is being watched ■ We are very good at providing options for payment, with a self-pay unit on-site, with posters around the hospital advertising that service	**MOTION:** By Director Krider, seconded by Dr. Kanter and carried to recommend approval of the October 2008 & YTD FY2009 Financial Report as presented. All in favor. None opposed.	Forwarded to the December 8, 2008, Board of Directors meeting with a recommendation for approval. Bob Hemker is to provide the Board with a "reference tool" regarding the new BSC color coding	Y N

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL ?
	⅄ Have an eligibility team to guide patients through options (a) Are they Medi-Cal eligible? (b) Do they quality for County Medical Services? ⅄ If not qualified for aid, the cost is their personal responsibility (a) May then determine if eligible for charity (b) Provided with application and paperwork required (i) Involved process, with several cycles of working with them (ii) Very stern rules for accepting charity write-offs (iii) If a patient abandons the process or doesn't provide required documentation, they are sent to a collection agency as a bad debt write-off ■ Paying sources by level – bad debt v charity ⅄ If charity is approved, no further collectability ⅄ If classified as bad debt (a) Sent to the agency level for additional attempts to collect the monies (b) Patient could decide to pay (c) Patient could also reconsider and complete the application process for charity o Days cash on hand budget is set at 80 based on covenant requirements ■ Becomes the threshold to which we manage • Key Variance Explanations o Benefits ■ Negative variance in unemployment insurance is a side cost to the RIF o Salaries & Wages show a positive variance, contra to a negative Contract Labor variance ■ Still doubling up on the precepting program ⅄ Use of contracted labor offset ■ Picking up on the Salaries & Wages side o Supplies ■ $1.2M negative variance YTD, and $1.3M of that is due to prosthetics ■ Instituted a prosthetics work team ⅄ Determining how to drill down to understand prosthetics (cardiac, ortho, spine and in/outpatient procedures) ⅄ Easy to miss is the shift where implantables can now be utilized in the outpatient arena			

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL ?
	■ Composite team comprised of decision support, ortho, finance, operations and perioperative ■ Value Analysis Team (VAT) determines what products can be used in the first place ⅄ There is no review team for usage thereafter o Prior year comparison – *P C-18* ■ Year-on-year improvement ■ Not driven by volume ■ $2.8M favorable rate efficiency			
BOARD MEMBER COMMENTS	• Bob Hemker reiterated the reminder of the Special Board meeting on January 8, 2009, to be held as a joint meeting of the Facilities & Grounds and Finance Committees o Will cover where we are going with the next bond issues o Will definitely have information on November financials o May have some insight on December financials – If available, financials for December won't be closed, but will be on accelerated close for Deloitte for inclusion with the offering statement • Dr. Kanter stated that this will be his last official Finance Committee meeting, as Dr. Frank Martin takes over as Chief of Staff at POM in January o Thanked the Committee for "putting up with my questions"		Director Krider will send a memo out to the members of Board as he wants to ensure all members leave the Special Board Meeting on January 8th fully informed and satisfied. Will suggest that they all schedule meetings with Bob Hemker before the meeting.	Y
ADJOURNMENT	The meeting was adjourned at 7:49 p.m.			
SIGNATURES: • **COMMITTEE CHAIR** • **COMMITTEE SECRETARY**	Ted Kleiter Tanya Howell			

ATTACHMENT 1

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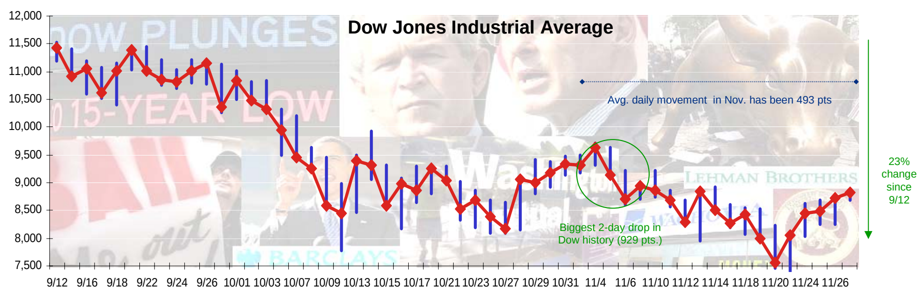
Issuance of GO Bonds Series 2009A and
Conversion of 2006 Auction Rate Securities

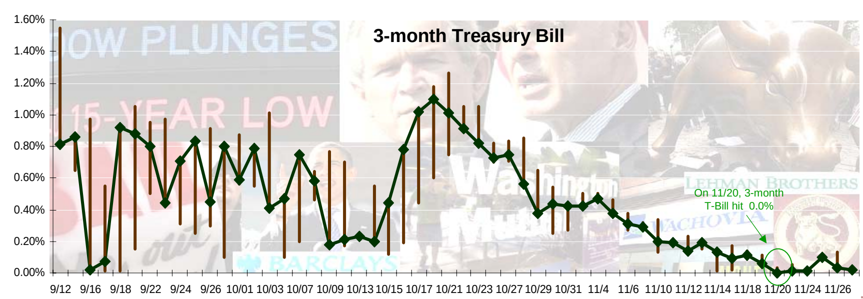
December 2, 2008

Presentation Contents

Market Update

Continued Volatility in Equity and Debt Markets





Source: Bloomberg

The Municipal Bond Market is Slowly Opening

- Fixed Rate Market Observations
  - Market beginning to "thaw", but have not seen a fully functioning market in place (yet)
    - Higher cost of capital with "AA" rated issues in the high 6-percent range
    - Small amount of issuance for "A" and "BBB" credits coming to market makes it difficult to draw major conclusions, but credit spreads have widened significantly with "A" and "BBB" rates in the high 7% to 8% range respectively
  - Yield curve is increasingly vertical between short-term and long-term yields
  - Much smaller and more discerning investor base
  - Institutional investors returned to the healthcare bond market with the issuance of "AA" bonds, but distribution is largely retail
  - There is still concern regarding sufficient investor interest to meet the capital needs of hospitals and healthcare systems

- Credit matters now more than ever
  - Cash and liquidity are critical
  - Organizations with projects on the horizon are revisiting feasibility of complex strategies
  - Back to business basics

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The Healthcare Market is Open, But at a Cost

- November saw the first long term fixed rate flow of Healthcare deals come to market

- Credit ratings have become increasingly important and are highly correlated to borrowing costs

- The strongest investor demand was for highly rated credits (i.e. "AA") but all rating categories have been bought by investors
  - "AA" rated hospitals with 20 year final maturity ranged from 6.30% to 6.47%
  - "A" rated hospitals with 20 year final maturity ranged from 6.77% to 7.20%
  - "BBB" rated hospital with 20 year final maturity was done at 8.25%

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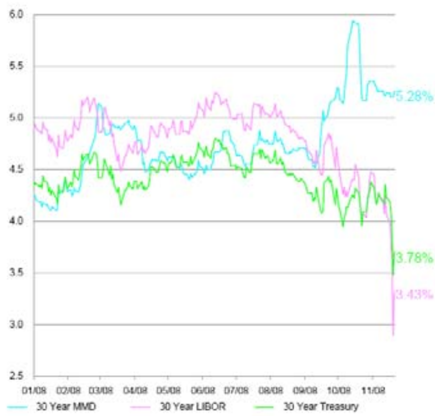
Overview of Healthcare Tax-Exempt Fixed Rate Market

