Posted
Friday,
January 30, 2026

AMENDED

PALOMAR UCSD HEALTH AUTHORITY
BOARD OF DIRECTORS
Meeting Agenda

Monday, February 2, 2026
12:00 p.m.

Please see page 3 of agenda for meeting location

	The Board may take action on any of the items listed below, including items specifically labeled "Informational Only"	Time	Target
Call To Order			**12:00**
I.	**Establishment of Quorum**	1	12:01
II.	**Welcome and Introductions of the Palomar UCSD Health Authority Board of Directors**	4	12:05
III.	**Public Comments**[1]	30	12:35
IV.	**Election of Officers**	10	12:45
	A. Election of 2026 Board Officers		
V.	**Approval of Initial Actions** *(ADD A)*	15	1:00

Agenda Item	Committee/ Department	Action
A. Organizational Resolutions of the Board of Directors of Palomar UCSD Health Authority *(Pp 6-37)* i. Approval and Ratification of Formation and Governing Documents, Including Closing Agreement and Bylaws ii. Appointment of Officers iii. Appointment of Chief Executive Officer iv. Appointment of Chief Legal Officer / Outside Legal Counsel / Approval of Conflict Waiver v. Open Meetings and Public Records vi. Healthcare Operations Authority vii. Other Organizational Actions	Board of Directors	Review/ Approve

VI.	**Educational Session** *(ADD B)*	90	2:30
	A. SB 707 Brown Act Training – *Informational Only (Pp 39-191)* B. Transaction Overview – *Informational Only (Pp 192-269)*		
VII.	**Adjourn to Closed Session**	15	2:45
	A. *Pursuant to California Government Code § 54962 and California Health & Safety Code § 32106—REPORT INVOLVING TRADE SECRET—Discussion will concern: proposed new service or program. Estimated date of public disclosure: (Date)*		

VIII.	**Re-Adjourn to Open Session**			1	2:46
IX.	**Action Resulting from Closed Session, if any**			1	2:47
X.	**Approval of Bylaws, Charters, Resolutions and Other Actions** *(ADD C)*			10	2:57
	Agenda Item	Committee/ Department	Action		
	A. Resolution Authorizing and Approving Certain Limited Expenditures in Furtherance of the Transactions Contemplated by the Joint Exercise of Powers Agreement *(Pp 271-272)*	Board of Directors	Review/ Approve		
	B. Resolution Authorizing the Use of Teleconferencing for Board and Committee Meetings of Palomar UCSD Health Authority *(Pp 273)*	Board of Directors	Review/ Approve		
	C. Resolution Authorizing and Approving Banking the Opening of Banking Accounts with Bank of America for Palomar UCSD Health Authority *(Pp 274)*	Board of Directors	Review/ Approve		
Final Adjournment					**3:00**

NOTE: If you need special assistance to participate in the meeting, please call 760.740.6375 with requests 48 hours prior to the event, so we may provide reasonable accommodations.

[1] *3 minutes allowed per speaker.*

Palomar UCSD Health Authority
Board of Directors
Meeting Location Options

UCSD East Campus Office Building (ECOB), 1st Floor
9444 Medical Center Drive
La Jolla, CA 92037

- **Board Members of the Palomar UCSD Health Authority 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: 241 815 486 368 05
Passcode: Xw2Yw6PP
or
Dial in using your phone at 929.352.2216; Access Code: 706 793 284#[1]

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

[1] ***New to Microsoft Teams? Get the app now and be ready when your first meeting starts:*** Download Teams

Palomar UCSD Health Authority
Board of Directors Meeting

Meeting will begin at 12:00 p.m.

Request for Public Comments

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

- **In Person: Submit a Public Comment Form, or verbally submit a request, to the Board Clerk**
- **Virtual: Enter your name and "Public Comment" in the chat function**

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 UCSD Health Authority.

ADDENDUM A

RESOLUTION NO. 02.02.26(01)-01

ORGANIZATIONAL RESOLUTIONS
OF THE BOARD OF DIRECTORS
OF
PALOMAR UCSD HEALTH AUTHORITY

To be approved at a meeting held on February 2, 2026

WHEREAS, Palomar Health, is a California local healthcare district and political subdivision of the State of California organized pursuant to Division 23 of the California Health and Safety Code ("**Palomar**") and The Regents of the University of California, is a California constitutional corporation organized and existing under Article IX, Section 9 of the Constitution of the State of California, on behalf of the University of California, San Diego Health ("**UCSD Health**"). Palomar and UCSD Health may each be referred to herein as a "**Member**" and, collectively, as the "**Members**." Capitalized terms not otherwise defined herein shall have the meaning ascribed to such term in the JPA Agreement (as defined below);

WHEREAS, UCSD Health and Palomar, acting by and through their respective governing bodies, desired to advance Palomar's public health priorities and UCSD Health's public service and academic mission by: (i) stabilizing the availability of community hospital and other healthcare services to all residents of San Diego County, California and surrounding areas regardless of payor or funding source; (ii) supporting access to specialists, tertiary and quaternary care, and clinical trials; (iii) improving access to healthcare for the vulnerable populations served by Palomar through the strengthening of certain healthcare service lines for the benefit of the residents of San Diego County, California through an integrated health system; and (iv) identifying and adopting evidence-based clinical protocols and best practices and coordinating and advancing patient safety and quality improvement initiatives;

WHEREAS, in furtherance of the foregoing, the Members entered into that certain Joint Exercise of Powers Agreement dated October 31, 2025 (the "**JPA Agreement**") pursuant to the provisions of California Government Code Section 6500, *et. seq.*, (the "**JPA Act**") relating to the joint exercise of powers common to the Members, to, among other things: (i) create the Palomar UCSD Health Authority, a California joint powers authority established pursuant to the JPA Act (the "**Authority**"); (ii) provide for the administration and operation of the Authority and the Business (to the extent owned, used, or operated by the Authority); (iii) acquire, improve, and operate (to the extent owned, used, or licensed by the Authority) the Facilities and the other assets of the Authority, including, the Initial Assets and the Retained Assets (excluding the Excluded Assets), after such assets are contributed to the Authority (the "**Authority Assets**"); and (iv) operate the Hospitals and any other assets owned or used by the Authority;

WHEREAS, pursuant to the terms of the JPA Agreement, each Member has appointed their respective members to the governing board of the Authority (the "**Authority Board**");

WHEREAS, the JPA Agreement provides that the Authority Board will hold an organizational meeting for the purpose of taking such actions as may be necessary or appropriate to organize the Authority, including, without limitation, adopting and ratifying the Bylaws of the Authority ("**Bylaws**"), appointing the officers and the Chief Executive Officer of the Authority, approving certain documents and agreements to which the Authority is a party and authorizing the appropriate officers of the Authority to execute the same, and transacting such other business as may properly come before the Authority Board at the meeting; and

WHEREAS, the Authority Board desires to take all actions necessary and appropriate to organize and operationalize the Authority and to authorize the Officers and the Chief Executive Officer and their respective designees to commence operations.

NOW, THEREFORE:

I. APPROVAL AND RATIFICATION OF FORMATION AND GOVERNING DOCUMENTS, INCLUDING CLOSING AGREEMENT AND BYLAWS

RESOLVED, that the formation of the Authority and the execution and delivery of the JPA Agreement, together with any actions taken to date in connection therewith, including, without limitation the Members entering into that certain Closing Agreement dated October 31, 2025 and the other transactions contemplated by the Closing Agreement, are hereby approved, ratified, and confirmed in all respects;

FURTHER RESOLVED, that the Bylaws of the Authority, a copy of which is attached hereto as Exhibit A, are hereby adopted and approved; and

FURTHER RESOLVED, that all notices and documents filed or are required to be filed with the California Secretary of State and the State Controller in connection with the Authority's formation and operation are hereby ratified and approved, and the Officers and the Chief Executive Officer or their respective designees are hereby authorized and directed to prepare, execute, and file any additional documentation related thereto.

II. APPOINTMENT OF OFFICERS

RESOLVED, that the following named persons are hereby appointed to hold the offices set forth opposite their names until their successors are duly elected and qualified, with each having such duties and authority as are set forth in the JPA Agreement and the Bylaws and such additional duties as may be assigned by the Authority Board:

Officers	
Name	Office
	Chairperson of the Authority Board
	Vice-Chairperson of the Authority Board

III. APPOINTMENT OF CHIEF EXECUTIVE OFFICER

RESOLVED, that the Authority Board hereby appoints Diane Hansen to serve as the Chief Executive Officer of the Authority for the period prior to the Operational Date, having such duties and authority as are set forth in the JPA Agreement and the Bylaws and such additional duties as may be assigned by the Authority Board, with the understanding that, following the Operational Date, Ms. Hansen will no longer serve as the Chief Executive Officer of Palomar.

IV. APPOINTMENT OF CHIEF LEGAL OFFICER / OUTSIDE LEGAL COUNSEL / APPROVAL OF CONFLICT WAIVER

RESOLVED, that Authority Board hereby appoints Kevin DeBruin to serve, effective on the Operational Date, as the Chief Legal Officer of the Authority, having such duties and authority as are set forth in the JPA Agreement and the Bylaws and such additional duties as may be assigned by the Authority Board; and

FURTHER RESOLVED, that the Authority Board authorizes the retention of the law firm Best Best & Krieger LLP ("**BBK**") to serve in the capacity of outside legal counsel for the Authority until the Operational Date; and

FURTHER RESOLVED, that the Authority Board authorizes the Chairperson of the Board or Chief Executive Officer to execute the informed written consent in order for BBK to represent the Authority and UCSD.

V. OPEN MEETINGS AND PUBLIC RECORDS

RESOLVED, that the Authority shall comply with all open meeting and public records laws that are applicable to the Authority and its operations; and

FURTHER RESOLVED, that the Authority Board directs that the Chief Executive Officer or her designee conduct training on the Brown Act to the Authority Board, Chief Executive Officer, and such other individuals as the Authority leadership team determines are appropriate.

VI. HEALTHCARE OPERATIONS AUTHORITY

RESOLVED, that the Officers and Chief Executive Officer and their respective designees are hereby authorized to pursue and maintain all licenses, permits, accreditations, and payor enrollments necessary to operate healthcare facilities and services.

VII. OTHER ORGANIZATIONAL ACTIONS

RESOLVED, that the official address of the Authority shall be 2125 Citracado Pkwy., Suite 300, Escondido, California 92029;

FURTHER RESOLVED, that the Officers and Chief Executive Officer are each hereby deemed to be an authorized signatory of the Authority and may negotiate, execute and deliver agreements and instruments in the name and on behalf of the Authority, subject to any limitations set forth in the JPA Agreement and the Bylaws;

FURTHER RESOLVED, that the Authority Board authorizes the Officers and the Chief Executive Officer, in consultation with BBK, to hereafter finalize the provisions of amended and restated articles of incorporation and bylaws (or like governing documents) of each subsidiary or joint venture partner of Palomar, which will include, among other things, naming the Authority as a corporate member or shareholder of each such subsidiary or joint venture partner, and any authorized signatory of the Authority is hereby authorized, empowered, and directed to execute and deliver such amended and restated articles of incorporation and bylaws (or like governing documents) for and on behalf of the Authority, and approves and authorizes, without the need for further action by the Authority Board, the adoption of such amended and restated articles of incorporation and bylaws (or like governing documents) on behalf of the Authority;

FURTHER RESOLVED, that the Chief Executive Officer and the Officers are each hereby authorized, empowered, and directed to do and perform all such acts and things as they may reasonably deem to be necessary or advisable, or convenient and proper, to operationalize the Authority;

FURTHER RESOLVED, that any prior actions taken reasonably and in good faith by the Members or their designees in connection with, and in furtherance of, the JPA Agreement and the transactions contemplated thereby before the date hereof are hereby ratified and approved; and

FURTHER RESOLVED, that the Chief Executive Officer and the Officers are each hereby authorized, empowered, and directed to do and perform all other acts and things that may be necessary or advisable, or convenient and proper, to carry out the intent of the foregoing resolutions.

PASSED AND ADOPTED by the meeting of the Board of Directors of Palomar UCSD Health Authority held on February 2, 2026, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

DATED: February 2, 2026

APPROVED:	**ATTESTED:**
_____Board Chair Board of Directors Palomar UCSD Health Authority	_____, Vice-Chair Board of Directors Palomar UCSD Health Authority

EXHIBIT A

BYLAWS

(See Attached)

BYLAWS

OF

PALOMAR UCSD HEALTH AUTHORITY

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PREAMBLE

In accordance with the Joint Exercise of Powers Act of the State of California, being California Government Code Sections 6500-6599, inclusive, as the same may be supplemented, amended, and/or restated (the "**JPA Act**"), the Palomar UCSD Health Authority (the "**Authority**") was established by its Members (as defined herein) pursuant to a Joint Powers Agreement (the "**JPA Agreement**") dated October [__], 2025 by and between Palomar Health, a California local healthcare district and political subdivision of the State of California organized pursuant to Division 23 of the California Health and Safety Code ("**Palomar**") and The Regents of the University of California, a California constitutional corporation organized and existing under Article IX, Section 9 of the Constitution of the State of California, on behalf of the University of California, San Diego Health ("**UCSD Health**") for the purposes set forth in the JPA Agreement and these Bylaws. If there is a conflict between any provision of these Bylaws and any provision of the JPA Agreement, the provision in the JPA Agreement shall govern.

ARTICLE I
DEFINITIONS

Section 1. Definitions.

(a) Unless otherwise specifically defined herein, the capitalized terms used in these Bylaws and not otherwise defined herein shall have the meanings ascribed to them in the JPA Agreement.

(b) As used in these Bylaws, and unless the context requires otherwise:

(1) Accounting terms not defined in these Bylaws, and accounting terms partly defined to the extent not defined, will have the respective meanings given to them under U.S. generally accepted accounting principles, as established by the Governmental Accounting Standards Board, as consistently applied.

(2) The word "herein" and words of similar import when used in these Bylaws refer to these Bylaws as a whole and not to any particular provision of these Bylaws, and section, subsection and exhibit references are to these Bylaws unless otherwise specified.

(3) The word "including" and words of similar import when used in these Bylaws, means including without limitation, unless otherwise specified in these Bylaws.

(4) Words of the masculine gender include the feminine or neuter genders, and vice versa, where applicable. Words of the singular number include the plural number, and vice versa, where applicable.

(5) A reference to any Law is a reference to that Law as amended, consolidated, supplemented, or replaced from time to time and all rules and regulations promulgated thereunder.

(6) References to the "Brown Act" shall mean the Ralph M. Brown Act, California Government Code § 54950 *et seq*. and, as applicable, California Health and Safety Code §§ 32106 and 32155.

(7) Unless otherwise indicated, references to time are references to Pacific Time.

(8) The Exhibits are incorporated and made a part of these Bylaws and are an integral part hereof.

ARTICLE II
NAME

The name of the Authority shall be Palomar UCSD Health Authority.

ARTICLE III
PURPOSES AND POWERS

Section 1. Purposes. The purposes of the Authority are to: (i) provide for the administration and operation of the Authority and the Business (to the extent owned, used, or operated by the Authority); (ii) acquire, improve, and operate (to the extent owned, used, or licensed by the Authority) the Facilities and the other Authority Assets; (iii) operate the Hospitals and any other assets owned or used by the Authority; and (iv) to do and engage in any and all lawful activities that may be incidental to or reasonably necessary to any of the foregoing purposes and to have and exercise all other powers and authority now or hereafter conferred under the laws of the State of California.

Section 2. General Powers. The Authority will have and may exercise the powers permitted under applicable Law and all powers necessary to accomplish the purposes of these Bylaws, including such powers as are set forth in the JPA Agreement and these Bylaws.

Section 3. Specific Powers. In addition to the general powers set forth in **Section 2** of this **Article III**, the Authority will have the powers under applicable Law that are necessary for the use, operation, and maintenance of the Facilities and the Business (in each case, to the extent owned, used, or operated by the Authority) and any other powers authorized by the JPA Act, including the power to: (i) acquire, use, or operate all or a portion of the Facilities (including pursuant to the Use Agreement and the Employee Leasing Agreement), and to apply for and maintain related licenses, accreditations, permits, certifications, and other authorizations for the Facilities (to the extent owned, used, or operated by the Authority); (ii) establish and maintain an independent medical staff for each Hospital and the other applicable Facilities; (iii) participate in Medicare, Medi-Cal, and other Government Programs as a provider or supplier, and contract with commercial payors; (iv) take any actions necessary to contribute to, qualify for, earn, and/or distribute supplemental payments or fees associated with the Authority's participation in and treatment of beneficiaries eligible for Medicare, Medi-Cal and other Government Programs; (v)

issue and incur debt, pledge assets, and guarantee obligations; (vi) sue and be sued in its own name; (vii) lease, acquire, construct, manage, maintain, or operate any building, works, or improvements, or related real property; (viii) acquire, hold, or dispose of property; (ix) adopt rules and regulations for the conduct of the day-to-day operations of the Authority; and (x) exercise any and all powers which are provided for in the JPA Act.

ARTICLE IV
OFFICES

Section 1. Principal Office. The principal office of the Authority in the State of California shall be located in San Diego, California.

Section 2. Other Offices. The Authority may have such other offices, either within or without San Diego, California, as the Authority Board of the Authority may determine or as the affairs of the Authority may from time to time require.

ARTICLE V
DISSOLUTION

Dissolution of the Authority shall be conducted, in all respects, in accordance with the terms of the JPA Agreement.

