CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Rady Children's Hospital – San Diego (the "Hospital") 3020 Children's Way San Diego, CA 92123 San Diego County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$150,000,000 Up to 40 years October 12, 2011 371

Project Sites: Please see Exhibit 1

Facility Types: Acute Care Hospital/ Children's Hospital/ Research Facility operated in conjunction with the Acute Care Hospital

Prior Borrower: Yes (date of last CHFFA issue, 1996)

Obligated Group: The Hospital and Rady Children's Hospital and Health Center (the "Center")

Background: Rady Children's Hospital – San Diego (the "Hospital") was established in 1954. The Hospital is a regional and quaternary referral center and is the sole pediatric trauma center for San Diego County and provides comprehensive inpatient and outpatient acute and intensive care pediatric services. The Hospital provides other services, including home health; outpatient psychiatry; child protection and developmental services; and retail pharmacy services. The Hospital operates an acute care hospital licensed as of June 30, 2011 to operate 442 beds, including 115 beds at several sites dedicated to the treatment of seriously ill newborns. In FY 2010, the Hospital had approximately 302,300 outpatient visits, including visits to the Hospital's outpatient clinics, urgent care centers and the Emergency Care Center.

Use of Proceeds: Bond proceeds will be used to refinance a portion of a Bank of America bridge loan recently used to purchase two medical office buildings adjacent to the Hospital's main campus, to renovate and equip those buildings, and to fund other capital projects, including reimbursement for prior eligible capital expenditures.

Type of Issue: Negotiated public offering of fixed rate bonds (Minimum $5,000 denominations)

Expected Credit Rating: A2; Moody's Ratings

Financing Team: *Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: The Obligated Group's income statement appears to demonstrate increased revenues over the last three fiscal years. Additionally, the Obligated Group appears to exhibit an adequate financial position with an operating proforma debt service coverage ratio at 2.97x.

Estimated Sources of Funds:			**Estimated Uses of Funds:**		
Par amount of bonds	$	150,000,000	Project fund	$	149,200,000
Net premium		2,200,000	Financing Costs		3,000,000
Total Estimated Sources	$	152,200,000	**Total Estimated Uses**	$	152,200,000

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, CEQA, and the Iran Contracting Act Certificate. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 371 in an amount not to exceed $150,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

Bond proceeds will be used to refinance a portion of a Bank of America bridge loan which was recently used to purchase two medical office buildings adjacent to the Hospital's main campus, to renovate and equip those buildings, and to fund other capital projects, including reimbursement for prior eligible capital expenditures (collectively, the "Project").

The medical office buildings were acquired to provide space for ambulatory clinics and research programs, which the Hospital plans to renovate and equip to address the need for replacement of obsolescent space (including replacement of temporary modular building) and expansion of capacity for outpatient clinic services and administrative operations, and also obviates the need to construct a planned Research and Ambulatory Services building. The development of the buildings is anticipated to satisfy the current space needs of the Hospital. Also, the Hospital's proposed capital projects to be financed by the bonds include information technology updates to enable seamless patient recognition and records access across all departments, eliminate collection of redundant data and facilitate the sharing of clinical data and patient information across departments.

Project Fund**..** ***$149,200,000***

In 2010, the Hospital purchased the properties located at 7910 and 7920 Frost Street adjacent to the Hospital main campus, consisting of two medical office buildings totaling 176,676 square feet and a 550 space parking structure and assumed a ground lease of an adjacent parcel paved for parking (collectively, the "Frost Street Properties"). In order to purchase the Frost Street Properties, the Hospital entered into an agreement with Bank of America, N.A. for a bridge loan, which is due December 16, 2011.

In addition, the Project includes other capital expenditures expected to be undertaken. These expenditures include various information technology related updates, systems and/or applications.

Estimated Financing Costs* ***3,000,000***

Total Estimated Uses of Funds **$152,200,000**

*Estimated financing costs include underwriters' discount and costs of issuance.

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Obligated Group. Rady Children's Hospital – San Diego (the "Hospital") and its sole statutory member, Rady Children's Hospital and Health Center (the "Center") are the two Members of an Obligated Group; each is an affiliated California nonprofit public benefit corporation and is jointly and severally liable for all indebtedness and other obligations secured by Obligations issued pursuant to a Master Trust Indenture, including payment on the Series 2011 Bonds. The Hospital is the borrower under the Loan Agreement.