30 Year MMD vs. 30 Year LIBOR vs. 30 Year Treasury
(%) January 1, 2008 - Present



Source: Morgan Stanley

Recent Transactions

Obligor	Rating	Sale Date	Spread to MMD (bps)	Yield (%) / Final Maturity
Providence Health (CA)	(Aa2/AA/AA)	10/22/2008	+133	6.70 (2038)
Trinity Health (ID)	(Aa2/AA/AA)	10/28/2008	+128	6.50 (2033)
Trinity Health (MI)	(Aa2/AA/AA)	10/28/2008	+143	6.65 (2033)
WellSpan (PA)	(Aa3/NR/AA-)	10/29/2008	+144	6.41 (2025)
Loma Linda (CA)	(Baa2/BBB/BBB+)	10/29/2008	+291	8.25 (2038)
Miami Valley (OH)	(Aa3/NR/AA-)	10/30/2008	+144	6.25 (2022)
Fairview Health (MN)	(AAA/AAA/NR)	11/3/2008	+145	6.80 (2038)
Fairview Health (MN)	(A2/A/NR)	11/3/2008	+180	7.00 (2032)
CHI (WA)	(Aa2/AA/AA)	11/5/2008	+136	6.64 (2036)
CHI (CO)	(Aa2/AA/AA)	11/5/2008	+127	6.46 (2033)
Shands Teaching (FL)	(A2/A/NR)	11/5/2008	+222	7.00 (2023)
Memorial Herman (TX)	(A2/A/NR)	11/6/2008	+205	7.30 (2035)
Advocate Health (IL)	(Aa3/AA/AA)	11/6/2008	+149	6.75 (2038)
Univ. Penn Health (PA)	(Aa3/AA-/NR)	11/6/2008	+146	6.30 (2026)
St. Luke's (ID)	(A2/A/NR)	11/13/2008	+180	7.02 (2037)
Presbyterian (NM)	(Aa3/AA-/AA-)	11/14/2008	+153	6.63 (2032)
UHealth E Carolina (NC)	(A1/A+/AA-)	11/20/2008	+165	6.75 (2033)
Columbus Reg. (GA)	(AAA/AAA/AAA)	11/20/2008	+130	6.50 (2038)
Bellin Memorial (WI)	(A3/A-/NR)	11/20/2008	+134	6.50 (2035)
Mountain States Health	(Baa1/BBB+/BBB)	11/21/2008	+280	8.00 (2038)

Notes
1. Market conditions as of November 24, 2008.

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Developments That Could Continue to Improve Muni Market

KEY DRIVERS	STATUS
▶ Fear needs to subside and confidence restored	↑ Institutional buyers have returned to capture current coupons and higher yields
▶ Retail buyer interest must continue to be strong	↑ Citi's retail trading volume has averaged $106 million per week in 2008
▶ Cash from Auction Rate Buybacks (estimated at $40 billion) in Oct-Nov needs to be directed towards short and long-term municipals	↑ Reinvestment of ARS monies directed at short and intermediate-term municipal bonds and notes
▶ Retail investors need to channel money into the Municipal Bond Funds	↑ Despite outflows over the last 8 weeks, Muni Bond Funds are actively participating in new issues
▶ New Issue volume and/or secondary market portfolio unwinding (e.g., market supply) needs to ease and be absorbed	↑ Over the past three weeks, the market has absorbed over $13 billion of new issue volume
▶ Crossover buyers need to return to the market, lured by relative upside and cheapness of municipals	↑ Some crossover buyers beginning to emerge from non-leveraged buyers
▶ Broker-Dealers need to re-commit capital to improve liquidity in marketplace	↓ Flight to quality and liquidity still driving investment decisions of major dealers

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Update on Citi

Citi is Still the Leader in Municipal Finance

- Citi is among the highest rated entities
  - Citigroup Inc. (Aa3/AA-/A+)
  - Citibank (Aa1/AA/A+)

- Citi is ranked #1 in municipal finance underwritings
  - $47.5 billion completed from January 1st, 2008 to date

- Citi is ranked #1 in tax-exempt healthcare financings in 2008
  - $11.9 billion completed from January 1st, 2008 to date
  - Completed 104 financings with a market share of 20.7%

[1] Source: Thomson Financial.
[2] As of 12/1/2008. Source: Bloomberg.

Citi is Navigating Market Turbulence

Citi CEO, Vikram Pandit, and the federal government have taken a series of steps to improve risk management, strengthen the balance sheet and reorganize the company.

- Over the past 15 months, Citi has added over $100 billion in new capital: $50 billion through public and private offerings and over $50 billion from various U.S. government programs. These actions have strengthened the balance sheet of the company.
- As of the third quarter, Citigroup had a deposit base of approximately $780 billion that was diversified across products and regions, with almost two thirds of it outside the U.S. This diversification, including deep access to international deposits, provides Citi with an important, stable and low-cost source of funding.
- Citi's Tier 1 capital ratio for the third quarter ended September 30, 2008, after the government's capital injection, is expected to be approximately 14.8%, nearly 2.5 times the recommended ratio for a well-capitalized company (6%).
- Citi has almost doubled its loan loss reserves in the last 12 months to over $24 billion.
- Citi has been very successful at bringing its expenses down. 2009 expenses are expected to be down almost 20 percent from peak levels.
- Citi has significantly reduced its risky, legacy assets by over $100 billion, or more than 20%, while putting the company in a very strong capital position.

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Citi Agreement with Federal Government

On Sunday, November 23rd, Citi reached an Agreement with the U.S. Treasury, the Federal Reserve Board and the FDIC on a series of steps to strengthen Citi's capital ratios, reduce risk and increase liquidity.

CAPITAL

- The U.S. Treasury will invest $20 billion in Citi preferred stock under the Troubled Asset Relief Program (TARP).
- Citi will issue an incremental $7 billion in preferred stock to the U.S. Treasury and the FDIC as payment for a government guarantee on $306 billion of securities, loans, and commitments backed by residential and commercial real estate and other assets.
- As a result of the asset guarantee, the $306 billion portfolio will have a new risk weighting of 20%, thus freeing up an additional $16 billion of capital to the company.
- Citi also has agreed not to pay a quarterly common stock dividend exceeding $0.01 (one cent) per share for three years effective on the next quarterly common stock dividend payment.

RISK REDUCTION

- Under the guarantee, Citi will assume any losses on the portfolio up to $29 billion on a pre-tax basis, in addition to Citi's existing reserves; the government entities will assume 90% of any losses above that level and Citi will assume the balance. Citi will retain these assets on its balance sheet and realize the associated cash flow.

LIQUIDITY

- In addition to its extensive access to existing liquidity sources, Citi has been provided expanded access to both the Federal Reserve's Primary Dealer Credit Facility and the discount window, resulting in strong additional liquidity resources should they be needed. Citi also has access to the yet-unused Federal Reserve's Commercial Paper Funding Facility and intends to issue debt under the FDIC's Temporary Liquidity Guarantee Program.
- The agreement also provides that an executive compensation plan, including bonuses, that rewards long-term performance and profitability, with appropriate limitations, must be submitted to, and approved by, the U.S. government.

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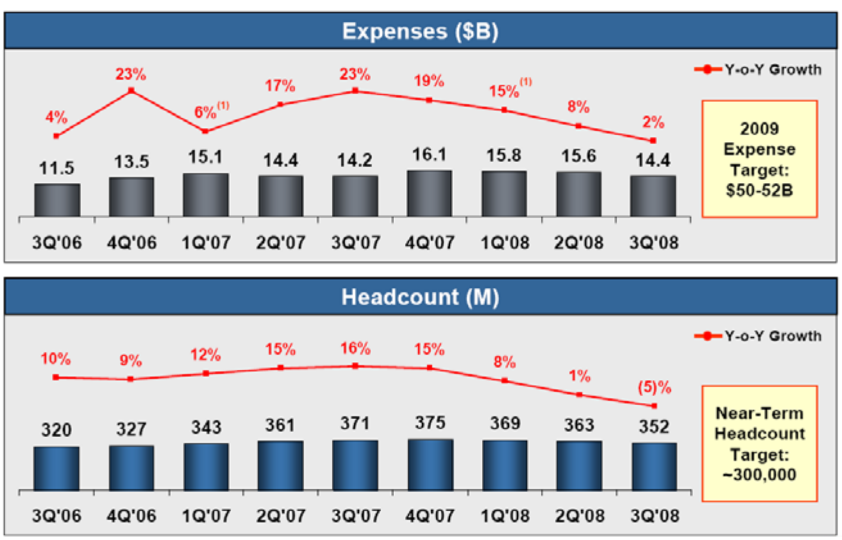
Highlights from Citi's Third Quarter Earnings Announcement

- $0.60 earnings per share loss was near consensus
- Net interest revenue up 13% and net interest margin up 79 basis points versus the third quarter 2007
- Lower write-downs in Securities and Banking for the third consecutive quarter
- Total expenses declined for the third consecutive quarter, down $1.2 billion since the second quarter 2008
- Headcount reduced by approximately 11,000 since the second quarter 2008 and approximately 23,000 in the first nine months of 2008
- Retail and corporate deposits in the U.S. increased 6% versus second quarter 2008 and 11% versus third quarter 2007
- Total assets declined by $50 billion since second quarter 2008 and by $308 billion since third quarter 2007
- Legacy assets declined by approximately $48 billion since second quarter 2008
- Capital strength maintained with Tier 1 Capital ratio at 8.2%
- Closed sale of CitiStreet; announced sale of Citi Global Services Limited; sale of the German retail banking operations on track for the fourth quarter

For illustration purposes only. Past performance may not indicate future results.

