

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, under existing law and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in calculating federal corporate alternative minimum taxable income and therefore may affect a corporation's alternative minimum tax liability. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California. Bond Counsel expresses no opinion regarding any other consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

**\$136,860,000****GROSSMONT HEALTHCARE DISTRICT****(San Diego County, California)****General Obligation Bonds, 2006 Election, 2011 Series B****Dated: Date of Delivery****Due: July 15, as set forth on the inside cover**

The Grossmont Healthcare District (San Diego County, California) General Obligation Bonds, 2006 Election, 2011 Series B (the "Bonds") are being issued by Grossmont Healthcare District (the "District"), a local health care district located in San Diego County, California. The Bonds were authorized at an election held in the District on June 6, 2006, at which the requisite two-thirds of the qualified electors voting on the proposition voted to authorize the issuance and sale of \$247,000,000 principal amount of general obligation bonds of the District ("Proposition G"). The Bonds are the second series of bonds being issued pursuant to Proposition G and are being issued for the purpose of financing health care facilities of the District authorized in Proposition G, as more fully described herein.

The Bonds represent general obligations of the District payable from certain *ad valorem* taxes levied and collected by the County of San Diego (the "County"). The Bonds are not obligations of the County, the San Diego County Health Facilities Financing Authority (the "Authority"), the State of California (the "State") or any of their political subdivisions, other than the District. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property within the District subject to taxation by the District without limitation as to rate or amount (except certain personal property, which is taxable at limited rates) for the payment of principal of and interest on the Bonds when due.

Interest on the Bonds will accrue from the date of delivery and is payable on January 15 and July 15 of each year, commencing July 15, 2011. Principal of the Bonds will be paid on July 15 in the years set forth on the inside cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples thereof and are payable as to principal amount or redemption price at the office of Union Bank, N.A., as Bond Registrar and Paying Agent for the Bonds (the "Bond Registrar").

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS—General."

The Bonds are being sold by the District to the Authority and will simultaneously be resold to the Underwriter identified below.

Certain of the Bonds are subject to optional redemption and to mandatory sinking fund redemption, as described herein.

This cover page contains certain information for quick reference only. It is not intended to be a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Maturity Schedule
(See inside cover)

The Bonds are offered when, as and if received by the Underwriter, subject to prior sale and to the approval as to their legality by Sidley Austin LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the District by Jeffrey G. Scott, Esq., its General Counsel, and for the Underwriter by Chapman and Cutler LLP, San Francisco, California. It is expected that the Bonds in definitive book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about March 10, 2011.

Goldman, Sachs & Co.

Date: February 23, 2011

† For an explanation of the rating, see "RATING" herein.

MATURITY SCHEDULE

\$136,860,000

GROSSMONT HEALTHCARE DISTRICT (San Diego County, California) General Obligation Bonds, 2006 Election, 2011 Series B

Maturity Date (July 15)	Principal Amount	Interest Rate	Yield	CUSIP†
2016	\$ 5,000	3.000%	2.77%	399223BB1
2017	5,000	3.250	3.12	399223BC9
2018	5,000	3.500	3.43	399223BD7
2019	5,000	3.750	3.70	399223BE5
2020	5,000	4.000	3.95	399223BF2
2021	5,000	4.250	4.18	399223BG0
2022	5,000	4.500	4.40 ⁽¹⁾	399223BH8
2023	5,000	4.750	4.60 ⁽¹⁾	399223BJ4
2024	5,000	5.000	4.75 ⁽¹⁾	399223BK1
2025	340,000	5.000	5.00	399223BL9
2026	785,000	5.000	5.08	399223BM7
2027	1,275,000	5.000	5.23	399223BN5
2028	1,815,000	5.125	5.33	399223BP0
2029	2,400,000	5.250	5.45	399223BQ8
2030	3,050,000	5.375	5.55	399223BR6
2031	3,755,000	5.500	5.65	399223BS4
2034	1,350,000	5.750	5.85	399223BT2

\$15,000,000 6.000% Term Bond due July 15, 2034 – Yield 5.80%⁽¹⁾ – CUSIP† 399223BV7

\$107,045,000 6.125% Term Bond due July 15, 2040 – Yield 5.86%⁽¹⁾ – CUSIP† 399223BU9

† CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is provided for convenience of reference only. The District and the Underwriter take no responsibility for the accuracy of such data.

⁽¹⁾ Priced to call at par on first optional redemption date of July 15, 2021.

This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesman or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon.

The information relating to DTC and the book-entry system set forth herein under the caption "THE BONDS—General" and in APPENDIX D hereto has been furnished by DTC. Such information is believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or the District. All other information set forth herein has been obtained from the District and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall create under any circumstances any indication that there has been no change in the affairs of the District or DTC since the date hereof. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

This Official Statement is in a form deemed final as of its date by the District for the purposes of Rule 15c2-12 of the Securities and Exchange Commission (except for the omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)).

GROSSMONT HEALTHCARE DISTRICT

District Board of Directors

Director	Term Expires December
Deborah McElravy, R.Ph., President	2012
Michael T. Long, M.D., Vice President	2014
Michael Emerson, RDO, FNAO, Secretary	2012
Gloria A. Chadwick, R.N.	2014
Robert Ayres	2012

Chief Executive Officer

Barry M. Jantz

Bond Counsel

Sidley Austin LLP

District Counsel

Jeffrey G. Scott, Esq.

Bond Registrar and Paying Agent

Union Bank, N.A.

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OFFICIAL STATEMENT

\$136,860,000

**GROSSMONT HEALTHCARE DISTRICT
(San Diego County, California)
General Obligation Bonds, 2006 Election, 2011 Series B**

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Bond Resolution (as defined below).

Purpose of this Official Statement

This Official Statement, including the cover page, the inside cover page and the appendices hereto, is provided to furnish information in connection with the sale and delivery of \$136,860,000 aggregate principal amount of Grossmont Healthcare District (San Diego County, California) General Obligation Bonds, 2006 Election, 2011 Series B (the "Bonds").

The District

Grossmont Healthcare District (the "District") is a local health care district, formed in 1952, and organized pursuant to Division 23 of the Health and Safety Code (the "Local Health Care District Law") of the State of California (the "State"). The District's boundaries encompass an area of approximately 750 square miles in eastern San Diego County (the "County"). Included within the District boundaries are the cities of La Mesa, Lemon Grove, Santee, and El Cajon, the San Carlos/Del Cerro communities within the City of San Diego, and certain unincorporated areas of the County. The total 2010-11 net taxable assessed valuation of property within the District is \$40,094,695,319.

The District owns Sharp Grossmont Hospital, located in La Mesa, California. Sharp Grossmont Hospital currently has 536 licensed acute care beds, 689 physicians on staff, 21 operating rooms and 1 heliport. On May 29, 1991, the District entered into an Affiliation Agreement (as amended to date, the "Affiliation Agreement") with Sharp HealthCare (formerly San Diego Hospital Association) ("Sharp"), a nonprofit public benefit corporation, under which the District agreed to transfer the operation and maintenance of Sharp Grossmont Hospital to Grossmont Hospital Corporation (the "Corporation"), a nonprofit public benefit corporation wholly controlled by Sharp. For more information on the District and the management and operation of Sharp Grossmont Hospital, see "THE DISTRICT" herein.

Authority for Issuance of the Bonds

At an election held on June 6, 2006, more than two-thirds of the votes cast by eligible voters within the District authorized the District to issue up to \$247,000,000 principal amount of general obligation bonds ("Proposition G"). The District issued the first series of its general obligation bonds under Proposition G, in the amount of \$85,627,075.50, in 2007. The Bonds constitute the second series of bonds issued under Proposition G. The Bonds are issued pursuant to certain provisions of the Local Health Care District Law and other applicable laws and pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "District Board") on December 17, 2010. The Bonds will be sold by the District to the San Diego County Health Facilities Financing Authority (the

“Authority”) pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the Government Code of the State. The Authority will resell the Bonds immediately to Goldman, Sachs & Co. (the “Underwriter”), as described under “UNDERWRITING” herein.

Security for the Bonds

The Bonds represent general obligations of the District payable from certain *ad valorem* taxes. The Board of Supervisors of the County will levy and collect annually *ad valorem* taxes upon all property subject to taxation by the District for the payment of the principal of and interest on the Bonds. The Bonds are not obligations of the County, the Authority, the State or any of their political subdivisions, other than the District.

Bond Registrar and Paying Agent

Union Bank, N.A., will serve as the initial Bond Registrar and the initial Paying Agent with respect to the Bonds.