After reviewing the Obligated Group's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, the Hospital, Public Financial Management, Inc., and the underwriters have concluded the covenants listed below balance the interests of the Obligated Group, the Authority, and the investors and are consistent with covenants that have applied to the Obligated Group's prior bond transactions and that the Obligated Group's current financial situation does not suggest additional covenants should be required.

The following covenants are applicable for this transaction:

Unconditional Promise to Pay. *The Hospital agrees to pay to the Bond Trustee all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement relating to the proposed Series 2011 Bonds. The Obligated Group guarantees all such payments under an Obligation issued under the Master Trust Indenture. All Revenues (which will include payments by the Hospital under the Loan Agreement and payments by the Obligated Group under the Obligation) and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the Series 2011 Bonds.*

Pledge of Gross Revenues. *Each Member of the Obligated Group has pledged in the Master Trust Indenture to deposit all "Gross Revenues," which include all revenues, rent, profits, receipts, benefits, royalties, money and income from any source, into a Gross Revenue Fund. To secure payment and performance of all Obligations issued under the Master Trust Indenture, the Master Trustee has a security interest in all Gross Revenues of each Member of the Obligated Group, the Gross Revenue Fund and its proceeds. Each Obligated Group Member has executed a deposit account control agreement and has taken and will continue to take the necessary steps to maintain the Master Trustee's security interest.*

Negative Pledge against Prior Liens. *Each Obligated Group Member agrees not to create, assume or suffer to exist any mortgage or pledge of, or security interest in, or lien or encumbrance, upon Gross Revenues or Property (defined below) of the Obligated Group other than Permitted Liens (defined below).*

Limited Permitted Encumbrances. *Each Obligated Group Member is subject to a restrictive set of allowable liens or encumbrances it may incur pursuant to the Master Trust Indenture, such allowable liens or encumbrances being "Permitted Liens."*

Debt Service Coverage Requirement. *The Master Indenture requires an Annual Required Debt Service Coverage Ratio of more than 1.20:1.00. A debt service coverage ratio measures the ability to make interest and principal payments as they become due. If the Annual Required Debt Service Coverage Ratio falls below 1:20:1.00, the Obligated Group Representative promises to employ an Independent Consultant. An immediate event of default occurs if the Annual Required Debt Service Coverage Ratio falls below 1.00:1.00.*

Additional Debt Limitation. *Each Obligated Group Member agrees not to incur additional indebtedness unless authorized by various financial performance or projection measures set out in the Master Trust Indenture.*

Limitations on Mergers, Sales or Conveyances. *Each Obligated Group Member agrees not to merge, consolidate with any other entity or sell or convey all or substantially all of its assets to any Person outside of the Obligated Group unless authorized by various limiting measures set out in the Master Trust Indenture.*

Disposition of Cash and Property Limitations. *Each Obligated Group Member agrees not to sell, lease or dispose of any and all rights, titles and interests in and to any and all property, whether real or personal, tangible or intangible and wherever situated ("Property"), unless authorized by various limiting measures set out in the Master Trust Indenture.*

Insurance Requirement. *Each Obligated Group Member promises to maintain, at all times, adequate insurance coverage on its Property, plant and equipment and all of its operations, as is customary for health facilities of similar character and size in California.*

Comply with SEC Rule 15c2-12. *The Hospital will take such action as is necessary to assist the underwriters in complying with SEC Rule 15c2-12. The Hospital will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the Series 2011 Bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff has reviewed the entirety of this financing package and finds it to be acceptable.

