PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

BOARD OF DIRECTORS MEETING
*(SPECIAL BOARD MEETING FOLLOWED BY*
*REGULARLY SCHEDULED FINANCE COMMITTEE MEETING)*

**Posted**
**1/20/09**

Tuesday, January 27, 2009
5:30 p.m. (Buffet Dinner for Board/Committee Members & Invited Guests *only)*
6:00 p.m. Meeting

456 E. Grand Avenue, Escondido, CA
Board Conference Room, 1st Floor

| BOARD MEETING AGENDA | Time | Page | Target |
|---|---|---|---|
| ❖ **CALL TO ORDER** | | | **6:00 p.m.** |
| ➢ **Public Comments** | **5** | | **6:05 p.m.** |
| ➢ **Information Item(s)** | **5** | | **6:10 p.m.** |
| **1. Review: The Critical Tie Between Quality of Care and the Future Financing of Healthcare – Session 2 *(ADD A)*** | **60** | **Ag2** | **7:10 p.m.** |
| ❖ **ADJOURNMENT TO FINANCE COMMITTEE MEETING** | | | **7:10 p.m.** |
| ➢ **BREAK** | **5** | | **7:15 p.m.** |

| FINANCE COMMITTEE MEETING AGENDA | Time | Page | Target |
|---|---|---|---|
| ❖ **CALL TO ORDER** | | | **7:15 p.m.** |
| **1. * Approval: Minutes – Tuesday, December 2, 2008 *(ADD B)*** | **5** | **Ag3** | **7:20 p.m.** |
| **2. * Review/Approval: Annual Review of Finance Committee Bylaws** | **5** | **Ag4-5** | **7:25 p.m.** |
| **3. * Review/Approval: Board Member Position Description** | **5** | **Ag6-7** | **7:30 p.m.** |
| **4. * Review/Approval: Designation of Subordinate Officers of the District** | **5** | **Ag8-9** | **7:35 p.m.** |
| **5. * Approval: Board Finance Committee Meeting Schedule for Calendar Year 2009** | **5** | **Ag10-11** | **7:40 p.m.** |
| **6. * Approval: Administrative Services Agreements – POM**<br>Franklin M. Martin, M.D. – Chief of Staff<br>Roger J. Acheatel, M.D. – Chief of Staff Elect<br>Roger J. Acheatel, M.D. – Chair, Quality Management Committee | **5** | **Ag12-16** | **7:45 p.m.** |
| **7. * Approval: Administrative Services Agreements – PMC**<br>James H. Schultz, M.D. – Chair, Department of Family Practice<br>Daniel Harrison, M.D. – Chair, Quality Management Committee | **5** | **Ag17-20** | **7:50 p.m.** |
| **8. * Approval: Updated Template for Physician Independent Contractor Agreements *(ADD C)*** | **5** | **Ag21** | **7:55 p.m.** |
| **9. * Review/Approval: VHA/Novation Supply Chain Purchasing Coalition *(ADD D)*** | **15** | **Ag22** | **8:10 p.m.** |
| **10. * Review/Approval: Independent Citizens' Oversight Committee**<br>▪ **Minutes of September 23, 2008, Annual Meeting (*ADD E)*** | **5** | **Ag23** | **8:15 p.m.** |
| **11. * Review/Approval: Co-Manager for General Obligation Bonds** | **10** | **Ag24** | **8:25 p.m.** |
| **12. * Approval: December 2008 & YTD FY2009 Financial Report *(ADD F)*** | **20** | **Ag25** | **8:45 p.m.** |
| ❖ **FINAL ADJOURNMENT** | | | **8:45 p.m.** |

***NOTE: If you have a disability, please notify us 72 hours prior to the event so that we may provide reasonable accommodations.***

# The Critical Tie Between Quality of Care and the Future Financing of Healthcare Session 2

**TO:** Board of Directors

**MEETING DATE:** Tuesday, January 27, 2009

**BY:** Opal Reinbold, Chief Quality Officer
Bob Hemker, CFO

**Background:** As a part of our ongoing engagement/education efforts with our Board members, the Board Quality Review and Finance Committees began holding meetings jointly during 2008. The first session, July 29, 2008, was designed to discuss the key quality/finance issues from an industry perspective that are and may present challenges to PPH. Opal Reinbold, Chief Quality Officer, and Bob Hemker, Chief Financial Officer, presented an overview, with input from key staff.

At the July meeting, it was decided that future sessions be held as meetings of the full Board of Directors. At this session, Ms. Reinbold and Mr. Hemker will provide updates on the action plans and impacts specifically to PPH for issues presented at the July meeting *(Addendum A)*.

**Budget Impact:** The ramifications of the Centers for Medicare and Medicaid Services (CMS) past and present agendas have impacted and will impact our future budget process going forward.

**Staff Recommendation:** Staff recommendations are imbedded in the presentation

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

# Minutes
# Finance Committee – Tuesday, December 2, 2008

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**FROM:** Tanya Howell, Secretary

**BY:** Bob Hemker, CFO

**Background:** The minutes of the Board Finance Committee meeting held on Tuesday, December 2, 2008, are respectfully submitted for approval *(Addendum B).*

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends approval of the Tuesday, December 2, 2008, Board Finance Committee minutes.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

# Annual Review of Board Finance Committee Bylaws

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**FROM:** Bob Hemker, CFO

**Background:** Annually, the Board Finance Committee is required to review the Bylaws of Palomar Pomerado Health as they relate to the Committee *(excerpt attached)* and recommend any necessary revisions. The Bylaws were amended in 2008 to reflect a reduction in members of the Board from four to three.

**Budget Impact:** None.

**Staff Recommendation:** Recommend approval of existing Bylaws without revision.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required 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 **Error! Reference source not found.** 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.

# Review of Board Member Position Description for Board Finance Committee

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**FROM:** Bob Hemker, CFO

**Background:** The Board Finance Committee is required to periodically review the Board Member Position Description for Palomar Pomerado Health as it relates to the Committee and recommend/approve any revisions.

There have been no changes to the document as approved at the Board Finance Committee meeting on Tuesday, January 22, 2008.

**Budget Impact:** None.

**Staff Recommendation:** N/A

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

PALOMAR POMERADO HEALTH BOARD
FINANCE COMMITTEE

Board Member Position Description

Function:

It is the responsibility of the Board Member to provide oversight to ensure the financial viability of the organization through the effective establishment of sound policies and development of a system of controls to safeguard the preservation and use of assets and resources.

Responsibilities:

1. Review and approve annual and long range operating cash, operational and Capital Budgets for the System.
2. Develop and maintain sound understanding of the services of the District's revenues and expenses and its economic environment.
3. Approve methods of financing major capital asset renovations, replacements and additions.
4. Review financial reports and operating statistics on a regular basis to ensure that the organization takes appropriate action in response to operating trends in achievement of financial goals.
5. Evaluate and approve financial plans for new business ventures, programs, and services and establish criteria to measure their ongoing viability.
6. Develop programs and communications in order to enhance the understanding of other members in regard to financial matters of the system.
7. Provision of a brief one-page Committee Summary of Accomplishments for the respective Calendar Year to the Annual Board Self-Evaluation Meeting (per Governance Committee of 1-20-05 & Board Meeting of 2-7-05).
8. Performs other duties as may be assigned by the Committee Chair/Treasurer of the Board.

Requirements:

1. Interest and willingness to commit time and energy to completion of Finance Committee responsibilities and meeting requirements.
2. A knowledge of basic Healthcare finance issues and economics and a willingness to expand one’s knowledge in the areas of financial management, productivity, revenue and cash management, alternative delivery systems and prepared health plans, governmental payor systems, etc.
3. An understanding of systems of internal control and Audit Committee.
4. An interest in the development of Information Technology and systems that support the use of such.
5. Commitment to comply with the other requirements of Board members as outlined in the member's position description.

# DESIGNATION OF SUBORDINATE OFFICERS OF THE DISTRICT

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**FROM:** Bob Hemker, CFO

**Background:** Attached for the Committee's review and approval is a Resolution designating current officers of the District. This Resolution supersedes previous such Resolutions. The designation begins with the President and CEO and includes those members within the Executive Management Team who have been granted signature authority for the District. In addition, for certain banking matters, specified individuals from the Finance Department need to be designated as authorized non-officer signatories.

There are various requests for the production of this designation of officers of the District, including that for "corporate" officers. The CEO is granted authority by District Bylaws to designate officers; the State of California requires approval by the Board.

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends approval: Resolution of the Board of Directors of Palomar Pomerado Health Designating Subordinate Officers of the District.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

# RESOLUTION NO. 02.09.09 (01) – 01

## RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR POMERADO HEALTH DESIGNATING SUBORDINATE OFFICERS OF THE DISTRICT

**WHEREAS,** Palomar Pomerado Health (the "District") is a local health care district duly organized and existing under The Local Health Care District Law, constituting Division 23 of the Health and Safety Code of the State of California (the "District Act"); and

**WHEREAS**, the Board of Directors (the "Board") has the authority to designate subordinate officers under Section 7.9 of the District Bylaws; and

**WHEREAS**, for purposes of conducting District business and to meet certain operational requirements, the Board desires to designate the subordinate officers described herein; and further designates other non-officers described herein;

**NOW, THEREFORE, BE IT RESOLVED,** that the following subordinate officers and non-officer subordinates of the District are hereby designated, which designation supersedes previous such resolutions:

President and CEO
Chief Administrative Officer – Palomar Medical Center
Chief Administrative Officer – Pomerado Hospital
Chief Financial Officer
Corporate Controller
Manager General Accounting

**PASSED AND ADOPTED** at a meeting of the Board of Directors of Palomar Pomerado Health held on February 9, 2009, by the following vote:

AYES:

NOES:

ABSTAINING:

ABSENT:

**Dated:** February 9, 2009

BY: Bruce G. Krider, MA
Chair, Board of Directors
Palomar Pomerado Health

ATTESTED:

Nancy L. Bassett, RN, MBA
Secretary, Board of Directors
Palomar Pomerado Health

# Board Finance Committee Meeting Schedule
# Calendar Year 2009

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**FROM:** Tanya Howell, Secretary

**BY:** Bob Hemker, CFO

**Background:** Based on key financial dates regarding the monthly closing of financial results, as well as the calendars of the Board members on the Committee, Board Finance Committee meetings for the 2008 calendar year were held during the last week of the month.

Continuing the meetings on the last Tuesday evening of the month will be discussed, with the following exceptions/additions:

- The meetings for the months of November & December, which have historically been held in a combined meeting on the first Tuesday in December;
- The addition of a Joint Board/Finance Committee Budget Workshop (held as a special meeting of the Board) during the month of June; and,
- The addition of a Joint Board Quality Review/Finance Committee meeting (held as a special meeting of the Board) as the meeting for the month of July.

Alternatively, the meetings could be held as daytime meetings on Tuesdays or other weekdays, consistent with actions taken by other Board committees.

A preliminary schedule, based upon historical practice—with all meetings to be held in the Board Conference Room on the First Floor of the Corporate Office Building on Grand Avenue in Escondido—is attached.

**Budget Impact:** N/A

**Staff Recommendation:** Meeting schedule as per discussion at meeting and resulting Board Finance Committee consensus.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

# PALOMAR POMERADO HEALTH
# BOARD FINANCE COMMITTEE MEETING SCHEDULE
# CALENDAR YEAR 2009

**LAST Tuesday of every month**[1]

*Meeting start time is 6:00 p.m. for all meetings, preceded by dinner*[2] *at 5:30 p.m.*

| DATE | | LOCATION OF MEETING |
|---|---|---|
| Tuesday<br>January 27, 2009 | **Joint Finance & Quality Review Meeting**<br>**HELD AS SPECIAL BOARD MEETING** | Corporate Offices<br>Board Conference Room[3] |
| Tuesday<br>February 24, 2009 | | Corporate Offices<br>Board Conference Room |
| Tuesday<br>March 31, 2009 | | Corporate Offices<br>Board Conference Room |
| Tuesday<br>April 28, 2009 | | Corporate Offices<br>Board Conference Room |
| Tuesday<br>May 26, 2009 | | Corporate Offices<br>Board Conference Room |
| **TBA**<br>**June 2009** | **Budget Workshop & Board Meeting**<br>**Full Board Attendance** | **Corporate Offices**<br>**Board Conference Room** |
| Tuesday<br>June 30, 2009 | | Corporate Offices<br>Board Conference Room |
| Tuesday<br>July 28, 2009 | **Joint Finance & Quality Review Meeting**<br>**HELD AS SPECIAL BOARD MEETING** | Corporate Offices<br>Board Conference Room |
| Tuesday<br>August 25, 2009 | | Corporate Offices<br>Board Conference Room |
| Tuesday<br>September 29, 2009 | | Corporate Offices<br>Board Conference Room |
| Tuesday<br>October 27, 2009 | | Corporate Offices<br>Board Conference Room |
| **Tuesday**<br>**December 8, 2009** | | **Corporate Offices**<br>**Board Conference Room** |

[1] **Exceptions/additions noted in red**
[2] **Dinner will be catered**
[3] **First Floor, 456 E. Grand Avenue, Escondido, California**

# POMERADO HOSPITAL
## ADMINISTRATIVE SERVICES AGREEMENTS
## MEDICAL STAFF OFFICERS,

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**BY:** David Tam, M.D., Chief Administrative Officer, Pomerado Hospital

**BACKGROUND:** Pomerado Hospital Medical Staff Officers are compensated for services performed as required by the Medical Staff Bylaws. These agreements serve to document the relationship of the Medical Staff Officers to PPH, and the duties to be performed as consideration for the stipend to assure compliance with Federal regulations.

Presented are the Administrative Services Agreements for the Chief of Staff, Chief of Staff-Elect and the Chairperson for the Quality Management Committee.

There are three Agreements for implementation at Pomerado Hospital:

Chief of Staff – Franklin M. Martin, M.D. – Two-year term
Chief of Staff Elect – Roger J. Acheatel, M.D. – Two-year term
Chairman, Quality Management Committee – Roger J. Acheatel, M.D. – One year Term

The attached Agreement Abstract applies to all three Agreements.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** Approval

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

## PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

| Section Reference | Term/Condition | Term/Condition Criteria |
|---|---|---|
| | **TITLE** | Chief of Staff Service Agreement, Chief of Staff-Elect Service Agreement and Quality Management Committee Chair Service Agreement |
| | **AGREEMENT DATE** | January 1, 2009 |
| | **PARTIES** | Chief of Staff, Chief of Staff-Elect, QMC Chair, Pomerado Hospital Medical Staff and PPH |
| | **PURPOSE** | To provide administrative services on behalf of Pomerado Hospital Medical Staff in accordance with Medical Staff Bylaws |
| | **SCOPE OF SERVICES** | As per duties defined in Pomerado Hospital Medical Staff Bylaws |
| | **PROCUREMENT METHOD** | ☐ **Request For Proposal** ■ **Discretionary** |
| | **TERM** | January 1, 2009 – December 31, 2009 – Quality Management Committee Chair<br>January 1, 2009- December 31, 2010 – Chief of Staff and Chief of Staff-Elect |
| | **RENEWAL** | None |
| | **TERMINATION** | As described under §3.3 - 5 |
| | **COMPENSATION METHODOLOGY** | Monthly. |
| | **BUDGETED** | ■ **YES** ☐ **NO** – **IMPACT:** |
| | **EXCLUSIVITY** | ■ **NO** ☐ **YES – EXPLAIN:** |
| | **JUSTIFICATION** | These are positions elected or appointed by the Medical Staff in accordance with Medical Staff Bylaws. |
| | **POSITION POSTED** | ☐ **YES** ■ **NO** **Methodology & Response:**<br>Elected/Appointed by the Pomerado Hospital Medical Staff |
| | **ALTERNATIVES/IMPACT** | N/A |
| | **DUTIES** | Defined in the Pomerado Hospital Medical Staff Bylaws. |
| | **COMMENTS** | The agreement template was developed by legal counsel in 2008. The positions are voted upon by Active members of the Medical Staff or appointed by the Chief of Staff. |
| | **APPROVALS REQUIRED** | ■ VP ■CFO ■CEO ■BOD Committee FINANCE ■BOD |

**CHIEF OF STAFF SERVICE AGREEMENT**

THIS MEDICAL EXECUTIVE COMMITTEE SERVICE AGREEMENT ("Agreement") is entered into on this first day of January, 2009, by and between Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code ("PPH") and Franklin M. Martin, M.D. ("Physician"), with respect to the following facts:

**RECITALS:**

A. PPH owns and operates Pomerado Hospital in Poway, CA Palomar Medical Center in Escondido, CA.

B. The physicians and other independent practitioners practicing in PPH have organized themselves into a Medical Staff in conformity with the Medical Staff Bylaws of each hospital.

C. Physician is a member of the Medical Executive Committee ("MEC") which has been established pursuant to the Medical Staff Bylaws of Pomerado Hospital. Physician is Chief of Staff of that Hospital. As Chief of Staff, Physician is required to perform a number of duties (the "Duties") set forth in the Medical Staff Bylaws and Performance Improvement Plan.

D. The purpose of this Agreement is to provide a means of compensating Physician at no more than fair market value for performing the Duties required of a Chief of Staff. Additionally, this Agreement will delineate the expectations of the parties and assure effective performance by Physician.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, it is hereby agreed as follows:

1. Recitals. The recitals set forth above are hereby incorporated into this Agreement as a material and substantive part of this Agreement.

2. Duties. The Duties of Physician as a member of the MEC are as set forth in the Medical Staff Bylaws of PPH, as they may be amended from time to time, and shall include, without limitation, the Duties set forth on Exhibit A attached hereto and incorporated herein by this reference.

**CHIEF OF STAFF-ELECT SERVICE AGREEMENT**

THIS MEDICAL EXECUTIVE COMMITTEE SERVICE AGREEMENT ("Agreement") is entered into on this first day of January, 2009, by and between Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code ("PPH") and Roger J. Acheatel, M.D. ("Physician"), with respect to the following facts:

**RECITALS:**

A. PPH owns and operates Pomerado Hospital in Poway, CA Palomar Medical Center in Escondido, CA.

B. The physicians and other independent practitioners practicing in PPH have organized themselves into a Medical Staff in conformity with the Medical Staff Bylaws of each hospital.

C. Physician is a member of the Medical Executive Committee ("MEC") which has been established pursuant to the Medical Staff Bylaws of Pomerado Hospital. Physician is Chief of Staff-Elect of that hospital. As Chief of Staff-Elect, Physician is required to perform a number of duties (the "Duties") set forth in the Medical Staff Bylaws and Performance Improvement Plan.

D. The purpose of this Agreement is to provide a means of compensating Physician at no more than fair market value for performing the Duties required of a Chief of Staff-Elect. Additionally, this Agreement will delineate the expectations of the parties and assure effective performance by Physician.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, it is hereby agreed as follows:

1. Recitals. The recitals set forth above are hereby incorporated into this Agreement as a material and substantive part of this Agreement.

2. Duties. The Duties of Physician as a member of the MEC are as set forth in the Medical Staff Bylaws of PPH, as they may be amended from time to time, and shall include, without limitation, the Duties set forth on Exhibit A attached hereto and incorporated herein by this reference.

**QUALITY MANAGEMENT COMMITTEE CHAIR SERVICE AGREEMENT**

THIS MEDICAL EXECUTIVE COMMITTEE SERVICE AGREEMENT ("Agreement") is entered into on this first day of January, 2009, by and between Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code ("PPH") and Roger J. Acheatel, M.D. ("Physician"), with respect to the following facts:

**RECITALS:**

A. PPH owns and operates Pomerado Hospital in Poway, CA Palomar Medical Center in Escondido, CA.

B. The physicians and other independent practitioners practicing in PPH have organized themselves into a Medical Staff in conformity with the Medical Staff Bylaws of each hospital.

C. Physician is a member of the Medical Executive Committee ("MEC") which has been established pursuant to the Medical Staff Bylaws of Pomerado Hospital. Physician is Chair of the Quality Management Committee of that hospital. As Chair of the Quality Management Committee, Physician is required to perform a number of duties (the "Duties") set forth in the Medical Staff Bylaws and Performance Improvement Plan.

D. The purpose of this Agreement is to provide a means of compensating Physician at no more than fair market value for performing the Duties required of a department chair. Additionally, this Agreement will delineate the expectations of the parties and assure effective performance by Physician.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, it is hereby agreed as follows:

1. Recitals. The recitals set forth above are hereby incorporated into this Agreement as a material and substantive part of this Agreement.

2. Duties. The Duties of Physician as a member of the MEC are as set forth in the Medical Staff Bylaws of PPH, as they may be amended from time to time, and shall include, without limitation, the Duties set forth on Exhibit A attached hereto and incorporated herein by this reference.

# PALOMAR MEDICAL CENTER
## ADMINISTRATIVE SERVICES AGREEMENTS
## MEDICAL STAFF DEPARTMENT CHAIR, QMC CHAIR

**TO:** Board/Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**BY:** Gerald E. Bracht, Chief Administrative Officer

**BACKGROUND:** The Palomar Medical Center Department Chair and Quality Management Committee (QMC) Chair are provided a stipend for services performed as required by the Medical Staff Bylaws. These Agreements serve to document the relationship of the Department Chair and QMC Chair to PPH, and the duties to be performed as consideration for the stipend to assure compliance with Federal regulations.

Presented are the Administrative Services Agreements for the Chair of the Department of Family Practice and the QMC Chair for Palomar Medical Center.

Chairman, Department of Family Practice – James H. Schultz, M.D.
Chairman, Quality Management Committee – Daniel Harrison, M.D.

The attached Agreement Abstract applies to both Agreements.

**BUDGET IMPACT:** None.

**STAFF RECOMMENDATION:** Approval.

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

## PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

| Section Reference | Term/Condition | Term/Condition Criteria |
|---|---|---|
| | **TITLE** | Department Chair Service Agreement and Quality Management Committee Chair Service Agreement |
| | **AGREEMENT DATE** | January 1, 2009 |
| | **PARTIES** | James H. Schultz, M.D., Daniel Harrison, M.D., Palomar Medical Center Medical Staff and PPH |
| | **PURPOSE** | To provide administrative services on behalf of Palomar Medical Center Medical Staff in accordance with Medical Staff Bylaws |
| | **SCOPE OF SERVICES** | As per duties defined in Palomar Medical Center Medical Staff Bylaws |
| | **PROCUREMENT METHOD** | ☐ **Request For Proposal** ■ **Discretionary** |
| | **TERM** | January 1, 2009 – December 31, 2009 – Chair, Department of Family Practice, and Quality Management Committee Chair. |
| | **RENEWAL** | None |
| | **TERMINATION** | As described under §3.3 - 5 |
| | **COMPENSATION METHODOLOGY** | Monthly. |
| | **BUDGETED** | ■ **YES** ☐ **NO** – **IMPACT:** |
| | **EXCLUSIVITY** | ■ **NO** ☐ **YES – EXPLAIN:** |
| | **JUSTIFICATION** | These are positions elected or appointed by the Medical Staff in accordance with Medical Staff Bylaws. |
| | **POSITION POSTED** | ☐ **YES** ■ **NO** **Methodology & Response:** Elected/Appointed by the Palomar Medical Center Medical Staff |
| | **ALTERNATIVES/IMPACT** | N/A |
| | **DUTIES** | Defined in the Palomar Medical Center Medical Staff Bylaws. |
| | **COMMENTS** | The agreement template was developed by legal counsel in 2008. The positions are voted upon by Active members of the Medical Staff or appointed by the Chief of Staff. |
| | **APPROVALS REQUIRED** | ■ VP ■CFO ■CEO ■BOD Committee FINANCE ■BOD |

**DEPARTMENT CHAIR SERVICE AGREEMENT**

THIS MEDICAL EXECUTIVE COMMITTEE SERVICE AGREEMENT ("Agreement") is entered into on this first day of January, 2009, by and between Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code ("PPH") and James H. Schultz, M.D. ("Physician"), with respect to the following facts:

**RECITALS:**

A. PPH owns and operates Pomerado Hospital in Poway, CA Palomar Medical Center in Escondido, CA.

B. The physicians and other independent practitioners practicing in PPH have organized themselves into a Medical Staff in conformity with the Medical Staff Bylaws of each hospital.

C. Physician is a member of the Medical Executive Committee ("MEC") which has been established pursuant to the Medical Staff Bylaws of Palomar Medical Center. Physician is Chair of the Department of Family Practice of that hospital. As Chair of the Department of Family Practice, Physician is required to perform a number of duties (the "Duties") set forth in the Medical Staff Bylaws.

D. The purpose of this Agreement is to provide a means of compensating Physician at no more than fair market value for performing the Duties required of a department chair. Additionally, this Agreement will delineate the expectations of the parties and assure effective performance by Physician.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, it is hereby agreed as follows:

1. Recitals. The recitals set forth above are hereby incorporated into this Agreement as a material and substantive part of this Agreement.

2. Duties. The Duties of Physician as a member of the MEC are as set forth in the Medical Staff Bylaws of PPH, as they may be amended from time to time, and shall include, without limitation, the Duties set forth on Exhibit A attached hereto and incorporated herein by this reference.

**QUALITY MANAGEMENT COMMITTEE CHAIR SERVICE AGREEMENT**

THIS MEDICAL EXECUTIVE COMMITTEE SERVICE AGREEMENT ("Agreement") is entered into on this first day of January, 2009, by and between Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code ("PPH") and Daniel C. Harrison, M.D. ("Physician"), with respect to the following facts:

**RECITALS:**

A. PPH owns and operates Pomerado Hospital in Poway, CA Palomar Medical Center in Escondido, CA.

B. The physicians and other independent practitioners practicing in PPH have organized themselves into a Medical Staff in conformity with the Medical Staff Bylaws of each hospital.

C. Physician is a member of the Medical Executive Committee ("MEC") which has been established pursuant to the Medical Staff Bylaws of Palomar Medical Center. Physician is Chair of the Quality Management Committee of that hospital. As Chair of the Quality Management Committee, Physician is required to perform a number of duties (the "Duties") set forth in the Medical Staff Bylaws and Performance Improvement Plan.

D. The purpose of this Agreement is to provide a means of compensating Physician at no more than fair market value for performing the Duties required of a department chair. Additionally, this Agreement will delineate the expectations of the parties and assure effective performance by Physician.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, it is hereby agreed as follows:

1. Recitals. The recitals set forth above are hereby incorporated into this Agreement as a material and substantive part of this Agreement.

2. Duties. The Duties of Physician as a member of the MEC are as set forth in the Medical Staff Bylaws of PPH, as they may be amended from time to time, and shall include, without limitation, the Duties set forth on Exhibit A attached hereto and incorporated herein by this reference.

# Physician Independent Contract Agreement

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**FROM:** Katherine Philbin, Asst. General Counsel

**BY:** Katherine Philbin, Asst. General Counsel
Janine Sarti, General Counsel

**Background:** A new templated Independent Contractor Agreement for Physicians has been created. Changes were made to make the templated Agreement more complete, as well as to address the newly implemented California privacy laws. To accomplish this goal, edits were made to the Confidentiality, Indemnification, and HIPAA and Privacy Law Compliance sections. An Insurance section was also added which requires minimum professional liability insurance in the amounts of $1,000,000 per claim/$3,000,000 aggregate.

A copy of the new template is attached for the Committee's review *(Addendum C)*, with the changes highlighted for ease of reference.

**Budget Impact:** None

**Staff Recommendation:** Staff recommends that the new format for Physician Independent Contractor Agreements be adopted as the standard template for all such Agreements.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

# VHA/Novation
# Southern California Purchasing Coalition

**TO:** Board Finance Committee

**MEETING DATE:** January 27, 2009

**FROM:** Paul Sas, District Director Supply Chain Services
Bob Hemker, CFO

**Background:** In December 2008, Bob Hemker & Paul Sas attended a VHA/Novation meeting to discuss the formation of a Southern California Purchasing Coalition (SCPC). The goal was to gain a consensus for developing a purchasing coalition for the southwestern region of Novation healthcare systems. There are currently 7 other VHA/Novation Regional Coalitions in the country. There was consensus among the members attending to proceed with the formation of the SCPC. The purpose of the SCPC will be to allow for geographically unique, expandable and tailored services for supply cost management. The SCPC will collectively target cost reduction initiatives and develop performance achievement goals. It is anticipated that the geographically hubbed SCPC will, for certain products and services, have better buy power than a national contract. PPH can cancel its participation "with or without cause" with a 30 – 90 day written notice.

**Budget Impact:** $30,000 per year, to be charged on an equally amortized monthly basis for the term of the 1-year agreement (Supply Chain Custom Charges). Subsequent renewals will be charged accordingly. It is expected that funding will come from savings.

**Staff Recommendation:** Staff recommends approval to participate in a new, to-be-formed, SCPC. Participation benefits will be evaluated on a regular basis, with a semi-annual report of benefits made to the Board.

Staff further recommends that the CFO be given approval to execute the requisite Supply Chain Analytics Participation Agreement and VHA Supply Chain Network Agreement as reviewed and approved by In-house Legal Counsel *(Addendum D).*

## Committee Questions:

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

# Independent Citizens' Oversight Committee
# Approval of Minutes from Annual Meeting, September 23, 2008

**TO:** Board Finance Committee

**FROM:** Independent Citizens' Oversight Committee

**MEETING DATE:** Tuesday, January 27, 2009

**BY:** Bob Hemker, CFO

**Background:** On Tuesday, September 23, 2008, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their annual meeting.

Pursuant to §6.4 of the ICOC PP&G, a draft report of all ICOC meetings is to be submitted to the District Board for inclusion in the Board's public records. The draft minutes from the Annual Meeting of September 23, 2008, have been reviewed by the Chair and the Secretary of the ICOC and approved for presentation to the ICOC members and the District Board *(Addendum E)*.

**Budget Impact:** N/A

**Staff Recommendation:** Approval of the draft minutes from the ICOC Annual Meeting held on September 23, 2008.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

# Co-Manager for the General Obligation Bonds

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**BY:** Bob Hemker, CFO

**Background:** A status report and possible action with regard to engaging a Co-Manager to provide greater access to the retail market for the General Obligation Bonds—as directed by the Board on January 8, 2009, in the approved updated Financial and Capital Plan—will be presented.

**Budget Impact:** n/a

**Staff Recommendation:** Staff recommendation will be presented at the meeting.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

# December 2008 & YTD FY2009 Financial Report

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, January 27, 2009

**FROM:** Robert Hemker, CFO

**Background:** The Board Financial Reports (unaudited) for December 2008 and YTD FY2009 are submitted for the Finance Committee's approval *(Addendum F).*

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends approval.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion**:

**Individual Action**:

**Information:**

**Required Time:**

# ADDENDUM A

# The Critical Tie Between Quality of Care and the Future Financing of Healthcare
# Session 2 - Update

Joint Quality/Finance Committees

Palomar Pomerado Health

January 27, 2009

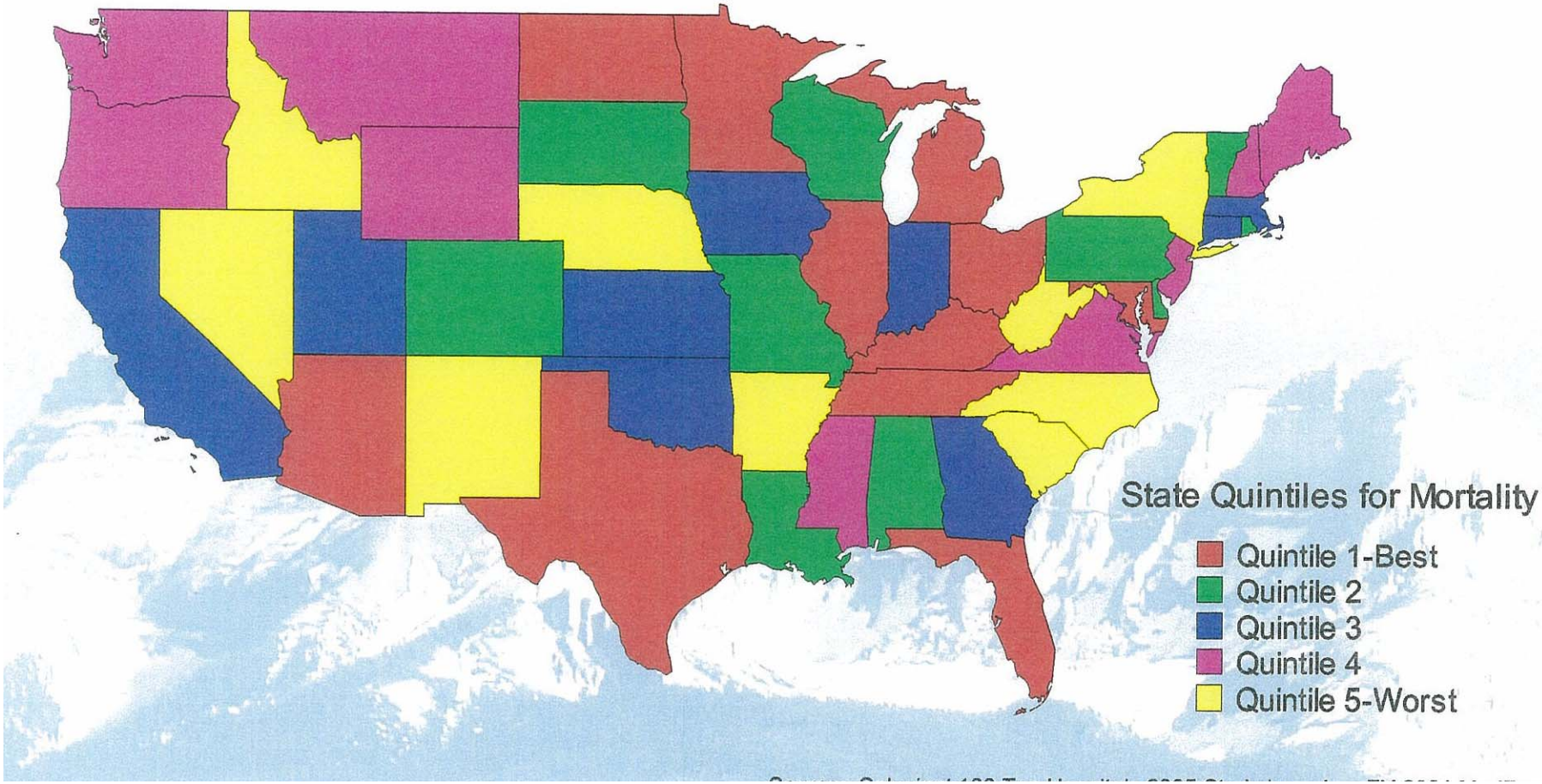
# The Reason We're All Here …

# Presentation Outline

## The Industry to PPH – Session 1

- **Connecting the Dots – where are we today?**
- **Core Measures Update**
- **Plan of Action – Present on Admission (POA)/Hospital Acquired Conditions (HAC)**
- **RAC Audits – Update/Results**
- **MRSA Legislation – Pilot Project**
- **Clinical Documentation Improvement Project Kick-off**
- **Questions and Answers**

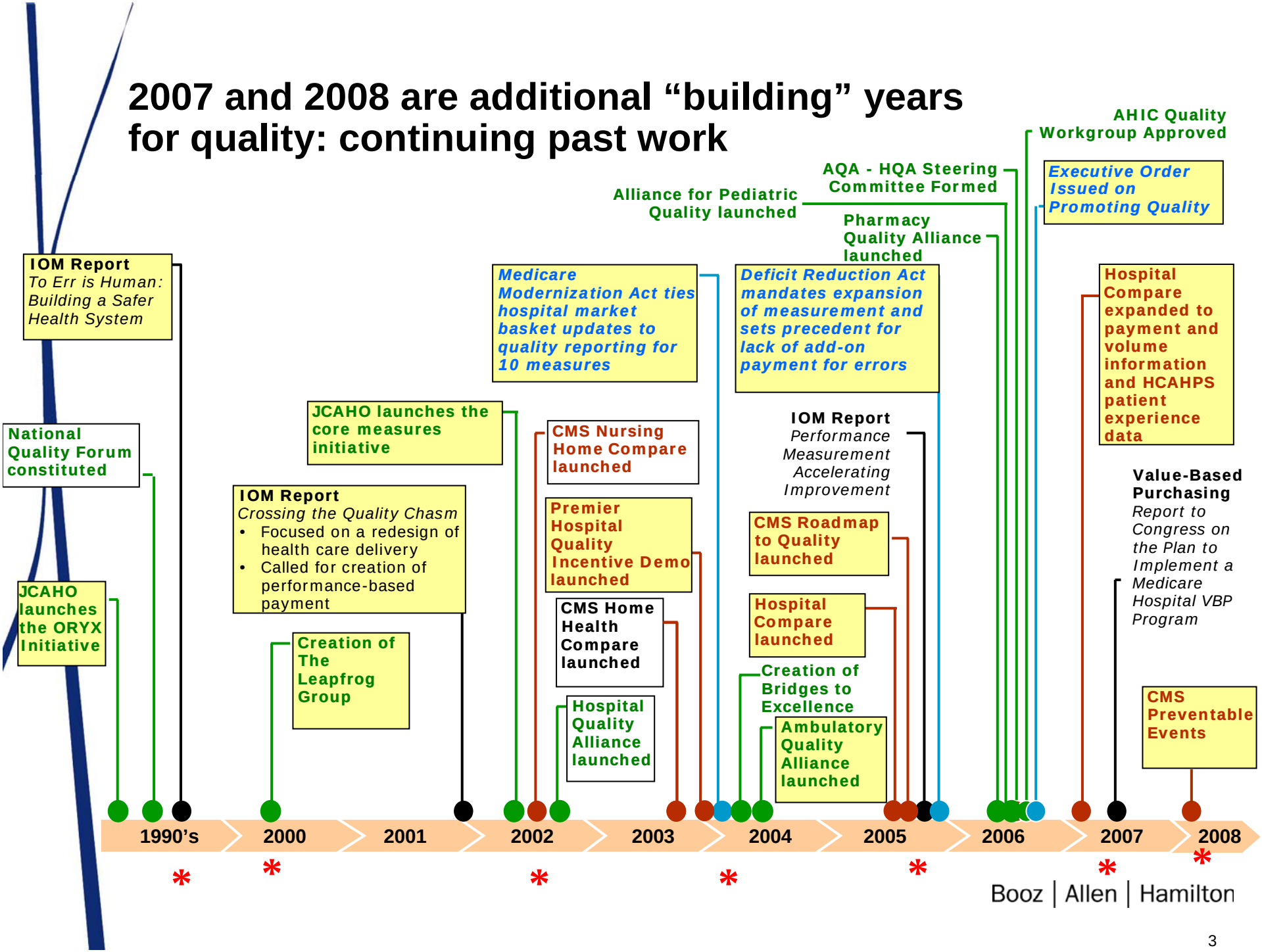
# Performance Varies Widely by State and by Measure Risk-Adjusted In-Hospital Mortality by Quintile



# CMS' Quality Improvement Roadmap

- **Strategies**
  - **Work through partnerships**
  - **Measure quality and report comparative results**
  - **Value-based Purchasing: improve quality and avoid unnecessary costs**
  - **Encourage adoption of effective health information technology**
  - **Next Steps – Value-based Purchasing for physicians**

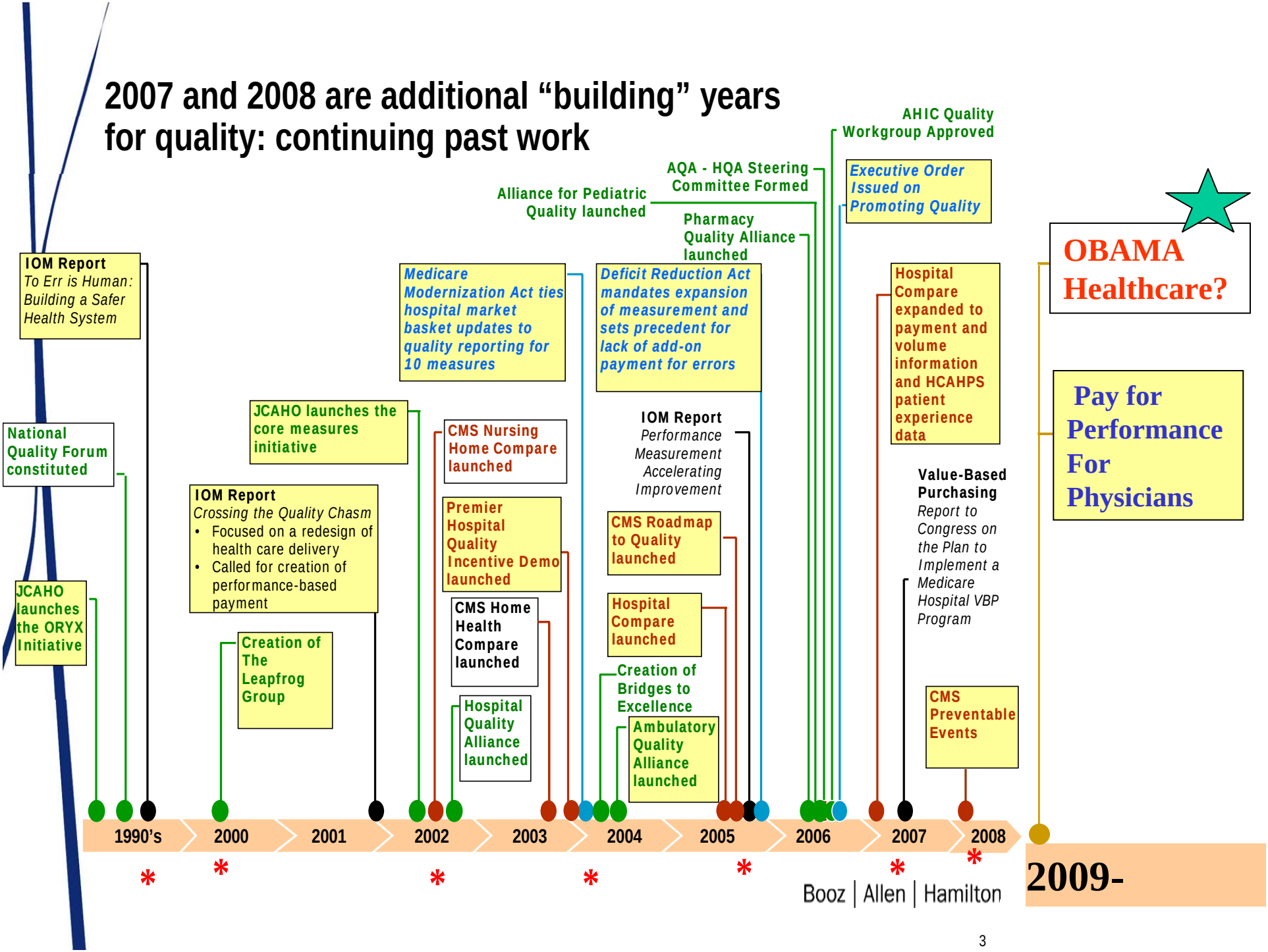
# 2007 and 2008 are additional "building" years for quality: continuing past work






ADD A-7

# 2007 and 2008 are additional "building" years for quality: continuing past work






ADD A-8

*"P4P is a tsunami building offshore in a sea of stockholder unrest, threatening those who are not prepared."*

– **2004 AMA Report**

# CMS/Payer Strategies

- **Outcome Measures**
- **Outcome Management**
  - **Data analysis and assessment**
  - **Payment re-structuring (Value-based purchasing)**
    - **Pay for Performance**
    - **Financial consequences of unnecessary care (MSDRG/POA/RAC)**
  - **Public release of data**

# Payment Re-structuring – Value-based Purchasing Goals

- **Improve clinical quality**
- **Reduce adverse events and improve patient safety**
- **Avoid unnecessary costs**
- **Empower consumers to make value-based decisions about health care through more transparency**

# Core Measures Update

- **Senate bill H.R. 7067, "Quality FIRST Act"**
  - **Begin to adjust inpatient payments for the core measure sets**
- **Best Practice Teams**
  - **MI/Heart Failure**
    - **Outpatient measures added**
  - **Community Acquired Pneumonia**
  - **Surgical Care Improvement Project (SCIP)**
    - **Knee and Hip Surgery ($ opportunity)**
    - **Outpatient Measures added**
  - **Cardiac Surgery**

# Core Measure Update
# Best Practice Teams

- **Re-evaluate Best Practice Team Membership**
- **Identify Methods of Involving/Obtaining Clinical Nurse Input**
  - **Reporting at UPC & PPC**
- **Focus on Lower-Performing Core Measure Interventions**
  - **Identify interventions that cross Core Measures to unify and maximize efforts**
  - **Enhance documentation and data collection through improvements in the EHR**
  - **Collaborate with CDI**

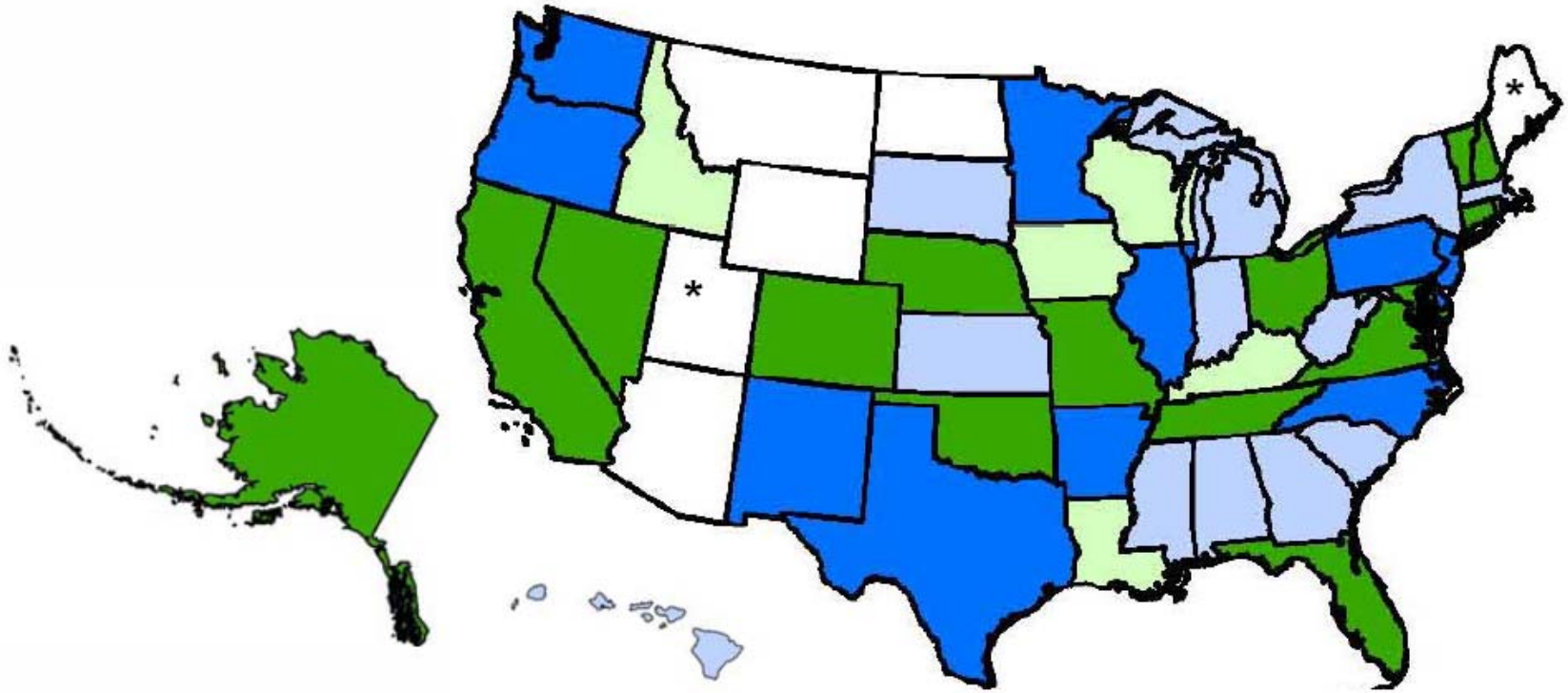
# Financial Consequences of Unnecessary Care

- **Restructure of the DRG system (more detailed documentation required) (MS-DRGs)**
- **Present on Admission/Hospital Acquired Conditions**
- **RAC Audits (Recovery Audit Contractors)**

# Hospital Acquired Conditions

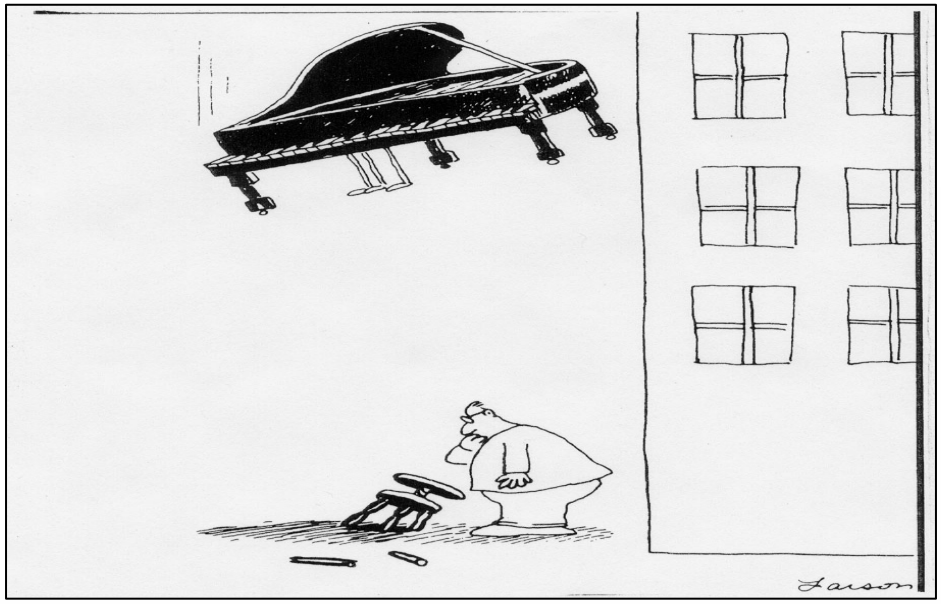
- **Estimated cost:  98,000 lives annually**
- **As much as $12 billion a year**
- **Major focus on the patient at the time of initial assessment**
- **Major focus on physician documentation**

# About half of the states now require HAC reporting, and a growing number also require hospital infection-control measures




*Source: Extending the Cure: Policy Responses to the Growing Threat of Antibiotic Resistance*

*, Booz Allen Analysis*



## Calif. insurers back measure on 'never events'

The trade group for California health insurers is supporting the prohibition on reimbursing providers for so-called "never events." The board of the California Association of Health Plans unanimously passed a resolution in favor of no longer paying for the **CMS' list** of eight never events as well as three other preventable mistakes. These medical errors include objects left in a patient's body during surgery, air embolisms, hospital-acquired infections and injuries and wrong-site or wrong-patient surgeries.