Purpose of the Proposition G Authorization

Proceeds from the sale of bonds issued pursuant to Proposition G are authorized to be used at Sharp Grossmont Hospital to (i) complete the Emergency and Critical Care Center, (ii) expand critical care, (iii) add patient beds, (iv) modernize medical technology, (v) repair or replace major building systems, and (vi) improve seismic safety. Proceeds from the sale of bonds issued pursuant to Proposition G also are authorized to be used to acquire land and construct thereon a health care training and occupational center.

The District expects to use the proceeds from the sale of the Bonds, which constitute the second issuance of bonds authorized pursuant to Proposition G, to finance and/or refinance (a) with respect to Sharp Grossmont Hospital, the (i) construction, expansion and improvement of an approximately three-story surgical link diagnostic and treatment building that will include operating rooms and/or interventional suites, catheterization labs and interventional radiology labs, (ii) the construction, expansion and improvement of a central plant, (iii) expansion and improvement of a patient tower, and (iv) utility and loading dock improvements, and (b) the construction of a health care training and occupation center to be operated by the District.

ESTIMATED SOURCES AND USES OF FUNDS

The District expects to apply the proceeds from the sale of the Bonds as follows:

Sources of Funds

Principal Amount of the Bonds	\$136,860,000.00
Plus: Net Original Issue Premium	2,113,270.80
Total	<u>\$138,973,270.80</u>

Uses of Funds

Deposit to Building Fund	\$136,860,000.00
Deposit to Debt Service Fund	1,096,299.55
Costs of Issuance ⁽¹⁾	1,016,971.25
Total	<u>\$138,973,270.80</u>

⁽¹⁾ Includes underwriter's discount, legal, financial advisory and printing fees and other miscellaneous issuance costs.

THE BONDS

General

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"). Purchasers will not receive bond certificates representing their interest in the Bonds. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on January 15 and July 15 of each year (each, a "Bond Payment Date"), commencing July 15, 2011. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the Record Date next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 1, 2011, in which event it will bear interest from the date of delivery of the Bonds. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on July 15, in the years and amounts set forth on the inside cover page hereof.

So long as Cede & Co. is the registered Owner of the Bonds, principal of and interest and premium, if any, on the Bonds are payable by wire transfer by the Paying Agent to Cede & Co., as nominee for DTC, which, in turn, will remit such amounts to DTC Participants (as defined in Appendix D) for subsequent disbursement to the Beneficial Owners. See APPENDIX D – "BOOK-ENTRY SYSTEM." In addition, so long as Cede & Co. is the registered Owner of the Bonds, references in this Official Statement to "Owner" or registered owner of the Bonds (other than under the caption "TAX MATTERS" and the statement on the cover of this Official Statement regarding interest on the Bonds being excludable from gross income) means Cede & Co. and does not mean the Beneficial Owners of such Bonds. The District and the Bond Registrar will treat the registered owner of the Bonds (which will be DTC so long as the book-entry system is in effect) as the absolute owner of the Bonds for the purposes of payment of debt service, giving all notices of redemption, and all other matters with respect to the Bonds.

For a description of the method of payment of principal of and interest on the Bonds and matters pertaining to their exchange while the book-entry system is in place, see APPENDIX D – “BOOK-ENTRY SYSTEM.”

If the book-entry system for the Bonds is ever discontinued, payment of interest on any Bond Payment Date will be made to the person appearing on the registration books of the Bond Registrar as the Owner thereof as of the 1st day of the calendar month in which such Bond Payment Date occurs (the “Record Date”), such interest to be paid by check mailed to such Owner on the Bond Payment Date, at such Owner’s address as it appears on such registration books or at such other address as such Owner may have filed with the Bond Registrar for that purpose on or before the Record Date. The Owner of Bonds in an aggregate principal amount of \$1,000,000 or more may request in writing to the Bond Registrar that such Owner be paid interest by wire transfer to the bank and account number on file with the Bond Registrar as of the Record Date. The principal of the Bonds will be payable upon maturity or earlier redemption upon surrender at the principal office of the Paying Agent, in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity or upon earlier redemption and to cancel all Bonds upon payment thereof.

Redemption

Optional Redemption. The Bonds maturing on or before July 15, 2021 are not subject to redemption prior to their respective stated maturity dates. The Bonds maturing on or after July 15, 2022 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, in whole or in part, on July 15, 2021, or on any date thereafter at the par amount thereof, without premium, together with interest accrued thereon to the date of redemption.

Mandatory Sinking Fund Redemption. The term Bonds maturing on July 15, 2034, are subject to redemption prior to maturity from mandatory sinking fund payments on July 15 of each year, beginning July 15, 2032, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Bonds to be so redeemed and the dates therefore and the final principal payment date are as indicated in the following table:

Redemption Date (July 15)	Mandatory Sinking Fund Payment
2032	\$4,540,000
2033	5,430,000
2034 [†]	5,030,000

[†] Final Maturity.

Mandatory Sinking Fund Redemption. The term Bonds maturing on July 15, 2040, are subject to redemption prior to maturity from mandatory sinking fund payments on July 15 of each year, beginning July 15, 2035, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Bonds to be so redeemed and the dates therefore and the final principal payment date are as indicated in the following table:

Redemption Date (July 15)	Mandatory Sinking Fund Payment
2035	\$ 7,425,000
2036	8,580,000
2037	9,835,000
2038	24,060,000
2039	26,985,000
2040 [†]	30,160,000

[†] Final Maturity.

Selection of Bonds for Redemption. If less than all the Outstanding Bonds are to be optionally redeemed on any one date, the Bond Registrar, upon written instructions from the District, will select Bonds for redemption from such maturity dates as are selected by the District and by lot within each such maturity in any manner as the Bond Registrar shall determine; provided, however, that the portion of any Bond to be redeemed in part will be in the principal amount of \$5,000 or any integral multiple thereof. In the event no direction is given, the Bond Registrar will select Bonds for redemption in inverse order of maturity, and, if less than all the Bonds of any one maturity date are to be redeemed on any one date, the Bond Registrar will select the Bonds or the portions thereof of such maturity date by lot.

Notice of Redemption. Notice of redemption of any Bonds will be mailed, postage prepaid, not less than 20 nor more than 45 days prior to the redemption date by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books maintained by the Bond Registrar.

Each notice of redemption will contain all of the following information: (a) the date of the notice of redemption, (b) the name of the Bonds, (c) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (d) the date of redemption, (e) the place or places where the redemption will be made, including the name and address of the Bond Registrar, (f) the redemption price, (g) the CUSIP numbers of each maturity assigned to each maturity of the Bonds to be redeemed, (h) if less than all of the Bonds of any maturity are to be redeemed, the Bond numbers of the Bonds of each maturity to be redeemed and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, (i) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part, and (j) in the case of a conditional redemption, that such redemption is conditional upon certain circumstances. Such notice of redemption will further state that on the specified date there will become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto will cease to accrue.

The District may rescind any optional redemption and any notice thereof for any reason by causing written notice of the rescission to be given to the Owners of those Bonds so called for redemption at least four business days prior to the date fixed for redemption. Any optional redemption and any notice

thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Debt Service Fund or otherwise held in trust in an escrow fund established for such purpose in an amount sufficient to pay in full on such date the principal of and interest due on the Bonds called for redemption. Notice of rescission will be given in the same manner in which notice of redemption was originally given.

Neither failure to receive any redemption notice nor any defect in any such redemption notice will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Failure by the Bond Registrar to give any redemption notice to any one or more of the respective Owners of Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to Owners to whom such redemption notice was mailed. Each check issued or other transfer of funds made by the Bond Registrar for the purpose of redeeming Bonds will bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

If, on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Bond Resolution, together with interest to such redemption date, is held by or on behalf of the Bond Registrar so as to be available therefore on such redemption date, and if notice of redemption thereof shall have been given as provided in the Bond Resolution, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue. All money held by or on behalf of the Bond Registrar for the redemption of Bonds will be held for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Bond Resolution will be canceled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Bond purchased by the District will be canceled by the Bond Registrar.

Defeasance

The District may pay and discharge any or all of the Bonds by irrevocably depositing with the Paying Agent or an escrow agent selected by the District at or before maturity, money or noncallable Defeasance Securities together with cash, if required, in an amount which will, together with the interest to accrue thereon and moneys then on deposit in the Debt Service Fund, together with the interest to accrue thereon, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before their respective maturity dates.

“Defeasance Securities” means:

(i) Direct and general obligations of the United States of America (including state and local government series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed “AAA” by Standard & Poor’s or “Aaa” by Moody’s Investors Service; and

(ii) Obligations of government sponsored agencies of the United States that are rated "AAA," by Standard & Poor's or "Aaa" by Moody's Investors Service but are not backed by the full faith and credit of the government of the United States.

Bond Registrar and Paying Agent

As long as DTC's book-entry system is used for the Bonds, the Bond Registrar will send any notice of redemption or other notices to Owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice.

