

Posted  
Wednesday,  
February 28, 2024



## SPECIAL SESSION BOARD OF DIRECTORS MEETING

### AGENDA

Thursday, February 29, 2024  
1:00 p.m.

Please see page 2 for meeting location options

The Board may take action on any of the items listed below, including items labeled "Informational Only"	Time	Target
<b>I. CALL TO ORDER</b>		<b>1:00</b>
<b>II. ESTABLISHMENT OF QUORUM</b>		1:00
<b>III. PUBLIC COMMENTS<sup>1</sup></b>	30	1:30
<b>IV. PRESENTATIONS (ADD A)</b>		
<i>a. Consideration and Review of Management Services Agreement with Mesa Rock Healthcare Management (Pp 3-20)</i>	60	2:30
<b>V. APPROVAL of BYLAWS, CHARTERS, RESOLUTIONS, and OTHER ACTIONS (ADD B)</b>		
<i>a. Resolution No. 2.29.24(01)-05 of the Board of Directors of Palomar Health Proposing and Consenting to Management Services Agreement with Mesa Rock Healthcare Management, Inc. (Pp 22-23)</i>	15	2:45
<b>VI. FINAL ADJOURNMENT</b>		<b>2:45</b>

Note: If you have a disability, please notify us by calling 760.740.6375, 72 hours prior to the event so that we may provide reasonable accommodations

<sup>1</sup> 3 minutes allowed per speaker. For further details, see Request for Public Comment Process and Policy on page 3 of the agenda.



# Special Session

## Board of Directors Meeting

### Location Options

**Palomar Medical Center Escondido**  
**1<sup>st</sup> Floor Conference Room**  
**2185 Citracado Parkway, Escondido, CA 92029**

- Elected Board Members of the Palomar Health Board of Directors will attend at this location, unless otherwise noticed below
- Non-Board member attendees, and members of the public may also attend at this location

<https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1>

**Meeting ID: 227 391 801 95**

**Passcode: Q4RGs6**

or

**Dial in using your phone at 929.352.2216; Access Code: 231 963 341#<sup>1</sup>**

- Non-Board member attendees, and members of the public may also attend the meeting virtually utilizing the above link

**1522 Brighton Glen Road, San Marcos, CA. 92078**  
**14031 Jasmine Avenue, Poway, CA. 92064**

- An elected member of the Board of Directors will be attending the meeting virtually from these locations

<sup>1</sup> New to Microsoft Teams? Get the app now and be ready when your first meeting starts: [Download Teams](#)

DocID: 21790  
Revision: 9  
Status: Official

**Source:**  
Administrative  
Board of Directors

**Applies to Facilities:**  
All Palomar Health Facilities

**Applies to Departments:**  
Board of Directors

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## Policy: Public Comments and Attendance at Public Board Meetings

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### **I. PURPOSE:**

A. It is the intention of the Palomar Health Board of Directors to hear public comment about any topic that is under its jurisdiction. This policy is intended to provide guidelines in the interest of conducting orderly, open public meetings while ensuring that the public is afforded ample opportunity to attend and to address the board at any meetings of the whole board or board committees.

### **II. DEFINITIONS:**

A. None defined.

### **III. TEXT / STANDARDS OF PRACTICE:**

- A. There will be one-time period allotted for public comment at the start of the public meeting. Should the chair determine that further public comment is required during a public meeting, the chair can call for such additional public comment immediately prior to the adjournment of the public meeting. Members of the public who wish to address the Board are asked to complete a [Request for Public Comment form](#) and submit to the Board Assistant prior to or during the meeting. The information requested shall be limited to name, address, phone number and subject, however, the requesting public member shall submit the requested information voluntarily. It will not be a condition of speaking.
- B. Should Board action be requested, it is encouraged that the public requestor include the request on the *Request for Public Comment* as well. Any member of the public who is speaking is encouraged to submit written copies of the presentation.
- C. The subject matter of any speaker must be germane to Palomar Health's jurisdiction.
- D. Based solely on the number of speaking requests, the Board will set the time allowed for each speaker prior to the public sections of the meeting, but usually will not exceed 3 minutes per speaker, with a cumulative total of thirty minutes.
- E. Questions or comments will be entertained during the "Public Comments" section on the agenda. All public comments will be limited to the designated times, including at all board meetings, committee meetings and board workshops.
- F. All voting and non-voting members of a Board committee will be seated at the table. Name placards will be created as placeholders for those seats for Board members, committee members, staff, and scribes. Any other attendees, staff or public, are welcome to sit at seats that do not have name placards, as well as on any other chairs in the room. For Palomar Health Board meetings, members of the public will sit in a seating area designated for the public.
- G. In the event of a disturbance that is sufficient to impede the proceedings, all persons may be excluded with the exception of newspaper personnel who were not involved in the disturbance in question.
- H. The public shall be afforded those rights listed below (Government Code Section 54953 and 54954).
1. To receive appropriate notice of meetings;
  2. To attend with no pre-conditions to attendance;
  3. To testify within reasonable limits prior to ordering consideration of the subject in question;
  4. To know the result of any ballots cast;
  5. To broadcast or record proceedings (conditional on lack of disruption to meeting);
  6. To review recordings of meetings within thirty days of recording; minutes to be Board approved before release,
  7. To publicly criticize Palomar Health or the Board; and
  8. To review without delay agendas of all public meetings and any other writings distributed at the meeting. I. This policy will be reviewed and updated as required or at least every three years.

**(REFERENCED BY** [Public Comment Form](#)

Paper copies of this document may not be current and should not be relied on for official purposes. The current version is in Lucidoc at

[https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21790\\$9](https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21790$9).

# Special Session Board of Directors Meeting

Meeting will begin at **1:00 p.m.**



## Request for Public Comments

If you would like to make a public comment, please submit a request by doing the following:

- **In Person: Submit Public Comment Form, or verbally submit a request, to the Board Assistant**
- **Virtual: Enter your name and “Public Comment” in the chat function once the meeting opens**

Those who submit a request will be called on during the Public Comments section and given 3 minutes to speak.

### Public Comments Process

Pursuant to the Brown Act, the Board of Directors can only take action on items listed on the posted agenda. To ensure comments from the public can be made, there is a 30 minute public comments period at the beginning of the meeting. Each speaker who has requested to make a comment is granted three (3) minutes to speak. The public comment period is an opportunity to address the Board of Directors on agenda items or items of general interest within the subject matter jurisdiction of Palomar Health.