20% Targeted Reduction vs. Peak Levels



(1) Excludes the impact from the 1Q'07 $1.38B pre-tax charge related to a structural expense review.
Note: Historical numbers have been restated to exclude discontinued operations.

Citi Getting Fit – Fast!

Operating Results ($B)

	LTM 3Q'07	LTM 3Q'08		%Change
Adjusted Managed Revenues	$101.0	$101.5	➡	0%
	LTM 3Q'08	'09 Target		
Expenses	62	50-52	⬇	~16-19%

Balance Sheet

	3Q'07	3Q'08		Change
Tier 1 Capital Ratio	7.3%	10.4% [1]	⬆	310 bps
Allowance for Loan Losses ($B)	$12.7	$24.0	⬆	89%
Assets ($Tr)	2.4	2.1	⬇	13%
Legacy Assets ($B)	NA	<400	⬇	>20%
Structural Liquidity	55%	63%	⬆	800 bps

[1] Proforma for $25 billion TARP capital.
Note: LTM – last twelve months.
Source: Citi Town Hall Meeting Presentation dated 11/17/2008.

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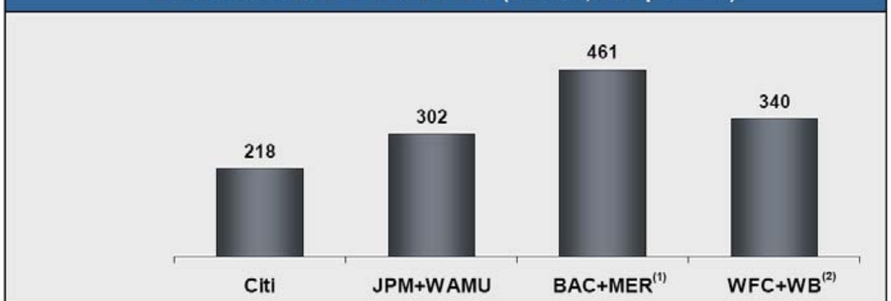
Citi Has Lower Exposure to U.S. Consumer Mortgages

U.S. Residential Real Estate Loans (EOP $B, held portfolio)



	Citi	JPM+WAMU	BAC+MER(1)	WFC+WB(2)
Option ARMs as a % of Mortgages Loans	0%	14% (3)	4%	20%
Mortgages as a % of Assets	11%	13%	17%	25%

(1) Proforma for the announced transaction, does not take into consideration potential Purchase Accounting adjustments to MER assets.
(2) Proforma for the announced transaction, WB assets adjusted for $39.2 billion Purchase Accounting at closing.
(3) Does not include $85 billion of securitized consumer mortgage loans, of which Option ARMs represent 28%.
Note: Based on company filings. Proforma for announced mergers & acquisitions. Data excludes unused commitments. Data includes mortgages held in non-mortgage lending business segments such as corporate/other.

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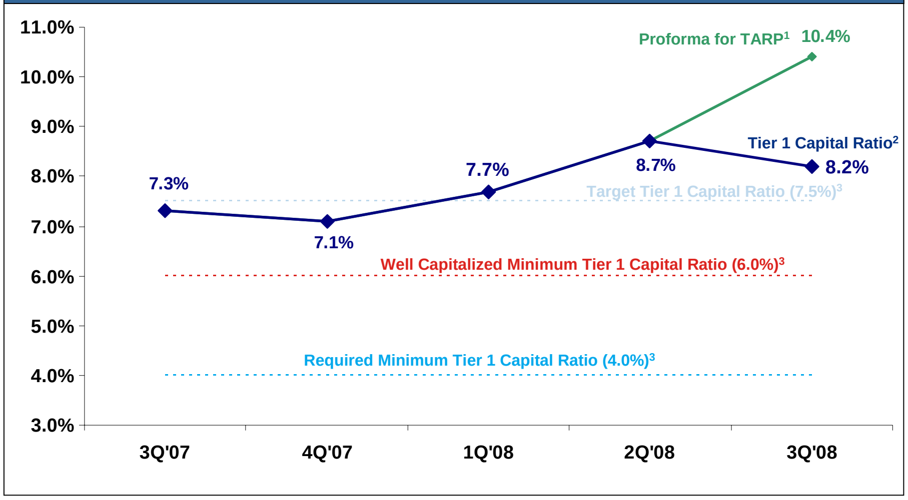
Citi's Capital Exceeds Target, Even Before Government Investment

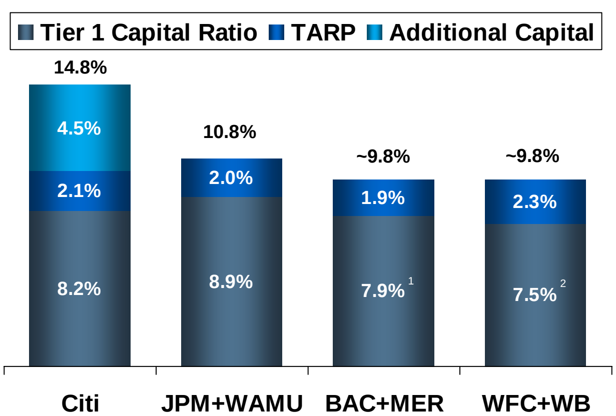
Tier 1 Capital Ratio
(Citi Tier 1 Capital Ratio is now at 14.8% after 11/23/08)



[1] Tier 1 Capital Ratio proforma for the $25 billion of additional TARP capital. Assumes $1.3 billion of TARP is common equity (warrants) and $23.7 billion preferred (25% of preferred qualifies for TCE as per Moody's guidance). Source: Citi Town Hall Meeting Presentation dated 11/17/2008
[2] Source: Citi Third Quarter 2008 Earnings Review dated 10/16/2008.
[3] Source: Citi 2007 SEC Filings: Form 10-K

Strong Tier 1 Capital Ratio

Proforma 3Q'08



[1] Based on information contained in BAC's 10/31/08 Merger Proxy.
[2] Proforma as of 12/31/08 based on information contained in WFC's 10/3/08 8-K.
Note: Pro-forma Tier 1 ratios based on company public filings / management presentations. Proforma TARP impact on tier 1 ratio based on the following capital injections: $25B for JPM, $25B for Citi, $25B for BAC+MER and $25B for WFC+WB (assumed to replace short-term debt). Totals may not sum due to rounding.
Source: Citi Town Hall Meeting Presentation dated 11/17/2008, adjusted for additional capital injection for Citi on 11/23/2008.

Highlights from Citi's Recent Moody's and S&P Reports

On September 29, Moody's put Citigroup, Inc. and Citibank, N.A. ratings under review for a possible downgrade, "because the acquisition [of Wachovia] imposes integration challenges at a time when Citigroup's asset quality is being undermined by weakening consumer and commercial markets."[1]

On the same date, Standard & Poor's placed its Citigroup, Inc. and Citibank, N.A. ratings on CreditWatch with negative implications reflecting "...continued pressures on Citigroup's own performance from write-downs on market-disrupted assets and the loan portfolios...We do not expect the ratings to fall by more than two notches, to 'A+/A-1' for Citibank and 'A/A-1' for Citigroup Inc."[2]

Strengths

- Leading positions in credit cards, consumer finance, transaction servicing, and wealth management[3]
- Uniquely global retail-banking franchise[3]
- A worldwide reach in wholesale banking[3]
- Good and diversified pre-provision profitability[3]
- Very high systemic support[3]
- Extraordinarily diverse set of businesses operating worldwide[4]
- Improving corporate governance and risk management[4]
- Leadership positions in corporate lending, credit cards, prime and subprime mortgage lending, investment banking, cash management, and custody operations[4]

Challenges

- The credit crunch revealed a large concentration in structured products, exposing the bank to very sizable earnings hits[3]
- Exposure to leveraged loans will increase single-name concentrations, and the possibility of further write-downs[3]
- Exposure to riskier mortgage loans is sizable and will likely hike provision needs[3]
- Operations in businesses where legal and reputation risks remain high[4]
- High-risk mix of business lines, e.g. consumer finance, emerging markets activities, investment banking, and venture capital[4]
- Capital and reserves relative to the company's risk profile are not exceptional even after capital raising[4]
- Lack of a strong home country base in retail branch banking[4]
- Challenged to generate revenue growth, although investment spending should bolster growth in 2008[4]

For illustration purposes only. Past performance may not indicate future results.
[1] Moody's Report, September 29, 2008.
[2] S&P Report, September 29, 2008.
[3] Moody's Report, May 7, 2008.
[4] S&P Report, February 15, 2008.