The association said it also supports a bill moving through the California Legislature that would prohibit providers from billing payers for adverse events that cause the death or injury of patients. "We want to be sensitive to making sure we are not only doing the right thing clinically but that our administrative policies are fair to all involved," said Christopher Ohman, president and chief executive officer of the association.

The association has not yet decided whether it will support banning payment for other adverse events identified by the CMS and National Quality Forum, such as delirium. "That may not meet our test," Ohman said. "How do you know something wasn't present on admission?"

The association's board is made up of healthcare executives from Aetna, Anthem Blue Cross and Blue Shield, Cigna Corp., Health Net, Kaiser Permanente, UnitedHealth Group and other insurers. The association represents 40 public and private health plans that provide coverage to more than 21 million Californians. *(Also see today's Reporter's Notebook item below.)-- by* ***Rebecca Vesely***

**"What the future holds….."**

# Plan of Action
# POA/HAC

- **Planning Meeting: January 8, 2009**
  - **Quality**
    - **Manager**
    - **Data Analyst**
  - **Nursing**
    - **ACNEs**
    - **CNSs**
  - **Health Information Services**
  - **Infection Control Officer**
  - **Informatics**
- **Assessment of High Risk Areas**
- **Methods of Data Retrieval**
- **Documentation and Communication Issues**
  - **Clinical Documentation Improvement (CDI) Project**
  - **Best Practice Teams**

# “Just when you thought it was safe to go in the water!

# What are RACs?
## (Recovery Audit Contractors)

- **Used successfully in other government audit programs**
- **Medicare Modernization Act created a 3-year demonstration project**
- **Recover overpayments and identify underpayments**
- **Payment made on a contingency basis**
- **3 pilot states selected based on highest *per capita* Medicare utilization: NY, CA, FL**

# Interesting Facts

- **CMS has comparative database - patterns**
- **The RAC Program costs 22 cents for each dollar returned to the trust fund**
- **RAC is notifying the patient when a take-back occurs due to lack of medical necessity**
- **RAC may look at encounters as far back as 10/01/07 as well as concurrent encounters**
- **The Permanent Program requires all reporting of problem areas identified**

# The PPH Demo Experience

**As of December 12, 2008**

- **410 audits**
- **$ 2.7 million at Risk**
- **$ 831K written off**
  - **No appeal**
  - **Lost appeal**
- **$ 384K restored or re-paid to PPH by CMS**
- **$ 993K in various stages of appeal**

# The Permanent Program

**Expected Volume of Requests**

- **Inpatient**
  - **PPH volume based on 7,000 annual Medicare discharges**
    - **10 %: 58 per month**
    - **8 intervals of 45 days per calendar year**
    - **464 inpatient audits per calendar year**
    - **Average reimbursement: $9,113**
    - **Total projected inpatient at risk (in a 12-month period): $4.2 million**

# The Permanent Program

**Vulnerabilities - Inpatient**

- **One-day, Short and Observation stays**
- **Three-day acute stay - SNF**
- **MS-DRGs: with and without CC; with MCC**
- **Outliers for inpatients**
- **Transfer DRGs**
- **Inpatient Rehab**
- **Chargemaster capture rules**

# The Permanent Program

## Vulnerabilities - Outpatient

- **High $ claims > 50K**
- **Modifiers (59) and J codes (dosage)**
- **Blood transfusions**
- **E&M Leveling – The Bell Curve**
- **Drug administration start & stop times**
- **Self-administered drugs in the ED (revenue codes 249 & 637)**

# RAC Readiness

- **RAC Team identified**
- **Flowchart current state/future state**
- **Crosswalk DRG to current MS-DRG**
- **Risk Assessment – Medicare Patients since 10/1/07**
- **Communication Plan to Organization**
- **Denials - identify root cause and develop corrective action plan**

# Financial Risk at a Glance

- **Demonstration – Inpatient**
  - **410 encounters**
  - **$2.7 M at risk**
  - **$831K denied; $384K recovered; $993K in appeal**
  - **On average: $6,585 per encounter**

- **Go-Live – Inpatient**
  - **464 encounters (12 month period)**
  - **Average reimbursement: $9,113 (10/01/07 – 09/30/08)**
  - **Projected inpatient at risk: $4.2 million**

- **Go-Live – Outpatient**
  - **To Be Determined**

- **Other**
  - **Interest payments of 11% from the original point of take back**
  - **CMS has empowered RACs to use extrapolation**
  - **The determination of a sustained or high degree of payment error is not appealable**

# MRSA Update

## What is the cost of quality-MRSA testing? (methicillin-resistant Staphylococcus aureus)

**Jerry Kolins MD, Lab Medical Director**

**Sue DeWindt CLS, Microbiology Supervisor**

**Joyce Agorrilla RN, Infection Control Manager**

**Shannon Bagnasco BSN, Advance Clinical RN**

NEW YORK POST
25 CENTS
LATE CITY FINAL
SUPERBUG KILLS NYC KID
Shock over B'klyn 12-year-old

# Senate Bill 1058

**"Each health facility shall, in accordance with subdivision (d), implement a procedure to screen each patient :**

1. **Admitted to ICU or Burn Unit**
2. **Recently discharged from SNF**
3. **Acute Care Hospital within 30 days**
4. **Admitted for Dialysis**
5. **Scheduled for Surgery**

# Senate Bill 158

**"As part of the procedures described in subdivision (a), each hospital shall test every patient for MRSA, either by standard culture media or other screening tests within 24 hours of admission to the hospital under any of the following conditions":**

- **Open, draining wounds, pressure ulcers**
- **ICU admit**
- **Discharged from ICU >48hrs after admission**
- **SNF admit**
- **Homeless or Correctional Facility admit**
- **Dialysis patient**

# San Diego County

- **The VA Hospital**
  - **All patients**
- **Scripps Memorial Hospital**
  - **ICU patients prior to law**
- **Sharp Memorial**
  - **Screen historically positive patients**
  - **CABG, ortho, lami and fusion, screen for Staph aureus**
- **Sharp Grossmont**
- **Scripps Chula Vista**
- **UCSD Medical Center**
- **Tri-City Medical Center**
- **Kaiser Hospital**

# MRSA Assumptions

**Prevalence Rate – Assume 10%  Actual 9.7% at PPH based on study of 72 ICU patients-Kuriyama**

- **90% of patients MRSA screen negative**
- **10% of patient MRSA screen positive**

**Guilty Until Proven Innocent**

- **Isolate patient until screening test is negative**

**Universal Screening**

- **% staphylococcal infections caused by MRSA**
  - **PMC/POM Inpatients - 44.5%***
  - **Outpatients - 45%***

*Data from 2007 PPH Antibiogram

# Testing Volume

**40,000 admissions per year ***

**11,200 Outpatient surgeries**

**8,165 Elective surgeries / inpatient admission**

**Reimbursement – only can bill for outpatient testing performed > 3 days prior to admission**

**Perform 40,000 tests per year / Bill for 20,000 tests per year**

*** 2007 data**

# Testing Methods

**Culture ~ 36-48 hours turn around time (TAT)**

**Real Time Polymerase Chain Reaction molecular testing (PCR) ~ 2 hours TAT**

**Decrease Testing TAT / Decrease Isolation Time**

# Cost Comparison of Testing Methods

| | Culture | PCR by Cepheid |
|---|---|---|
| Reagents | $.3.50 | $40.00 |
| Lab Labor* | $5.00 | $3.50 |
| Collection Device | $0.36 | $0.70 |
| Nursing Labor* | $2.50 | $2.50 |
| Cost per Test | $11.36 | $46.70 |
| Reimbursement Rate | $10.00 | $50.00 |
| Total Cost of Testing 40,000 patients | $440,000 | $1,868,000 |
| Reimbursement 20,000 Outpatients | $200,000 | $1,000,000 |
| **Total Cost After Reimbursement** | **$240,000** | **$868,000** |
| *Labor rate-$30.00/hr | | |

# Program Cost Including Isolation

| | Culture | PCR |
|---|---|---|
| Isolation Hours | 24 hrs | 2 hrs |
| Isolation Hours per Year | 18,000 pts x 24 hr = 432,000 | 18,000 pts x 2 hr = 36,000 |
| Isolation Cost per Year | 432,000hrs x $1.25 = $540,000 | 36,000hrs x $1.25 = $45,000 |
| Cost of Test After Reimbursement | $240,000 | $868,000 |
| **Total Cost** | **$780,000** | **$913,000** |
| Isolation Supplies = 30.00/day | | |

# Preventing the Spread of MRSA at PPH

- For Nursing there is an increase in acuity
- 9.7% of admissions are colonized with MRSA. 50% chance of MRSA infection in this group.
- Isolation precautions
  - Private rooms or cohort
  - Strict Hand Hygiene monitoring
  - Gloves, gowns, masks, eye protection when appropriate

# Clinical Documentation Improvement

## Assessment Phase

## January 13- 16, 2009

# Objective of Project
# What is CDI?

- From documentation of care – to coding for billing
- From coding for billing to identification of unnecessary care – to less reimbursement
- From coding to billing – to use of data to publicly report quality indicators

**PATIENT CARE DOCUMENTATION IS CRITICAL FOR REIMBURSEMENT AND QUALITY INFORMATION RELEASED TO THE PUBLIC**

# Objective of Project
# What is CDI?

- Identify $ opportunities/quality reporting gaps
- Evaluate concurrent documentation and appropriate levels of service (i.e. the crosswalk of DRS to MS-DRGs shows significant #s fall into “without cc”)
- Provide education for physicians/support staff to add specificity to clinical documentation
- Provide feedback and benchmark indicators to evaluate performance

# CDI at PPH

## Assessment

- **Medical Record Review**
  - **50 MRs**
- **Interviews with Key Stakeholders**
  - **COO, CQO, CNO, CFO, Dir, staff**
- **Process Overviews**
  - **CRM, HIM**
- **Job Desc.-posted 1/14/09**

## Implementation

- **Date- TBD**
- **3-5 week classroom education**
  - **CDS, Coders, CMs, PA**
- **Classroom and Clinical**

# Clinical Documentation Specialists

- **Concurrent review- Daily**
- **Gathering clinical manifestations to present query to physician**
- **Start dialogue about specificity of documentation**
- **Provide feedback to CDI team**
  - **CDS, Coders, MDs, Case Managers**
- **Lay groundwork for future CRM program**

# Key PPH Strategies

- Clinical Documentation Improvement Project
- Continued focus on the Best Practice Model
  - Ongoing aggressive reporting of performance to all participants
  - Planning for future unfunded mandates
- Nursing/Quality/Physician/Finance collaborative for POA and HAC work plan
- Aggressive RAC reviews and challenges
- Proactive review of key focus areas for future RAC activities

# Questions and Comments

# List of Hospital Acquired Conditions (As of 10/1/2007)

- Object inadvertently left in at surgery
- Air Embolism
- Blood incompatibility
- Catheter associated urinary track infection
- Pressure ulcer (decubitus ulcer)
- Vascular catheter associated infection
- Surgical site infection – Mediastinitis (infection in the chest) after coronary artery bypass graft surgery
- Certain types of falls and trauma

# List of Hospital Acquired Conditions (For future consideration)

- Surgical site infection following certain elective procedures
- Legionnaire's disease (a type of pneumonia caused by a specific bacterium)
- Extreme blood sugar derangement
- Iatrogenic pneumothoraz (collapse of the lung)
- Delirium
- Ventilator-associated pneumonia
- Deep vein thrombosis/Pulmonary Embolism (formation/movement of a blood clot)
- Staphylococcus aureus septicemia (Blood stream infection)
- Clostridium difficile associated disease (a bacterium that causes severe diarrhea and more serious intestinal conditions such as colitis)

# The National Quality Forum has identified 28 never events

- **Surgical Events**
  - Surgery performed on the wrong body part
  - Surgery performed on the wrong patient
  - Wrong surgical procedure on a patient
  - Unintended retention of a foreign object in a patient after surgery or other procedure* *changed*
  - Intraoperative or immediately post-operative death in a normal healthy patient in an ASA class I patient
- **Product or Device Events**
  - Patient death or serious disability associated with the use of contaminated drugs, devices, or biologics provided by the healthcare facility
  - Patient death or serious disability associated with the use or function of a device in patient care in which the device is used or functions other than as intended
  - Patient death or serious disability associated with intravascular air embolism that occurs while being cared for in a healthcare facility
- **Care Management Events**
  - Artificial insemination with the wrong donor sperm or donor egg* *new event*
  - Patient death or serious disability associated with a medication error (e.g., errors involving the wrong drug, wrong dose, wrong patient, wrong time, wrong rate, wrong preparation or wrong route of administration)* *changed*
  - Patient death or serious disability associated with a hemolytic reaction due to the administration of ABO/HLA-incompatible blood or blood products* *changed*
  - Maternal death or serious disability associated with labor or delivery on a low-risk pregnancy while being cared for in a healthcare facility
  - Patient death or serious disability associated with hypoglycemia, the onset of which occurs while the patient is being cared for in a healthcare facility
  - Death or serious disability (kernicterus) associated with failure to identify and treat hyperbilirubinemia in neonates
  - Stage 3 or 4 pressure ulcers acquired after admission to a healthcare facility
  - Patient death or serious disability due to spinal manipulative therapy

*Source: NQF, CMS Eliminating Serious, Preventable, and Costly Medical Errors – Never Events, Booz Allen Analysis*

# The National Quality Forum has identified 28 never events

- **Patient Protection Events**
  - Infant discharged to the wrong person
  - Patient death or serious disability associated with patient elopement (disappearance)* *changed*
  - Patient suicide, or attempted suicide resulting in serious disability, while being cared for in a healthcare facility
- **Criminal Events**
  - Any instance of care ordered by or provided by someone impersonating a physician, nurse, pharmacist, or other licensed healthcare provider
  - Abduction of a patient of any age
  - Sexual assault on a patient within or on the grounds of a healthcare facility
  - Death or significant injury of a patient or staff member resulting from a physical assault (i.e., battery) that occurs within or on the grounds of a healthcare facility
- **Environmental Events**
  - Patient death or serious disability associated with an electric shock or elective cardioversion while being cared for in a healthcare facility* *changed*
  - Any incident in which a line designated for oxygen or other gas to be delivered to a patient contains the wrong gas or is contaminated by toxic substances
  - Patient death or serious disability associated with a burn incurred from any source while being cared for in a healthcare facility
  - Patient death or serious disability associated with a fall while being cared for in a healthcare facility* *changed*
  - Patient death or serious disability associated with the use of restraints or bedrails while being cared for in a healthcare facility

*Source: NQF, CMS Eliminating Serious, Preventable, and Costly Medical Errors – Never Events, Booz Allen Analysis*

# BREAKING NEWS – January 16, 2009

**CMS makes 'never event' nonpayment rules official**

The CMS officially released three rules that halt Medicare payments when medical procedures are performed incorrectly, on the wrong patient or body part.

"The national coverage policies for certain types of surgical errors are important steps for Medicare in working to reduce or eliminate their occurrence and their associated payments," acting CMS Administrator Kerry Weems said in a written statement. "These policies have the potential to reduce causes of serious illness or deaths to beneficiaries and reduce unnecessary costs to Medicare."

Additionally, the CMS said that for discharges since last October, Medicare would no longer pay hospitals a higher rate for an inpatient hospital stay if the reason for the enhanced payment is one of a number of hospital-acquired conditions as outlined in recent hospital payment rules.

The past two federal payment guidelines identified a number of so-called "never events" of which the CMS said it would withhold payment. Some of those include injuries related to falls and traumatic events, foreign objects retained after surgeries and blood incompatibility.

In December 2008, both the American Hospital Association and the American Medical Association said that they were **opposed to the use of the national coverage determinations as a means to halt payments** for such medical errors. Both associations said that the CMS needed to clarify. At the time, the AMA said that the federal agency should instead "develop a clear payment policy outlining the circumstances (under) which surgery claims would not be payable by Medicare." -- *by **Matthew DoBias***

# ADDENDUM B

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

# 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.<br>• John A. Amodeo – unable to attend this evening<br>• William Hoffman<br>o Resides in Escondido by Lake Hodges<br>o Background in business and finance – self-employed as business and financial planner<br>o Extensive background in local community service<br>o No conflict of interest<br>• Tim Regello<br>o Resident of San Marcos<br>o Professional Civil Engineer<br>o Does community service as a local Boy Scout leader<br>• Mark B. Silber<br>o Has lived in Poway for 27 years<br>o Retired university teacher<br>■ Taught MBAs and PhDs<br>o Worked with numerous hospitals in 25 years in health industry consulting<br>o Now volunteers as a conductor on the Poway railroad<br>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.<br>• 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<br>• There will be a Special Board meeting on January 8, 2009, consisting of merged topics from Facilities & Grounds and Finance Committees of the Board<br>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.<br>• The physicians already work under the contract with CEP<br>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<br>• The contracts in the agenda packet are substantially correct, as they utilized the standard independent contractor template<br>o Originally contracted for 3 months' duration – October 1, 2008 to December 31, 2008<br>■ Extended to five months – October 1, 2008 to March 31, 2009 – as they will be assisting in the physician training process<br>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<br>■ Drs. Wiesner and Daly will actually be contracted to work NMT 30 hours per month<br>➢ Monthly hours after the first of the year should be substantially less than that<br>o Budgeted funds<br>■ Will amount to significant savings as it would have cost much more to hire outside project managers<br>• 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 |



ADD B-4

| 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<br>o Has been working with PPH<br>o Renewal of the contract signed last year<br>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:<br>o Greg Hirsch, MD<br>o Frank Martin, MD<br>o John Steele, MD<br>o Robert Reichman, MD<br>o Mikhail Malek, MD<br>o Nabil Fatayerji, MD<br>o Jaime Rivas, MD<br>o George Moore, MD<br>• Same contract as last year with fewer hours<br>o NMT 6 hours/month<br>o Brought in when needed<br>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.<br><br>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:<br>• Slides 10-20 provided an update on Citi, which included their bond rating, financial performance and corporate structure<br>o PPH does business with the Institutional Clients' Group<br>o Very small part of Citi overall, with less than 100 total employees<br>• 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.<br><br>Bob Hemker is to email the information to the Board, along with a summary cover sheet (by end of day tomorrow) | Y<br><br>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<br>• Discussion<br>o Citi does have cash reserves<br>o Why did they have to get a bailout?<br>■ Problematic business units are primarily their credit card and commercial banking books of business<br>o Why couldn't they access their credit reserves instead of a bailout?<br>■ They're required to maintain a specific amount in cash reserve<br>■ The infusion was to help acquire liquidity – it kept the ratios up and allowed them to get back into the lending cycle<br>o What effect would there have been to PPH if the Government hadn't bailed them out?<br>■ Existing relationships on ARS<br>➢ Would have begged the question of who would have taken the counter-party position and/or who would have been servicing those bonds?<br>➢ Might have caused us to find a solution for ARS sooner as we would have needed to seek a new counterparty on those bonds<br>o As we move forward, what should we be doing or reviewing regarding a co-banker position?<br>■ Continue partnership with Citi, but also bring in someone else as a Co-manager?<br>➢ Would need someone with retail market access to add to the commercial access provided by Citi<br>o Insurer ratings<br>■ FSA was downgraded by Moody's and lost their AAA rating<br>➢ This downgraded the rating of Assured Guaranty, as they are in the process of buying FSA<br>■ Brookshire Hathaway is the only AAA rated insurer remaining<br>➢ Not active in the healthcare sector nor anxious to move into that market<br>■ No enhanced value to insurance on GOs at this time<br>➢ PPH has a higher rating than current insurer<br>➢ Can't drive up underlying rating with addition of insurance at this point<br>o ARS Performance<br>■ 5.41% average since February<br>➢ Averaged 3.54% prior to then | | | |

DRAFT

| AGENDA ITEM | DISCUSSION | CONCLUSION/ACTION | FOLLOW UP/ RESPONSIBLE PARTY | FINAL ? |
|---|---|---|---|---|
| | ■ 6.93% 12-week rolling average<br>➢ Regaining some parity and stability<br>■ Why convert and deal with swap termination issue?<br>➢ Still want option to move to a more predictable instrument<br>• Options for review<br>o Possible inclusion of a Co-Banker?<br>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.<br>• Indicators on Balanced Scorecard (BSC) – *Pg C-4*<br>o Board-approved initiatives require 5% less than budget as targeted<br>o Color-coding was updated to reflect the Board-approved initiatives and related targets, not just actual to budget<br>■ To be green, total would have to be 7% less than budget<br>■ Yellow would be 5% to <7%<br>■ Blue means outstanding – better than green<br>o Must meet improvement targets to meet goals—not just budget—since targets are in excess of budget<br>• Year-to-date (YTD) focus<br>o Acute admissions are down 209<br>o ALOS is very close to budget, just under<br>o Case Mix Index is just over budget<br>o Net Patient Revenues are up 1.01%<br>o Total Expenses are up 1.01%<br>o Net Income before Non-Operating Income is up $598K<br>o Net Income is down about $420K, due mostly to investment income<br>• Collections are down both against prior year and budget<br>o Due to delays in payment processing by payors<br>■ Medi-Cal is to release funds in March<br>■ Change to Palmetto has caused delays in Medicare processing<br>o Bad debt as a percentage of net revenue has a negative variance and is being watched<br>■ 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.<br><br>Bob Hemker is to provide the Board with a "reference tool" regarding the new BSC color coding | Y<br><br>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

- Days cash on hand budget is set at 80 based on covenant requirements
  - Becomes the threshold to which we manage

- Key Variance Explanations
  - Benefits
    - Negative variance in unemployment insurance is a side cost to the RIF
  - 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
  - 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

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| BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, DECEMBER 2, 2008 | | | | |
|---|---|---|---|---|
| **AGENDA ITEM** | **DISCUSSION** | **CONCLUSION/ACTION** | **FOLLOW UP/ RESPONSIBLE PARTY** | **FINAL ?** |
| | ■ Composite team comprised of decision support, ortho, finance, operations and perioperative<br>■ Value Analysis Team (VAT) determines what products can be used in the first place<br>➢ There is no review team for usage thereafter<br>o Prior year comparison – *P C-18*<br>■ Year-on-year improvement<br>■ Not driven by volume<br>■ $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<br>o Will cover where we are going with the next bond issues<br>o Will definitely have information on November financials<br>o May have some insight on December financials<br>– If available, financials for December won't be closed, but will be on accelerated close for Deloitte for inclusion with the offering statement<br>• 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<br>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:**<br>• **COMMITTEE CHAIR** _____ Ted Kleiter<br>• **COMMITTEE SECRETARY** _____ Tanya Howell | | | | |

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# ATTACHMENT 1

PALOMAR POMERADO HEALTH
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# Palomar Pomerado Health

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

December 2, 2008

## Presentation Contents

- Market Update
- Update on Citi
- Update on FSA and Bond Insurers
- Current Strategy and Financings
- Additional Information

## Market Update

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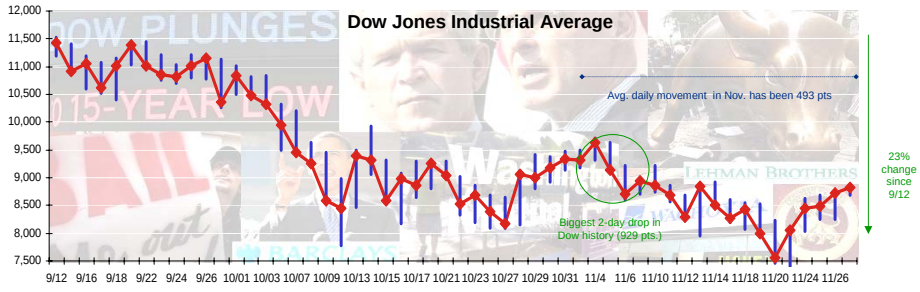
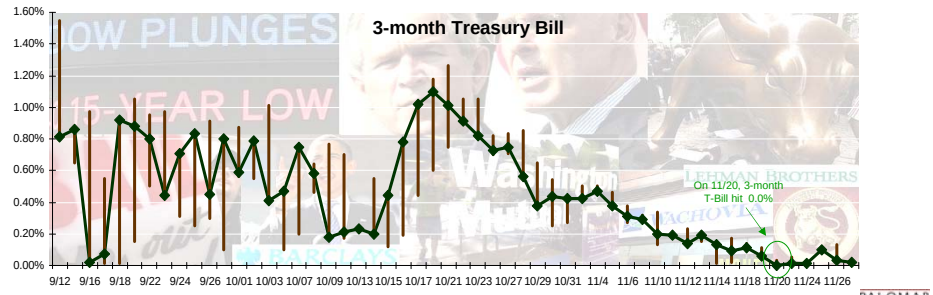
## Continued Volatility in Equity and Debt Markets

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Source: Bloomberg

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## 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


5


## 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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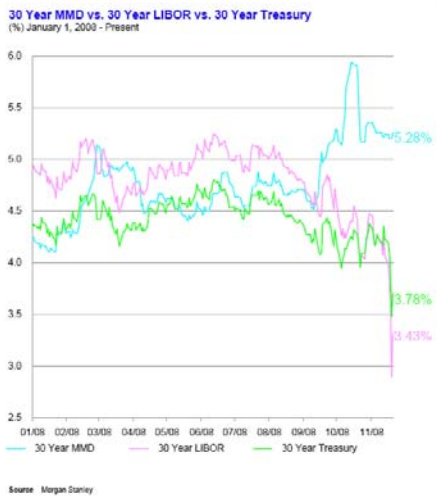
## Overview of Healthcare Tax-Exempt Fixed Rate Market




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

**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) |



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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.



PALOMAR POMERADO HEALTH

## 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.



PALOMAR POMERADO HEALTH

## 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.

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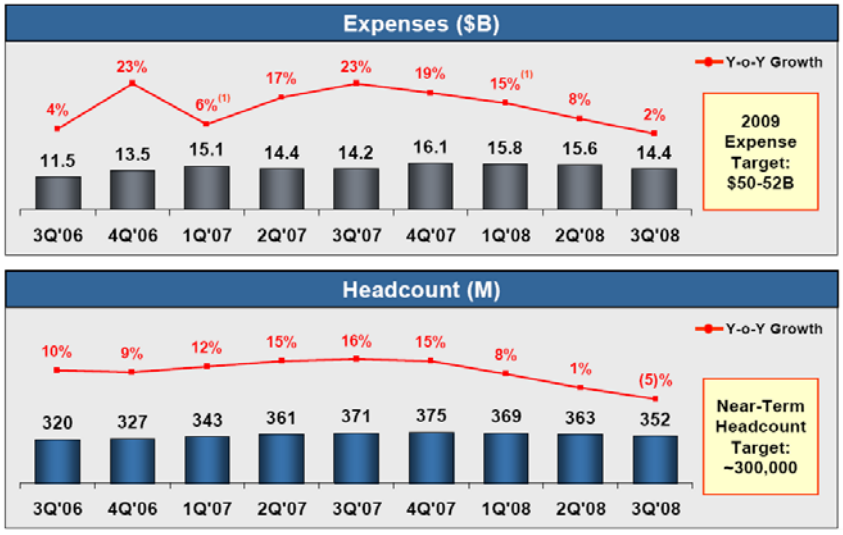
## 20% Targeted Reduction vs. Peak Levels




(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.



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## 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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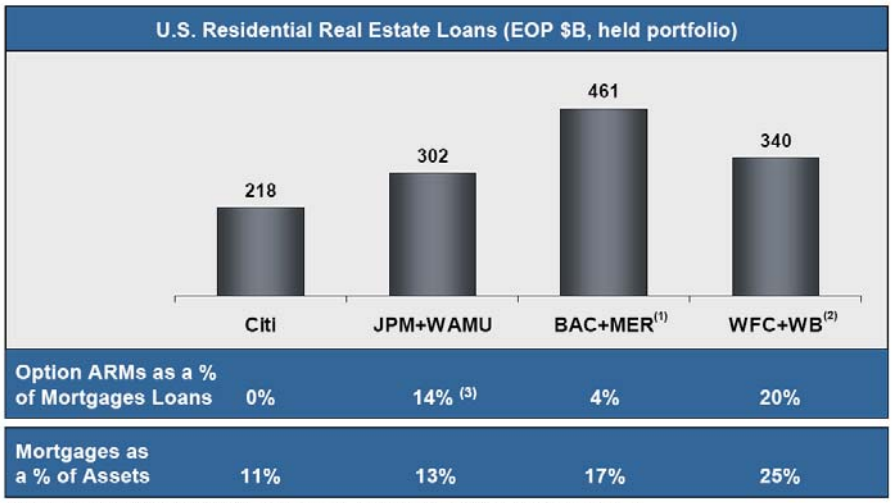
## Citi Has Lower Exposure to U.S. Consumer Mortgages




(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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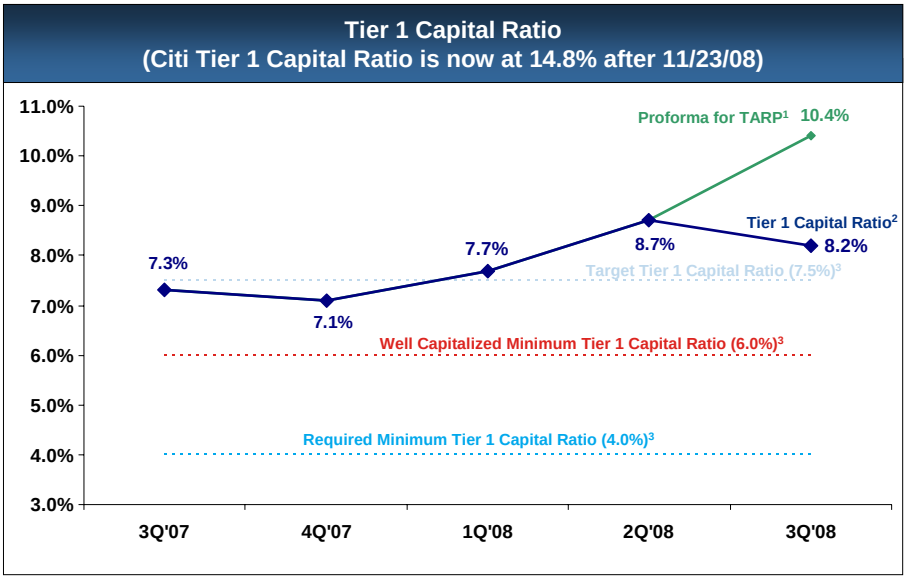
## Citi's Capital Exceeds Target, Even Before Government Investment

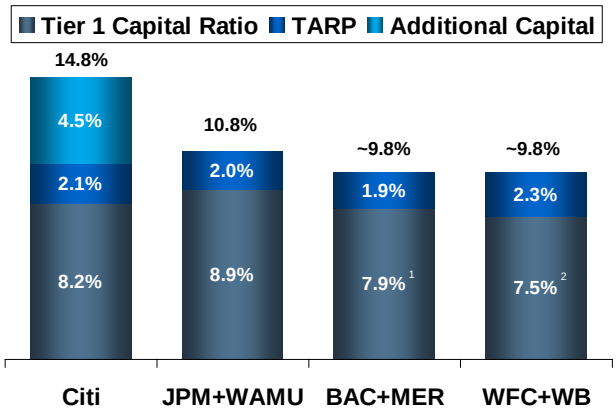



[1] Tier 1 Capital Ratio proforma for the $25 billion of additional TARP capital. Assumes $1.3 billion of TARP is common equity (warrants) and $23.7 billion preferred (25% of preferred qualifies for TCE as per Moody's guidance). Source: Citi Town Hall Meeting Presentation dated 11/17/2008
[2] Source: 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.
19 [3] Moody's Report, May 7, 2008.
[4] S&P Report, February 15, 2008.

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# 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.
Recently announced merger scheduled to close in Dec/Jan.
Recently changed corporate structure to a universal bank.
Completed acquisition of failed investment bank earlier this year.

20 [1] Source: Thomson Financial.
[2] As of 12/01/2008. Citi ratings are for Citibank, N.A. Source: Bloomberg.

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## 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.



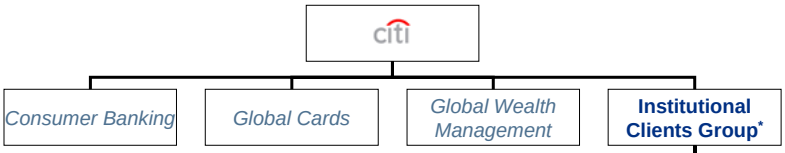
For illustration purposes only; actual results will depend on future market conditions.

## Credit Ratings[1]

| | Moody's | | 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 | Aa3 | *Negative* | AA- | *Negative* | AA- | *Stable* |
| Morgan Stanley | A1 | *Negative* | A+ | *Negative* | A | *Negative* |
| Lehman Brothers | B3 | *Negative* | NR | *Not Rated* | NR | *Not Rated* |
| Merrill Lynch & Co | 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*

## About Citi and ICG – Business Structure




*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.

- Global Banking
- Capital Markets
- Citi Alternative Investments
- Global Transaction Services
- Citi Investment Research & Analysis

**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).*



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## 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.



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## Update on FSA and Bond Insurers

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## 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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## 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.

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## 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.

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## 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.



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## 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



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

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## Current Strategy and Financings

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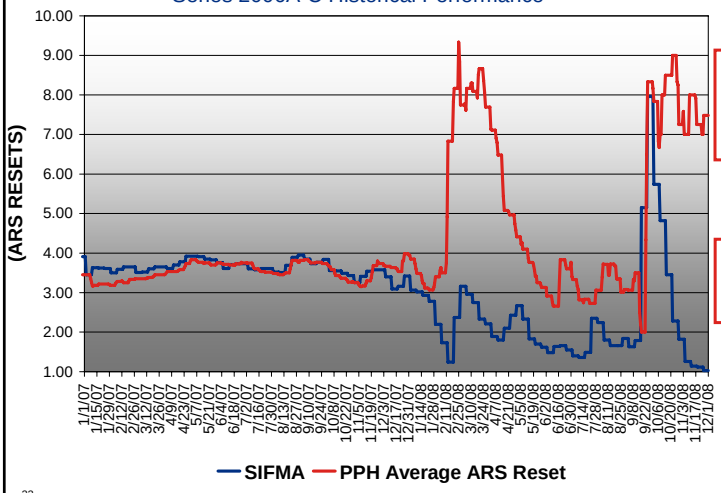
# PPH ARS Rate Performance

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 2006A-C Historical Performance




| 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% |



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# 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% |



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## 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<br>• Lehman files for bankruptcy<br>• AIG downgraded | • Reserve Primary Fund "breaks the buck"<br>• Government seizes control of AIG with $85 billion bailout | • 3-month Treasury yields fall to near zero<br>• SEC rolls out rules to crack down on short-selling<br>• Barclay's announces purchase of LEH broker dealer | • Investors pull nearly $80 billion from money market funds<br>• Global central banks join to unfreeze credit markets | • Equity markets soar on news of government Bailout Plan<br>• Treasury and Fed bolster Money Market Funds with a Guaranty Program | • Treasury announces $700 billion bailout plan<br>• Goldman Sachs and Morgan Stanley become bank holding companies<br>• 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<br>• Morgan Stanley will sell up to $8.5 billion stock to Japanese bank Mitsubishi | • Oil briefly surges $16 per barrel to $121<br>• 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<br>• 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<br>• 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<br>• 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<br>• AIG to receive an additional $37.8 billion loan from the Fed | • Treasury announces plans to buy stakes in a wide range of banks<br>• Dow fell below 9,000 for the first time since 2003 | • Bush addresses nation on financial crisis<br>• 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<br>• Europe puts $2.3 trillion on the line for banks, stocks soar | • Dow falls 733 points<br>• 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<br>• Hedge funds saw a record $210 billion drop in assets under management during the third quarter | • Bush, Sarkozy announce series of economic summits<br>• 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<br>• ECB's lending to banks reached a record $979 billion through monetary operations | • Wachovia announces $23.9 billion loss in 3Q<br>• Dow falls 514 points | • Foreclosure filings increase to record high<br>• 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<br>• 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<br>• Dow closes up 890 pts in anticipation of Fed rate cut<br>• White house tells banks to stop hoarding money | • China lowers rates third time in two months<br>• The Fed cut its benchmark interest rate by half a percentage point to 1 percent | • GDP drops .3% in third quarter 08<br>• 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<br>• European Commission forecasts Euro economy likely in recession | • Presidential election<br>• U.S. stocks advanced in the biggest presidential Election Day rally in 24 years<br>• 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<br>• IMF forecasts economic decline in developed world<br>• Voters approve $54 billion of G.O. bonds for municipal issuers | • Longer-term jobless benefits hit 25-year high<br>• ECB cuts rates by .5%<br>• UK lowers rates by 1.5% to 3%, the lowest level since 1955<br>• 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<br>• 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<br>• Treasury drops plan to buy mortgages, will fund non-banks instead | • Jobless rolls reach 25-year high<br>• U.S. October budget deficit hits record of $237.2 billion<br>• U.S. foreign trade slows sharply in September<br>• Foreclosure rates up 25 percent year-over-year | • Freddie Mac asks Treasury for $13.8 billion after its net worth falls below zero<br>• Europe economy falls into first recession in 15 years<br>• 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<br>• Citigroup plans to eliminate more than 50,000 jobs and cut expenses by 20 percent | • Producer prices drop 2.8%, most on record<br>• Crude oil fell to the lowest in almost 22 months | • The cost of living in the U.S. fell by the most on record<br>• Consumer prices drop by 1%, largest amount in past 61 years as energy prices see record plunge<br>• Dow falls to 5 year low | • Jobless claims jump to 16-year high<br>• Oil at 3 year lows<br>• Dow slides more than 500 points<br>• U.S. congress puts off automaker rescue to next month | • Dow closes up 489 points<br>• Gold heads for biggest weekly gain in 2 months as dollar falls | |

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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

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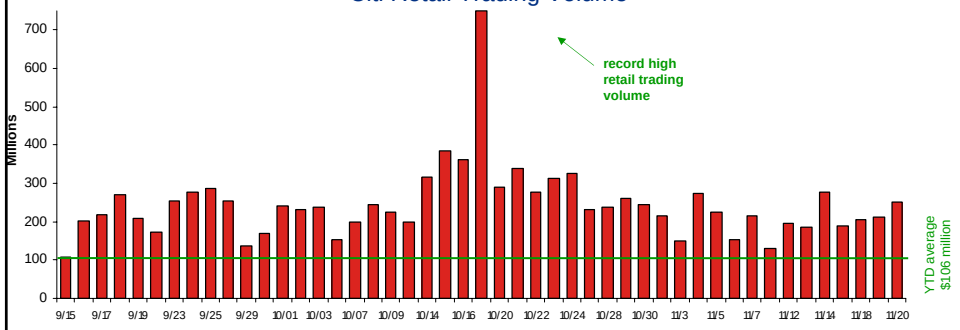
# Retail Still Strong, but "Sticker Shock" May Moderate Enthusiasm

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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In January 2007, Citi released a Climate Change Position Statement, the first US financial institution to do so. As a sustainability leader in the financial sector, Citi has taken concrete steps to address this important issue of climate change by: (a) targeting $50 billion over 10 years to address global climate change: includes significant increases in investment and financing of alternative energy, clean technology, and other carbon-emission reduction activities; (b) committing to reduce GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (c) purchasing more than 52,000 MWh of green (carbon neutral) power for our operations in 2006; (d) creating Sustainable Development Investments (SDI) that makes private equity investments in renewable energy and clean technologies; (e) providing lending and investing services to clients for renewable energy development and projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

**efficiency, renewable energy & mitigation**



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# ADDENDUM C

# INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is entered into by and between _____ ("Contractor"), with a principal place of business at _____ and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"), with a principal place of business at 15255 Innovation Drive, San Diego, California 92128.

WHEREAS, Contractor is a medical doctor with necessary privileges to practice medicine at PPH's medical facilities. Contractor has occasion to use various computer programs approved by PPH and in use at PPH facilities. Contractor has agreed to serve as a consultant regarding implementation and performance of computer-based programs to be used at PPH medical facilities from the perspective of a trained medical practitioner.

WHEREAS, PPH desires to engage Contractor to provide such services;

NOW, THEREFORE, in consideration of the promises, and of the mutual covenants hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

## 1. DUTIES OF CONTRACTOR

1.1 Scope of Services:

1.1.1 Contractor shall provide the consulting services described herein on an as-needed basis as agreed between Contractor and PPH. Aside from officially scheduled meetings or work, Contractor shall not engage in any billable activities under this Agreement without the prior permission of PPH. PPH may limit the number of hours worked under this Agreement to _____ per week or ___ per month. In no event with Contractor's work hours exceed ____ per month.

1.1.2 Contractor shall provide services in compliance with all applicable laws, regulations, and standards of care, as well as all PPH policies, procedures, rules and regulations.

1.2 **Local, State and Federal Taxes**: If Contractor is required to pay any federal, state or local sales, use, property or value added taxes based on the services provided under this Agreement, the taxes shall be separately billed to PPH. Contractor shall pay any interest or penalties incurred due to late payment or nonpayment of such taxes by PPH. In addition, Contractor shall pay all income taxes, Workers Compensation, and FICA (Social Security and Medicare taxes) incurred while performing under this Agreement. PPH shall not:

1.2.1 withhold FICA (Social Security and Medicare taxes) from Contractor's



ADD C-2

payments or make FICA payments on Contractor's behalf;

1.2.2 make state or federal unemployment compensation contributions on Contractor's behalf; or

1.2.3 Withhold state or federal income tax from Contractor's payments.

## 2. DUTIES OF PPH

2.1 **Payment for Services**: PPH shall pay Contractor $_____.00 (one hundred twenty-five dollars) per hour for consulting services provided under this Agreement. In addition to professional fees, PPH agrees to reimburse Contractor for reasonable, out-of-pocket expenses, to be approved in advance by PPH. If services are performed, Contractor shall send PPH invoices on a monthly basis. Contractor shall provide invoices for services rendered under this agreement for work performed outside of formal meetings. Invoices shall be accompanied by the pertinent timesheets and an itemization of services and approved expenses for each consultation project. Payment shall be due within thirty (30) days of PPH's receipt of each undisputed invoice.

## 3. INDEPENDENT CONTRACTOR

3.1 In the performance of the duties and obligations of Contractor under this Agreement, it is mutually understood and agreed that Contractor is at all times acting and performing as an independent contractor, and nothing in this Agreement is intended nor shall be construed to create between PPH and Contractor an employer/employee, joint venture, lease or landlord/tenant relationship. Contractor has held himself out as having a particular expertise in the services to be provided under this Agreement. In that regard, Contractor shall be responsible for the manner in which he provides services under this Agreement in accordance with local, state and federal standards. Contractor shall not hold himself out as an officer, agent or employee of PPH and Contractor shall take all reasonable steps to disavow such status or relationship in every instance where a reasonable party might assume that such a relationship exists between the parties.

## 4. EEO COMPLIANCE

4.1 PPH is an equal employment opportunity employer and is in full compliance with any and all applicable anti-discrimination laws, rules, and regulations. Contractor agrees not to harass, discriminate against, or retaliate against any PPH employee because of his or her race, national origin, age, sex, religion, disability, marital status, or other category protected by law. In the event of any complaint of unlawful discrimination, harassment, or retaliation against Contractor by any employee of PPH, Contractor agrees to cooperate in the prompt investigation and resolution of such complaint.

## 5. COMPLIANCE WITH LAWS / PERFORMANCE STANDARDS

5.1 Contractor shall comply with all laws, ordinances, codes and regulations of federal, state and local governments, including without limitation laws that require Contractor to disclose any economic interest or relationship with PPH and the policies, standards, requirements, guidelines and recommendations of the Joint Commission.

5.2 Contractor shall comply with and perform the duties under this Agreement in accordance with all applicable bylaws, Medical Staff policies, Joint Commission rules and regulations, rules and regulations of PPH and the Medical Staff, and all protocols applicable to the performance of Director Services or the Department (the "Protocols").

## 6. RIGHT TO AUDIT AND CONFIRM COMPLIANCE

6.1 Upon reasonable written notice to Contractor, PPH may inspect relevant portions of Contractor's records to verify Contractor's compliance with this Agreement. Any failure by PPH to inspect such records will not be construed as a waiver of any of PPH's rights and remedies set forth herein.