The Bond Registrar, the Paying Agent, the District and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds. So long as the outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, the Bond Registrar, the Paying Agent and the District will cooperate with Cede & Co., as sole registered owner, or its registered assigns in effecting payment of the principal of and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Registration, Transfer and Exchange of Bonds

If the book-entry system described in Appendix D is no longer used with respect to the Bonds, the District will cause the Bond Registrar to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds (the "Bond Register"). The person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond. Payment of or on account of the principal of and interest on any Bond will be made only to or upon the order of that person; neither the District nor the Bond Registrar will be affected by any notice to the contrary. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the principal corporate trust office of the Bond Registrar, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Bond Registrar. In the event that the District determines to no longer maintain the book-entry only status of the Bonds, DTC determines to discontinue providing such services and no successor securities depository is named, or DTC requests the District to deliver Bond certificates to particular DTC Participants, any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Bond Registrar, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed.

Neither the District nor the Bond Registrar will be required: to transfer or exchange any Bonds (a) during the period from the Record Date next preceding any Bond Payment Date to such Bond Payment Date, (b) during the period beginning with the opening of business on the 15th business day next preceding any date of selection of Bonds to be redeemed and ending with the close of business on the day on which the applicable notice of redemption is given, or (c) which have been selected or called for redemption in whole or in part.

SECURITY FOR THE BONDS

The Bonds represent general obligations of the District payable from certain *ad valorem* taxes. Pursuant to Section 32312 of the Local Health Care District Law, the County will levy and collect annually *ad valorem* taxes upon all property subject to taxation by the District for the payment of the principal of and interest on the Bonds. Such taxes shall be collected by the County and transferred to the Paying Agent. The Paying Agent, pursuant to the Paying Agent Agreement, will deposit all such taxes in the Debt Service Fund held by the Paying Agent, which is required to be used by the Paying Agent solely for the payment of principal of and redemption premium, if any, and interest on the Bonds when due. All *ad valorem* taxes collected within the District for the payment of Bonds are pledged to the payment of principal of and redemption premium, if any, and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, the Bonds are not obligations of the County, the State, the Authority or any of their political subdivisions, other than the District.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable, shall be transferred by the Paying Agent on each Bond Payment Date to DTC for remittance by DTC to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

Each year, the District calculates and submits to the County the levy rate that is expected to permit the County to collect *ad valorem* taxes in an amount sufficient to pay principal and interest coming due on the Bonds in that year. In the event there is a shortfall in *ad valorem* taxes to pay principal of and interest on the Bonds, the District is required by Section 32127 of the Local Health Care District Law to use moneys in its general fund to make up any shortfall. In calculating the levy rate, the District takes into account an estimated delinquency rate equal to the actual delinquency rate within the County for the prior year. In each of the past three fiscal years, the District has established a levy rate that has yielded *ad valorem* tax revenues in excess of the amounts required to pay debt service due on bonds issued pursuant to Proposition G, but there can be no assurance that *ad valorem* tax revenues collected in the future will continue to be in excess of debt service requirements. All excess funds collected, together with investment income earned thereon, will be used to pay future debt service on bonds issued pursuant to Proposition G. Nonetheless, the District anticipates that the *ad valorem* taxes levied and collected by the County on property subject to taxation by the District will be sufficient to pay interest and principal coming due on the Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year ending July 15, the amounts required to be made available for the payment of principal due on the Bonds, including by mandatory sinking account redemption, interest on the Bonds and debt service on outstanding general obligation bonds issued by the District in 2007 pursuant to Proposition G.

Year Ending (July 15)	Debt Service on the Bonds		Debt Service on Outstanding General Obligation Bonds ⁽¹⁾	Total Annual Debt Service ⁽¹⁾
	Principal	Interest ⁽¹⁾		
2011	—	\$2,862,990	\$ 3,444,200	\$ 6,307,190
2012	—	8,245,413	3,614,000	11,859,413
2013	—	8,245,413	3,796,400	12,041,813
2014	—	8,245,413	3,985,600	12,231,013
2015	—	8,245,413	4,181,000	12,426,413
2016	\$ 5,000	8,245,413	4,389,750	12,640,163
2017	5,000	8,245,263	4,610,000	12,860,263
2018	5,000	8,245,100	4,840,500	13,090,600
2019	5,000	8,244,925	5,085,000	13,334,925
2020	5,000	8,244,738	5,337,000	13,586,738
2021	5,000	8,244,538	5,605,250	13,854,788
2022	5,000	8,244,325	5,888,000	14,137,325
2023	5,000	8,244,100	6,178,500	14,427,600
2024	5,000	8,243,863	6,488,500	14,737,363
2025	340,000	8,243,613	6,813,500	15,397,113
2026	785,000	8,226,613	7,153,500	16,165,113
2027	1,275,000	8,187,363	7,513,500	16,975,863
2028	1,815,000	8,123,613	7,888,500	17,827,113
2029	2,400,000	8,030,594	8,283,500	18,714,094
2030	3,050,000	7,904,594	8,698,500	19,653,094
2031	3,755,000	7,740,656	9,133,500	20,629,156
2032	4,540,000	7,534,131	9,588,500	21,662,631
2033	5,430,000	7,261,731	10,058,500	22,750,231
2034	6,380,000	6,935,931	10,568,500	23,884,431
2035	7,425,000	6,556,506	11,100,750	25,082,256
2036	8,580,000	6,101,725	11,655,000	26,336,725
2037	9,835,000	5,576,200	12,237,750	27,648,950
2038	24,060,000	4,973,806	—	29,033,806
2039	26,985,000	3,500,131	—	30,485,131
2040	30,160,000	1,847,300	—	32,007,300
Total:	\$136,860,000	\$216,791,409	\$188,137,200	\$541,788,609

⁽¹⁾ Amounts have been rounded to the nearest dollar value, and totals may not add due to rounding.

PROPERTY TAX INFORMATION

Ad Valorem Property Taxation

As required by State law, the District utilizes the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax roll as are County, school district, city and other special district taxes. Taxes are levied by the County for

each fiscal year on taxable real and personal property that is located in the District as of the preceding January 1. See “—Tax Collection Procedure” and “—Tax Rate and Collection Record” below.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be based on the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds and all parity debt issued by the District pursuant to Proposition G. The District will calculate the tax rate on an annual basis based on the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds and all parity debt issued by the District pursuant to Proposition G. Subsequent to calculation of the tax rate, the District Board, in accordance with County policy, will adopt a resolution notifying the County of the tax rate established. The County will, in turn, levy and collect the *ad valorem* taxes and transfer such *ad valorem* taxes to the Paying Agent, as described above.

Certain Risks Related to *Ad Valorem* Property Taxation

A reduction in the assessed valuation of taxable property located in the District, such as may be caused by economic recession, deflation of land values, a relocation out of the District by one or more major property owners, reclassification of property to a class exempt from taxation or the complete or partial destruction of such property caused by, among other events, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of property located within the District and necessitate an unanticipated increase in the annual tax levy necessary to pay debt service on the Bonds and all parity debt issued by the District pursuant to Proposition G. A significant decrease in assessed valuation, an unanticipated increase in the rate of tax delinquencies, or a declaration of bankruptcy by the District could delay the payment of debt service on the Bonds. See “LEGAL MATTERS—Limitation on Remedies” herein. As stated above, the District calculates the tax rate on an annual basis, taking into account an assumed delinquency rate. Since issuing bonds pursuant to Proposition G, the District has assumed a delinquency rate equal to the actual delinquency rate within the County for the prior year. In any given fiscal year, to the extent the delinquency rate is less than that which was assumed for such fiscal year, any excess taxes collected will be used to pay debt service in subsequent years. Conversely, in any given fiscal year, if the delinquency rate is higher than that which was assumed for such fiscal year and to the extent there are not sufficient funds on deposit in the Interest and Sinking Fund to pay debt service for such fiscal year, the District is required to provide funds from its general fund to make up any deficiencies in the Interest and Sinking Fund to provide for payment of debt service on all bonds issued by the District pursuant to Proposition G. While the levy of *ad valorem* tax to pay debt service of the Bonds and other bonds issued pursuant to Proposition G is not limited as to rate or amount, the risks discussed in this section could affect a tax payor’s willingness or ability to pay *ad valorem* taxes.

Over the past several years, the real estate market has seen an increased rate of mortgage delinquencies and foreclosures and, there has been a slowdown in new home construction and other construction. In addition, there has been a decline in recent years in the assessed valuations of taxable property located in the District. The total assessed valuation of real property subject to taxation in the District for the fiscal year 2010-11 decreased by 1.5% as compared to fiscal year 2009-10. The total assessed valuation for the fiscal year 2009-10 decreased by 5.0% as compared to fiscal year 2008-09. There also has been an increase in property owner requests for temporary reductions in assessed valuation; however, actual refunds have been fairly insignificant.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the State Constitution.