PALOMAR POMERADO HEALTH

Comparison of Municipal Bond Underwriters

	citi	JP Morgan	Merrill Lynch	Goldman Sachs	Morgan Stanley	UBS	Bank of America
Municipal Finance, National	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Negotiated Municipal Underwriting Vol., 2007 – YTD ($ in billions)[1]	$97.8	$75.8	$56.5	$53.3	$49.2	$47.4	$30.7
Negotiated Municipal Underwriting Vol., 2008 – YTD ($ in billions)[1]	$47.5	$30.4	$25.6	$27.0	$27.4	$14.9	$15.9
Financial Strength							
Ratings (Moody's / S&P / Fitch)[2]	Aa1/AA/ A+	Aaa/AA/ AA-	A2/A/A+	Aa3/AA-/AA-	A1/A+/A	Aa2/AA-/ A+	Aa2/AA- /A+
Market Capitalization ($ in billions)[2]	$35.2	$146.2	$27.5	$41.6	$18.1	$46.7	$109.1

Recently exited municipal bond business. (UBS)
Recently announced merger scheduled to close in Dec/Jan. (Merrill Lynch, Bank of America)
Recently changed corporate structure to a universal bank. (Goldman Sachs, Morgan Stanley)
Completed acquisition of failed investment bank earlier this year. (JP Morgan)

[1] Source: Thomson Financial.
[2] As of 12/01/2008. Citi ratings are for Citibank, N.A. Source: Bloomberg.

PALOMAR POMERADO HEALTH

Financial Market Writedowns and Capital Raising

- Globally, banks have taken substantial writedowns due to poor quality assets. For many banks, the amount of capital raised has barely offset the writedowns
- Citi has raised approximately $103 billion in capital, exceeding total writedowns

Largest Bank Writedowns and Capital Raised[1]
USD$ Billions

	Writedowns	Capital Raised
Wachovia Corp	96.6	11.0
Citigroup Inc	68.1	103.0
Merrill Lynch & Co	58.1	29.9
Washington Mutual Inc	45.6	12.1
UBS AG	44.2	31.6
HSBC	27.4	5.0
Bank of America Corp	27.4	55.7
JPMorgan Chase & Co	20.5	44.7
Morgan Stanley	15.7	24.6
IKB	13.2	10.9
Lehman Brothers	13.8	13.9
RBS	16.2	52.0
Credit Suisse Group	13.6	11.6
Wells Fargo & Co	17.7	30.8
Deutsche Bank	9.4	5.9
Fortis	8.4	20.7
Credit Agricole	7.9	11.5
Other	188.8	230.5
Total	**692.6**	**705.4**

[1] Source: Bloomberg. As of 11/05/2008. Includes $250 billion US Treasury investment and adjusted for additional capital injection for Citi on 11/23/2008.

For illustration purposes only; actual results will depend on future market conditions.

PALOMAR POMERADO HEALTH

Credit Ratings[1]

	Moodys		S&P		Fitch	
Firm	Rating	Outlook	Rating	Outlook	Rating	Outlook
Citibank, N.A.	Aa1	*Negative*	AA	*Negative*	A+	*Stable*
Citigroup Inc.[2]	Aa3	*Negative*	AA-	*Negative*	A+	*Stable*
UBS AG	Aa2	*Stable*	AA-	*Negative*	A+	*Stable*
JPMorgan Chase Bank NA	Aaa	*Negative*	AA	*Negative*	AA-	*Stable*
Royal Bank of Canada	Aaa	*Stable*	AA-	*Stable*	AA	*Stable*
Bank of America	Aa2	*Negative*	AA-	*Negative*	A+	*Stable*
Wachovia Bank NA	Aa2	*Positive*	AA-	*Positive*	A+	*Positive*
Deutsche Bank	Aa1	*Stable*	AA-	*Negative*	AA-	*Stable*
AIG	A3	*Negative*	A-	*Negative*	A	*Stable*
Goldman Sachs Group[2]	Aa3	*Negative*	AA-	*Negative*	AA-	*Stable*
Morgan Stanley[2]	A1	*Negative*	A+	*Negative*	A	*Negative*
Lehman Brothers[3]	B3	*Negative*	NR	*Not Rated*	NR	*Not Rated*
Merrill Lynch & Co[2]	A2	*Positive*	A	*Stable*	A+	*Stable*

Ratings as of 11/05/2008; subject to change at any time. Source: Bloomberg.
[1]Excludes AAA terminating subsidiaries.
[2]Ratings for parent entity.
[3]Ratings for banking subsidiary.
Note: Citigroup ratings as of 12/1/08

PALOMAR POMERADO HEALTH

About Citi and ICG – Business Structure

citi

Consumer Banking | Global Cards | Global Wealth Management | **Institutional Clients Group***

Institutional Clients Group*:
- **Global Banking**
- **Capital Markets**
- **Citi Alternative Investments**
- **Global Transaction Services**
- **Citi Investment Research & Analysis**

About Citi

Citi, the leading global financial services company, has some 200 million customer accounts and does business in more than 100 countries, providing individuals and institutions with a broad range of financial products and services, including consumer banking, corporate and investment banking, securities brokerage, credit cards, transactions services and wealth management.

About Institutional Clients Group

Citi's Institutional Clients Group (ICG) is a complete financial partner to corporations, financial institutions, governments and institutional investors around the world. As a worldwide leader in banking, markets, alternative investments, transaction services and analysis, Citi enables clients to achieve their strategic financial objectives by providing ideas, products, solutions, and access to capital and liquidity.

**ICG Financial results are publicly reported as Securities & Banking (includes results from Investment Banking, Corporate and Commercial Bank, Capital Markets and Alternative Investments) and Transaction Services (includes results from Transaction Services).*

Some Recent ICG Client Successes

ICG CLIENT SUCCESSES

- Co-led $12.2 billion follow-on equity offering for General Electric Co.
- Advised Anheuser-Busch on its $61 billion sale to InBev NV
- Co-led Caterpillar Financial's $1.3 billion two-part 5- and 10-year senior notes transaction, marking first investment grade issue following the collapse of Lehman Brothers and the government's bailout of AIG
- Co-led GMAC/Residential Capital $60 billion global refinancing, one of the largest ever completed
- Advised Time Warner on its separation from Time Warner Cable, a $45 billion transaction and the second largest separation in the Media space
- Advised Dow Chemical on its $15.3 billion acquisition of specialty-chemical company Rohm & Haas Co.
- Selected by Schering-Plough as its exclusive global commercial card provider ending a twenty-year program with a previous provider
- Advised Electronic Data Systems on its $13.5 billion sale to Hewlett-Packard
- Appointed by LCH Clearnet as settlement agent in 15 markets globally, recognizing Citi's extensive pan-European securities network and its strong links with the European central securities depositories
- Co-led the $9 billion bond offering by GlaxoSmithKline, representing the largest pharmaceutical bond financing in history and the largest U.S. dollar corporate bond since 2001
- Acted as sole dealer manager for the Republic of Uruguay in the Republic's concurrent exchange offer to approximately $2.9 billion of USD, EURO, and local currency bonds into either a new LCY global bond or reopening of the USD 2036 global benchmark
- Led the largest Brazilian and largest regional financial institution bond, BNDES $1.0Bn 10-Year
- Led the largest wind financing completed in the US to date, $741 million for Nobel Environmental Power

MUNICIPAL CLIENT SUCCESSES

- On October 9th, Citi, serving as Senior Manager to the Commonwealth, successfully priced its $750 million RAN transaction, effectively opening the market for business after being closed for two weeks
- Senior managed $652.7 million of Commonwealth of Massachusetts General Obligation Refunding Bonds
- Senior managed $621.4 million Los Angeles Community College District General Obligation Bonds
- Senior managed $950 million New York City General Obligation Bonds
- Served as book-running manager on $609 million North Texas Tollway Authority System Revenue Refunding Bonds
- Served as book-running manager on $568.2 million Grand River Dam Authority Revenue Bonds.