## 7. CONFIDENTIALITY

7.1 PPH's Confidential Information: This Agreement is personal and confidential to PPH. Contractor acknowledges that he may be given access to or acquire information that is proprietary to or confidential to PPH or its affiliated companies and their clients and customers. Any and all such information obtained by Contractor shall be deemed to be confidential and proprietary information in accordance with PPH's policies, practices and procedures, including compliance with HIPAA and DHS regulations, and state and federal laws. Contractor agrees to hold such information in strict confidence and shall not disclose such information to any third person or company and shall not use such information for any purpose whatsoever other than providing services to PPH.

Contractor shall not release information concerning this Agreement to any person without the written consent of PPH. This prohibition against release of information shall not apply to public agencies or commissions with government powers and duties related to disclosure of information having the right to compel disclosure of such information, or to any information otherwise compelled to be released by process of law, or to any information required to be disclosed to PPH's representatives or others in connection with PPH's tax exempt bonds or other financing transactions.

## 8. ASSIGNMENT OF COPYRIGHTS AND PATENTS TO PPH

8.1 Any and all works, discoveries and/or inventions (which shall include improvements and modifications) relating to work performed by Contractor specifically for PPH pursuant to this Agreement, whether or not copyrightable or patentable, which works, discoveries and/or inventions are made or conceived by Contractor, solely or

jointly with others, during the term of and pursuant to this Agreement (regardless of whether conceived or developed during working hours) and for a reasonable period thereafter, shall be the property of PPH as "work made for hire" to the extent provided by sections 101 and 201(b) of the Copyright Act, 17 U.S.C. 101 *et seq.*, and such works, discoveries and/or inventions shall be promptly disclosed to PPH. PPH shall have the right to file and prosecute, at its own expense, all copyright applications and patent applications, whether U.S. or foreign, on said works, discoveries and/or inventions. Contractor shall, during the term of this Agreement and for a reasonable time thereafter, provide to PPH all documents, information, and assistance requested for the filing or prosecution of any such copyright or patent application, for the preparation, prosecution, or defense of any legal action or application pertaining to such works, discoveries and/or inventions, and for the assignment or conveyance to PPH of all right, title, and interest in and to such works, discoveries and/or inventions, copyright applications, patent applications, and letters patent issuing thereon. Specifically excluded from this Section shall be any works, discoveries and/or inventions, whether or not copyrighted or patented, or any modifications or improvements thereto, that were created or conceived by Contractor prior to the parties' execution of this Agreement.

## 9. **TERM AND TERMINATION**

9.1 This Agreement shall commence on _____ and shall continue in effect for a period of one (1) year. There shall be no automatic renewal provision for this Agreement. Any renewal or continuation of services by Contractor for PPH beyond this expiration date must be negotiated between the parties and memorialized in a separate agreement.

9.2 This Agreement may be terminated by either party before its stated expiration date after that party provides a thirty (30) day written notice to the other party. In the event of Contractor's loss of medical staff privileges at a PPH affiliated hospital, or in the event Contractor loses his medical license, the agreement will be terminated immediately. Such notice shall be personally delivered or sent by recognized overnight courier or by certified mail, return receipt requested, and delivered as follows:

As to Contractor:

As to PPH:

Palomar Pomerado Health
NAME
Address
City, State Zip

In the case of mailing, service shall be effective three days after mailing of such notice. In the case of personal delivery, notice shall be effective on the actual date of service.

9.3 Either party may designate a different person to whom notices should be sent at any time by notifying the other party in writing in accordance with this Agreement.

9.4 Notwithstanding any other provision of this Agreement, in the event a party declares or becomes bankrupt or insolvent, dissolves or discontinues operations, or fails to make any payments within the time periods specified in this Agreement, the other party may terminate this agreement after a thirty (30) day written notice.

10. **REMEDIES AND INDEMNIFICATION**

10.1 **Arbitration:**

10.1.1 Any controversy or dispute between Contractor and PPH concerning the performance, termination or interpretation of this Agreement shall be resolved through arbitration proceeding under the Federal Arbitration Act and before the American Arbitration Association (AAA) in accordance with AAA's Commercial Arbitration Rules at the AAA location closest to PPH's office. The administrative cost of the arbitration and the arbitrator's fee shall be shared equally by the parties. The parties shall have full discovery rights under the California Discovery Act, subject to modification by the arbitrator in his or her discretion.

10.1.2 The Arbitrator shall have no authority or power to amend or modify the Terms of this Agreement. All arbitration decisions shall be final and binding on the parties. The prevailing party, as determined by the Arbitrator in his or her decision, shall be awarded an amount equal to its reasonable attorneys' fees incurred in connection with such arbitration, in addition to any other relief that may be awarded.

10.1.3 Judgment upon any award rendered by the Arbitrator may be entered in any court having jurisdiction.

11. **INDEMNIFICATION**: Contractor shall hold harmless, defend and indemnify PPH and its subsidiaries, parents, affiliates, agents, officers, directors and employees from and against all actions, causes of action, obligations, expenses, liabilities, losses, penalties, fines, fees (including reasonable attorneys' fees), costs, claims, suits and damages, including damages for personal injury (including death), unauthorized access or unlawful access, use, or disclosure of patient medical information, property damage as a result of any negligent act or negligent failure to act of Contractor or Contractor's employees which PPH may incur, be exposed to, become responsible for, or pay out, and any damages that result from the negligence of Contractor or his employees or the failure of Contractor or his employees to perform their duties, obligations and services under this Agreement. Contractor shall assume the investigation, defense and expense of all such claims and causes of actions. PPH agrees to notify Contractor of the existence of any such claims or causes of action within a reasonable period of time after PPH becomes aware of same.

12. **HIPAA and PRIVACY LAW COMPLIANCE**

12.1 Compliance with Privacy Standards:

12.1.1 PPH is a Covered Entity that is a provider of health care, as defined under Section 1171 of HIPAA. PPH may provide access to or disclose Protected Health Information to Contractor so that Contractor may fulfill his obligations under this Agreement. Such Protected Health Information will be provided solely for purposes set forth in this Agreement.

12.1.2 Contractor will take all reasonable steps to handle and disclose Protected Health Information provided to it by PPH or created by Contractor for PPH, directly or indirectly, in a manner such that the security and privacy of such information will be maintained and appropriate safeguards will be used to prevent use or disclosure of the information other than as described herein. Specifically, Contractor shall:

(a) Use and disclose Protected Health Information solely for the benefit of PPH or for its own internal administration or management and shall not disclose any such information to third parties except as required by law or as explicitly authorized by PPH or the patient to whom the Protected Health Information pertains.

(b) Ensure that all agents, employees, or affiliates to whom Protected Health Information is provided shall agree to the same restrictions and conditions for use and disclosure of Protected Health Information that applies to Contractor.

(c) Contractor will not participate in the unauthorized access or unlawful access, use, or disclosure of patient medical information. Unauthorized access includes inappropriate review or viewing of patient medical information without a direct need for diagnosis, treatment or other lawful use as permitted by California Confidentiality of Medical Information Act or by other statutes or regulations governing the lawful access, use, or disclosure of medical information.

13. **Insurance**. Contractor shall carry the following minimum insurance coverage in a form reasonably acceptable to PPH during the term of this Agreement:

13.1 Contractor shall obtain and continuously maintain professional malpractice liability insurance coverage, issued by an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, and acceptable to Hospital, in the amount of at least One Million Dollars ($1,000,000) per occurrence or claim and Three Million Dollars ($3,000,000) in the annual aggregate for the acts and omissions of Contractor. Such coverage shall provide for a date of placement preceding or coinciding with the Effective Date of this Agreement.

13.2 Certificate of Insurance. On or before the Effective Date, Contractor shall provide Hospital with an original certificate evidencing professional malpractice liability insurance coverage, and shall provide Hospital with proof of continued professional malpractice liability insurance coverage on an annual basis (or as periodically requested by Hospital). Contractor shall provide Hospital with no less than thirty (30) calendar days' prior written notice of cancellation or any material change in such professional malpractice liability insurance coverage.

13.3 Tail Coverage. If Contractor's professional malpractice liability insurance is provided on a claims-made basis, upon the expiration or termination of this Agreement for any reason, Contractor shall continuously maintain such insurance or purchase from an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, and acceptable to PPH, extended reporting period (*i.e.,* "tail") coverage for the longest extended reporting period then available to ensure that insurance coverage in the amount set forth in Section 3.1 of this Agreement is maintained for claims which arise from professional services provided by Contractor during the term of this Agreement. This Section shall survive the expiration or termination for any reason of this Agreement.

## 14. MISCELLANEOUS PROVISIONS

14.1 **Survival of Certain Provisions**: Those provisions of this Agreement, which by their terms extend beyond the termination or non-renewal of this Agreement shall remain in full force and effect and survive such termination or non-renewal.

14.2 **Amendments**: No provision of this Agreement may be amended or waived unless such amendment or waiver is agreed to in writing signed by the parties.

14.3 **Severability**: Each provision of this Agreement shall be considered severable such that if any one provision or clause conflicts with existing or future applicable law, or may not be given full effect because of such law, this shall not affect any other provision which can be given effect without the conflicting provision or clause.

14.4 **Complete Agreement**: This Agreement and any exhibits attached hereto and incorporated by reference into this Agreement contain the entire understanding between the parties hereto, and supersede all prior agreements and understandings relating to the subject matter hereof.

14.5 **Assignment:** This Agreement shall not be assigned by either party without the prior written consent of the other party. Such consent shall not be unreasonably withheld. Either party shall have the right to assign or transfer this Agreement to its parent corporation, if any, or any of its subsidiaries or affiliates, or to a successor entity in the event of a merger, consolidation, transfer, sale, stock purchase or public offering as long as the surviving entity assumes all of that party's duties and obligations hereunder.

14.6 **Headings**: The headings of the paragraphs of this Agreement are inserted solely for the convenience of reference. They shall in no way define, limit, extend, or aid in the construction of the scope, extent, or intent of this Agreement.

14.7 **Waiver**: The failure of a party to enforce the provisions of this Agreement shall not be construed as a waiver of any provision or the right of such party thereafter to enforce each and every provision of this Agreement.

14.8 **Ambiguities:** The rule of construction that ambiguities in an agreement are to be construed against the drafter shall not be invoked or applied in any dispute regarding the meaning or interpretation of any provision of this Agreement.

14.9 **Non Exclusive Nature of Agreement**: It is understood that PPH is not obligated to use Contractor exclusively for the services specified under this Agreement. PPH reserves the right to determine, in its sole discretion, if any additional agencies shall be used to provide the type of services to be provided by Contractor under this Agreement.

14.10 **Choice of Law**: This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to any conflicts of law principles thereof.

IN WITNESS WHEREOF, this Agreement has been duly executed by Contractor and PPH on the dates set forth below.

| **Contractor** | **Palomar Pomerado Health** |
|---|---|
| _____ | _____ |
| Signature | Signature |
| _____ | Robert A. Hemker |
| Printed Name | |
| _____ | Chief Financial Officer |
| Title | |
| _____ | _____ |
| Date | Date |

# ADDENDUM D

January 14, 2009

**PALOMAR POMERADO HEALTH**
Attention: Paul Sas – District Director, Supply Chain
2227 Enterprise Street
Escondido, CA 92029

Dear Paul:

During our December 3, 2008 presentation to the Southern CA VHA members we indicated we would be sending out copies of the necessary agreements for participation in the Southern CA Purchasing Coalition (SCPC). Attached are two (2) original copies of the following documents:

- ❑ Supply Chain Analytics Participation Agreement – this document may be signed by an authorized representative of Materials Management
- ❑ Supply Network Agreement – this document must be signed by the CFO/CEO of your health system

If you have made the decision to join the SCPC, please sign both copies of each agreement and mail one (1) set of signed originals back to Steven Berling, RVP Supply Chain, in the enclosed Federal Express envelope. Our goal is to receive your signed agreements prior to first official SCPC meeting on February 6, 2009.

If you have any questions please do not hesitate to contact Steven Berling at (310) 726-4072 or Marilyn Bybee at (310) 726-4059.

We are looking forward to seeing you on February 6th.

Thank you,

Marilyn Bybee
Sr. Director SCM Networks

Enclosures

VHA West Coast 880 Apollo, Ste. 300 El Segundo, CA 90245
TEL 310.726.4000 FAX 310.726.4078 www.vha.com

Connecting members. Delivering results.

# SUPPLY CHAIN ANALYTICS PARTICIPATION AGREEMENT

This *Supply Chain Analytics Participation Agreement* (the "Participation Agreement") is made by and between VHA Inc. ("VHA"), a Delaware corporation, having a principal place of business at 220 East Las Colinas Boulevard, Irving, Texas 75039-5500, and Palomar Pomerado Health (MID#1502) ("Participant"), a California not-for-profit corporation, having a principal place of business at 15255 Innovation, Suite 202, San Diego, CA 92128.

Participant is a VHA Member and desires to participate in VHA's Supply Chain Analytics products and services to identify agreed-upon improvement opportunities. For purposes of this Participation Agreement, a VHA Member includes all of the participants in the VHA health care cooperative, including, but not limited to, shareholders, patrons, non-patrons, and their affiliates. The effective date of this Participation Agreement is March 1, 2009 ("Effective Date"). Participant understands that upon signing this Participation Agreement, all terms and conditions of data usage apply to previously completed and future spend analytics assessments conducted by VHA.

1. **Data and Products.** Participant will provide data to VHA, which may include but will not be limited to, purchase order data, item master information, vendor master information, receipts data, and invoice data (individually and collectively referred to herein as "Data"), in accordance with the submission requirements for each requested Supply Chain Analytics product or service (individually and collectively referred to herein as "Product"). Individual Product orders are placed by Participant sending to VHA completed applicable order forms that are subject to the terms and conditions of this Participation Agreement and which may involve the payment of separate usage fees.

2. **Data Consent.** Participant agrees that Data it provides to VHA or its subsidiaries prior to the Effective Date and during the term of this Participation Agreement may be used by VHA in de-identified form to populate benchmarking databases ("Databases") and reports generated from them ("Reports"), which VHA shall solely own and may use for any purpose. VHA may also use Data in de-identified form for any other purpose, including, but not limited to, contract development, research information, and for comparative analysis use for VHA's customers. VHA may disclose Data on a line item identified basis to VHA's subsidiaries and regional offices for their internal use only. VHA may disclose Data on a line item identified basis to vendors and consultants that assist VHA in providing services and that are under confidentiality agreements with VHA. Participant represents that it has the right to provide VHA and its subsidiaries with Data for the uses described in this provision.

3. **Databases and Reports.** Participant agrees that there are no VHA warranties or representations with regard to the Databases and Reports. Participant agrees to be solely responsible for the results of its operational use of the Databases and Reports. Databases and Reports may sometimes include portions of VHA's, its subsidiaries', and their suppliers' confidential data, such as Member pricing data, supplier pricing data, and contract terms and conditions. Participant agrees to perpetually treat the Databases and Reports as confidential information of VHA, its subsidiaries, and their suppliers, and therefore shall not disclose them to third parties or use them for any purpose other than its own internal use. However, Participant may disclose them to its consultants that are


This information is proprietary and highly confidential.
Any unauthorized dissemination, distribution, or copying is strictly prohibited.
Any violation of this prohibition may be subject to penalties and full recourse under law.

under confidentiality agreements with the Participant, which restrict the consultants to using Databases and Reports for the sole purpose of providing services to Participant, prohibit Databases and Reports use for benchmarking purposes for other consulting clients, and prohibit Databases and Reports permanent storage in the consultant's databases.

**4. General Terms and Conditions.** Each party's liability under this Participation Agreement shall be limited to the amount of any fees paid to VHA for the Supply Chain Analytics Products. Neither party shall be liable for punitive, incidental, special, or consequential damages, including without limitation, loss of business or loss of profits, arising out of or in connection with this Participation Agreement, even if advised of the possibility of such damages. Participant understands that any delays or failure to perform its responsibilities may affect VHA's ability to support and deliver each requested Supply Chain Analytics Product. The term of this Participation Agreement is perpetual until terminated by either party with or without cause. Either party may at any time terminate this Participation Agreement for its convenience, without liability, by providing at least thirty (30) days prior written notice to the other party. Either party may at any time terminate this Participation Agreement for cause if the other party fails to cure a breach within thirty (30) days after receiving written notice thereof. Data rights and obligations shall survive the expiration or earlier termination of this Participation Agreement. This Participation Agreement is the entire agreement between the parties hereto and supersedes any prior oral or written agreement related to the subject matter herein.

**5. Notices.** All notices related to this Participation Agreement shall be in writing and shall be deemed to have been given when delivered personally, or at the time sent, if sent by registered or certified United States mail, return receipt requested, postage prepaid, or by FedEx or similar delivery service for overnight delivery, and addressed to the other party as follows or at such address as such party from time to time may indicate by written notice to the other party:

If to VHA:

VHA Inc.
Attn: General Counsel
220 East Las Colinas Blvd.
Irving, Texas 75039-5500

If to Member:

Palomar Pomerado Health
Attn: Paul Sas, District Director Supply Chain
15255 Innovation, Suite 202
San Diego, CA 92128

Authorized representatives of the parties have signed this Participation Agreement below. Please sign two originals and return both to VHA at the addresses listed above. VHA will sign both originals, return one to Paul Sas, and retain the other signed original for VHA's records.

| VHA Inc. | Palomar Pomerado Health |
|---|---|
| By: _____ | By: _____ |
| Printed Name: _____ | Printed Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |


This information is proprietary and highly confidential.
Any unauthorized dissemination, distribution, or copying is strictly prohibited.
Any violation of this prohibition may be subject to penalties and full recourse under law.

# VHA SUPPLY CHAIN NETWORK AGREEMENT

This VHA Supply Chain Network Agreement ("Agreement") is made and entered into by and between VHA Inc. ("VHA"), a Delaware corporation having a principal place of business at 220 East Las Colinas Boulevard, Irving, Texas 75039-5500; and Palomar Pomerado Health, having a principal place of business at 15255 Innovation, Suite 202, San Diego, CA 92128. Palomar Pomerado Health is a participant in the Southern California Supply Chain Network, each participant of which is contemporaneously individually signing the same form of agreement with VHA is referred to as "SCN Participant" herein. This Agreement will become effective on the first day of March 1, 2009 (the "Effective Date").

I. Purpose

VHA provides SCN Participant under this Agreement with unique, expandable, and tailored services for supply cost management. It includes targeted services through VHA and VHA's contracting services company, Novation LLC ("Novation"), which are aligned to leverage core competencies and improve efficiency in the supply chain for SCN Participant. The services focus on performance against jointly established cost reduction objectives and execution against agreed-upon milestones. The services address SCN Participant's specific needs through contracting and analytic services.

II. Contracting and Analytic Services

VHA will provide the following Contracting and Analytic Services to SCN Participant to include analysis of Agreement Participant supply spend to prioritize savings opportunities, including contract conversion opportunities, maximization of contract tiers, price leveling among Agreement Participants, contract enhancements, and negotiating specialized contracts on behalf of SCN Participant as described below.

1. VHA will analyze Agreement Participant supply spend and develop a mutually agreed upon contracting strategy, prioritized opportunities, and implementation plan for contract development.

2. VHA will manage the collection, processing, and reporting of SCN Participant and Agreement Participant supply spend data to identify savings opportunities based upon contract maximization, price leveling, and market benchmark pricing.

3. VHA and SCN Participant will coordinate the priorities and implementation plan with the Novation national bid calendar when possible.

4. VHA will develop a portfolio of contracts for SCN Participant to assist in its efforts to optimize network-wide participation in a common portfolio.

5. VHA will enhance existing VHA and Novation supplier contracts as necessary to achieve this objective.

6. VHA will negotiate new agreements, outside the VHA and Novation contract portfolio, in the event that price leveling, tier maximization, and enhancement of existing VHA and Novation agreement does not meet the requirements of SCN Participant.

7. VHA will ensure that SCN Participant's contract cost is the lowest cost available for its given volume for purchases from the VHA and Novation supplier contract portfolio.

8. VHA will negotiate a market competitive clause – a price adjustment clause based on industry price shifts – in each SCN Participant contract to ensure flexibility to changing market conditions. VHA will negotiate no price increases in SCN Participant contract portfolio for the life of each contract. Exceptions are to be approved by SCN Participant.

9. VHA will negotiate contracts and provide legal review in accordance with VHA's and Novation's standard contract practices. This assumes all SCN Participant contracts are fully compliant with all applicable federal, state, and local regulations, including excluded entity provisions. VHA will engage in any initial discussions with suppliers should they have issues with excluded entity provisions; if no resolution is achieved, VHA would engage SCN Participant for final negotiation and decision. SCN Participant contracts will require suppliers to sign a Health Insurance Portability and Accountability Act (HIPAA) Business Associate Agreement with SCN Participant, should SCN Participant request that they do so.

10. VHA will develop a process with SCN Participant to measure contract supplier performance that may include product fill rates and timely reporting by suppliers.

11. VHA will assign resources as necessary to deliver Contracting and Analytic Services to SCN Participant under this Agreement. The Portfolio Executive will be supported by analytical resources from VHA will take operational direction from SCN Participant and VHA.

12. SCN Participant and VHA will establish agreed upon performance objectives (benchmarks) and milestones on an annual basis.

13. VHA will define and SCN Participant will agree on how savings will be quantified, tracked, and reported on a quarterly basis.

14. VHA and SCN Participant will conduct quarterly progress reviews and contribute information and resources to develop progress reports. Progress reviews will include, but not be limited to, such topics as product and contract selection and prioritization, financial analysis of savings, compliance results, identification of barriers to success, action items for improvement, and review of performance objectives (benchmarks) and milestones.

15. VHA will make all reasonable efforts to track and manage manufacturer rebates owed to Agreement Participants and negotiate quarterly payments of such rebates from suppliers to Agreement Participants.

SCN Participant responsibilities include the following:

1. SCN Participant will provide line item supply spend information to VHA in a mutually agreed upon format on a timely basis.

2. SCN Participant will establish minimum commitment levels before VHA enters into contract negotiations.

3. SCN Participant will achieve compliance and conversion timeframes on the contract portfolio within mutually agreed-upon targets.

4. SCN Participant will notify VHA of any opt-outs or barriers to conversion.

5. SCN Participant will tie any internal SCN Participant pre-commitment process to the Novation national bid calendar if this schedule allows SCN Participant to achieve its cost savings targets within acceptable timeframes.

6. SCN Participant will provide VHA employees providing Contracting and Analytic Services access to SCN Participant and Agreement Participant purchasing and contract information, including market intelligence information gathered by SCN Participant or Agreement Participants, such as pricing, terms, and conditions provided by suppliers to

SCN Participant or Agreement Participants, subject to SCN Participant and Agreement Participant contractual obligations concerning confidentiality.

7. SCN Participant will allow VHA resources providing Contracting and Analytic Services to participate in a staff role on SCN Participant councils as directed by SCN Participant.

III. Payment for Services

Each SCN Participant will pay to VHA Thirty Thousand Dollars ($30,000) in Supply Chain Custom Charges ("Supply Chain Custom Charges") each year of this Agreement for Contracting and Analytic Services described in section III, above.

VHA will invoice Supply Chain Custom Charges on an equally amortized monthly basis over the Term of this Agreement.

IV. Standard Provisions

A. Term and Termination

1. The Effective Date of this Agreement is March 1, 2009. The Agreement will be in full force and effect through February 28, 2010 (the "Term of Agreement"), unless earlier terminated for convenience or cause.

2. VHA or SCN Participant may at any time during the Term of this Agreement terminate the entire Agreement on behalf of all parties for its convenience without liability by providing at least ninety (90) days prior written notice to the other party. Agreement Participants may at any time during the term of this Agreement terminate their individual participation in the Agreement for their convenience without liability by providing at least ninety (90) days prior written notice to VHA and SCN Participant. In such event, the terminating Agreement Participants' rights and obligations will end and be prorated up to the effective date of termination, and VHA's sole liability for all financial responsibilities of VHA in Section II. Contracting and Analytic Services, above, will be to provide a prorated amount of services for the year in which the termination occurs. No other financial responsibilities, guarantees, or other commitments in subsequent years will apply.

3. VHA or SCN Participant may at any time during the Term of this Agreement terminate the entire Agreement for cause and pursue its legal remedies, if the other party fails to cure a material breach within thirty (30) days after receipt of written notice from the non-breaching party.

B. General Terms and Conditions

1. Assignment – No party may assign this Agreement to any third party without the prior written consent of the other parties.

2. Compliance with Law – All parties will comply with applicable federal, state, and local law and regulations in the performance of their obligations in this Agreement, including, but not limited to, the requirements of the federal fraud and abuse statute, codified at 42 U.S.C. 1320a-7b, as amended, and relevant regulations thereto. With respect to any price reduction (e.g., a discount or rebate) or any other form of remuneration that SCN Participant or Agreement Participants receive or earn pursuant to this Agreement, SCN Participant or Agreement Participants may have an obligation – pursuant to 42 C.F.R. §1001.952(h)(1), for example – to report (and to provide information concerning) such value (as part of the cost reporting process, for example) to federal or state health care programs or other payers.

3. Confidentiality – Except as provided below, no party will, during the Term of this Agreement and for a period of three (3) years after the expiration or termination thereof, publish, disseminate, or disclose to any third party, other than its employees with a need to know who are under nondisclosure obligations, or use for any purpose other than compliance with this Agreement, any confidential or proprietary information (hereinafter "Information") provided to it by the other party which is marked as "Confidential," "Proprietary" or a similar legend, or which is orally identified as such at the time of disclosure. This obligation of confidentiality and nondisclosure will apply to any Information about the existence and substance of this Agreement. This obligation of confidentiality and nondisclosure will not apply to Information: i) that is published by the disclosing party or otherwise becomes available to the public other than by a breach of this Agreement; ii) is rightfully received by the recipient from a third party not under an obligation of confidentiality; iii) is known by the recipient prior to disclosure by the disclosing party or independently developed by the recipient prior to disclosure by the disclosing party; or, iv) is required to be disclosed pursuant to a lawful subpoena from a court of competent jurisdiction or in response to a valid request by a governmental agency, so long as the recipient/disclosing party uses reasonable efforts to notify the owner prior to such disclosure.

4. Entire agreement – This Agreement is the sole and entire agreement between VHA, SCN Participant, and Agreement Participants relating to the subject matter, and supersedes all prior understandings, agreements, proposals, and documentation relating to the subject matter herein. Notwithstanding the foregoing, the Shareholder Agreement(s), Patronage Agreement(s), New Business Model Amendment(s) among the parties will remain in full force and effect for the duration of its term of agreement period. This Agreement may be amended only by a document signed by authorized representatives of VHA and SCN Participant.

5. Force Majeure – No party hereto will be liable for delays in performance arising from events beyond its reasonable control, such as acts of God, terrorism, or war.

6. Independent Entities – None of the provisions of this Agreement are intended to create or do actually create any joint venture or other relationship among the parties other than that of independent entities contracting with each other solely for the purpose of effecting the provisions of this Agreement. Neither the parties nor their employees will be construed to be the agent, the employer, employee, or representative of the other.

7. Insurance – SCN Participant and Agreement Participants agree to maintain at their own expense, commercial general liability insurance including blanket contractual liability coverage with minimum limits of One Million Dollars ($1,000,000) per occurrence and Three Million Dollars ($3,000,000) annual aggregate. Such insurance will include VHA, its subsidiaries, and licensees as additional insureds. Within thirty (30) days from the Effective Date of this Agreement, SCN Participant and Agreement Participants will submit to VHA a certificate of insurance attested by a duly authorized representative of the insurance carrier or carriers, evidencing that the insurance required is in force and in effect and that such insurance may not be canceled or materially changed without giving VHA at least thirty (30) days prior written notice.

8. Internal Use Only – VHA grants to SCN Participant and Agreement Participants the limited right to use the custom services and other deliverables for their internal use only. SCN Participant and Agreement Participants will not reproduce any of the materials, programs, documentation, or aids related to the services and deliverables for the purpose of distribution to any other party. All programs, concepts,

methodologies, and aids related to the services and deliverables remain the property of VHA, and may be reproduced solely for the internal use by SCN Participant and Agreement Participants only upon approval of VHA.

9. Limitations of Liability – The liability of each party is limited to the amount of pro rated payments that would have been due hereunder up to the point of termination or expiration of this Agreement, and no party will be liable for special, incidental, or consequential damages.

10. No-Hire – No party will hire, either directly or indirectly, any employee of the other parties assigned to or involved with fulfillment of this Agreement for two (2) years after the termination or expiration of this Agreement.

11. Notices – All notices related to this Agreement will be in writing and will be deemed to have been given when delivered personally, or at the time sent, if sent by registered or certified United States mail, return receipt requested, postage prepaid, or by FedEx or similar delivery service for overnight delivery, and addressed to the other parties as follows or at such address as such parties from time to time may indicate by written notice to the other parties:

    If to VHA:

    VHA Inc.
    220 E. Las Colinas Blvd.
    Irving, Texas 75039-5500
    Attn: Tom Nikiel

    With a copy to:
    VHA Inc.
    Attn: Michael Regier
    Senior Vice President and General Counsel
    220 E. Las Colinas Blvd.
    Irving, TX 75039-5500

    If to SCN Participant:

    Palomar Pomerado Health
    Attn: Paul Sas
    District Director Supply Chain
    2227 Enterprise Street
    Escondido, CA 92029

    With a copy to:
    SCN Participant Name
    Attn: General Counsel
    Street Address
    City, ST Zip Code

12. Payment for Services – SCN Participant and Agreement Participants will pay for all chargeable VHA services hereunder by either electing to deduct the charges from payments in the VHA Quarterly Statement, or by paying in cash within thirty (30) days after receipt of invoice.

13. Records and Audit – Each party will keep such books, records, and accounts that are adequate to document and substantiate the transactions in this Agreement. They will be made available at the party's place of business for inspection and audit during the Term of this Agreement and for four (4) years after expiration or termination of this Agreement, by the other parties or their authorized representatives, and by the Secretary of Health and Human Services or the Comptroller General of the United States or any other duly authorized representative.

14. Warranty – VHA warrants that the custom services provided herein will be performed in a good and competent manner in accordance with the cost reduction goals and commitments described herein. SCN Participant or Agreement Participants will provide written notice to VHA during the Term of this Agreement of any nonconformity of the custom services. In such event, the sole remedy of SCN Participant or Agreement Participants, and the sole liability of VHA will be at VHA's option to refund any fees paid for such nonconforming services, or to promptly re-perform the nonconforming services. NO OTHER WARRANTIES APPLY, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE.

IN WITNESS WHEREOF, authorized representatives of the parties have signed this Agreement below.

| | |
|---|---|
| Authorized Signature SCN Participant | Title |
| Printed Name | Date |
| Authorized Signature VHA Inc. | Title |
| Printed Name | Date |

Attachment(s): Exhibit I: Legal Contracting Guidelines Exhibit II: Payment Election Option

**Exhibit I – Legal Contracting Guidelines**

These Legal Contracting Guidelines apply to

- SCN Participant and the other members of the Southern California Supply Chain Network (each referred to below as "Participating Members") will not set prices at which each party will buy products or services.
- Participating Members will not collectively refuse to deal with any supplier/service provider in order to extract better prices/terms.
- Participating Members will not engage in any exclusive dealing contracts.
- All products and services obtained through the Supply Chain Network will be for "own use."
- No individual pricing or other sensitive information can be shared between the participating members.
- VHA staff will not solicit information from a Participating Member if it is known that the Participating Member is prohibited by contract from disclosing that information.
- The Participating Members will not seek or sign as a group any agreements that could be considered to contain bundled discounts.
- All amendments to Novation or VHA agreements will be co-terminus with the Novation base agreement.
- All amendments to Novation or VHA agreements will be reviewed by Novation's or VHA's legal department prior to execution.
- All free or discounted services, conversion assistance, and data fees will be specifically reviewed by Novation's legal department (for all agreements that are currently on contract with Novation) or Participating Member legal counsel (for non-contract products/services) prior to group signing agreements with these provisions.
- Commitment in excess of 75% on any clinical preference items (as listed in the Novation document titled *Clinical Preference Listing 12/20/07*) will require legal review. If a Novation agreement, Novation legal counsel will review. If non-contract item, Participating Member's legal counsel will review.

**Exhibit II -- Payment Election Option**

VHA allows custom services charges and/or reimbursable expenses to be deducted from Palomar Pomerado Health cash distributed through the VHA Quarterly Statement if Member System's CEO, CFO, or their designee approves this action by signing below or by indicating this approval on Custom Charges and/or Reimbursable Expenses invoice(s).

If the Custom Charges and/or Reimbursable Expenses of this SOW exceed the projected cash distribution expected through the VHA Quarterly Statement, Palomar Pomerado Health will be required to pay remaining balance directly to VHA.

C.

D. Please check a), b), or c), and "Yes" or "No": a) Custom Charges only ____ b) Reimbursable Expenses only ____ c) Custom Charges and Reimbursable Expenses ____ of this SOW are approved to be deducted from Palomar Pomerado Health cash received through the VHA Quarterly Statement: ____ Yes ____ No

Copies of paid invoices will be sent to your organization for your records.

Authorized Member System Signature _____

Member System CEO, CFO, or Designee (print)_____

*Authorized designee(s) for signature at Member System include: To be completed by Proposal Team/Finance.*

# ADDENDUM E

# PARTICIPANT ROSTER

## PALOMAR POMERADO HEALTH
## HOSPITAL, EMERGENCY CARE, TRAUMA CENTER IMPROVEMENT AND REPAIR MEASURE BONDS

## INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE

## ANNUAL MEETING

**Palomar Pomerado Health, 15255 Innovation Drive, San Diego, CA**

| PARTICIPANTS | MEETING DATES | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 7/12/05 | 10/5/05 | 3/28/06 | 12/19/06 | 12/18/07 | 9/23/08 | | |
| **MEMBERS** | | | | | | | | |
| WILLIAM C. BONNER (AT LARGE) | | | | | | P | | |
| WILLIAM L. CORWIN (AT LARGE) | P | P | P | P | P | P | | |
| MARGUERITE JACKSON DILL, PHD, RN, FAAN (NURSE) | | | | P | P | P | | |
| EDWARD R. LEHMAN (SR CITIZENS' ORG) | P | P | P | P | P | A | | |
| JOHN MCIVER (BUSINESS ORG) – SECRETARY | P | P | P | P | P | P | | |
| MARGARET MOIR (AT LARGE) | P | P | P | P | P | P | | |
| H. SCOTT PECK (AT LARGE) | | | | | | P | | |
| BOB WELLS (TAXPAYERS' ORG) – VICE CHAIR | P | P | E | P | P | P | | |
| STEPHEN P. YERXA (AT LARGE) – CHAIR | P | P | P | P | P | P | | |
| **DISTRICT SUPPORT STAFF** | | | | | | | | |
| BOB HEMKER, CFO | P | P | P | P | P | P | | |
| TANYA HOWELL, EXECUTIVE ASST – SCRIBE | P | P | P | P | P | P | | |
| JANINE SARTI, GENERAL COUNSEL | | | | | | P | | |
| **GUEST(S)** | | | | | | | | |
| KATHLEEN LEAK, BOND COUNSEL - ORRICK, HERRINGTON & SUTCLIFFE | | | P | P | P | E | | |

*[P = Present  E = Excused  A = Absent]*

ADD E-2

# Independent Citizens' Oversight Committee (ICOC)
# Meeting Minutes – Tuesday, September 23, 2008

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| **I. CALL TO ORDER & ROLL CALL** | **The meeting was called to order at 2:05 p.m. by Acting Chair Steve Yerxa, followed by roll call.**<br>***See roster for attendance***<br>***Bob Hemker stated that General Counsel to the ICOC/PPH Bond Counsel Kathleen Leak was available by phone if any portion of the meeting required assistance from her.***<br>• Leonard Martin & Charles Hare were introduced as members of the public interested in observing the meeting. They did not wish to address the Committee.<br>• Joanna Sainmervil was introduced to the Committee. She is serving an Administrative Fellowship at PPH. | |
| **II. PUBLIC COMMENTS** | • None | |
| **III. INFORMATION ITEM(S)** | • Bob Hemker informed the Committee that PPH is currently in the process of preparing the next issue of General Obligation (GO) Bonds<br>o The transaction is scheduled to finalize around mid-November, in the amount of $110M principle proceeds<br>o Timing is consistent with the overall Plan of Finance (PoF), which integrated GO Bonds and Revenue Bonds<br>■ The last issue of Revenue Bonds was via a Certificates of Participation (CoP) tool<br>■ Continue to see the use of both instruments<br>o Prior issuance history:<br>■ 2005 were GOs<br>■ 2006 were CoPs<br>■ 2007 were GOs<br>■ 2008 will be GOs and conversion of the 2006 monies, currently traded as Auction Rate Securities (ARS)<br>➢ The conversion would provide the potential for a fixed instrument for those bonds, which would be more favorable based on the current status of the market<br>o The primary driver for choice of bonds to use when paying for goods and services is their | |



ADD E-3

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|

allowability
- Revenue bonds can be used for anything under the Facilities Master Plan (FMP)
- GO Bonds are restricted in their usage
  - Most notable is that GO monies cannot be used for movable equipment
- Expenditures are initially paid out of hospital funds
  - Then the items are bundled together for the monies to be drawn from the appropriate GO or Revenue Bonds to reimburse those expenditures

o There are also spend-down rules for various types of bonds to maintain their tax-exempt status

o Although the ICOC had requested to meet more frequently than once a year, those extra meetings have not occurred as there were no bond expenditures on which to report

- Discussion of the impact of the fires and the market regarding assessed values in the District
  - o Nominal economic impact to assessed values
    - We are seeing rebuilding from the 2003 and 2007 wildfires
    - Subprime average growth is not showing double-digit increases
    - We are still ahead of projections and calculations of 5.6% average growth
    - Used the services of Citigroup to make our projections
    - Haven't seen anything to suggest a risk to the tax levy rate as calculated
  - o Measure BB approves the amount of bonds limit, but there were no restrictions on the tax levy amount
    - PPH targeted the $17.75/$100,000 of assessed value, and the upcoming GO Bond issue will keep to that
  - o On a side note unrelated to the GO Bonds, the 2006 Revenue ARS Bonds reset on Monday, Tuesday and Wednesday each week
    - 1/3 of the total bonds issued resets on each of those days
    - Last week had some of lowest resets ever; this week has some of the highest
  - o The market is still very strong for protected bonds
    - Pension funds' portfolios are required to have AAA bonds in them
    - If a bond insurer were to lose that rating, fund investors might have to dump that bond from their portfolios
- Terms of office for ICOC members
  - o Terms were originally staggered to allow continuity of membership
  - o Newly appointed members will have a two-year term, followed by one consecutive two-year term
  - o Will start truing up, which on advice of counsel is okay
    - Some will cycle off disproportionately

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|

- Mssrs. Lehman, Wells & Yerxa will all have served their final term of office on June 30, 2009

- A copy of the Procedures, Policies & Guidelines (PP&G) was included in the agenda packet
  - Informational materials, provided for reference, especially since we have two new members, on which Mr. Hemker would be happy to speak to if anyone desired
  - No further discussion
- PPH's financial statements will be embedded into the latest bond offerings
  - The ICOC will receive a courtesy copy of the audited financials when they are finalized
    - Will allow them to see how GO Bonds are handled on the books
  - GO Bond reimbursements go through several levels of review
    - Staff reviews to assure everything is reimbursed with appropriate funds
    - Procedural flow of a reimbursement (example):
      - PPH purchases steel
      - DPR, the construction management company, reviews the invoice for propriety (e.g., appropriate for tonnage received, in conformity with the contract), then approves the invoice for payment
      - Then signed off by the in-house facilities team (Mike Shanahan and George Gigliotti)
      - Then the invoice is forwarded to the to General Finance Department through a purchase order for payment
      - Controller and/or the Manger of General Accounting reviews to ensure it ties out as appropriate to be reimbursed with GO Bonds, then records it via fixed asset account for reporting purposes
      - Funds requests are then compiled into memorandums outlining expenditures PPH has made, and Bob Hemker makes a request to draw from bond proceeds
        (a) If Mr. Hemker is out of office and has transferred office responsibilities to the Controller (via memo to the PPH Board and CEO), then Controller can make the formal request
        (b) Can also ask the Trustee to pay a vendor directly
      - Staff also does a reconciliation of bank accounts, looking at the same documents provided to the ICOC to ensure they tie out and total
        (a) Also reviewing to confirm expenditures are for capitalizable assets
    - Time element, beginning to end?
      - Assuming timely submission of invoice – as short as 30-45 days
        (a) Will take advantage of all discounts available
      - Tries to keep cycling to reimbursement in a 30-day window for payments made from PPH working capital and then reimbursed from trusteed bond funds

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| | ■ External audit staff actually verifies bonds compliance<br>⅄ They do a statistical sampling of the balance sheet and the profit & loss statement (P&L)<br>■ GO Bonds reside in the audited financial statements utilizing Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) principles<br>■ Although it doesn't reduce the role of the ICOC, there are about 7 levels of touch-point and validation point review and confirmation before the documentation gets to the ICOC<br>■ There are also logistical challenges because the GO Bond measure covers multiple assets and multiple financing areas<br>o When we developed Measure BB, there was a value added in terms of responsibility to elect an ICOC<br>■ Hospital districts are not required to do so by statute | |
| **IV. OATH OF OFFICE** | In unison, right hands raised, new and reappointed members (William C. Bonner & H. Scott Peck; and William L. Corwin, Marguerite Jackson Dill, John McIver & Margaret Moir, respectively) simultaneously read the Oath of Office, then signed copies for their files and for the record. | A shorter method of swearing in was requested. *At future meetings containing new members, members will be requested to silently read the oath, then raise their right hand and state that they have read, understand and agree to its terms and conditions.* |
| **V. MINUTES**<br>**ICOC MEETING**<br>DECEMBER 18, 2007 | • The minutes from the December 18, 2007, meeting were distributed on January 15, 2008, via email. There were three actionable items:<br>o Bob Hemker responded to Dr. Michael's inquiry and received no further response<br>• Request on page Add B-4 regarding a review of potential conflict issues<br>o Steve Friar was notified that there would be a potential conflict should his new employer wish to bid on projects, so he resigned from the ICOC<br>o Marguerite Jackson Dill's position on the State Hospital Building & Safety Board was deemed by counsel Kathleen Leak to pose no conflict of interest, and she was so informed<br>• The minutes were distributed within 30 days of the meeting, in accordance with Chair Steve Yerxa's request | **MOTION:** By Bill Corwin, seconded by Marguerite Jackson Dill, and carried to approve the Minutes of the December 18, 2007, ICOC Meeting. |
| **VI. DISCUSSION AGENDA** | | |
| **REPORTS** | | |

# Independent Citizens' Oversight Committee (ICOC)
# Meeting Minutes – Tuesday, September 23, 2008

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| **A. SUGGESTED OFFICERS FOR APPOINTMENT BY PPH BOARD OF DIRECTORS** | • Although the District Board is responsible for final appointment of new members to the ICOC, the Chairs of the District Board and the District's Board Finance Committee have been ceded the responsibility for making officer appointments<br>o Recommendation by staff that current officers be appointed<br>o Requesting a recommendation from this group | **MOTION:** By Margaret Moir, seconded by Marguerite Jackson Dill and carried to accept the staff recommendation that current officers be re-appointed.<br><br>No other recommendations |
| **B. BI- ANNUAL MEETINGS OF THE ICOC** | • Bob Hemker noted that the ICOC is required by the PP&G to hold an annual meeting<br>o In prior years, if there was a mid-year need, a meeting would be scheduled at that point, but it was not worthwhile to have a meeting just to meet<br>o What we see coming up with the main project is the spending side is gearing up, and we definitely see opportunity for a mid-year meeting<br>▪ More timely opportunity for review and for the sheer volume of the anticipated information<br>o Steel is supposed to start going up in November, so a visit to the job site will be included as part of the mid-year meeting<br>o We will by then be moved into the new Administrative Offices in the Coral Building across from Palomar Medical Center in Escondido, and the meeting would be held there<br>o Are there any obvious limitations by the group, at least at this point, regarding having workable dates of those listed?<br>o Margaret Moir encouraged that a meeting be scheduled now instead of waiting<br>o Suggested mid-month dates in April were suggested as the March close would be completed by then | **MOTION:** By Steve Yerxa, seconded by Bob Wells and carried to schedule the mid-year meeting on Tuesday, April 21, 2009; with Tuesday, May 12, 2009, to be held as a back-up in case of an unavoidable conflict |
| **A. FACILITY MASTER PLAN (FMP) – STATUS REPORT** | Utilizing the presentation included in the agenda packet as Addendum C, Bob Hemker gave the Committee an overview of the current status of the FMP projects. Highlighted were:<br>• Seismic at McLeod Tower<br>o Office of Statewide Health Planning & Development's (OSHPD) ruling regarding the seismic rating of SPC1 (with a deadline for completion of seismic safety compliance of 2013) was submitted under appeal for re-evaluation<br>o We were one of the first hospital entities to go back for reconsideration, and the rating was upgraded to an SPC2, which extended our deadline for seismic compliance to 2030<br>▪ Now there's a backlog and a long waiting list, which the District avoided by acting quickly<br>o Creates additional flexibility surrounding PMC East as to timing, needs, opportunity for bed capacity and how we can use that space for market share growth between 2013 & 2030<br>• Initially, seismic remediation was one of the key drivers to the FMP, but the needs of the future (e.g., bed capacity and new delivery abilities for healthcare) were also of prime concern to the District<br>o PMC East is certainly usable, and now we have extra beds for future needs | **Information only** |



ADD E-7

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| | o Now have additional capacity to provide women's services, acute rehab and behavioral medicine<br>o Under SPC1 rating, the District could have used McLeod Tower for ambulatory services, offices, etc., but it couldn't have been used for acute inpatient beds<br>• Would McLeod Tower expenditures still be eligible for reimbursement from Measure BB monies?<br>o Measure BB authorized the use of proceeds to meet the District's purposes of what it does as a hospital/healthcare district, including acquisition, repair and replacements of lands and buildings – both new & used; as well as allowing for refurbishment of existing assets as long as they were within the primary existence of PPH<br>▪ For example, if we said we wanted to turn McLeod Tower into a Sears store – which is totally outside the character and purpose of PPH and would not include of healthcare services, that venture would not be allowable under Measure BB<br>▪ If we are strengthening it for the intended purpose of healthcare delivery services, then funding would be allowing under Measure BB<br>o As the FMP has evolved, funding dollars have also been moved around<br>▪ There are no requirements in Measure BB for spending specific dollar amounts at any one or the other of the facilities<br>o There is still flexibility with regard to appropriateness of funding through Measure BB<br>▪ If further review proves that expenditures were inappropriately reimbursed from Measure BB funding, the transaction can be reversed and replaced from other funding sources<br>• Cap on complete and total expenses and tie to financial and capital plan is being maintained<br>o Intention was always to have some beds shelled (e.g., the floor would be built out, but the actual rooms would be built only as the need developed)<br>▪ The outside walls must be properly sized, and the power plant must be sized for future needs<br>▪ McLeod Tower was built the same way, with the 8th & 9th floors initially left unfinished<br>o Must also look at continuum of care & efficiency of care<br>o We are utilizing acuity adaptable beds, which can be adapted for different levels of care and will enhance our flexibility and options<br>• Biggest challenge any organization faces is this point in time, when we are expending significant dollars building an asset and not yet benefitting from a revenue producing stream from that asset<br>▪ We're adding capacity, not just replacing size-for-size<br>• Anticipate finishing the building in the second quarter of 2011, being in before 2012<br>o December, January and February are historically high season<br>o Goal is to get into the new building as soon as it is functionally completed for training<br>o Marcia Jackson has taken on the new role of transformation planning | |