# ADDENDUM A

**MANAGEMENT SERVICES AGREEMENT**

THIS MANAGEMENT SERVICES AGREEMENT (this “Agreement”) is made and entered into as of the \_\_\_ day of February, 2024 by and between Mesa Rock Healthcare Management, Inc., a California non-profit, mutual benefit corporation (“Mesa Rock”, or the “Manager”), and Palomar Health, a California Health Care District organized under the laws of California (“Health Care District”).

**WITNESSETH:**

WHEREAS, Health Care District is engaged in the business of, among other things, operating licensed health care facilities, including one or more California-licensed hospitals (each a “Facility,” and collectively the “Facilities”), including but not limited to Palomar Medical Center Escondido and Palomar Medical Center Poway, in and around the San Diego, California metropolitan region;

WHEREAS, Manager was formed in February 2024, as a non-profit, mutual benefit corporation under the California Corporations Code, with its purpose of strengthening access for all to essential healthcare services, and is engaged in the business of managing licensed health care facilities such as the Health Care District;

WHEREAS, Health Care District desires to engage Manager for the purpose of rendering management and administrative services and support, and all other reasonably necessary management support needed for the operation of the Facilities on the basis hereinafter set forth, subject to applicable state and federal law;

WHEREAS, community hospitals, public hospitals, rural hospitals, and health care districts—in particular—throughout the State of California have experienced financial hardship, privatization, sale, reduction in services, bankruptcy, decline, and mass closure over the past several decades;

WHEREAS, hospitals across the country, and in particular the remaining health care districts in California, are facing unprecedented financial obstacles to the continued mission of health care districts to provide essential care and services for all persons without regard for ability to pay;

WHEREAS, the Health Care District does not wish to privatize, reduce services to the community, or end its history or mission as a District;

WHEREAS, the Health Care District identified Manager, with its mission to strengthen access to essential health care services for all, as capable and positioned to assist the Health Care District in meeting financial challenges, including through its ability to identify and enter into certain strategic affiliate relationships with other health systems and service partners, and its ability to facilitate certain investments in the Health Care District that not currently available to the Health Care District, and its ability to expand geographically;

WHEREAS, the Health Care District wishes for Manager, and Manager has agreed, to manage the day-to-day affairs of the Health Care District through, among other means, the retention of members of the Health District’s current Executive Management team;

WHEREAS, the Manager has agreed to use its expertise and role for the benefit of the Health Care District;

WHEREAS, the Health Care District will retain ownership of all Health Care District assets, will authorize the activities and operations of Manager’s arrangement with Health Care District through an

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annual budget, will retain full control regarding physician credentialing and the sale, if any, of Health Care District assets in compliance with the Health & Safety Code, and will retain the right to evaluate the quality of services that Manager provides under this Agreement and to terminate or renew the terms of this Agreement by majority Board vote, as further provided by the terms of this Agreement;

WHEREAS, commencing as of the Effective Date (as such term is defined below), the Manager shall provide those management services that are set forth in more detail in this Agreement for the account of, and as an agent of, the Health Care District, but not to the exclusion of its other initiatives. All such management services shall be rendered using the Manager's commercially reasonable efforts and subject to the ultimate control of the Health Care District, which shall have the final authority in all matters relating to the Facilities' operations; and

WHEREAS, the Health Care District and the Manager wish to set forth the terms and conditions for the rendering of the management services to the Business.

NOW, THEREFORE, in consideration of the foregoing, of the mutual premises contained herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending legally to be bound, hereby agree as follows.

**ARTICLE I**  
**ENGAGEMENT OF MANAGEMENT SERVICES**

The Health Care District hereby engages the Manager, and the Manager agrees to provide the management services set forth in this Agreement (collectively, the "Management Services") upon those terms and conditions hereinafter set forth. The Facilities and the businesses conducted at the Facilities by non-Manager personnel (the "Non-Manager Personnel") shall be collectively referred to herein as the "Business." The Manager shall discharge its duties pursuant to this Agreement as a manager in good faith and in the best interests of the Business.

**ARTICLE II**  
**RETENTION OF CONTROL**

2.1 The Health Care District (or its applicable subsidiary) shall retain all jurisdictional powers incident to ownership and operation of the Facilities, to determine the general and fiscal policies thereof, and to maintain full and complete control of the administration and operations of the Facilities. The powers retained by the Health Care District shall include, without limiting the foregoing: (a) appointing Non-Manager Personnel (including without limitation the members to the medical staff), (b) complying with "Legal Requirements" (as such term is defined below) regarding the treatment of patients, and (c) establishing and maintaining all policies and procedures for the provision of healthcare at the Facilities. For purposes hereof, "Legal Requirements" means all requirements of common law, statute, regulation, rule, sub-regulatory guidance of a Governmental Authority, requirements under any contract with a Governmental Authority (including all flow-down obligations under such contract which are incorporated into any other contract), and requirements associated with any license or authorization of a Governmental Authority, and "Governmental Authority" means the any federal, state or local agency, authority, legislative body, court, arbitral or other tribunal, self-regulatory authority (including any securities exchange), commission, board, or any political or other subdivision, department or branch of any of the foregoing.

2.2 The Health Care District (or its applicable subsidiary) shall be and shall remain the owner and holder of all licenses, contracts, certificates and accreditations and shall be the "provider of services"

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within the meaning of any third-party contracts for services. It shall be the ultimate responsibility of the Health Care District to ensure that the Facilities obtain all necessary governmental approvals and comply with all pertinent provisions of federal, state and local statutes, rules and regulations. All matters requiring the professional medical judgment of a provider shall remain the responsibility of a Facility's medical staff and other health professionals. The Manager shall have no responsibility whatsoever for any medical judgments.

2.3 The Health Care District shall conduct all of its relationships with providers, including each Facility's medical staff and other healthcare professionals, in full compliance with all Applicable Law and regulations.

2.4 Nothing in this Agreement is intended to alter, weaken, displace or modify the ultimate authority of the Board of the Health Care District (the "Board") as set forth in the organizational documents of the Health Care District (as the same may be amended from time to time, the "Organizational Documents") and Legal Requirements.

2.4.1 Manager acknowledges and agrees that certain authority of the Manager and its authorization to act on behalf of Health Care District is expressly conditioned on the consent and approval of the Board as set forth in this Agreement and in the Organizational Documents. Manager acknowledges that Manager has reviewed the Organizational Documents and Legal Requirements, and is familiar with their respective terms.