ARTICLE VI
MEMBERS

Section 1. Members. Palomar and UCSD Health (each, a "**Member**" and, collectively, the "**Members**") shall be the only Members of the Authority.

Section 2. Meetings of the Members and Voting.

(a) There shall be an annual meeting of the Members which shall be held immediately following the meeting of the Authority Board to be held in April of each calendar year. In addition, at any time during the calendar year, either Member may call a special meeting of the Members, which meeting shall occur within ten (10) days after the date of such Member's request for a special meeting.

(b) Each Member shall designate one (1) individual to serve as a primary Member representative at meetings of the Members (a "**Member Representative**") and may designate one (1) individual to serve as an alternative Member Representative. Within ten (10) days after the adoption of these Bylaws, each Member shall provide to the other Member and the Board Chair a written statement naming the Member Representative (primary and, if desired, alternate) of such Member. The Member may change the Member Representative from time to time by notifying the other Member and the Board Chair in writing.

(c) Meetings of the Members shall be held in San Diego, California, unless the Members agree to a different location.

(d) Notice of any meeting shall be given at least five (5) days previous thereto by written notice to each Member. Such notice shall state the purpose or purposes for which the meeting is called. The attendance of a Member Representative at any meeting shall constitute a waiver of notice of such meeting, except where a Member Representative attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

(e) At any meeting of the Members, a quorum for the transaction of business shall consist of at least one (1) Member Representatives for both Members. Except as otherwise set forth in these Bylaws, all determinations, decisions, approvals, and actions on which the Members are entitled to vote as provided under these Bylaws or required under the JPA Act, shall be determined, made, approved, or authorized by the affirmative vote of all the Members present at a meeting at which a quorum is present.

(f) Notwithstanding anything to the contrary in these Bylaws, and except as may be otherwise required by applicable Law, any action that may be taken at a meeting of the Members may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Members. Member actions under these Bylaws may be taken by unanimous written consent of the Members, provided such action does not constitute action by or on behalf of the Authority Board and does not violate the Brown Act.

(g) Members may participate in and hold a meeting of the Members by means of a video conference or telephone or similar communications equipment by means of which all persons participating in the meeting can speak to and hear each other, and participation in the meeting shall constitute attendance and presence in person at the meeting, except where a Member participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 3. Member Voting Rights. Members shall have the right to vote, in accordance with the provisions of **Section 3** of this **Article VI**, on those matters which are required to be submitted to the Members for approval under other provisions of these Bylaws, the JPA Agreement or any Authority Document. Notwithstanding anything in these Bylaws to the contrary, the Authority may not take any of the following actions except upon the affirmative vote of all of the Members:

(a) approving the dissolution or liquidation of the Authority;

(b) the merger, consolidation or reorganization of the Authority;

(c) the sale, exchange, lease or other disposition of all or substantially all of the assets of the Authority, whether in a single transaction or in a series of related transactions;

(d) any amendment to, or repeal or restatement of these Bylaws;

(e) any transaction which results in any liens, security interests or other encumbrances upon or with respect to any of the Authority's assets, other than in the ordinary course of business;

(f) any conversion of the Authority to another legal form of entity; and

(g) any amendments to any of the Authority Documents;

(h) any actions specified in (a)-(g) above with respect to any Affiliate of the Authority.

Section 4. UCSD Health Reserve Powers. Notwithstanding any other provision of these Bylaws, the JPA Agreement, any Authority Document, or any other agreement or instrument, UCSD Health will have the sole and exclusive right acting by and through its Chief Executive Officer (except as otherwise provided in this **Article VISection 4** or such other Person as she or he may designate), to take any of the actions set forth in this **Article VISection 4** on behalf of the Authority (each a "**UCSD Health Reserve Power**" and collectively, the "**UCSD Health Reserve Powers**"), and, with respect to each UCSD Reserve Power, the Members, the Authority Board and the Executive Management Team shall each take all actions necessary or desirable to effect each such UCSD Health Reserve Power:

(a) at any time, and without any requirement for further action or approval of the Authority Board, Palomar, the Executive Management Team or any other officer, director or agent of the Authority, remove and replace, and take any action to effect the removal and replacement of, the Chief Transformation and Integration Officer of the Authority;

(b) from the period commencing on the Effective Date and until the later of the date that definitive agreements are executed to effect the transfer and contribution of the Retained Assets to the Authority pursuant to the terms of Retained Asset Contribution Agreement (the "**Interim Period**") or three (3) years from the Effective Date, upon (x) consultation with the Palomar Board of Directors and (y) approval of the Authority Board, take any action with respect to the termination or removal of the Chief Executive Officer of the Authority;

(c) from and after the Interim Period, following consultation with (and not approval from) both the Palomar Board of Directors and the Authority Board, remove, and take any action to effect the removal of, the Chief Executive Officer of the Authority;

(d) any decision to renew or not renew the term (including the initial Term and any Renewal Term, each as defined in the Use Agreement) of the Use Agreement, without any requirement for further action or approval of the Authority Board, Palomar, the Executive Management Team or any other officer, director or agent of the Authority;

(e) any decision or action to cease participation of the Authority or any Affiliate, including the Hospitals, in any health care program paid for, in whole or in material part, by any Governmental Authority;

(f) establish or change the Authority's name or adopt or amend the Authority's marketing/branding guidelines; and

(g) at any time, and without any requirement for further action or approval of the Authority Board, Palomar, Executive Management Team or any other officer, or agent of the Authority, take any action to prohibit the Authority from filing a petition seeking relief under the U.S. Bankruptcy Code (and neither the Authority Board, Palomar, Executive Management Team nor any other officer, or agent of the Authority shall take any such action without first obtaining UCSD Health's written consent).

Notwithstanding anything herein to the contrary, the replacement of the Chief Executive Officer (following such officer's resignation, death, or removal) shall be appointed and approved by the Authority Board.

ARTICLE VII
BOARD OF DIRECTORS

Section 1. General Powers. Except as otherwise provided in these Bylaws, the business, property, affairs and funds of the Authority shall be managed, supervised and controlled by the Authority Board in accordance with the terms of the JPA Agreement, these Bylaws, all applicable policies and procedures of the Authority and all applicable Laws. Except as otherwise provided in these Bylaws, including **Section 3** and **Section 4** of **Article VI**, and the terms of the JPA Agreement, the Authority Board shall have full power and authority to do and perform any and all acts and functions that are not inconsistent with the Laws governing the operations of the Authority or these Bylaws. To facilitate the management and conduct of the Authority's activities and affairs, the Authority Board shall establish corporate policies for, and formulate the basic rules and regulations governing, the operation and management of the Authority. The Authority Board may, to the extent permitted by these Bylaws and applicable Law, delegate the management and conduct of the Authority's activities and affairs to any person or persons or committee however composed; provided that no such delegation of authority by the Authority Board precludes the Authority Board from exercising the authority required to fulfill its responsibility to manage, supervise and control the Authority's activities and affairs. At its initial organizational meeting, the Authority Board shall adopt and periodically review a Delegation of Authority Policy ("**Delegation of Authority Policy**") that defines the limits of authority for the Chief Executive Officer and Executive Management Team including with respect to expenditures, contracts, personnel actions, capital commitments, litigation and settlements. The Chief Executive Officer and Executive Management Team shall comply with the Delegation of Authority Policy, and any actions exceeding delegated limits shall require the prior approval of the Authority Board. Notwithstanding anything contained in the Delegation of Authority Policy, the Authority Board shall retain the right to rescind any delegation rights at any time.

Section 2. Actions Requiring Majority Vote of the Authority Board. Other than the actions subject to the approval of the Members, the UCSD Health Reserve Powers or actions requiring a Supermajority Vote, a simple majority vote by the Representatives is required to take an action by the Authority Board; provided, however, that all actions of the Authority Board shall require the affirmative vote of at least one UCSD Health Representative and one Palomar Representative. Subject to the terms of these Bylaws, including all matters requiring a

Supermajority Vote and **Section 3** and **Section 4** of **Article VI**, and the JPA Agreement, the approval of a majority of the Representatives shall be required to take the following actions:

(a) to the extent not included in the Annual Budget, approving any payments toward the Authority's incurred debt;

(b) to the extent not included in the Annual Budget, approving any action that involves making any expenditure involving payment by the Authority of at least $2,000,000 that is related to the operation and maintenance of the Facilities (to the extent owned, used, or operated by the Authority);

(c) to the extent not included in the Annual Budget, approving any action that involves making any capital expenditure or expenditure involving payment by the Authority of at least $2,000,000 that is related to improvements, expansion or other construction projects that are necessary for the operation of the Facilities (to the extent owned, used, or operated by the Authority);

(d) to the extent not included in the Annual Budget, approving any action that involves making any expenditure involving payment by the Authority of at least $2,000,000 that is related to the construction and/or acquisition of any other facilities or improvements to accomplish the purposes for which the Authority has been formed;

(e) approving any action reserved to the Authority as a member, shareholder or partner of any Affiliate of the Authority, except for such matters reserved to the Members under **Article VISection 3(g)** of **Article VI** of these Bylaws;

(f) approving any matters requiring the majority approval of the Authority Board under the JPA Agreement or any Authority Document;

(g) causing the Authority to engage in any business other than for the purposes set forth in these Bylaws;

(h) approving any services agreement, management agreement, lease or other agreement between the Authority or any Affiliate and any third party, and any amendments or renewals thereto or termination thereof or enforcement of the Authority's rights thereunder, that involves making any expenditure involving payment by the Authority of at least $2,000,000, unless such lease, services agreement, management agreement, lease or other agreement or expenditure was provided for in an approved Annual Budget;

(i) confessing a judgment against the Authority or any Affiliate;

(j) approving the removal and replacement of the Chief Executive Officer of the Authority during the Interim Period, as provided in **Article VISection 4** of **Article VI**;

(k) approving any change to the compensation of the Chief Executive Officer of the Authority (outside of the compensation terms contained in her or his employment agreement);

(l) the appointment of the Chief Executive Officer;

(m) approving the credentials for the Chief of Staff of the Medical Staff; and

(n) the approval of the Strategic Plan of the Authority;

(o) the approval of the Annual Budget, including annual operating and capital budgets, and, as applicable, the annual budget of any Facility owned or operated by the Authority in accordance with the budgeting process set forth in Section 6.2 of the JPA Agreement;

(p) approving any action that may affect the status of, or rights under, any license issued to the Hospitals by any Governmental Authority, including the consolidation, combination, or integration of the Hospitals' licenses.

(q) approving the sale of any real property assets of the Authority exceeding Two Million Dollars ($2,000,000) in value;

(r) approving any joint venture, merger, acquisition, disposition, dissolution, sale of assets, affiliation, or other transaction or strategic arrangement involving the Authority or any Facility or Affiliate owned or controlled by the Authority;

(s) establishing any standing committee or other special or ad hoc committees, including defining the purposes and scope of responsibility for each such committee and appointing the chair and members of each such committee;

(t) creating any new officer positions for the Authority, including defining the duties and responsibilities of each officer position and appointing individuals to serve in such officer positions;

(u) creating, acquiring, capitalizing or otherwise owning or holding any subsidiary or Affiliate of the Authority; and

(v) adopting and amending the Delegation of Authority Policy and any other policies that require the approval of the Authority Board.

Section 3. Actions Requiring a Supermajority Vote. The following items, and any other items identified in these Bylaws or the JPA Agreement as requiring the Supermajority Vote (as defined below) of the Authority Board, will require the affirmative vote of five (5) of the six (6) Representatives, which shall include at least one (1) Palomar Representative and at least one (1) UCSD Health Representative ("**Supermajority Vote**"):

(a) any voluntary dissolution not arising from an Event of Default or not otherwise subject to the UCSD Health Reserve Powers;

(b) any amendment, modification or repeal of the bylaws or other governing documents of the Hospitals or any Affiliate of the Authority;

(c) subject to the UCSD Health Reserve Powers, approving the filing of a petition seeking relief under any chapter of the U.S. Bankruptcy Code, including but not limited to chapter 9 or chapter 11, or initiating or participating in an insolvency, receivership or similar proceeding affecting creditors' rights, including but not limited to initiating or participating in a neutral evaluation process, giving notice of or scheduling a public hearing on its fiscal condition, finding it is unable to pay its obligations as they come due or within the next sixty (60) days, or declaring a fiscal emergency (subject to the terms of the JPA Agreement);

(d) approval of any agreement that (i) constitutes a guarantee, indemnity, or assumption of liability for obligations of any third party; or (ii) grants exclusivity rights or imposes exclusivity restrictions upon the Authority or any Facilities or any of their respective assets that are material to operations;

(e) incurrence of any indebtedness in excess of Two Million Dollars ($2,000,000), individually or in the aggregate, that are not provided for in the Annual Budget;

(f) any determination and approval of the District Operations Allowance (as defined in the Tax Contribution Agreement); and

(g) except as contemplated by **Section 12** of this **Article VII**, entering into any Related Party Transaction or terminating or modifying the terms of any Related Party Transaction in any material respect, including approving any material increases in the compensation of any employee leased by the Authority pursuant to the Employee Leasing Agreement.

Section 4. Manner of Acting.

(a) In all matters to be considered by the Authority Board, each Representative shall be entitled to one (1) vote on each matter submitted to a vote of the Authority Board. Subject to any notice of meeting requirements in these Bylaws or under applicable Law, one or more Representatives of the Authority may participate in and hold a meeting of such Representatives by means of video or telephone conference or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at the meeting including the counting of Representatives for the purpose of determining a quorum. Proxies shall not be permitted; a Representative must be present at a meeting to vote. The affirmative vote of a majority of the voting Representatives present at a meeting at which a quorum is present which shall include at least two (2) Palomar Representatives and at least two (2) UCSD Health Representative, shall be the act of the Authority Board, unless the act of a greater number is required by applicable Law or these Bylaws. No action by the Authority Board may be taken outside a duly noticed public meeting in compliance with the Brown Act. Action by unanimous written consent of the Authority Board is not permitted.

(b) Each Representative shall have fiduciary duties to the Authority and perform the Representative's duties as a member of the Authority Board in good faith, in

a manner the Representative reasonably believes to be in the best interests of the Authority, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 5. Qualification Requirements for Representatives. Persons who demonstrate, and maintain at all times while such person is a Representative, the following qualifications may become and remain as Representatives of the initial Authority Board or to succeed or replace one of the initial Representatives:

(a) Demonstrates the willingness, ability, circumstances, and moral character sufficient to allow the person to fulfill the duties described in these Bylaws or required by applicable Law.

(b) Is free from such conflicts of interest that would impede, impair, or interfere with the person's ability to effectively fulfill the duties described in these Bylaws or required by applicable Law.

(c) Is a person that is broadly representative of the public served by the Authority and is not an elected official or a member of the governing board of either UCSD Health or Palomar.

(d) Possesses knowledge and understanding of health care and hospital operations.

(e) Acts in the best interest of the Authority, including complying with the fiduciary duties set forth in **Article VIISection 4(b)** of **Article VII**, and its patients and has not taken any action or inaction that jeopardizes, or reasonably could be expected to jeopardize, the Authority or the purposes for which the Authority was formed, or the licensure or accreditation of any business or operations owned, used or operated by the Authority, or that may otherwise adversely affect the Authority or result in or reasonably be expected to result in reputational harm to the Authority.

(f) Has not been disciplined, sanctioned, reprimanded or censured by a reputable organization as determined by a majority of the Authority Board, or found guilty of, any unprofessional, unethical or unlawful conduct, including, but not limited to, any act of fraud, embezzlement, theft, willful misconduct, dishonesty or gross negligence, or is convicted, or enters a plea of guilty or no contest to, any felony or serious misdemeanor.

(g) Have not conducted themselves in an inappropriate manner with the office or professional staff or patients of the Authority or its Members and other Representatives, including harassment, discrimination, assault or conduct that is sexual in nature, or engages in misconduct or disruptive behavior which the Authority Board reasonably determines could result in reputational harm to the Authority or its Members or otherwise adversely affect the Authority or any business or operations owned, used or operated by the Authority, or violates applicable Law.

Section 6. Number, Tenure, Appointment, and Vacancies.

(a) Number of Representatives. The Authority will be governed by a board of six (6) members (the "**Authority Board**"). The Authority Board will be composed of three (3) representatives appointed by Palomar (collectively, the "**Palomar Representatives**" and individually a "**Palomar Representative**") and three (3) representatives appointed by UCSD Health (collectively, the "**UCSD Health Representatives**" and individually a "**UCSD Health Representative**"). Each Palomar Representative and UCSD Health Representative shall be referred to as a "**Representative**," and the Palomar Representatives and the UCSD Health Representatives may, collectively, be referred to as the "**Representatives**." Except as otherwise provided in these Bylaws, the Palomar Representatives will be appointed by and serve at the pleasure of Palomar, and the UCSD Health Representatives will be appointed by and serve at the pleasure of UCSD Health. The Chief Executive Officer of UCSD Health, the Chief Executive Officer of the Authority and the Chief Medical Officer of the Authority will serve as *ex officio*, non-voting members of the Authority Board. The initial Representatives comprising the Authority Board shall be appointed by the Members (for the initial term determined by the Members) at the initial meeting of the Members to be held as soon as practicable after the Effective Date.