See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Certain classes of property, such as churches, nonprofit and public schools, colleges, universities and hospitals, charitable institutions and governmental property, are exempt from property taxation and do not appear on the tax rolls.

Property located within the District has a total net taxable assessed valuation for fiscal year 2010-11 of \$40,094,695,319. The following table presents the ten-year history of assessed valuations in the District.

**Assessed Valuations
Fiscal Years 2001-02 through 2010-11**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Redevelopment Increment</u>
2001-02	\$23,702,128,007	\$2,210,746	\$798,443,002	\$24,502,781,755
2002-03	25,409,047,665	2,161,401	789,841,917	26,201,050,983
2003-04	27,474,551,146	6,096,594	872,704,409	28,353,352,149
2004-05	30,073,883,210	3,423,433	919,196,030	30,996,502,673
2005-06	33,757,515,601	4,813,435	963,044,671	34,725,373,707
2006-07	37,616,520,476	4,433,080	1,042,116,286	38,663,069,842
2007-08	40,585,269,139	3,356,295	1,138,148,269	41,726,773,703
2008-09	41,632,196,554	1,842,884	1,185,358,759	42,819,398,197
2009-10	39,501,072,784	1,842,061	1,182,458,468	40,685,373,313
2010-11	38,971,531,401	1,848,330	1,121,315,588	40,094,695,319

Source: California Municipal Statistics, Inc.

The District's debt limit is 2.5% of the value of taxable property in the District and is currently equal to \$1,002,367,382, based upon fiscal year 2010-11 assessed valuation. The amount of outstanding general obligation bonds issued pursuant to Proposition G as of January 1, 2011 was \$85,422,076. The District currently has no other outstanding indebtedness. The District currently expects to issue the remaining bonds authorized under Proposition G within the next five years. The District does not currently have plans to seek authorization for additional general obligation bonds.

The following table shows the assessed valuation of real property on the secured tax rolls within the District and the number of parcels by land uses for fiscal year 2010-11.

**Assessed Valuation and Parcels by Land Use
Fiscal Year 2010-11**

	Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$ 378,479,868	0.97%	2,176	1.51%
Commercial	3,813,524,562	9.79	3,153	2.19
Vacant Commercial	178,560,210	0.46	512	0.36
Industrial	1,403,056,457	3.60	1,343	0.93
Vacant Industrial	64,567,096	0.17	191	0.13
Recreational/Open Space	171,392,798	0.44	1,216	0.84
Government/Social/Institutional	68,570,857	0.18	435	0.30
Miscellaneous	10,724,489	0.03	143	0.10
Subtotal Non-Residential	\$6,088,876,337	15.62%	9,169	6.37%
Residential:				
Single Family Residence	\$24,529,391,815	62.94%	96,031	66.67%
Condominium/Townhouse	2,834,559,406	7.27	18,995	13.19
Mobile Home	554,742,929	1.42	6,583	4.57
Mobile Home Park	292,193,750	0.75	189	0.13
2-4 Residential Units	1,160,319,495	2.98	4,436	3.08
5+ Residential Units	3,014,301,833	7.73	1,447	1.00
Miscellaneous Residential	18,793,663	0.05	1,081	0.75
Vacant Residential	478,352,173	1.23	6,103	4.24
Subtotal Residential	\$32,882,655,064	84.38%	134,865	93.63%
Total	\$38,971,531,401	100.00%	144,034	100.00%

⁽¹⁾ Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

The table below shows the fiscal year 2010-11 aggregate, average and median assessed valuations of single family homes within the District and a breakdown of single family homes by assessed valuation range.

**Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2010-11**

	<u>No. of Parcels</u>	<u>Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	96,031	\$24,529,391,815	\$255,432	\$230,331

<u>2010-2011 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0-\$99,999	234	0.244%	0.244%	\$4,353,089	0.018%	0.018%
\$100,000-\$199,999	3,823	3.981	4.225	162,233,654	0.661	0.679
\$200,000-\$299,999	7,347	7.651	11.875	451,886,433	1.842	2.521
\$300,000-\$399,999	4,853	5.054	16.929	420,518,970	1.714	4.236
\$400,000-\$499,999	4,265	4.441	21.370	481,775,926	1.964	6.200
\$500,000-\$599,999	5,103	5.314	26.684	703,287,122	2.867	9.067
\$600,000-\$699,999	5,843	6.084	32.769	951,590,347	3.879	12.946
\$700,000-\$799,999	7,199	7.497	40.265	1,350,571,343	5.506	18.452
\$800,000-\$899,999	7,578	7.891	48.156	1,606,732,629	6.550	25.002
\$900,000-\$999,999	6,955	7.242	55.399	1,647,603,526	6.717	31.719
\$1,000,000-\$1,099,999	6,429	6.695	62.093	1,681,921,623	6.857	38.576
\$1,100,000-\$1,199,999	5,742	5.979	68.073	1,645,745,515	6.709	45.285
\$1,200,000-\$1,299,999	5,373	5.595	73.668	1,673,089,754	6.821	52.106
\$1,300,000-\$1,399,999	4,304	4.482	78.150	1,447,438,477	5.901	58.007
\$1,400,000-\$1,499,999	3,770	3.926	82.076	1,359,477,000	5.542	63.549
\$1,500,000-\$1,599,999	2,853	2.971	85.046	1,100,986,172	4.488	68.038
\$1,600,000-\$1,699,999	2,546	2.651	87.698	1,045,280,552	4.261	72.299
\$1,700,000-\$1,799,999	1,900	1.979	89.676	827,630,673	3.374	75.673
\$1,800,000-\$1,899,999	1,661	1.730	91.406	765,142,097	3.119	78.792
\$1,900,000-\$1,999,999	1,152	1.200	92.606	560,027,754	2.283	81.075
\$2,000,000 and greater	7,101	7.394	100.000	4,642,099,159	18.925	100.000
Total	96,031	100.000%		\$24,529,391,815	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Tax Collection Procedure

Taxes are levied for each fiscal year on taxable real and personal property on the tax rolls as of the preceding January 1. Real property that changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on June 30. Such property may thereafter be redeemed by payment

of the delinquent property taxes, plus a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County's Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the Clerk of County specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the taxpayer.

Tax Rate and Collection Record

The following table shows the aggregate tax rate levied by all taxing entities within the District since fiscal year 2006-07.

<u>Fiscal Year</u>	<u>Aggregate Tax Levy</u>
2006-07	1.09400%
2007-08	1.07853
2008-09	1.11698
2009-10	1.15634
2010-11	1.15807

Source: The County.

The tax rate levied by the District to pay debt service on bonds issued pursuant to Proposition G has been 0.01315% in each fiscal year, beginning in fiscal year 2006-07.

The following table shows the District's property tax collection for the past four years and as of February 2, 2011 for the current year.

**Summary of Property Tax Levies and Collections
Fiscal Years 2006-07 through 2010-11**

Fiscal Year	Annual Current Tax Levy⁽²⁾	Current Tax Collections⁽²⁾	Percent of Current Tax Collections to Annual Tax Levy	Delinquent Tax Collections⁽³⁾	Total Tax Collections	Percent of Total Tax Collections to Annual Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Annual Tax Levy
2006-07	\$5,591,068	\$5,424,844	97.03%	\$141,879	\$5,566,723	99.56%	\$ 24,345	0.44%
2007-08	6,014,025	5,775,843	96.04	191,936	5,967,779	99.23	46,246	0.77
2008-09	6,148,813	5,905,440	96.04	163,896	6,069,336	98.71	79,477	1.29
2009-10	5,837,020	5,619,856	96.28	94,861	5,714,717	97.90	122,303	2.10
2010-11 ⁽¹⁾	5,758,316	3,187,580	55.36	—	3,187,580	55.36	n/a	n/a

⁽¹⁾ Reflects property taxes collected as of February 2, 2011, which is the most current information available.

⁽²⁾ Includes Secured, Unsecured and Unitary Tax.

⁽³⁾ Estimated delinquent tax collections for the fiscal year being reported.

Source: The County.

Major Taxpayers

The following table lists the major real property taxpayers in the District based on their 2010-11 secured assessed valuations.