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III. FINANCIAL STATEMENTS AND ANALYSIS:

Rady Children's Hospital - San Diego - Obligated Group
Statement of Activities
(In thousands)

	As of June 30, 2010	2009	2008
Operating revenues:			
Net patient revenue*	$ 456,250	$ 377,375	$ 367,322
Premium revenue	52,019	33,840	33,609
Grants and contracts	29,232	22,712	20,232
Other government revenue	32,721	33,619	30,733
Other revenue	20,169	19,418	19,256
Net assets released from restriction used for operations	13,728	5,524	11,415
Total operating revenues	604,119	492,488	482,567
Operating expenses:			
Salaries and wages	198,096	182,446	165,111
Employee benefits	78,086	68,629	60,983
Supplies	76,126	68,259	64,419
Professional fees	87,823	35,869	40,980
Purchased services	71,226	51,629	49,873
Provision for bad debts	12,719	6,156	14,692
Insurance	5,278	3,890	7,355
Bond insurance impairment	-	-	5,827
Other	19,909	18,975	16,463
Depreciation	18,050	14,014	12,916
Interest	5,496	5,466	5,467
Loss on early extinguishment of debt	-	2,162	-
Total operating expenses	572,809	457,495	444,086
Operating income:	**31,310**	**34,993**	**38,481**
Non-operating income (expenses):			
Contributions	6,621	1,135	3,488
Change in fair value of interest swaps	(14,188)	(23,378)	(9,800)
Interest, dividends and net realized gains on investments	40,923	(31,243)	7,183
Net unrealized losses on trading investments	-	(37,424)	-
Net interest rate swap payments	(7,440)	(5,318)	-
Reclassification of investment portfolio to trading	-	-	3,234
Excess (deficiency) of revenues over expenses	**57,226**	**(61,235)**	**42,586**

	Net Patient Revenue*	Percent
Gov	Medi-Cal	50.1
	TRICARE	6.9
	Out of state Medicaid & other	1.1
Non-Gov	Managed care	39.9
	Self pay	1.4
	Charity	0.5
	Insurance & other	0.1
	Total	100

Staff will review and update the Board after having received the 2011 financial audits.

Rady Children's Hospital - San Diego - Obligated Group

Statement of Financial Position

(In thousands)

	As of June 30, 2010	2009	2008
Assets:			
Current assets:			
Cash and cash equivalents	$ 1,010	$ 10,194	$ 22,336
Collateral received under securities lending program	18,296	14,475	33,918
Investments	318,333	280,485	309,755
Securities lent under securities lending program	17,723	14,055	32,971
Patient accounts receivable, net	76,725	50,932	50,623
Other receivables	16,063	11,176	11,172
Assets limited as to use-required for current liabilities	284	10,980	2,543
Receivable from affiliate	3,780	3,552	11,959
Inventory	6,111	5,838	5,698
Other current assets	5,793	6,791	4,130
Total current assets	464,118	408,478	485,105
Assets limited as to use	48,888	111,803	159,409
Property and equipment, net	398,396	313,609	198,061
Other long-term assets	16,228	16,747	14,730
Total assets	$ 927,630	$ 850,637	$ 857,305
Liabilities and Net Assets:			
Current liabilities:			
Accounts payable and accrued expenses	$ 56,905	$ 48,576	$ 28,077
Accrued payroll and related benefits	30,571	28,735	28,053
Payable under securities lending program	18,296	14,475	33,918
Payable to affiliate	-	-	7,828
Current portion of long-term debt	3,305	79,809	2,680
Deferred revenue	1,362	2,185	2,352
Total current liabilities	110,439	173,780	102,908
Long-term debt, net of current portion	318,034	244,768	312,048
Interest rate swaps	39,684	25,496	7,913
Other long-term debt	29,327	48,322	37,418
Payable to beneficiaries under deferred giving arrangements	1,474	1,514	1,548
Total liabilities	498,958	493,880	461,835
Net assets:			
Unrestricted	364,538	290,543	336,121
Temporarily restricted	55,687	58,043	51,256
Permanently restricted	8,447	8,171	8,093
Total net assets	428,672	356,757	395,470
Total liabilities and assets	$ 927,630	$ 850,637	$ 857,305

Financial Ratios:

	Proforma [a] FYE June 30, 2010	2010	2009	2008
Debt service coverage (x) operating	2.97	6.35	6.69	6.50
Debt service coverage (x) net	4.37	9.35	(5.13)	6.97
Debt/Unrestricted Net Assets (x)	1.48	1.07	1.37	1.07
Operating Margin (%)		5.18	7.11	7.97
Current Ratio (x)		4.20	2.35	4.71

[a] Recalculates FY 2010 audited results to include the impact of this proposed financing.