(b) Term. The initial voting members of the Authority Board shall be appointed to staggered terms as follows: one (1) Palomar Representative and one (1) UCSD Health Representative shall each serve a one (1) year term; one (1) Palomar Representative and one (1) UCSD Health Representative shall each serve a two (2) year term; and one (1) Palomar Representative and one (1) UCSD Health Representative shall each serve a three (3) year term. Following the expiration of the initial staggered terms, each Representative shall be appointed to serve an additional term of three (3) years. Representatives may serve up to two (2) consecutive full terms of three (3) years each and, thereafter, may be eligible for appointment to the Authority Board after a one (1) year absence from the Authority Board. Each Representative, including a Representative appointed to fill a vacancy, shall hold office until the expiration of his or her term and until the appointment and qualification of a successor, or until earlier death, resignation, or removal in accordance with these Bylaws and applicable Law. Each Representative, including a Representative elected to fill a vacancy, shall hold office until the expiration of the term for which he or she was elected and until the election and qualification of a successor, or until that Representative's earlier death, resignation or removal in accordance with these Bylaws and/or applicable Law.

(c) Removal of Representatives. Any Representative may be removed at any time, with or without cause, by the Member who designated such Representative in accordance with **Article VIISection 6(a)** of this **Article VII**; provided, however, that UCSD Health or Palomar shall have the right to remove the other Party's designated Representatives if either determines in good-faith that such Representative fails to satisfy the qualifications set forth in **Section 5** of this **Article VII**. In connection with the removal of any Representative for failure to satisfy the qualifications set forth herein, such Representative shall be provided with written notice setting forth the reasons for removal no less than fifteen (15) days prior to the effective date of his or her removal. Such Representative shall have the right to be heard, orally or in writing, by the Members and the Authority Board not less than five (5) days before the effective date of their removal.

(d) Resignation by Representatives. Any Representative may resign from the Authority Board at any time by giving written notice to the Board Chair. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date of receipt or at the time specified in such notice.

(e) Vacancies and Appointment of Successors. A vacancy shall be declared in any seat on the Authority Board upon the death, removal, or resignation of the occupant thereof, or upon the disability of the occupant rendering him permanently incapable of participating in the management and affairs of the Authority. Except as otherwise provided herein, in the event of a vacancy and upon the expiration of a Representative's term of office, the successor to a Representative shall be appointed by the Member who appointed such Representative.

Section 7. Regular Meetings. An annual meeting of the Authority Board shall be held in April of each calendar year, at such time and place as may be designated by resolution of the Authority Board for the purpose of electing officers and transacting such other business as may properly come before the meeting. In addition to the annual meeting, regular meetings of the Authority Board shall be held at such time and place as may be designated from time to time by resolution of the Authority Board. All meetings of the Authority Board shall be called, held, and conducted in accordance with the Brown Act, these Bylaws and any rules of proceedings that may be adopted by the Authority Board. Except as otherwise provided or permitted by applicable Law, all meetings of the Authority Board shall be open and public.

Section 8. Notice of Regular Meetings. Notice, including the meeting's agenda, must be provided in accordance with Government Code section 54954.2(a)(1) at least 72 hours prior to the beginning of a regular meeting.

(a) The 72-hour requirement can be waived, and items can be added to regular meetings if any of the following criteria are met:

(1) During the meeting, a majority of the Authority Board determines that there is an emergency as defined by Government Code section 54956.5 which would give rise to the ability to call an emergency meeting as described below;

(2) If at least two-thirds of the Authority Board members are present, and by a vote of at least two-thirds of those Representatives present, the Authority Board determines there is a need to take immediate action, and the need for action came to the attention of the Authority after the agenda was posted;

(3) If less than two-thirds of the Representatives are present, and by a unanimous vote of those Representatives present, the Authority Board determines there is a need to take immediate action, and the need for action came to the attention of the Authority after the agenda was posted; or

(4) The item was posted for a prior meeting occurring not more than five (5) calendar days prior to the date action is taken on the item and at the prior meeting the item was continued to the meeting at which action is being taken, as allowed by Government Code section 54954.2.

Section 9. Special Meetings. Special meetings of the Authority Board may be called for any purpose at any time by the Board Chair or by at least three (3) Representatives by delivering at least 24 hours' written notice as required by Government Code section 54956. Written notice of a special board meeting may be dispensed with as to any Representative who, at or prior to the time the meeting convenes, files with the Board Chair a written waiver of notice. Such written notice may also be dispensed with as to any Representative who is actually present at the meeting at the time it convenes except where a Representative attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 10. Quorum. At least two (2) of the Palomar Representatives and two (2) of the UCSD Health Representatives shall constitute a quorum for the transaction of business at any meeting of the Authority Board. If less than a quorum is present at any meeting of the Authority Board, a majority of the voting Representatives present may adjourn the meeting from time to time without further notice.

Section 11. Conduct of Business.

(a) Open Meetings. Meetings of the Authority Board are open to the public, except as otherwise provided in applicable Law, including but not limited to the Brown Act. Members of the public must be afforded an opportunity to provide input to the Authority's processes and Authority Board meetings to the extent permitted under applicable Law, including but not limited to the Brown Act as well as any applicable Authority policies. In conformity with applicable Law, the Authority does not require public comments to be submitted in advance of the meeting and shall provide an opportunity for the public to address the Authority Board for a set, timed, public comment period, and will not close public comment until the assigned comment period has elapsed. Notwithstanding the foregoing, in the event that the time allotted to public comment has not elapsed, but there are no other registered public comments, the Authority Board may proceed to other business, provided that the registration period for public comment remains open for the fully allotted time. Should a person register a comment after the Authority Board has proceeded to other business but before the expiration of the time for public comment, the Authority Board must immediately permit the public comment, only after which it may continue the business to which it proceeded. A registered comment received after the fully allotted time for public comment has elapsed is untimely and may be submitted at the next scheduled session at the election of the person submitting the registration for public comment, such election to be noted in the submitted registration for public comment.

(b) Chairperson Presides. At all meetings of the Authority Board, the Board Chair shall preside, and in the absence of the Board Chair, a chairperson shall be chosen by the Authority Board from among the Representatives present. The Board Chair may appoint any person to act as secretary of the meeting.

(c) Closed Sessions; Attorney-Client Privilege. The Authority Board may convene closed sessions consistent with the Brown Act and applicable Law to confer with the Chief Legal Officer and outside counsel on matters protected by attorney-client privilege, litigation strategy, claims, or other privileged topics. The Chief Legal Officer

shall advise the Authority Board on the scope and preservation of attorney-client privilege and work product protection.

Section 12. Related Party Transactions.

(a) Except as otherwise provided in these Bylaws, the Authority may not enter into any Related Party Transaction unless such Related Party Transaction has been approved in accordance with these Bylaws. For purposes of these Bylaws, "**Related Party Transaction**" means any lease, contract, agreement, or other transaction or arrangement involving payments or remuneration between the Authority or any of its Affiliates, on the one hand, and any Member, Representative or officer of the Authority, or any Affiliate of any such Person, on the other hand. Notwithstanding the foregoing, as contemplated by the JPA Agreement, on or around the date these Bylaws are effectuated, the Authority entered into the agreements listed on Exhibit A attached hereto, all of which constitute Related Party Transactions and are approved by the Members. The Chief Legal Officer shall advise the Authority Board on the identification, evaluation, and management of any conflicts arising under this Section and shall recuse from any matter as necessary to comply with applicable Law and ethical obligations.

(b) Notwithstanding anything to the contrary in these Bylaws, in the event of any actual or potential dispute between the Authority and any Member or any Affiliate of a Member relating to any Related Party Transaction, the Member that is involved (or whose Affiliate is involved) in the Related Party Transaction ("**Conflicted Member**") and the Representatives appointed by such Conflicted Member may not participate in any vote, approval, or decision with respect to such dispute, and the non-conflicted Member ("**Disinterested Member**") and the Representatives appointed by such Disinterested Member will have, notwithstanding any other provision of these Bylaws, the sole and exclusive right, power, and authority to initiate, prosecute, and defend, in the name and on behalf of the Authority or its Affiliates, as applicable, any claim, suit, proceeding, or other legal action that the Authority or its Affiliates has or may have against such Conflicted Member or Affiliate of such Conflicted Member. For the purposes of any action or decisions requiring the approval, vote, or consent of the Authority Board or Members with respect to any such dispute, claim, suit, proceeding, or other legal action, the affirmative approval, vote, or consent of the Representatives appointed by the Disinterested Member, will be sufficient to approve any such action or decision.

Section 13. Material Deadlock. In the event that the Authority Board is unable, after commercially reasonable efforts in good faith and at least two (2) duly held meetings of the Authority Board, to approve or disapprove any proposed action requiring approval of the Authority Board under these Bylaws that, as a result of the deadlock with respect to such proposed action, has had or could reasonably be expected to have a material adverse effect on (i) the furtherance of the mission or the achievement of the purposes of the Authority, (ii) the financial performance of the Authority, (iii) the operations of the Facilities, or (iv) the quality of services rendered by the Facilities (each, a "**Material Deadlock**"), the Authority shall first attempt to resolve such Material Deadlock by submitting the matter to the most senior member of management of each Member for discussion and resolution. In the event they are unable to resolve such Material Deadlock within fifteen (15) business days after submission of the matter to them, then the Material Deadlock shall

be submitted to the Chief Executive Officer of UCSD Health and the Board Chair of Palomar for discussion and resolution (such Chief Executive Officer and Board Chair, the "**Senior Executives**"). In the event the Senior Executives are unable to resolve such Material Deadlock, then the Authority shall not take the action with respect to the matter over which the Authority Board is deadlocked until such Senior Executives have come to a resolution on such Material Deadlock, provided that if such if such Senior Executives are unable to resolve such Material Deadlock within fifteen (15) business days of submission of the deadlock to such Senior Executives, then the Parties agree to first attempt in good faith to resolve the dispute through non-binding mediation before initiating any action or proceeding. The mediation shall be conducted in San Diego County, California, administered by the American Health Law Association, and shall commence within thirty (30) days following a written demand for mediation by either Party. Each Party shall bear its own costs and expenses of the mediation and shall share the mediator's fees and any mediation costs equally. If the dispute is not resolved through mediation within sixty (60) days after commencement, either Party may pursue any action or proceeding relating in any way to such Material Deadlock or the obligations hereunder in the competent courts of San Diego, California, or such other forum as the Parties may agree, and the Parties consent to the exclusive jurisdiction of such courts in respect to such action or proceeding.

Section 14. Compensation. Persons serving on the Authority Board shall not receive any compensation for their services as Representatives except that such persons may receive reimbursement for reasonable expenses incurred in their capacity as Representatives and approved by the Authority. Notwithstanding the foregoing, nothing contained herein shall be construed to preclude any Representative from serving the Authority in any other capacity and receiving compensation therefor.

ARTICLE VIII
OFFICERS AND EXECUTIVE MANAGEMENT TEAM

Section 1. Officers of the Authority. The officers of the Authority shall be a Chairperson of the Authority Board (the "**Board Chair**"), a Vice-Chairperson of the Authority Board (the "**Vice-Chair**"), and the Authority Board may appoint such other officers of the Authority as it deems desirable, such officers to have the authority and perform the duties prescribed from time to time by the Authority Board.

(a) Board Chair. The Board Chair shall at all times be a serving Representative. In general, he or she, along with the Chief Executive Officer of UCSD Health, shall advise and counsel the Chief Executive Officer, perform all duties incident to the office of the Board Chair and perform such other duties as may be prescribed by the Authority Board from time to time. The Board Chair shall preside at all meetings of the Authority Board and shall recommend to the Authority Board for approval the chairs for each of the Committees of the Authority Board and the Board Chair or his or her designee shall be an *ex officio* member of all such Committees.

(b) Vice-Chair. The duties and responsibilities of the Vice-Chair shall include acting as Board Chair in the absence of the Board Chair and, when so acting, having the power and authority of the Board Chair. The Vice-Chair shall also perform such other duties as the Board Chair may assign.

Section 2. Appointment and Term of Office. Upon the effective date of these Bylaws, Palomar shall appoint the initial Board Chair, and UCSD Health shall appoint the initial Vice Chair. For a period of five (5) years following the effective date of these Bylaws (the "**Rotation Period**"), the offices of Board Chair and Vice Chair shall alternate annually between individuals designated by UCSD Health and Palomar. At the conclusion of each one-year term, the Member that previously appointed the Board Chair shall appoint the Vice Chair for the succeeding term, and the Member that previously appointed the Vice Chair shall appoint the Board Chair for the succeeding term. Each Board Chair and Vice Chair shall serve for a one (1) year term, unless earlier removed or replaced by the Authority Board. Following expiration of the Rotation Period, the appointment of the Board Chair and Vice Chair shall be made by the Authority Board. New offices may be created and filled at any meeting of the Authority Board. The newly appointed officers shall take office effective as of the date determined by the Authority Board. Each officer shall hold the office for the term which such officer is appointed or until such officer's successor shall have been appointed, and qualified or until such officer's earlier death, resignation or removal.

Section 3. Removal. Any officer appointed by the Authority Board may be removed by the Authority Board whenever in its judgment the best interests of the Authority would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Such removal may be accomplished by a majority vote of the Authority Board. Appointment of an officer shall not of itself create contract rights.

Section 4. Resignation. Any officer appointed by the Authority Board may resign at any time by delivering written notice to the Board Chair or Vice Chair. The resignation shall be effective upon receipt unless a later effective date is specified. Acceptance of the resignation shall not be required to make it effective.

Section 5. Vacancies. A vacancy in any office shall be filled by the Authority Board for the unexpired portion of the term of office left vacant.

Section 6. Executive Management Team. The executive management of the Authority will initially consist of the Chief Executive Officer, Chief Transformation and Integration Officer, and Chief Financial Officer, Chief Medical Officer, Chief Operating Officer, Chief Nursing Officer, and President of PHMG (the "**Executive Management Team**"). The Chief Financial Officer, Chief Medical Officer, Chief Operating Officer, Chief Nursing Officer, and President of PHMG will be jointly appointed by the Chief Executive Officer of UCSD Health and the Chief Executive Officer of the Authority, and each of them will report to the Chief Executive Officer of the Authority. The Chief Transformation and Integration Officer will be appointed by Chief Executive Officer of UCSD Health and will report directly to the Chief Executive Officer of UCSD Health. The members of the Executive Management Team may be employees of Palomar, the Authority, or UCSD Health.

Section 7. Chief Executive Officer. The Chief Executive Officer of the Authority (the "**Chief Executive Officer**") shall be appointed pursuant to a Supermajority Vote of the Authority Board, will report primarily and directly to the Chief Executive Officer of UCSD Health, and will also have a secondary reporting relationship to the Authority Board. Unless the Members otherwise agree, the Chief Executive Officer of the Authority will initially be an employee of

Palomar. Removal and, following the Initial Period, the replacement of the Chief Executive Officer is and shall be governed exclusively by the UCSD Health Reserve Powers in **Article VISection 4** of **Article VI**. The Chief Executive Officer shall be the direct representative of the Authority Board in the management of the business of the Authority. In general, subject to the authority of the Authority Board and the Members, the UCSD Health Reserve Powers, and the Delegation of Authority Policy, the Chief Executive Officer shall supervise and control the business and affairs of the Authority. The Chief Executive Officer shall be qualified by educational training and experience for the position. When authorized by the Authority Board, and subject to the authority of the Authority Board and the Members, the UCSD Health Reserve Powers and the Delegation of Authority Policy, the Chief Executive Officer shall have the power to execute on behalf of the Authority such contracts, leases and other documents pertaining to the normal operations of the Authority and any deeds, mortgages, or other instruments which require authorization by the Authority Board or the Members, unless the signing and execution thereof is expressly reserved to the Authority Board or delegated by the Authority Board to some other officer or agent, or is required by applicable Law to be otherwise signed or executed.

Section 8. Chief Legal Officer. The Authority Board shall appoint a Chief Legal Officer of the Authority (the "**Chief Legal Officer**") who shall report to the Authority Board. The Chief Legal Officer shall serve in an independent capacity as legal counsel to the Authority and the Authority Board. In carrying out the Chief Legal Officer's responsibilities, the Chief Legal Officer shall exercise independent professional judgment consistent with applicable Law, these Bylaws, and rules of professional conduct.

ARTICLE IX
COMMITTEES

Section 1. Committees. The Authority Board may, by resolution adopted by a majority of the Representatives in office, designate one or more committees, as needed or required to conduct and transact the business of the Authority. The number of members of each such committee, as well as the composition of each committee, shall be determined by the Authority Board; provided, however, that each committee shall be comprised of at least one (1) voting Palomar Representative and one (1) voting UCSD Health Representative. Any committee may have advisory members who are not members of the Authority Board and who are not entitled to vote on committee matters. Each committee shall perform the functions assigned to it by the Authority Board and shall have and exercise such powers and authority of the Authority Board in the management of the Authority as may be delegated to it from time to time by the Authority Board, subject to any limitations provided by applicable Law or these Bylaws. No committee shall be delegated the power and authority of the Authority Board in the management of the Authority unless the Members otherwise agree in writing. Minutes of all committee meetings shall be recorded and copies of such minutes shall be provided to the Authority Board. Actions of committees shall be reported to the full Authority Board at each succeeding Authority Board meeting, but actions of committees which include persons other than Representatives shall be subject to ratification by the full Authority Board.