Largest Local Secured Property Taxpayers Fiscal Year 2010-11

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Parkway Plaza LP	Shopping Center	\$204,140,780	0.52%
2.	Conrad Prebys, Trust	Apartments	113,639,590	0.29
3.	JMS Acquisition LLC	Apartments	110,407,747	0.28
4.	Fairfield Grossmont Trolley LLC	Apartments	99,660,886	0.26
5.	San Diego Family Housing LLC	Apartments	98,399,802	0.25
6.	Rainbow Investment Co.	Shopping Center	92,181,790	0.24
7.	SP Lavidia Real LLC	Apartments	80,970,425	0.21
8.	Wal-Mart Real Estate Business Trust	Commercial	67,332,459	0.17
9.	Conam San Diego Residential Properties	Apartments	53,201,032	0.14
10.	Baltimore Owner LLC	Apartments	53,188,639	0.14
11.	VSCRE Holdings LLC	Rest Home	51,080,894	0.13
12.	FW CA Rancho San Diego Village LLC	Shopping Center	45,059,050	0.12
13.	Vestar Kimco Santee LP	Shopping Center	44,219,328	0.11
14.	Home Depot USA Inc.	Commercial	42,409,421	0.11
15.	GKN Aerospace Chem-Tronics Inc.	Industrial	40,410,738	0.10
16.	Cumberland Club Apts. LP	Apartments	39,664,092	0.10
17.	Fresh & Easy Neighborhood Market Inc.	Commercial	37,526,410	0.10
18.	ASN La Mesa LLC	Apartments	37,263,528	0.10
19.	Sears Roebuck & Co.	Commercial	36,949,676	0.09
20.	Paul and Marilyn Green Family Trust	Apartments	35,094,707	0.09
			<u>\$1,382,800,994</u>	<u>3.55%</u>

⁽¹⁾ 2010-11 Local Secured Assessed Valuation: \$38,971,531,401.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Contained within the District are numerous local agencies whose boundaries overlap the boundaries of the District. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special tax and assessment bonds. The direct and overlapping debt of such agencies, as well as the District, as of February 1, 2011, is shown in the following table (the "Debt Statement"), which was prepared by California Municipal Statistics, Inc. The Debt Statement is included for general information purposes only. Neither the District nor the Underwriter has reviewed the Debt Statement for completeness or accuracy, and neither make any representation in connection therewith.

GROSSMONT HEALTHCARE DISTRICT

2010-11 Assessed Valuation: \$40,094,695,319
 Redevelopment Incremental Valuation: 3,520,179,240
 Adjusted Assessed Valuation: \$36,574,516,079

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/11</u>
Metropolitan Water District	1.946%	\$ 4,963,760
Grossmont-Cuyamaca Community College District	98.347	190,176,830
San Diego Community College and Unified School District	2.345 & 2.334	54,249,296
Grossmont Union High School District	99.327	377,187,758
Mountain Empire Unified School District	67.762	1,717,767
Cajon Valley Union School District	100.	99,900,000
La Mesa-Spring Valley Union School District	97.740	38,426,333
Lakeside Union School District	100.	34,815,358
Santee School District	100.	40,358,051
Other School Districts	0.002-100.	33,212,338
City of La Mesa	99.931	24,093,364
City of San Diego	1.906	42,694
Grossmont Healthcare District	100.	85,422,076⁽¹⁾
City of La Mesa 1915 Act Bonds	100.	<u>5,305,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$989,870,625

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	10.667%	\$ 41,441,828
San Diego County Pension Obligations	10.667	87,500,138
San Diego County Superintendent of Schools Obligations	10.667	2,132,600
Grossmont-Cuyamaca Community College District General Fund Obligations	98.347	1,750,577
Grossmont Union High School District General Fund Obligations	99.327	1,204,340
Cajon Valley Union School District Certificates of Participation	100.	14,055,000
Alpine Union School District Certificates of Participation	100.	4,720,000
Santee School District General Fund Obligations	100.	30,959,849
Other School District General Fund Obligations	Various	1,056,472
City of El Cajon General Fund Obligations	100.	25,195,000
City of La Mesa General Fund Obligations	99.931	4,561,850
City of San Diego General Fund Obligations	1.906	9,852,495
City of Santee General Fund Obligations	99.994	1,359,918
Lakeside and San Miguel Consolidated Fire Protection District Certificates of Participation	100. & 97.157	13,361,627
Otay Municipal Water District Certificates of Participation	24.311	<u>14,609,695</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$253,761,389
Less: Otay Municipal Water District Certificates of Participation 100% supported		14,609,695
City of El Cajon supported obligations		<u>22,195,000</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$216,956,694

GROSS COMBINED TOTAL DEBT \$1,243,632,014⁽²⁾
 NET COMBINED TOTAL DEBT \$1,206,827,319

Ratios to 2010-11 Assessed Valuation:

Direct Debt (\$85,422,076) 0.21%
 Total Direct and Overlapping Tax and Assessment Debt 2.47%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt 3.40%
 Net Combined Total Debt 3.30%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

⁽¹⁾ Excludes issue to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

Article XIII A of the State Constitution ("Article XIII A"), adopted and known as Proposition 13, limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district (such as the District) or other public agency to impose *special* taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as a result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (b) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

On June 18, 1992, the United States Supreme Court in *Nordlinger v. Hahn* issued a decision upholding the constitutionality of Article XIII A.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the 1% property tax roughly in proportion to the relative shares of property taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership, or from the annual adjustment not to exceed 2%, are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the State Constitution

Article XIII B of the California Constitution ("Article XIII B") was added to the Constitution by initiative in 1979. Under Article XIII B state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the appropriation of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by refunding taxes already collected or revising tax rates or fee schedules over the subsequent two years.

The appropriations of a local governmental entity subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues. Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during such respective fiscal years shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

The State and each local government entity has its own appropriation limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another governmental entity of financial responsibility for providing the services. The District is required to establish an appropriation limit each year. The District receives no moneys that are considered appropriations subject to limitations and, therefore, had an appropriation limit of \$0 for fiscal year 2010-11.

Article XIII C and Article XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIII C and XIII D (respectively, "Article XIII C" and "Article XIII D"), which contain a number of provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as hospital districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D relates to assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges that are subject to the provisions collected of Proposition 218. It does receive a portion of the basic one percent *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the State Constitution.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property, which is considered part of a utility system with components located in many taxing jurisdictions. The State Constitution provides that the State Board of Equalization (the "SBE"), rather than counties, assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as "going concern" operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as "unitary property." The SBE assesses property at "fair market value," determined by various methods and formulae depending on the nature of the property, except that assessed value of certain railroad property is limited to a percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county generally according to the approximate percentages as allocated to each taxing agency in the prior year.

Changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may convert the status of such assets from SBE-assessed unitary property to locally assessed property or otherwise affect how those assets are assessed in the future and which local taxing agencies are to receive the property taxes on such assets. The District cannot predict whether any changes that may occur will affect the unitary property within its boundaries or the tax revenues relating to such property.

Future Initiatives

Articles XIII A, XIII B, XIII C, and XIII D were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

THE DISTRICT

Only ad valorem taxes levied on taxable property within the District are pledged to the payment of debt service on the Bonds. The Bonds are payable from revenues of the District only in the event there is a shortfall in ad valorem taxes, but the Bonds are not secured by any of such revenues. The Bonds are not payable from, nor are they secured by, the revenues or assets of Sharp Grossmont Hospital, Sharp or the Corporation. Prospective investors, therefore, should base their investment decision on the property tax information relating to the District. See "SECURITY FOR THE BONDS" herein. For a summary of certain demographic data for the County, see APPENDIX A – "ECONOMIC AND DEMOGRAPHIC PROFILE OF SAN DIEGO COUNTY" hereto. The information in this section concerning the operations of the District is provided as background information only.

History

The District, formerly known as Grossmont Hospital District, was formed in 1952 for the purposes of establishing a new hospital to accommodate the unmet health care needs of the residents of eastern San Diego County. Grossmont Hospital commenced operations in 1955 and, now known as Sharp Grossmont Hospital, currently employs 2,546 full time employees, with 689 doctors on staff and 536 licensed acute care beds.

Governance and Management

The District is governed by the District Board, which consists of five publicly elected members, each serving four-year terms. The District Board is charged with the general oversight of the District's operations. The current members of the District Board are set forth below:

Board of Directors of the District

Director	Term Expires December	Occupation
Deborah McElravy, R. Ph., President	2012	Pharmacist
Michael T. Long, M.D., Vice President	2014	Physician
Michael Emerson, RDO, FNAO, Secretary	2012	Optician
Gloria A. Chadwick, R.N.	2014	Registered Nurse
Robert Ayres	2012	Retired Banking Executive

Pursuant to the Affiliation Agreement, the District agreed to transfer the management and operation of Grossmont Hospital to Sharp in 1991. In connection with this affiliation, the District leased Grossmont Hospital to the Corporation for a term ending May 29, 2021, and transferred certain assets and liabilities of the District to the Corporation. The term of the lease, which expires on May 29, 2021, may be extended for an additional term of up to 30 years if approved by a majority of the votes cast by eligible voters within the District.