2.4.2 Notwithstanding anything to the contrary in this Agreement, the parties agree and acknowledge that the Manager is authorized on behalf of and without any further approval from the Board (except as otherwise noted in this Section 2.3.2): (a) to take any action that is contemplated in any then current Annual Budget (as hereinafter defined) or other budget approved by the Board; (b) to take any action that relates to the execution, amendment, extension or termination of any agreement, on its behalf and on behalf of the Health Care District, with payors or suppliers of goods or services utilized by Manager, on its behalf and on behalf of the Health Care District, including without limitation those arrangements that are in connection with any group purchasing organization; and (c) to adjust, arbitrate, compromise, sue or defend, abandon or otherwise deal with and settle any and all claims less than \$50,000 in value in favor of or against Manager or the Health Care District, as the Manager shall, in its reasonable discretion, deem proper; provided, that if any such claim involves any affiliate or party related to the Manager, then the Manager may not take any action under this clause (c) without the prior consent of the Board; and (d) to enter into, make, perform and carry out all types of contracts, leases and other agreements, on the Manager's behalf and on behalf of the Health Care District, and amend, extend, or modify any contract, lease, or agreement at any time entered into by the Health Care District, provided that each such contract, lease or agreement obligates Manager or the Health Care District to pay less than \$2,000,000 per year; or (e) to execute, on behalf of and in the name of the Health Care District, any and all contracts, leases, agreements, instruments, notes, certificates, titles or other documents to which the Health Care District will be a party, provided that each such contract obligates the Health Care District to pay less than \$2,000,000 per year. Notwithstanding anything in this Agreement to the contrary, Manager shall not enter into any contract pursuant to this Section 2.3.2 with an affiliate of Manager without the prior approval of the Board.

2.4.3 Subject to and in accordance with the terms and conditions of this Agreement and the provisions of the Organizational Documents, it is the intention and understanding of the parties that the Manager is delegated the authority to operate the Facilities without the prior consultation or approval of the Health Care District.



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2.5 In exercising its duties hereunder, Manager shall use reasonable efforts to service the business and operations of the Facilities in accordance with Applicable Law and industry standards.

**ARTICLE III**  
**MANAGEMENT SERVICES**

Subject to the provisions of Article II, the financial resources of the Health Care District, and the direction and prior approval of the Board if and as required under this Agreement, effective as of the last signature below, but any services or obligations identified in this Agreement not to begin until at least 12:01 A.M. on June 30, 2024, or such other date as the parties shall agree (the “Effective Date”), the Manager will render the following Management Services to the Business:

3.1 Providing management services in such areas as: long-range planning, management planning, quality assurance programs, risk management, materials management, management development, facilities development and productivity improvement programs, service utilization analysis, systems development (including EHR systems/administration), supply and charge systems, manpower utilization and control systems (all Human Resources functions, including but not limited to, recruiting, hiring and firing powers), technical skills training, new product evaluation and educational programs for clinical staff, physician recruiting, compliance, and medical staff development, strategy-growth partnerships and/or affiliations, financial planning;

3.2 Providing management services in connection with assisting the Health Care District in maintaining the accreditation of the Hospital with the proper agencies, to include, but not limited to, hospital accreditation agencies, and management services in connection with implementing the Hospital’s quality plan and achieving its quality goals;

3.3 Arranging for the purchase by the Health Care District, at the Health Care District’s expense, of hazard, liability, professional, and other necessary insurance coverage for the Facilities; provided, however, that the medical staff members and other health professionals practicing in the Facilities shall obtain their own malpractice insurance (unless covered under the Health Care District policies by virtue of employment by the Facilities or their affiliates);

3.4 Employing and supervising, directing, leasing and discharging on behalf of the Health Care District, at the Health Care District’s expense, the Manager Personnel (as set forth in Article VI), and enforcing, administering, and implementing in a lawful manner all personnel policies applicable to the Facilities, including policies regarding recruiting, hiring, promoting, disciplining, and discharging Non-Manager Personnel;

3.5 Providing management services in such areas as professional recruitment, performance appraisal systems, personnel education and training, procurement of employee benefits and the design of incentive compensation packages;

3.6 Providing management, advisory services, and other assistance with respect to reimbursement for patient care, including without limitation the creation of reimbursement files, categorizations for submission of reimbursement forms to the appropriate agencies, electronic transfer of data communications and funds and monitoring and coordination of issues related to reimbursement; provided that if legal action is required in connection with such matters, the cost of such action is not included in the Management Fee (as hereinafter defined) and will be paid by the Health Care District;

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3.7 Negotiating fee payment methods, including Medicare and Medicaid reimbursement, with third-party payors and state and federal agencies and determining and setting patient charges for services provided by the Facilities;

3.8 Providing management services, at the Health Care District's expense, such as legal consultation and document preparation related to acquisitions, real estate purchases, real estate sales, managed care contracts, hospital-based physician contracts, outside service contracts, medical office building issues, maintenance contracts, physician recruitment and employment issues and patient confidentiality issues; provided that the Management Fee includes the Manager's services, but does not include the cost of third-party consultation services (which costs will be paid by the Health Care District) and arranging for all necessary and desirable repairs and maintenance at the Health Care District's expense of the physical plant, furnishings and equipment of the Facilities;

3.9 Providing standard formats for all charts, invoices and other forms used in the operation of the Hospital;

3.10 Providing various operational guidelines, including, but not limited to, protocols and medical guidelines;

3.11 Providing for the purchase or lease by the Health Care District, at the Health Care District's expense, of all supplies and equipment used in the operation of the Facilities, and providing assistance in evaluating capital and operational expenditures in connection with the Facilities;

3.12 Subject to any applicable legal and regulatory requirements, negotiating, entering into, terminating and administering on behalf of the Health Care District and in the name of the Health Care District, or for the benefit of the Health Care District, contracts for services;

3.13 Information systems management, including arranging for use of third-party software and services with respect to information technology for clinical and business information systems, including the use of reasonable efforts in assisting the Health Care District in satisfying "meaningful use" requirements, and programming interfaces between software products, help desk and software support;

3.14 Providing administrative advisory services for the overall benefit of the Health Care District's healthcare operations, such as establishing and maintaining group purchasing arrangements and identifying and maintaining quality vendor relationships;

3.15 Providing human resources functions for Non-Manager Personnel;

3.16 Directing the day-to-day operations of the Facilities to ensure that the Facilities' operations are conducted in a business-like manner, in accordance with regulatory requirements and Joint Commission requirements, and in accordance with the decisions of the Board; and

3.17 Arranging for any third party audit requested by the Board pursuant to Health & Safety Code section 32133. The Board may also, no more than once annually, request an audit of the Manager, at District expense.