Section 2. Limitations. No committee appointed by the Authority Board, including those committees established under **Section 3** of this **Article IX,** shall be granted the authority of the Authority Board to:

(a) adopt a plan for the distribution of the assets of the Authority, or for dissolution;

(b) approve or recommend to the Members any act required by applicable Law or these Bylaws to be approved by the Members;

(c) fill vacancies on the Authority Board or on any of its committees;

(d) elect, appoint or remove any officer or Representative or member of any committee;

(e) adopt, amend or repeal these Bylaws;

(f) adopt a plan of merger or adopt a plan of consolidation with another corporation;

(g) authorize the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the Authority; or

(h) amend, alter, repeal or take action inconsistent with any resolution or action of the Authority Board that by its terms provides that it shall not be amended, altered, or repealed by such committee.

Section 3. Standing and Special Committees. The standing committees of the Authority Board may be established by the Authority Board from time to time. Special or ad hoc committees may also be established by the Authority Board for such finite tasks as circumstances warrant. A special or ad hoc committee shall limit its activities to the accomplishment of the tasks for which it was appointed and shall have no power to act except as specifically conferred by action of the Authority Board. Upon completion of the tasks for which it was created and after making a final report to the Authority Board, special and ad hoc committees shall stand discharged.

Section 4. Term of Office. Each member of a committee of the Authority Board shall continue as such until such time that the committee member resigns from such committee, is removed by the Authority Board, or until his earlier death, unless the committee shall be sooner terminated, or such member shall cease to qualify as a member thereof.

Section 5. Resignations and Removals. Any member of a committee may resign at any time by giving notice to the chairman of the committee or the Board Chair. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date of receipt or at the time specified in such notice. The Board Chair may, with approval of the Authority Board, remove any appointed member of any committee.

Section 6. Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

Section 7. Meetings and Notice. All meetings of standing committees are subject to the Brown Act, as applicable, including but not limited to all applicable notice requirements. Meetings of a committee may be called by the Board Chair or the chairman of the committee. Each

committee shall meet as often as is necessary to perform its duties. All committee meetings will follow proper notice procedures as provided in applicable law, including but not limited to the Brown Act.

Section 8. Quorum. Unless otherwise required by applicable Law or provided in the resolution of the Authority Board designating a committee, a majority of the members of a committee (but not less than two (2) members which shall include at least one (1) member appointed by each of Palomar and UCSD Health) shall constitute a quorum, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 9. Action by Unanimous Written Consent. Any action required or permitted to be taken at a meeting of a committee established by or pursuant to this Article may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the members of such committee eligible to vote. Such consent shall have the same force and effect as a unanimous vote and may be described as such in any document. Standing committees and any committees comprised of a majority of Representatives or delegated decision-making authority shall comply with the Brown Act and may not act by written consent. Advisory committees not subject to the Brown Act may act by unanimous written consent.

Section 10. Action by Conference Video or Telephone. Subject to any notice of meeting requirements in these Bylaws or under applicable Law, one or more members of a committee may participate in and hold a meeting of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at the meeting including the counting of members for the purpose of determining a quorum.

ARTICLE X
MEDICAL STAFFS

Section 1. Organization.

(a) There will be separate Medical Staff organizations for both Palomar Medical Center Escondido and for Palomar Medical Center Poway with appropriate officers and bylaws. The Medical Staff of each Hospital is self-governing with respect to the professional work performed in that Hospital. Membership in the respective Medical Staff organization is a prerequisite to the exercise of clinical privileges in each Hospital, except as otherwise specifically provided in each Hospital's Medical Staff bylaws.

(b) Facilities other than the Hospitals may also have professional personnel organized as a medical or professional staff, when deemed appropriate by the Authority Board pursuant to applicable Law and The Joint Commission and/or other appropriate accreditation standards. The Authority Board will establish the rules and regulations applicable to any such staff and may delegate such responsibilities, and perform such functions, as may be required by applicable Law and The Joint Commission and/or other appropriate accreditation standards. To the extent provided by such rules, regulations,

Laws and standards, the medical or professional staffs of such Facilities must perform those functions specified in these Bylaws.

Section 2. Medical Staff Bylaws. Each Medical Staff organization must propose and adopt by vote bylaws, rules, and regulations for its internal governance which are subject to, and effective upon, Authority Board approval, which may not be unreasonably withheld. The bylaws, rules, and regulations will be periodically reviewed for consistency with Hospital policy and applicable legal and other requirements. The bylaws must create an effective administrative unit to discharge the functions and responsibilities assigned to the Medical Staffs by the Authority Board. The bylaws, rules, and regulations must state the purpose, functions, and organization of the Medical Staffs and must set forth the policies by which the Medical Staffs exercise and account for their delegated authority and responsibilities. The bylaws, rules, and regulations must also establish mechanisms for the selection by the Medical Staff of its officers, departmental chairs, and committees. In conducting credentialing, privileging, peer review, and quality improvement activities, the Medical Staff and Authority shall comply with applicable laws including Evidence Code §1157 and Health & Safety Code §32155.

Section 3. Medical Staff Membership and Clinical Privileges.

(a) Membership on the Medical Staffs is restricted to practitioners who are competent in their respective fields, worthy in character and in professional ethics, and who are currently licensed by the State of California. The bylaws of the Medical Staffs may provide for additional qualifications for membership and privileges, as appropriate.

(b) While retaining its ultimate authority to independently investigate and/or evaluate Medical Staff matters, the Authority Board hereby recognizes the duty and responsibility of the Medical Staffs to carry out Medical Staff activities, including the investigation and evaluation of all matters relating to Medical Staff membership, clinical privileges and corrective action. The Medical Staffs must forward to the Authority Board specific written recommendations, with appropriate supporting documentation that will allow the Authority Board to take informed action, related to at least the following:

(1) Medical Staff structure and organization;

(2) The process used to review credentials and to delineate individual clinical privileges;

(3) Appointing and reappointing Medical Staff members, and restricting, reducing, suspending, terminating and revoking Medical Staff membership;

(4) Granting, modifying, restricting, reducing, suspending, terminating, and revoking clinical privileges;

(5) Matters relating to professional competency;

(6) The process by which Medical Staff membership may be terminated; and

(7) The process for fair hearing procedures.

(c) Final action on all matters relating to Medical Staff membership, clinical privileges and corrective action will be taken by the Authority Board after considering the Medical Staff recommendations. The Authority Board may use the advice of the Medical Staff in granting and defining the scope of clinical privileges to individuals, commensurate with their qualifications, experience, and present capabilities. If the Authority Board does not concur with the Medical Staff recommendation relative to Medical Staff appointment, reappointment, or termination of appointment, and granting or curtailment of clinical privileges, there will be a review of the recommendation by a conference of two (2) Authority Board members and two members of the relevant Medical Staff, before the Authority Board renders a final decision. The Authority Board shall comply with applicable reporting requirements under Business and Professions Code §805 et seq.

(d) No applicant may be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or on the basis of any other criterion lacking professional justification or not in accordance with all applicable laws. The Hospitals may not discriminate with respect to employment, staff privileges or the provision of professional services against a licensed clinical psychologist within the scope of his or her licensure, or against a physician, dentist, or podiatrist on the basis of whether the physician or podiatrist holds an M.D., D.O., D.D.S., D.M.D., or D.P.M. degree. Wherever staffing requirements for a service mandate that the physician responsible for the service be certified or eligible for certification by an appropriate American medical board, such position may be filled by an osteopathic physician who is certified or eligible for certification by the equivalent appropriate American Osteopathic Board.

Section 4. Performance Improvement.

(a) The Medical Staffs must meet at regular intervals to review and analyze their clinical experience, to assess, preserve, and improve the overall quality and efficiency of patient care in the Hospitals and other Facilities, as applicable. The medical records of patients will be the basis for such review and analysis. The Medical Staffs will identify and implement an appropriate response to findings. The Authority Board may further require mechanisms to assure that patients with the same health problems are receiving a consistent level of care. Such performance improvement activities must be regularly reported to the Authority Board.

(b) The Medical Staffs must provide recommendations to the Authority Board as necessary regarding the organization of the Medical Staffs' performance improvement activities as well as the processes designed for conducting, evaluating, and revising such activities. The Authority Board may take appropriate action based on such recommendations.

(c) The Authority Board hereby recognizes the duty and responsibility of the Medical Staffs to carry out these performance improvement activities. The Authority Board, through the Chief Executive Officer, will provide whatever administrative

assistance is reasonably necessary to support and facilitate such performance improvement activities.

Section 5. Medical Records. A complete and accurate medical record must be prepared and maintained for each patient.

Section 6. Terms and Conditions. The terms and conditions of Medical Staff membership, and of the exercise of clinical privileges, will be as specified in the Hospitals' Medical Staff bylaws.

Section 7. Procedure. The procedure to be followed by the Medical Staff and the Authority Board in acting on matters of membership status, clinical privileges, and corrective action, must be specified in the applicable Medical Staff bylaws.

Section 8. Appellate Review. Any adverse action taken by the Authority Board with respect to a practitioner's Medical Staff status or clinical privileges, is, except under circumstances for which specific provision is made in the Medical Staff bylaws, subject to the practitioner's right to appellate review in accordance with procedures set forth in the bylaws of the Medical Staffs.

Section 9. Closed Session. Nothing in this Article shall be construed to require the Medical Staff or Authority Board to conduct privileged peer review discussions in public; such proceedings may be conducted in closed session as permitted by the Brown Act and applicable Law.

ARTICLE XI
CONFLICTS OF INTEREST

Each of the Authority's officers and Representatives shall act at all times in a manner that furthers the Authority's purposes and shall exercise care that he or she does not act in a manner that furthers his or her private interests to the detriment of the Authority's purposes. A conflict of interest can be considered to exist in any instance where the actions or activities of an individual on behalf of the Authority also involve the obtaining of a direct or indirect personal gain or advantage, or an adverse or potentially adverse effect on the interests of the Authority. The Authority's officers and Representatives shall avoid conflicts of interest and otherwise fully disclose to the Authority any potential or actual conflicts of interest, if such conflicts cannot be avoided, so that such conflicts are dealt with in the best interests of the Authority. The Authority and all of its officers and Representatives will comply with any policies of the Authority and any policies of the Members regarding conflicts of interest, as well as all requirements of Law regarding such conflicts, and shall complete any and all such disclosure forms as may be deemed necessary or useful by the Authority for identifying potential conflicts of interest.

ARTICLE XII
INDEMNIFICATION

The Authority shall indemnify and hold harmless its Representatives, Members and officers in accordance with the provisions of Article 10 of the JPA Agreement.

ARTICLE XIII
CHECKS, DEPOSITS, GIFTS, LOANS AND SERVICES

Section 1. Checks, Drafts, or Orders for Payment. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of or payable to the Authority shall be signed by such officer or officers, agent or agents of the Authority and in such manner as shall from time to time be determined by resolution of the Authority Board or as set forth in the Delegation of Authority Policy.

Section 2. Deposits. All funds of the Authority shall be deposited from time to time to the credit of the Authority in such banks, trust companies, or other depositories as the Authority Board may select.

Section 3. Gifts. The Authority Board may accept on behalf of the Authority any contribution, gift, bequest, or devise for the general purposes, or for any specific purpose, for which the Authority has been created.

Section 4. Loans to Officers and Representatives Prohibited. No loans shall be made by the Authority to any of its officers or Representatives. Any Representative voting for or assenting to the making of any such loan and any Representative or officer participating in the making thereof shall be jointly and severally liable to the Authority for the amount of such loan until repayment thereof.

ARTICLE XIV
GENERAL PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Authority will be the period commencing on July 1st of each year and ending on June 30th of each year.

Section 2. Waiver of Notice. Whenever any notice is required to be given under the provisions of the JPA Agreement, the Brown Act or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, either before or after the occurrence of the event or transaction described therein, shall be deemed equivalent to the giving of the required notice.

ARTICLE XV
AMENDMENTS

These Bylaws may be amended, repealed, added to, or replaced by action of the Authority Board upon Supermajority Vote, subject to the affirmative vote of all Members under **Article VISection 3(d)** of **Article VI**.

Adopted by the Authority Board and approved by the Members effective as of [_____ __, _____].

EXHIBIT A

RELATED PARTY TRANSACTIONS

The Related Party Agreements shall include the following Agreements (as defined in the JPA Agreement):

1. The Closing Agreement

2. The Pre-Operational Option Agreement

3. The JPA Option Agreement

4. The Post-Operational Option Agreement

5. The Use Agreement

6. The Employee Leasing Agreement

7. The Initial Contribution Agreement

8. The Retained Asset Contribution Agreement

9. The UCSD Health Contribution Agreement

10. The Advance Agreement

11. The Tax Revenue Contribution Agreement

12. All other certificates, instruments, and documents prepared, executed, and delivered pursuant to the JPA Agreement or any Authority Document or in connection with the JPA Agreement or Authority Documents that are Related Party Transactions.

ADDENDUM B

2026 BROWN ACT

If you would like to receive additional copies of this handout or would like more information on BBK Brown Act trainings, please contact marketing@bbklaw.com.

BBK
BEST BEST & KRIEGER LLP
ATTORNEYS AT LAW

Disclaimer: This handout is not intended as legal advice. Additional facts, facts specific to your situation or future developments may affect subjects contained herein. Seek the advice of an attorney before acting or relying upon any information herein.

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2026 – THE BROWN ACT[1]

(As amended by Senate Bill 707)
(New language highlighted; repealed language removed)

[1] This Publication only contains sections of the Ralph M. Brown Act that are operative as of January 1, 2026.

2026 THE RALPH M. BROWN ACT
(Government Code Sections 54950 - 54963)

POLICY STATEMENT

§54950. Declaration, Intent; Sovereignty

In enacting this chapter, the Legislature finds and declares that the public commissions, boards and councils and the other public agencies in this State exist to aid in the conduct of the people's business. It is the intent of the law that their actions be taken openly and that their deliberations be conducted openly.

The people of this State do not yield their sovereignty to the agencies which serve them. The people, in delegating authority, do not give their public servants the right to decide what is good for the people to know and what is not good for them to know. The people insist on remaining informed so that they may retain control over the instruments they have created.

COVERAGE OF THE BROWN ACT

§ 54950.5. Title of Act

This chapter shall be known as the Ralph M. Brown Act.

§ 54951. Local Agency, Definition

As used in this chapter, "local agency" means a county, city, whether general law or chartered, city and county, town, school district, municipal corporation, district, political subdivision, or any board, commission or agency thereof, or other local public agency.

§ 54952. Legislative Body, Definition

As used in this chapter, "legislative body" means:

(a) The governing body of a local agency or any other local body created by state or federal statute.

(b) A commission, committee, board, or other body of a local agency, whether permanent or temporary, decision-making or advisory, created by charter, 2 ordinance,

resolution, or formal action of a legislative body. However, advisory committees, composed solely of the members of the legislative body that are less than a quorum of the legislative body are not legislative bodies, except that standing committees of a legislative body, irrespective of their composition, which have a continuing subject matter jurisdiction, or a meeting schedule fixed by charter, ordinance, resolution, or formal action of a legislative body are legislative bodies for purposes of this chapter.

(c) (1) A board, commission, committee, or other multimember body that governs a private corporation, limited liability company, or other entity that either:

(A) Is created by the elected legislative body in order to exercise authority that may lawfully be delegated by the elected governing body to a private corporation, limited liability company, or other entity.

(B) Receives funds from a local agency and the membership of whose governing body includes a member of the legislative body of the local agency appointed to that governing body as a full voting member by the legislative body of the local agency.

(2) Notwithstanding subparagraph (B) of paragraph (1), no board, commission, committee, or other multimember body that governs a private corporation, limited liability company, or other entity that receives funds from a local agency and, as of February 9, 1996, has a member of the legislative body of the local agency as a full voting member of the governing body of that private corporation, limited liability company, or other entity shall be relieved from the public meeting requirements of this chapter by virtue of a change in status of the full voting member to a nonvoting member.

(d) The lessee of any hospital the whole or part of which is first leased pursuant to subdivision (p) of Section 32121 of the Health and Safety Code after January 1, 1994, where the lessee exercises any material authority of a legislative body of a local agency delegated to it by that legislative body whether the lessee is organized and operated by the local agency or by a delegated authority.

§ 54952.1. Newly Elected Members

Any person elected to serve as a member of a legislative body who has not yet assumed the duties of office shall conform his or her conduct to the requirements of 3 this chapter and shall be treated for purposes of enforcement of this chapter as if he or she has already assumed office.

§ 54952.2. Meeting, Definition

(a) As used in this chapter, “meeting” means any congregation of a majority of the members of a legislative body at the same time and location, including teleconference location as permitted by Section 54953, to hear, discuss, deliberate, or take action on any item that is within the subject matter jurisdiction of the legislative body.

(b) (1) A majority of the members of a legislative body shall not, outside a meeting authorized by this chapter, use a series of communications of any kind, directly or through intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the legislative body.

(2) Paragraph (1) shall not be construed as preventing an employee or official of a local agency, from engaging in separate conversations or communications outside of a meeting authorized by this chapter with members of a legislative body in order to answer questions or provide information regarding a matter that is within the subject matter jurisdiction of the local agency, if that person does not communicate to members of the legislative body the comments or position of any other member or members of the legislative body.

(3) (A) Paragraph (1) shall not be construed as preventing a member of the legislative body from engaging in separate conversations or communications on an internet-based social media platform to answer questions, provide information to the public, or to solicit information from the public regarding a matter that is within the subject matter jurisdiction of the legislative body provided that a majority of the members of the legislative body do not use the internet-based social media platform to discuss among themselves business of a specific nature that is within the subject matter jurisdiction of

the legislative body. A member of the legislative body shall not respond directly to any communication on an internet-based social media platform regarding a matter that is within the subject matter jurisdiction of the legislative body that is made, posted, or shared by any other member of the legislative body.