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| | • POM campus<br>o During construction of the new tower, the front door will be moved to the rear of building to prevent encumbering patient access<br>o Outpatient services building developed via a joint venture between PPH and a development company<br>▪ Off-balance sheet for PPH as we are landlords to a ground lease to the LLC<br>▪ PPH will be leasing space on some floors<br>(1) Floors 1 & 2 will be used for PPH ambulatory services<br>o Measure BB monies couldn't be used on the outpatient services building as it's not an owned asset, and build-out and tenant improvements are excluded because of that<br>• Black Mountain site<br>o Will be utilizing similar joint venture options at Black Mountain, with leasing rights in the ground lease, and no hard monies expended<br>▪ Drawings of the proposed buildings and site plan were included in the presentation<br>• Valley Boulevard in Escondido<br>o The Memorandum of Understanding (MOU) with the City states that when the district has purchased five properties on Valley Boulevard, the City will close off that segment and deed it to PPH – no specified time frame for them to actually close the street after the request<br>o The District now owns all property on both sides of that street<br>▪ Closing on the final property is scheduled for mid-December<br>▪ The District will submit a request for street closure to the City after the property closes escrow<br>▪ Some of the staff and services from the Innovation building will move to the Coral building, including Administrative staff and HR functions<br>• We are on track with our timelines and still holding to the FMP pricing of $983M from GO & Revenue Bonds | |
| **B. DISTRICT EXPENDITURE REPORT FOR FYE JUNE 30, 2008** | Utilizing Addendum D of the agenda packet, the annual expenditures were reviewed for appropriateness and consistency with Measure BB authorization:<br>• The Committee will be formally reviewing Draws 17-19 for the Series 2005A GO Bonds and Draw 1 for the Series 2007A GO Bonds, with supplemental information through Draws 2&3 for the Series 2007A GO Bonds for expenditures made in FY2009 (*Attachment 1*)<br>• Key pages will be referenced by their corner page numbers<br>o 2 sets of information as they roll forward may appear to be duplication, but the monies from the first statement can be tied to the second<br>▪ D18 – is a summary statement of the Trustee, Wells Fargo's, transactions for FY2008, showing $4,982,054.88 in expended funds | *Information Only* |

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| | ▪ D20 – shows what the Trustee disbursed out of the monies<br>o D23 is an August 2008 Statement with a balance of $13.98 still there, as we exhausted the funds in the Series 2005 A first issue<br>o D28 – begins with Draw 17 (reviewed Draws 1-16 in FY2007) in the amount of $950K+<br>o D29 – Requisition was signed by Corporate Controller Tim Nguyen, who was given authority administratively to act as CFO during that period of time and signs as himself "for Bob Hemker"<br>▪ Very notable in timing for that draw as, if it crosses over a month, it depletes cash on hand which affects working capital and days cash on hand covenants for the District<br>o D31-33 are detailed listings of the actual expenditures behind the draw request<br>o D34-35 – Draw 18 requesting $4,023,887.14, which was the bulk of the Series 2005A funds remaining<br>▪ Bob was out of the office at least a week at that time<br>▪ Tim is always in contact with Bob and does not take it into his own accord to make draws, even though he has the authority to sign for them<br>▪ D44 was Draw 19, the final draw on the Series 2005A funds<br>• Discussion of expenditures:<br>o D32 – There is an expense to JRMC Real Estate dated May 14, 2007 in the amount of $23,744.59 for A&E and Consulting<br>▪ JRMC is the developer of the ERTC property<br>▪ Payment was for a source water inventory project (SWIP)<br>▪ We were required to put in protection systems at the PMC West site to catch rainwater runoff from PPH's property<br>▪ JRMC did the work and we repaid them<br>o D47 is a recap of draws by vendor name – what is an Honorarium Reversal<br>▪ The District had previously paid speaking or consulting fees for services rendered (categorized as an "Honorarium" in the records), and the ICOC suggested those were not appropriate uses of GO Bond monies<br>▪ The District agreed and is no longer using GO Bond monies for such items<br>▪ The Finance Department has done a diligent review of past invoices, and all monies reimbursed for those fees have been placed back into the GO Bond fund<br>• Noting that the members of the ICOC were new to the process, Bob Wells stated that it would be nice to have some document from an outside, nonbiased source to tell the Committee that everything PPH said was accurate, and he would feel much better about his duties. He asked if it would be appropriate to have an outside auditing company review the books and state whether expenditures were made pursuant to Measure BB?<br>o There is no budget nor are there funds with which the ICOC could hire an independent | |

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| | auditor<br>o That would also not typically be covered under the scope of services for PPH auditors and would be above & beyond their engagement<br>▪ The District's auditors scope of work includes the indebtedness on the books and where it ties to the asset<br>▪ Auditors would vouch for that, but they don't do line item accounting on GO Bond monies<br>▪ There is no document that just states, "These expenditures are valid under Measure BB".<br>• The ICOC's authority is merely to confirm that funds were spent as provided in the authority to expend Measure BB funds<br>o The ICOC does not have the authority to speak to whether it was the most efficient use of the monies<br>• PPH has attempted to make the job of review easy for the ICOC in the way the material is assembled<br>o Each draw book is tied to a draw, with detailed invoices behind each list of expenditures<br>▪ D35 as an example: A trustee asks, "How do I know you spent that?"<br>(1) We would send them the invoices as well as the recap sheets.<br>▪ D37 – payment to the City of Escondido of just over $32K was for permits & inspection<br>(1) A review of the draw book would provide a copy of the invoice(s) for those funds with signatures of who validated that the work was actually done and that it met contracted terms<br>(2) Handled through paper flow, with the ultimate tie-out becoming the amounts drawn and tying them to the bank account<br>o The ICOC is invited to make random requests to review detailed supporting documents<br>o Margaret Moir arrived early today at 1:00 p.m. and went through invoices on which she had questions<br>▪ She stated that she believed the entire Committee was supposed to be doing that sort of review<br>• Margaret Moir had a problem with the amount being paid CO Architects<br>o Have been paid over $40M<br>o The payment on February 26th included invoices from 2006 & 2007<br>▪ Work period was all over the place, and she could find no corresponding billings to go with it<br>o The prior bill was $113K, with $19K overlapping a period for other billings<br>▪ Does anyone check to ensure these are not duplicate billings?<br>▪ How can they make tens of millions of dollars a month?<br>o The architect submits invoices for a progress payment, showing how much they have paid to | |

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| | date, the contract limit, and what is behind the invoice<br>▪ George Gigliotti and Mike Shanahan check specific details, confirming that invoicing dates are at the point where the work has been completed before they submit for invoicing<br>▪ As long as it's going toward the project and uses of Measure BB monies, the invoices are approved for reimbursement<br>o Are they making a lot of money?<br>▪ The project is front-loaded on soft costs (e.g., construction & engineering), then disproportionate dollars start flipping to the hard costs of steel, etc.<br>▪ Typically architectural & engineering costs (A&E) are easily up around 10% of the total project money, but paid at the beginning of the project<br>(1) Industry standard is 9-12%<br>▪ Anshen & Allen is CO Architects<br>▪ Project management is now DPR (was Rudolph & Sletten)<br>o What about expenses at LAX for one day when they purchased beer & pretzels, green tea, and a Starbucks?<br>▪ We do limit reimburseables, which are sometimes to the contract value in aggregate<br>(1) One in particular was reversed off when they attempted to claim first-class<br>▪ This is a drill-down to the line item detail for review, and is consistent with that done by the construction management team before authorizing payment, and this level of commitment by the members of the ICOC is appreciated<br>• An outside auditor would look at the organization as a whole and review that we were not being fraudulent<br>o If transactions were improper, an auditor would call us on it, which is what the ICOC is supposed to be doing<br>o Hiring an outside agency would take that away from the ICOC<br>• Margaret thanked Tanya Howell for making the information available ahead of time, stating that she found it really eye-opening<br>o It's a huge project, very time consuming, and she feels very much better<br>• Bob Hemker stated that the books are always available – just need to schedule time through Tanya<br>o Should we extend the duration of the meetings and take the time to peruse all the requisitions?<br>o Suggested that the agenda with requisitions be posted earlier than they have been, allowing for a longer period of time for review prior to the formal meeting<br>o March draws will be out by April 7th and the Committee is welcome to come in after that date and review the books<br>• Starting on D67 there is an addition to the account, provided by the deposit of the Series 2007A | |



ADD E-12

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| | issue funds<br>o D68 – 1st draw for $5m – backed up into packet – now into next series of monies – draw #1 of 2007<br>• Discussion of interest rates being earned prior to expenditure and how monies are managed<br>o 2 issues to watch – positive arbitrage situation if invested all – can't earn more than spending<br>• Comments from some that the members still need to understand the role of the ICOC and how to do it | |
| **C. ANNUAL REPORT OF THE COMMITTEE TO THE PPH BOARD** | A draft of the Annual Report was presented for review by the membership<br>• Page 2 contains space for any issues/concerns to be written in<br>• Will be presented to the Board Finance Committee next week, then to the full Board for final review and approval in October<br>o If not approved today, or if there are further questions, it will wait until next month's Finance Committee<br>• Margaret Moir is comfortable with the draft of language and is glad she insisted that we now have two meetings | **MOTION:** By Bob Wells, seconded by Marguerite Jackson Dill and carried to approve the annual report as amended, with no issues of concern annotated. All in favor, none opposed and no abstentions (Mr. Peck had to leave the meeting prior to the vote)<br><br>**Draft with correction of "with" will be forwarded to the Board Finance Committee** |

# Independent Citizens' Oversight Committee (ICOC)
# Meeting Minutes – Tuesday, September 23, 2008

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| **D. COMMITTEE MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MEETING** | • New member Bill Bonner stated that he felt welcomed<br>• Steve Yerxa stated that Ed Lehman had given him a letter of resignation from ICOC today. Minimum membership number is 9, and his resignation leaves the membership at 8. Bob Hemker will notify the Board Finance Committee at their next meeting and request that they post a notice of vacancy.<br>o As Mr. Lehman was also a required member in the Senior Citizens' organization representative seat, we will also need to post the seat as a Required Senior Citizens' organization seat<br>▪ Are any current members active in a Senior Citizens' organization?<br>(1) Bill Bonner is in a Rancho Bernardo Senior Citizens' organization<br>• John McIver commented to the reminder about mileage reimbursement, as he didn't feel obligated to request same<br>o Bob Hemker stated that it is not required, just offered as it is available through PP&G | Recommendation to the Board Finance Committee that Bill Bonner be appointed to fill the vacant Senior Citizens' Organization seat, then post the vacant seat as At Large |
| **E. ADJOURNMENT** | Meeting adjourned at 5:07 p.m. | • **MOTION:** By Steve Yerxa seconded by Bob Wells and carried to adjourn the meeting |

| | | | |
|---|---|---|---|
| **DRAFT REVIEWED AND APPROVED FOR SUBMISSION TO DISTRICT BOARD** | **ACTING CHAIR** | Steven P. Yerxa | |
| | **SECRETARY** | John McIver | |
| **APPROVED BY DISTRICT BOARD** | **CHAIR** | Bruce G. Krider, MA | |
| | **SECRETARY** | Nancy Bassett | |



ADD E-14

# ATTACHMENT 1

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

August 21, 2008

Dania D. Samai, Trust Officer
Wells Fargo Bank
707 Wilshire Blvd., 17th Floor
Los Angeles, CA 90017

RE: Palomar Pomerado Health Project Draw #002 of August 21, 2008

Attached find Palomar Pomerado Health's ("PPH") request for reimbursement of $11,547,145.76 from the 2007 G.O. Bond Project fund account #22676001. Please send these funds to the same bank account previously used to send funds to PPH. To reconfirm, our account number at Bank of America is 14504-50006.

Attached please find a:

- Signed Measure BB project Fund Requisition form
- List of amounts paid by PPH to vendors sorted alphabetically
- Copies (same as order list) of the vendor invoices and checks supporting the expenses.

Please call me at (760) 480-7995, if you have any questions.

Regards,

Tim Nguyen
Corporate Controller
Palomar Pomerado Health

**[Form of Series 2007A Measure BB Project Fund Requisition]**

**Requisition No. 002**

**Series 2007A Measure BB Project Fund**

The undersigned, Robert A. Hemker, hereby certifies as follows:

1. I am the Chief Financial Officer of Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California (the "District").

2. Pursuant to the provisions of that certain Paying Agent Agreement, dated as of June 1, 2005, as supplemented and amended by that certain First Supplemental Paying Agent Agreement, dated as of December 1, 2007 (hereinafter collectively referred to as the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent, I am an Authorized District Representative (as such term is defined in the Paying Agent Agreement) and I am delivering this Requisition on behalf of the District. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Paying Agent Agreement.

3. The undersigned, acting on behalf of the District, does hereby authorize disbursement of funds from the Series 2007A Measure BB Project Fund created pursuant to Section 12.03 of the Paying Agent Agreement to the parties, in the amounts and for the purposes set forth in Schedule I hereto.

TOTAL DISBURSEMENT AMOUNT AUTHORIZED: **$ 11,547,145.76**

4. The undersigned, acting on behalf of the District, hereby certifies that: (a) each item relates to a Project for which CEQA Compliance has been achieved; (b) obligations in the amounts set forth in Schedule I attached hereto have been incurred by the District and are presently due and payable; (c) each item is a proper charge against the Series 2007A Measure BB Project Fund; (d) each item has not been previously paid from the Series 2007A Measure BB Project Fund; and (e) there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: August 21, 2008

**PALOMAR POMERADO HEALTH**

By: _____
Robert A. Hemker
Chief Financial Officer

**Schedule I**
**To**
**Requisition No. 001**

| Party To Be Paid | Payment Amount | Nature of Expenditure | Payment Instructions |
|---|---|---|---|
| **Palomar Pomerado Health** | **$11,547,145.76** | **Reimburse PPH for expenses incurred June 30, 2008** | **Payment via wire transfer as instructed below:** |

Wire transfer instructions

| | |
|---|---|
| Bank Name: | Bank of America |
| Bank Address | 450 "B" Street, Suite 100<br>San Diego, CA 92101 |
| Telex No.: | 67652 SFO |
| Account No.: | 1450450006 |
| Acct Name: | Palomar Pomerado Health<br>General Checking Account |
| Routing #: | 0260-0959-3 |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #002
## 6/30/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| ALLIANT INSURANCE SERVIC | 17411 | 7/1/2008 | 111794 | 942139 | 34,000.00 | INSURANCE | PALOMAR-WEST |
| *SUM — ALLIANT INSURANCE SERVICES (1 detail record)* | | | | | *34,000.00* | | |
| BERGELECTRIC CORPORATI | 14082 | 6/18/2008 | 111012 | 15 | 440,821.13 | CONSTRUCTION | PALOMAR-WEST |
| *SUM — BERGELECTRIC CORPORATION (1 detail record)* | | | | | *440,821.13* | | |
| BRADSHAW ENGINEERING C | 18526 | 6/24/2008 | 314 | 2-1630-2382 | 3,195.00 | CONSTRUCTION | PALOMAR-WEST |
| *SUM — BRADSHAW ENGINEERING CORP (1 detail record)* | | | | | *3,195.00* | | |
| BUREAU VERITAS COMPANY | 17004 | 6/16/2008 | 110935 | 0992177 | 5,155.10 | CONSTRUCTION | POMERADO |
| | | 7/1/2008 | 111752 | 0992535 | 9,877.88 | CONSTRUCTION | POMERADO |
| | | 7/1/2008 | 111752 | 0994711 | 4,032.00 | CONSTRUCTION | POMERADO |
| *SUM — BUREAU VERITAS COMPANY (3 detail records)* | | | | | *19,064.98* | | |
| BURTECH PIPELINE INC | 18947 | 7/1/2008 | 111755 | 107-047-3 | 25,303.70 | CONSTRUCTION | PALOMAR-WEST |
| *SUM — BURTECH PIPELINE INC (1 detail record)* | | | | | *25,303.70* | | |
| CABLE, PIPE, & LEAK DETEC | 15983 | 6/9/2008 | 110329 | 132322 | 210.00 | CONSTRUCTION | POMERADO |
| *SUM — CABLE, PIPE, & LEAK DETECTION (1 detail record)* | | | | | *210.00* | | |
| CALIFORNIA CONSTRUCTION | 13157 | 7/1/2008 | 111769 | 80075 | 170.00 | PERMIT & INSPECT | POMERADO |
| | | 7/1/2008 | 111769 | 80076 | 1,402.50 | PERMIT & INSPECT | POMERADO |
| | | 7/1/2008 | 111769 | 80077 | 6,587.50 | PERMIT & INSPECT | POMERADO |
| *SUM — CALIFORNIA CONSTRUCTION (3 detail records)* | | | | | *8,160.00* | | |
| CITY OF ESCONDIDO | 12719 | 6/24/2008 | 111576 | PERMIT/INSPECTION | 30,470.00 | PERMIT & INSPECT | PALOMAR-WEST |
| | 12009 | 7/14/2008 | 112561 | 2465519110 061508 | 248.49 | PERMIT & INSPECT | PALOMAR-WEST |
| *SUM — CITY OF ESCONDIDO (2 detail records)* | | | | | *30,718.49* | | |
| CO ARCHITECTS | 16122 | 7/1/2008 | 111767 | 2803065 | 91,715.85 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804003 | 1,859.93 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804004 | 607.10 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804005 | 1,819.63 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804006 | 2,221.46 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804007 | 7,447.87 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804008 | 864.77 | A & E and CONSULTING | POMERADO |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #002
## 6/30/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| CO ARCHITECTS | 16122 | 7/1/2008 | 111767 | 2804029 | 3,627.73 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804029 | 4,200.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804030 | 100,939.19 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804031 | 11,833.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804032 | 2,003.33 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804033 | 8,286.05 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804034 | 12,997.92 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804036 | 48,625.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804037 | 986.50 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804038 | 92,623.23 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804039 | 20,718.17 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804040 | 5,404.97 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804041 | 16,795.56 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111767 | 2804042 | 18,769.38 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804043 | 19,244.79 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804044 | 30,317.73 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804045 | 5,040.59 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804046 | 4,426.30 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804047 | 16.60 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804048 | 700.00 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804049 | 25,866.25 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804050 | 2,829.82 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804051 | 13,152.00 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804052 | 2,413.58 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804053 | 3,587.00 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804054 | 15,961.40 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804055 | 1,328.70 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804056 | 5,855.00 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804057 | 360.20 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804058 | 19,025.00 | A & E and CONSULTING | POMERADO |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #002
## 6/30/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| CO ARCHITECTS | 16122 | 7/1/2008 | 111767 | 2804059 | 4,686.75 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804060 | 567.52 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804061 | 8,640.00 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111767 | 2804064 | 3,181.24 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805040 | 3,130.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805046 | 2,288.90 | A & E and CONSULTING | POMERADO |
| *SUM — CO ARCHITECTS (43 detail records)* | | | | | *626,966.01* | | |
| CONDON-JOHNSON & ASSOC | 17665 | 7/1/2008 | 111762 | 0654 SL 041 | 46,865.70 | CONSTRUCTION | PALOMAR-WEST |
| | | 7/1/2008 | 111762 | 5 | 193,342.77 | CONSTRUCTION | PALOMAR-WEST |
| *SUM — CONDON-JOHNSON & ASSOC (2 detail records)* | | | | | *240,208.47* | | |
| CONSTRUCTION TESTING AN | 17200 | 7/1/2008 | 111770 | 36697 | 2,300.00 | CONSTRUCTION | PALOMAR-WEST |
| *SUM — CONSTRUCTION TESTING AND (1 detail record)* | | | | | *2,300.00* | | |
| CSI | 13464 | 6/9/2008 | 110689 | 1834 | 232.50 | A & E and CONSULTING | PALOMAR-WEST |
| | | 6/9/2008 | 110689 | 1841 | 6,820.00 | A & E and CONSULTING | PALOMAR-EAST |
| | | 7/1/2008 | 111756 | 1843 | 15,965.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111756 | 1844 | 3,720.00 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111756 | 1845 | 6,045.00 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111756 | 1872 | 465.00 | A & E and CONSULTING | PALOMAR-EAST |
| *SUM — CSI (6 detail records)* | | | | | *33,247.50* | | |
| E CUBE, INC | 17597 | 7/1/2008 | 111772 | 605226 | 732.86 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111772 | 605227 | 708.18 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111772 | 605229 | 1,136.83 | A & E and CONSULTING | POMERADO |
| *SUM — E CUBE, INC (3 detail records)* | | | | | *2,577.87* | | |
| GROUND SERVICE TECHNOL | 16983 | 6/9/2008 | 110419 | 16632 | 4,775.58 | CONSTRUCTION | POMERADO |
| *SUM — GROUND SERVICE TECHNOLOGY INC (1 detail record)* | | | | | *4,775.58* | | |
| HERRICK CORPORATION | 19057 | 7/1/2008 | 111768 | 004 | 1,693,152.90 | CONSTRUCTION | PALOMAR-WEST |
| *SUM — HERRICK CORPORATION (1 detail record)* | | | | | *1,693,152.90* | | |
| JB CONSULTING & ASSOC., I | 16827 | 7/1/2008 | 111754 | 11PMCW | 18,940.00 | PERMIT & INSPECT | PALOMAR-WEST |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #002
## 6/30/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| JB CONSULTING & ASSOC., I | 16627 | 7/1/2008 | 111754 | 1MEZ | 1,040.00 | PERMIT & INSPECT | PALOMAR-EAST |
| | | 7/1/2008 | 111754 | 4CUR | 160.00 | PERMIT & INSPECT | PALOMAR-EAST |
| SUM — JB CONSULTING & ASSOC., INC (3 detail records) | | | | | 20,140.00 | | |
| JOHNSON CONTROLS INC. | 12436 | 6/24/2008 | 298 | 17743062 | 1,386.00 | CONSTRUCTION | POMERADO |
| SUM — JOHNSON CONTROLS INC. (1 detail record) | | | | | 1,386.00 | | |
| JOHNSON, BARNES & FINCH | 13219 | 6/9/2008 | 110259 | 42408 | 174,011.67 | CONSTRUCTION | POMERADO |
| SUM — JOHNSON, BARNES & FINCH INC (1 detail record) | | | | | 174,011.67 | | |
| JONES LANG LASALLE AMERI | 17711 | 6/9/2008 | 110256 | 14001P107-14 | 55,650.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 6/9/2008 | 110685 | 14001P107-15 | 62,500.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 6/9/2008 | 110685 | 14001P207-6 | 58,750.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 6/9/2008 | 110685 | 14001P207-6 | 528.00 | A & E and CONSULTING | PALOMAR-EAST |
| | | 6/9/2008 | 110685 | 14001P207-6 | 5,000.00 | A & E and CONSULTING | PALOMAR-EAST |
| SUM — JONES LANG LASALLE AMERICAS (5 detail records) | | | | | 182,428.00 | | |
| MASSON & ASSOCIATES | 17985 | 7/1/2008 | 111757 | APP # 8 | 42,366.00 | CONSTRUCTION | PALOMAR-WEST |
| SUM — MASSON & ASSOCIATES (1 detail record) | | | | | 42,366.00 | | |
| MINTIE CORPORATION | 13549 | 6/10/2008 | 262 | 61422 | 1,432.00 | CONSTRUCTION | POMERADO |
| | | 6/24/2008 | 309 | 61614 | 1,432.00 | CONSTRUCTION | POMERADO |
| SUM — MINTIE CORPORATION (2 detail records) | | | | | 2,864.00 | | |
| NATIONAL CONSTRUCTION R | 16440 | 6/9/2008 | 110528 | 2236944 | 467.50 | CONSTRUCTION | POMERADO |
| | | 6/23/2008 | 111435 | 2268531 | 467.50 | CONSTRUCTION | POMERADO |
| SUM — NATIONAL CONSTRUCTION RENTALS (2 detail records) | | | | | 935.00 | | |
| OFFICE OF STATEWIDE HEA | 11174 | 7/1/2008 | 111792 | 2007 04282 | 159,120.86 | PERMIT & INSPECT | POMERADO |
| | | 7/1/2008 | 111795 | 2007-04260 | 413,279.99 | PERMIT & INSPECT | PALOMAR-WEST |
| | | 7/1/2008 | 111796 | 2007-04263 | 622,452.94 | PERMIT & INSPECT | POMERADO |
| | | 7/1/2008 | 111800 | 2007-04261 | 3,070,079.95 | PERMIT & INSPECT | PALOMAR-WEST |
| SUM — OFFICE OF STATEWIDE HEALTH PLA (4 detail records) | | | | | 4,264,933.74 | | |
| PACIFIC RIM MECHANICAL | 14054 | 6/9/2008 | 110686 | POM EXP PHS II APP# 8 | 471,679.97 | CONSTRUCTION | POMERADO |
| | | 7/1/2008 | 111763 | POM EXP PHS II APP# 9 | 245,727.33 | CONSTRUCTION | POMERADO |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #002
## 6/30/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| SUM — PACIFIC RIM MECHANICAL (2 detail records) | | | | | 717,407.30 | | |
| PINNICK INC | 18265 | 7/1/2008 | 111761 | 20407 | 206,597.26 | CONSTRUCTION | PALOMAR-WEST |
| SUM — PINNICK INC (1 detail record) | | | | | 206,597.26 | | |
| RAYMOND INTERIOR SYSTE | 18942 | 7/1/2008 | 111758 | 0039-2A APP 3 | 45,682.30 | A & E and CONSULTING | PALOMAR-WEST |
| SUM — RAYMOND INTERIOR SYSTEMS (1 detail record) | | | | | 45,682.30 | | |
| RICK ENGINEERING | 16982 | 7/1/2008 | 111775 | 0005676 | 1,231.00 | A & E and CONSULTING | PALOMAR-WEST |
| SUM — RICK ENGINEERING (1 detail record) | | | | | 1,231.00 | | |
| RTKL ASSOCIATES INC | 18755 | 7/1/2008 | 111753 | 10-00079744 | 14,098.44 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111753 | 10-00079747 | 4,037.50 | A & E and CONSULTING | POMERADO |
| SUM — RTKL ASSOCIATES INC (2 detail records) | | | | | 18,135.94 | | |
| RUDOLPH AND SLETTEN | 13787 | 6/9/2008 | 110687 | 04-070 | 371,909.00 | PROJ MGMT | POMERADO |
| | | 6/9/2008 | 110687 | 04-076 | 26,679.50 | PROJ MGMT | POMERADO |
| | | 6/9/2008 | 110687 | 04-111 | 51,629.00 | PROJ MGMT | PALOMAR-WEST |
| | | 6/9/2008 | 110687 | 04-112 | 1,224.25 | PROJ MGMT | PALOMAR-WEST |
| | | 6/9/2008 | 110687 | 04-113 | 509,141.00 | PROJ MGMT | PALOMAR-WEST |
| | | 6/9/2008 | 110687 | 04-114 | 18,407.18 | PROJ MGMT | PALOMAR-WEST |
| | | 6/9/2008 | 110687 | 04-115 | 30,071.00 | PROJ MGMT | PALOMAR-WEST |
| | | 6/9/2008 | 110687 | 04-116 | 678.63 | PROJ MGMT | PALOMAR-WEST |
| | | 6/9/2008 | 110687 | 99-116 | 23,100.82 | PROJ MGMT | POMERADO |
| | | 7/1/2008 | 111764 | 05-011 | 25,359.00 | PROJ MGMT | PALOMAR-WEST |
| | | 7/1/2008 | 111764 | 05-012 | 934.99 | PROJ MGMT | PALOMAR-WEST |
| | | 7/1/2008 | 111764 | 05-013 | 269,072.00 | PROJ MGMT | PALOMAR-WEST |
| | | 7/1/2008 | 111764 | 05-015 | 14,011.50 | PROJ MGMT | PALOMAR-WEST |
| | | 7/1/2008 | 111764 | 05-016 | 5,815.30 | PROJ MGMT | PALOMAR-WEST |
| SUM — RUDOLPH AND SLETTEN (14 detail records) | | | | | 1,348,033.17 | | |
| SAN DIEGO EROSION CONTR | 17517 | 6/23/2008 | 111568 | PMC WEST APP 5 | 76,752.95 | CONSTRUCTION | PALOMAR-WEST |
| SUM — SAN DIEGO EROSION CONTROL (1 detail record) | | | | | 76,752.95 | | |
| SHENGXING GLASS AND CLA | 18413 | 7/1/2008 | 111765 | 21 | 397,490.00 | CONSTRUCTION | PALOMAR-WEST |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #002
## 6/30/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| SUM — SHENGXING GLASS AND CLADDINGS (1 detail record) | | | | | 397,490.00 | | |
| SIDEPLATE SYSTEMS INC | 17170 | 7/1/2008 | 111759 | 3021 | 29,000.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111759 | 3032 | 29,000.00 | A & E and CONSULTING | PALOMAR-WEST |
| SUM — SIDEPLATE SYSTEMS INC (2 detail records) | | | | | 58,000.00 | | |
| SOUTHLAND ELECTRIC | 13183 | 6/23/2008 | 111215 | 1166 REVISED | 59,120.78 | CONSTRUCTION | POMERADO |
| SUM — SOUTHLAND ELECTRIC (1 detail record) | | | | | 59,120.78 | | |
| SOUTHWEST GENERAL CONT | 18424 | 6/23/2008 | 111179 | POM CNTRL PLANT APP#3 | 17,145.00 | CONSTRUCTION | POMERADO |
| SUM — SOUTHWEST GENERAL CONTRACTORS (1 detail record) | | | | | 17,145.00 | | |
| UNIVERSITY MECHANICAL | 15442 | 7/1/2008 | 111766 | 14593 | 85,534.00 | CONSTRUCTION | PALOMAR-WEST |
| | | 7/1/2008 | 111766 | 14594 | 527,612.00 | CONSTRUCTION | PALOMAR-WEST |
| SUM — UNIVERSITY MECHANICAL (2 detail records) | | | | | 613,146.00 | | |
| URS CORPORATION | 11122 | 6/23/2008 | 111168 | 3245025 | 10,479.00 | A & E and CONSULTING | POMERADO |
| | | 7/1/2008 | 111760 | 3198079 | 572.30 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111760 | 3283475 | 33,575.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111760 | 3360514 | 38,840.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111760 | 3394853 | 5,850.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/1/2008 | 111760 | 3394909 | 20,745.60 | A & E and CONSULTING | PALOMAR-WEST |
| SUM — URS CORPORATION (6 detail records) | | | | | 110,061.90 | | |
| VALLEY CREST LANDSCAPE | 17626 | 6/9/2008 | 110665 | 3169392 | 9,951.30 | CONSTRUCTION | POMERADO |
| | | 7/7/2008 | 112325 | 3182081 | 9,014.40 | CONSTRUCTION | POMERADO |
| SUM — VALLEY CREST LANDSCAPE DEV (2 detail records) | | | | | 18,965.70 | | |
| VIEW BY VIEW, INC | 17646 | 6/9/2008 | 110692 | | 4,885.42 | A & E and CONSULTING | PALOMAR-WEST |
| | | 6/9/2008 | 110692 | | 725.00 | A & E and CONSULTING | PALOMAR-WEST |
| SUM — VIEW BY VIEW, INC (2 detail records) | | | | | 5,610.42 | | |
| Grand Total (128 detail records) | | | | | 11,547,145.76 | | |

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

September 5, 2008

Dania D. Samai, Trust Officer
Wells Fargo Bank
707 Wilshire Blvd., 17th Floor
Los Angeles, CA 90017

RE: Palomar Pomerado Health Project Draw #003 of September 5, 2008

Attached find Palomar Pomerado Health's ("PPH") request for reimbursement of $10,458,293.53 from the 2007 G.O. Bond Project fund account #22676001. Please send these funds to the same bank account previously used to send funds to PPH. To reconfirm, our account number at Bank of America is 14504-50006.

Attached please find a:

- Signed Measure BB project Fund Requisition form
- List of amounts paid by PPH to vendors sorted alphabetically
- Copies (same as order list) of the vendor invoices and checks supporting the expenses.

Please call me at (760) 480-7995, if you have any questions.

Regards,

Tim Nguyen
Corporate Controller
Palomar Pomerado Health

**[Form of Series 2007A Measure BB Project Fund Requisition]**

**Requisition No. 003**

**Series 2007A Measure BB Project Fund**

The undersigned, Robert A. Hemker, hereby certifies as follows:

1. I am the Chief Financial Officer of Palomar Pomerado Health, a local health care district duly organized and existing under the laws of the State of California (the "District").

2. Pursuant to the provisions of that certain Paying Agent Agreement, dated as of June 1, 2005, as supplemented and amended by that certain First Supplemental Paying Agent Agreement, dated as of December 1, 2007 (hereinafter collectively referred to as the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent, I am an Authorized District Representative (as such term is defined in the Paying Agent Agreement) and I am delivering this Requisition on behalf of the District. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Paying Agent Agreement.

3. The undersigned, acting on behalf of the District, does hereby authorize disbursement of funds from the Series 2007A Measure BB Project Fund created pursuant to Section 12.03 of the Paying Agent Agreement to the parties, in the amounts and for the purposes set forth in Schedule I hereto.

TOTAL DISBURSEMENT AMOUNT AUTHORIZED: **$ 10,458,293.53**

4. The undersigned, acting on behalf of the District, hereby certifies that: (a) each item relates to a Project for which CEQA Compliance has been achieved; (b) obligations in the amounts set forth in Schedule I attached hereto have been incurred by the District and are presently due and payable; (c) each item is a proper charge against the Series 2007A Measure BB Project Fund; (d) each item has not been previously paid from the Series 2007A Measure BB Project Fund; and (e) there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: September 5, 2008

**PALOMAR POMERADO HEALTH**

By: _____
Robert A. Hemker
Chief Financial Officer

**Schedule I**
**To**
**Requisition No. 001**

| Party To Be Paid | Payment Amount | Nature of Expenditure | Payment Instructions |
|---|---|---|---|
| **Palomar Pomerado Health** | **$10,458,293.53** | **Reimburse PPH for expenses incurred July 31, 2008** | **Payment via wire transfer as instructed below:** |

Wire transfer instructions

| | |
|---|---|
| Bank Name:<br>Bank Address | Bank of America<br>450 "B" Street, Suite 100<br>San Diego, CA 92101 |
| Telex No.:<br>Account No.: | 67652 SFO<br>1450450006 |
| Acct Name: | Palomar Pomerado Health<br>General Checking Account |
| Routing #: | 0260-0959-3 |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #003
## 7/31/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| A O REED & COMPANY | 13223 | 7/7/2008 | 111972 | 9354-RETBRI | 64,682.00 | CONSTRUCTION | POMERADO |
| | | 7/7/2008 | 111972 | 9492-02 | 417,999.60 | CONSTRUCTION | POMERADO |
| **SUM --- A O REED & COMPANY (2 detail records)** | | | | | 482,681.60 | | |
| ALLEN & HEIN INC | 14129 | 7/21/2008 | 112938 | 002 | 4,190.40 | A & E and CONSULTING | PALOMAR-WEST |
| **SUM --- ALLEN & HEIN INC (1 detail record)** | | | | | 4,190.40 | | |
| BERGELECTRIC CORPORATI | 14082 | 7/14/2008 | 112364 | 10197-21 REV1 | 6,467.00 | CONSTRUCTION | POMERADO |
| | | 7/28/2008 | 113239 | 10621-17 | 140,362.75 | CONSTRUCTION | PALOMAR-WEST |
| **SUM --- BERGELECTRIC CORPORATION (2 detail records)** | | | | | 146,829.75 | | |
| BRICKMAN GROUP LTD | 18259 | 7/21/2008 | 112909 | 4622199110 | 60,474.60 | CONSTRUCTION | PALOMAR-WEST |
| | | 7/21/2008 | 112909 | 4622219304 | 433.00 | CONSTRUCTION | PALOMAR-WEST |
| **SUM --- BRICKMAN GROUP LTD (2 detail records)** | | | | | 60,907.60 | | |
| BUREAU VERITAS COMPANY | 17004 | 7/14/2008 | 112358 | 0996582 | 10,048.80 | CONSTRUCTION | POMERADO |
| | | 7/14/2008 | 112358 | 0999654 | 6,220.50 | CONSTRUCTION | POMERADO |
| | | 7/14/2008 | 112358 | 1000097 | 2,360.00 | CONSTRUCTION | POMERADO |
| **SUM --- BUREAU VERITAS COMPANY (3 detail records)** | | | | | 18,629.30 | | |
| BURTECH PIPELINE INC | 18947 | 7/28/2008 | 113238 | I07-047-4 | 75,783.72 | CONSTRUCTION | PALOMAR-WEST |
| **SUM --- BURTECH PIPELINE INC (1 detail record)** | | | | | 75,783.72 | | |
| CALIFORNIA CONSTRUCTION | 13157 | 7/7/2008 | 111974 | 80094 | 1,105.00 | CONSTRUCTION | POMERADO |
| | | 7/14/2008 | 112366 | 80091 | 7,501.25 | CONSTRUCTION | POMERADO |
| | | 7/24/2008 | 113229 | 80092 | 1,487.50 | CONSTRUCTION | POMERADO |
| **SUM --- CALIFORNIA CONSTRUCTION (3 detail records)** | | | | | 10,093.75 | | |
| CO ARCHITECTS | 16122 | 7/7/2008 | 111970 | 2804035 | 211,081.01 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2804028 | 3,060.00 | A & E and CONSULTING | PALOMAR-EAST |
| | | 7/14/2008 | 112363 | 2805006 | 20,973.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805009 | 5,400.00 | A & E and CONSULTING | PALOMAR-EAST |
| | | 7/14/2008 | 112363 | 2805011 | 96,550.53 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805012 | 9,587.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805013 | 2,717.21 | A & E and CONSULTING | PALOMAR-WEST |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #003
## 7/31/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| CO ARCHITECTS | 16122 | 7/14/2008 | 112363 | 2805014 | 2,835.50 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805015 | 7,925.79 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805016 | 12,997.92 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805017 | 1,061.87 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805018 | 211,081.01 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805019 | 86.86 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805029 | 29,115.01 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805030 | 2,068.98 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805032 | 5,822.74 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805033 | 18,185.48 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805034 | 9,200.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2805036 | 9,622.40 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805037 | 7,016.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805038 | 2,213.15 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805039 | 350.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805042 | 3,587.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805043 | 16,430.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805044 | 179.57 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805045 | 9,780.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805047 | 1,855.75 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805048 | 9,415.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805049 | 162.49 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805051 | 131.30 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805052 | 4,686.75 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805053 | 133.95 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805055 | 3,181.24 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805056 | 456.44 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805057 | 1,376.89 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805060 | 29,782.50 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2805061 | 809.20 | A & E and CONSULTING | POMERADO |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #003
## 7/31/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| CO ARCHITECTS | 16122 | 7/14/2008 | 112363 | 2806001 | 14,989.76 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2806002 | 4,080.98 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2806003 | 21,322.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2806004 | 2,000.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2806006 | 677.70 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112363 | 2806007 | 3,288.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2806008 | 108.93 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2806009 | 646.49 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2806010 | 1,053.48 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2806011 | 2,716.60 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2806012 | 3,893.69 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2806013 | 1,074.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2806014 | 838.53 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112363 | 2806016 | 400.27 | A & E and CONSULTING | POMERADO |
| | | 7/21/2008 | 112744 | 2803010 | 52.06 | A & E and CONSULTING | POMERADO |
| | | 7/21/2008 | 112744 | 2803053 | 39,690.42 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/21/2008 | 112744 | 2805021 | 34,500.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/21/2008 | 112744 | 2806005 | 40,305.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/28/2008 | 113234 | 2805024 | 15,194.37 | A & E and CONSULTING | PALOMAR-WEST |
| *SUM — CO ARCHITECTS (56 detail records)* | | | | | *937,751.82* | | |
| CONCRETE CONTRACTORS I | 17059 | 7/7/2008 | 111969 | 9 | 131,874.00 | CONSTRUCTION | POMERADO |
| | | 7/28/2008 | 113236 | 10 | 35,170.00 | CONSTRUCTION | POMERADO |
| *SUM — CONCRETE CONTRACTORS INTERSTAT (2 detail records)* | | | | | *167,044.00* | | |
| COSCO FIRE PROTECTION | 15284 | 7/15/2008 | 394 | JC113709 | 4,713.21 | CONSTRUCTION | POMERADO |
| *SUM — COSCO FIRE PROTECTION (1 detail record)* | | | | | *4,713.21* | | |
| CSI | 13464 | 7/14/2008 | 112359 | 1865 | 17,360.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112359 | 1866 | 1,395.00 | A & E and CONSULTING | POMERADO |
| | | 7/14/2008 | 112359 | 1867 | 5,115.00 | A & E and CONSULTING | POMERADO |
| | | 7/28/2008 | 113235 | 1886 | 16,430.00 | A & E and CONSULTING | PALOMAR-WEST |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #003
## 7/31/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| CSI | 13464 | 7/28/2008 | 113235 | 1887 | 2,015.00 | A & E and CONSULTING | POMERADO |
| | | 7/28/2008 | 113235 | 1888 | 3,565.00 | A & E and CONSULTING | POMERADO |
| **SUM — CSI (6 detail records)** | | | | | 45,880.00 | | |
| E CUBE, INC | 17597 | 7/21/2008 | 112747 | 605308 | 3,755.23 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/21/2008 | 112747 | 605309 | 154.02 | A & E and CONSULTING | POMERADO |
| | | 7/21/2008 | 112747 | 605310 | 277.20 | A & E and CONSULTING | POMERADO |
| | | 7/21/2008 | 112747 | 605311 | 29.40 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/21/2008 | 112747 | 605312 | 2,356.84 | A & E and CONSULTING | POMERADO |
| **SUM — E CUBE, INC (5 detail records)** | | | | | 6,572.69 | | |
| HERRICK CORPORATION | 19057 | 7/28/2008 | 113245 | 5 | 1,356,249.00 | CONSTRUCTION | PALOMAR-WEST |
| **SUM — HERRICK CORPORATION (1 detail record)** | | | | | 1,356,249.00 | | |
| ISEC, INC | 16841 | 8/5/2008 | 483 | 6 RETENTION | 9,048.00 | A & E and CONSULTING | PALOMAR-WEST |
| **SUM — ISEC, INC (1 detail record)** | | | | | 9,048.00 | | |
| JACKSON & BLANC | 13074 | 7/8/2008 | 348 | 7710 | 13,667.10 | CONSTRUCTION | POMERADO |
| | | 8/5/2008 | 476 | 7809 | 2,290.00 | CONSTRUCTION | POMERADO |
| **SUM — JACKSON & BLANC (2 detail records)** | | | | | 15,957.10 | | |
| JB CONSULTING & ASSOC., I | 16627 | 7/28/2008 | 113237 | 12PMCW | 18,930.00 | PERMIT & INSPECT | PALOMAR-WEST |
| | | 7/28/2008 | 113237 | 13PMCW | 19,060.00 | PERMIT & INSPECT | PALOMAR-WEST |
| | | 7/28/2008 | 113237 | 14PMCW | 19,000.00 | PERMIT & INSPECT | PALOMAR-WEST |
| **SUM — JB CONSULTING & ASSOC., INC (3 detail records)** | | | | | 56,990.00 | | |
| JOHNSON CONTROLS INC. | 12436 | 7/22/2008 | 423 | 18089868 | 5,544.00 | CONSTRUCTION | POMERADO |
| **SUM — JOHNSON CONTROLS INC. (1 detail record)** | | | | | 5,544.00 | | |
| MINTIE CORPORATION | 13549 | 7/22/2008 | 431 | 61746 | 1,790.00 | CONSTRUCTION | POMERADO |
| **SUM — MINTIE CORPORATION (1 detail record)** | | | | | 1,790.00 | | |
| MORLEY CONSTRUCTION CO | 18985 | 7/7/2008 | 111973 | 6 | 969,131.70 | CONSTRUCTION | PALOMAR-WEST |
| | | 7/28/2008 | 113243 | 7RL | 716,493.60 | CONSTRUCTION | PALOMAR-WEST |
| **SUM — MORLEY CONSTRUCTION CO (2 detail records)** | | | | | 1,685,625.30 | | |
| OFFICE OF STATEWIDE HEA | 11174 | 7/7/2008 | 112228 | 2007-04273 | 6,269.33 | PERMIT & INSPECT | POMERADO |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #003
## 7/31/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| SUM --- OFFICE OF STATEWIDE HEALTH PLA (1 detail record) | | | | | 6,269.33 | | |
| PACIFIC COAST COMMRCL F | 18850 | 7/21/2008 | 112742 | 1701 | 40,284.00 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/21/2008 | 112742 | 1708 | 5,044.50 | A & E and CONSULTING | PALOMAR-WEST |
| SUM --- PACIFIC COAST COMMRCL FLOORING (2 detail records) | | | | | 45,328.50 | | |
| PACIFIC RIM MECHANICAL | 14054 | 7/21/2008 | 112745 | POM EXP PHS II APP# 10 | 601,787.90 | CONSTRUCTION | POMERADO |
| SUM --- PACIFIC RIM MECHANICAL (1 detail record) | | | | | 601,787.90 | | |
| PAUL HANSEN EQUIPMENT | 16437 | 8/11/2008 | 114107 | 16505-32 | 3,117.00 | CONSTRUCTION | POMERADO |
| SUM --- PAUL HANSEN EQUIPMENT (1 detail record) | | | | | 3,117.00 | | |
| PINNICK INC | 18265 | 7/23/2008 | 113221 | 20422 | 1,175,124.97 | CONSTRUCTION | PALOMAR-WEST |
| | | 7/28/2008 | 113244 | 20435 | 760,796.89 | CONSTRUCTION | PALOMAR-WEST |
| SUM --- PINNICK INC (2 detail records) | | | | | 1,935,921.86 | | |
| RTKL ASSOCIATES INC | 18755 | 7/14/2008 | 112360 | 80241 | 27,408.72 | A & E and CONSULTING | PALOMAR-WEST |
| | | 7/14/2008 | 112360 | 80243 | 8,729.06 | A & E and CONSULTING | POMERADO |
| SUM --- RTKL ASSOCIATES INC (2 detail records) | | | | | 36,137.78 | | |
| RUDOLPH AND SLETTEN | 13787 | 7/7/2008 | 111971 | 05-113 | 33,793.00 | PROJ MGMT | POMERADO |
| | | 7/7/2008 | 111971 | 05-118 | 290,474.00 | PROJ MGMT | PALOMAR-WEST |
| | | 7/7/2008 | 111971 | 05-119 | 6,649.91 | PROJ MGMT | PALOMAR-WEST |
| | | 7/7/2008 | 111971 | 05-120 | 15,074.00 | PROJ MGMT | PALOMAR-WEST |
| | | 7/7/2008 | 111971 | 05-121 | 294.10 | PROJ MGMT | PALOMAR-WEST |
| | | 7/14/2008 | 112362 | 05-106 | 477,040.00 | PROJ MGMT | POMERADO |
| | | 7/14/2008 | 112362 | 06-015 | 6,779.55 | PROJ MGMT | PALOMAR-WEST |
| | | 7/14/2008 | 112362 | 06-016 | 10,208.00 | PROJ MGMT | PALOMAR-WEST |
| | | 7/21/2008 | 112743 | 06-017 | 96.50 | PROJ MGMT | PALOMAR-WEST |
| | | 7/21/2008 | 112743 | 99-127 | 67,674.31 | PROJ MGMT | POMERADO |
| | | 7/28/2008 | 113240 | 06-014 | 245,548.00 | PROJ MGMT | PALOMAR-WEST |
| | | 7/28/2008 | 113240 | 06-108 | 11,688.00 | PROJ MGMT | PALOMAR-WEST |
| | | 8/4/2008 | 113604 | 06*107 | 82,954.52 | PROJ MGMT | PALOMAR-WEST |
| | | 8/4/2008 | 113604 | 06-084 | 28,543.00 | PROJ MGMT | POMERADO |
| | | 8/4/2008 | 113604 | 06-109 | 166.68 | PROJ MGMT | PALOMAR-WEST |