Sharp, the parent corporation of a multi-hospital health care system consisting of four nonprofit hospitals and other health care facilities located in San Diego County, California, is the sole member of the Corporation.

Financial Information

The District prepares financial statements on an annual basis, and the financial statements are audited by an independent accountant. As discussed above, only *ad valorem* taxes levied on taxable property within the District are pledged to the payment of debt service on the Bonds and other bonds issued by the District pursuant to Proposition G. The Bonds are payable from revenues of the District only in the event there is a shortfall in *ad valorem* taxes, but the Bonds are not secured by any of such revenues. The Bonds are not payable from, nor are they secured by, the revenues or assets of Sharp Grossmont Hospital, Sharp or the Corporation. Accordingly, the financial statements of the District, Sharp and the Corporation have not been included in this Official Statement. The District's financial statements for the fiscal year ended June 30, 2010, however, may be obtained from the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System (EMMA). The financial statements contained or accessible on such website are not incorporated herein by reference.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement, dated as of October 22, 2010 (the "JPA Agreement"), between Palomar Pomerado Health and the District. Pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State (the "JPA Act"), the Authority has legal authority to exercise any powers common to its members and to exercise additional powers granted to it under the JPA Act. Under the JPA Act, the Authority is authorized to purchase bonds issued by the District at negotiated sale and to sell such bonds at negotiated sale to the Underwriter. The Bonds are being issued by the District for sale to the Authority and will be simultaneously resold by the Authority to the Underwriter.

Neither the Authority nor its independent contractors have furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section. The Authority will not monitor payment of the Bonds or compliance with the documents relating thereto.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of Bondholders (including Beneficial Owners of the Bonds) to provide (i) the audited financial statements of the District for the prior fiscal year and (ii) to the extent not contained in the audited financial statements: (a) assessed value of taxable property in the District as shown on the recent equalized assessment role, (b) property tax levies, collections and delinquencies for the District, for the prior fiscal year, and (c) a list of the top 20 property taxpayers in the District for the then current fiscal year, as measured by secured assessed valuation and their percentage of total secured assessed value (collectively, such information is referred to as the "Annual Report") by not later than six months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2010-11 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report shall be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System. The specific nature of the information to be contained in the Annual Report or any notices of material events is included in APPENDIX B – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission. The District has never failed to comply in all material respects with any previous continuing disclosure undertaking pursuant to the Rule within the last five years.

TAX MATTERS

Tax Exemption

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, under existing law and assuming compliance by the District with certain covenants in the Resolution, the Tax Certificate and other documents pertaining to the Bonds, by the Corporation with certain covenants in its certificate attached to the Tax Certificate, and by the District and the Corporation with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the organization and operation of the Corporation, the use, expenditure and investment of proceeds of the Bonds, and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Bonds to become included in gross income retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in calculating federal corporate alternative minimum taxable income and therefore may affect a corporation's alternative minimum tax liability.

Bond Counsel has relied on the opinion of Hooper, Lundy & Bookman, P.C., San Diego, California, regarding the qualification of the Corporation as an organization described in Section 501(c)(3) of the Code. Neither Bond Counsel nor Hooper, Lundy & Bookman, P.C. can give or has given any opinion or assurance about the future activities of the Corporation or about the effect of future changes in the Code, applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service (the "IRS"). Failure to comply with the covenants and requirements described above or failure of the Corporation to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and taxpayers who may be eligible for the earned income credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Resolution or in other documents pertaining to the Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Bond Counsel or in reliance upon the advice of counsel other than Bond Counsel with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

Original Issue Discount

The initial public offering price of certain of the Bonds (collectively, the "Discount Bonds") is less than the principal amount of the Discount Bonds. The difference between the principal amount of a Discount Bond and its initial public offering price is original issue discount. Original issue discount on a Discount Bond accrues over the term of such Discount Bond at a constant interest rate. To the extent it has accrued, original issue discount on a Discount Bond is treated as interest excludable from gross income for federal income tax purposes under the conditions and limitations described above. The amount of original issue discount that accrues on a Discount Bond in each year is not an item of tax preference for purposes of calculating federal alternative minimum taxable income of individuals and corporations, but is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. Additionally, such accrued original issue discount is taken into account in determining the distribution requirements of certain regulated investment companies. Consequently, owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Bond will increase the owner's adjusted basis in such Discount Bond. This will affect the amount of taxable gain or loss realized by the owner of the Discount Bond upon the redemption, sale or other disposition of such Discount Bond. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, sale or other disposition of a Discount Bond that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Bonds, other federal income tax consequences of owning and disposing of the Discount Bonds and any state and local tax consequences of owning and disposing of the Discount Bonds.

Premium Bonds

The excess of the tax adjusted basis of a Bond purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Bond for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of Bonds with bond premium are required to decrease their adjusted basis in such Bonds by the amount of amortizable bond premium attributable to each taxable year such Bonds are held. The amortizable bond premium on such Bonds attributable to a taxable year is not deductible for federal income tax purposes. Rather, bond premium is treated as an offset to the interest received on such Bonds. Owners of such Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Information Reporting and Backup Withholding

Interest paid on the Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, by itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such

interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to state or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the federal or state tax exemption or the market value of the Bonds.

Prospective purchasers of the Bonds should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

LEGAL MATTERS

General

There is no litigation pending or threatened against the District concerning the validity of the Bonds or questioning the District’s ability to issue the Bonds, the District’s ability to receive *ad valorem* taxes, the Bond Resolution or the organization, powers or authority of the District.

Limitation on Remedies

The opinion of Bond Counsel as to the rights of owners and the enforceability thereof, attached hereto as Appendix C, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and, consequently, may entail risks of delay, limitation, or modification of their rights.

Approval of Legality

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C. Sidley Austin LLP has also acted as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by its General Counsel,

Jeffrey G. Scott, Esq., and for the Underwriter by its counsel, Chapman and Cutler LLP, San Francisco, California.

UNDERWRITING

The Bonds are being purchased by the Authority for resale to the Underwriter pursuant to a purchase contract among the Underwriter, the District, and the Authority. The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Authority at a price of \$138,288,989.55 (representing the principal amount of the Bonds of \$136,860,000.00, plus net original issue premium of \$2,113,270.80, less the Underwriter's discount of \$684,281.25). Under the terms of the purchase contract, the Underwriter will be obligated to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions to be satisfied by the District and the Authority. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside front cover page. The offering prices may be changed from time to time by the Underwriter.

The Underwriter and its respective affiliates are a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriter and its respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

RATING

Moody's Investors Service Inc. ("Moody's") has assigned the rating of "Aa2" to the Bonds. No application was made to any other rating agency for the purpose of obtaining additional ratings on the Bonds. Such rating reflects only the views of such organization, and any explanation of the significance of such rating may only be obtained from the rating agency furnishing the same. There is no assurance that any such rating will remain in effect for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency, if, in the rating agency's judgment, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the Owners any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. The District has not undertaken any responsibility, other than as described in the Continuing Disclosure Certificate, either to bring to the attention of the Owners any proposed change in or withdrawal of any rating or to oppose any such proposed change or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds and the Bond Resolution and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Bond Resolution may be obtained during the offering period upon request to the Underwriter and thereafter upon request to the District.

This Official Statement has been authorized and issued by the District. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

GROSSMONT HEALTHCARE DISTRICT

By: /s/ Barry Jantz
Chief Executive Officer

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APPENDIX A

Economic and Demographic Profile of San Diego County

The following information about San Diego County (the "County") is presented as general background information because the District is located in the eastern part of the County. As discussed under "SECURITY FOR THE BONDS," the Bonds are payable from ad valorem taxes upon taxable property within the District and are neither a debt of nor payable by the County.

General

The County is the southernmost major metropolitan area in the State of California (the "State") and is approximately the size of the State of Connecticut. The County covers 4,526 square miles, extending 70 miles along the Pacific Coast from the Mexican border to Orange County, and 75 miles inland to Imperial County. The counties of Riverside and Orange form the northern boundary of the County.

Topography of the County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east, which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of the County. The climate is equable in the coastal and valley regions where most of the population and resources are located. Average annual rainfall in the coastal areas is approximately 10 inches.

The County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence.

In April 2004, PETCO Park opened in the City of San Diego, providing a 42,000 fixed seat baseball stadium for the San Diego Padres. PETCO Park is located in a 26-block neighborhood that contains existing and proposed hotels, office space, retail and housing units within walking distance from the San Diego Convention Center and the Gaslamp Quarter. The baseball stadium is also within walking distance of a San Diego Trolley station and nearby parking facilities.

The County is also a major center for culture and education. Over 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County. Higher education is provided through several two-year colleges as well as four-year colleges and universities.