(B) For purposes of this paragraph, all of the following definitions shall apply:

(i) "Discuss among themselves" means communications made, posted, or shared on an internet-based social media platform between members of a legislative body, including comments or use of digital icons that express reactions to communications made by other members of the legislative body.

(ii) "Internet-based social media platform" means an online service that is open and accessible to the public.

(iii) "Open and accessible to the public" means that members of the general public have the ability to access and participate, free of charge, in the social media platform without the approval by the social media platform or a person or entity other than the social media platform, including any forum and chatroom, and cannot be blocked from doing so, except when the internet-based social media platform determines that an individual violated its protocols or rules.

(c) Nothing in this section shall impose the requirements of this chapter upon any of the following:

(1) Individual contacts or conversations between a member of a legislative body and any other person that do not violate subdivision (b).

(2) The attendance of a majority of the members of a legislative body at a conference or similar gathering open to the public that involves a discussion of issues of general interest to the public or to public agencies of the type represented by the legislative body, provided that a majority of the members do not discuss among themselves, other than as part of the scheduled program, business of a specified nature

that is within the subject matter jurisdiction of the local agency. Nothing in this paragraph is intended to allow members of the public free admission to a conference or similar gathering at which the organizers have required other participants or registrants to pay fees or charges as a condition of attendance.

(3) The attendance of a majority of the members of a legislative body at an open and publicized meeting organized to address a topic of local community concern by a person or organization other than the local agency, provided that a majority of the members do not discuss among themselves, other than as part of the scheduled 5 program, business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency.

(4) The attendance of a majority of the members of a legislative body at an open and noticed meeting of another body of the local agency, or at an open and noticed meeting of a legislative body of another local agency, provided that a majority of the members do not discuss among themselves, other than as part of the scheduled meeting, business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency.

(5) The attendance of a majority of the members of a legislative body at a purely social or ceremonial occasion, provided that a majority of the members do not discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency.

(6) The attendance of a majority of the members of a legislative body at an open and noticed meeting of a standing committee of that body, provided that the members of the legislative body who are not members of the standing committee attend only as observers.

§ 54952.3. Meetings; Simultaneous

(a) A legislative body that has convened a meeting and whose membership constitutes a quorum of any other legislative body may convene a meeting of that other legislative body, simultaneously or in serial order, only if a clerk or a member of the

convened legislative body verbally announces, prior to convening any simultaneous or serial order meeting of that subsequent legislative body, the amount of compensation or stipend, if any, that each member will be entitled to receive as a result of convening the simultaneous or serial meeting of the subsequent legislative body and identifies that the compensation or stipend shall be provided as a result of convening a meeting for which each member is entitled to collect compensation or a stipend. However, the clerk or member of the legislative body shall not be required to announce the amount of 6 compensation if the amount of compensation is prescribed in statute and no additional compensation has been authorized by a local agency.

(b) For purposes of this section, compensation and stipend shall not include amounts reimbursed for actual and necessary expenses incurred by a member in the performance of the member's official duties, including, but not limited to, reimbursement of expenses relating to travel, meals, and lodging.

§ 54952.6. Action Taken, Definition

As used in this chapter, "action taken" means a collective decision made by a majority of the members of a legislative body, a collective commitment or promise by a majority of the members of a legislative body to make a positive or a negative decision, or an actual vote by a majority of the members of a legislative body when sitting as a body or entity, upon a motion, proposal, resolution, order or ordinance.

§ 54952.7. Copies of Chapter to Members of Legislative Body of Local Agencies

A local agency shall provide a copy of this chapter to any person elected or appointed to serve as a member of a legislative body of the local agency.

OPEN MEETINGS AND RELATED REQUIREMENTS – AGENDAS AND PUBLIC HEARINGS

§ 54953. Meetings to be Open and Public; Attendance

(a) All meetings of the legislative body of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body of a local agency, except as otherwise provided in this chapter.

(b) (1) Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the legislative 7 body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding shall comply with all otherwise applicable requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding.

(2) Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. If the legislative body of a local agency elects to use teleconferencing, the legislative body of a local agency shall comply with all of the following:

(A) All votes taken during a teleconferenced meeting shall be by rollcall.

(B) The teleconferenced meetings shall be conducted in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency.

(C) The legislative body shall give notice of the meeting and post agendas as otherwise required by this chapter.

(D) The legislative body shall allow members of the public to access the meeting and the agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3.

(3) If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as expressly provided in this chapter.

(4) The teleconferencing requirements of this subdivision shall not apply to remote participation described in subdivision (c).

(c) (1) Nothing in this chapter shall be construed to prohibit a member of a legislative body with a disability from participating in any meeting of the legislative body by remote participation as a reasonable accommodation pursuant to any applicable law.

(2) A member of a legislative body participating in a meeting by remote participation pursuant to this subdivision shall do both of the following:

(A) The member shall participate through both audio and visual technology, except that any member with a disability, as defined in Section 12102 of Title 42 of the United States Code, may participate only through audio technology if a physical condition related to their disability results in a need to participate off camera.

(B) The member shall disclose at the meeting before any action is taken, whether any other individuals 18 years of age or older are present in the room at the remote location with the member, and the general nature of the member's relationship with any of those individuals.

(3) Remote participation under this subdivision shall be treated as in-person attendance at the physical meeting location for all purposes, including any requirement that a quorum of the legislative body participate from any particular location. The provisions of subdivision (b) and Sections 54953.8 to 54953.8.7, inclusive, shall not apply to remote participation under this subdivision.

(d) (1) No legislative body shall take action by secret ballot, whether preliminary or final.

(2) The legislative body of a local agency shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

(3) (A) Prior to taking final action, the legislative body shall orally report a summary of a recommendation for a final action on the salaries, salary schedules, or

compensation paid in the form of fringe benefits of either of the following during the open meeting in which the final action is to be taken:

(i) A local agency executive, as defined in subdivision (d) of Section 3511.1.

(ii) A department head or other similar administrative officer of the local agency.

(B) This paragraph shall not affect the public's right under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1) to inspect or copy records created or received in the process of developing the recommendation.

(e) For purposes of this section, both of the following definitions apply:

(1) "Disability" means a physical disability or a mental disability as those terms are defined in Section 12926 and used in Section 12926.1, or a disability as defined in Section 12102 of Title 42 of the United States Code.

(2) (A) "Teleconference" means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both.

(B) Notwithstanding subparagraph (A), "teleconference" does not include one or more members watching or listening to a meeting via webcasting or any other similar electronic medium that does not permit members to interactively speak, discuss, or deliberate on matters.

(3) "Remote participation" means participation in a meeting by teleconference at a location other than any physical meeting location designated in the notice of the meeting.

§ 54953.1. Testimony of Members Before Grand Jury

The provisions of this chapter shall not be construed to prohibit the members of the legislative body of a local agency from giving testimony in private before a grand jury, either as individuals or as a body.

§ 54953.2. Protections and Prohibitions Under the Americans with Disabilities Act of 1990

All meetings of a legislative body of a local agency that are open and public shall meet the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof.

§ 54953.3. Conditions to Attendance

A member of the public shall not be required, as a condition to attendance at a meeting of a legislative body of a local agency, to register his or her name, to provide other information, to complete a questionnaire, or otherwise to fulfill any condition precedent to his or her attendance.

If an attendance list, register, questionnaire, or other similar document is posted at or near the entrance to the room where the meeting is to be held, or is circulated to the persons present during the meeting, it shall state clearly that the signing, registering, or completion of the document is voluntary, and that all persons may attend the meeting regardless of whether a person signs, registers, or completes the document.

§ 54953.4. Public Access; Legislative Findings and Declarations; Opportunities for Public To Attend Via Two-Way Telephonic Service or Two-Way Audiovisual Platform; Translation and Interpretation; Public Outreach

54953.4. (a) The Legislature finds and declares that public access, including through translation of agendas as required by this section, is necessary for an informed populace. The Legislature encourages local agencies to adopt public access requirements that exceed the requirements of this chapter by translating additional languages, employing human translators, and conducting additional outreach.

(b) (1) In addition to any other applicable requirements of this chapter, a meeting held by a eligible legislative body pursuant to this chapter shall comply with both of the following requirements:

(A) (i) (I) (ia) All open and public meetings shall include an opportunity for members of the public to attend via a two-way telephonic service or a two-way audiovisual platform, except if adequate telephonic or internet service is not operational at the meeting location. If adequate telephonic or internet service is operational at the meeting location during only a portion of the meeting, the legislative body shall include an opportunity for members of the public to attend via a two-way telephonic service or a two-way audiovisual platform during that portion of the meeting.

(ib) (Ia) On or before July 1, 2026, an eligible legislative body shall approve at a noticed public meeting in open session, not on the consent calendar, a policy regarding disruption of telephonic or internet service occurring during meetings subject to this sub-subclause. The policy shall address the procedures for recessing and reconvening a meeting in the event of disruption and the efforts that the eligible legislative body shall make to attempt to restore the service.

(Ib) If a disruption of telephonic or internet service that prevents members of the public from attending or observing the meeting via the two-way telephonic service or two-way audiovisual platform occurs during the meeting, the eligible legislative body shall recess the open session of the meeting for at least one hour and make a good faith attempt to restore the service. The eligible legislative body may meet in closed session during this period. The eligible legislative body shall not reconvene the open session of the meeting until at least one hour following the disruption, or until telephonic or internet service is restored, whichever is earlier.

(Ic) Upon reconvening the open session, if telephonic or internet service has not been restored, the eligible legislative body shall adopt a finding by rollcall vote that good faith efforts to restore the telephonic or internet service have been made in accordance with the policy adopted pursuant to sub-sub-subclause (Ia) and that the public interest in continuing the meeting outweighs the public interest in remote public access.

(II) Subclause (I) does not apply to a meeting that is held to do any of the following: (ia) Attend a judicial or administrative proceeding to which the local agency is a party.

(ib) Inspect real or personal property provided that the topic of the meeting is limited to items directly related to the real or personal property.

(ic) Meet with elected or appointed officials of the United States or the State of California, solely to discuss a legislative or regulatory issue affecting the local agency and over which the federal or state officials have jurisdiction.

(id) Meet in or nearby a facility owned by the agency, provided that the topic of the meeting is limited to items directly related to the facility.

(ie) Meet in an emergency situation pursuant to Section 54956.5.

(ii) If an eligible legislative body elects to provide a two-way audiovisual platform, the eligible legislative body shall publicly post and provide a call-in option, and activate any automatic captioning function during the meeting if an automatic captioning function is included with the two-way audiovisual platform. If an eligible legislative body does not elect to provide a two-way audiovisual platform, the eligible legislative body shall provide a two-way telephonic service for the public to participate in the meeting, pursuant to subclause (I).

(B) (i) All open and public meetings for which attendance via a two-way telephonic service or a two-way audiovisual platform is provided in accordance with paragraph (1) shall provide the public with an opportunity to provide public comment in accordance with Section 54954.3 via the two-way telephonic or two-way audiovisual platform, and ensure the opportunity for the members of the public participating via a two-way telephonic or two-way audiovisual platform to provide public comment with the same time allotment as a person attending a meeting in person.

(2) (A) An eligible legislative body shall reasonably assist members of the public who wish to translate a public meeting into any language or wish to receive interpretation provided by another member of the public, so long as the interpretation is not disrupting to the meeting, as defined in Section 54957.95. The eligible legislative body

shall publicize instructions on how to request assistance under this subdivision. Assistance may include any of the following, as determined by the eligible legislative body:

(i) Arranging space for one or more interpreters at the meeting location.

(ii) Allowing extra time during the meeting for interpretation to occur.

(iii) Ensuring participants may utilize their personal equipment or reasonably access facilities for participants to access commercially available interpretation services.

(B) This section does not require an eligible legislative body to provide interpretation of any public meeting, however, an eligible legislative body may elect to provide interpretation of any public meeting.

(C) The eligible legislative body is not responsible for the content or accuracy of any interpretation facilitated, assisted with, or provided under this subdivision. An action shall not be commenced or maintained against the eligible legislative body arising from the content or accuracy of any interpretation facilitated, assisted with, or provided under this subdivision.

(3) An eligible legislative body shall take the following actions to encourage residents, including those in underrepresented communities and non-English-speaking communities, to participate in public meetings:

(A) Have in place a system for electronically accepting and fulfilling requests for meeting agendas and documents pursuant to Section 54954.1 through email or through an integrated agenda management platform. Information about how to make a request using this system shall be accessible through a prominent direct link posted on the primary internet website home page of the eligible legislative body.

(B) (i) Create and maintain an accessible internet webpage dedicated to public meetings that includes, or provides a link to, all of the following information:

(I) A general explanation of the public meeting process for the eligible legislative body.

(II) An explanation of the procedures for a member of the public to provide in-person or remote oral public comment during a public meeting or to submit written public comment.

(III) A calendar of all public meeting dates with calendar listings that include the date, time, and location of each public meeting.

(IV) The agenda posted online pursuant to paragraph (2) of subdivision (a) of Section 54954.2.

(i) The eligible legislative body shall include a link to the webpage required by subparagraph (A) on the home page of the eligible legislative body's internet website.

(C) (i) Make reasonable efforts, as determined by the legislative body, to invite groups that do not traditionally participate in public meetings to attend those meetings, which may include, but are not limited to, all the following:

(I) Media organizations that provide news coverage in the jurisdiction of the eligible legislative body, including media organizations that serve non-English-speaking communities.

(II) Good government, civil rights, civic engagement, neighborhood, and community group organizations, or similar organizations that are active in the jurisdiction of the eligible legislative body, including organizations active in non-English-speaking communities.

(ii) Legislative bodies shall have broad discretion in the choice of reasonable efforts they make under this subparagraph. No action shall be commenced or maintained against an eligible legislative body arising from failing to provide public meeting information to any specific group pursuant to this subparagraph.

(c) (1) (A) The agenda for each meeting of an eligible legislative body shall be translated into all applicable languages, and each translation shall be posted in accordance with Section 54954.2. Each translation shall include instructions in the applicable language describing how to join the meeting by the telephonic or internet-based service option, including any requirements for registration for public comment.

(B) The accessible internet webpage provided under subparagraph (B) of paragraph (3) of subdivision (b) shall be translated into all applicable languages, and each translation shall be accessible through a prominent direct link posted on the primary internet website home page of the eligible legislative body.

(2) A translation made using a digital translation service shall satisfy the requirements of paragraph (1).

(3) The eligible legislative body shall make available a physical location that is freely accessible to the public in reasonable proximity to the physical location in which the agenda and translations are posted as described in paragraph (1), and shall allow members of the public to post additional translations of the agenda in that location.

(4) The eligible legislative body is not responsible for the content or accuracy of any translation provided pursuant to this subdivision. No action shall be commenced or maintained against an eligible legislative body arising from the content, accuracy, posting, or removal of any translation provided by the eligible legislative body or posted by any person pursuant to this subdivision.

(5) For the purposes of this section, the agenda does not include the entire agenda packet.

(d) This section shall not be construed to affect or supersede any other applicable civil rights, nondiscrimination, or public access laws.

(e) For purposes of this section, all of the following definitions apply:

(1) (A) “Applicable languages” means languages, according to data from the most recent American Community Survey, spoken jointly by 20 percent or more of the applicable population, provided that 20 percent or more of the population that speaks that language in that city or county speaks English less than “very well.”

(A) For the purposes of subparagraph (A), the applicable population shall be determined as follows:

(i) For an eligible legislative body that is a city council or county board of supervisors, the applicable population shall be the population of the city or county.

(ii) For an eligible legislative body of a special district, the applicable population shall be either of the following, at the discretion of the board of directors of the special district:

(I) The population of the county with the greatest population within the boundaries of the special district.

(II) The population of the service area of the special district, if the special district has the data to determine what languages spoken by the population within its service area meet the requirements of paragraph (A).

(C) If more than three languages meet the criteria set forth in subparagraph (A), “applicable languages” shall mean the three languages described in subparagraph (A) that are spoken by the largest percentage of the population.

(D) An eligible legislative body may elect to determine the applicable languages based upon a source other than the most recent American Community Survey if it makes a finding, based upon substantial evidence, that the other source provides equally or more reliable data for the territory over which the eligible legislative body exercises jurisdiction.

(2) “Eligible legislative body” means any of the following:

(A) A city council of a city with a population of 30,000 or more.

(B) A county board of supervisors of a county, or city and county, with a population of 30,000 or more.

(C) A city council of a city located in a county with a population of 600,000 or more.

(D) The board of directors of a special district that has an internet website and meets any of the following conditions:

(i) The boundaries of the special district include the entirety of a county with a population of 600,000 or more, and the special district has over 200 full-time equivalent employees.

(ii) The special district has over 1,000 full-time equivalent employees.

(iii) The special district has annual revenues, based on the most recent Financial Transaction Report data published by the California State Controller, that exceed four hundred million dollars ($400,000,000), adjusted annually for inflation commencing January 1, 2027, as measured by the percentage change in the California Consumer Price Index from January 1 of the prior year to January 1 of the current year, and the special district employs over 200 full-time equivalent employees.

(3) "Two-way audiovisual platform" means an online platform that provides participants with the ability to participate in a meeting via both an interactive video conference and a two-way telephonic service.

(4) "Two-way telephonic service" means a telephone service that does not require internet access and allows participants to dial a telephone number to listen and verbally participate.