Update on FSA and Bond Insurers

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

FSA downgraded by Moody's

Moody's Investors Service

Global Credit Research
Rating Action
21 NOV 2008

Rating Action: Financial Security Assurance Inc.

Moody's downgrades FSA to Aa3 from Aaa, with developing outlook

New York, November 21, 2008 -- Moody's Investors Service has downgraded to Aa3 from Aaa the insurance financial strength rating of Financial Security Assurance, Inc. (FSA) and supported insurance companies. In the same rating action, Moody's downgraded the debt ratings of Financial Security Assurance Holdings, Ltd. (senior unsecured debt to A3 from Aa2) and related financing trusts. Today's rating action reflects Moody's view of FSA's diminished business and financial profile resulting from its exposure to losses on US mortgage risks and disruption in the financial guaranty business more broadly. The rating action concludes a review for possible downgrade that was initiated on July 21, 2008. The company's rating outlook is developing.

As a result of today's rating action, the Moody's-rated securities that are guaranteed or "wrapped" by FSA are also downgraded to Aa3 under review direction uncertain, except those with higher published underlying ratings (and for structured finance securities, except those with higher published or unpublished underlying ratings). A list of these securities will be made available under "Ratings Lists" at www.moodys.com/guarantors.

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SPECIALIZING IN YOU

FSA downgraded by Moody's – cont.

The downgrade results from four primary factors. First is Moody's expectation of greater losses on mortgage related exposure, reflecting continued adverse delinquency trends and the likelihood of material losses stemming from FSA's second lien and Alt-A portfolios, as well as the risk of further losses in its mortgage portfolio should conditions worsen. Second is the negative impact of these higher loss expectations on FSA's capital position, despite recent capital infusions from parent Dexia and the announced plan by the French and Belgian governments to support FSA's financial products segment. Third is Moody's view that the operating environment for financial guaranty insurers, including FSA, has fundamentally changed over the past year, with fewer new business opportunities and weaker confidence in the industry overall. Fourth is FSA's loss of prospective support from its government-supported banking parent Dexia, although the recently announced acquisition of FSA's financial guaranty business by Assured Guaranty Ltd. (Assured Guaranty) should provide an alternative source of support assuming the transaction closes as planned. The rating agency added that the acquisition of FSA by Assured Guaranty would create a combined entity with substantial financial resources and a strong market position.

Moody's said that the developing rating outlook for FSA reflects both (a) potential positive movement in the company's financial and business profile post-acquisition assuming FSA is capitalized and positioned as an ongoing writer of high-quality financial guaranty insurance within the group; and (b) potential negative rating pressure should the acquisition fail to close or should Assured Guaranty pursue a different strategy for FSA. Additionally, Moody's noted that FSA currently retains substantial exposure to contingent liquidity risk associated with its financial products business, although this risk will be eliminated once the announced support from the French and Belgian governments becomes effective.

FSA downgraded by Moody's – cont.

In Moody's view, the level of demand for financial guaranty insurance over the near-to-medium-term is less certain than in the past, which has negative implications for the strength and stability of FSA's business franchise. While there continues to be a market for municipal bond insurance, Moody's said that prospective opportunities in the municipal sector may be narrower than in the past given changing perceptions about municipal risk among buyers, lower confidence in the financial guaranty industry broadly and a trend toward alternative forms of execution, including the issuance of uninsured paper. Moody's noted, however, that while the financial guaranty industry's importance within the US municipal market has declined overall, FSA's relative competitive position in these markets has been favorably affected by its position as one of three primary financial guarantors with limited exposure to higher risk ABS CDOs.

Moody's also believes that customer demand may be inherently unstable, with a very sharp fall-off in demand likely to result from even moderate declines in a guarantor's credit profile. This susceptibility to changes in credit risk profile creates a "demand cliff" beyond that observed in most other industries. Furthermore, the extreme sensitivity of a financial guarantor's franchise value to changes in its risk profile also affects financial flexibility, where even the best positioned firm could experience a dramatic constriction of financing options if material losses were to develop.

FSA's Aa3 insurance financial strength rating reflects Moody's view that the guarantor's aggregate resources (including statutory contingency reserves and contingent capital) provide a very substantial capital cushion above expected loss levels. Moreover, the announced French and Belgian government support of FSA's financial products business will, once in place, free-up capital resources and eliminate liquidity concerns stemming from potential investment agreement terminations or collateral posting requirements. FSA's disciplined underwriting strategy and active participation in the municipal market have resulted in a generally

high-quality and diversified insured portfolio beyond the firm's mortgage-related exposures. Most non-mortgage exposures are performing well, although the insured portfolio is exposed to transaction or sector deterioration, especially in light of the increased risk of a prolonged and deep recession.

On November 20, 2008, Moody's released a report titled "The Changing Business of Financial Guaranty Insurance." The report, which can be accessed on Moodys.com, explores the above mentioned industry challenges and vulnerabilities in the context of Moody's financial guaranty rating methodology.

Assured Guaranty downgraded by Moody's

Moody's Investors Service

Global Credit Research
Rating Action
21 NOV 2008

Rating Action: Assured Guaranty Corp

Moody's downgrades Assured Guaranty to Aa2, Assured Guaranty Re to Aa3; outlook stable

New York, November 21, 2008 -- Moody's Investors Service has downgraded to Aa2 from Aaa the insurance financial strength ratings of Assured Guaranty Corp. and its wholly owned subsidiary, Assured Guaranty (UK) Ltd., (collectively AGC); and has also downgraded to Aa3 from Aa2 the insurance financial strength ratings of Assured Guaranty Re Ltd. (AG Re) and its affiliated insurance operating companies. In the same rating action, Moody's downgraded to A2 from Aa3 the senior unsecured rating of Assured Guaranty US Holdings Inc. and the issuer rating of the ultimate holding company, Assured Guaranty Ltd. (Bermuda). Today's rating action concludes a review for possible downgrade that was initiated on July 21, 2008, and primarily reflects Moody's updated views on Assured's exposure to weakness inherent in the financial guaranty business model. The outlook for the ratings is stable, and the announced acquisition of FSA's financial guaranty business is not expected to have a meaningful impact on the credit profile of AGC or AG Re. The rating agency added that the acquisition of FSA by Assured Guaranty will, if completed as planned, create a combined entity with substantial financial resources and a strong market position.

As a result of today's rating action, the Moody's-rated securities that are guaranteed or "wrapped" by Assured are also downgraded to Aa2, except those with higher published underlying ratings (and for structured finance securities, except those with higher published or unpublished underlying ratings). A list of these securities will be made available under "Ratings Lists" at www.moodys.com/guarantors.

The downgrades primarily reflect Moody's view that the business model of financial guaranty insurance has been damaged over the past year due to sustained turmoil in credit markets and the very poor performance exhibited by a number of guarantors. This has a number of specific implications for AGC and AG Re. First, we see fewer new business opportunities and weaker confidence in the industry overall. Second, we believe the group's business position and financial flexibility may be quite sensitive to potential changes in its risk profile. Third is the impact that large and potentially correlated risk exposures could have on the company's financial strength should the performance of those exposures deteriorate, particularly in light of the current economic environment. Finally, though somewhat less significant, is Moody's expectation of greater losses on mortgage related exposures, resulting in a modest deterioration of capital adequacy at both AGC and AG Re.

Assured Guaranty downgraded by Moody's – cont.

In Moody's view, the level of demand for financial guaranty insurance over the near-to-medium-term is less certain than in the past, which has negative implications for the strength and stability of both AGC and AG Re's business franchise. There has been a sharp decline in structured finance business opportunities in the primary market as a result of the current market dislocation, and future structured finance underwriting opportunities are likely to be tempered by concern over the volatility associated with certain structured credits. While there continues to be a market for municipal bond insurance, Moody's said that prospective opportunities in the municipal sector may also be narrower than in the past given changing perceptions about municipal risk among buyers, lower confidence in the financial guaranty industry broadly and a trend toward alternative forms of execution, including the issuance of uninsured paper. Moody's noted, however, that while the financial guaranty industry's importance within the US municipal market has declined overall, AGC's relative competitive position in these markets has been favorably affected by its position as one of three primary financial guarantors with limited exposure to higher-risk ABS CDOs, and that AG Re should continue to benefit from its affiliation with AGC.