The Obligated Group's audited financial statements were analyzed in this section and are also disclosed in the Preliminary Official Statement. The Obligated Group includes the Hospital and the Center financials, which constitute 96% of the total assets of the combined financials of the Center and affiliates.

<u>**Financial Discussion – Statement of Activities (Income Statement)**</u>

The Obligated Group's income statement appears to exhibit solid operating results over the review period with strong operating margins and relatively significant revenue growth.

The Obligated Group's total operating margins appear to remain solid over the review period from 7.97%, 7.11% and 5.18% in FY 2008, FY 2009 and FY 2010, respectively. The Obligated Group's total operating revenues appear to have grown significantly by approximately 25% over the review period from approximately $483 million in FY 2008 to $604 million in FY 2010. According to the Hospital, the increases were mainly attributed to a combination of increases in patient volume and reimbursement rates.

<u>*Particular Facts to Note:*</u>

- According to the Hospital, patient volumes played a role in the increase in revenues. The total number of emergency department and urgent care visits increased from 85,145 in FY 2008 to 100,907 in FY 2010, a 18.5% increase, and patient days increased from 68,337 in FY 2008 to 70,895 in FY 2010, a 3.7% increase.

- Total operating expenses slightly outpaced total operating revenues, with an increase of approximately 29% over the review period compared to 25% for revenues, from approximately $444 million in FY 2008 to $573 million in FY 2010. According to the Hospital, the increase in expenses were mainly due to increases in professional fees the formation of a medical practice foundation in September 2009 to improve access to pediatric patient care services, which also contributed to an increase in revenue as well as the opening of the new patient pavilion that caused increases in depreciation and interest expenses

- Also, according to the Hospital, it closely monitors productivity indicators to ensure staffing levels are appropriate and consistent with patient volume and patient activity, and that its expenses are measured against approved budgets and are managed to meet patient demand in the most cost-effective manner consistent with high-quality care.

- In FY 2009, the Hospital experienced a large loss on its investments of $31,243 as well as a large net unrealized loss on trading investments of 37,424. This was mainly due to the overall financial market downturn. However, in FY 2010 the Hospital experienced a gain of $40,923 on its investments and no unrealized losses on trading investments, which according to the Hospital was primarily the result of above-average investment returns and increased portfolio balances.

Financial Discussion – Statement of Financial Position (Balance Sheet)

The Obligated Group appears to exhibit an adequate financial position with an operating proforma debt service coverage ratio of 2.97x.

The Obligated Group's balance sheet appears to continue to grow over the review period. Total net assets increased from approximately $396 million in FY 2008 to $429 million in FY 2010, an approximate 8.2% increase. The operating debt service coverage ratio appears to be a strong 6.35x for FY 2010 and the operating proforma debt service coverage ratio is a solid 2.97x, indicating that the Obligated Group can likely manage the proposed additional debt.

Particular Facts to Note:

- The Obligated Group's cash and cash equivalents declined considerably over the review period from approximately $22.3 million in FY 2008 to $1 million in FY 2010 mainly due to the Hospital's shift of cash to its investment accounts, as the bulk of their long-term reserves are kept there.

- Property and equipment, net approximately doubled over the review period from $198.1 million in FY 2008 to $398.4 million in FY 2010, mainly due to investments in information technology equipment to enhance operations, the new Acute Care Pavilion which contains 154 new beds was built to address the critical shortage of pediatric beds in its region, and the purchase of a medical office building (different than the two part of this bond transaction).

- The Hospital believes that it will be spared the effects of numerous changes stemming from the Health Reform Act since it has no Medicare patients. It plans to focus on all the Medi-Cal changes since Medi-Cal constitutes 50% of its net patient revenue.