**ARTICLE IV**  
**FINANCE, ACCOUNTING & ADMINISTRATIVE SERVICES**

The Manager agrees that the Manager shall review, direct and supervise the following services for the Health Care District in relation to the finance and accounting matters of the Business:

4.1 Implementing and administering policies and procedures for the management and control of purchases, accounts payable, cash disbursements and all business related transactions;

4.2 Implementing and administering policies and procedures for the management and control of patient billing, claims filing, accounts receivable, credit collection and receivables activities and all necessary patient account transactions;

4.3 Cooperating in the preparation of periodic financial statements, including those as required by the Health Care District's organizational documents (if any), and cooperating in periodic audits of the Hospital by state and/or federal agencies, and at the regular meetings of the Board, the Manager shall provide information reasonably requested by the Board for the purpose of assisting the Board in discharging its duties, such information to be provided no later than the regular quarterly Board meeting; once per quarter, reasonably in advance of a regular Board meeting on a schedule agreed to be Manager and the Board, the Manager shall distribute to the Board members written summaries of the information that the Manager will present at the Board meeting;

4.4 Assisting in the implementation and administration by the Health Care District of an annual capital and operating budget for the Business and recommending rates for patient and other hospital charges permitting the Facilities to fulfill its internal budget guidelines. No later than thirty (30) days prior to the end of each fiscal year of the Health Care District, the Manager shall submit to the Board for approval an annual consolidated operating budget, an annual consolidated capital expenditures budget and the strategic financial plan associated with the Business (those documents, collectively, the "Annual Budget"). The Board must then, no later than twenty (20) days after receipt of the Annual Budget, review the Annual Budget and either approve it, such approval not to be unreasonably withheld, or propose in good faith modifications to the Annual Budget in consultation with the Manager. The Board's proposal of any modifications to the Annual Budget constitutes approval of the Annual Budget as modified. After the Board approves the Annual Budget, the Manager may proceed with making the expenditures and undertaking the actions contemplated in the Annual Budget. The Annual Budget as modified by the Board, as of the date of modification by the Board, will be deemed to constitute authorization to the Manager for making the expenditures and undertaking the actions contemplated in the modified Annual Budget during the remainder of the fiscal year;

4.5 Implementing and administering procedures for the reporting of patient claims and utilization services in accordance with payor requirements and negotiating fees with third-party payors (including health maintenance organizations) on behalf of the Health Care District;

4.6 Implementing and managing accounting and risk management systems and data processing systems that are required to perform the functions necessary to efficiently and effectively operate the Business, including, without limitation, such accounting systems as are necessary and appropriate to enable the Health Care District to allocate its costs and revenues to designated cost centers, and in connection therewith, providing and maintaining all equipment necessary to provide those services set forth above;

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4.7 Cash management for the Business and depositing in the bank accounts for the Health Care District as directed by the Health Care District all funds generated from the operation of the Business and supervising the management and disbursement of such funds for the operation of the Business; provided that nothing herein shall prohibit Manager from utilizing third party collection agents in fulfilling such obligations; and

4.8 Preparing or providing for the preparation of payroll associated with the Non-Manager Personnel and supervising preparation of the Health Care District's tax returns, if any, as well as any reporting requirements to maintain the Health Care District's non-profit status, and Medicare cost reports.

4.9 Except as otherwise required by law, the Manager shall use the name, service marks and trademarks of the Health Care District solely for the conduct of the operations of the Business. The Manager shall cause all agreements for the development of intellectual property necessary for Hospital operations to be entered into in the name of the Health Care District. The Manager shall train associated with the Non-Manager Personnel in customer and patient service and shall conduct marketing and advertising.

**ARTICLE V**  
**OTHER MANAGEMENT SERVICES**

The Manager and the Health Care District may agree in writing to additional agreements or modify the Management Services to be covered by this Agreement, subject to Applicable Law.

**ARTICLE VI**  
**EMPLOYEES**

During the term of this Agreement, the Manager will make available to the Health Care District the services of certain employees and consultants of the Manager (the "Manager Personnel"). Such Manager Personnel shall include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Medical Officer, and Chief Nursing Executive, Chief Legal Officer, and such other personnel as the Manager may in its reasonable discretion designate (collectively, the "Key Manager Personnel"). Subject to the authority granted the Board under this Agreement and the Organizational Documents, the Manager shall have the right to reassign or terminate the employment of its Manager Personnel and to hire such additional Manager Personnel as the Manager determines is reasonably necessary from time to time to fulfill the Manager's obligations under this Agreement. The Manager shall have the right to control and direct Manager Personnel as to the performance of duties and as to the means by which such duties are performed. The material terms of employment of the Key Manager Personnel shall be made available prior to the Effective Date and from time to time to the Board. The person selected by the Manager to serve as the Chief Executive Officer of the Hospital shall be subject to approval by the Board, which shall not be withheld unreasonably. The current Chief Executive Officer of the Health Care District shall, at the time of execution of this Agreement, become the Chief Executive Officer of the Manager. Nothing herein is intended to affect the Manager's or its affiliate's status as an employer or contractor of the Manager Personnel or the Manager's control over each such individual during the term of this Agreement.

**ARTICLE VII**  
**SPECIAL CONSULTANTS**

The Manager shall engage, for and on behalf of the Health Care District, such consultant(s) as the Board and Manager may consider reasonably necessary and appropriate. Such consultant(s) may include any services outside of the services covered under this management agreement. The Health Care District shall bear the fees and expenses incurred for the services of such consultants to the extent provided in the Annual Budget or such other budget approved by the Board.