Moody's also believes that customer demand may be inherently unstable, with a very sharp fall-off in demand likely to result from even moderate declines in a guarantor's credit profile. This susceptibility to changes in credit risk profile creates a "demand cliff" beyond that observed in most other industries. Furthermore, the extreme sensitivity of a financial guarantor's franchise value to changes in its risk profile also affects financial flexibility, where even the best positioned firm could experience a dramatic constriction of financing options if material losses were to develop.

AG Re's Aa3 insurance financial strength rating considers that as a reinsurer, AG Re's franchise is not only impacted by the broader challenges facing the financial guaranty industry, but also by its reliance on the business volumes and capital management strategies of AGC and other primary guarantors. As the highest rated financial guaranty reinsurer, AG Re has a strong competitive position and should continue to benefit from its affiliation with AGC. However, with few active 3rd party customers, Moody's believes that AG Re's principal role is likely to be as a vehicle through which AGC can manage its own capital position; under stress scenarios affecting both AGC and AG Re the group may have greater incentive to support AGC than AG Re.

AGC's Aa2 and AG Re's Aa3 insurance financial strength ratings and stable rating outlook reflect Moody's

Bond Insurer Ratings as of 11/21/08

- The municipal market has been severely impacted by the credit deterioration of most monoline bond insurers
  - Primarily due to guarantees provided on subprime-related securities
- As rating actions continue with respect to the monolines, the municipal market will continue to remain volatile
- On November 14th, 2008 Assured Guaranty announced the acquisition of FSA scheduled to close 1st quarter 2009 subject to rating reviews

Municipal Monoline Bond Insurers
Insurance Financial Strength (IFS) Ratings

Rating Agency Actions on Municipal Bond Insurers Since Revaluation of Structured Finance Exposure[1][2]
As of November 21st, 2008

	Moody's Investors Service	Standard & Poor's	Fitch Ratings
Ambac	Downgraded from "Aaa" to "Aa3" (9/18) Downgraded from "Aa3" to "Baa1" (11/05) Developing Outlook	Downgraded from "AAA" to "AA" (6/5) Downgraded from "AA" to "A" (11/19) Negative Outlook	Downgraded from "AAA" to "AA" (1/18) N/R Rating Withdrawn (6/26)
Assured Guaranty	Downgraded from "Aaa" to "Aa2" (11/21) Stable Outlook	"AAA" Stable Outlook	"AAA" Stable Outlook
BHAC	"Aaa" Stable Outlook	"AAA" Stable Outlook	N/R
CIFG	Downgraded from "Aaa" to "A1" Downgraded from "A1" to "Ba2" (5/20) Downgraded from "Ba2" to "B3" (10/28) Watchlist Uncertain	Downgraded from "AAA" to "A+" (3/12) Downgraded from "A+" to "A-" (6/6) Downgraded from "A-" to "B" CreditWatch Developing (8/22)	Downgraded from "AAA" to "AA-" (3/7) Downgraded from "AA-" to "A- " (3/31) Downgraded from "A-" to "CCC" (5/30) N/R Rating Withdrawn (10/21)
FGIC [3]	Downgraded from "Aaa" to "A3" (2/14) Downgraded from "A3" to "Baa3" (3/31) Downgraded from "Baa3" to "B1" (6/20) Watchlist for potential downgrade (10/24)	Downgraded from "AAA" to "AA" (1/31) Downgraded from "AA" to "A" (2/25) Downgraded from "A" to "BB" (3/28) CreditWatch Negative (6/6)	Downgraded from "AAA" to "AA" (1/30) Downgraded from "AA" to "BBB" (3/26) Downgraded from "BBB" to "CCC" (7/31) Rating Watch Evolving
FSA	Downgraded from "Aaa" to "Aa3" (11/21) Developing Outlook	"AAA" CreditWatch Negative (10/08)	"AAA" Rating Watch Negative (10/09)
MBIA	Downgraded from "Aaa" to "A2" (9/18) Downgraded from "A2" to "Baa1" (11/07) Developing Outlook	Downgraded from "AAA" to "AA" (6/5) Negative Outlook (8/14)	Downgraded from "AAA" to "AA" N/R Rating Withdrawn (6/26)
XLCA (now Syncora)	Downgraded from "Aaa" to "A3" (2/7) Downgraded from "A3" to "B2" (6/20) Downgraded from "B2" to "Caa1 (10/24) Watchlist Uncertain	Downgraded from "AAA" to "A-" (2/25) Downgraded from "A-" to "BBB-" (6/06) Downgraded from "BBB-" to "B" (11/18) Credit Watch Developing	Downgraded from "AAA" to "A" (1/24) Downgraded from "A" to "BB" (3/26) Downgraded from "BB" to "CCC" (7/29) Rating Watch Positive (8/11)

Source Fitch Ratings, Moody's Investors Service, Standard & Poor's

Watchlist/CreditWatch/Ratings Watch for possible downgrade

Watchlist/CreditWatch/Ratings Watch "Uncertain", "developing" or "evolving"

Watchlist/CreditWatch/Ratings Watch For possible upgrade

Negative Outlook

Rating Withdrawn

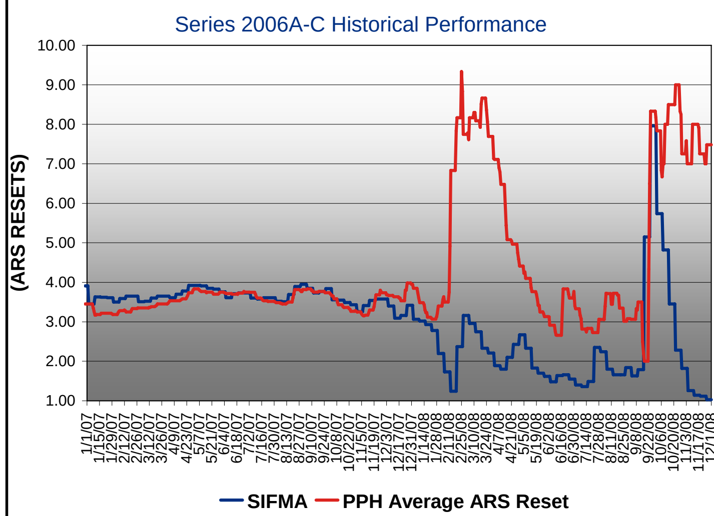
Notes
1. Watchlist – Review for Possible Downgrade for Moody's, CreditWatch Negative for Standard & Poor's and Ratings Watch Negative for Fitch means that there is at least a 50% probability that a rating change will occur within 90 days. "Developing" indicates a possible positive or negative outcome. Management has the opportunity to address concerns, but rectification actions usually must be executed within 90 days.
2. Outlook typically means that within the next 18 to 36 months a rating change can occur, the urgency is not as severe as the Watchlist or comparable designation, although the rating agencies reserve the right to act sooner.
3. MBIA reinsured approximately 52,000 FGIC municipal issues. For those specific issues S&P has assigned the MBIA rating, Moody's is not assigning MBIA's rating.

Current Strategy and Financings

PALOMAR POMERADO HEALTH

PPH ARS Rate Performance

Restructuring the Series 2006 Bonds to a fixed rate in the current market would range from 6.75% to 7.25% depending in investor demand, thus the decision to delay the financing



Series 2006 Reset Statistics:

Average Reset:	4.29%
Average SIFMA:	3.03%
Average Spread:	+1.26%

Current Reset (12/1):	7.48%
Current SIFMA:	1.03%
Current Spread:	+6.45%

PALOMAR POMERADO HEALTH

PPH's ARS Reset History

Palomar Pomerado Health
2006 Auction Rate Securities - Each Series $60 million
Weekly Reset Rates