# PALOMAR POMERADO HEALTH
# BLDG EXPANSION EXPENDITURES
## Series 2007A Measure BB Project Fund
## 2007 GO Project Fund Draw #003
## 7/31/2008

| VENDOR NAME | VENDOR # | CHECK-DATE | CK # | INVOICE | BANK CHK AMT | DESCRIPTION | CAMPUS |
|---|---|---|---|---|---|---|---|
| RUDOLPH AND SLETTEN | 13787 | 8/4/2008 | 113604 | 99-134 | 32,328.54 | PROJ MGMT | POMERADO |
| **SUM --- RUDOLPH AND SLETTEN (16 detail records)** | | | | | 1,309,312.11 | | |
| SHENGXING GLASS AND CLA | 18413 | 7/28/2008 | 113241 | 22 | 404,962.00 | CONSTRUCTION | PALOMAR-WEST |
| **SUM --- SHENGXING GLASS AND CLADDINGS (1 detail record)** | | | | | 404,962.00 | | |
| SOUTHLAND ELECTRIC | 13183 | 7/28/2008 | 113423 | 1192 (REV) | 155,397.96 | CONSTRUCTION | POMERADO |
| | | 7/28/2008 | 113423 | 1208 | 277,841.02 | CONSTRUCTION | POMERADO |
| **SUM --- SOUTHLAND ELECTRIC (2 detail records)** | | | | | 433,238.98 | | |
| SWISSLOG HEALTHCARE SOL | 12664 | 7/21/2008 | 112748 | 90233480 | 9,544.00 | CONSTRUCTION | PALOMAR-WEST |
| **SUM --- SWISSLOG HEALTHCARE SOLUTIONS (1 detail record)** | | | | | 9,544.00 | | |
| UNIVERSITY MECHANICAL | 15442 | 7/28/2008 | 113242 | 14684 | 475,126.00 | CONSTRUCTION | PALOMAR-WEST |
| | | 7/28/2008 | 113242 | 14685.1 | 45,921.00 | CONSTRUCTION | PALOMAR-WEST |
| **SUM --- UNIVERSITY MECHANICAL (2 detail records)** | | | | | 521,047.00 | | |
| URS CORPORATION | 11122 | 8/4/2008 | 113602 | 3459065 | 49,998.33 | A & E and CONSULTING | POMERADO |
| **SUM --- URS CORPORATION (1 detail record)** | | | | | 49,998.33 | | |
| VIEW BY VIEW, INC | 17646 | 7/14/2008 | 112371 | 93806 | 6,500.00 | A & E and CONSULTING | PALOMAR-WEST |
| **SUM --- VIEW BY VIEW, INC (1 detail record)** | | | | | 6,500.00 | | |
| WASHINGTON IRON WORKS | 17495 | 7/28/2008 | 113588 | 003 | 2,847.50 | A & E and CONSULTING | PALOMAR-WEST |
| **SUM --- WASHINGTON IRON WORKS (1 detail record)** | | | | | 2,847.50 | | |
| **Grand Total** | **(129 detail records)** | | | | 10,458,293.53 | | |

# ADDENDUM F

# Financial Statements

## December 2009

PALOMAR
POMERADO
HEALTH

SPECIALIZING IN YOU

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# Balanced Scorecard
# Financial Indicators



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

| September | October | November | December | | | | | YTD 2009 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Actual | Actual | Actual | Actual | Budget | Variance | % Actual to Budget | | Actual | Budget | Variance | % Actual to Budget |
| | | | | | | | **PPH Indicators:** | | | | |
| 9.4% | 10.0% | 10.5% | 10.8% | 10.6% | 0.2% | 101.9% | OEBITDA Margin w/Prop Tax | 10.4% | 10.1% | 0.3% | 103.0% |
| $ 11,124.08 | $ 10,988.88 | $ 11,156.83 | $ 11,509.66 | $ 10,693.67 | $ (815.99) | 107.6% | Expenses/Adj Discharge | $ 10,847.39 | $ 10,739.15 | $ (108.24) | 101.0% |
| $ 6,469.98 | $ 6,412.67 | $ 6,720.09 | $ 6,656.36 | $ 6,382.48 | $ (273.88) | 104.3% | SWB/Adj Discharge | $ 6,422.51 | $ 6,421.59 | $ (0.92) | 100.0% |
| 6.50 | 6.59 | 6.73 | 6.21 | 6.55 | 0.34 | 94.8% | Prod FTE's/Adj Occupied Bed | 6.45 | 6.60 | 0.15 | 97.7% |
| 3,293 | 3,416 | 3,231 | 3,209 | 3,393 | (184) | 94.6% | Adjusted Discharges | 20,231 | 20,155 | 76 | 100.4% |
| | | | | | | | **PPH North Indicators:** | | | | |
| 13.9% | 7.1% | 12.7% | 10.1% | 11.7% | (1.6%) | 86.3% | OEBITDA Margin w/Prop Tax | 10.7% | 11.1% | (0.4%) | 96.4% |
| $ 10,465.47 | $ 10,352.15 | $ 10,311.92 | $ 10,661.99 | $ 9,907.68 | $ (754.31) | 107.6% | Expenses/Adj Discharge | $ 10,111.81 | $ 9,990.27 | $ (121.54) | 101.2% |
| $ 5,376.98 | $ 5,306.92 | $ 5,250.89 | $ 5,439.63 | $ 5,185.79 | $ (253.84) | 104.9% | SWB/Adj Discharge | $ 5,212.70 | $ 5,251.82 | $ 39.12 | 99.3% |
| 5.42 | 5.36 | 5.61 | 5.25 | 5.31 | 0.06 | 98.9% | Prod FTE's/Adj Occupied Bed | 5.34 | 5.39 | 0.05 | 99.1% |
| 2,359 | 2,492 | 2,361 | 2,287 | 2,452 | (165) | 93.3% | Adjusted Discharges | 14,608 | 14,552 | 56 | 100.4% |
| | | | | | | | **PPH South Indicators:** | | | | |
| (8.9%) | 13.7% | 2.3% | 10.9% | 6.7% | 4.2% | 162.7% | OEBITDA Margin w/Prop Tax | 7.5% | 6.4% | 1.1% | 117.2% |
| $ 12,015.57 | $ 11,372.33 | $ 12,470.69 | $ 11,365.04 | $ 11,691.66 | $ 326.62 | 97.2% | Expenses/Adj Discharge | $ 11,507.17 | $ 11,630.66 | $ 123.49 | 98.9% |
| $ 5,611.61 | $ 5,716.60 | $ 6,189.88 | $ 5,839.96 | $ 6,016.64 | $ 176.68 | 97.1% | SWB/Adj Discharge | $ 5,716.71 | $ 5,983.10 | $ 266.39 | 95.5% |
| 6.26 | 6.71 | 6.37 | 5.89 | 6.45 | 0.56 | 91.3% | Prod FTE's/Adj Occupied Bed | 6.25 | 6.41 | 0.16 | 97.5% |
| 918 | 906 | 847 | 896 | 920 | (24) | 97.4% | Adjusted Discharges | 5,498 | 5,481 | 17 | 100.3% |

ADD F-4

**DECEMBER 2008**
**EXECUTIVE SUMMARY OF KEY INDICATORS**

| | DECEMBER 2008 | | | FY 09 Y-T-D @ DECEMBER 2008 | | | |
|---|---|---|---|---|---|---|---|
| | Actual | Budget | Variance | Actual | Budget | Variance | Moody Benchmark |
| ***Statistics:*** | | | | | | | |
| Acute Admissions | 2,330 | 2,502 | (172) | 14,301 | 14,850 | (549) | |
| Acute Patient Days | 9,397 | 9,654 | (257) | 55,720 | 57,298 | (1,578) | |
| Acute ALOS | 4.11 | 3.86 | 0.25 | 3.87 | 3.86 | 0.01 | |
| Case Mix Index (w/o Births) | 1.44 | 1.40 | 0.04 | 1.39 | 1.40 | (0.01) | |
| Total Surgeries | 1,527 | 1,658 | (131) | 9,668 | 9,842 | (174) | |
| Births | 416 | 454 | (38) | 2,661 | 2,696 | (35) | |
| E/R Visits & Admissions | 7,426 | 7,698 | (272) | 44,479 | 45,690 | (1,211) | |
| ER to Admit Rate | 17.3% | 16.5% | 0.8% | 17.4% | 16.5% | 0.9% | |
| Productivity % | 97.7% | 100% | (2.3%) | 98.8% | 100% | (1.2%) | |
| ***Income Statement:*** | | | | | | | |
| Net Patient Revenue | 36,396,895 | 36,586,502 | (189,607) | 220,229,987 | 216,905,065 | 3,324,922 | |
| Total Net Revenue | 37,847,193 | 37,193,321 | 653,872 | 224,162,812 | 220,545,979 | 3,616,833 | |
| Sal., Wages, Cont. Lbr | 17,061,521 | 17,398,099 | 336,578 | 104,388,217 | 104,056,101 | (332,116) | |
| Supplies | 5,884,036 | 5,647,046 | (236,990) | 35,150,040 | 33,505,268 | (1,644,772) | |
| Total Expenses | 36,864,898 | 36,283,607 | (581,291) | 219,377,241 | 216,447,514 | (2,929,727) | |
| **Net Inc. (Loss) before Non-Op** | **982,295** | **909,714** | **72,581** | **4,785,571** | **4,098,465** | **687,106** | |
| **Net Income (Loss)** | **2,662,319** | **2,251,664** | **410,655** | **12,808,079** | **12,150,165** | **657,914** | |
| ***Cash Flow:*** | | | | | | | |
| Cash Collections | 32,300,000 | 36,000,000 | (3,700,000) | 196,700,000 | 216,000,000 | (19,300,000) | |
| Days in A/R - Gross | | | | 59.9 | 52.4 | 7.5 | |
| Days Cash on Hand | | | | 90.4 | 80.0 | 10.4 | |
| ***Ratios:*** | | | | | | | |
| OEBITDA w/ Prop. Tax | 10.8% | 10.6% | 0.2% | 10.4% | 10.1% | 0.3% | |
| Net Income Margin | 7.0% | 6.1% | 0.9% | 5.7% | 5.5% | 0.2% | |
| Bad Debt % of Net Revenue | 15.1% | 10.1% | (5.0%) | 14.6% | 10.2% | (4.4%) | 7.1% |
| Return On Assets | | | | 3.3% | 3.1% | (0.2%) | 4.3% |
| Annual Debt Service Coverage | | | | 3.2 | | | 4.4 |
| Cushion Ratio | | | | 6.1 | | | 15.3 |

ADD F-5

## Statistics

| CONSOLIDATED | Nov | Dec | Nov vs Dec % Change | Dec Budget | Act vs Bud % Variance |
|---|---|---|---|---|---|
| Patient Days Acute | 8,802 | 9,397 | 6.8% | 9,654 | (2.7%) |
| Patient Days SNF | 6,197 | 6,477 | 4.5% | 6,452 | 0.4% |
| ADC Acute | 293.41 | 303.12 | 3.3% | 311.42 | (2.7%) |
| ADC SNF | 206.57 | 208.94 | 1.1% | 208.13 | 0.4% |
| Surgeries CVS Cases | 10 | 16 | 60.0% | 13 | 23.1% |
| Surgeries Total | 1,568 | 1,527 | (2.6%) | 1,658 | (7.9%) |
| Number of Births | 400 | 416 | 4.0% | 454 | (8.4%) |
| | | | | | |
| **NORTH** | | | | | |
| Patient Days Acute | 6,440 | 6,848 | 6.3% | 7,155 | (4.3%) |
| Patient Days SNF | 2,695 | 2,742 | 1.7% | 2,639 | 3.9% |
| ADC Acute | 214.68 | 220.90 | 2.9% | 230.80 | (4.3%) |
| ADC SNF | 89.83 | 88.45 | (1.5%) | 85.13 | 3.9% |
| | | | | | |
| **SOUTH** | | | | | |
| Patient Days Acute | 2,362 | 2,549 | 7.9% | 2,499 | 2.0% |
| Patient Days SNF | 3,502 | 3,735 | 6.7% | 3,813 | (2.0%) |
| ADC Acute | 78.74 | 82.23 | 4.4% | 80.61 | 2.0% |
| ADC SNF | 116.73 | 120.48 | 3.2% | 123.00 | (2.0%) |

# Balance Sheet

**Current Cash & Cash Equivalents** increased $13.9 million from $87.6 million in November to $101.5 million in December. Total Cash and Investments are $102.4 million, compared to $90.0 million at November. Days Cash on Hand went from 79.4 days in November to 90.4 days in December.

**Net Accounts Receivable** increased $3.4 million from $104.3 million in November to $107.7 million in December. Gross A/R days increased from 55.0 days in November to 59.9 days in December.

December YTD collections including capitation are $196.7 million compared to budget of $216.0 million.

**Construction in Progress** increased $33.0 million from $277.3 million in November to $310.3 million in December. The increase is attributed to Building Expansion A & E Services and construction costs of $31.4 million, Cerner Optimization project $0.4 million, POP Building tenant improvements $0.2 million and Other $1.0 million.

## Income Statement

**Gross Patient Revenue** reflects a YTD favorable budget variance of $26.0 million. The variance breakdown is as follows.

| | North | South | Outreach | Total |
|---|---|---|---|---|
| **Consolidated** | 16,410,807 | 9,582,505 | 13,126 | 26,006,438 |
| **Routine** | (815,254) | (917,930) | - | (1,733,184) |
| **IP Ancillary** | (3,091,262) | 5,782,669 | - | 2,691,407 |
| **OP** | 20,317,323 | 4,717,766 | 13,126 | 25,048,215 |

**Deductions from Revenue** reflect a YTD unfavorable budget variance of $17.3 million. Total Deductions from Revenue is 71.82% of gross revenue compared to a budget of 71.29%.

**Net Capitation** reflects a YTD unfavorable budget variance of $0.6 million. Cap Premium shows a favorable budget variance of $4.7 million. This favorable variance is due to retro 2007 premium adjustments in July and August. Cap Valuation and Out of Network Claim Expense both show an unfavorable budget variance of $2.2 million and $3.1 million, respectively.

**Other Operating Revenue** reflects a YTD favorable budget variance of $0.3 million. This is comprised of a $1.0 million favorable budget variance in Revenue Cycle Management, which is partially offset by a $0.4 million unfavorable budget variance from a new department, Weight Solutions; a $0.2 million unfavorable budget variance from Health Development and the Research Institute combined, and Other unfavorable of $0.1 million.

## Income Statement (cont'd)

**Salaries, Wages & Contract Labor** has a YTD unfavorable budget variance of $0.3 million. The breakdown is as follows:

| | YTD Actual | YTD Budget | Variance |
|---|---|---|---|
| **Consolidated** | 104,388,217 | 104,056,101 | (332,116) |
| **North** | 61,571,760 | 61,817,166 | 245,406 |
| **South** | 25,570,300 | 26,765,137 | 1,194,837 |
| **Central** | 13,610,368 | 12,366,972 | (1,243,396) |

**Employee Benefits Expense** has a YTD unfavorable budget variance of $0.2 million. This variance can be broken down into the following categories: Group Health Insurance – unfavorable by $0.2; Work Comp Insurance – unfavorable by $0.1 million; State Unemployment Insurance – unfavorable by $0.1 and all Other Benefits combined - favorable by $0.2 million.

**Supplies Expense** reflects a YTD unfavorable budget variance of $1.6 million primarily due to Prosthesis expense.

**Professional Fees & Purchased Services** reflect a YTD unfavorable budget variance of $0.03 million. The breakdown is Consulting Services – unfavorable $0.15 million and Purchased Services favorable - $0.12 million.

**Non-Operating Income** reflects a YTD unfavorable budget variance of $0.03 million. This is due to an unfavorable investment income variance of $0.13 million and an unfavorable budget variance in Other Non-Operating Income of $0.05 million, offset by a favorable interest expense variance of $0.15 million.

## Ratios & Margins

All required Bond Covenant Ratios were achieved in December, 2008.

ADD F-9

| Stat | MTD | Budget | YTD | Budget | PY |
|---|---|---|---|---|---|
| Patient Days - Acute | 9,397 | 9,654 | 55,720 | 57,298 | 56,376 |
| Discharges - Acute | 2,287 | 2,502 | 14,402 | 14,850 | 14,490 |
| OP Registrations | 4,114 | 4,119 | 24,989 | 24,446 | 22,833 |
| ER Visits | 6,144 | 6,427 | 36,735 | 38,148 | 36,281 |
| Deliveries | 416 | 454 | 2,661 | 2,696 | 2,809 |

| Profit & Loss (in millions) | MTD | Budget | YTD | Budget | PY |
|---|---|---|---|---|---|
| Capitation | (0.2) | Break-even | (0.7) | (0.1) | 0.6 |
| Net Patient Revenue | 36.4 | 36.6 | 220.0 | 217.0 | 208.0 |
| Total Revenue | 37.8 | 37.2 | 224.2 | 220.5 | 212.7 |
| | | | | | |
| SWB | 20.7 | 21.3 | 125.4 | 127.3 | 124.3 |
| Contract Labor | 0.7 | 0.4 | 4.6 | 2.2 | 5.5 |
| Supplies | 5.9 | 5.6 | 35.2 | 33.5 | 32.2 |
| Total Expense | 36.9 | 36.3 | 219.4 | 216.4 | 215.9 |
| | | | | | |
| Net Income from Ops | 1.0 | 0.9 | 4.8 | 4.1 | (3.1) |
| | | | | | |
| Net Income | 2.7 | 2.3 | 12.8 | 12.2 | 6.4 |

ADD F-10

# Key Variance Explanations
## Month-To-Date



| | Actual | Budget | Variance Detail | Variance |
|---|---|---|---|---|
| **Net Income From Operations** | **982,295** | **909,714** | | **72,581** |
| **Total Net Revenue** | | | | **(189,607)** |
| Net Patient Revenue | | | (189,607) | |
| **Other Operating Revenue** | | | | **843,479** |
| Weight Solutions - contra to Supplies | | | (60,309) | |
| PPNC Health Development and Research Institute | | | (34,801) | |
| Revenue Cycle Management | | | 1,000,000 | |
| Other | | | (61,411) | |
| **Salaries & Wages** | | | | **664,595** |
| Volume Variance | | | 923,628 | |
| Rate & Efficiency (Nursing & Non-Nursing) | | | (259,033) | |
| **Benefits** | | | | **(41,077)** |
| Group Health Insurance (includes accrual for HealthNet Risk Sharing) | | | (296,033) | |
| State Unemployment Insurance | | | (56,352) | |
| FICA | | | 88,557 | |
| Pension | | | 208,217 | |
| Other | | | 14,534 | |
| **Contract Labor** | | | | **(328,017)** |
| Volume Variance | | | 19,859 | |
| Rate & Efficiency (Nursing & Non-Nursing) | | | (347,876) | |

# Key Variance Explanations
# Month-To-Date (cont'd)





| | Actual | Budget | Variance Detail | Variance |
|---|---|---|---|---|
| **Professional Fees** | | | | **(175,007)** |
| Physician Recruitment | | | (184,445) | |
| Consulting Services (Rule 4 Consulting - $37K; Other $3K) | | | (40,020) | |
| Pom ER (Neigborhood Healthcare -$23K; Other $16K) | | | (38,860) | |
| Other | | | 88,318 | |
| **Supplies** | | | | **(236,990)** |
| Volume Variance | | | 306,235 | |
| Rate & Efficiency | | | (543,225) | |
| Prosthesis | (409,732) | | | |
| Pharmaceutical | 146,379 | | | |
| Weight Solutions - contra to Other Rev | 31,347 | | | |
| Other | (4,984) | | | |
| **Purchased Services** | | | | **(182,996)** |
| Medi-Cal eligiblity services | | | (194,820) | |
| Wound Care - contra to reduced revenue | | | 34,885 | |
| Other | | | (23,061) | |
| **Depreciation** | | | | **(76,783)** |
| Depreciation | | | (76,783) | |
| **Other Direct Expenses** | | | | **(205,016)** |
| Radiosurgery - contra to revenue | | | (94,500) | |
| Registrar of Voters - General Election | | | (232,514) | |
| Other | | | 121,998 | |
| **Total Actual to Budget MTD Variance for December 2008** | | | **72,581** | **72,581** |

ADD F-12

# Key Variance Explanations Month-To-Date (cont'd)



| | | | |
|---|---|---|---|
| **Non-Operating Income (Expense)** | **1,680,024** | **1,341,950** | **338,074** |
| **Property Tax** | **1,166,666** | **1,166,666** | **0** |
| **Investment Income (Loss)** | **1,075,223** | **548,526** | **526,697** |
| Salomon Brothers (Corp Bonds-Treasuries) | 673,070 | | |
| Pacific Income Advisers | 465,357 | | |
| Other | (63,204) | | |
| **Interest Expense** | **602,397** | **488,038** | **(114,359)** |
| **Other** | **40,532** | **114,796** | **(74,264)** |
| **Net Income** | **2,662,319** | **2,251,664** | **410,655** |

# Key Variance Explanations Year-To-Date





| | Actual | Budget | Variance Detail | Variance |
|---|---|---|---|---|
| **Net Income From Operations** | **4,785,571** | **4,098,465** | | **687,106** |
| **Total Net Revenue** | | | | **3,324,921** |
| Net Patient Revenue | | | 3,324,921 | |
| **Other Operating Revenue** | | | | **291,911** |
| Weight Solutions - contra to Supplies | | | (361,854) | |
| PPNC Health Development and Research Institute | | | (218,806) | |
| Revenue Cycle Management | | | 1,000,000 | |
| Other | | | (127,429) | |
| **Salaries & Wages** | | | | **2,098,510** |
| Volume Variance | | | (384,175) | |
| Rate & Efficiency (Nursing & Non-Nursing) | | | 2,482,685 | |
| **Benefits** | | | | **(174,458)** |
| Group Health Insurance | | | (198,920) | |
| State Unemployment Insurance | | | (144,520) | |
| Work Comp Insurance | | | (110,274) | |
| Pension | | | 237,504 | |
| Other | | | 41,752 | |
| **Contract Labor** | | | | **(2,430,626)** |
| Volume Variance | | | (8,198) | |
| Rate & Efficiency (Nursing & Non-Nursing) | | | (2,422,428) | |

ADD F-14

# Key Variance Explanations
# Year-To-Date (cont'd)



| | Actual | Budget | Variance Detail | Variance |
|---|---|---|---|---|
| **Professional Fees** | | | | **(153,423)** |
| Consulting Services (Rule 4 Consulting - $213K; Other $-41K) | | | (171,690) | |
| Pom ER Physician Fees | | | (135,013) | |
| Foundation Consulting | | | 137,549 | |
| Other | | | 15,730 | |
| **Supplies** | | | | **(1,644,772)** |
| Volume Variance | | | (126,341) | |
| Rate & Efficiency | | | (1,518,431) | |
| Prosthesis | (1,988,918) | | | |
| Weight Solutions - contra to Other Rev | 180,060 | | | |
| Other | 164,086 | | | |
| **Purchased Services** | | | | **127,538** |
| Medi-Cal eligiblity services | | | (180,892) | |
| Repairs & Maintenance (xray tube $-123K) | | | (24,969) | |
| Wound Care - contra to reduced revenue | | | 267,240 | |
| Other | | | 66,159 | |
| **Depreciation** | | | | **(282,703)** |
| Depreciation | | | (282,703) | |
| **Other Direct Expenses** | | | | **(469,793)** |
| Radiosurgery - contra to revenue | | | (517,520) | |
| Marketing FY08 invoice | | | (122,835) | |
| Governing Board (General Election $-232K) | | | (175,136) | |
| Insurance - Liability | | | 331,532 | |
| Other | | | 14,166 | |
| **Total Actual to Budget YTD Variance for December 2008** | | | **687,105** | **687,105** |

ADD F-15

# Key Variance Explanations Year-To-Date (cont'd)



| | | | |
|---|---|---|---|
| **Non-Operating Income (Expense)** | **8,022,508** | **8,051,700** | **(29,192)** |
| **Property Tax** | **6,999,996** | **6,999,996** | **0** |
| **Investment Income (Loss)** | **3,159,426** | **3,291,156** | **(131,730)** |
| Salomon Brothers (Corp Bonds-Treasuries) | 1,318,883 | | |
| Pacific Income Advisers | 1,439,194 | | |
| Other | 401,349 | | |
| **Interest Expense** | **2,774,119** | **2,928,228** | **154,109** |
| **Other** | **637,205** | **688,776** | **(51,571)** |
| **Net Income** | **12,808,079** | **12,150,165** | **657,914** |

# Key Variance Explanations
# Year-To-Date (cont'd)



| | Actual | Budget | | Variance |
|---|---|---|---|---|
| **Ootpatient Revenue** | **203,941,639** | **178,893,423** | | **25,048,216** |
| Escondido Surgery Center | | | 8,203,314 | |
| Emergency Room | | | 3,418,466 | |
| Cat Scanner | | | 2,855,024 | |
| Labor Delivery Recovery | | | 2,442,447 | |
| Surgery Patient Supply | | | 1,467,909 | |
| Laboratory Clinical | | | 1,291,090 | |
| Telemetry | | | 1,241,951 | |
| Cath Lab Supply | | | 1,094,227 | |
| Cardiology Services | | | 1,058,101 | |
| Other | | | 1,975,687 | |
| **Total Actual to Budget YTD Variance for December 2008** | | | **25,048,216** | **25,048,216** |

# Balance Sheet
## Consolidated



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

| | Current Month | Prior Month | Prior Fiscal Year End |
|---|---|---|---|
| **Assets** | | | |
| ***Current Assets*** | | | |
| Cash on Hand | $18,821,741 | $3,634,250 | $12,578,422 |
| Cash Marketable Securities | 82,662,942 | 83,996,500 | 73,699,656 |
| ***Total Cash & Cash Equivalents*** | 101,484,683 | 87,630,750 | 86,278,078 |
| ***Patient Accounts Receivable*** | 256,277,509 | 235,592,716 | 173,630,766 |
| Allowance on Accounts | (148,608,418) | (131,335,109) | (87,408,726) |
| ***Net Accounts Receivable*** | 107,669,091 | 104,257,607 | 86,222,040 |
| Inventories | 6,766,080 | 6,754,615 | 6,826,298 |
| Prepaid Expenses | 5,504,025 | 5,294,058 | 3,790,644 |
| Other | 13,987,395 | 22,244,086 | 5,722,105 |
| ***Total Current Assets*** | 235,411,274 | 226,181,116 | 188,839,165 |
| ***Non-Current Assets*** | | | |
| Restricted Assets | 240,721,627 | 269,692,673 | 343,067,128 |
| Restricted by Donor | 308,056 | 308,056 | 303,600 |
| Board Designated | 610,153 | 2,101,250 | 12,117,325 |
| ***Total Restricted Assets*** | 241,639,836 | 272,101,979 | 355,488,053 |
| Property Plant & Equipment | 376,181,029 | 377,224,500 | 387,410,913 |
| Accumulated Depreciation | (225,309,501) | (224,694,455) | (226,979,355) |
| Construction in Process | 310,305,046 | 277,315,307 | 218,854,882 |
| ***Net Property Plant & Equipment*** | 461,176,574 | 429,845,352 | 379,286,440 |
| Investment in Related Companies | 5,580,025 | 2,869,564 | 3,109,523 |
| Deferred Financing Costs | 15,524,872 | 15,572,100 | 15,644,785 |
| Other Non-Current Assets | 6,105,786 | 6,087,879 | 5,956,094 |
| ***Total Non-Current Assets*** | 730,027,093 | 726,476,874 | 759,484,895 |
| **Total Assets** | $965,438,367 | $952,657,990 | $948,324,060 |

| | Current Month | Prior Month | Prior Fiscal Year End |
|---|---|---|---|
| **Liabilities** | | | |
| ***Current Liabilities*** | | | |
| Accounts Payable | $34,255,602 | $28,802,944 | $44,500,881 |
| Accrued Payroll | 14,132,960 | 14,071,013 | 12,139,225 |
| Accrued PTO | 14,127,170 | 14,250,995 | 13,977,901 |
| Accrued Interest Payable | 9,097,999 | 7,545,764 | 8,065,133 |
| Current Portion of Bonds | 9,780,000 | 9,780,000 | 9,660,000 |
| Est Third Party Settlements | 2,680,738 | 2,633,735 | 807,165 |
| Other Current Liabilities | 29,112,989 | 26,978,716 | 15,815,317 |
| ***Total Current Liabilities*** | 113,187,458 | 104,063,167 | 104,965,622 |
| ***Long Term Liabilities*** | | | |
| Bonds & Contracts Payable | 528,164,758 | 528,170,491 | 537,979,367 |
| ***General Fund Balance*** | | | |
| Unrestricted | 323,167,942 | 318,015,026 | 292,958,146 |
| Restricted for Other Purpose | 308,056 | 308,056 | 303,600 |
| Board Designated | 610,153 | 2,101,250 | 12,117,325 |
| ***Total Fund Balance*** | 324,086,151 | 320,424,332 | 305,379,071 |
| **Total Liabilities / Fund Balance** | $965,438,367 | $952,657,990 | $948,324,060 |

# Income Statement: Monthly Trend
## Consolidated



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

| | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|
| **Statistics:** | | | | | | | |
| Admissions - Acute | 2540 | 2,454 | 2,367 | 2,357 | 2,253 | 2,330 | 14,301 |
| Admissions - SNF | 95 | 107 | 101 | 87 | 73 | 82 | 545 |
| Patient Days - Acute | 9587 | 9,491 | 9,098 | 9,345 | 8,802 | 9,397 | 55,720 |
| Patient Days - SNF | 6572 | 6,497 | 6,313 | 6,570 | 6,197 | 6,477 | 38,626 |
| LOS - Acute | 3.74 | 3.81 | 3.87 | 3.85 | 3.85 | 4.11 | 3.87 |
| LOS - SNF | 67.75 | 60.16 | 67.88 | 69.16 | 78.44 | 84.12 | 70.36 |
| Adjusted Discharges | 3,600 | 3,481 | 3,293 | 3,416 | 3,231 | 3,209 | 20,231 |
| **Revenue:** | | | | | | | |
| Gross Revenue | $ 131,046,951 | $ 131,438,267 | $ 127,873,677 | $135,991,410 | $ 122,619,993 | $132,503,423 | $ 781,473,718 |
| Deductions from Rev | (94,593,925) | (94,598,259) | (91,280,996) | (98,599,181) | (86,064,844) | (96,106,528) | (561,243,731) |
| Net Patient Revenue | 36,453,026 | 36,840,008 | 36,592,681 | 37,392,229 | 36,555,149 | 36,396,895 | 220,229,987 |
| Other Oper Revenue | 481,361 | 331,016 | 518,420 | 850,901 | 300,829 | 1,450,298 | 3,932,825 |
| **Total Net Revenue** | 36,934,387 | 37,171,024 | 37,111,101 | 38,243,130 | 36,855,978 | 37,847,193 | 224,162,812 |
| **Expenses:** | | | | | | | |
| Salaries, Wages & Contr Labor | 17,547,177 | 17,429,247 | 17,159,435 | 17,718,059 | 17,472,778 | 17,061,521 | 104,388,217 |
| Benefits | 4,496,086 | 4,177,042 | 4,146,197 | 4,187,628 | 4,239,835 | 4,298,735 | 25,545,523 |
| Supplies | 5,536,898 | 5,656,890 | 5,963,822 | 6,439,529 | 5,668,865 | 5,884,036 | 35,150,040 |
| Prof Fees & Purch Svc | 4,597,010 | 4,825,802 | 5,138,315 | 5,033,215 | 4,364,132 | 5,276,227 | 29,234,702 |
| Depreciation | 1,915,873 | 1,905,155 | 1,841,193 | 1,956,220 | 1,908,874 | 1,941,062 | 11,468,377 |
| Other | 1,975,226 | 2,233,503 | 2,382,627 | 2,203,375 | 2,392,334 | 2,403,317 | 13,590,382 |
| **Total Expenses** | 36,068,270 | 36,227,639 | 36,631,589 | 37,538,026 | 36,046,818 | 36,864,898 | 219,377,241 |
| **Net Inc Before Non-Oper Income** | 866,117 | 943,385 | 479,512 | 705,104 | 809,160 | 982,295 | 4,785,571 |
| Property Tax Revenue | 1,166,666 | 1,166,666 | 1,166,666 | 1,166,666 | 1,166,666 | 1,166,666 | 6,999,996 |
| Non-Operating Income | 69,375 | 147,884 | (614,405) | 75,236 | 831,064 | 513,358 | 1,022,512 |
| **Net Income (Loss)** | $ 2,102,158 | $ 2,257,935 | $ 1,031,773 | $ 1,947,006 | $ 2,806,890 | $ 2,662,319 | $ 12,808,079 |
| Net Income Margin | 5.7% | 6.1% | 2.8% | 5.1% | 7.6% | 7.0% | 5.7% |
| OEBITDA Margin w/o Prop Tax | 7.5% | 7.7% | 6.3% | 7.0% | 7.4% | 7.7% | 7.3% |
| OEBITDA Margin with Prop Tax | 10.7% | 10.8% | 9.4% | 10.0% | 10.5% | 10.8% | 10.4% |

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



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

| | Actual | Budget | Variance | | Variance: Volume | Variance: Rate/Eff | $/Adjusted Discharges: Actual | $/Adjusted Discharges: Budget | $/Adjusted Discharges: Variance |
|---|---|---|---|---|---|---|---|---|---|
| **Statistics:** | | | | | | | | | |
| Admissions - Acute | 14,301 | 14,850 | (549) | | | | | | |
| Admissions - SNF | 545 | 538 | 7 | | | | | | |
| Patient Days - Acute | 55,720 | 57,298 | (1,578) | | | | | | |
| Patient Days - SNF | 38,626 | 38,296 | 330 | | | | | | |
| ALOS - Acute | 3.87 | 3.86 | 0.01 | | | | | | |
| ALOS - SNF | 70.36 | 71.98 | (1.62) | | | | | | |
| Adjusted Discharges | 20,231 | 20,155 | 76 | | | | | | |
| **Revenue:** | | | | | | | | | |
| Gross Revenue | $ 781,473,718 | $ 755,467,280 | $ 26,006,438 | F | $ 2,848,698 | $ 23,157,740 | $ 38,627.54 | $ 37,482.87 | $ 1,144.67 |
| Deductions from Rev | (561,243,731) | (538,562,215) | (22,681,516) | U | (2,030,798) | (20,650,718) | (27,741.77) | (26,721.02) | (1,020.75) |
| Net Patient Revenue | 220,229,987 | 216,905,065 | 3,324,922 | F | 817,901 | 2,507,021 | 10,885.77 | 10,761.85 | 123.92 |
| Other Oper Revenue | 3,932,825 | 3,640,914 | 291,911 | F | 13,729 | 278,182 | 194.40 | 180.65 | 13.75 |
| **Total Net Revenue** | 224,162,812 | 220,545,979 | 3,616,833 | F | 831,630 | 2,785,203 | 11,080.16 | 10,942.49 | 137.67 |
| **Expenses:** | | | | | | | | | |
| Salaries, Wages & Contr Labor | 104,388,217 | 104,056,101 | (332,116) | U | (392,372) | 60,256 | 5,159.81 | 5,162.79 | 2.98 |
| Benefits | 25,545,523 | 25,371,065 | (174,458) | U | (95,669) | (78,789) | 1,262.69 | 1,258.80 | (3.89) |
| Supplies | 35,150,040 | 33,505,268 | (1,644,772) | U | (126,341) | (1,518,431) | 1,737.43 | 1,662.38 | (75.05) |
| Prof Fees & Purch Svc | 29,234,702 | 29,208,817 | (25,885) | U | (110,140) | 84,255 | 1,445.04 | 1,449.21 | 4.16 |
| Depreciation | 11,468,377 | 11,185,674 | (282,703) | U | (42,179) | (240,524) | 566.87 | 554.98 | (11.89) |
| Other | 13,590,382 | 13,120,590 | (469,792) | U | (49,475) | (420,317) | 671.76 | 650.98 | (20.78) |
| **Total Expenses** | 219,377,241 | 216,447,514 | (2,929,727) | U | (816,175) | (2,113,552) | 10,843.62 | 10,739.15 | (104.47) |
| **Net Inc Before Non-Oper Income** | 4,785,571 | 4,098,465 | 687,106 | F | 15,454 | 671,652 | 236.55 | 203.35 | 33.20 |
| Property Tax Revenue | 6,999,996 | 6,999,996 | - | - | 26,395 | (26,395) | 346.00 | 347.31 | (1.30) |
| Non-Operating Income | 1,022,512 | 1,051,704 | (29,192) | U | 3,966 | (33,158) | 50.54 | 52.18 | (1.64) |
| **Net Income (Loss)** | $ 12,808,079 | $ 12,150,165 | $ 657,914 | F | $ 45,816 | $ 612,098 | $ 633.09 | $ 602.84 | $ 30.26 |
| Net Income Margin | 5.7% | 5.5% | 0.2% | | | | | | |
| OEBITDA Margin w/o Prop Tax | 7.3% | 6.9% | 0.4% | | | | | | |
| OEBITDA Margin with Prop Tax | 10.4% | 10.1% | 0.3% | | | | | | |

F= Favorable variance
U= Unfavorable variance

ADD F-20

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



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

| | Actual | Budget | Variance | | Variance Volume | Variance Rate/Eff | $/Adjusted Discharges Actual | $/Adjusted Discharges Budget | $/Adjusted Discharges Variance |
|---|---|---|---|---|---|---|---|---|---|
| **Statistics:** | | | | | | | | | |
| Admissions - Acute | 2,330 | 2,502 | (172) | | | | | | |
| Admissions - SNF | 82 | 89 | (7) | | | | | | |
| Patient Days - Acute | 9,397 | 9,654 | (257) | | | | | | |
| Patient Days - SNF | 6,477 | 6,452 | 25 | | | | | | |
| ALOS - Acute | 4.11 | 3.86 | 0.25 | | | | | | |
| ALOS - SNF | 84.12 | 73.32 | 10.80 | | | | | | |
| Adjusted Discharges | 3,209 | 3,393 | (184) | | | | | | |
| **Revenue:** | | | | | | | | | |
| Gross Revenue | $ 132,503,423 | $ 127,379,385 | $ 5,124,038 | F | $ (6,907,694) | $ 12,031,732 | $41,291.19 | $ 37,541.82 | $ 3,749.37 |
| Deductions from Rev | (96,106,528) | $ (90,792,883) | (5,313,645) | U | 4,923,634 | (10,237,279) | (29,949.06) | (26,758.88) | (3,190.18) |
| Net Patient Revenue | 36,396,895 | 36,586,502 | (189,607) | U | (1,984,060) | 1,794,453 | 11,342.13 | 10,782.94 | 559.19 |
| Other Oper Revenue | 1,450,298 | 606,819 | 843,479 | F | (32,907) | 876,386 | 451.95 | 178.84 | 273.10 |
| **Total Net Revenue** | 37,847,193 | 37,193,321 | 653,872 | F | (2,016,968) | 2,670,840 | 11,794.08 | 10,961.78 | 832.30 |
| **Expenses:** | | | | | | | | | |
| Salaries, Wages & Contr Labor | 17,061,521 | 17,398,099 | 336,578 | F | 943,487 | (606,909) | 5,316.77 | 5,127.64 | (189.13) |
| Benefits | 4,298,735 | 4,257,658 | (41,077) | U | 230,890 | (271,967) | 1,339.59 | 1,254.84 | (84.75) |
| Supplies | 5,884,036 | 5,647,046 | (236,990) | U | 306,235 | (543,225) | 1,833.60 | 1,664.32 | (169.28) |
| Prof Fees & Purch Svc | 5,276,227 | 4,918,224 | (358,003) | U | 266,712 | (624,715) | 1,644.20 | 1,449.52 | (194.68) |
| Depreciation | 1,941,062 | 1,864,279 | (76,783) | U | 101,099 | (177,882) | 604.88 | 549.45 | (55.43) |
| Other | 2,403,317 | 2,198,302 | (205,015) | U | 119,212 | (324,227) | 748.93 | 647.89 | (101.04) |
| **Total Expenses** | 36,864,898 | 36,283,607 | (581,291) | U | 1,967,634 | (2,548,925) | 11,487.97 | 10,693.67 | (794.31) |
| **Net Inc Before Non-Oper Income** | 982,295 | 909,714 | 72,581 | F | (49,333) | 121,914 | 306.11 | 268.11 | 37.99 |
| Property Tax Revenue | 1,166,666 | 1,166,666 | - | - | (63,267) | 63,267 | 363.56 | 343.84 | 19.72 |
| Non-Operating Income | 513,358 | 175,284 | 338,074 | F | (9,506) | 347,580 | 159.97 | 51.66 | 108.31 |
| **Net Income (Loss)** | $ 2,662,319 | $ 2,251,664 | $ 410,655 | F | $ (122,106) | $ 532,761 | $ 829.64 | $ 663.62 | $ 166.02 |
| Net Income Margin | 7.0% | 6.1% | 0.9% | | | | | | |
| OEBITDA Margin w/o Prop Tax | 7.7% | 7.5% | 0.2% | | | | | | |
| OEBITDA Margin with Prop Tax | 10.8% | 10.6% | 0.2% | | | | | | |

F= Favorable variance
U= Unfavorable variance

ADD F-21

# Income Statement: Current vs. Prior Year-to-date

## Consolidated – Adjusted Discharges



PALOMAR POMERADO HEALTH
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| | Dec 08 YTD | Dec 07 YTD | Variance | | Variance: Volume | Variance: Rate/Eff | $/Adjusted Discharges: Actual | $/Adjusted Discharges: Budget | $/Adjusted Discharges: Variance |
|---|---|---|---|---|---|---|---|---|---|
| **Statistics:** | | | | | | | | | |
| Admissions - Acute | 14,301 | 14,465 | (164) | | | | | | |
| Admissions - SNF | 545 | 534 | 11 | | | | | | |
| Patient Days - Acute | 55,720 | 56,376 | (656) | | | | | | |
| Patient Days - SNF | 38,626 | 38,311 | 315 | | | | | | |
| ALOS - Acute | 3.87 | 3.89 | (0.02) | | | | | | |
| ALOS - SNF | 70.36 | 73.11 | (2.75) | | | | | | |
| Adjusted Discharges | 20,231 | 19,822 | 409 | | | | | | |
| **Revenue:** | | | | | | | | | |
| Gross Revenue | $ 781,473,718 | $ 692,195,258 | $ 89,278,460 | F | $ 14,282,507 | $ 74,995,953 | $ 38,627.54 | $ 34,920.56 | $ 3,706.98 |
| Deductions from Rev | (561,243,731) | (484,201,483) | (77,042,248) | U | (9,990,839) | (67,051,409) | (27,741.77) | (24,427.48) | (3,314.29) |
| Net Patient Revenue | 220,229,987 | 207,993,775 | 12,236,212 | F | 4,291,669 | 7,944,543 | 10,885.77 | 10,493.08 | 392.69 |
| Other Oper Revenue | 3,932,825 | 4,755,539 | (822,714) | U | 98,124 | (920,838) | 194.40 | 239.91 | (45.52) |
| **Total Net Revenue** | 224,162,812 | 212,749,314 | 11,413,498 | F | 4,389,793 | 7,023,705 | 11,080.16 | 10,732.99 | 347.18 |
| **Expenses:** | | | | | | | | | |
| Salaries, Wages & Contr Labor | 104,388,217 | 103,791,225 | (596,992) | U | (2,141,591) | 1,544,599 | 5,159.81 | 5,236.16 | 76.35 |
| Benefits | 25,545,523 | 25,984,209 | 438,686 | F | (536,149) | 974,835 | 1,262.69 | 1,310.88 | 48.19 |
| Supplies | 35,150,040 | 32,186,175 | (2,963,865) | U | (664,118) | (2,299,747) | 1,737.43 | 1,623.76 | (113.67) |
| Prof Fees & Purch Svc | 29,234,702 | 30,903,260 | 1,668,558 | F | (637,647) | 2,306,205 | 1,445.04 | 1,559.04 | 113.99 |
| Depreciation | 11,468,377 | 10,981,206 | (487,171) | U | (226,582) | (260,589) | 566.87 | 553.99 | (12.88) |
| Other | 13,590,382 | 12,044,505 | (1,545,877) | U | (248,522) | (1,297,355) | 671.76 | 607.63 | (64.13) |
| **Total Expenses** | 219,377,241 | 215,890,580 | (3,486,661) | U | (4,454,608) | 967,947 | 10,843.62 | 10,891.46 | 47.84 |
| **Net Inc Before Non-Oper Income** | 4,785,571 | (3,141,266) | 7,926,837 | F | (64,816) | 7,991,653 | 236.55 | (158.47) | 395.02 |
| Property Tax Revenue | 6,999,996 | 6,750,000 | 249,996 | F | 139,277 | 110,719 | 346.00 | 340.53 | 5.47 |
| Non-Operating Income | 1,022,512 | 2,814,406 | (1,791,894) | U | 58,071 | (1,849,965) | 50.54 | 141.98 | (91.44) |
| **Net Income (Loss)** | $ 12,808,079 | $ 6,423,140 | $ 6,384,939 | F | $ 132,533 | $ 6,252,406 | $ 633.09 | $ 324.04 | $ 309.05 |
| Net Income Margin | 5.7% | 3.0% | 2.7% | | | | | | |
| OEBITDA Margin w/o Prop Tax | 7.3% | 3.7% | 3.6% | | | | | | |
| OEBITDA Margin with Prop Tax | 10.4% | 6.9% | 3.5% | | | | | | |