**ARTICLE VIII**  
**LEGAL ACTIONS**

The Manager shall advise and assist the Health Care District in instituting or defending, as the case may be, in the name of the Health Care District and/or the Manager, all actions or proceedings arising out of or relating to the operation of the Facilities to which either the Health Care District or the Manager is a named or threatened party. The Manager also shall assist the Health Care District in taking such actions as are necessary to protest, arbitrate or litigate to a final decision in any appropriate court or forum any violation, penalty, sanction, order, rule or regulation affecting the Health Care District. The Manager has access to a staff of attorneys who may be consulted by the Health Care District on legal issues relating to the Facilities as reasonably necessary. The consulting services of such staff are included in the Management Fee. It is not intended that the in-house legal staff handle all of the Health Care District's legal matters and the Manager, in consultation with the Health Care District, shall determine when engaging outside legal counsel, rather than in-house legal staff, would be desirable for a specific issue or matter. The costs of outside counsel incurred for special projects either approved in the operating budget or approved by the Board are not included in the Management Fee and will be charged to the Health Care District.

**ARTICLE IX**  
**TERM**

Subject to the terms of Article X and Section 15.3, the initial term of this Agreement shall commence as of the date hereof and shall expire on the fifteenth (15th) anniversary thereof (the "Initial Term"). This Agreement shall automatically renew for consecutive five (5) year terms (each a "Renewal Term," and together with the Initial Term, the "Term") unless either the Health Care District or Manager exercises its option not to renew this Agreement by providing written notice to the other Party no less than one hundred eighty (180) days prior to the expiration of the then current Term.

**ARTICLE X**  
**DEFAULT AND TERMINATION**

10.1 It shall be an event of default ("Event of Default") hereunder:

10.1.1 If the Health Care District shall fail to make or cause to be made any undisputed payment to the Manager required to be made hereunder, and such failure shall continue for thirty (30) days after notice thereof shall have been given to the Health Care District.

10.1.2 If the Manager shall fail to perform any material portion of the Management Services required by this Agreement, and such failure shall not be cured: (i) within ninety (90) days after notice thereof by Health Care District to the Manager if such failure is capable of cure within such period; or (ii) within a reasonable period of time for cure if such failure cannot reasonably be cured within such

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ninety (90)-day period, provided the Manager commences its curative actions within such ninety (90)-day period and proceeds diligently to cure thereafter (in which event, the Manager shall have a reasonable time beyond such ninety (90)-day period to complete its cure of such notified failure, but in no event more than one hundred eighty (180) days absent the express written approval of Health Care District).

10.1.3 If, following the receipt of a written opinion of counsel (which counsel is mutually agreed to by the Board and the Manager), the Board reasonably determine that Manager is not operating the Hospital in accordance with this Agreement or the Organizational Documents. If the Board and the Manager cannot reasonably agree on counsel within sixty (60) days, then such counsel will be selected by an arbitrator selected according to JAMS Comprehensive Rules, such arbitrator to have sole authority to select such counsel and make any appropriate orders to enforce that decision.

10.1.4 If either the Health Care District or the Manager shall apply for or consent to the appointment of a receiver, trustee or liquidator of such party or of all or a substantial part of its assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangements with creditors or to take advantage of any insolvency law, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating such party bankrupt or insolvent, and such order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating such party bankrupt or insolvent, and such order, judgment or decree shall continue unstayed and in effect for any period of ninety (90) consecutive days.

10.1.5 If any Event of Default by the Health Care District listed in Section 10.1.1 above shall occur and be continuing, or if any Event of Default by Manager listed in Section 10.1.2 above shall occur and be continuing, the non-defaulting party may forthwith terminate this Agreement, and neither party shall have any further obligations whatever under this Agreement, except those provided under the provisions of Articles XII, XIV and XV hereof. If any Event of Default by the Health Care District or Manager listed in Section 10.1.4 shall occur, the term of this Agreement shall terminate, at the option of the non-defaulting party, upon written notice to the bankrupt party.

10.2 Upon termination hereof, the Manager's obligations to perform services hereunder shall completely cease; provided, however, that the Health Care District and the Manager shall perform such matters as are necessary to wind up their activities under this Agreement in an orderly manner with due consideration for the unimpeded operations of the Facilities and continuation of quality patient care, including, without limitation, orderly transition of electronic records systems. In the event of termination of this Agreement, the Manager also shall turn over to the Health Care District as soon as possible any and all information related to the Health Care District's receivables, ledgers and other business records which are then in the Manager's possession, and shall provide an accounting of Net Revenues (as hereinafter defined) upon which the Management Fee has been calculated up to the date of termination. The Manager shall be entitled upon termination of this Agreement to receive payment of all amounts theretofore unpaid which have been earned and are due to the Manager through the date of termination.

10.3 Upon termination of this Agreement by Health Care District, prior to the end of the Initial Term, the Health Care District agrees to pay to Manager severance equal to the total of (i) the salaries of the Key Personnel for a three (3) month period (plus any severance payment actually incurred and paid to such Key Personnel); provided, however, that for any Key Personnel that are employed by the Health Care District upon termination of this Agreement, such individual's salary shall not be included in the total amount paid to Manager; and (ii) the actual costs and expenses incurred by Manager in winding down or terminating third party contracts entered into in furtherance of the Management Services, less any damages

incurred by Health Care District due to Manager’s Event of Default, if applicable. If the amount of the Termination Expense is undisputed, such amount shall be paid by the Health Care District within ninety (90) days of the termination of this Agreement; in the event the parties dispute the amount of Termination Expense owed, Health Care District shall pay the undisputed portion within ninety (90) days of the termination of this Agreement and shall pay the remainder within sixty (60) days of resolution of the dispute.

**ARTICLE XI**  
**MANAGEMENT FEES<sup>1</sup>**

11.1 The Health Care District shall pay the Manager for the services rendered hereunder a fee equal to one percent (1%) of the Net Revenues accrued by the Health Care District from the operation of the Facilities (the “Management Fee”). The Management Fee and all reimbursable expenses shall be paid monthly no later than the fifteenth (15<sup>th</sup>) day of the month following the month in which the fee was earned or expense incurred, as applicable. “Net Revenues” shall mean all revenues billed as fees or other charges arising out of the operation of the Facilities, reduced for contractual adjustments, third-party discounts, bad debts and charity adjustments, but excluding the proceeds of claims under casualty insurance policies (but including the proceeds of claims under business interruption insurance policies), condemnation awards and similar claims of a capital nature.