IV. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- **Section 15438.5(a) of the Act (Savings Pass Through)**: The Hospital properly completed and submitted the "Pass-Through Savings Certification," in addition to a narrative explaining how it intends to pass along savings.
- **Section 15491.1 of the Act (Community Service Requirement)**: The Hospital properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulation**s: The Hospital properly submitted a description of its organization's progress toward complying with OSHPD seismic evaluation regulations.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act)**: The Hospital properly submitted documentation to the Authority, where applicable, demonstrating that each proposed project has either complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is otherwise not a "project" under that division.
- **Religious Due Diligenc**e.
- **Legal Review**.
- **Iran Contracting Act Certificate**: The Hospital properly submitted the certificate to the Authority.

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EXHIBIT 1
PROJECT SITES

CHFFA's Series 2011A Bonds may finance projects at the following addresses:

San Diego, CA locations:

- 7909, 7966, 8022, 8040 & 8110 Birmingham Drive
- 2929, 3010, 3020, 3030 & 3065 Children's Way
- 7910, 7920, 7930, 8001 & 8010 Frost Street
- 3665 & 3685 Kearny Villa Road
- 4305 University Avenue
- 3101 Berger Avenue

Oceanside, CA locations:

- 3605 & 4305 Vista Way
- 4120 Waring Road

La Mesa, CA locations:

- 5565 Grossmont Center Drive
- 6386 Alvarado Court

Other, CA locations:

- 447 N. El Camino Real, Encinitas
- 625 W. Citracado Parkway, Escondido
- 25485 Medical Center Drive, Murrieta

EXHIBIT 2
FINANCING TEAM

Trustee:	Wells Fargo Bank, N.A.
Borrower's Counsel:	Ropes & Gray LLP
Borrower's Financial Advisor:	H2C Advisors/Hammond Hanlon Camp LLC
Rating Agencies:	Moody's Investor Services
Issuer's Financial Advisor:	Public Financial Management, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Issuer's Counsel:	Office of the Attorney General
Bond Counsel:	Orrick, Herrington & Sutcliffe, LLP
Underwriters:	Bank of America Merrill Lynch, Morgan Stanley and U.S. Bancorp Investments, Inc.
Underwriter's Counsel:	Jones Day
Auditor:	KPMG LLP

EXHIBIT 3

UTILIZATION STATISTICS

The table below provides selected summary utilization statistics for the Hospital for the three fiscal years ended June 30, 2008, 2009, and 2010.

	Fiscal Year Ended June 30,		
	2010	**2009**	**2008**
Licensed beds	261	259	250
Staffed beds	270	259	250
Discharges	16,182	15,104	14,354
Patient days	70,895	67,780	68,337
Average length of stay (days)	4.4	4.5	5
Average occupancy (percent)	74.4%	71.8%	74.8%
Average daily census	194	186	187
Emergency department & urgent care visits	100,907	93,839	85,145
Inpatient surgeries	6,239	6,180	6,295
Outpatient surgeries	14,688	14,488	14,159
Total surgeries	20,927	20,668	20,454

Source: Hospital records

EXHIBIT 4

OUTSTANDING DEBT

RADY'S CHILDREN HOSPITAL – SAN DIEGO

Date Issued	**Original Amount**	**Amount Outstanding As of June 30, 2010[a]**	**Estimated Amount Outstanding after Proposed Financing**
- EXISTING LONG-TERM DEBT:			
CSCDA[b], Series 2006 A	$64,140,000	$55,545,000	$55,545,000
CSCDA, Series 2006 B	28,230,000	28,230,000	28,230,000
CSCDA, Series 2008 A	63,845,000	63,845,000	63,845,000
CSCDA, Series 2008 B	65,000,000	65,000,000	65,000,000
CSCDA, Series 2008 C	50,575,000	50,575,000	50,575,000
CSCDA, Series 2008 D	50,580,000	50,580,000	50,580,000
- PROPOSED NEW DEBT:			
CHFFA, Series 2011			**$150,000,000**
- TOTAL DEBT		**$313,775,000**	**$463,775,000**

[a] Includes current portion of long-term debt.
[b] California Statewide Communities Development Authority

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Rady Children's Hospital and Health Center (the "Center") is the sole statutory member of Rady Children's Hospital – San Diego (the "Hospital"). Each is a California nonprofit public benefit corporation.