F= Favorable variance
U= Unfavorable variance

ADD F-22

# Income Statement: Fiscal Year Projection

## Consolidated – Adjusted Discharges



PALOMAR POMERADO HEALTH
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| | 6 Act + 6 Bud | FY 09 Budget | Variance | | Variance: Volume | Variance: Rate/Eff | $/Adjusted Discharges: Actual | $/Adjusted Discharges: Budget | $/Adjusted Discharges: Variance |
|---|---|---|---|---|---|---|---|---|---|
| **Statistics:** | | | | | | | | | |
| Admissions - Acute | 28,905 | 29,454 | (549) | | | | | | |
| Admissions - SNF | 1,061 | 1,054 | 7 | | | | | | |
| Patient Days - Acute | 112,078 | 113,656 | (1,578) | | | | | | |
| Patient Days - SNF | 76,327 | 75,997 | 330 | | | | | | |
| Adjusted Discharges | 40,027 | 39,951 | 76 | | | | | | |
| **Revenue:** | | | | | | | | | |
| Gross Revenue | $ 1,525,238,391 | $ 1,499,231,953 | $ 26,006,438 | F | $ 2,852,034 | $ 23,154,404 | $ 38,105.24 | $ 37,526.77 | $ 578.47 |
| Deductions from Rev | (1,091,272,846) | (1,068,591,330) | (22,681,516) | U | (2,032,814) | (20,648,702) | (27,263.42) | (26,747.55) | (515.87) |
| Net Patient Revenue | 433,965,545 | 430,640,623 | 3,324,922 | F | 819,221 | 2,505,701 | 10,841.82 | 10,779.22 | 62.60 |
| Other Oper Revenue | 7,803,739 | 7,511,828 | 291,911 | F | 14,290 | 277,621 | 194.96 | 188.03 | 6.94 |
| **Total Net Revenue** | 441,769,284 | 438,152,451 | 3,616,833 | F | 833,511 | 2,783,322 | 11,036.78 | 10,967.25 | 69.54 |
| **Expenses:** | | | | | | | | | |
| Salaries, Wages & Contr Labor | 206,427,161 | 206,095,045 | (332,116) | U | (392,061) | 59,945 | 5,157.20 | 5,158.70 | 1.50 |
| Benefits | 50,458,141 | 50,283,683 | (174,458) | U | (95,656) | (78,802) | 1,260.60 | 1,258.63 | (1.97) |
| Supplies | 68,140,555 | 66,495,783 | (1,644,772) | U | (126,497) | (1,518,275) | 1,702.36 | 1,664.43 | (37.93) |
| Prof Fees & Purch Svc | 57,667,458 | 57,641,573 | (25,885) | U | (109,653) | 83,768 | 1,440.71 | 1,442.81 | 2.09 |
| Depreciation | 22,707,265 | 22,424,562 | (282,703) | U | (42,659) | (240,044) | 567.30 | 561.30 | (6.00) |
| Other | 26,691,732 | 26,221,940 | (469,792) | U | (49,883) | (419,909) | 666.84 | 656.35 | (10.49) |
| **Total Expenses** | 432,092,312 | 429,162,585 | (2,929,727) | U | (816,409) | (2,113,318) | 10,795.02 | 10,742.22 | (52.80) |
| **Net Inc Before Non-Oper Income** | 9,676,972 | 8,989,866 | 687,106 | F | 17,102 | 670,004 | 241.76 | 225.02 | 16.74 |
| Property Tax Revenue | 13,999,992 | 13,999,992 | - | - | 26,633 | (26,633) | 349.76 | 350.43 | (0.67) |
| Non-Operating Income | 2,074,216 | 2,103,408 | (29,192) | U | 4,001 | (33,193) | 51.82 | 52.65 | (0.83) |
| **Net Income (Loss)** | $ 25,751,180 | $ 25,093,266 | $ 657,914 | F | $ 47,736 | $ 610,178 | $ 643.35 | $ 628.10 | $ 15.24 |
| Net Income Margin | 5.8% | 5.7% | 0.1% | | | | | | |
| OEBITDA Margin w/o Prop Tax | 7.3% | 7.2% | 0.1% | | | | | | |
| OEBITDA Margin with Prop Tax | 10.5% | 10.4% | 0.1% | | | | | | |

F= Favorable variance
U= Unfavorable variance

ADD F-23

# Cash Flow Statement



| Fiscal Year 2009 | December | YTD |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Income (Loss) from operations | 982,295 | 4,785,572 |
| **Adjustments to reconcile change in net assets to net cash provided by operating activities:** | | |
| Depreciation Expense | 1,941,062 | 11,468,377 |
| Provision for bad debts | 5,502,096 | 32,088,541 |
| **Changes in operating assets and liabilities:** | | |
| Patient accounts receivable | (8,913,581) | (53,535,592) |
| Property Tax and other receivables | (774,954) | (20,090,633) |
| Inventories | (11,465) | 60,218 |
| Prepaid expenses and Other Non-Current assets | (2,920,428) | (4,183,883) |
| Accounts payable | 5,452,658 | (10,245,279) |
| Accrued compensation | (61,878) | 2,143,004 |
| Estimated settlement amounts due third-party payors | 47,003 | 1,873,573 |
| Other current liabilities | 1,366,301 | 23,363,027 |
| Net cash provided by operating activities | 2,609,109 | (12,273,074) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Net (purchases) sales of investments | 33,026,494 | 104,884,931 |
| Income (Loss) on investments | 1,075,223 | 3,159,425 |
| Investment in affiliates | 69,632 | 618,525 |
| Net cash used in investing activities | 34,171,349 | 108,662,881 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:** | | |
| Receipt of G.O. Bond Taxes | 4,147,711 | 5,083,817 |
| Receipt of District Taxes | 4,797,176 | 5,971,510 |
| Net cash used in non-capital financing activities | 8,944,887 | 11,055,328 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Acquisition of property plant and equipment | (30,585,082) | (83,393,545) |
| Proceeds from sale of asset | 0 | 0 |
| Deferred Financing Costs | 47,228 | 119,913 |
| G.O. Bond Interest paid | 0 | (7,037,392) |
| Revenue Bond Interest paid | 0 | (1,230,793) |
| Proceeds from issuance of debt | 0 | 0 |
| Payments of Long Term Debt | 0 | (9,660,000) |
| Net cash used in activities | (30,537,854) | (101,201,817) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 15,187,491 | 6,243,319 |
| **CASH AND CASH EQUIVALENTS - Beginning of period** | 3,634,250 | 12,578,422 |
| **CASH AND CASH EQUIVALENTS - End of period** | 18,821,741 | 18,821,741 |

ADD F-24

# Summary of Key Indicators & Results

## Fiscal Year-to-Date



| | ACTUAL | BUDGET | VARIANCE | FY 2008 |
|---|---|---|---|---|
| **ADMISSIONS - Acute:** | | | | |
| Palomar Medical Center | 10,721 | 11,122 | (401) | 10,888 |
| Pomerado Hospital | 3,580 | 3,728 | (148) | 3,577 |
| **Total:** | 14,301 | 14,850 | (549) | 14,465 |
| **ADMISSIONS - SNF:** | | | | |
| Palomar Medical Center | 212 | 250 | (38) | 250 |
| Pomerado Hospital | 333 | 288 | 45 | 284 |
| **Total:** | 545 | 538 | 7 | 534 |
| **PATIENT DAYS - Acute:** | | | | |
| Palomar Medical Center | 41,204 | 42,466 | (1,262) | 41,895 |
| Pomerado Hospital | 14,516 | 14,832 | (316) | 14,481 |
| **Total:** | 55,720 | 57,298 | (1,578) | 56,376 |
| **PATIENT DAYS- SNF:** | | | | |
| Palomar Medical Center | 16,366 | 15,664 | 702 | 15,664 |
| Pomerado Hospital | 22,260 | 22,632 | (372) | 22,647 |
| **Total:** | 38,626 | 38,296 | 330 | 38,311 |

| | | | | |
|---|---|---|---|---|
| **EMERGENCY ROOM VISITS & TRAUMA CASES:** | | | | |
| Palomar Medical Center | 24,784 | 25,654 | (870) | 24,388 |
| Pomerado Hospital | 11,951 | 12,494 | (543) | 11,893 |
| **Total:** | 36,735 | 38,148 | (1,413) | 36,281 |
| **EMERGENCY & TRAUMA ADMISSIONS:** | | | | |
| Palomar Medical Center | 5,642 | 5,608 | 34 | 5,383 |
| Pomerado Hospital | 2,102 | 1,934 | 168 | 1,843 |
| **Total:** | 7,744 | 7,542 | 202 | 7,226 |
| **SURGERIES:** *- Escondido Surgery Center started in Dec-07.* | | | | |
| Palomar Medical Center | 6,178 | 6,472 | (294) | 4,459 |
| Pomerado Hospital | 3,490 | 3,370 | 120 | 3,322 |
| **Total:** | 9,668 | 9,842 | (174) | 7,781 |
| **BIRTHS:** | | | | |
| Palomar Medical Center | 2,068 | 2,090 | (22) | 2,190 |
| Pomerado Hospital | 593 | 606 | (13) | 619 |
| **Total:** | 2,661 | 2,696 | (35) | 2,809 |

| | ACTUAL | BUDGET | VARIANCE | FY 2008 |
|---|---|---|---|---|
| **ADJUSTED DISCHARGES** | | | | |
| Palomar Medical Center | 14,608 | 14,552 | 56 | 14,095 |
| Pomerado Hospital | 5,498 | 5,481 | 17 | 5,294 |
| Other Activities | 125 | 122 | 3 | 433 |
| **Total:** | 20,231 | 20,155 | 76 | 19,822 |
| **AVERAGE LENGTH OF STAY- Acute:** | | | | |
| Palomar Medical Center | 3.83 | 3.82 | 0.01 | 3.84 |
| Pomerado Hospital | 4.00 | 3.98 | 0.02 | 4.03 |
| **Total:** | 3.87 | 3.86 | 0.01 | 3.89 |
| **AVERAGE LENGTH OF STAY - SNF:** | | | | |
| Palomar Medical Center | 77.93 | 64.20 | 13.73 | 64.46 |
| Pomerado Hospital | 65.66 | 78.58 | (12.92) | 80.59 |
| **Total:** | 70.36 | 71.98 | (1.62) | 73.11 |

# Supplies Expense
## Year-to-Date



| Account | Description | Actual | Budget | Variance |
|---|---|---|---|---|
| 631000 | Prosthesis | 9,276,350 | 7,287,432 | (1,988,918) |
| 641000 | Supplies Other Medical | 7,632,238 | 7,312,289 | (319,949) |
| 632000 | Sutures/Surgical Needles | 850,784 | 778,721 | (72,063) |
| 647000 | Supplies Employee Apparel | 135,344 | 74,708 | (60,636) |
| 648000 | Instruments/Minor Equipment | 221,954 | 191,730 | (30,224) |
| 642000 | Supplies Food/Meat | 301,626 | 274,170 | (27,456) |
| 634000 | Supplies Surgery General | 2,480,850 | 2,458,658 | (22,192) |
| 635000 | Supplies Anesthesia Material | 22,841 | 6,156 | (16,685) |
| 645000 | Supplies Cleaning | 223,158 | 209,088 | (14,070) |
| 644000 | Supplies Linen | 13,642 | 19,398 | 5,756 |
| 637000 | Supplies IV Solutions | 238,770 | 247,535 | 8,765 |
| 633000 | Supplies Surgical Pack | 972,506 | 986,574 | 14,068 |
| 640000 | Supplies X-ray Material | (4,027) | 13,742 | 17,769 |
| 643000 | Supplies Food Other | 1,312,762 | 1,332,372 | 19,610 |
| 638000 | Supplies Pharmaceutical | 6,715,026 | 6,736,247 | 21,221 |
| 636000 | Supplies Oxygen/Gas | 108,923 | 144,728 | 35,805 |
| 650000 | Other Non Medical | 3,420,000 | 3,470,780 | 50,780 |
| 646100 | Supplies Forms | 222,454 | 306,074 | 83,620 |
| 639000 | Supplies Radioactive | 300,857 | 403,834 | 102,977 |
| 646000 | Supplies Office/Administration | 387,685 | 631,006 | 243,321 |
| 649000 | Other Minor Equipment | 316,296 | 620,026 | 303,730 |
| | **TOTAL** | **35,150,040** | **33,505,268** | **(1,644,772)** |

# Bond Covenant Ratios



| Cushion Ratio | Jun-07 | Jun-08 | Dec-08 |
|---|---|---|---|
| Cash and Cash Equivalents | 109,213,349 | 86,122,696 | 101,484,682 |
| Board Designated Reserves | - | 12,117,325 | 610,153 |
| Trustee-held Funds (Revenue Fund only) | 249,531 | 185,981 | 21,747 |
| Total | 109,462,880 | 98,426,002 | 102,116,582 |
| Divided by: | | | |
| Annual Debt Service (excludes GO Bonds) (Bond Year 11/1/2009) | 16,972,692 | 16,972,692 | 16,639,112 |
| **Cushion Ratio** | **6.4** | **5.8** | **6.1** |
| **REQUIREMENT** | **1.5** | **1.5** | **1.5** |
| | **Achieved** | **Achieved** | **Achieved** |

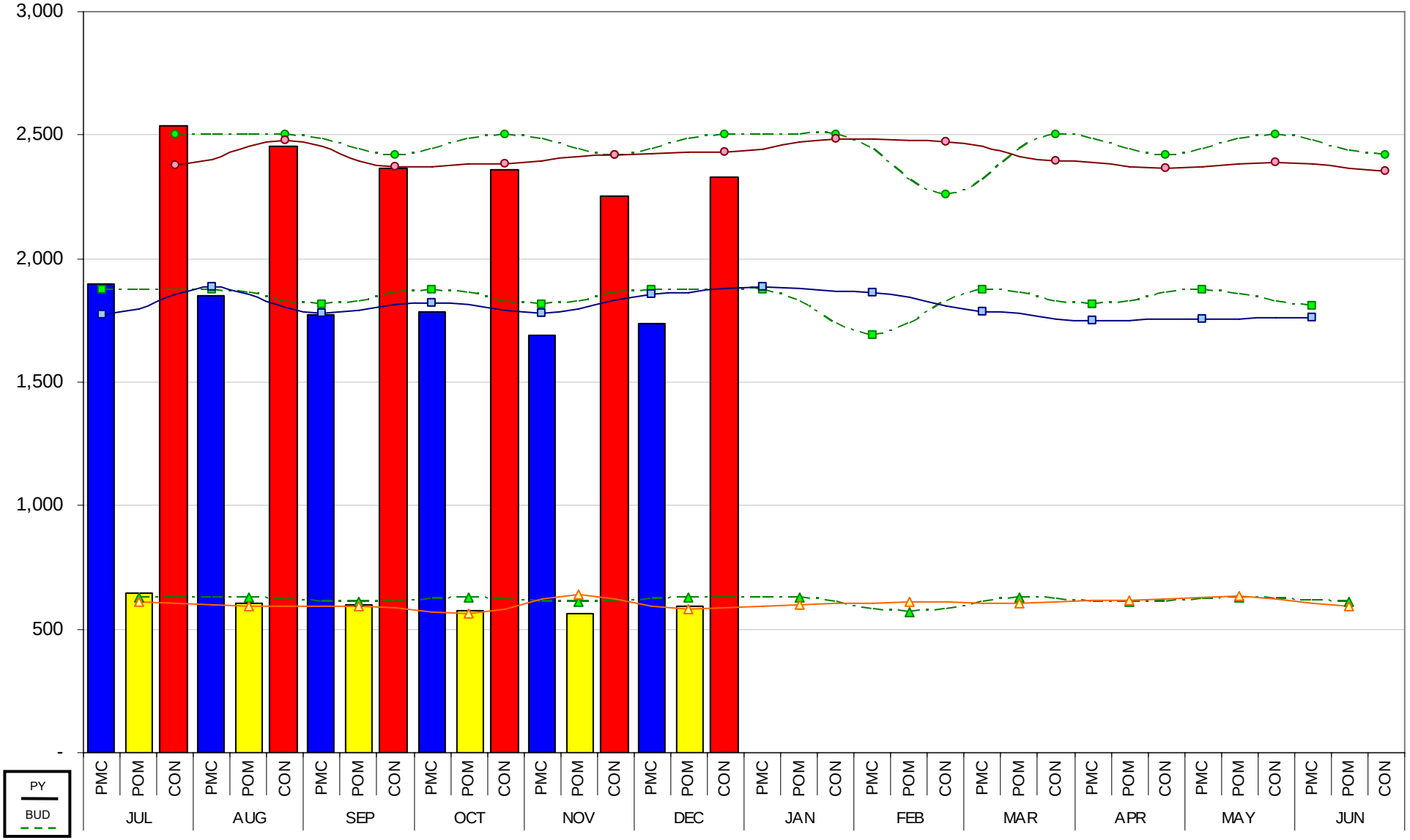
| Days Cash on Hand | Jun-07 | Jun-08 | Dec-08 |
|---|---|---|---|
| Cash and Cash Equivalents | 109,213,349 | 86,122,696 | 101,484,682 |
| Board Designated Reserves | - | 12,117,325 | 610,153 |
| Trustee-held Funds (Revenue Fund only) | 249,531 | 185,981 | 21,747 |
| Total | 109,462,880 | 98,426,002 | 102,116,582 |
| Divide Total by Average Adjusted Expenses per Day | | | |
| Total Expenses | 385,355,509 | 428,153,444 | 219,377,241 |
| Less: Depreciation | 19,453,013 | 21,572,031 | 11,468,377 |
| Adjusted Expenses | 365,902,496 | 406,581,413 | 207,908,864 |
| Number of days in period | 365 | 366 | 184 |
| Average Adjusted Expenses per Day | 1,002,473 | 1,110,878 | 1,129,939 |
| **Days Cash on Hand** | **109.2** | **88.6** | **90.4** |
| **REQUIREMENT** | **80** | **80** | **80** |
| | **Achieved** | **Achieved** | **Achieved** |

| Net Income Available for Debt Service | Jun-07 | Jun-08 | Dec-08 |
|---|---|---|---|
| Excess of revenue over expenses Cur Mo. | 2,963,446 | (12,441,012) | 2,662,319 |
| Excess of revenues over expenses YTD (General Funds) | 21,974,509 | (4,053,517) | 12,808,079 |
| ADD: | | | |
| Depreciation and Amortization | 19,453,013 | 21,391,200 | 11,468,377 |
| Interest Expense | 3,343,683 | 14,912,181 | 2,774,119 |
| Net Income Available for Debt Service | 44,771,205 | 32,249,864 | 27,050,575 |
| Aggregate Debt Service | | | |
| 1999 Insured Refunding Revenue Bonds | 8,249,916 | 8,248,018 | 4,124,774 |
| 2006 Certificates of Participation | 4,373,342 | 8,316,457 | 4,305,975 |
| Aggregate Debt Service | 12,623,258 | 16,564,475 | 8,430,749 |
| **Net Income Available for Debt Service** | **3.55** | **1.95** | **3.21** |
| **Required Coverage** | **1.15** | **1.15** | **1.15** |
| | **Achieved** | **Achieved** | **Achieved** |

# Statistical Indicators
## Admissions – Acute



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

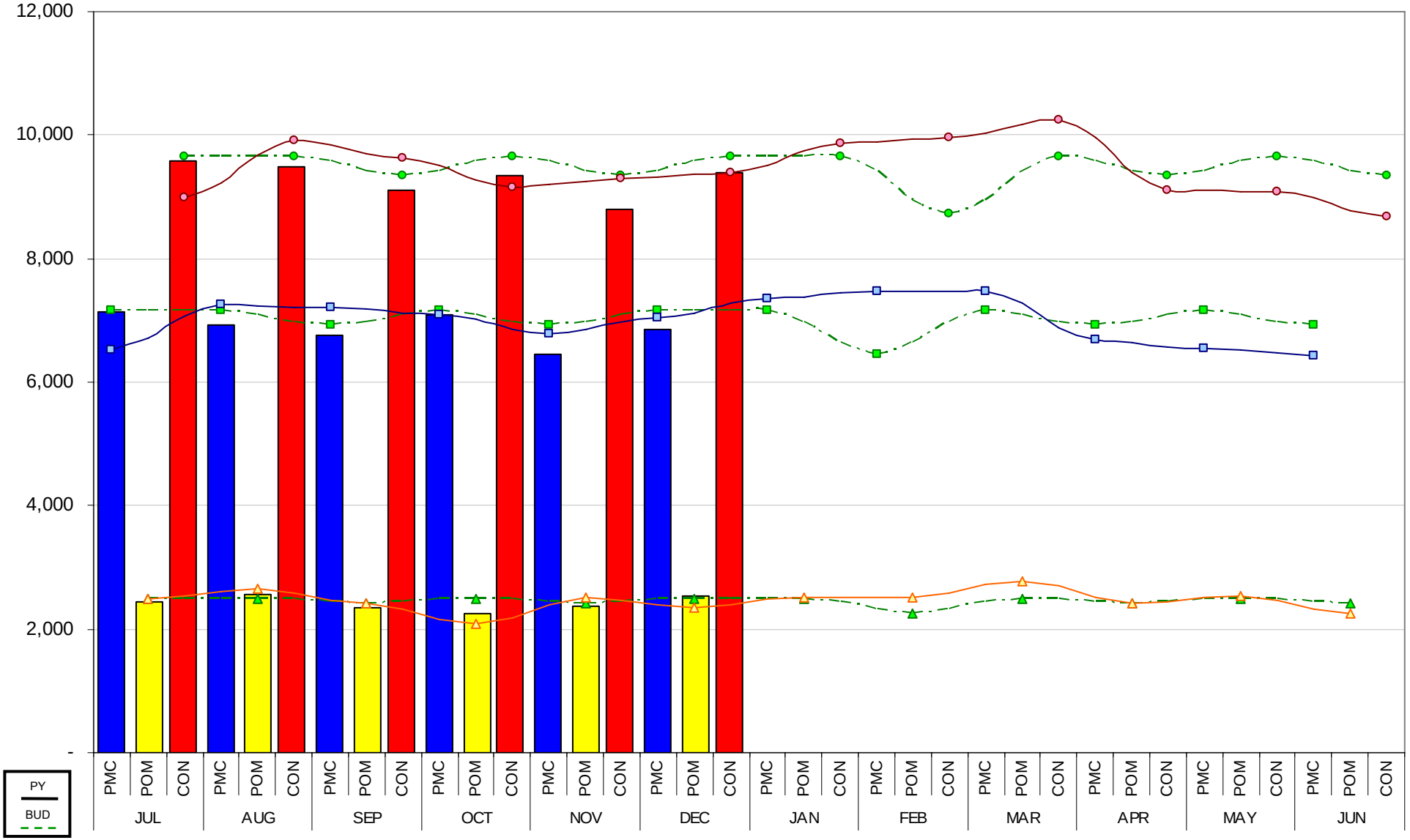



| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 1,895 | 1,848 | 1,771 | 1,782 | 1,687 | 1,738 | - | - | - | - | - | - | 10,721 | 11,122 |
| **POM** | 645 | 606 | 596 | 575 | 566 | 592 | - | - | - | - | - | - | 3,580 | 3,728 |
| **CON** | 2,540 | 2,454 | 2,367 | 2,357 | 2,253 | 2,330 | - | - | - | - | - | - | 14,301 | 14,850 |

# Statistical Indicators
## Patient Days – Acute





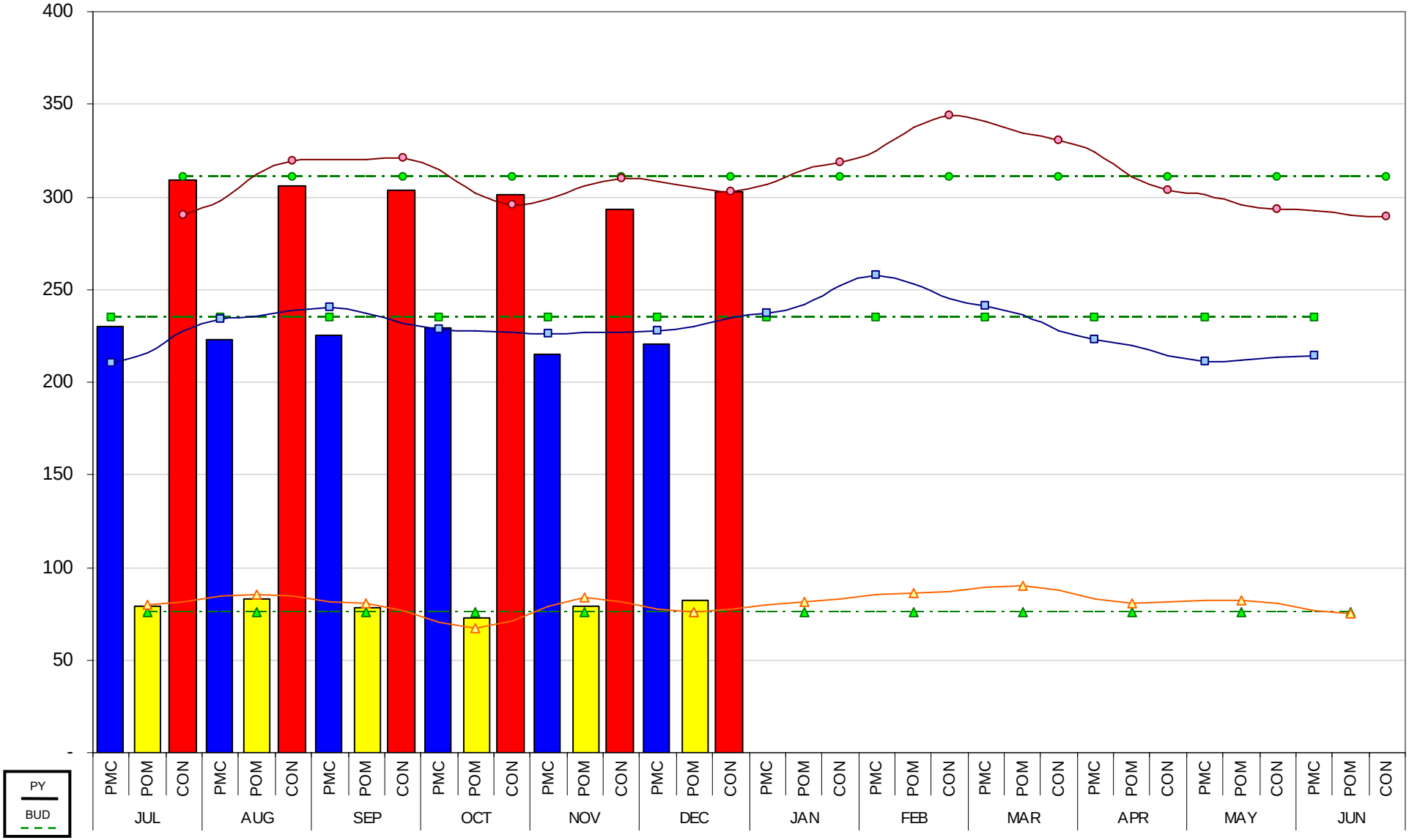



| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 7,138 | 6,920 | 6,757 | 7,101 | 6,440 | 6,848 | - | - | - | - | - | - | 41,204 | 42,466 |
| **POM** | 2,449 | 2,571 | 2,341 | 2,244 | 2,362 | 2,549 | - | - | - | - | - | - | 14,516 | 14,832 |
| **CON** | 9,587 | 9,491 | 9,098 | 9,345 | 8,802 | 9,397 | - | - | - | - | - | - | 55,720 | 57,298 |

# Statistical Indicators
## Average Daily Census – Acute





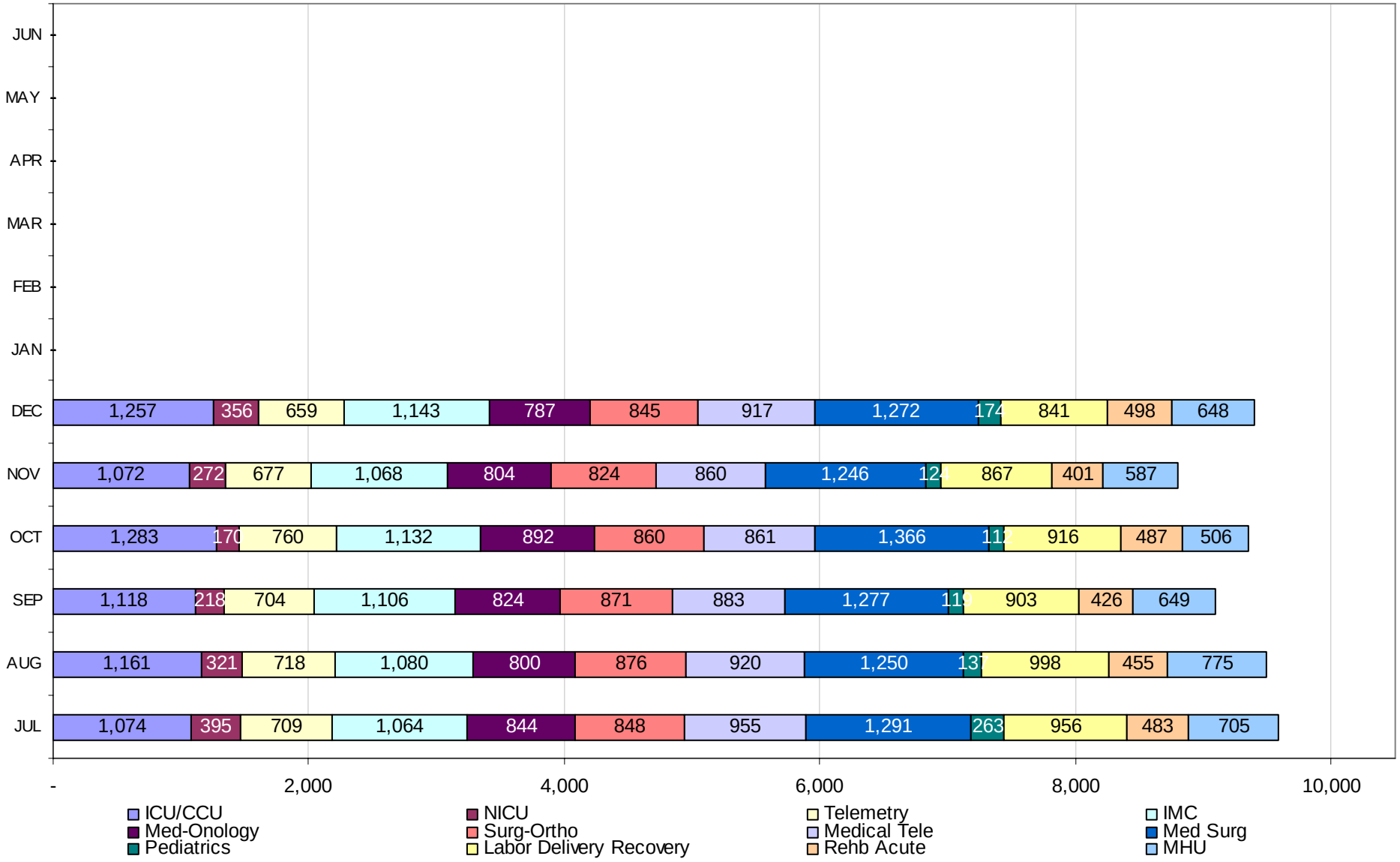



| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 230 | 223 | 225 | 229 | 215 | 221 | - | - | - | - | - | - | 224 | 231 |
| **POM** | 79 | 83 | 78 | 72 | 79 | 82 | - | - | - | - | - | - | 79 | 81 |
| **CON** | 309 | 306 | 303 | 301 | 293 | 303 | - | - | - | - | - | - | 303 | 312 |

# Statistical Indicators
## Patient Days



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



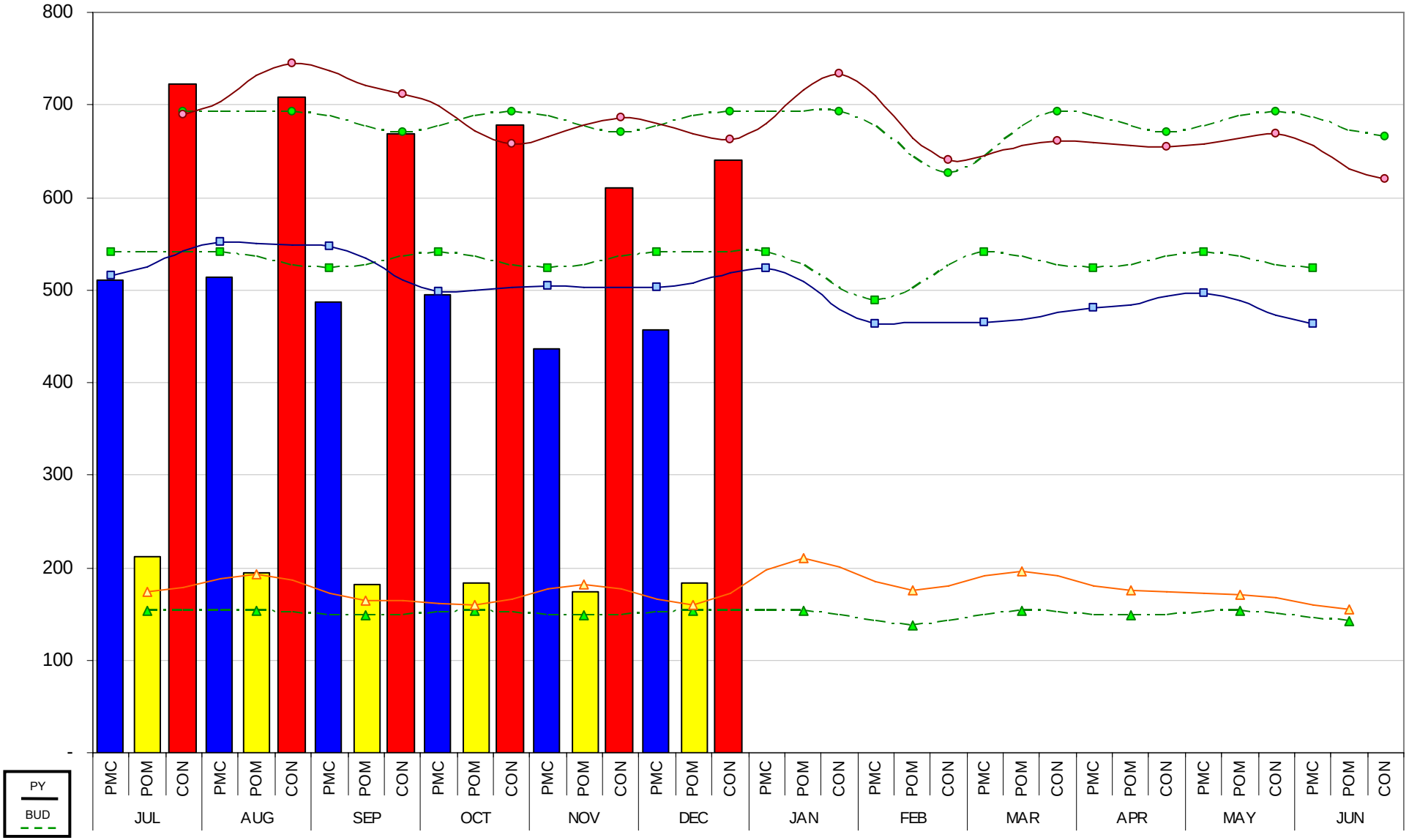

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 7,138 | 6,920 | 6,757 | 7,101 | 6,440 | 6,848 | - | - | - | - | - | - | 41,204 | 42,466 |
| **POM** | 2,449 | 2,571 | 2,341 | 2,244 | 2,362 | 2,549 | - | - | - | - | - | - | 14,516 | 14,832 |
| **CON** | 9,587 | 9,491 | 9,098 | 9,345 | 8,802 | 9,397 | - | - | - | - | - | - | 55,720 | 57,298 |

# Statistical Indicators

## Surgeries (*Inpatient only*)








| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 510 | 514 | 487 | 495 | 436 | 457 | - | - | - | - | - | - | 2,899 | 3,206 |
| **POM** | 212 | 195 | 182 | 184 | 174 | 184 | - | - | - | - | - | - | 1,131 | 908 |
| **CON** | 722 | 709 | 669 | 679 | 610 | 641 | - | - | - | - | - | - | 4,030 | 4,114 |

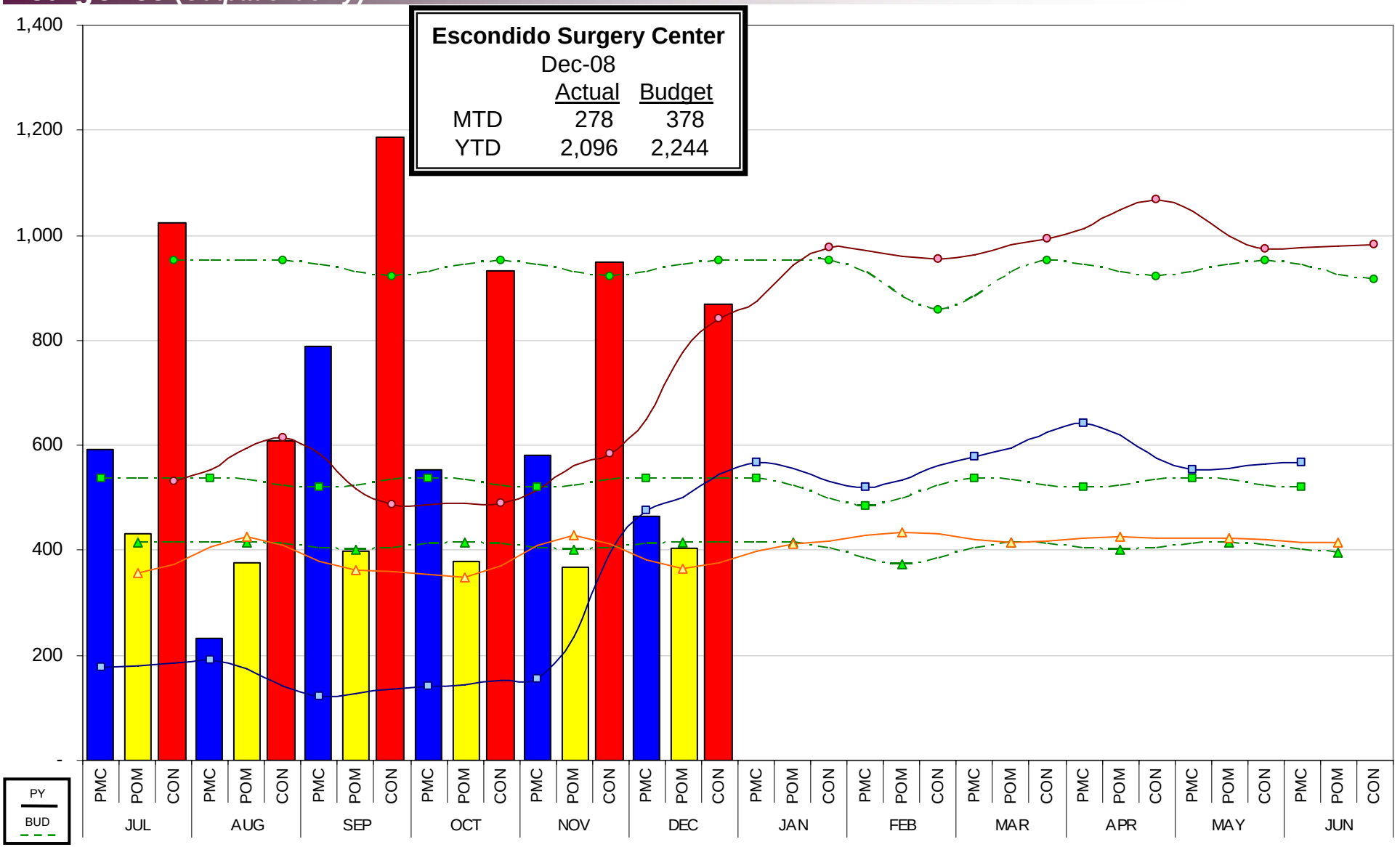
ADD F-34

# Statistical Indicators

## Surgeries (*Outpatient only*)



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



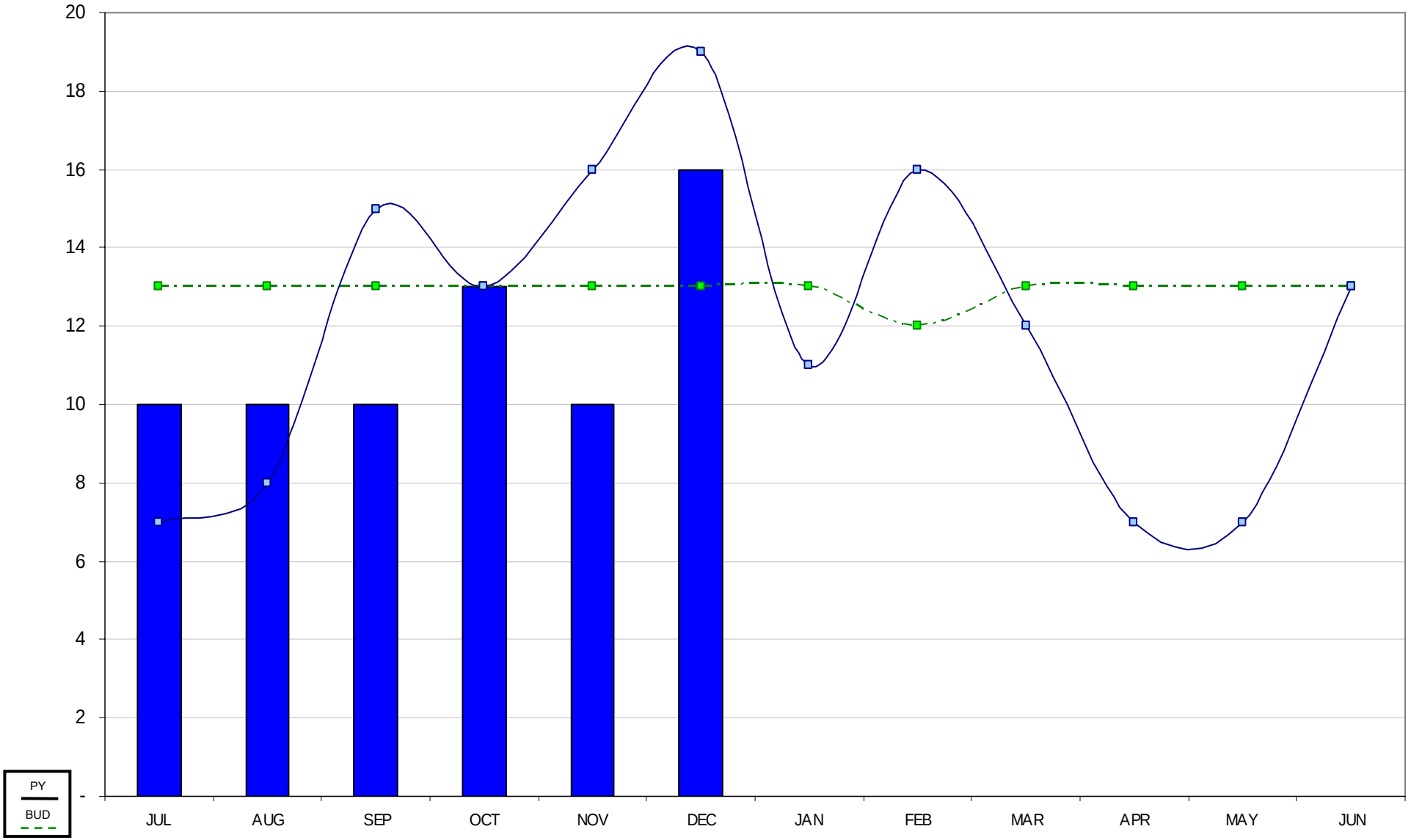

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 591 | 232 | 788 | 553 | 580 | 466 | - | - | - | - | - | - | 3,210 | 3,188 |
| **POM** | 432 | 376 | 399 | 380 | 368 | 404 | - | - | - | - | - | - | 2,359 | 2,462 |
| **CON** | 1,023 | 608 | 1,187 | 933 | 948 | 870 | - | - | - | - | - | - | 5,569 | 5,650 |

ADD F-35

# Statistical Indicators
## Surgeries – CVS (*PMC only*)








| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 10 | 10 | 10 | 13 | 10 | 16 | - | - | - | - | - | - | 69 | 78 |
| **POM** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **CON** | 10 | 10 | 10 | 13 | 10 | 16 | - | - | - | - | - | - | 69 | 78 |

ADD F-36

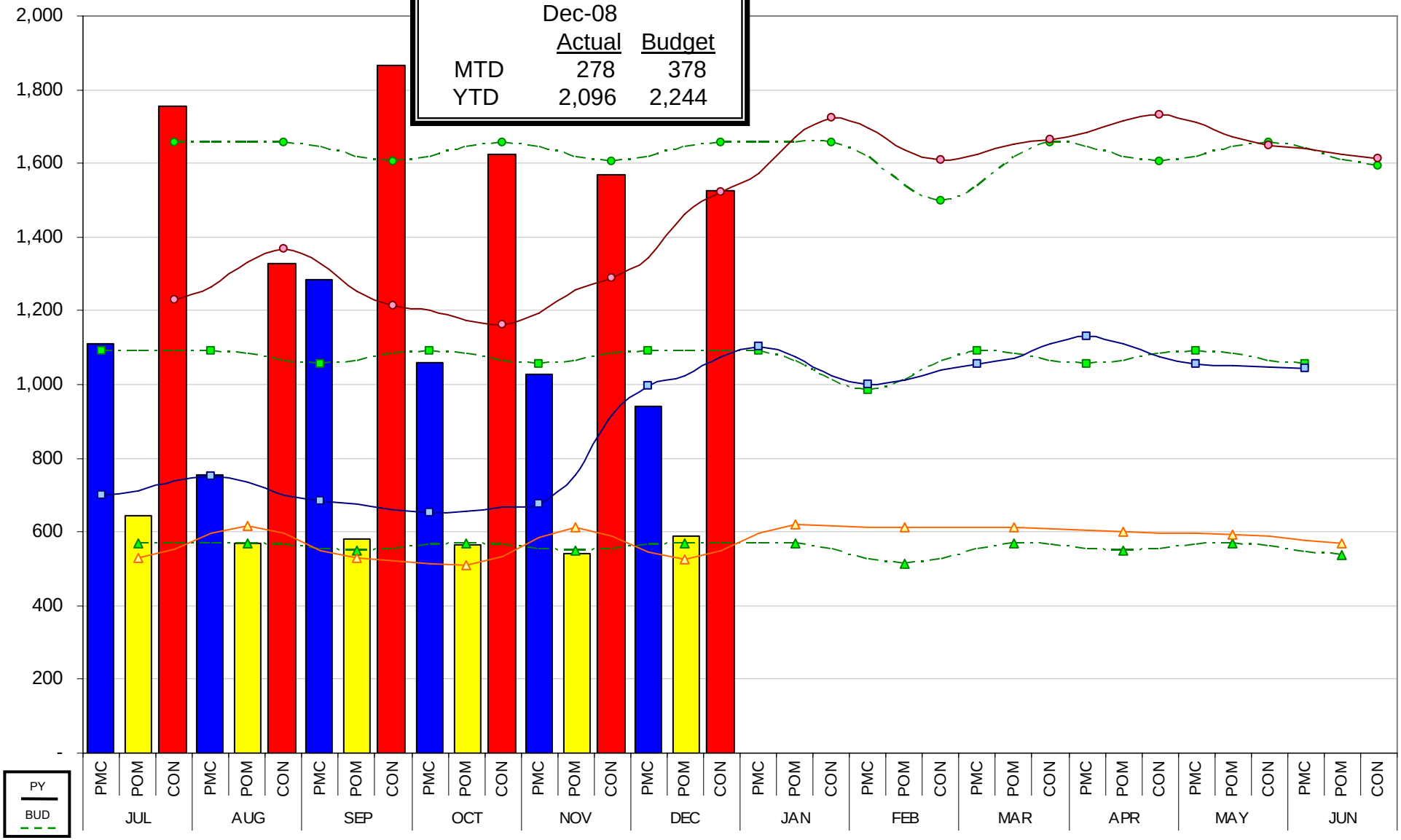
# Statistical Indicators
## Total Surgeries