11.2 In addition to the Management Fee, the Health Care District shall bear the cost of the Manager’s reasonable out of pocket expenses (both before and after the Effective Date), including, without limitation, travel, meals, lodging, fees to third parties, data processing services, outside legal counsel and other consultant fees, expenses related to the purchase of goods and materials for the Health Care District and material management fees, human resources fees, audits and consulting fees and other reasonable expenses incurred by or on behalf of Manager in connection with the provision by Manager of the services in ordinary course of business pursuant to this Agreement, provided that Manager, upon request of the Health Care District or Board, provide sufficient substantiating detail of such expenditures.] All travel, meals, and lodging expenses shall be consistent with the policies of the Health Care District, and all payments to third parties shall reflect arms-length negotiations. Any payments to affiliates of Manager shall be subject to prior review and approval by the Board. The ability of the Manager to receive reimbursement for material out of pocket expenses set forth in this Section 12.2 that were not contemplated in the Annual Budget or such other budget approved by the Board shall be subject to the approval of the Board.

11.3 In addition, the Health Care District shall bear reasonable costs of employing the personnel who are employed or supervised by the Manager on behalf of the Health Care District, but otherwise provide all of their services at the Facilities, including but not limited to wages and salaries, amounts required to provide employee benefits and other fringe benefits, federal and state taxes on wages, unemployment

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<sup>1</sup> Management Fee structure must be narrowly tailored to state and federal regulatory requirements and parties’ business objectives. Fixed-fee arrangements, performance-based compensation, quality incentives, and other features trigger different regulatory issues and, in turn, compliance guardrails to be consistent with market standards. For example, in a percentage-based compensation model, it is common to bifurcate business development and marketing fees as a flat fee component of the overall fee structure, as well as fair market value documentation by a 3<sup>rd</sup> party professional.

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compensation premiums and workers' compensation premiums, and all other reasonable expenses arising from or relating to the employment of personnel.

11.4 Upon the written request of the Secretary of Health and Human Services or the Comptroller General or any of their duly authorized representatives, the Manager and any of its affiliates providing services with a value or cost of \$10,000 or more over a twelve (12)-month period shall make available to the Secretary the contract, books, documents and records that are necessary to verify the nature and extent of the cost of providing such services. Such inspection shall be available up to four years after the rendering of such services. The parties agree that any applicable attorney-client, account-client or other legal privilege shall not be deemed waived by virtue of this Agreement.

**ARTICLE XII**  
**NO PARTNERSHIP**

The Manager and the Health Care District affirmatively state that they do not have the intention to form a joint venture or partnership for tax or any other purposes, nor have they done so. If, however, a joint venture or partnership is found to exist for federal income tax purposes: (i) capital accounts will be maintained for the Manager and the Health Care District on a tax accounting basis; (ii) net income will be allocated to the Manager in the amount of the payments due the Manager pursuant to Article XIII hereof; (iii) all remaining net taxable income or loss will be allocated to the Health Care District; and (iv) upon termination, distributions will be in accordance with the Manager's and the Health Care District's capital account balances.

**ARTICLE XIII**  
**OWNERSHIP OF INFORMATION; CONFIDENTIALITY**

13.1 Systems Ownership. The Manager retains all ownership and other rights in all systems, manuals, computer software, materials and other information, in whatever form, provided by it in the performance of its obligations hereunder (collectively referred to as the "Systems") and nothing contained in this Agreement shall be construed as a license or transfer of such Systems or any portion thereof, other than as set forth hereinbelow, either during the term of this Agreement or thereafter. Upon the termination or expiration of this Agreement, the Manager shall retain all of the Systems. Notwithstanding the foregoing or anything provision to the contrary in this Agreement, Manager hereby grants Health Care District (a) a non-exclusive right and license to use for a period of eighteen (18) months following the termination or expiration of this Agreement, for the internal operations of Health Care District, the Systems consisting of software and information technology systems owned by Manager, and (b) a perpetual non-exclusive right and license to use for the internal operations of Health Care District the Systems consisting of non-third party policies, procedures, manuals and other written material, but not including software and information technology system, in each case as prepared for, delivered to, or used by Health Care District in connection with Manager's performance under this Agreement; provided that in the case of the license granted in (a) Health Care District shall reimburse Manager for its reasonable out-of-pocket expenses incurred in providing the Systems referenced therein.

13.2 Health Care District Systems. [Reserved]



13.3 General Confidentiality.

13.3.1 Except as required by law or as necessary to perform its obligations under this Agreement, the Manager shall not disclose or use any Confidential Information (as defined below) belonging to the Health Care District without the prior written consent of the Health Care District.

13.3.2 Except as required by law or as necessary to perform its obligations under this Agreement, the Health Care District shall not disclose or use any Confidential Information belonging to the Manager without the prior written consent of the Manager.

13.3.3 “Confidential Information” means, with respect to a party, the (i) terms of this Agreement; (ii) any information that individually or as compiled constitutes confidential, proprietary or trade secret information developed by or on behalf of that party; (iii) any confidential or proprietary information disclosed by or on behalf of that party to the other party in written, electronic or other form; and (iv) any confidential or proprietary information of that party that is discovered by the other party in connection with its performance under this Agreement. For these purposes, Health Care District Confidential Information includes information pertaining to one or more Facilities. The obligations of the parties under this Article XIV do not apply to information that at the time of disclosure to a party was in the public domain or subsequently becomes part of the public domain through no breach of this Agreement.

13.3.4 Notwithstanding the foregoing, nothing in this Agreement shall prohibit Manager or its affiliates from using Confidential Information of the Health Care District as may be required by law.

13.4 Remedies. The parties acknowledge that recovery of damages may not be an adequate means to redress a breach of this Article XIV. If a party commits a breach of this Article XIV, then the other party may pursue equitable relief including a temporary restraining order and an injunction. This section is to be construed to permit a party to pursue any remedies in addition to equitable relief, including recovery of damages. This Article XIV and the rights and obligations of the parties under this section will survive the expiration or termination of this Agreement for any reason.

**ARTICLE XIV**  
**INDEMNIFICATION; GUARANTY**

14.1 Indemnification by the Health Care District. The Health Care District agrees to indemnify and hold harmless the Manager, its affiliates, members or partners, and their respective members, directors, governors, officers, employees, agents and representatives (collectively, a “Manager Indemnified Party”) from and against any and all losses, claims, damages, liabilities, costs and expenses (including attorneys’ fees and expenses related to the defense of any claims) (a “Loss”), which is caused by the Health Care District, or which arises from or as a result of this Agreement, which may be asserted against any of the Manager Indemnified Parties in connection with this Agreement, including without limitation matters relating to: (i) failure by the Health Care District to perform any of its duties; (ii) any pending or threatened malpractice or other tort claims asserted against the Manager relating to a Facility; (iii) any action against the Manager brought by any medical staff members or former employees, or for matters occurring before the beginning of the Term; (iv) any act or omission by any medical staff member, or employee, or other personnel who were under the supervision of a member of the medical staff as a result of providing medical services to such medical staff member’s patient; (v) any allegation or lawsuit or legal challenge to the legality, soundness, or efficacy of the transactions contemplated herein, including without limitation as to the negotiations and communications relating to the contemplated transaction; or (vi) any violation of any Legal Requirement applicable to a Facility under any federal, state or local environmental, hazardous waste

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or similar law or regulation in connection with the services provided pursuant to this Agreement; provided in each case that such Loss has not been caused by the gross negligence or willful breach of a Manager Indemnified Party.