In addition to the City of San Diego, other principal cities in the County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas. The top five crops for 2009 include ornamental trees and shrubs, indoor flowering and foliage plants, bedding plants, avocados and tomatoes. Approximately 28 miles northeast of San Diego, in the Ramona Valley, is a wine producing region and is currently home to 20 vineyards. The easternmost portion of the County has a dry, desert-like topography.

Population

There are 18 incorporated cities in the County and a number of unincorporated communities. Estimated population for the County as of January 1, 2009, was 3,185,462, making it the third largest

county by population in California. The County's population in 2009 increased approximately 1.69% from 2008. The following table sets forth the County's population growth relative to the population for the State and the United States for the years 1997 through 2009.

**POPULATION ESTIMATES
1997 Through 2009
(In Thousands)**

Year	San Diego County ⁽¹⁾	Percent Change	State of California ⁽¹⁾	Percent Change	United States ⁽²⁾	Percent Change
1997	2,653	1.23%	32,207	1.16%	267,784	0.96%
1998	2,703	1.83	32,657	1.39	270,248	0.92
1999	2,751	1.75	33,140	1.47	272,691	0.90
2000	2,806	1.96	33,753	2.20	282,193	3.48
2001	2,864	2.04	34,442	1.68	285,108	1.03
2002	2,921	1.95	35,089	1.87	287,985	1.00
2003	2,973	1.73	35,691	1.71	290,850	0.99
2004	3,012	1.28	36,253	1.55	293,657	0.96
2005	3,039	0.89	36,743	1.33	296,410	0.94
2006	3,064	0.83	37,195	1.21	299,398	1.01
2007	3,100	1.17	37,559	0.98	301,580	0.73
2008	3,132	1.03	37,884	0.87	304,375	0.93
2009	3,185	1.69	38,256	0.98	307,007	0.86

⁽¹⁾ As of January 1 of the year shown.

⁽²⁾ As of July 1 of the year shown.

Sources: State of California Department of Finance; United States Bureau of the Census.

Employment

The table below sets forth information regarding the size of the labor force, as well as employment and unemployment rates, for the County, the State and the United States for the years 2005 through 2009.

**LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES**

	2005	2006	2007	2008	2009
County of San Diego					
Labor Force	1,492,600	1,504,800	1,524,500	1,555,100	1,557,400
Employment	1,427,900	1,445,100	1,455,400	1,462,300	1,406,100
Unemployment Rate	4.3%	4.0%	4.5%	6.0%	9.7%
State of California					
Labor Force	17,544,800	17,718,500	17,970,800	18,251,600	18,250,200
Employment	16,592,200	16,851,600	17,011,000	16,938,300	16,163,900
Unemployment Rate	5.4%	4.9%	5.3%	7.2%	11.4%
United States					
Labor Force	149,320,000	151,428,000	153,124,000	154,287,000	154,142,000
Employment	141,730,000	144,427,000	146,047,000	145,362,000	139,877,000
Unemployment Rate	5.1%	4.6%	4.6%	5.8%	9.3%

Sources: California Data—California Employment Development Department, Labor Market Information Division.
National Data—U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth the annual average employment within the County, by employment sector, for the years 2005 through 2009. In 2009, the service sector constituted the largest non-farm employment sector in the County, representing approximately 52.8% of all non-farm employment.

**COUNTY OF SAN DIEGO
NONAGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES
(In Thousands)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Natural Resources and Mining	0.4	0.5	0.4	0.4	.4
Construction	90.8	92.7	87.0	76.1	61.1
Manufacturing	104.5	103.9	102.5	102.8	95.4
Trade, Transportation and Utilities	219.4	222.0	222.3	215.9	198.3
Services					
Information	37.4	37.3	37.6	38.5	37.0
Financial Activities	83.2	83.7	80.3	75.2	70.3
Professional and Business Services	210.4	213.6	216.8	215.1	197.3
Educational and Health Services	122.5	125.1	129.5	137.3	143.0
Leisure and Hospitality	149.6	156.5	161.8	164.0	155.2
Other Services	48.8	48.4	48.3	48.4	47.0
Government	215.1	217.9	222.4	225.1	224.7
Total, All Non-Farm Industries ⁽¹⁾	1,282.1	1,301.6	1,308.8	1,298.7	1,229.6

⁽¹⁾ Totals may not add due to independent rounding.
Source: California Employment Development Department.

In recent years, the County has enjoyed economic stability, out-pacing the State economy despite a general recession in the State. Much of this strength was evidenced by and due to outstanding employment gains, population growth, personal income increases and high levels of commercial and industrial development.

Three basic industries of the region, manufacturing, the military and tourism, help sustain the County's economy. The U.S. Department of Defense contributes approximately \$10 billion annually to the local economy, through wages paid to uniformed military and civilian personnel and for equipment and services purchased from local businesses. San Diego's military presence is anticipated to remain relatively stable and may even increase due to the consolidation of military operations and facilities from elsewhere in California, the West and throughout the United States. Even though the U.S. Department of Defense closed and vacated the Naval Training Center in 1997, three procurement agencies, the Naval Space and Warfare Systems Command, the Naval Aviation Engineering Servicing Unit and the Naval Aviation Technical Service Facility, have recently relocated to the County.

Building Activity

Building permit valuations for both residential and non-residential construction in the County in 2009 decreased over 2008 levels by approximately 39.1%. The following table sets forth selected information relating to building permits issued in the County in the years 2005 through 2009.

COUNTY OF SAN DIEGO BUILDING PERMIT ACTIVITY (\$ In Thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Valuation:					
Residential	\$3,562,702	\$2,470,688	\$1,852,381	\$1,339,245	\$878,700
Non-Residential	1,381,794	1,621,610	1,416,823	1,061,802	583,969
Total	<u>\$4,944,496</u>	<u>\$4,092,298</u>	<u>\$3,269,204</u>	<u>\$2,401,047</u>	<u>\$1,462,669</u>
New Housing Units:					
Single Family	7,904	4,753	3,503	2,352	1,786
Multi-Family	7,354	6,024	3,942	2,802	1,204
Total	<u>15,258</u>	<u>10,777</u>	<u>7,445</u>	<u>5,154</u>	<u>2,990</u>

Source: Construction Industry Research Board.

Commercial Activity

Consumer spending in 2008 resulted in approximately \$45.3 billion in taxable sales in the County.

COUNTY OF SAN DIEGO TAXABLE SALES (In Thousands)

	2004	2005	2006	2007	2008 ⁽¹⁾
Retail Stores					
Apparel	\$1,644,428	\$1,798,104	\$1,909,011	\$2,034,512	\$2,205,568
General Merchandise	5,204,962	5,406,091	5,594,621	5,673,538	5,305,252
Specialty	4,541,225	4,728,028	4,926,656	2,802,522	2,257,229
Food Stores and Packaged Liquors	1,736,610	1,858,152	1,928,274	1,994,237	1,868,466
Eating and Drinking	4,047,726	4,267,302	4,521,392	4,784,500	4,869,497
Home Furnishings and Appliances	1,549,482	1,566,046	1,511,389	1,420,933	1,590,329
Building Materials	3,341,105	3,376,009	3,331,161	2,768,385	2,183,006
Automotive	9,318,277	9,739,136	9,819,932	10,077,108	9,164,549
All other retail stores	961,645	1,045,927	1,076,631	2,482,810	2,271,777
Total Retail Stores	32,345,460	33,784,795	34,619,067	34,038,545	31,715,672
Business and Personal Services	2,146,781	2,239,304	2,302,057	2,298,265	2,255,309
All Other Outlets	9,978,097	10,655,372	10,914,390	11,149,178	11,358,155
Total All Outlets	\$44,470,338	\$46,679,471	\$47,835,514	\$47,485,988	\$45,329,136

⁽¹⁾ Most current information available.

Source: "Taxable Sales in California," California State Board of Equalization.

Median Household Income

The following table summarizes the median household income for the County, the State, and the United States for the years 2004 through 2008.

MEDIAN HOUSEHOLD INCOME

	2004	2005	2006	2007	2008 ⁽¹⁾
County of San Diego	\$51,939	\$56,224	\$59,279	\$61,724	\$62,820
State of California	49,894	53,627	56,646	59,928	61,017
United States	44,334	46,242	48,451	50,740	52,029

⁽¹⁾ Most current information available.

Source: United States Bureau of the Census.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland,

leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately three miles northwest of the downtown area at the edge of San Diego Bay. The San Diego County Regional Airport Authority is the operator of the San Diego International Airport. The airport is the busiest, single-runway commercial service airport in the country served by 18 commercial airlines and four cargo carriers. An Airport Master Plan was adopted in May 2008. Projects include construction of 10 additional gates at Terminal 2 West for a net airport total of 51 gates, airfield improvements, new general aviation facilities, relocation and reconfiguration of SAN Park Pacific Highway, a second level roadway serving Terminal 2, a parking structure adjacent to Terminal 2 and improvements to vehicle circulation within the terminal area. In addition to San Diego International Airport, there are two naval air stations, two private airports and seven general aviation airports located in the County.