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

**Escondido Surgery Center**
Dec-08

| | Actual | Budget |
|---|---|---|
| MTD | 278 | 378 |
| YTD | 2,096 | 2,244 |



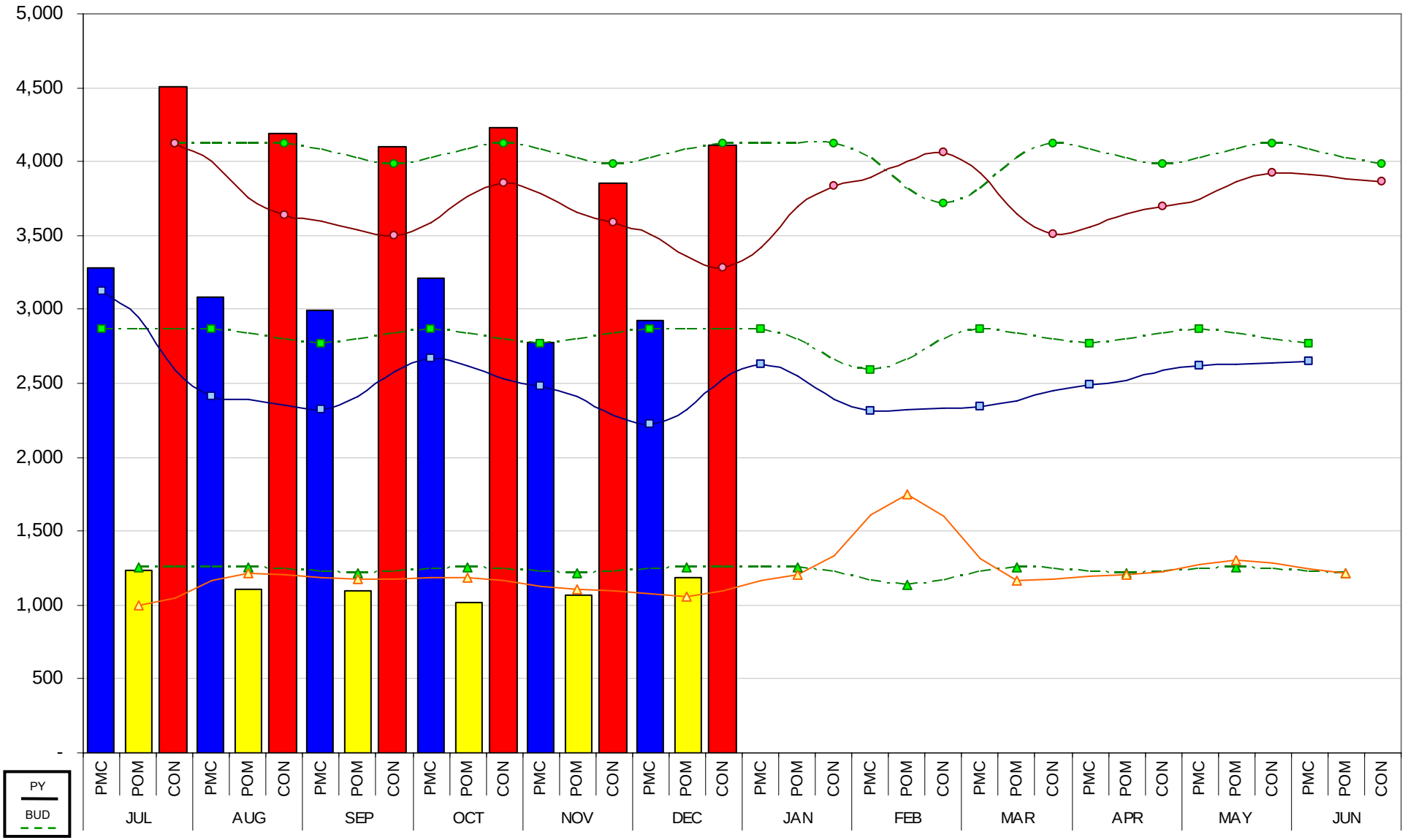

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 1,111 | 756 | 1,285 | 1,061 | 1,026 | 939 | - | - | - | - | - | - | 6,178 | 6,472 |
| **POM** | 644 | 571 | 581 | 564 | 542 | 588 | - | - | - | - | - | - | 3,490 | 3,370 |
| **CON** | 1,755 | 1,327 | 1,866 | 1,625 | 1,568 | 1,527 | - | - | - | - | - | - | 9,668 | 9,842 |

# Statistical Indicators

## Outpatient Registrations (*excludes Lab*)



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



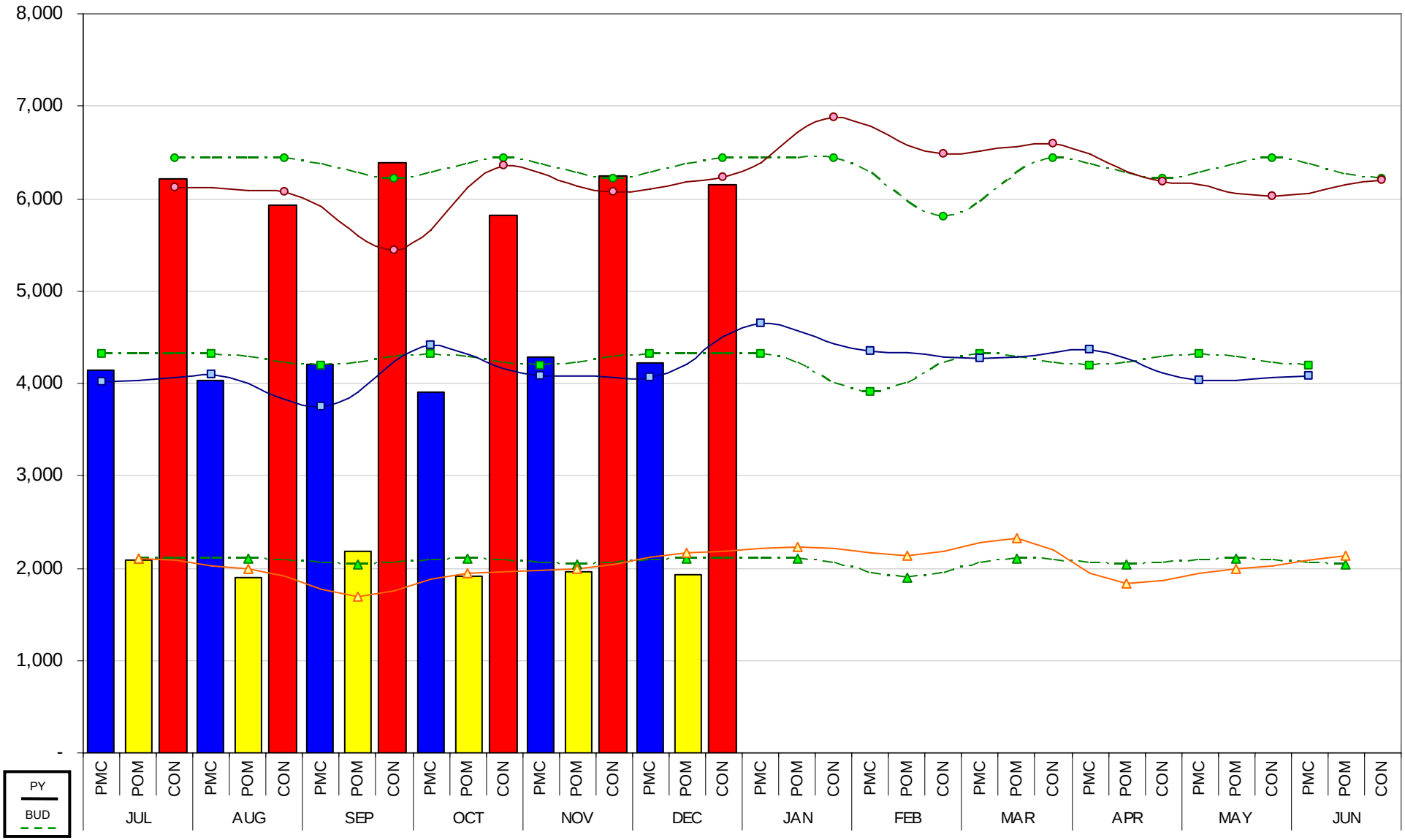

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 3,276 | 3,085 | 2,998 | 3,214 | 2,780 | 2,924 | - | - | - | - | - | - | 18,277 | 16,992 |
| **POM** | 1,231 | 1,108 | 1,101 | 1,013 | 1,069 | 1,190 | - | - | - | - | - | - | 6,712 | 7,454 |
| **CON** | 4,507 | 4,193 | 4,099 | 4,227 | 3,849 | 4,114 | - | - | - | - | - | - | 24,989 | 24,446 |

# Statistical Indicators

## ER Visits (*includes Trauma, Outpatient only*)



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



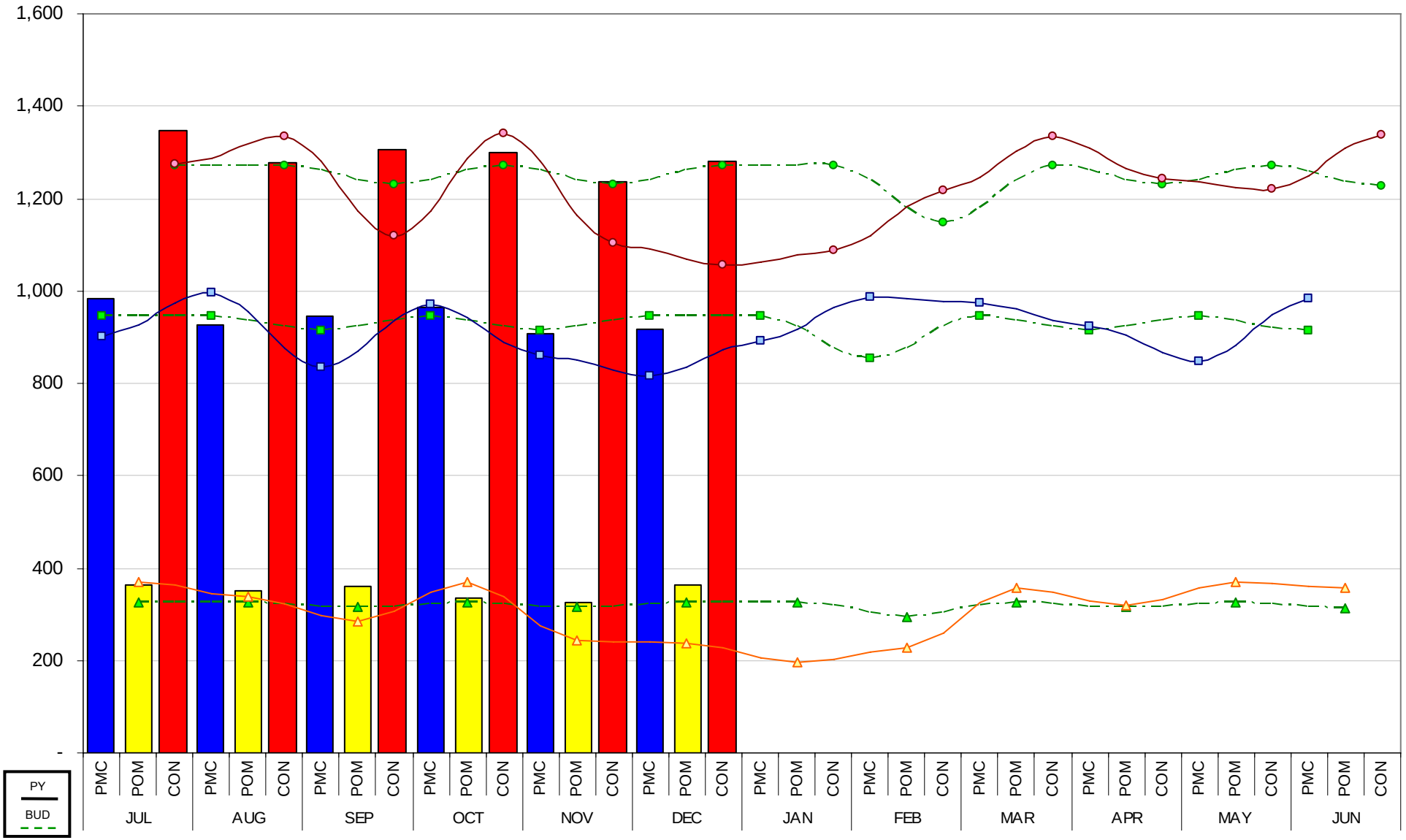

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 4,137 | 4,032 | 4,199 | 3,910 | 4,291 | 4,215 | - | - | - | - | - | - | 24,784 | 25,654 |
| **POM** | 2,081 | 1,895 | 2,184 | 1,906 | 1,956 | 1,929 | - | - | - | - | - | - | 11,951 | 12,494 |
| **CON** | 6,218 | 5,927 | 6,383 | 5,816 | 6,247 | 6,144 | - | - | - | - | - | - | 36,735 | 38,148 |
| CON/DAY | 201 | 191 | 213 | 188 | 208 | 198 | - | - | - | - | - | - | 200 | 207 |

# Statistical Indicators

## ER Admissions *(includes Trauma, Inpatient only)*



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



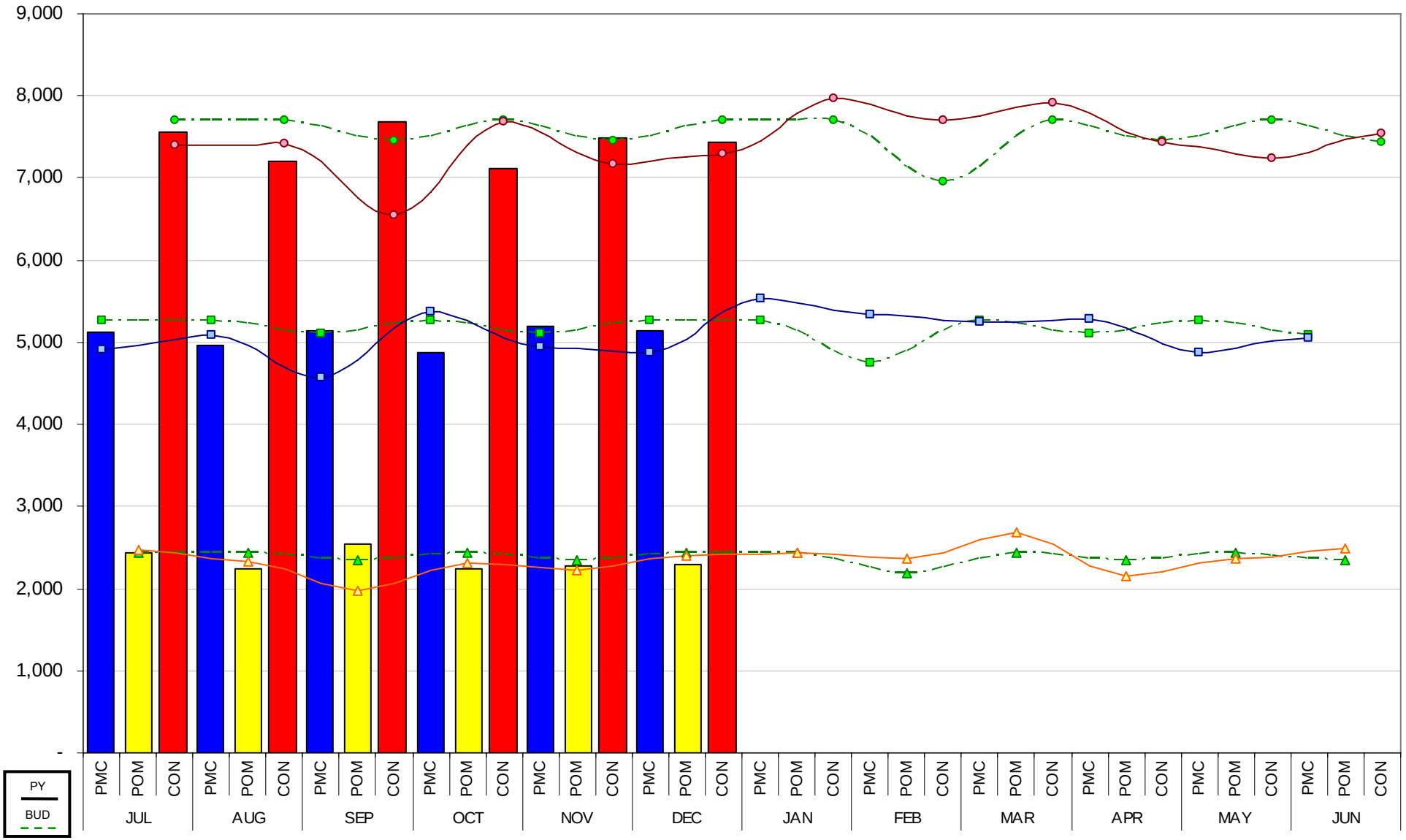

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 982 | 925 | 945 | 964 | 908 | 918 | - | - | - | - | - | - | 5,642 | 5,608 |
| **POM** | 364 | 351 | 360 | 336 | 327 | 364 | - | - | - | - | - | - | 2,102 | 1,934 |
| **CON** | 1,346 | 1,276 | 1,305 | 1,300 | 1,235 | 1,282 | - | - | - | - | - | - | 7,744 | 7,542 |

# 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** | 5,119 | 4,957 | 5,144 | 4,874 | 5,199 | 5,133 | - | - | - | - | - | - | 30,426 | 31,262 |
| **POM** | 2,445 | 2,246 | 2,544 | 2,242 | 2,283 | 2,293 | - | - | - | - | - | - | 14,053 | 14,428 |
| **CON** | 7,564 | 7,203 | 7,688 | 7,116 | 7,482 | 7,426 | - | - | - | - | - | - | 44,479 | 45,690 |

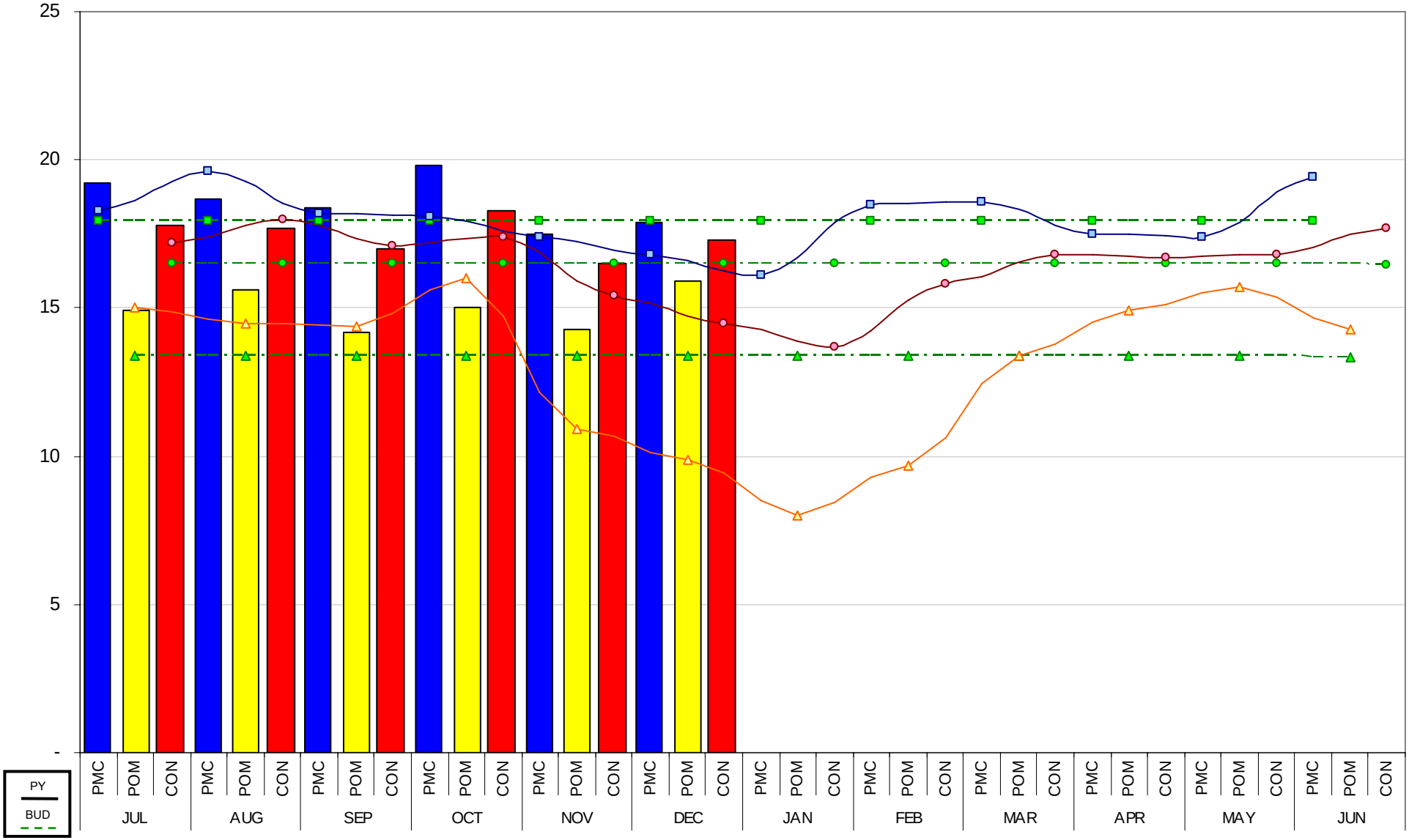
ADD F-41

# Statistical Indicators

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



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



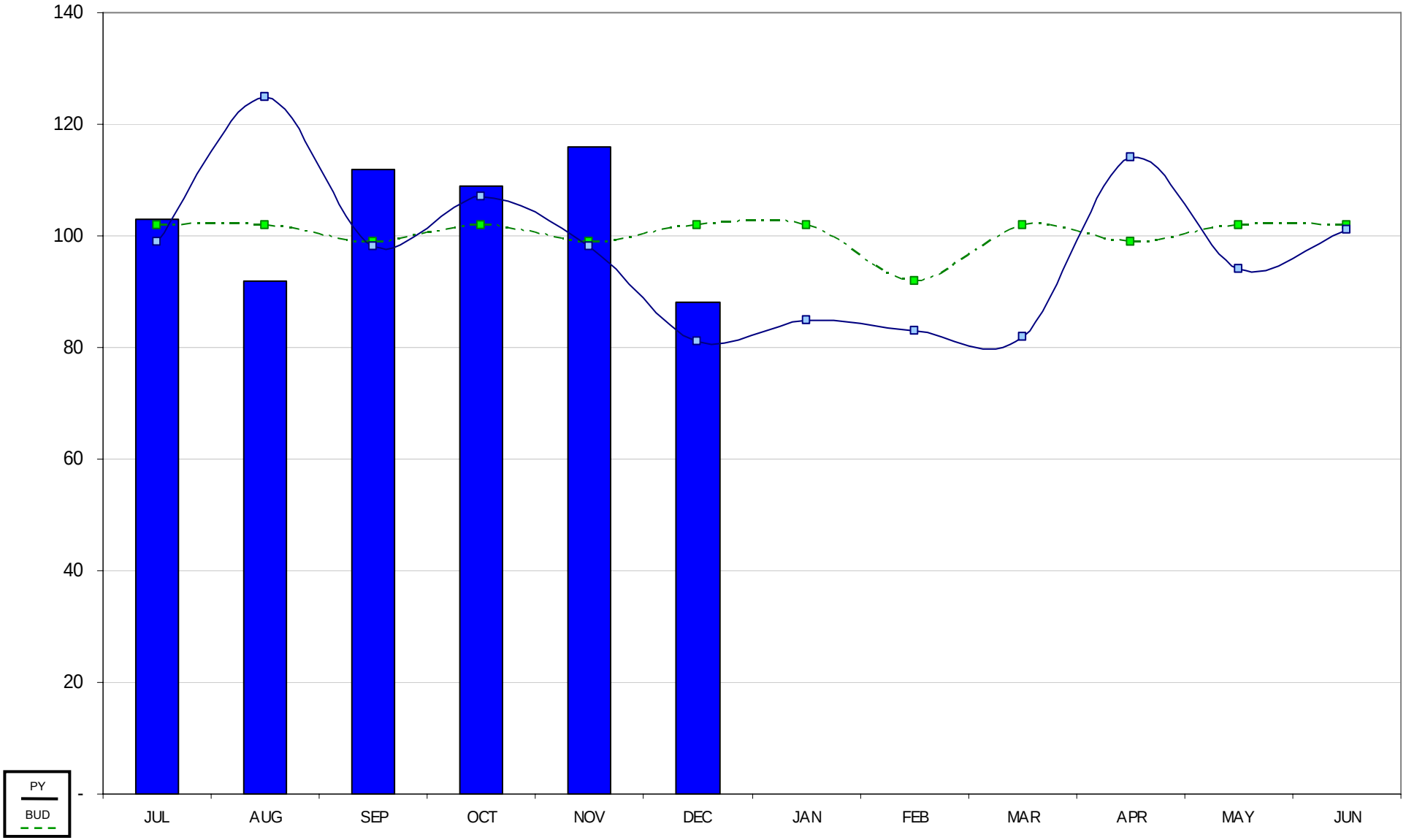

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 19.2 | 18.7 | 18.4 | 19.8 | 17.5 | 17.9 | - | - | - | - | - | - | 18.5 | 17.9 |
| **POM** | 14.9 | 15.6 | 14.2 | 15.0 | 14.3 | 15.9 | - | - | - | - | - | - | 15.0 | 13.4 |
| **CON** | 17.8 | 17.7 | 17.0 | 18.3 | 16.5 | 17.3 | - | - | - | - | - | - | 17.4 | 16.5 |

ADD F-42

# Statistical Indicators
## Trauma Cases (*PMC only*)





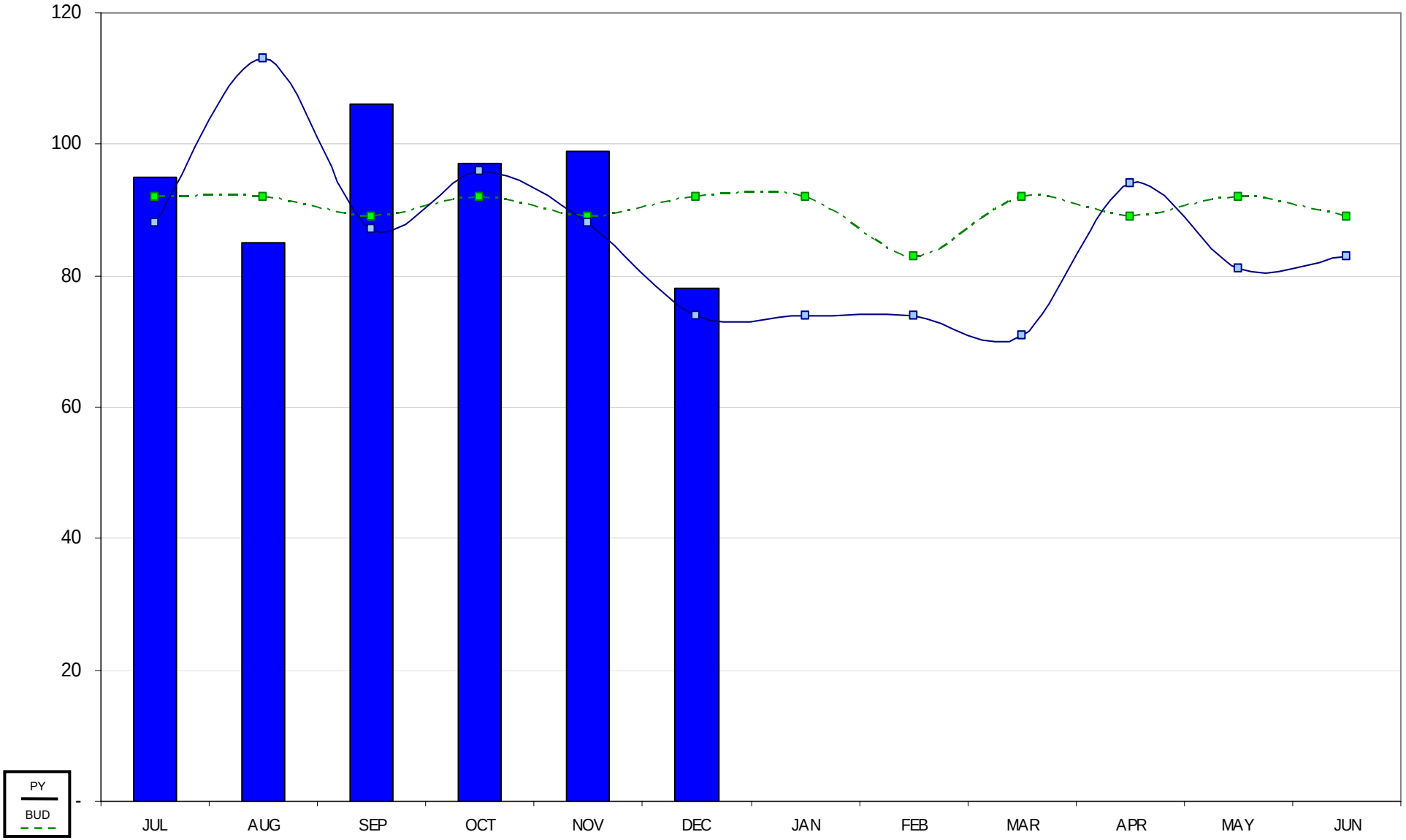



| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 103 | 92 | 112 | 109 | 116 | 88 | - | - | - | - | - | - | 620 | 606 |
| **POM** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **CON** | 103 | 92 | 112 | 109 | 116 | 88 | - | - | - | - | - | - | 620 | 606 |

# Statistical Indicators
## Trauma Admissions (*PMC only*)







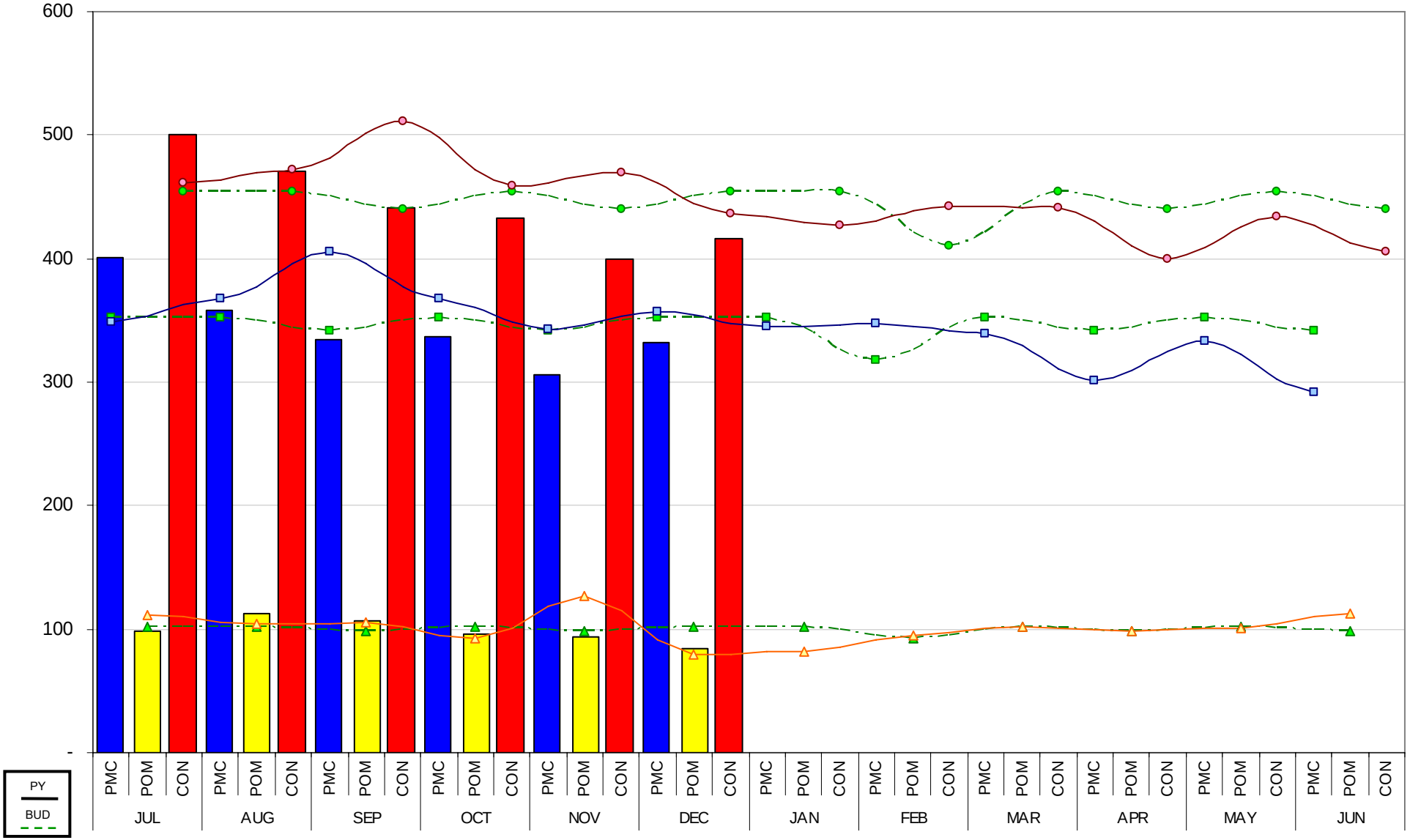

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 95 | 85 | 106 | 97 | 99 | 78 | - | - | - | - | - | - | 560 | 546 |
| **POM** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **CON** | 95 | 85 | 106 | 97 | 99 | 78 | - | - | - | - | - | - | 560 | 546 |

ADD F-44

# Statistical Indicators
## Deliveries







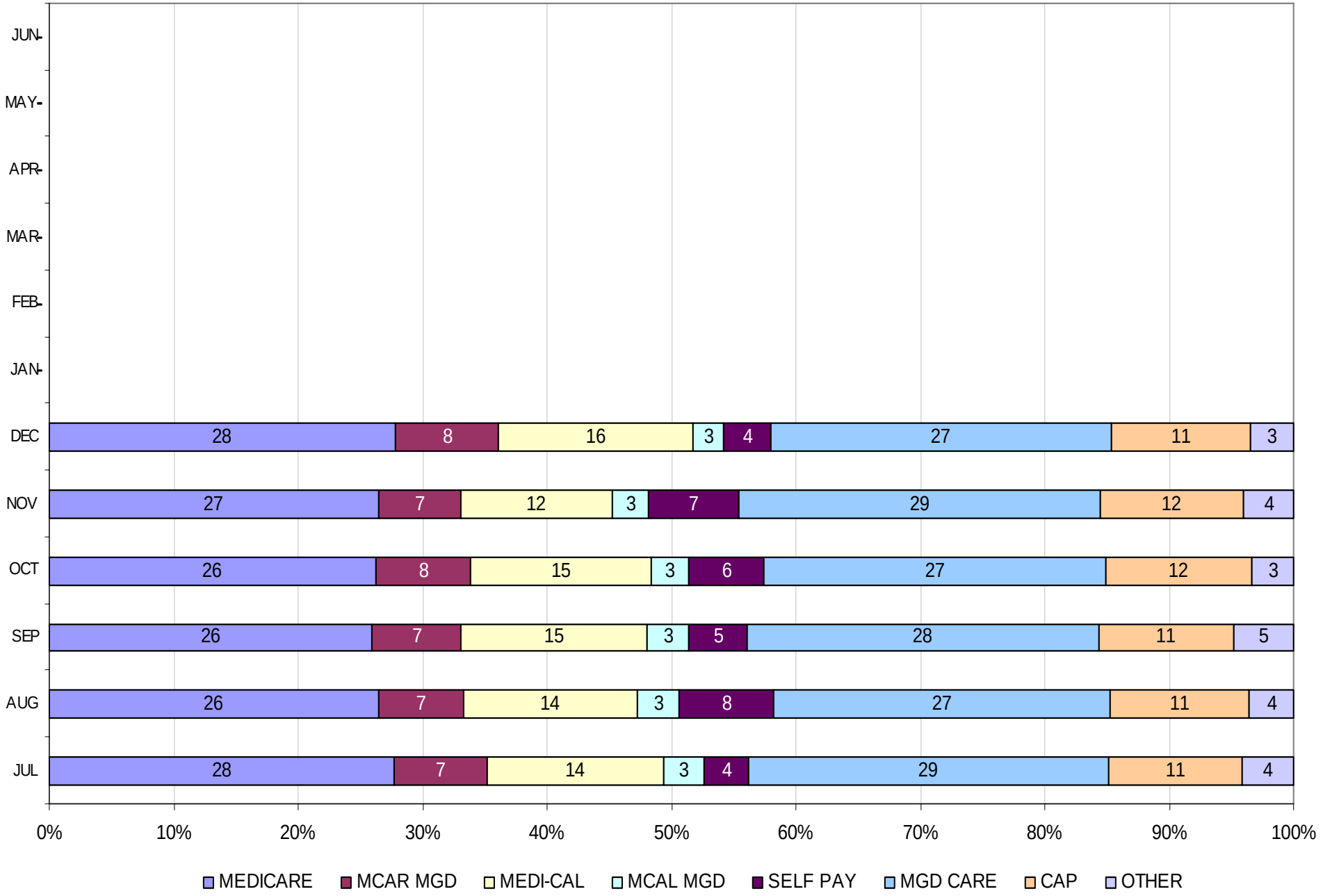

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 401 | 358 | 334 | 337 | 306 | 332 | - | - | - | - | - | - | 2,068 | 2,090 |
| **POM** | 99 | 113 | 107 | 96 | 94 | 84 | - | - | - | - | - | - | 593 | 606 |
| **CON** | 500 | 471 | 441 | 433 | 400 | 416 | - | - | - | - | - | - | 2,661 | 2,696 |

ADD F-45

# Payor Mix
## Based on Gross Revenue





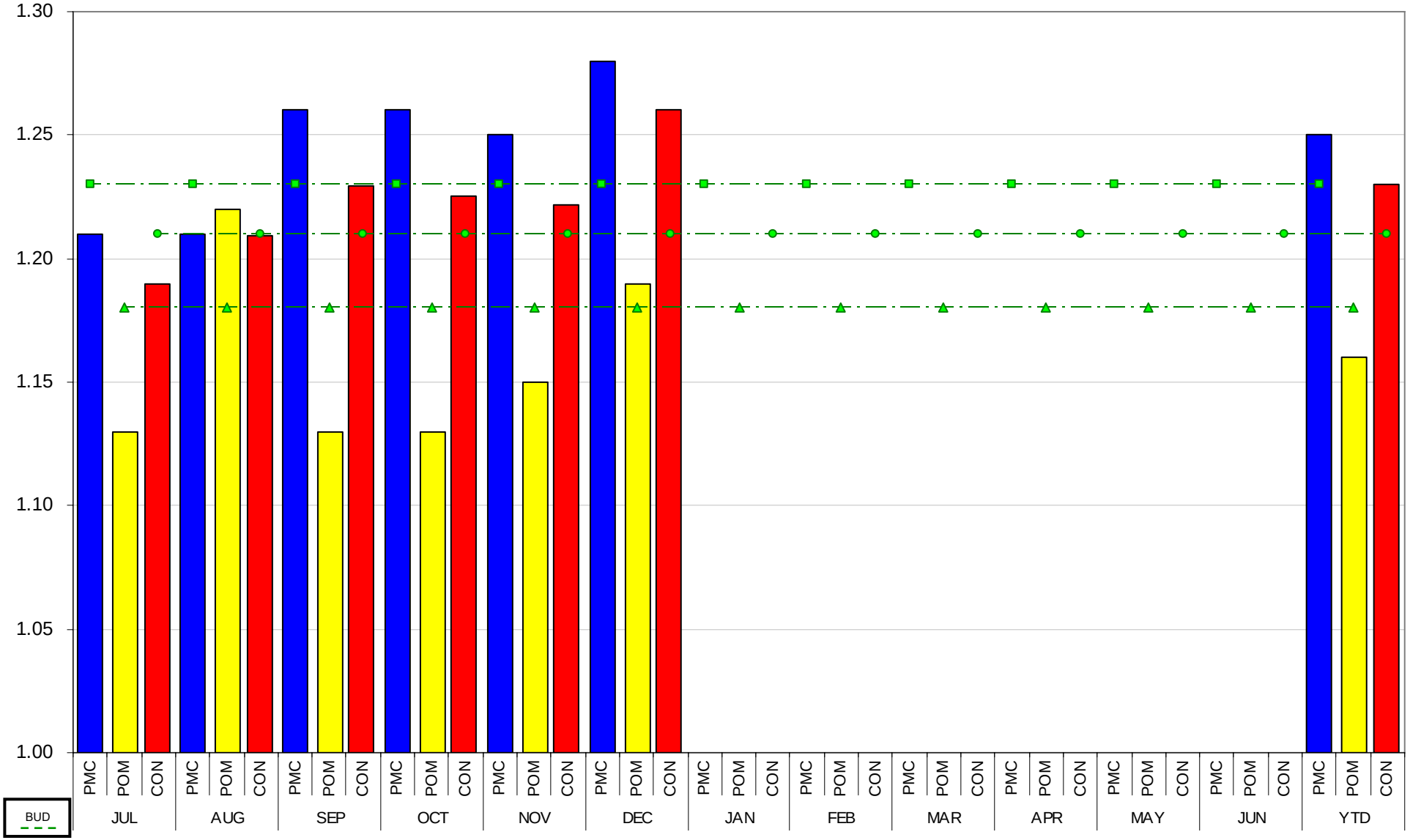



ADD F-46

# Case Mix Index



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU




| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 1.21 | 1.21 | 1.26 | 1.26 | 1.25 | 1.28 | - | - | - | - | - | - | 1.25 |
| **POM** | 1.13 | 1.22 | 1.13 | 1.13 | 1.15 | 1.19 | - | - | - | - | - | - | 1.16 |
| **CON** | 1.19 | 1.21 | 1.23 | 1.23 | 1.22 | 1.26 | - | - | - | - | - | - | 1.23 |

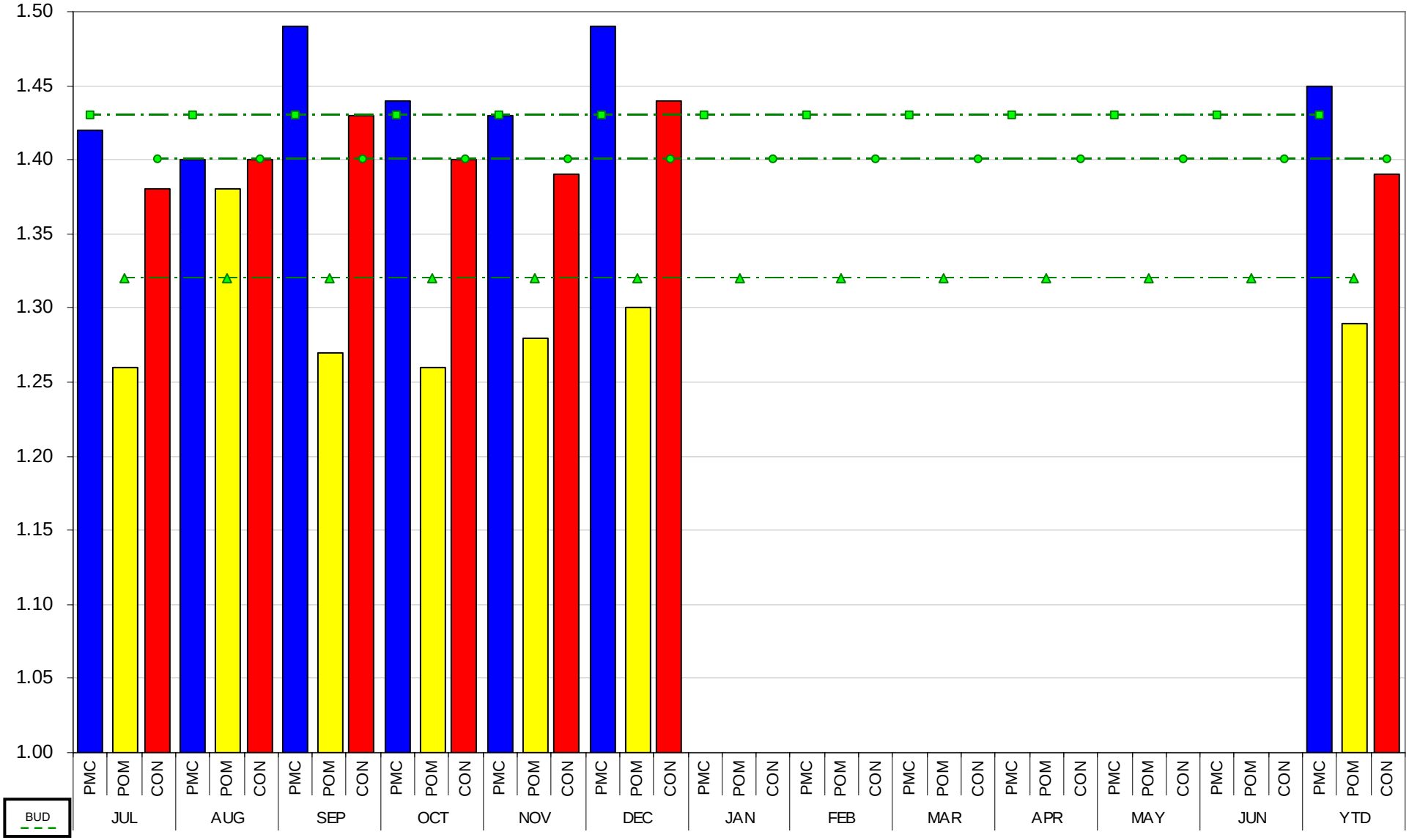
ADD F-47

# Case Mix Index by Region

(*excludes Deliveries*)



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



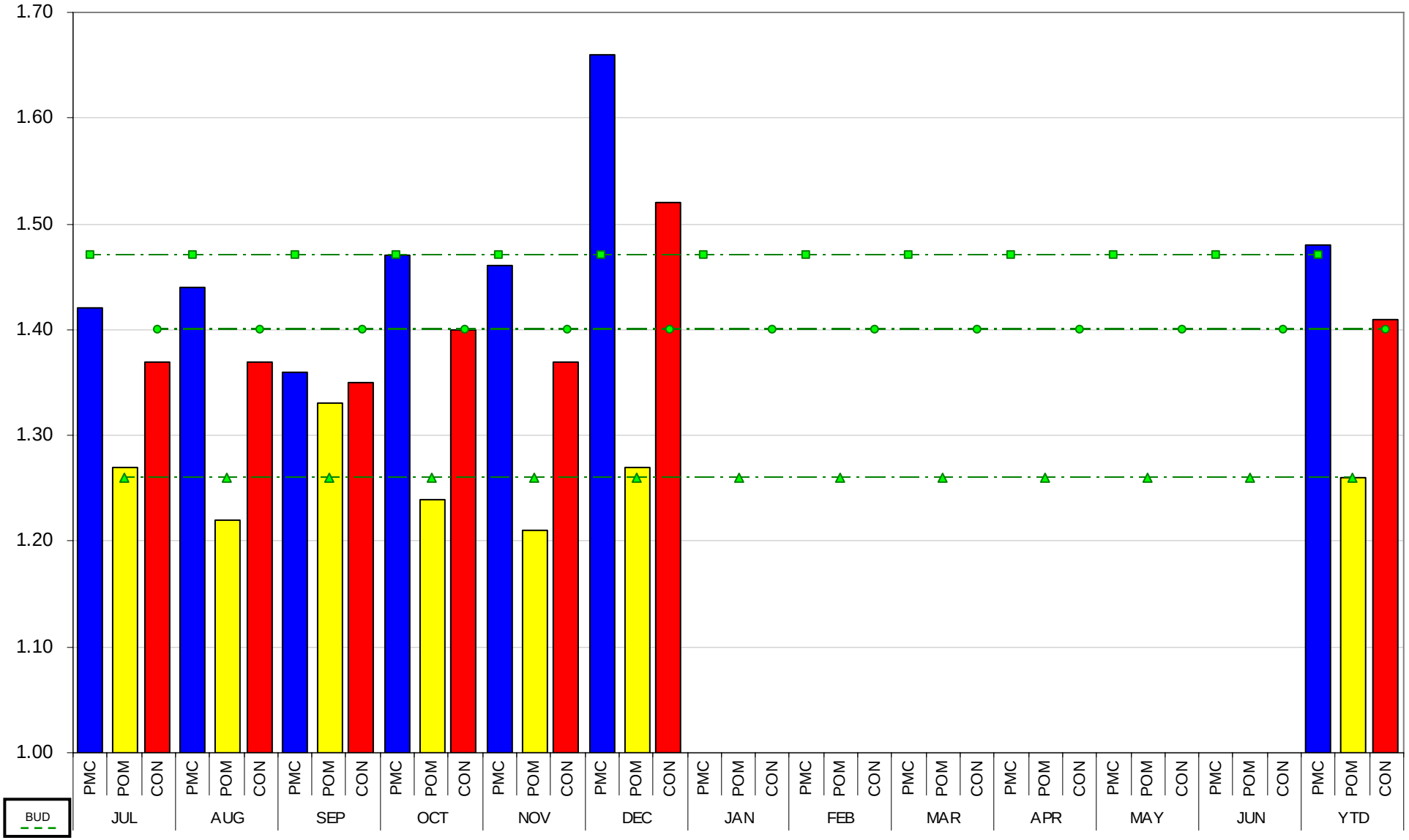

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 1.42 | 1.40 | 1.49 | 1.44 | 1.43 | 1.49 | - | - | - | - | - | - | 1.45 |
| **POM** | 1.26 | 1.38 | 1.27 | 1.26 | 1.28 | 1.30 | - | - | - | - | - | - | 1.29 |
| **CON** | 1.38 | 1.40 | 1.43 | 1.40 | 1.39 | 1.44 | - | - | - | - | - | - | 1.39 |

