

Agenda Item No. 4
Board of Directors Meeting 12/3/08

November 25, 2008

To: The Board of Directors

From: Dev Mahadevan, Interim Executive Director

Re: Monthly Report November 2008

This is a short report since my October report was only completed one week ago.

The investment report from Eric Reynolds is attached for your information. The value of the portfolio and the return that Sequoia Healthcare District continues to enjoy in this market place must surely place us in a very small group at the top of the investment and value leaders.

The valuation report for the 2900 Whipple medical office building has been accepted by the District and Catholic Healthcare West and is included in the audit report at \$14,500,000.

Construction work (demolition) has begun on the 525 Veterans Boulevard building. The tenant improvements project for the District's new offices is expected to be completed by the middle of February 2009.

Message from Eric C. Reynolds

November 14, 2008 at 12:48 PM (e-mail)

Dev

Sequoia has a very high quality portfolio and is positioned well to navigate these difficult times. Roughly 60% of the assets held are full faith and credit of the US government and the portfolio is producing a generous income stream of roughly \$75,000 per month or \$900,000 annually. Additionally, less than 20% of portfolio assets are invested in corporate debt. That said the markets have been the most challenging of my 20 plus year career and we expect this environment to persist in the near term. Our strategy has been to own what we believe to be best in class credits and this has helped us to either avoid the names that have disappeared (Bear, Lehman, Countrywide, AIGetc) or to sell these names before they became problems. This approach has also guided us to making the right decision in when not to sell. For example, we choose to continue to hold Wachovia and Wachovia is now on track to complete its merger with Wells Fargo in December of this year. We expect to sell the position upon the completion of the merger.

The credits that we continue to hold and which are being monitored closely are Citi and Goldman Sachs. Combined these positions represent less than 4% of portfolio assets.

I have attached a profile of Sequoia's portfolio. I will call Monday to make sure that I have fully answered all of your questions.

Best Regards

Eric
818 437 8605 Cell
213 596 8621 Office

From: Mahadevan, Dev - SEQ [mailto:dev.mahadevan@chw.edu]
Sent: Tuesday, November 11, 2008 4:23 PM
To: Reynolds, Eric C.
Cc: Johnson, Janeene - SEQ
Subject: Report on Investments

Hi Eric,
I know that Janeene has requested an investment report from you. I would like to elaborate on that for the next Board meeting to address general concerns about our investments in this volatile market. What is our exposure to the firms that are no longer around? How are we affected by the sub-prime problems? What is the status of our portfolio in general and should we expect or look for specific signs? These are some of the questions you might address. Let me know if you have any questions about what I am asking for.
Dev

As of 11/14/08:

Market Value:	17,864,101
Accrued Income:	302,792
Market Value with Accrued:	18,166,893
Duration (years)	3.1
Yield to Maturity	4.04%
Current Yield	5.00%
Projected Annual Income	899,006
Projected Monthly Income	74,917

<u>Sector Breakdown</u>	<u>Weight</u>	<u>Quality</u>
Cash	0.62%	AAA
Treasury	43.3%	AAA
Agency	8.1%	AAA
GNMA	11.0%	AAA
Asset Backed	2.2%	AAA
Corporate	19.3%	A+
Taxable Muni	15.4%	AA

<u>Quality Breakdown</u>	
AAA	69.3%
AA	14.7%
A	16.0%

Average Quality: AAA-

Credits that we are monitoring closely: weight

GOLDMAN SACHS	Evaluating for sale	1.8%
CITIGROUP INC	Hold	1.8%

*GNMA are full faith and Credit of the US Government

November 18, 2008

To: The Board of Directors

From: Dev Mahadevan, Interim Executive Director

Re: Monthly Report October 2008

The Financial Statements for the month of October show a net loss for the District's operations of \$331,464. The loss as stated in the prior month is due to Revenue from Taxes being recorded as received. The monthly tax revenue would amount to about \$550,000 and this would result in a net income of \$220,000 for the month.

The contract for the tenant improvements was signed today and the contractor will begin construction this week. The work is expected to take less than 90 days to complete, without taking any changes that are initiated.

The election results should be certified and a new board member, Kim Griffin, will be seated after noon on December 5. Director McNaughton will not be at the next board meeting on December 3, since he will be out of the Country.

The District hosted a meeting of a number of providers of service to youth to share their efforts and look for opportunities for collaboration. More than thirty people from fifteen agencies attended and were enthusiastic about the District's efforts to bring them together. Most of them were conducting programs directed at creating healthy, active and engaged youth, a priority of the District in funding Community Grants. Their reports on their activities showed that the District's objective was largely being met. They have asked the District to take the lead in bringing them together again to explore further opportunities for collaboration.

The Children's Health Initiative advisory board met on Friday, October 24 and reviewed the progress of the Initiative. The program continues to provide healthcare coverage to many children who would otherwise lack insurance and care. The program also ensures that there are high levels of participation (children receiving check-ups and care). The concern for the future is the state of the California economy and budget. State funding levels are expected to drop (as the budget deficit increases) resulting in shrinking coverage.

The Return on Investment specified under the Hospital Development Agreement (the Agreement) with Catholic Healthcare West (CHW) for the partial year (beginning December 7, 2007) ending June 30, 2008 is \$2.142 million. This will all go towards the District's contribution of \$75,000,000 in the Agreement, of which \$10.5 million is still owed at this time. The District does NOT have to make the \$1 million contribution on December 7, 2008.

The audited financial statements for the year ending June 30, 2008 will be presented to the Board of Directors at the meeting of December 3, 2008.