McClellan-Palomar Airport, also known as Palomar Airport or Carlsbad Airport, is located in Carlsbad, California, and can accommodate private and light commercial aircraft. Oceanside Municipal Airport is located eight miles north in Oceanside, California.

Public transit in the metropolitan area is provided by the Metropolitan Transit System. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded and provides special, more direct special event service to PETCO Park, the Gaslamp Quarter and the Convention Center. A total of 17.6 miles was added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Del Mar and Oceanside in the northern part of the County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

An excellent climate, proximity to Mexico, extensive maritime facilities, and such attractions as the San Diego Wild Animal Park, Sea World of San Diego, Cabrillo National Monument, Mount Laguna Observatory, Legoland and Palomar Observatory allow San Diego to attract a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the San Diego Convention Center.

San Diego's visitor industry is a major sector of the region's economy. The San Diego Convention Center, containing 615,701 square feet of exhibit space and 204,114 square feet of meeting/banquet space, with total interior space of over 2.6 million gross square feet, opened in November 1989 and was expanded in 2001. In April 2010 a resolution of the Board of the Port Commissioner was passed which provides for a five acre water front park which will include a water transportation center and land improvements. At the beginning of 2010, it was expected that approximately 165 events would be held during 2010 in the Convention Center, attracting over an estimated 786,403 attendees and contributing approximately \$1.27 billion in revenues to the County.

Education

Forty-two independent school districts provide educational programs for the elementary and secondary public school children in the County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board. In the County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts educate primarily secondary students and unified districts educate both elementary and secondary students. There are currently 18 unified, 28 elementary and 6 union high school districts in the County.

Community colleges in the State are locally operated and administered. They offer the Associate of Arts and Associate of Science degrees and have extensive vocational curricula. There are five community college districts in the County at nine campuses.

Among the institutions of higher education offering bachelor and graduate programs in metropolitan San Diego area are the University of California, San Diego, San Diego State University, National University, University of San Diego, California State University, San Marcos, Alliant International University and Point Loma Nazarene University.

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APPENDIX B

Form of Continuing Disclosure Certificate

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Grossmont Healthcare District (the "District") in connection with the issuance of \$136,860,000 Grossmont Healthcare District (San Diego County, California) General Obligation Bonds, 2006 Election, 2011 Series B (the "Bonds"). The Bonds are being issued pursuant to a resolution of the District adopted on December 17, 2010 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system.

"Holder" or "Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Participating Underwriter" shall mean Goldman, Sachs & Co. or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than six months after the end of the District's fiscal year (which date would be January 1 following the current end of the District's Fiscal Year on June 30), commencing with the report for the 2010-2011 Fiscal Year, provide to the Participating Underwriter and to the MSRB through its EMMA System an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that if the audited financial statements of the District are not available by the date required above for the filing of the Annual Report, the District shall submit unaudited financial statements and submit the audited financial statements as soon as available. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) above for providing the Annual Report to the MSRB, the District (if the Dissemination Agent is other than the District) shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the District's Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the first sentence of this subsection.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB through its EMMA System by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following: (i) the audited financial statements of the District for the prior fiscal year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; (ii) to the extent not contained in (i) above: (A) assessed value of taxable property in the District as shown on the recent equalized assessment role; (B) property tax levies, collections and delinquencies for the District, for the prior fiscal year; and (C) top twenty property owners in the District for the then current fiscal year, as measured by secured assessed valuation and their percentage of total secured assessed value.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through its EMMA System. The District shall clearly identify each such other document included by reference.

SECTION 5. Reporting of Significant Events.

(a) The District shall give or cause to be given notice of the occurrence of any of the following Listed Events with respect to the Bonds:

1. principal and interest payment delinquencies;

2. non-payment related defaults;
3. modifications to rights of Holders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
8. unscheduled draws on the debt service reserves, if any, reflecting financial difficulties;
9. unscheduled draws on any credit enhancement facility reflecting financial difficulties;
10. substitution of the provider of any credit enhancement facility or any failure by said provider to perform on any credit enhancement facility;
11. release, substitution or sale of property securing repayment of the Bonds;
12. tender offers for the Bonds;
13. bankruptcy, insolvency, receivership, or similar proceedings involving the District;
14. consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to the terms of such agreement; and
15. appointment of a successor or additional paying agent, or the change of name of a paying agent.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, but, in the case of a Listed Event described in Subsection 2, 3, 4, 7, 11, 13, 14 and 15 of Section 5(a), only in the event the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall or shall cause to be filed a notice of such occurrence with the MSRB through its EMMA System, in an electronic format as prescribed by the MSRB, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

SECTION 6. CUSIP Numbers. Whenever providing information, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports, audited financial

statements and notices of Listed Events, the District shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend or waive any provision of this Disclosure Certificate only under the following circumstances:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Resolution with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter, the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2011

GROSSMONT HEALTHCARE DISTRICT

By: _____

Barry Jantz
Chief Executive Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: Grossmont Healthcare District

Name of Bond Issue: General Obligation Bonds, 2006 Election, 2011 Series B

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____, 2011

GROSSMONT HEALTHCARE DISTRICT

By: [form only; no signature required]

APPENDIX C

Proposed Form of Opinion of Bond Counsel

[Date]

Grossmont Healthcare District
La Mesa, California

\$136,860,000
GROSSMONT HEALTHCARE DISTRICT
(San Diego County, California)
General Obligation Bonds, 2006 Election, 2011 Series B

Ladies and Gentlemen:

We have acted as bond counsel to the Grossmont Healthcare District (the "District") and in such capacity have examined a record of proceedings related to the issuance of \$136,860,000 Grossmont Healthcare District (San Diego County, California) General Obligation Bonds, 2006 Election, 2011 Series B (the "Bonds"). The Bonds are issued under and pursuant to Section 1(b) of Article XIII A of the State of California Constitution and Section 32300 *et seq.* of the State of California Health and Safety Code, a two-thirds vote of the qualified electors of the District voting at an election held on June 6, 2006, and a resolution adopted by the Board of Directors of the District on December 17, 2010 (the "Resolution").

In our capacity as bond counsel, we have reviewed originals or copies certified or otherwise identified to our satisfaction of such documents, certificates, opinions and other matters as we deemed necessary or appropriate to render the opinions set forth herein. In rendering the opinions set forth below, we have relied upon certifications and representations of the District with respect to certain material facts solely within the knowledge of the District, without undertaking to verify the same by independent investigation. Further, we have assumed, but have not independently verified, that the signatures on all documents, certificates and opinions that we reviewed are genuine.

Certain requirements and procedures contained or referred to in the Resolution or in other documents pertaining to the Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

Based on the foregoing and subject to the limitations and qualifications herein specified, as of the date hereof, under existing law, we are of the opinion that:

1. The Bonds constitute valid and binding obligations of the District, payable solely from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

2. Assuming compliance by the District with certain covenants in the Resolution, the Tax Certificate and other documents pertaining to the Bonds, by the Grossmont Hospital Corporation (the "Corporation") with certain covenants in its Certificate attached to the Tax Certificate, and by the District and the Corporation with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the organization and operation of the Corporation, the use, expenditure and investment of proceeds of the Bonds, and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. In rendering the foregoing opinion, we have relied upon the opinion of Hooper, Lundy & Bookman, P.C., San Diego, California, regarding the qualification of the Corporation as an organization described in Section 501(c)(3) of the Code. We can give no opinion or assurance about the future activities of the Corporation or about the effect of future changes in the Code, applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service. Failure to comply with the covenants and requirements described above or failure of the Corporation to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

4. Interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in calculating federal corporate alternative minimum taxable income and therefore may affect a corporation's alternative minimum tax liability.

5. Interest on the Bonds is exempt from personal income taxes imposed by the State of California.

We express no opinion regarding other federal or State of California income tax consequences caused by the ownership of or the receipt of interest on the Bonds.

With respect to the opinions expressed herein, the enforceability of the rights of the owners of the Bonds is subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting the enforcement of creditors' rights generally, to the application of equitable principles (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against healthcare districts in the State of California.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application of official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

Respectfully submitted,

APPENDIX D

Book-Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the total aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be

the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor of its nominee, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The District cannot and does not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal or accreted value of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The District is not responsible or liable for the failure of DTC or any Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

Neither the District nor the Paying Agent will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Participant, or any Indirect Participant; (ii) the payment by DTC or any Participant or Indirect Participant of any amount with respect to the principal or accreted value of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to Holders under the Resolution; (iv) the selection by DTC, any Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Participants or Indirect Participants under the book-entry system.

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