Week of:	2006 Series A	2006 Series B	2006 Series C	Combined Average Weekly Reset Rate	Combined 12 Week Rolling Average Reset Rate	Series A 12 Week Rolling Average Reset Rate	Series B 12 Week Rolling Average Reset Rate	Series C 12 Week Rolling Average Reset Rate
9/29/08	8.00%	8.00%	7.50%	7.83%	3.93%	3.73%	4.03%	4.02%
10/6/08	5.00%	7.50%	8.50%	7.00%	4.28%	3.95%	4.41%	4.47%
10/13/08	8.00%	9.00%	8.50%	8.50%	4.76%	4.45%	4.91%	4.91%
10/20/08	8.00%	9.00%	10.00%	9.00%	5.25%	4.87%	5.41%	5.48%
10/27/08	6.00%	8.75%	7.00%	7.25%	5.55%	5.04%	5.81%	5.80%
11/3/08	7.00%	7.00%	7.00%	7.00%	5.82%	5.35%	6.06%	6.05%
11/10/08	8.00%	9.00%	7.00%	8.00%	6.21%	5.77%	6.47%	6.38%
11/17/08	7.749%	7.00%	7.00%	7.25%	6.56%	6.16%	6.80%	6.72%
11/24/08	7.00%	7.00%	8.45%	7.48%	6.93%	6.48%	7.14%	7.17%
12/1/08	7.00%					6.73%		

since 2/11/08:	5.41%
period 7/27/07 to 2/10/08:	3.54%
difference:	1.87%
July 27th through current:	4.65%

PALOMAR POMERADO HEALTH

Series 2009A General Obligation Bonds

Up to $110 million of Series 2009A General Obligation Bonds will be issued as traditional fixed rate bonds

- Insurance will be utilized if economical
- Bonds will be structured to minimize the impact on the tax payers
- Current bond structure anticipates use of Capital Appreciation Bonds
- Cost of Issuance expenses will be incurred and funded as part of issuance proceeds
- Bonds will be sold on the rating of the District, currently (Aa3/AA-/A+)
- Timing of the GO Bonds to parallel the issuance of the Revenue Bonds but can be separated if market conditions are not favorable

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Several Factors May Impact Financing Schedule

- The turmoil in the current market may impact the decision to move forward with the financings
- Factors influencing the financing include
  - Investors willingness to purchase Healthcare transaction
  - Interest rates have continued to rise
  - The value of FSA has diminished
    - FSA was purchased by Assured Guaranty (target completion of 2009)
    - FSA was downgraded by Moody's to Aa3 on November 21st, 2008
  - Rating pressure from Moody's
    - Investors are looking through insurance and demanding high underlying ratings
  - Increased financing costs
    - Swap termination payment
    - DSRF Funding
    - Lack of premium bonds
  - Covenant restrictions

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Financing Summary

- Volatile and uncertain markets combined with a continued deterioration of the credit markets has influenced the plan of finance
- Increased interest rates in the healthcare fixed rate market has delayed the GO and Revenue Bond financings
  - Funding for Master Facility plan with up to $110 million of General Obligations bonds is now scheduled to close in February, 2009
  - The conversion/refunding of the Series 2006 ARS is on hold until interest rates decrease enough to warrant the financing
    - $174.775 million of Series 2006 Auction Rate Securities ("ARS") to be converted/refunded to traditional fixed rate bonds
      - Secures committed funding - provides certainty of annual debt service
      - Shifts the risk to the investors
      - Provides PPH with most prudent restructuring option weighing internal and external credit concerns
      - Retention of FSA Insurance pending benefit
        - FSA was purchased by Assured Guaranty (scheduled to close in 2009)
        - FSA was downgraded by Moody's on November 21st, 2008 to Aa3
        - FSA currently does not provide any benefit to PPH
      - Terminate Floating to Fixed interest rate swap

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Additional Information

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Timeline of Developments - September

Monday 9/15	Tuesday 9/16	Wednesday 9/17	Thursday 9/18	Friday 9/19	Weekend 9/20-9/21
• Bank of America announces buyout of Merrill Lynch • Lehman files for bankruptcy • AIG downgraded	• Reserve Primary Fund "breaks the buck" • Government seizes control of AIG with $85 billion bailout	• 3-month Treasury yields fall to near zero • SEC rolls out rules to crack down on short-selling • Barclay's announces purchase of LEH broker dealer	• Investors pull nearly $80 billion from money market funds • Global central banks join to unfreeze credit markets	• Equity markets soar on news of government Bailout Plan • Treasury and Fed bolster Money Market Funds with a Guaranty Program	• Treasury announces $700 billion bailout plan • Goldman Sachs and Morgan Stanley become bank holding companies • MMF Guarantee Program extended to tax-exempts
Monday 9/22	**Tuesday 9/23**	**Wednesday 9/24**	**Thursday 9/25**	**Friday 9/26**	**Weekend 9/27-9/28**
• Bernanke and Paulson Testify on Capital Hill on Bailout • Morgan Stanley will sell up to $8.5 billion stock to Japanese bank Mitsubishi	• Oil briefly surges $16 per barrel to $121 • Warren Buffett's Berkshire Hathaway announces a $5 billion investment in Goldman Sachs	• FBI begins investigating Fannie Mae, Freddie Mac, Lehman Brothers and AIG for potential mortgage fraud	• Washington Mutual is closed by the U.S. government, in by far the largest failure of a U.S. bank	• Washington Mutual's banking assets are sold to JPMorgan Chase for $1.9 billion	• EU governments step in with several major bank bailouts (Fortis NV, Bradford & Bingley, Hypo Real Estate Holding, & Glitnir Bank)
Monday 9/29	**Tuesday 9/30**	**Wednesday 10/1**	**Thursday 10/2**	**Friday 10/3**	**Weekend 10/4-10/5**
• Citigroup agrees to acquire Wachovia's banking operations for $2.1 billion in stock • The House rejects the $700 billion bailout	• Belgium, France and Luxembourg stepped in with a $9.2 billion capital injection into Dexia Credit Local	• Senate approves the revised $700 billion financial rescue plan by a 74-25 vote	• Commercial banks, investment banks and AIG borrowed a record $410 billion from the Federal Reserve amid a worsening credit freeze	• Wells Fargo offers $15.6 billion to acquire Wachovia • Bailout Bill passes House of Representatives 263-171	• German government provides Dexia debt guarantee

Source: Various news media outlets

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Timeline of Developments - October

Monday 10/6	Tuesday 10/7	Wednesday 10/8	Thursday 10/9	Friday 10/10	Weekend 10/11-10/12
• Passage of TARP does not allay market fears, Dow drops 380 points • Dow drops below 10,000	• Fed announced a plan to buy commercial paper in an effort to thaw short-term lending markets	• The Fed, ECB and four other central banks lowered interest rates in an unprecedented coordinated effort • AIG to receive an additional $37.8 billion loan from the Fed	• Treasury announces plans to buy stakes in a wide range of banks • Dow fell below 9,000 for the first time since 2003	• Bush addresses nation on financial crisis • U.S. announces plan to buy shares in banks	• Finance ministers and central bankers from the G7 Nations meeting on crisis
Monday 10/13	**Tuesday 10/14**	**Wednesday 10/15**	**Thursday 10/16**	**Friday 10/17**	**Weekend 10/18-10/19**
• Dow rises a record of 936 points in response to US government working with major banks to structure bailout plan • Europe puts $2.3 trillion on the line for banks, stocks soar	• Dow falls 733 points • Treasury announced an investment by the government in the American banking system, an unprecedented plan to give $250 billion to banks	• Stocks pull back after weaker-than-expected retail sales report stokes fears about economy	• Housing starts fall to second lowest rate in 50 years	• AIG falls 14 percent, as the Fed said it needed to tap two-thirds of its $122.8 billion credit line • Hedge funds saw a record $210 billion drop in assets under management during the third quarter	• Bush, Sarkozy announce series of economic summits • EU loosens "made to market" rule for banks
Monday 10/20	**Tuesday 10/21**	**Wednesday 10/22**	**Thursday 10/23**	**Friday 10/24**	**Weekend 10/25-9/26**
• Support emerges for second stimulus package	• Fed to provide up to $540 billion in loans to relieve pressure on money-market funds, its latest effort to get credit flowing more freely again • ECB's lending to banks reached a record $979 billion through monetary operations	• Wachovia announces $23.9 billion loss in 3Q • Dow falls 514 points	• Foreclosure filings increase to record high • Washington Mutual's debt set at 57 cents on the dollar	• Dow fell 503 points in early trading but recovered to down 312 by close of market • PNC Financial Services Group agrees to buy National City Corp in a government-backed $5.6 billion deal	
Monday 10/27	**Tuesday 10/28**	**Wednesday 10/29**	**Thursday 10/30**	**Friday 10/31**	**Weekend 11/1-11/2**
• Treasuries declined as government began selling $64 billion in short-term U.S. securities as part of an efforts to fund its rescue of the financial system	• Consumer confidence plunges to lowest on record in wake of financial turmoil, layoffs • Dow closes up 890 pts in anticipation of Fed rate cut • White house tells banks to stop hoarding money	• China lowers rates third time in two months • The Fed cut its benchmark interest rate by half a percentage point to 1 percent	• GDP drops .3% in third quarter 08 • Fed bought commercial paper valued at $145.7 billion corporate borrowing in the CP market soared the most on record	• Consumer spending dropped .3%, the biggest slide in four years	