(f) This section shall become operative on July 1, 2026.

(g) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

§ 54953.5. Right to Record Proceedings; Retention of Recordings

(a) Any person attending an open and public meeting of a legislative body of a local agency shall have the right to record the proceedings in the absence of a reasonable finding by the legislative body of the local agency that the recording cannot continue without noise, illumination, or obstruction of view that constitutes, or would constitute, a persistent disruption of the proceedings.

(b) Any recording of an open and public meeting made for whatever purpose by or at the direction of the local agency shall be subject to inspection pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1), but, notwithstanding Section 34090, may be erased or destroyed 30 days after the recording. Any inspection of an audio or video recording shall be provided without charge on equipment made available by the local agency.

§ 54953.6. Right to Broadcast Proceedings

No legislative body of a local agency shall prohibit or otherwise restrict the broadcast of its open and public meetings in the absence of a reasonable finding that the 17 broadcast cannot be accomplished without noise, illumination, or obstruction of view that would constitute a persistent disruption of the proceedings.

§ 54953.7. Access to Meetings Beyond Minimal Standards

Notwithstanding any other provision of law, legislative bodies of local agencies may impose requirements upon themselves which allow greater access to their meetings than prescribed by the minimal standards set forth in this chapter. In addition thereto, an elected legislative body of a local agency may impose those requirements on appointed legislative bodies of the local agency.

§ 54953.8. Legislative Body of Local Agency; Use of Alternative Teleconferencing Provisions for Notice and Public Participation

(a) The legislative body of a local agency may use teleconferencing as authorized by subdivision (b) of Section 54953 without complying with the requirements

of paragraph (3) of subdivision (b) of Section 54953 in any of the circumstances described in Sections 54953.8.1 to 54953.8.7, inclusive.

(b) A legislative body that holds a teleconference meeting pursuant to this section shall, in addition to any other applicable requirements of this chapter, comply with all of the following:

(1) The legislative body shall provide at least one of the following as a means by which the public may remotely hear and visually observe the meeting, and remotely address the legislative body:

(A) A two-way audiovisual platform.

(B) A two-way telephonic service and a live webcasting of the meeting.

(2) In each instance in which notice of the time of the teleconference meeting held pursuant to this section is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the means by which members of the public may access the meeting and offer public comment. The agenda shall identify and include an opportunity for all persons to attend via a call-in option or an internet-based service option.

(3) In the event of a disruption that prevents the legislative body from broadcasting the meeting to members of the public using the call-in option or internet-based service option, or in the event of a disruption within the local agency's control that prevents members of the public from offering public comments using the call-in option or internet-based service option, the legislative body shall take no further action on items appearing on the meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. Actions taken on agenda items during a disruption that prevents the legislative body from broadcasting the meeting may be challenged pursuant to Section 54960.1.

(4) The legislative body shall not require public comments to be submitted in advance of the meeting and must provide an opportunity for the public to address the legislative body and offer comment in real time.

(5) Notwithstanding Section 54953.3, an individual desiring to provide public comment through the use of an internet website, or other online platform, not under the control of the local legislative body, that requires registration to log in to a teleconference may be required to register as required by the third-party internet website or online platform to participate.

(6) (A) A legislative body that provides a timed public comment period for each agenda item shall not close the public comment period for the agenda item, or the opportunity to register, pursuant to paragraph (5), to provide public comment until that timed public comment period has elapsed.

(B) A legislative body that does not provide a timed public comment period, but takes public comment separately on each agenda item, shall allow a reasonable amount of time per agenda item to allow public members the opportunity to provide public comment, including time for members of the public to register pursuant to paragraph (5), or otherwise be recognized for the purpose of providing public comment.

(C) A legislative body that provides a timed general public comment period that does not correspond to a specific agenda item shall not close the public comment period or the opportunity to register, pursuant to paragraph (5), until the timed general public comment period has elapsed.

(7) Any member of the legislative body who participates in a teleconference meeting from a remote location pursuant to this section and the specific provision of law that the member relied upon to permit their participation by teleconferencing shall be listed in the minutes of the meeting.

(8) The legislative body shall have and implement a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, consistent with the federal Americans with Disabilities Act of 1990 (42

U.S.C. Sec. 12132), and resolving any doubt in favor of accessibility. In each instance in which notice of the time of the meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the procedure for receiving and resolving requests for accommodation.

(9) The legislative body shall conduct meetings subject to this chapter consistent with applicable civil rights and nondiscrimination laws.

(c) A local agency shall identify and make available to legislative bodies a list of one or more meeting locations that may be available for use by the legislative bodies to conduct their meetings.

(d) (1) Nothing in this section shall prohibit a legislative body from providing the public with additional teleconference locations.

(2) Nothing in this section shall prohibit a legislative body from providing the public with additional physical locations in which the public may observe and address the legislative body by electronic means.

(e) A member of a legislative body who participates in a teleconference meeting from a remote location pursuant to this section shall publicly disclose at the meeting before any action is taken whether any other individuals 18 years of age or older are present in the room at the remote location with the member, and the general nature of the member's relationship with those individuals.

(f) The teleconferencing provisions described in Section 54953 and Sections 54953.8.1 to 54953.8.7, inclusive, are cumulative. A legislative body may elect to use any teleconferencing provisions that are applicable to a meeting, regardless of whether any other teleconferencing provisions would also be applicable to that meeting.

(g) For purposes of this section, the following definitions apply:

(1) "Remote location" means a location from which a member of a legislative body participates in a meeting pursuant to paragraph (7) of subdivision (b),

other than any physical meeting location designated in the notice of the meeting. Remote locations need not be accessible to the public.

(2) "Teleconference" means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both.

(3) "Two-way audiovisual platform" means an online platform that provides participants with the ability to participate in a meeting via both an interactive video conference and a two-way telephonic service. A two-way audiovisual platform may be structured to disable the use of video for the public participants.

(4) "Two-way telephonic service" means a telephone service that does not require internet access and allows participants to dial a telephone number to listen and verbally participate.

(5) "Webcasting" means a streaming video broadcast online or on television, using streaming media technology to distribute a single content source to many simultaneous listeners and viewers.

54953.8.1. Health Authority; Use of Teleconferencing

(a) A health authority may conduct a teleconference meeting pursuant to Section 54953.8, provided that it complies with the requirements of that section.

(b) Nothing in this section or Section 54953.8 shall be construed as discouraging health authority members from regularly meeting at a common physical site within the jurisdiction of the authority or from using teleconference locations within or near the jurisdiction of the authority.

(c) For purposes of this section, a health authority means any entity created pursuant to Sections 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, and 14087.9605 of the Welfare and Institutions Code, any joint powers authority created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 for the purpose of contracting pursuant to Section 14087.3 of the Welfare and Institutions Code,

and any advisory committee to a county-sponsored health plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code if the advisory committee has 12 or more members.

54953.8.2. State of Emergency or Local Emergency; Use of Teleconferencing

(a) A legislative body of a local agency may conduct a teleconference meeting pursuant to Section 54953.8 during a proclaimed state of emergency or local emergency, provided that it complies with the requirements of that section and the teleconferencing is used in either of the following circumstances:

(1) For the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(2) After a determination described in paragraph (1) is made that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(b) If the state of emergency or local emergency remains active, in order to continue to teleconference pursuant to this section, the legislative body shall, no later than 45 days after teleconferencing for the first time pursuant to this section, and every 45 days thereafter, make the following findings by majority vote:

(1) The legislative body has reconsidered the circumstances of the state of emergency or local emergency.

(2) The state of emergency or local emergency continues to directly impact the ability of the members to meet safely in person.

(c) This section shall not be construed to require the legislative body to provide a physical location from which the public may attend or comment.

(d) Notwithstanding paragraph (1) of subdivision (b) of Section 54953.8, a legislative body conducting a teleconference meeting pursuant to this section may elect to use a two-way telephonic service without a live webcasting of the meeting.

(e) For purposes of this section, the following definitions apply:

(1) "Local emergency" means a condition of extreme peril to persons or property proclaimed by the governing body of the local agency affected, in accordance with Section 8630 of the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2), as defined in Section 8680.9, or a local health emergency declared pursuant to Section 101080 of the Health and Safety Code. Local emergency, as used in this section, refers only to local emergencies in the boundaries of the territory over which the local agency exercises jurisdiction.

(2) "State of emergency" means state of emergency proclaimed pursuant to Section 8625 of the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2).

54953.8.3. Remote Participation by Member of Legislative Body; In Person Quorum Requirement; Just Cause

(a) A legislative body of a local agency may conduct a teleconference meeting pursuant to Section 54953.8 if, during the teleconference meeting, at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda, which location shall be open to the public and situated within the boundaries of the territory over which the local agency exercises jurisdiction, provided that the legislative body complies with the requirements of Section 54953.8 and all of the following additional requirements:

(1) A member of the legislative body notifies the legislative body at the earliest opportunity possible, including at the start of a regular meeting, of their need to participate remotely for just cause, including a general description of the circumstances relating to their need to appear remotely at the given meeting.

(2) The member shall participate through both audio and visual technology.

(3) (A) The provisions of this subdivision shall not serve as a means for any member of a legislative body to participate in meetings of the legislative body solely by teleconference from a remote location for just cause for more than the following number of meetings, as applicable:

(i) Two meetings per year, if the legislative body regularly meets once per month or less.

(ii) Five meetings per year, if the legislative body regularly meets twice per month.

(iii) Seven meetings per year, if the legislative body regularly meets three or more times per month.

(B) For the purpose of counting meetings attended by teleconference under this paragraph, a "meeting" shall be defined as any number of meetings of the legislative body of a local agency that begin on the same calendar day.

(b) The minutes for the meeting shall identify the specific provision in subdivision (c) that each member relied upon to participate remotely. This subdivision shall not be construed to require the member to disclose any medical diagnosis or disability, or any personal medical information that is otherwise exempt under existing law, including, but not limited to, the Confidentiality of Medical Information Act (Chapter 1 (commencing with Section 56) of Part 2.6 of Division 1 of the Civil Code).

(c) For purposes of this section, "just cause" means any of the following:

(1) Childcare or caregiving need of a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner that requires them to participate remotely. "Child," "parent," "grandparent," "grandchild," and "sibling" have the same meaning as those terms do in Section 12945.2.

(2) A contagious illness that prevents a member from attending in person.

(3) A need related to a physical or mental condition that is not subject to subdivision (c) of Section 54953.

(4) Travel while on official business of the legislative body or another state or local agency.

(5) An immunocompromised child, parent, grandparent, grandchild, sibling, spouse, or domestic partner of the member that requires the member to participate remotely.

(6) A physical or family medical emergency that prevents a member from attending in person.

(7) Military service obligations that result in a member being unable to attend in person because they are serving under official written orders for active duty, drill, annual training, or any other duty required as a member of the California National Guard or a United States Military Reserve organization that requires the member to be at least 50 miles outside the boundaries of the local agency.

(d) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

54953.8.4. Eligible Neighborhood Council; Use of Teleconferencing

(a) An eligible neighborhood council may conduct a teleconference meeting pursuant to Section 54953.8, provided that it complies with the requirements of that section and all of the following have occurred:

(1) (A) The city council for a city described in paragraph (2) of subdivision (b) considers whether to adopt a resolution to authorize eligible neighborhood councils to use teleconferencing as described in this section at an open and regular meeting.

(B) If the city council adopts a resolution described in subparagraph (A), an eligible neighborhood council may elect to use teleconferencing pursuant to this section if a majority of the eligible neighborhood council votes to do so. The eligible neighborhood council shall notify the city council if it elects to use teleconferencing pursuant to this section and its justification for doing so.

(C) Upon receiving notification from an eligible neighborhood council described in subparagraph (B), the city council may adopt a resolution to prohibit the eligible neighborhood council from using teleconferencing pursuant to this section.

(2) After completing the requirements of subparagraph (A) of paragraph (1), an eligible neighborhood council that holds a meeting pursuant to this subdivision shall do all of the following:

(A) At least a quorum of the members of the eligible neighborhood council shall participate from locations within the boundaries of the city in which the eligible neighborhood council is established.

(B) At least once per year, at least a quorum of the members of the eligible neighborhood council shall participate in person from a singular physical location that is open to the public and within the boundaries of the eligible neighborhood council.

(3) If the meeting is during regular business hours of the offices of the city council member that represents the area that includes the eligible neighborhood council, the eligible neighborhood council shall provide a publicly accessible physical location from which the public may attend or comment, which shall be the offices of the city council member who represents the area where the eligible neighborhood council is located, unless the eligible neighborhood council identifies an alternative location.

(4) If the meeting is outside regular business hours, the eligible neighborhood council shall make reasonable efforts to accommodate any member of the public that requests an accommodation to participate in the meeting.

(b) For purposes of this section, the following definitions apply:

(1) "Accommodation" means providing a publicly accessible physical location for the member of the public to participate from, providing access to technology necessary to participate in the meeting, or identifying locations or resources available that could provide the member of the public with an opportunity to participate in the meeting.

(2) "Eligible neighborhood council" means a neighborhood council that is an advisory body with the purpose to promote more citizen participation in government and make government more responsive to local needs that is established pursuant to the charter of a city with a population of more than 3,000,000 people that is subject to this chapter.

(c) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

54953.8.5. Eligible Community College Student Organization; Use of Teleconferencing

(a) An eligible community college student organization may conduct a teleconference meeting pursuant to Section 54953.8, provided that it complies with the requirements of that section and all of the following additional requirements:

(1) An eligible community college student organization may only use teleconferencing as described in Section 54953.8 after all the following have occurred:

(A) The board of trustees for a community college district considers whether to adopt a resolution to authorize eligible community college student organizations to use teleconferencing as described in this section at an open and regular meeting.

(B) If the board of trustees for a community college district adopts a resolution described in subparagraph (A), an eligible community college student organization may elect to use teleconferencing pursuant to this section if a majority of the eligible community college student organization votes to do so. The eligible community

college student organization shall notify the board of trustees if it elects to use teleconferencing pursuant to this section and its justification for doing so.

(C) Upon receiving notification from an eligible community college student organization as described in subparagraph (B), the board of trustees may adopt a resolution to prohibit the eligible community college student organization from using teleconferencing pursuant to this section.

(D) (i) Except as specified in clause (ii), at least a quorum of the members of the eligible community college student organization shall participate from a singular physical location that is accessible to the public and is within the community college district in which the eligible community college student organization is established.

(ii) The requirements described in clause (i) shall not apply to the California Online Community College.

(iii) Notwithstanding the requirements of clause (i), a person may count toward the establishment of a quorum pursuant to clause (i) regardless of whether the person is participating at the in-person location of the meeting or remotely if the person meets any of the following criteria:

(I) The person is under 18 years of age.

(II) The person is incarcerated.

(III) The person is unable to disclose the location that they are participating from because of either of the following circumstances:

(ia) The person has been issued a protective court order, including, but not limited to, a domestic violence restraining order.

(ib) The person is participating in a program that has to remain confidential, including, but not limited to, an independent living program.

(IV) The person provides childcare or caregiving to a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner that requires them to participate remotely. For purposes of this subclause, “child,”

"parent," "grandparent," "grandchild," and "sibling" have the same meaning as those terms are defined in Section 12945.2.

(2) An eligible community college student organization that holds a meeting by teleconference as described in Section 54953.8 shall do the following, as applicable:

(A) (i) Except as specified in subparagraph (B), if the meeting is during regular business hours of the offices of the board of trustees of the community college district, the eligible community college student organization shall provide a publicly accessible physical location from which the public may attend or comment, which shall be the offices of the board of trustees of the community college district, unless the eligible community college student organization identifies an alternative location.

(i) Except as specified in subparagraph (B), if the meeting is outside regular business hours, the eligible community college student organization shall make reasonable efforts to accommodate any member of the public that requests an accommodation to participate in the meeting. For the purposes of this subparagraph, "accommodation" means providing a publicly accessible physical location for the member of the public to participate from, providing access to technology necessary to participate in the meeting, or identifying locations or resources available that could provide the member of the public with an opportunity to participate in the meeting.

(B) The requirements described in subparagraph (A) shall not apply to the California Online Community College.

(b) For purposes of this section, "eligible community college student organization" means a student body association organized pursuant to Section 76060 of the Education Code, or any other student-run community college organization that is required to comply with the meeting requirements of this chapter, that is in any community college recognized within the California Community Colleges system and includes the Student Senate for California Community Colleges.

(c) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

54953.8.6. Eligible Subsidiary Body; Use of Teleconferencing

(a) An eligible subsidiary body may conduct a teleconference meeting pursuant to Section 54953.8, provided that it complies with the requirements of that section and all of the following additional requirements:

(1) The eligible subsidiary body shall designate one physical meeting location within the boundaries of the legislative body that created the eligible subsidiary body where members of the subsidiary body who are not participating remotely shall be present and members of the public may physically attend, observe, hear, and participate in the meeting. At least one staff member of the eligible subsidiary body or the legislative body that created the eligible subsidiary body shall be present at the physical meeting location during the meeting. The eligible subsidiary body shall post the agenda at the physical meeting location, but need not post the agenda at a remote location.

(2) (A) A member of the eligible subsidiary body shall visibly appear on camera during the open portion of a meeting that is publicly accessible via the internet or other online platform, except if the member has a physical or mental condition not subject to subdivision (c) of Section 54953 that results in a need to participate off camera.