The Hospital is a regional and quaternary referral center and is the sole pediatric trauma center for San Diego County and provides comprehensive inpatient and outpatient acute and intensive care pediatric services. The Hospital provides other services, including home health; outpatient psychiatry; child protection and developmental services; and retail pharmacy services; and long-term care services through its Helen Bernardy Center for Medically Fragile Children (convalescent hospital). The Hospital operates an acute care hospital licensed as of June 30, 2011 to operate 442 beds, including 115 beds at several sites dedicated to the treatment of seriously ill newborns. As of June 30, 2011, approximately 54% of the inpatient admissions were children newborn to four years of age.

Since 1984, the Hospital has been recognized as the sole pediatric trauma center serving San Diego County. In 2009, the Hospital had an approximate 83% market share for the newborn-to-14 age group in San Diego County. The Hospital also serves as a referral resource for critically ill and seriously injured children in the southwestern United States.

The Hospital serves as the primary pediatric teaching facility for the School of Medicine at the University of California, San Diego.

Corporate Structure

The Center was formed in 1980 to establish, operate, and support, directly or through its affiliates, facilities and programs for the benefit of children and adults with diseases, disorders and other health problems of pediatric origin, in and of the State of California, including providing resources for charity care, research and education. To further its mission, the Center solicits and receives gifts, grants, and donations to be used to promote and advance the welfare and activities of its subsidiaries and affiliates, including the Hospital.

Obligated Group

The Center and the Hospital are the Members of an Obligated Group under the Master Indenture and, as Members, are jointly and severally liable for all indebtedness secured by Obligations issued there under, subject to the provisions of the Master Indenture permitting the withdrawal or addition of Obligated Group Members. No other affiliates are obligated to make payments or are liable for Obligations issued under the Master Indenture.

Other Affiliates
In addition to the Hospital, the Center is the sole statutory member of the following California tax-exempt nonprofit public corporations:

- Rady Children's Hospital Foundation – San Diego

- Rady Children's Hospital Research Center

- Rady Children's Health Services – San Diego

The Center is the sole shareholder of the following subsidiaries:

- Children's Hospital Integrated Risk Protective Limited

- Rady Children's Physician Management Services, Inc.

Corporate Governance
The Center is governed by an 18-member Board of Trustees (the "Center Board"). The Center's Bylaws provide that seven trustees serve ex-officio with vote: the Hospital Chief of the Medical Staff; the Chair of the Foundation Board; the Chancellor of the University of California San Diego ("UCSD"); the Vice Chancellor for Health Sciences/Dean of the School of Medicine of UCSD; a representative of the University of California Office of the President; a member of the Hospital Medical Staff selected by the Medical Staff and approved by the Center Board; and a representative of the Rady family pursuant to a Charitable Gift Agreement between Ernest S. and Evelyn Rady and the Center. The remaining trustees are lay persons representing the San Diego community.

The trustees who do not serve ex-officio are nominated by the Board Nominating Committee, elected by the Center Board, and serve in three staggered classes with terms of three years. In accordance with the Affiliation Agreement among UCSD, the Hospital and the Center, at least one-third of the Center Board, including the ex-officio trustees described above, are University of California representatives. The University of California representatives who do not serve ex-officio are nominated for service on the Center Board and are approved by a committee consisting of the President and Chief Executive Officer ("CEO") of the Center, the Chair of the Center Board, the Chancellor of UCSD and the Vice Chancellor of Health Services/Dean of the School of Medicine of UCSD. The Center Board appointments of University of California representatives are subject to the approval of the President of the University of California.

The following individuals serve on the Center Board, ex-officio, without voting rights: the Center's President and CEO; an individual designated by the Specialists Medical Group (the "Designated Representative") and approved by the Center Board; an individual designated by Primary Care Medical Group and approved by the Center Board; the Chair of the UCSD Department of Pediatrics and Physician-in-Chief of the Center; the Chief of Staff-Elect of the Hospital Medical Staff; the Surgeon-in-Chief of the Hospital; the Vice Chair of the Foundation Board; the Designated Nurse Executive of the Hospital; and the Secretary of the Center. There is currently one vacancy on the Center Board.

<u>Licensure and Memberships</u>

The Center and the Hospital are appropriately licensed by the Department of Public Health Services to the extent required and are certified to participate in the Medicare and Medi-Cal programs.

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