Timeline of Developments - November

Monday 11/3	Tuesday 11/4	Wednesday 11/5	Thursday 11/6	Friday 11/7	Weekend 11/8-11/9
• Banks tighten lending standards most on record as economic outlook dims • European Commission forecasts Euro economy likely in recession	• Presidential election • U.S. stocks advanced in the biggest presidential Election Day rally in 24 years • Australia's central bank cut its benchmark rate by a bigger-than-expected 75 basis points to 5.25%	• U.S. Stocks Post Biggest Post-Election Drop on Economic Concern • IMF forecasts economic decline in developed world • Voters approve $54 billion of G.O. bonds for municipal issuers	• Longer-term jobless benefits hit 25-year high • ECB cuts rates by .5% • UK lowers rates by 1.5% to 3%, the lowest level since 1955 • Dow drops record 929 points in two days after election	• Jobless rate bolts to 14-year high of 6.5%	
Monday 11/10	**Tuesday 11/11**	**Wednesday 11/12**	**Thursday 11/13**	**Friday 11/14**	**Weekend 11/15-11/16**
• Gov't provides $150 billion aid package to insurance giant AIG; largest-ever private bailout • China will spend $586 billion, or 18% of GDP, in a plan to support its domestic economy	• Fannie Mae and Freddie Mac to accelerate anti-foreclosure efforts by streamlining loan modifications to lower monthly payments for more struggling homeowners	• So far, $3.5 trillion or approximately 25% of the U.S. economy has been spent on bailouts • Treasury drops plan to buy mortgages, will fund non-banks instead	• Jobless rolls reach 25-year high • U.S. October budget deficit hits record of $237.2 billion • U.S. foreign trade slows sharply in September • Foreclosure rates up 25 percent year-over-year	• Freddie Mac asks Treasury for $13.8 billion after its net worth falls below zero • Europe economy falls into first recession in 15 years • U.S. retail sales drop in October by most on record	
Monday 11/17	**Tuesday 11/18**	**Wednesday 11/19**	**Thursday 11/20**	**Friday 11/21**	**Weekend 11/22-11/23**
• The nation's largest corporate pensions posted record losses in October and may not meet federal-funding requirements • Citigroup plans to eliminate more than 50,000 jobs and cut expenses by 20 percent	• Producer prices drop 2.8%, most on record • Crude oil fell to the lowest in almost 22 months	• The cost of living in the U.S. fell by the most on record • Consumer prices drop by 1%, largest amount in past 61 years as energy prices see record plunge • Dow falls to 5 year low	• Jobless claims jump to 16-year high • Oil at 3 year lows • Dow slides more than 500 points • U.S. congress puts off automaker rescue to next month	• Dow closes up 489 points • Gold heads for biggest weekly gain in 2 months as dollar falls	

Source: Various news media outlets

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Global Response to the Credit Crisis: The G-7 Five-Point Plan

The G-7 members agree that the current situation calls for urgent action and commit to a coordinated approach to stabilize financial markets, restore the flow of credit and support global growth

Mitigate Systemic Risk

- Support *systemically important* financial institutions and prevent their failure

Unfreeze Money Markets

- Take all necessary steps to unfreeze credit and money markets and ensure that banks and other financial institutions have broad access to liquidity and funding

Inject Capital Into Banks

- Ensure that our banks and other major financial intermediaries, capital from public as well as private sources to re-establish to continue lending to households and businesses

Ensure Retail Depositors

- Ensure that our respective national deposit insurance and guarantee programs are robust and consistent so that our retail depositors will continue to have confidence in the safety of their deposits

Restart Securitization

- Take action, where appropriate, to restart the secondary markets for mortgages and other securitized assets. Accurate valuation and transparent disclosure of assets and consistent implementation of high quality accounting standards are necessary

Source: Various news media outlets

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The U.S. Plan

Treasury established a *Capital Purchase Program* to infuse capital into U.S. financial institutions and the FDIC established a *Temporary Liquidity Guarantee Program* to guarantee newly-issued debt and deposits

U.S. Treasury and Federal Reserve

- Treasury will purchase up to **$250 billion** of senior preferred shares from qualifying U.S. controlled banks, savings associations, and certain bank and S&L holding companies
  - Companies must elect to participate by November 14, 2008
- Companies participating in the program must adopt the Treasury Department's standards for **executive compensation** and **corporate governance**, for the period during which Treasury holds equity issued under this program
- **Nine large financial institutions** participated in this program using $125 billion
- The Fed agreed to provide **$30 billion each** to the central banks of Brazil, Mexico, South Korea and Singapore to boost the liquidity of dollars in emerging markets

Money Market Investor Funding Facility (MMIFF)

- Designed to provide liquidity, or cash, to money market investors. The Fed is prepared to provide financing up to $540 billion under the new program
- Built to back purchases of short-term debt including certificates of deposit and commercial paper that expire in three months or less from money market funds

FDIC Temporary Liquidity Guarantee Program

- The FDIC is able to provide a **100% guarantee** for (a) newly-issued senior unsecured debt and (b) non-interest bearing transaction deposit accounts at FDIC insured institutions
- **Eligible institutions** include: 1) FDIC-insured depository institutions, 2) U.S. bank holding companies, 3) U.S. financial holding companies, and 4) certain U.S. savings and loan holding companies
- For all newly issued senior unsecured debt, **an annualized fee equal to 75 basis points** will be charged under this program
- The **guarantee** applies to all newly-issued senior unsecured debt; including promissory notes, commercial paper, inter-bank funding, etc., issued on or before June 30, 2009
  - The amount of debt covered by the guarantee may not exceed 125% of debt scheduled to mature before June 30, 2009
  - Coverage would be limited to June 30, 2012, even if the maturity exceeds that date
- The ability of eligible entities to issue guaranteed debt under this program would **expire on June 30, 2009**
- For *non-interest-bearing transaction deposit accounts*, **a 10 basis point surcharge** would be applied to non-interest-bearing transaction deposit accounts not otherwise covered by the existing deposit insurance limit of $250,000

Source: Various news media outlets

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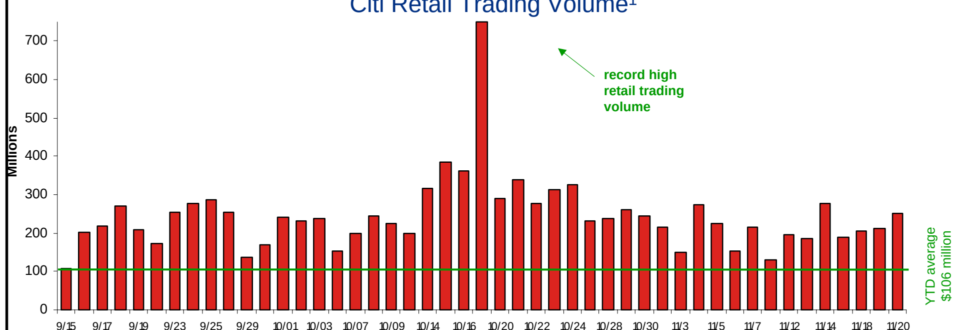
Retail Still Strong, but "Sticker Shock" May Moderate Enthusiasm

Citi had record retail activity in the last four weeks. Daily retail volume has increased from an average of $106 million up to $750 million.

Citi Retail Trading Volume[1]



- Since the week of September 15, Citi's retail trading volume has been up to 725% higher than the average in 2008, as retail investors rush in to buy paper at attractive yields and ratios
- The YTD retail trading average of $106 million is 61% higher than $64 million in 2007
- Some pause in retail interest as buyers have seen yields fall from 7%+ to 5% range
- ARS buybacks have spurred retail buyers to invest in short and intermediate municipal fixed rated bonds

[1] Trading volume includes all long and short-term retail municipal market trades executed by Citi

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efficiency, renewable energy & mitigation