(B) The visual appearance of a member of the eligible subsidiary body on camera may cease only when the appearance would be technologically infeasible, including, but not limited to, when the member experiences a lack of reliable broadband or internet connectivity that would be remedied by joining without video.

(C) If a member of the eligible subsidiary body does not appear on camera due to challenges with internet connectivity, the member shall announce the reason for their nonappearance prior to turning off their camera.

(3) An elected official serving as a member of an eligible subsidiary body in their official capacity shall not participate in a meeting of the eligible subsidiary body by

teleconferencing pursuant to this section unless the use of teleconferencing complies with the requirements of paragraph (3) of subdivision (b) of Section 54953.

(4) (A) In order to use teleconferencing pursuant to this section, the legislative body that established the eligible subsidiary body by charter, ordinance, resolution, or other formal action shall make the following findings by majority vote before the eligible subsidiary body uses teleconferencing pursuant to this section for the first time, and every six months thereafter:

(i) The legislative body has considered the circumstances of the eligible subsidiary body.

(ii) Teleconference meetings of the eligible subsidiary body would enhance public access to meetings of the eligible subsidiary body, and the public has been made aware of the type of remote participation, including audio-visual or telephonic, that will be made available at a regularly scheduled meeting and has been provided the opportunity to comment at an in-person meeting of the legislative body authorizing the subsidiary body to meet entirely remotely.

(iii) Teleconference meetings of the eligible subsidiary body would promote the attraction, retention, and diversity of eligible subsidiary body members.

(B) (i) An eligible subsidiary body authorized to use teleconferencing pursuant to this section may request to present any recommendations it develops to the legislative body that created it.

(ii) Upon receiving a request described in clause (i), the legislative body that created the subsidiary body shall hold a discussion at a regular meeting held within 60 days after the legislative body receives the request, or if the legislative body does not have another regular meeting scheduled within 60 days after the legislative body receives the request, at the next regular meeting after the request is received.

(iii) The discussion required by clause (ii) shall not be placed on a consent calendar, but may be combined with the legislative body's subsequent consideration of the findings described in subparagraph (A) for the following 12 months.

(iv) The legislative body shall not take any action on any recommendations included in the report of a subsidiary body until the next regular meeting of the legislative body following the discussion described in clause (ii).

(C) After the legislative body makes the findings described in subparagraph (A), the eligible subsidiary body shall approve the use of teleconferencing by majority vote before using teleconference pursuant to this section.

(D) The legislative body that created the eligible subsidiary body may elect to prohibit the eligible subsidiary body from using teleconferencing pursuant to this section at any time.

(b) (1) For purposes of this section, "eligible subsidiary body" means a legislative body that meets all of the following:

(A) Is described in subdivision (b) of Section 54952.

(B) Serves exclusively in an advisory capacity.

(C) Is not authorized to take final action on legislation, regulations, contracts, licenses, permits, or any other entitlements, grants, or allocations of funds.

(D) Does not have primary subject matter jurisdiction, as defined by the charter, an ordinance, a resolution, or any formal action of the legislative body that created the subsidiary body, that focuses on elections, budgets, police oversight, privacy, removing from, or restricting access to, materials available in public libraries, or taxes or related spending proposals.

(2) An eligible subsidiary body may include members who are elected officials, members who are not elected officials, or any combination thereof.

(c) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

54953.8.7. Eligible Multijurisdictional Body; Use of Teleconferencing

(a) An eligible multijurisdictional body may conduct a teleconference meeting pursuant to Section 54953.8, provided that it complies with the requirements of that section and all of the following additional requirements:

(1) The eligible multijurisdictional body has adopted a resolution that authorizes the eligible multijurisdictional body to use teleconferencing pursuant to this section at a regular meeting in open session.

(2) At least a quorum of the members of the eligible multijurisdictional body shall participate from one or more physical locations that are open to the public and within the boundaries of the territory over which the local agency exercises jurisdiction.

(3) A member of the eligible multijurisdictional body who receives compensation for their service on the eligible multijurisdictional body shall participate from a physical location that is open to the public. For purposes of this paragraph, "compensation" does not include reimbursement for actual and necessary expenses.

(4) A member of the eligible multijurisdictional body may participate from a remote location provided that:

(A) The eligible multijurisdictional body identifies each member of the eligible multijurisdictional body who plans to participate remotely in the agenda.

(B) The member shall participate through both audio and visual technology.

(5) A member of the eligible multijurisdictional body shall not participate in a meeting remotely pursuant to this section, unless the location from which the member participates is more than 20 miles each way from any physical location of the meeting described in paragraph (2).

(6) The provisions of this section shall not serve as a means for any member of a legislative body to participate in meetings of the legislative body solely by teleconference from a remote location for more than the following number of meetings, as applicable:

(A) Two meetings per year, if the legislative body regularly meets once per month or less.

(B) Five meetings per year, if the legislative body regularly meets twice per month.

(C) Seven meetings per year, if the legislative body regularly meets three or more times per month.

(D) For the purpose of counting meetings attended by teleconference under this paragraph, a "meeting" shall be defined as any number of meetings of the legislative body of a local agency that begin on the same calendar day.

(b) For the purposes of this section, both of the following definitions apply:

(1) "Eligible multijurisdictional body" means a multijurisdictional board, commission, or advisory body of a multijurisdictional, cross-county agency, the membership of which board, commission, or advisory body is appointed, and the board, commission, or advisory body is otherwise subject to this chapter.

(2) "Multijurisdictional" means either of the following:

(A) A legislative body that includes representatives from more than one county, city, city and county, or special district.

(B) A legislative body of a joint powers entity formed pursuant to an agreement entered into in accordance with Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1.

(c) This section shall remain in effect only until January 1, 2030, and as of that date is repealed.

§ 54954. Rules for Conduct of Business; Time and Place for Holding Regular Meetings

(a) Each legislative body of a local agency, except for advisory committees or standing committees, shall provide, by ordinance, resolution, bylaws, or by whatever other rule is required for the conduct of business by that body, the time and place for holding regular meetings. Meetings of advisory committees or standing committees, for which an agenda is posted at least 72 hours in advance of the meeting pursuant to subdivision (a) of Section 54954.2, shall be considered for purposes of this chapter as regular meetings of the legislative body.

(b) Regular and special meetings of the legislative body shall be held within the boundaries of the territory over which the local agency exercises jurisdiction, except to do any of the following:

(1) Comply with state or federal law or court order, or attend a judicial or administrative proceeding to which the local agency is a party.

(2) Inspect real or personal property which cannot be conveniently brought within the boundaries of the territory over which the local agency exercises jurisdiction provided that the topic of the meeting is limited to items directly related to the real or personal property.

(3) Participate in meetings or discussions of multiagency significance that are outside the boundaries of a local agency's jurisdiction. However, any meeting or discussion held pursuant to this subdivision shall take place within the jurisdiction of one of the participating local agencies and be noticed by all participating agencies as provided for in this chapter.

(4) Meet in the closest meeting facility if the local agency has no meeting facility within the boundaries of the territory over which the local agency exercises

jurisdiction, or at the principal office of the local agency if that office is located outside the territory over which the agency exercises jurisdiction.

(5) Meet outside their immediate jurisdiction with elected or appointed officials of the United States or the State of California when a local meeting would be impractical, solely to discuss a legislative or regulatory issue affecting the local agency and over which the federal or state officials have jurisdiction.

(6) Meet outside their immediate jurisdiction if the meeting takes place in or nearby a facility owned by the agency, provided that the topic of the meeting is limited to items directly related to the facility.

(7) Visit the office of the local agency's legal counsel for a closed session on pending litigation held pursuant to Section 54956.9, when to do so would reduce legal fees or costs.

(c) Meetings of the governing board of a school district shall be held within the district, except under the circumstances enumerated in subdivision (b), or to do any of the following:

(1) Attend a conference on non-adversarial collective bargaining techniques.

(2) Interview members of the public residing in another district with reference to the trustees' potential employment of an applicant for the position of the superintendent of the district.

(3) Interview a potential employee from another district.

(d) Meetings of a joint powers authority shall occur within the territory of at least one of its member agencies, or as provided in subdivision (b). However, a joint powers authority which has members throughout the state may meet at any facility in the state which complies with the requirements of Section 54961.

(e) If, by reason of fire, flood, earthquake, or other emergency, it shall be unsafe to meet in the place designated, the meetings shall be held for the duration of the emergency at the place designated by the presiding officer of the legislative body or his or her designee in a notice to the local media that have requested notice pursuant to Section 54956, by the most rapid means of communication available at the time.

§ 54954.1. Mailed Notice of Meetings, On Request Therefor: Charge

Any person may request that a copy of the agenda, or a copy of all the documents constituting the agenda packet, of any meeting of a legislative body be mailed to that person. If requested, the agenda and documents in the agenda packet shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Upon receipt of the written request, the legislative body or its designee shall cause the requested materials to be mailed at the time the agenda is posted pursuant to Section 54954.2 and 54956 or upon distribution to all, or a majority of all, of the members of a legislative body, whichever occurs first. Any request for mailed copies of agendas or agenda packets shall be valid for the calendar year in which it is filed, and must be renewed following January 1 of each year. The legislative body may establish a fee for mailing the agenda or agenda packet, which fee shall not exceed the cost of providing the service. Failure of the requesting person to receive the agenda or agenda packet pursuant to this section shall not constitute grounds for invalidation of the actions of the legislative body taken at the meeting for which the agenda or agenda packet was not received.

§ 54954.2. Agenda; Posting; Action or Discussion on Other Matters

(a) (1) At least 72 hours before a regular meeting, the legislative body of the local agency, or its designee, shall post an agenda that meets all of the following requirements:

(A) The agenda shall contain a brief general description of each item of business to be transacted or discussed at the meeting, including items to be

discussed in closed session. A brief general description of an item generally need not exceed 20 words.

(B) The agenda shall specify the time and location of the regular meeting and shall be posted in a location that is freely accessible to members of the public and on the local agency's internet website, if the local agency has one.

(C) (i) If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof.

(ii) The agenda shall include information regarding how, to whom, and when a request for disability-related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.

(2) For a meeting occurring on and after January 1, 2019, of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site, the following provisions shall apply:

(A) An online posting of an agenda shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state that is accessible through a prominent, direct link to the current agenda. The direct link to the agenda shall not be in a contextual menu; however, a link in addition to the direct link to the agenda may be accessible through a contextual menu.

(B) An online posting of an agenda including, but not limited to, an agenda posted in an integrated agenda management platform, shall be posted in an open format that meets all of the following requirements:

(i) Retrievable, downloadable, indexable, and electronically searchable by commonly used Internet search applications.

(ii) Platform independent and machine readable.

(iii) Available to the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

(C) A legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site and an integrated agenda management platform shall not be required to comply with subparagraph (A) if all of the following are met:

(i) A direct link to the integrated agenda management platform shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state. The direct link to the integrated agenda management platform shall not be in a contextual menu. When a person clicks on the direct link to the integrated agenda management platform, the direct link shall take the person directly to an Internet Web site with the agendas of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state.

(ii) The integrated agenda management platform may contain the prior agendas of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state for all meetings occurring on or after January 1, 2019.

(iii) The current agenda of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state shall be the first agenda available at the top of the integrated agenda management platform.

(iv) All agendas posted in the integrated agenda management platform shall comply with the requirements in clauses (i), (ii), and (iii) of subparagraph (B).

(D) The provisions of this paragraph shall not apply to a political subdivision of a local agency that was established by the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state.

(E) For purposes of this paragraph, both of the following definitions apply:

(i) "Integrated agenda management platform" means an Internet Web site of a city, county, city and county, special district, school district, or political subdivision established by the state dedicated to providing the entirety of the agenda information for the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state to the public.

(ii) "Legislative body" means a legislative body that meets the definition of subdivision (a) of Section 54952.

(3) No action or discussion shall be undertaken on any item not appearing on the posted agenda, except that members of a legislative body or its staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights under Section 54954.3. In addition, on their own initiative or in response to questions posed by the public, a member of a legislative body or its staff may ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities. Furthermore, a member of a legislative body, or the body itself, subject to rules or procedures of the legislative body, may provide a reference to staff or other resources for factual information, request staff to report back to the body at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

(b) Notwithstanding subdivision (a), the legislative body may take action on items of business not appearing on the posted agenda under any of the conditions 26 stated below. Prior to discussing any item pursuant to this subdivision, the legislative body shall publicly identify the item.

(1) Upon a determination by a majority vote of the legislative body that an emergency situation exists, as defined in Section 54956.5.

(2) Upon a determination by a two-thirds vote of the members of the legislative body present at the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted as specified in subdivision (a).

(3) The item was posted pursuant to subdivision (a) for a prior meeting of the legislative body occurring not more than five calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.

(c) This section is necessary to implement and reasonably within the scope of paragraph (1) of subdivision (b) of Section 3 of Article I of the California Constitution.

(d) For purposes of subdivision (a), the requirement that the agenda be posted on the local agency's Internet Web site, if the local agency has one, shall only apply to a legislative body that meets either of the following standards:

(1) A legislative body as that term is defined by subdivision (a) of Section 54952.

(2) A legislative body as that term is defined by subdivision (b) of Section 54952, if the members of the legislative body are compensated for their appearance, and if one or more of the members of the legislative body are also members of a legislative body as that term is defined by subdivision (a) of Section 54952.

§ 54954.3. Opportunity for Public to Address Legislative Body; Regulations

(a) (1) Every agenda for regular meetings shall provide an opportunity for members of the public to directly address the legislative body on any item of interest to the public, before or during the legislative body's consideration of the item, that is within the subject matter jurisdiction of the legislative body, provided that no action shall be 27 taken on any item not appearing on the agenda unless the action is otherwise authorized by subdivision (b) of Section 54954.2.

(2) (A) Notwithstanding paragraph (1), the agenda need not provide an opportunity for members of the public to address the legislative body on any item that has already been considered by a committee, composed exclusively of members of the legislative body, at a public meeting wherein all interested members of the public were afforded the opportunity to address the committee on the item, before or during the committee's consideration of the item.

(B) Subparagraph (A) shall not apply if any of the following conditions are met:

(i) The item has been substantially changed since the committee heard the item, as determined by the legislative body.

(ii) When considering the item, a quorum of the committee members did not participate from a singular physical location, that was clearly identified on the agenda, open to the public, and situated within the boundaries of the territory over which the local agency exercises jurisdiction.

(iii) The committee has primary subject matter jurisdiction, as defined by the charter, an ordinance, a resolution, or any formal action of the legislative body that created the subsidiary body, that focuses on elections, budgets, police oversight, privacy, removing from, or restricting access to, materials available in public libraries, or taxes or related spending proposals. This clause shall not apply to an item if the local agency has adopted a law applicable to the meeting of the committee at which

the item that was considered prohibits the committee from placing a limit on the total amount of time for public comment on the item.

(3) Every notice for a special meeting shall provide an opportunity for members of the public to directly address the legislative body concerning any item that has been described in the notice for the meeting before or during consideration of that item.

(b) (1) The legislative body of a local agency may adopt reasonable regulations to ensure that the intent of subdivision (a) is carried out, including, but not limited to, regulations limiting the total amount of time allocated for public testimony on particular issues and for each individual speaker.

(2) Notwithstanding paragraph (1), when the legislative body of a local agency limits time for public comment, the legislative body of a local agency shall provide at least twice the allotted time to a member of the public who utilizes a translator to ensure that non-English speakers receive the same opportunity to directly address the legislative body of a local agency.

(3) Paragraph (2) shall not apply if the legislative body of a local agency utilizes simultaneous translation equipment in a manner that allows the legislative body of a local agency to hear the translated public testimony simultaneously.

(c) The legislative body of a local agency shall not prohibit public criticism of the policies, procedures, programs, or services of the agency, or of the acts or omissions of the legislative body. Nothing in this subdivision shall confer any privilege or protection for expression beyond that otherwise provided by law.

§ 54954.4. Reimbursement for Costs

(a) The Legislature hereby finds and declares that Section 12 of Chapter 641 of the Statutes of 1986, authorizing reimbursement to local agencies and school districts for costs mandated by the state pursuant to that act, shall be interpreted strictly. The intent of the Legislature is to provide reimbursement for only those costs which are clearly and

unequivocally incurred as the direct and necessary result of compliance with Chapter 641 of the Statutes of 1986.

(b) In this regard, the Legislature directs all state employees and officials involved in reviewing or authorizing claims for reimbursement, or otherwise participating in the reimbursement process, to rigorously review each claim and authorize only those claims, or parts thereof, which represent costs which are clearly and unequivocally incurred as the direct and necessary result of compliance with Chapter 641 of the Statutes of 1986 and for which complete documentation exists. For purposes of Section 54954.2, costs eligible for reimbursement shall only include the actual cost to post a single agenda for any one meeting.

(c) The Legislature hereby finds and declares that complete, faithful, and uninterrupted compliance with the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code) is a matter of overriding public importance. Unless specifically stated, no future Budget Act, or related budget enactments, shall, in any manner, be interpreted to suspend, eliminate, or otherwise modify the legal obligation and duty of local agencies to fully comply with Chapter 641 of the Statutes of 1986 in a complete, faithful, and uninterrupted manner.

§ 54954.5. Closed Session Item Descriptions

For purposes of describing closed session items pursuant to Section 54954.2, the agenda may describe closed sessions as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items were described in substantial compliance with this section. Substantial compliance is satisfied by including the information provided below, irrespective of its format.