14.2 Guaranty. The Heath Care District understands that there is financial risk for the Manager in relation to the matters set forth herein, and believing such matters to be in the best interests of the Heath Care District, the Heath Care District will reimburse the Management Company for the reasonable value of the Management Company's time spent in furtherance of the transactions contemplated by this Agreement, together with expenses actually incurred by Management Company in furtherance hereof, such reimbursement to occur within 15 days of invoice, not to exceed Five Hundred Thousand dollars (\$500,000.00), in the event this Agreement expires prior to the Effective Date.

14.3 Sole Remedy. This Article XV shall constitute the sole remedy of the parties hereto with respect to any Loss resulting from a third-party claim.

**ARTICLE XV**  
**MISCELLANEOUS**

15.1 Business Associate. Manager acknowledges that the services it provides hereunder may make it a business associate of the Health Care District or one or more Facilities. Manager agrees to execute a HIPAA business associate agreement, in substantially the form attached hereto as Exhibit A, separately outlining its obligations as a business associate with respect to the privacy and security of individually identifiable health information it may acquire in the course of its duties hereunder.

15.2 Referral Disclaimer. The amounts to be paid hereunder represent the fair market value of the services to be provided as established by arm's length negotiations by the parties and have not been determined in any manner that takes into account the volume or value of any potential referrals between the parties. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral of patients by any party to any other party. In addition, the amounts charged hereunder do not include any discount, rebate, kickback or other reduction in charges, and the amount charged is not intended to be, nor shall it be construed to be, an inducement or payment for referral of patients by any party to any other party. Further, it is agreed that none of the parties shall refer or attempt to influence the referrals of any patients to any particular program.

15.3 Material Change in Law. In the event any material change in any federal or state law or regulation creates a significant likelihood of sanction or penalty based on the terms of this Agreement or would prohibit either party from billing for or receiving payment for any services provided by the parties, then upon request of either party, the parties hereto shall enter into good faith negotiations to renegotiate the affected provision or provisions of the Agreement to remedy such term or condition. In the event the parties are unable to reach agreement on the affected provision or provisions, so as to bring such provision or provisions into compliance with the law or regulation within thirty (30) days of the initial request for renegotiation, this Agreement shall terminate upon fifteen (15) days written notice or the effective date of such change (whichever is earlier). Each party hereto expressly recognizes that upon request for renegotiation, each party has a duty and obligation to the other only to renegotiate the affected term(s) in good faith.

15.4 Notices. All notices given pursuant to this Agreement shall be in writing and shall be deemed effective: (i) on the date the United States certified mail return receipt is signed by the recipient;

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(ii) the date of receipt if sent by an overnight courier that verifies receipt by the recipient; or (iii) the date of receipt by facsimile. For purposes of notice, the addresses of the parties shall be as set forth below:

<u>If to the Manager:</u>	<i>with a copy to (which shall not constitute notice):</i>
Mesa Rock Healthcare Management, Inc.	PremierCounsel, LLP
201 Spear Street, Suite 1100	201 Spear Street, Suite 1100
San Francisco, CA 94104	San Francisco, CA 94104
Attention: Chairperson of the Board	Attention: William Kushner

<u>If to the Health Care District:</u>	<i>with a copy to (which shall not constitute notice):</i>
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15.5 Assignment. Manager shall not have the right to assign this Agreement to an unaffiliated third party without the prior written consent of Health Care District. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and permitted assigns. This Agreement is intended solely for the benefit of the parties hereto and is not intended to, and shall not, create any enforceable third-party beneficiary rights.

15.6 Severability. Every provision of this Agreement is intended to be severable. If any term or provision of this Agreement is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.

15.7 Amendment. No changes in, additions or amendments to this Agreement shall be effective unless and until made in writing and signed by all parties hereto.

15.8 Counterpart Execution. This Agreement may be executed in one or more counterparts all of which together shall constitute one and the same Agreement.

15.9 Integrated Agreement. This Agreement constitutes the entire understanding and agreement among the parties hereto with respect to the subject matter hereof, and there are no agreements, understandings, restrictions, representations or warranties among the parties other than those set forth herein or herein provided for; without limiting the foregoing, the parties acknowledge and agree that this Agreement supersedes and replaces any letter of intent entered into between the parties prior to the Effective Date.

15.10 Governing Law and Venue.

15.10.1 This Agreement shall be construed and enforced in accordance with the laws of the State of California without regard to its principles of conflicts of laws.

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15.10.2 Any action or proceeding seeking to enforce any provision, or based on any right arising out of, or to interpret any provision of, this Agreement may be brought against any of the parties in the state and federal courts located in San Diego County, California, and each of the parties consents to the exclusive jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

15.11 Waiver. Failure by any party to enforce any of the provisions hereof for any length of time shall not be deemed a waiver of its rights set forth in this Agreement. Such a waiver may be made only by an instrument in writing signed by the party sought to be charged with the waiver. No waiver of any condition or covenant of this Agreement shall be deemed to imply or constitute a further waiver of the same or any other condition or covenant, and nothing contained in this Agreement shall be construed to be a waiver on the part of the parties of any right or remedy at law or in equity or otherwise

15.12 Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine and neuter, and the number of all words herein shall include the singular and plural.

15.13 Force Majeure. Neither party shall be liable for any failure, inability or delay to perform hereunder, if such failure, inability or delay is due to any cause beyond the reasonable control of the party so failing, and due diligence is used in curing such cause and in resuming performance.

15.14 Insurance. During the Term the Manager shall maintain, at its own expense, through self-insurance or through insurance contracts, appropriate workers' compensation coverage for the Manager's employed personnel provided under this Agreement, and professional, casualty, directors and officers, and comprehensive general liability insurance covering the Manager and the Manager's personnel, in a minimum amount of \$2,000,000 per occurrence and \$4,000,000 in the aggregate. Upon the request of Health Care District, the Manager will provide the Parent Company with a certificate evidencing the Manager's insurance coverage.