ADD F-48

# Case Mix Index by Region
## Medicare



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU




| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 1.42 | 1.44 | 1.36 | 1.47 | 1.46 | 1.66 | - | - | - | - | - | - | 1.48 |
| **POM** | 1.27 | 1.22 | 1.33 | 1.24 | 1.21 | 1.27 | - | - | - | - | - | - | 1.26 |
| **CON** | 1.37 | 1.37 | 1.35 | 1.40 | 1.37 | 1.52 | - | - | - | - | - | - | 1.41 |

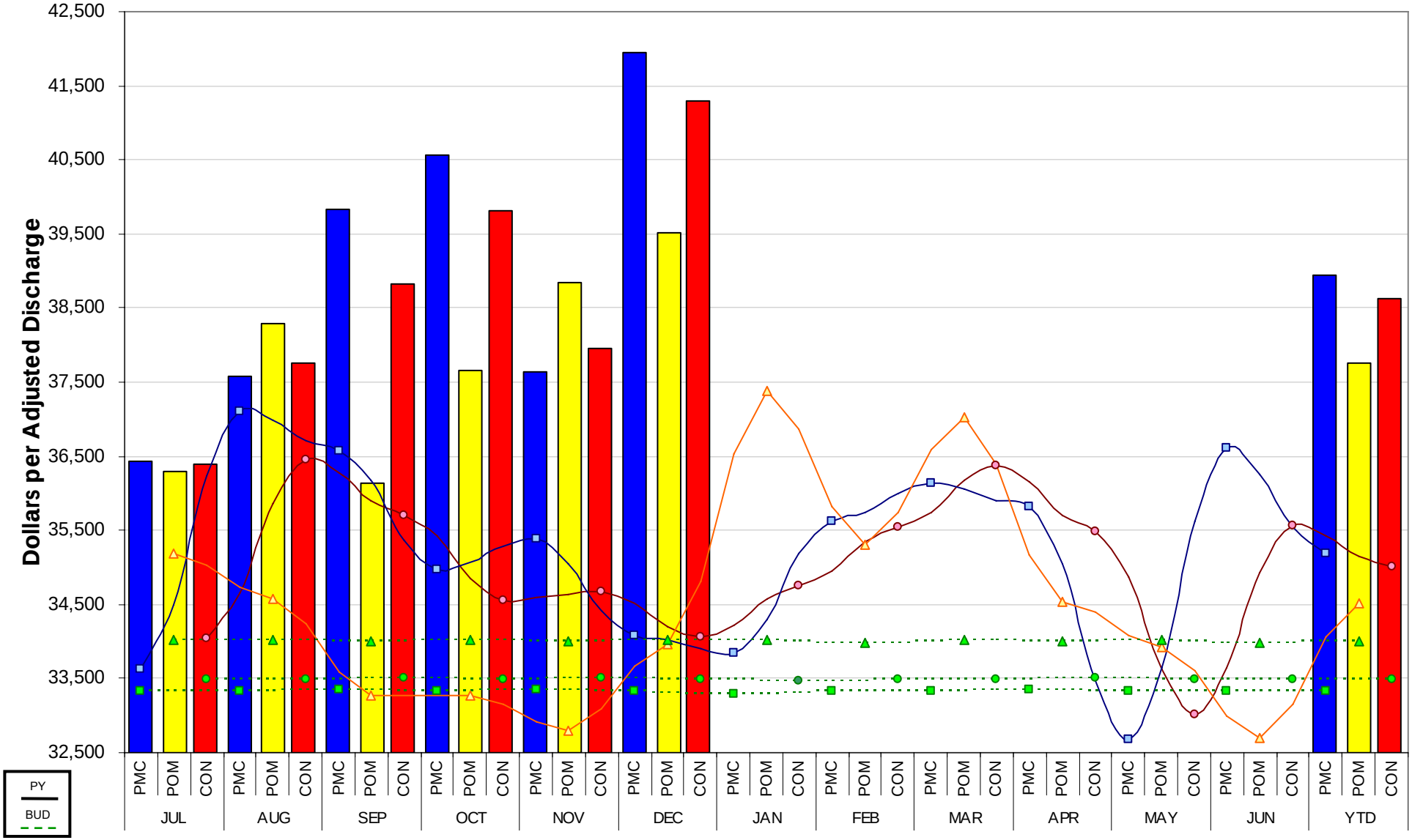
ADD F-49

# Adjusted Discharges

## Gross Patient Revenue per Adjusted Discharges



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

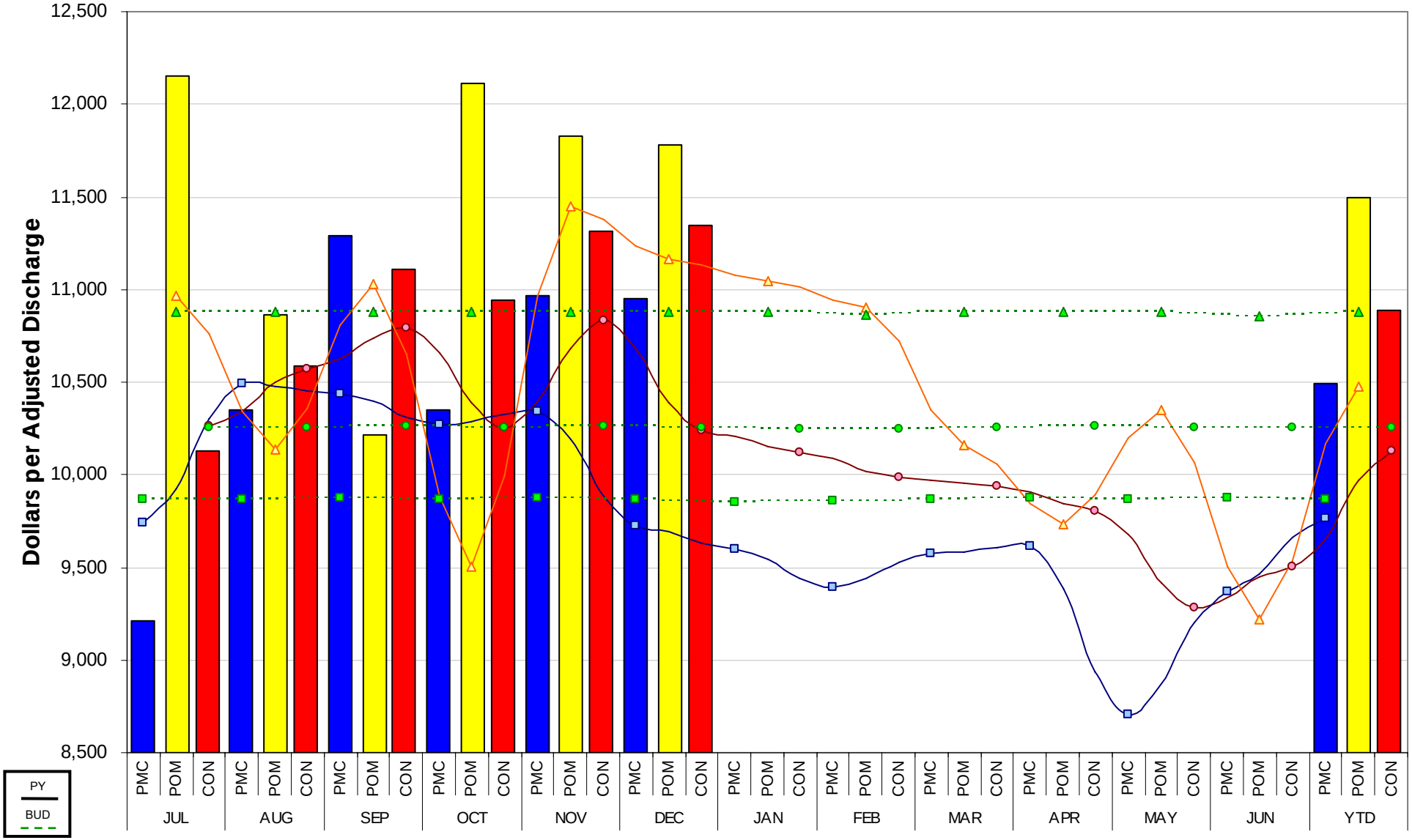



| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 36,434 | 37,574 | 39,830 | 40,564 | 37,640 | 41,941 | - | - | - | - | - | - | 38,944 | 37,966 |
| **POM** | 36,286 | 38,286 | 36,127 | 37,664 | 38,850 | 39,517 | - | - | - | - | - | - | 37,754 | 36,123 |
| **CON** | 36,402 | 37,759 | 38,832 | 39,810 | 37,951 | 41,291 | - | - | - | - | - | - | 38,628 | 37,483 |

# Adjusted Discharges

## Net Patient Revenue per Adjusted Discharges





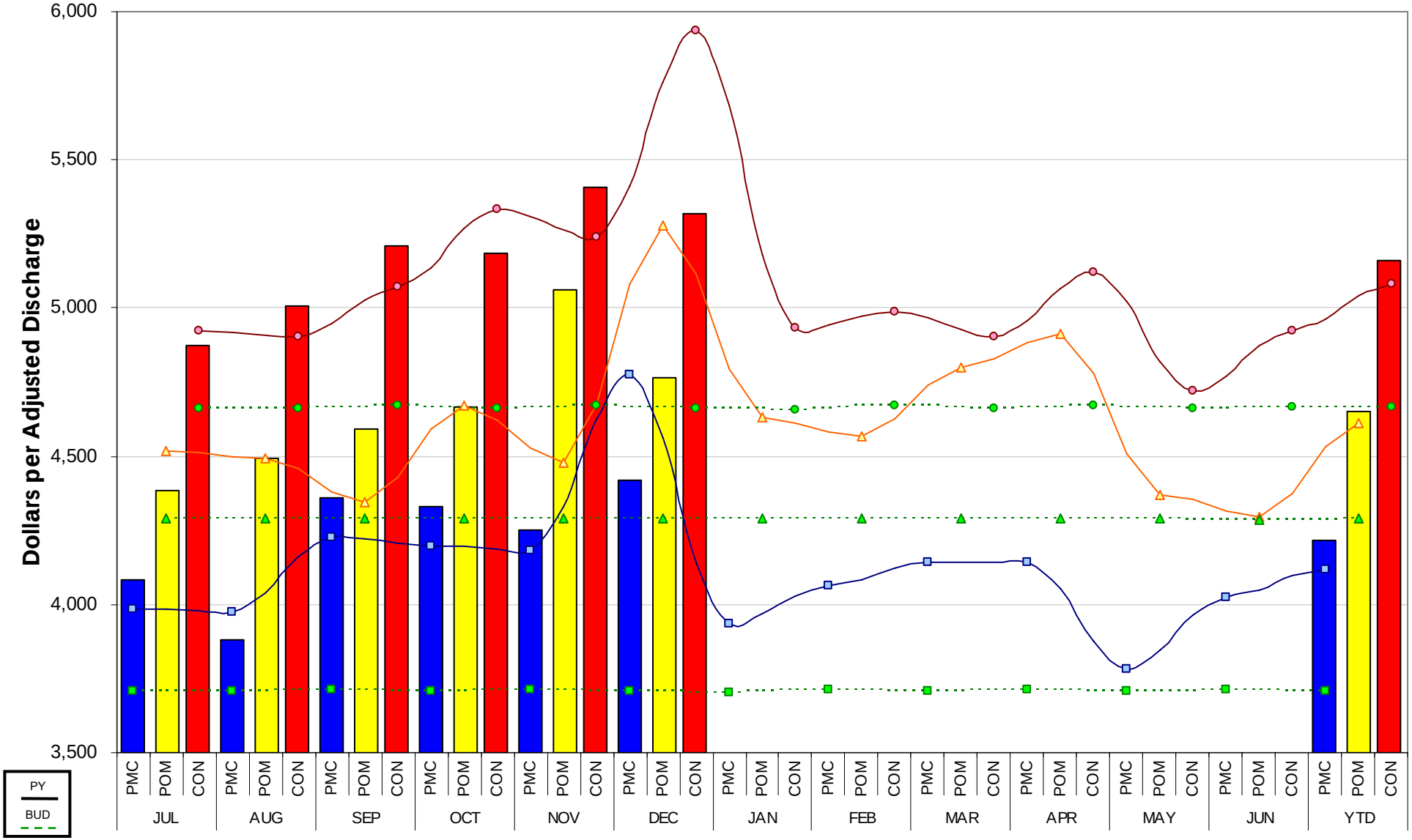

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PMC | 9,214 | 10,346 | 11,288 | 10,353 | 10,964 | 10,951 | - | - | - | - | - | - | 10,495 | 10,367 |
| POM | 12,150 | 10,864 | 10,216 | 12,110 | 11,826 | 11,779 | - | - | - | - | - | - | 11,494 | 11,377 |
| CON | 10,126 | 10,583 | 11,112 | 10,946 | 11,314 | 11,342 | - | - | - | - | - | - | 10,886 | 10,762 |

# Adjusted Discharges

## Salaries per Adjusted Discharges



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



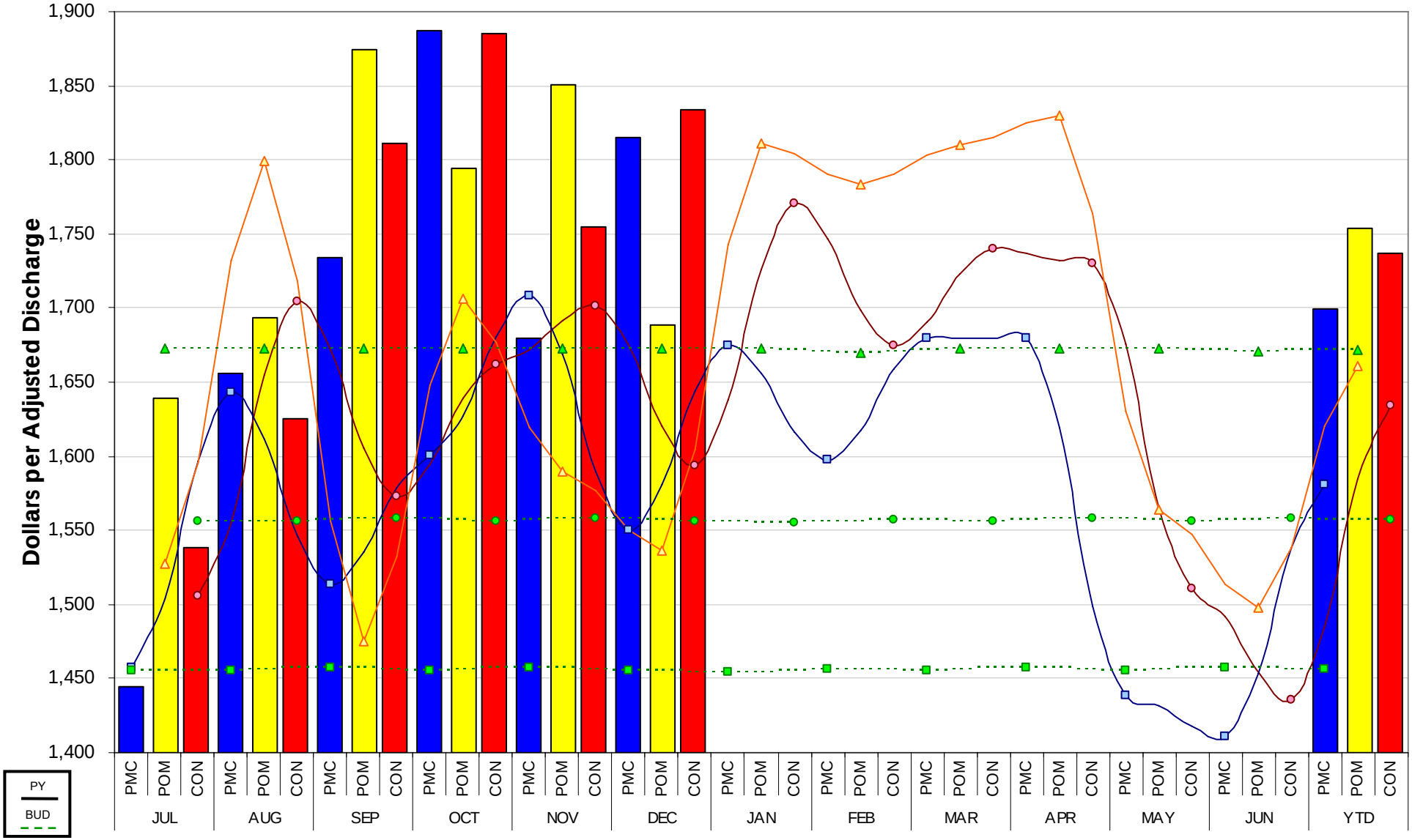

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PMC | 4,083 | 3,882 | 4,360 | 4,330 | 4,251 | 4,418 | - | - | - | - | - | - | 4,215 | 4,248 |
| POM | 4,386 | 4,491 | 4,594 | 4,665 | 5,061 | 4,763 | - | - | - | - | - | - | 4,651 | 4,883 |
| CON | 4,874 | 5,007 | 5,211 | 5,187 | 5,408 | 5,317 | - | - | - | - | - | - | 5,160 | 5,163 |

# 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 | 1,445 | 1,656 | 1,734 | 1,887 | 1,680 | 1,815 | - | - | - | - | - | - | 1,700 | 1,600 |
| POM | 1,639 | 1,693 | 1,874 | 1,794 | 1,850 | 1,688 | - | - | - | - | - | - | 1,754 | 1,683 |
| CON | 1,538 | 1,625 | 1,811 | 1,885 | 1,755 | 1,834 | - | - | - | - | - | - | 1,737 | 1,662 |

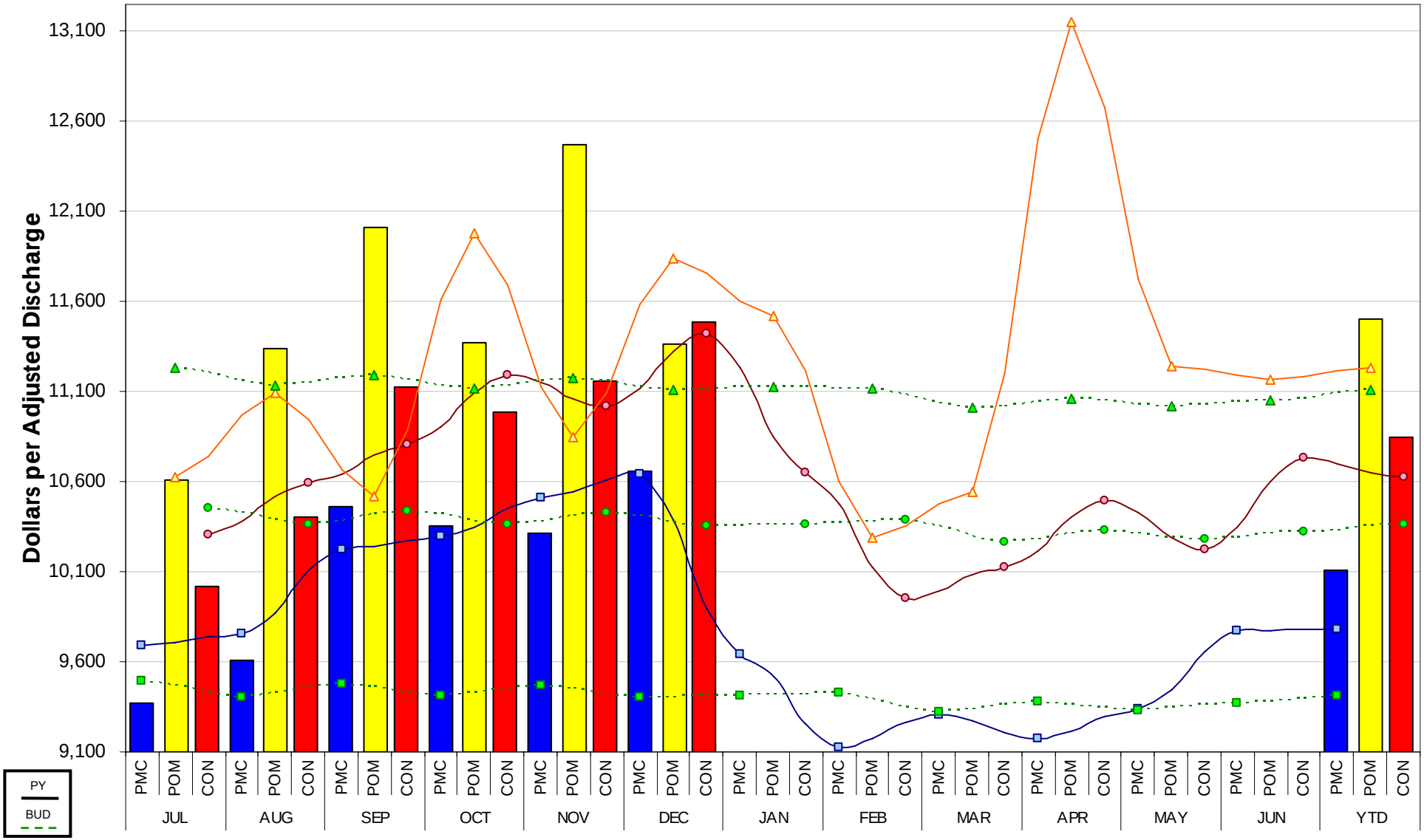
ADD F-53

# Adjusted Discharges

## Total Expenses per Adjusted Discharges



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



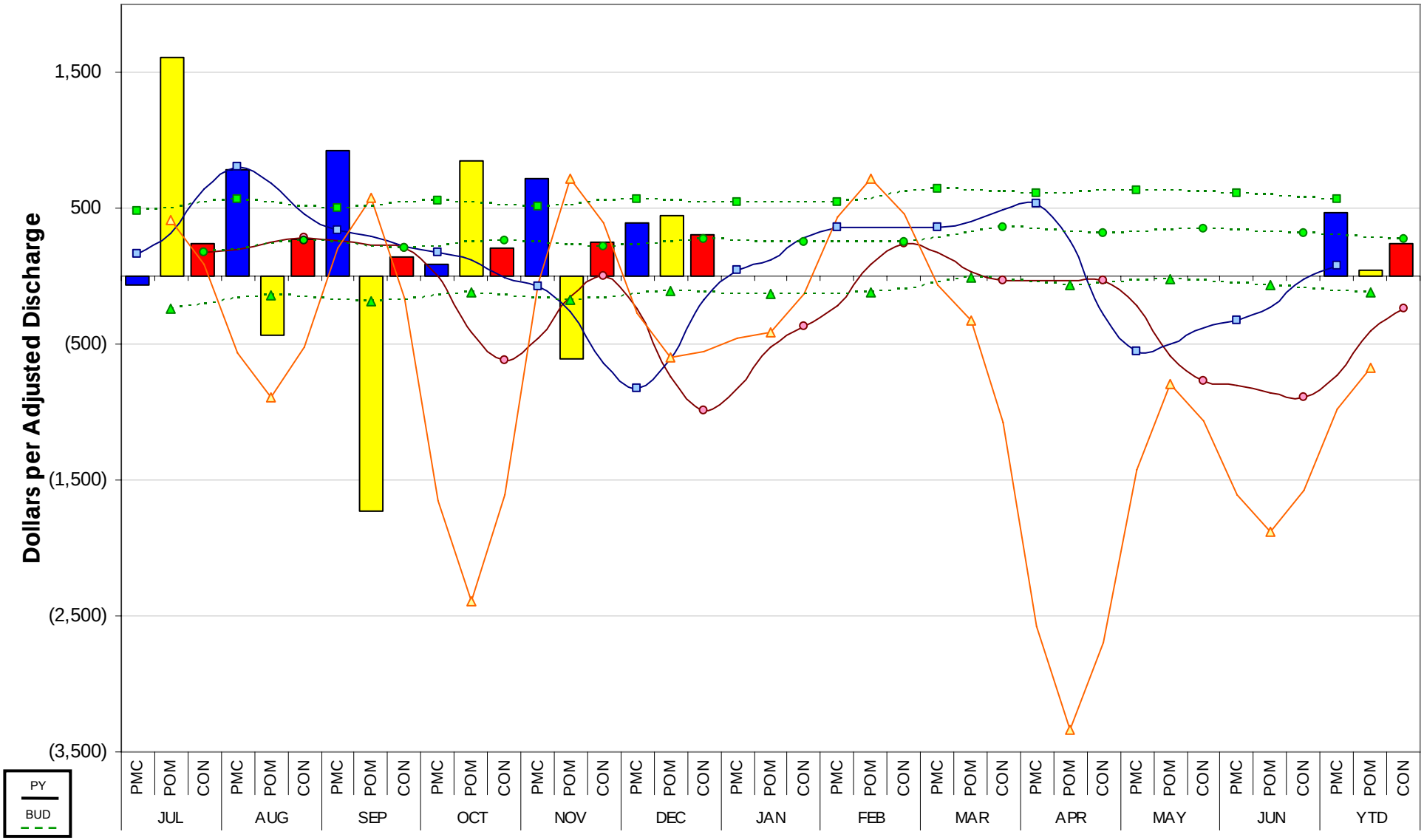

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | 9,372 | 9,612 | 10,465 | 10,352 | 10,312 | 10,662 | - | - | - | - | - | - | 10,112 | 9,990 |
| **POM** | 10,611 | 11,342 | 12,016 | 11,372 | 12,471 | 11,365 | - | - | - | - | - | - | 11,506 | 11,631 |
| **CON** | 10,019 | 10,407 | 11,124 | 10,989 | 11,157 | 11,488 | - | - | - | - | - | - | 10,844 | 10,739 |

ADD F-54

# Adjusted Discharges
## Net Operating Income per Adjusted Discharges



PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



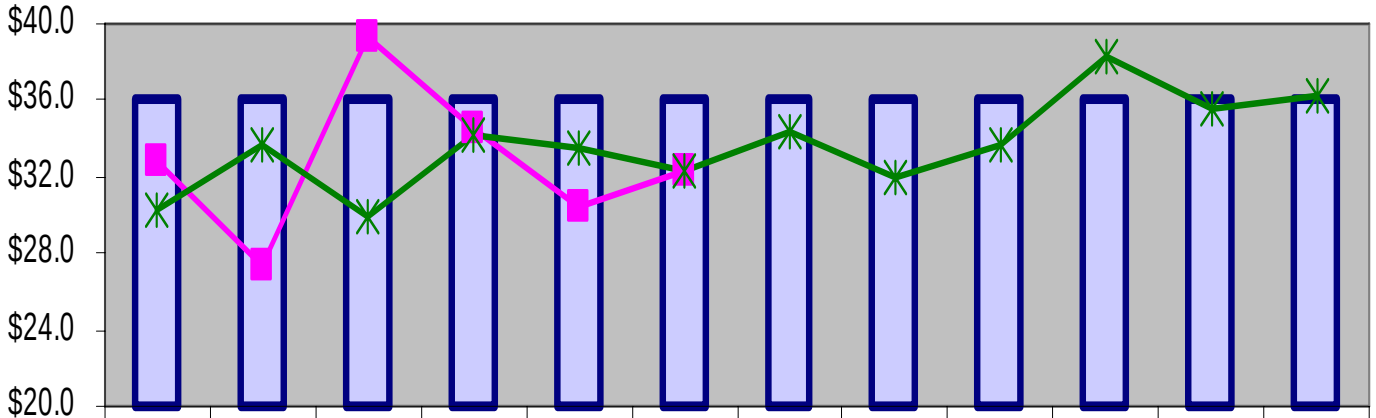

| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | YTD | B-YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **PMC** | (67) | 785 | 921 | 87 | 717 | 393 | - | - | - | - | - | - | 465 | 465 |
| **POM** | 1,610 | (436) | (1,731) | 846 | (607) | 446 | - | - | - | - | - | - | 48 | (111) |
| **CON** | 241 | 271 | 146 | 206 | 250 | 306 | - | - | - | - | - | - | 237 | 203 |

ADD F-55

# PBS Monthly Cash Collections



## PPH Monthly Collections
in Millions




| | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | March | April | May | June |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY09 Goal | $36.0 | $36.0 | $36.0 | $36.0 | $36.0 | $36.0 | $36.0 | $36.0 | $36.0 | $36.0 | $36.0 | $36.0 |
| Pr. Yr Actual | $30.2 | $33.6 | $30.0 | $34.1 | $33.4 | $32.4 | $34.4 | $32.0 | $33.6 | $38.2 | $35.5 | $36.2 |
| Curr. Yr Actual | $32.8 | $27.3 | $39.3 | $34.5 | $30.5 | $32.3 | | | | | | |

ADD F-56

# Revenue Cycle Key Indicators
## Trend Report



HEALTHWORX™
THE PPH PRESCRIPTION FOR EXCELLENCE

| | Source | Current Month End | Previous Month End | Previous Month End | Current Fiscal Year Year-to-Date | Most Recent Year End | Current Month End | Change from Prior Month |
|---|---|---|---|---|---|---|---|---|
| **Period Ending** | | **12/31/2008** | **11/30/2008** | **10/31/2008** | **12/31/2008** | **6/30/2008** | **12/31/2007** | |
| **Days in Period** | | **31** | **30** | **31** | **184** | **366** | **31** | |
| **Revenue** | | | | | | | | |
| Gross for Month - North & South | | **131,325,505** | **121,772,557** | **135,209,065** | **$ 776,461,429** | **$ 1,384,127,824** | **$ 112,502,936** | **$ 9,552,948** |
| Net Revenue - North & South | Financials | **35,598,466** | **35,902,350** | **36,772,078** | **$ 216,498,867** | **$ 398,939,675** | **$ 33,975,887** | **$ (303,884)** |
| Net:Gross % | Financials | **27.1%** | **29.5%** | **27.2%** | **27.9%** | **28.8%** | **30.2%** | **-2.4%** |
| Last 3 Month Daily Average (Gross) | Financials | **4,220,730** | **4,220,938** | **4,272,189** | **$ 4,219,899** | **$ 3,781,770** | **$ 3,638,574** | **$ (209)** |
| Last 3 Month Daily Average (Net) | Financials | **1,176,879** | **1,194,291** | **1,185,538** | **1,176,624** | **1,089,999** | **1,103,199** | **(17,412)** |
| **Cash Collections** | | | | | | | | |
| Month to Date | Cash Rpt | **32,283,637** | **30,523,393** | **34,533,647** | **$ 196,687,852** | **$ 403,728,413** | **$ 32,376,467** | **$ 1,760,244** |
| Month to Date Goal | Cash Rpt | **35,998,045** | **35,998,045** | **35,998,045** | **215,988,270** | **396,657,548** | **33,582,023** | **$ -** |
| Over (under) Goal | | **(3,714,408)** | **(5,474,652)** | **(1,464,398)** | **$ (19,300,418)** | **$ 7,070,865** | **$ (1,205,556)** | **$ 1,760,244** |
| % of Goal | Calc | **90%** | **85%** | **96%** | **91.1%** | **101.8%** | **96.4%** | **4.9%** |
| **Point of Service Collections** | Cash 15 days | **370,905** | **372,808** | **507,339** | **$ 2,337,504** | **$ 3,387,302** | **$ 205,007** | **$ (1,903)** |
| Month to Date Goal | Cash 15 days | **370,000** | **360,000** | **360,000** | **2,095,400** | **3,843,000** | **328,000** | **$ 10,000** |
| Over (under) Goal | | **$ 905** | **$ 12,808** | **$ 147,339** | **$ 242,104** | **$ (455,698)** | **$ (122,993)** | **$ (11,903)** |
| % of Goal | Calc | **100.2%** | **103.6%** | **140.9%** | **111.6%** | **88.1%** | **62.5%** | **-3.3%** |
| **Accounts Receivable** | | | | | | | | |
| 0-30 | AR Comp | **105,050,196** | **114,991,132** | **126,612,161** | | **$ 82,995,765** | **$ 91,763,515** | **$ (9,940,936)** |
| 31-60 | AR Comp | **56,192,904** | **36,672,980** | **34,511,668** | | **25,895,259** | **29,336,477** | **19,519,924** |
| 61-90 | AR Comp | **29,692,075** | **21,839,340** | **21,062,966** | | **14,408,929** | **17,767,927** | **7,852,735** |
| 91-180 | AR Comp | **37,425,587** | **35,546,397** | **32,286,279** | | **23,299,340** | **27,222,624** | **1,879,190** |
| Over 180 | AR Comp | **21,172,582** | **19,692,637** | **19,852,295** | | **19,271,702** | **23,439,829** | **1,479,945** |
| Total | Calc | **$ 249,533,344** | **$ 228,742,486** | **$ 234,325,369** | | **$ 165,870,995** | **$ 189,530,372** | **$ 20,790,858** |
| **A/R Days (Gross)** | Calc | **59.12** | **54.19** | **54.85** | | **43.54** | **52.09** | **4.93** |
| **% of AR aged over 180 days** | calc | **8.5%** | **8.6%** | **8.5%** | | **12%** | **12%** | **0.00** |
| **Number of Accounts** | ATB | **68,805** | **68,223** | **67,148** | | **61,570** | **60,570** | **582** |
| **Credit Balance Accounts:** | | | | | | | | |
| Dollars | ATB | **$ (4,159,667)** | **$ (4,336,639)** | **$ (4,481,600)** | | **$ (3,144,574)** | **$ (1,934,496)** | **$ 176,972** |
| Number of Accounts | ATB | **7,341** | **7,117** | **6,506** | | **4,136** | **1,970** | **224** |

HEALTHWORX™
THE PPH PRESCRIPTION FOR EXCELLENCE

| | Source | Current Month End | Previous Month End | Previous Month End | Current Fiscal Year Year-to-Date | Most Recent Year End | Current Month End | Change from Prior Month |
|---|---|---|---|---|---|---|---|---|
| **Period Ending** | | **12/31/2008** | **11/30/2008** | **10/31/2008** | **12/31/2008** | **6/30/2008** | **12/31/2007** | |
| **Days in Period** | | **31** | **30** | **31** | **184** | **366** | **31** | |
| **Accounts Receivable by Major Payer** | | | | | | | | |
| Medicare | AR Comp | **58,958,017** | **52,971,805** | **52,693,991** | | $ **32,549,770** | $ **43,023,471** | $ **5,986,212** |
| Last 3 months daily average revenue | Lawson | **1,133,775** | **1,104,023** | **1,116,205** | | **1,066,927** | **980,937** | $ **29,752** |
| Gross Days revenue outstanding | Calc | **52.00** | **47.98** | **47.21** | | **30.51** | **43.86** | 4.02 |
| MediCal (Includes M-Cal HMO) | AR Comp | **36,528,593** | **35,626,354** | **39,756,034** | | **27,638,700** | **28,574,315** | **902,239** |
| Last 3 months daily average revenue | Lawson | **684,310** | **719,961** | **759,790** | | **660,788** | **613,369** | **(35,651)** |
| Gross Days revenue outstanding | Calc | **53.38** | **49.48** | **52.33** | | **41.83** | **46.59** | 3.90 |
| Comm/Managed Care (Incl Mcare HMO) | AR Comp | **116,308,270** | **103,047,578** | **105,151,473** | | **78,740,548** | **84,843,423** | **13,260,692** |
| Last 3 months daily average revenue | Lawson | **2,178,492** | **2,143,993** | **2,134,650** | | **1,908,593** | **1,873,393** | **34,499** |
| Gross Days revenue outstanding | Calc | **53.39** | **48.06** | **49.26** | | **41.26** | **45.29** | 5.33 |
| Self-Pay | AR Comp | **37,738,464** | **37,096,749** | **36,723,870** | | **26,941,976** | **33,089,164** | **641,715** |
| Last 3 months daily average revenue | Lawson | **224,152** | **252,961** | **261,543** | | **172,970** | **170,875** | **(28,809)** |
| Gross Days revenue outstanding | Calc | **168.36** | **146.65** | **140.41** | | **155.76** | **193.65** | 21.71 |
| Accounts to Collections | | | | | | | | |
| M-T-D Amount of BD to Collections | Adj Rpt | **2,355,662** | **6,590,383** | **3,367,848** | **23,191,902** | **9,805,788** | **2,854,390** | $ **(4,234,721)** |
| % of Gross Revenue (Target < 2%) | | 1.8% | 5.4% | 2.5% | 0.03 | 8.6% | 2.5% | -3.6% |
| Charity & Undocumented Write-offs | Adj Rpt | | | | | | | |
| M-T-D Amount | | **1,828,597** | **1,479,951** | **1,559,242** | **9,308,109** | **2,847,359** | **2,331,704** | $ **348,646** |
| % of Gross Revenue (Target < 2%) | | 1.4% | 1.2% | 1.2% | 1.2% | 2.5% | 2.1% | 0.2% |
| Administration Adjustments | Adj Rpt | | | | | | | |
| M-T-D Amount | | **33,228** | **27,451** | **187,416** | **637,652** | **624,358** | **496,745** | $ **5,777** |
| % of Gross Revenue (Target < 1%) | | 0.0% | 0.0% | 0.1% | 0.1% | 0.5% | 0.4% | 0.0% |

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THE PPH PRESCRIPTION FOR EXCELLENCE

| | Source | Current Month End | Previous Month End | Previous Month End | Current Fiscal Year Year-to-Date | Most Recent Year End | Current Month End | Change from Prior Month |
|---|---|---|---|---|---|---|---|---|
| **Period Ending** | | **12/31/2008** | **11/30/2008** | **10/31/2008** | **12/31/2008** | **6/30/2008** | **12/31/2007** | |
| **Days in Period** | | **31** | **30** | **31** | **184** | **366** | **31** | |
| **Discharged Not Final Billed (DNFB)** | | | | | | | | |
| **DNFB Action Required** | | | | | | | | |
| HIM (Waiting for Coding) | DNFB Rpt | $ 6,166,080 | $ 5,952,202 | $ 6,622,694 | | 5,423,822 | 17,001,618 | $ 213,878 |
| PBS (Correction required) | DNFB Rpt | 33,217 | 42,018 | 643,291 | | 100,312 | 771,118 | $ (8,801) |
| Other holds requiring correction | DNFB Rpt | | | | | | - | $ - |
| **Total Action Required** | | 6,199,297 | 5,994,220 | 7,265,985 | | 5,524,134 | 17,772,736 | 205,077 |
| **# of AR Days action Required** | | 1.47 | 1.42 | 1.70 | | 1.45 | 4.88 | 0.05 |
| **DNFB No Action Required** | | | | | | | | |
| 4 Day Standard Delay | DNFB Rpt | $ 23,636,849 | $ 17,021,766 | $ 18,481,084 | | 18,224,428 | 20,420,634 | $ 6,615,083 |
| Other | DNFB Rpt | 41,542,437 | 35,979,766 | 3,280,990 | | 1,918,384 | 2,787,499 | 5,562,671 |
| **Total No Action Required** | | 65,179,286 | 53,001,532 | 21,762,074 | | 20,142,812 | 23,208,133 | 12,177,754 |
| **Total DNFB** | | $ 71,378,583 | $ 58,995,752 | $ 29,028,059 | | 25,666,946 | 40,980,869 | 12,382,831 |
| **Total Days in DNFB** | | 16.91 | 13.98 | 6.79 | | 6.74 | 11.26 | 2.93 |
| **Late Charges** | | | | | | | | |
| **Late Charges from Date of Service 5 to 20 Days** | | | | | | | | |
| Number of line items | | 9,057 | 9,310 | 3,522 | 53,484 | 8,261 | 2,076 | (253) |
| Dollar amount of Charges | | 1,554,308 | 722,749 | 822,760 | 7,536,300 | 949,778 | 405,959 | $ 831,559 |
| Dollar amount of Credits | | (820,412) | (502,333) | (231,260) | (5,010,264) | (660,172) | (115,628) | $ (318,079) |
| Net Dollar Amount | | 733,896 | 220,416 | 591,500 | 2,526,036 | 289,606 | 290,331 | $ 513,480 |
| Absolute Dollar Amount | | $ 1,554,308 | $ 1,225,082 | $ 822,760 | $ 8,038,633 | $ 949,778 | $ 405,959 | $ 329,226 |
| **Late Charges from Date of Service > 21 Days** | | | | | | | | |
| Number of line items | | 14,740 | 17,272 | 5,568 | 76,882 | 95,068 | 33,014 | (2,532) |
| Dollar amount of Charges | | 4,950,589 | 3,441,304 | 789,449 | 13,076,474 | 1,987,236 | 568,410 | 1,509,285 |
| Dollar amount of Credits | | (1,911,003) | (3,645,219) | (847,746) | (11,899,171) | (1,321,540) | (422,159) | 1,734,216 |
| Net Dollar Amount | | 3,039,586 | (203,915) | (58,297) | 1,177,303 | 665,696 | 146,251 | 3,243,501 |
| Absolute Dollar Amount | | $ 6,861,592 | $ 7,086,523 | $ 1,637,195 | $ 24,975,645 | $ 3,308,776 | $ 990,570 | $ (224,931) |

# SUPPLEMENTAL INFORMATION

| Jan-09 | Jan 2-Jan 8 | Jan 9-Jan 15 | | | MTD Total | MTD Budget | % Variance |
|---|---|---|---|---|---|---|---|
| ADC (Acute) | 302 | 311 | 0 | 0 | 307 | 311 | (1.56) |
| PMC | 239 | 236 | 0 | 0 | 238 | 231 | 2.90 |
| POM | 63 | 75 | 0 | 0 | 69 | 81 | (14.32) |
| PCCC | 89 | 90 | 0 | 0 | 89 | 85 | 4.88 |
| VP | 119 | 119 | 0 | 0 | 119 | 124 | (4.32) |
| Patient Days (Acute) | 2115 | 2177 | 0 | 0 | 4,292 | 4,360 | (1.56) |
| PMC | 1671 | 1654 | | | 3,325 | 3,231 | 2.90 |
| POM | 444 | 523 | | | 967 | 1,129 | (14.32) |
| PCCC | 620 | 630 | | | 1,250 | 1,192 | 4.88 |
| VP | 831 | 830 | | | 1,661 | 1,736 | (4.32) |
| Discharges | 494 | 554 | 0 | 0 | 1,048 | 1,130 | (7.26) |
| PMC | 379 | 431 | | | 810 | 846 | (4.26) |
| POM | 115 | 123 | | | 238 | 284 | (16.20) |
| Number of Surgeries | 247 | 262 | 0 | 0 | 509 | 467 | 8.99 |
| PMC | 167 | 171 | | | 338 | 322 | 4.97 |
| POM | 80 | 91 | | | 171 | 145 | 17.93 |
| Number of Births | 82 | 97 | 0 | 0 | 179 | 205 | (12.68) |
| PMC | 67 | 73 | | | 140 | 159 | (11.95) |
| POM | 15 | 24 | | | 39 | 46 | (15.22) |

| Jan-09 | Jan 2-Jan 8 | Jan 9-Jan 15 | | | MTD Total | MTD Budget | % Variance |
|---|---|---|---|---|---|---|---|
| Outpatient Visits (inc. Lab) | 2395 | 2086 | 0 | 0 | 4,481 | 4,112 | 8.97 |
| PMC | 1626 | 1350 | | | 2,976 | 2,806 | 6.06 |
| POM | 769 | 736 | | | 1,505 | 1,306 | 15.24 |
| ER Visits | 1745 | 1721 | 0 | 0 | 3,466 | 3,477 | (0.32) |
| PMC | 1199 | 1175 | | | 2,374 | 2,379 | (0.21) |
| POM | 546 | 546 | | | 1,092 | 1,098 | (0.55) |
| Trauma Visits | 20 | 26 | 0 | 0 | 46 | 47 | (2.13) |
| IP | 19 | 22 | | | 41 | 42 | (2.38) |
| OP | 1 | 4 | | | 5 | 5 | 0.00 |
| Gross IP Revenue | 22,530,661 | 21,989,414 | | | 44,520,075 | 43,930,510 | 1.34 |
| Gross OP Revenue | 7,922,734 | 9,038,947 | | | 16,961,681 | 13,603,157 | 24.69 |
| Cash Collection | 9,132,559 | 7,605,549 | | | 16,738,108 | 17,999,023 | (7.01) |
| Days cash on hand | 94 | 95 | | | 95 | 80 | |
| Prod Hrs (PP 14) | 180,945 | | | | 180,945 | 204,030 | 11.31 |
| PMC - North | 113,787 | | | | 113,787 | 120,756 | 5.77 |
| POM - South | 49,783 | | | | 49,783 | 57,121 | 12.85 |
| Others | 17,375 | - | - | - | 17,375 | 26,153 | 33.56 |
| Prod $ (PP 14) | 5,948,806 | | | | 5,948,806 | 6,685,734 | 11.02 |
| PMC - North | 3,814,957 | | | | 3,814,957 | 3,967,375 | 3.84 |
| POM - South | 1,578,035 | | | | 1,578,035 | 1,826,169 | 13.59 |
| Others | 555,814 | - | - | - | 555,814 | 892,190 | 37.70 |

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# Investment Fund - Quarter Ended December 31, 2008 Yield Analysis

| Investment Account: | % of Portfolio at 12/31/08 | Maturity Date | Yield | Benchmark | | Actual to Benchmark Variance | Total Yield |
|---|---|---|---|---|---|---|---|
| Fidelity-Institutional Portfolio Treasury Fund | 1.20% | Demand | 0.38% | 0.30% | (1) | 0.08% | 0.00% |
| State Treasurer Local Agency Investment Fund | 12.95% | Demand | 2.54% | 0.30% | (1), (2) | 2.24% | 0.33% |
| Salomon Brothers | 43.50% | Various | 4.60% | 4.80%<br>-21.90% | (3)<br>(4) | -0.20%<br>26.50% | 2.00% |
| Pacific Income Advisors, Inc. | 41.89% | Various | 3.20% | 3.00%<br>-21.90% | (5)<br>(4) | 0.20%<br>25.10% | 1.34% |
| Morgan Stanley & Co. | 0.47% | Various | 1.09% | 0.30% | (1) | 0.79% | 0.01% |
| Total: | 100.00% | | | | | TOTAL YIELD: | 3.68% |

(1) Approximate average of 90 day T-Bills
(2) LAIF annual average return based upon monthly yields
(3) LB Intermediate Government Credits
(4) S&P 500
(5) LB 1-3 yr Government Credits