15.15 Records Access. The Manager agrees to make available, until the expiration of four (4) years after the furnishing of any service under this Agreement, to the Secretary of the United States Department of Health and Human Services or the Comptroller General of the United States or any of their duly authorized representatives, upon request, any books, documents, records or other data necessary to certify the nature and extent of the costs incurred by the Health Care District for such services. If the Manager carries out any duties required under this Agreement through a subcontract with a value that exceeds \$10,000 annually with a related organization (as defined in 42 C.F.R. § 4.5.427(b)), the subcontract will contain an access clause similar to this Section 16.15.

15.16 Compliance with the Local Health Care District Law. Notwithstanding any other provision of this Agreement, it is an express requirement of this Agreement that:

- A. Any transfer of control of the assets of the Health Care District, to the extent any such transfer exists, has been fully discussed in advance of the Board's decision to transfer the control of assets of the Health Care District in at least two properly noticed open and public meetings in compliance with the Ralph M. Brown Act; and
- B. All assets transferred to the Manager, if any, and all assets accumulated by the Manager during the term of this Agreement arising out of, or from, the operation of any transferred assets,

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are to be transferred back to the Health Care District upon termination of this Agreement, including any extension of this Agreement; and

C. The Manager must operate and maintain the Facilities and any other assets of the Health Care District for the benefit of the communities served by the Health Care District; and

D. Any funds received from the Health Care District at the outset of the Agreement or any time thereafter during the term of the Agreement may be used only to reduce Health Care District indebtedness, to acquire needed equipment for the Facilities, to operate, maintain, and make needed capital improvements to the Facilities, to provide supplemental health care services or facilities for the communities served by the Health Care District, or to conduct other activities that would further a valid public purpose if undertaken directly by the Health Care District.

15.17 Compliance with the Ralph M. Brown Act. Notwithstanding any other provision of this Agreement, it is an express condition precedent to this Agreement that:

A. The elected legislative body of the Health Care District played no role in the creation of the Manager. Specifically, neither the Board as a whole, nor any Director or Member thereof, had any role in the creation of the Manager, which the Health Care District understands was created by persons not involved with, directed by, or controlled by the Board.

B. No Director or Member of the Board may contemporaneously serve as a voting member of the governing body of Manager, nor may do so for at least twelve (12) months following the expiration of any term as a Director or Member of the Board.

C. Operation of the Facilities does not constitute a lease, and no leasehold is given through this Agreement by the Health Care District to the Manager.

D. To the extent any discretion or responsibilities are vested in the Manager, they are subject to the Manager's ultimate decision-making power, control, and authority, except where expressly noted otherwise by this Agreement.

**[Signature page follows]**

IN WITNESS WHEREOF, the parties have executed this Agreement by and through their duly authorized representatives effective as of the date and year first above written.

**PALOMAR HEALTH**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: Chair of the Board of Directors

**[MANAGER]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**Exhibit A**

HIPAA Business Associate Agreement

[See Attached]

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# ADDENDUM B



**RESOLUTION NO. 2.29.24(01)-05**

**RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR HEALTH  
PROPOSING AND CONSENTING TO MANAGEMENT SERVICES AGREEMENT WITH MESA ROCK  
HEALTHCARE MANAGEMENT, INC.**

**WHEREAS**, Hospitals across the country, and especially in California, face significant economic pressures. This is even more true for public Health Care Districts like Palomar Health, which have all the regular concerns of hospitals plus the additional restrictions that come from their status as public bodies;

**WHEREAS**, the Board of Directors of Palomar Health is dedicated and resolved to strengthen and expand Palomar Health as a public health institution and provider of essential health services for all, and refuses to shrink, decline, privatize, or abandon its core mission;

**WHEREAS**, on November 13, 2023, the Board of Directors of Palomar Health authorized the Chief Executive Officer of Palomar Health, and her designees, to negotiate and return to the Board for approval a Management Services Agreement for the benefit of Palomar Health, with an independent, nonprofit management services organization;

**WHEREAS**, the Chief Executive Officer identified options for a management services organization in consultation with the Strategic & Facilities Planning Committee;

**WHEREAS**, the Chief Executive Officer and Strategic & Facilities Planning Committee identified Mesa Rock Healthcare Management, through its principal Eric Friedlander, as a candidate for a Manager;

**WHEREAS**, the Chief Executive Officer, in consultation with the Strategic & Facilities Planning Committee, entered into negotiations to form a Management Services Agreement with Mesa Rock Healthcare Management;

**WHEREAS**, as part of those negotiations, Mesa Rock agreed to hire Palomar's executive team, ensuring continuity of leadership;

**WHEREAS**, Palomar will retain ownership of all facilities and assets;

**WHEREAS**, Palomar's elected Board will retain oversight responsibility over Mesa Rock through, among other things, approving the CEO and controlling the annual budget;

**WHEREAS**, the Board has held at least two public meetings in which the proposed Management Services Agreement with Mesa Rock was fully discussed, including opportunities for the public to comment;

**WHEREAS**, the Board believes it to be in the best interests of Palomar Health to enter into the Management Services Agreement with Mesa Rock;

**NOW, THEREFORE, IT IS HEREBY RESOLVED** that the Board:

(1) Orders the Chief Legal Officer to finalize the draft Management Services Agreement first presented to the Board on February 21, 2024, and again presented to the Board on February 29, 2024;

(2) Orders the Chief Legal Officer, to take all necessary steps in execution of the above-identified Management Services Agreement, including to propose any further non-substantive changes to effect the same;

(3) Consents to the above-identified Management Services Agreement with Mesa Rock Healthcare Management, and authorizes its signature be attached to same, through the Chair; and

(4) Authorizes that such Management Services Agreement be offered to Mesa Rock Healthcare Management for its approval, such approval to be indicated by a signature on the Management Services Agreement.

**PASSED AND ADOPTED** by the Board of Directors of Palomar Health held on February 29, 2024, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

DATED: February 29, 2024

<b>APPROVED:</b>  <hr/> Jeffrey Griffith, Chairperson Board of Directors Palomar Health	<b>ATTESTED:</b>  <hr/> Terry Corrales, RN, Secretary Board of Directors Palomar Health
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