(a) With respect to a closed session held pursuant to Section 54956.7: LICENSE/PERMIT DETERMINATION Applicant(s): (Specify number of applicants)

(b) With respect to every item of business to be discussed in closed session pursuant to Section 54956.8:

CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Property: (Specify street address, or if no street address, the parcel number or other unique reference, of the real property under negotiation)

Agency negotiator: (Specify names of negotiators attending the closed session) (If circumstances necessitate the absence of a specified negotiator, an agent or designee may participate in place of the absent negotiator so long as the name of the agent or designee is announced at an open session held prior to the closed session.)

Negotiating parties: (Specify name of party (not agent))

Under negotiation: (Specify whether instruction to negotiator will concern price, terms of payment, or both)

(c) With respect to every item of business to be discussed in closed session pursuant to Section 54956.9:

CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION

(Paragraph (1) of subdivision (d) of Section 54956.9)

Name of case: (Specify by reference to claimant's name, names of parties, case or claim numbers) or Case name unspecified: (Specify whether disclosure would jeopardize service of process or existing settlement negotiations)

CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: (Specify number of potential cases)

(In addition to the information noticed above, the agency may be required to provide additional information on the agenda or in an oral statement prior to the closed session pursuant to paragraphs (2) to (5), inclusive, of subdivision (e) of Section 54956.9.)

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: (Specify number of potential cases)

(d) With respect to every item of business to be discussed in closed session pursuant to Section 54956.95:

LIABILITY CLAIMS

Claimant: (Specify name unless unspecified pursuant to Section 54961)

Agency claimed against: (Specify name)

(e) With respect to every item of business to be discussed in closed session pursuant to Section 54957:

THREAT TO PUBLIC SERVICES OR FACILITIES

Consultation with: (Specify name of law enforcement agency and title of officer, or name of applicable agency representative and title)

PUBLIC EMPLOYEE APPOINTMENT

Title: (Specify description of position to be filled)

PUBLIC EMPLOYMENT

Title: (Specify description of position to be filled)

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Title: (Specify position title of employee being reviewed)

PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE

(No additional information is required in connection with a closed session to consider discipline, dismissal, or release of a public employee. Discipline includes potential reduction of compensation.)

(f) With respect to every item of business to be discussed in closed session pursuant to Section 54957.6:

CONFERENCE WITH LABOR NEGOTIATORS

Agency designated representatives: (Specify names of designated representatives attending the closed session) (If circumstances necessitate the absence of a specified designated representative, an agent or designee may participate in place of the absent representative so long as the name of the agent or designee is announced at an open session held prior to the closed session.)

Employee organization: (Specify name of organization representing employee or employees in question)

OR

Unrepresented employee: (Specify position title of unrepresented employee who is the subject of the negotiations)

(g) With respect to closed sessions called pursuant to Section 54957.8:

CASE REVIEW/PLANNING

(No additional information is required in connection with a closed session to consider case review or planning.)

(h) With respect to every item of business to be discussed in closed session pursuant to Sections 1461, 32106, and 32155 of the Health and Safety Code or Sections 37606 and 37624.3 of the Government Code:

REPORT INVOLVING TRADE SECRET

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility)

Estimated date of public disclosure: (Specify month and year)

HEARINGS

Subject matter: (Specify whether testimony/deliberation will concern staff privileges, report of medical audit committee, or report of quality assurance committee)

(i) With respect to every item of business to be discussed in closed session pursuant to Section 54956.86:

CHARGE OR COMPLAINT INVOLVING INFORMATION PROTECTED BY FEDERAL LAW

(No additional information is required in connection with a closed session to discuss a charge or complaint pursuant to Section 54956.86.)

(j) With respect to every item of business to be discussed in closed session pursuant to Section 54956.96:

CONFERENCE INVOLVING A JOINT POWERS AGENCY (Specify by name)

Discussion will concern: (Specify closed session description used by the joint powers agency)

Name of local agency representative on joint powers agency board: (Specify name)

(Additional information listing the names of agencies or titles of representatives attending the closed session as consultants or other representatives.)

(k) With respect to every item of business to be discussed in closed session pursuant to Section 54956.75:

AUDIT BY CALIFORNIA STATE AUDITOR'S OFFICE

§ 54954.6. Public Hearing Required Prior to Adoption of New Or Increased Taxes Or Assessments

(a) (1) Before adopting any new or increased general tax or any new or increased assessment, the legislative body of a local agency shall conduct at least one public meeting at which local officials shall allow public testimony regarding the proposed new or increased general tax or new or increased assessment in addition to the noticed public hearing at which the legislative body proposes to enact or increase the general tax or assessment.

For purposes of this section, the term “new or increased assessment” does not include any of the following:

(A) A fee that does not exceed the reasonable cost of providing the services, facilities, or regulatory activity for which the fee is charged.

(B) A service charge, rate, or charge, unless a special district’s principal act requires the service charge, rate, or charge to conform to the requirements of this section.

(C) An ongoing annual assessment if it is imposed at the same or lower amount as any previous year.

(D) An assessment that does not exceed an assessment formula or range of assessments previously specified in the notice given to the public pursuant to subparagraph (G) of paragraph (2) of subdivision (c) and that was previously adopted by the agency or approved by the voters in the area where the assessment is imposed.

(E) Standby or immediate availability charges.

(2) The legislative body shall provide at least 45 days’ public notice of the public hearing at which the legislative body proposes to enact or increase the general tax or assessment. The legislative body shall provide notice for the public meeting at the same time and in the same document as the notice for the public hearing, but the meeting shall occur prior to the hearing.

(b) (1) The joint notice of both the public meeting and the public hearing required by subdivision (a) with respect to a proposal for a new or increased general tax shall be accomplished by placing a display advertisement of at least one-eighth page in a newspaper of general circulation for three weeks pursuant to Section 6063 and by a first-class mailing to those interested parties who have filed a written request with the local agency for mailed notice of public meetings or hearings on new or increased general taxes. The public meeting pursuant to subdivision (a) shall take place no earlier than 10 days after the first publication of the joint notice pursuant to this subdivision. The public

hearing shall take place no earlier than seven days after the public meeting pursuant to this subdivision. Notwithstanding paragraph (2) of subdivision (a), the joint notice need not include notice of the public meeting after the meeting has taken place. The public hearing pursuant to subdivision (a) shall take place no earlier than 45 days after the first publication of the joint notice pursuant to this subdivision. Any written request for mailed notices shall be effective for one year from the date on which it is filed unless a renewal request is filed. Renewal requests for mailed notices shall be filed on or before April 1 of each year. The legislative body may establish a reasonable annual charge for sending notices based on the estimated cost of providing the service.

(2) The notice required by paragraph (1) of this subdivision shall include, but not be limited to, the following:

(A) The amount or rate of the tax. If the tax is proposed to be increased from any previous year, the joint notice shall separately state both the existing tax rate and the proposed tax rate increase.

(B) The activity to be taxed.

(C) The estimated amount of revenue to be raised by the tax annually.

(D) The method and frequency for collecting the tax.

(E) The dates, times, and locations of the public meeting and hearing described in subdivision (a).

(F) The telephone number and address of an individual, office, or organization that interested persons may contact to receive additional information about the tax.

(c) (1) The joint notice of both the public meeting and the public hearing required by subdivision (a) with respect to a proposal for a new or increased assessment on real property or businesses shall be accomplished through a mailing, postage prepaid,

in the United States mail and shall be deemed given when so deposited. The public meeting pursuant to subdivision (a) shall take place no earlier than 10 days after the joint mailing pursuant to this subdivision. The public hearing shall take place no earlier than seven days after the public meeting pursuant to this subdivision. The envelope or the cover of the mailing shall include the name of the local agency and the return address of the sender. This mailed notice shall be in at least 10-point type and shall be given to all property owners or business owners proposed to be subject to the new or increased assessment by a mailing by name to those persons whose names and addresses appear on the last equalized county assessment roll, the State Board of Equalization assessment roll, or the local agency's records pertaining to business ownership, as the case may be.

(2) The joint notice required by paragraph (1) of this subdivision shall include, but not be limited to, the following:

(A) In the case of an assessment proposed to be levied on property, the estimated amount of the assessment per parcel. In the case of an assessment proposed to be levied on businesses, the proposed method and basis of levying the assessment in sufficient detail to allow each business owner to calculate the amount of assessment to be levied against each business. If the assessment is proposed to be increased from any previous year, the joint notice shall separately state both the amount of the existing assessment and the proposed assessment increase.

(B) A general description of the purpose or improvements that the assessment will fund.

(C) The address to which property owners may mail a protest against the assessment.

(D) The telephone number and address of an individual, office, or organization that interested persons may contact to receive additional information about the assessment.

(E) A statement that a majority protest will cause the assessment to be abandoned if the assessment act used to levy the assessment so provides. Notice shall also state the percentage of protests required to trigger an election, if applicable.

(F) The dates, times, and locations of the public meeting and hearing described in subdivision (a).

(G) A proposed assessment formula or range as described in subparagraph (D) of paragraph (1) of subdivision (a) if applicable and that is noticed pursuant to this section.

(3) Notwithstanding paragraph (1), in the case of an assessment that is proposed exclusively for operation and maintenance expenses imposed throughout the entire local agency, or exclusively for operation and maintenance assessments proposed to be levied on 50,000 parcels or more, notice may be provided pursuant to this subdivision or pursuant to paragraph (1) of subdivision (b) and shall include the estimated amount of the assessment of various types, amounts, or uses of property and the information required by subparagraphs (B) to (G), inclusive, of paragraph (2) of subdivision (c).

(4) Notwithstanding paragraph (1), in the case of an assessment proposed to be levied pursuant to Part 2 (commencing with Section 22500) of Division 2 of the Streets and Highways Code by a regional park district, regional park and open-space district, or regional open-space district formed pursuant to Article 3 (commencing with Section 5500) of Chapter 3 of Division 5 of, or pursuant to Division 26 (commencing with Section 35100) of, the Public Resources Code, notice may be provided pursuant to paragraph (1) of subdivision (b).

(d) The notice requirements imposed by this section shall be construed as additional to, and not to supersede, existing provisions of law, and shall be applied concurrently with the existing provisions so as to not delay or prolong the governmental decision-making process.

(e) This section shall not apply to any new or increased general tax or any new or increased assessment that requires an election of either of the following:

(1) The property owners subject to the assessment.

(2) The voters within the local agency imposing the tax or assessment.

(f) Nothing in this section shall prohibit a local agency from holding a consolidated meeting or hearing at which the legislative body discusses multiple tax or assessment proposals.

(g) The local agency may recover the reasonable costs of public meetings, public hearings, and notice required by this section from the proceeds of the tax or assessment. The costs recovered for these purposes, whether recovered pursuant to this subdivision or any other provision of law, shall not exceed the reasonable costs of the public meetings, public hearings, and notice.

(h) Any new or increased assessment that is subject to the notice and hearing provisions of Article XIII C or XIII D of the California Constitution is not subject to the notice and hearing requirements of this section.

§ 54955. Adjournment of Meetings

The legislative body of a local agency may adjourn any regular, adjourned regular, special or adjourned special meeting to a time and place specified in the order of adjournment. Less than a quorum may so adjourn from time to time. If all members are absent from any regular or adjourned regular meeting the clerk or secretary of the legislative body may declare the meeting adjourned to a stated time and place and he shall cause a written notice of the adjournment to be given in the same manner as provided in Section 54956 for special meetings, unless such notice is waived as provided for special meetings. A copy of the order or notice of adjournment shall be conspicuously posted on or near the door of the place where the regular, adjourned regular, special or adjourned special meeting was held within 24 hours after the time of the adjournment. When a regular or adjourned regular meeting is adjourned as provided in this section, the

resulting adjourned regular meeting is a regular meeting for all purposes. When an order of adjournment of any meeting fails to state the hour at which the adjourned meeting is to be held, it shall be held at the hour specified for regular meetings by ordinance, resolution, bylaw, or other rule.

§ 54955.1. Continuance of Meeting to Subsequent Meeting

Any hearing being held, or noticed or ordered to be held, by a legislative body of a local agency at any meeting may by order or notice of continuance be continued or re-continued to any subsequent meeting of the legislative body in the same manner and to the same extent set forth in Section 54955 for the adjournment of meetings; provided, that if the hearing is continued to a time less than 24 hours after the time specified in the order or notice of hearing, a copy of the order or notice of continuance of hearing shall be posted immediately following the meeting at which the order or declaration of continuance was adopted or made.

§ 54956. Special Meetings; Call; Notice

(a) (1) A special meeting may be called at any time by the presiding officer of the legislative body of a local agency, or by a majority of the members of the legislative body, by delivering written notice to each member of the legislative body and to each local newspaper of general circulation and radio or television station requesting notice in writing and posting a notice on the local agency's internet website, if the local agency has one. The notice shall be delivered personally or by any other means and shall be received at least 24 hours before the time of the meeting as specified in the notice. The call and notice shall specify the time and place of the special meeting and the business to be transacted or discussed. No other business shall be considered at these meetings by the legislative body. The written notice may be dispensed with as to any member who at or prior to the time the meeting convenes files with the clerk or secretary of the legislative body a written waiver of notice. The waiver may be given by telephone or electronic mail. The written notice may also be dispensed with as to any member who is actually present at the meeting at the time it convenes.

(1) The call and notice shall be posted at least 24 hours prior to the special meeting in a location that is freely accessible to members of the public.

(b) Notwithstanding any other law, a legislative body shall not call a special meeting regarding the salaries, salary schedules, or compensation paid in the form of fringe benefits, of the legislative body or of a local agency executive, as defined in subdivision (d) of Section 3511.1. However, this subdivision does not apply to a local agency calling a special meeting to discuss the local agency's budget.

(c) For purposes of subdivision (a), the requirement that the agenda be posted on the local agency's Internet Web site, if the local agency has one, shall only apply to a legislative body that meets either of the following standards:

(1) A legislative body as that term is defined by subdivision (a) of Section 54952.

(2) A legislative body as that term is defined by subdivision (b) of Section 54952, if the members of the legislative body are compensated for their appearance, and if one or more of the members of the legislative body are also members of a legislative body as that term is defined by subdivision (a) of Section 54952.

§ 54956.5. Emergency Meetings in Emergency Situations

(a) For purposes of this section, "emergency situation" means both of the following: (1) An emergency, which shall be defined as a work stoppage, crippling activity, or other activity that severely impairs public health, safety, or both, as determined by a majority of the members of the legislative body.

(2) A dire emergency, which shall be defined as a crippling disaster, mass destruction, terrorist act, or threatened terrorist activity that poses peril so immediate and significant that requiring a legislative body to provide one-hour notice before holding an emergency meeting under this section may endanger the public health, safety, or both, as determined by a majority of the members of the legislative body.

(b) (1) Subject to paragraph (2), in the case of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities, a legislative body may hold an emergency meeting without complying with either the 24-hour notice requirement or the 24-hour posting requirement of Section 54956 or both of the notice and posting requirements.

(2) Each local newspaper of general circulation and radio or television station that has requested notice of special meetings pursuant to Section 54956 shall be notified by the presiding officer of the legislative body, or designee thereof, one hour prior to the emergency meeting, or, in the case of a dire emergency, at or near the time that the presiding officer or designee notifies the members of the legislative body of the emergency meeting.

(A) Except as provided in subparagraph (B), the notice required by this paragraph shall be given by telephone and all telephone numbers provided in the most recent request of a newspaper or station for notification of special meetings shall be exhausted. In the event that telephone services are not functioning, the notice requirements of this paragraph shall be deemed waived, and the legislative body, or designee of the legislative body, shall notify those newspapers, radio stations, or television stations of the fact of the holding of the emergency meeting, the purpose of the meeting, and any action taken at the meeting as soon after the meeting as possible.

(B) For an emergency meeting held pursuant to this section, the presiding officer of the legislative body, or designee thereof, may send the notifications required by this paragraph by email instead of by telephone, as provided in subparagraph (A), to all local newspapers of general circulation, and radio or television stations, that have requested those notifications by email, and all email addresses provided by representatives of those newspapers or stations shall be exhausted. In the event that internet services and telephone services are not functioning, the notice requirements of this paragraph shall be deemed waived, and the legislative body, or designee of the legislative body, shall notify those newspapers, radio stations, or television stations of the

fact of the holding of the emergency meeting, the purpose of the meeting, and any action taken at the meeting as soon after the meeting as possible.

(c) During a meeting held pursuant to this section, the legislative body may meet in closed session pursuant to Section 54957 if agreed to by a two-thirds vote of the members of the legislative body present, or, if less than two-thirds of the members are present, by a unanimous vote of the members present.

(d) All special meeting requirements, as prescribed in Section 54956 shall be applicable to a meeting called pursuant to this section, with the exception of the 24-hour notice requirement.

(e) The minutes of a meeting called pursuant to this section, a list of persons who the presiding officer of the legislative body, or designee of the legislative body, notified or attempted to notify, a copy of the rollcall vote, and any actions taken at the meeting shall be posted for a minimum of 10 days in a public place as soon after the meeting as possible.

§ 54956.6. Fees

No fees may be charged by the legislative body of a local agency for carrying out any provision of this chapter, except as specifically authorized by this chapter.

EXCEPTIONS TO THE OPEN MEETING REQUIREMENT - TOPICS FOR CLOSED SESSION

§ 54956.7. Closed Sessions, License Applications; Rehabilitated Criminals

Whenever a legislative body of a local agency determines that it is necessary to discuss and determine whether an applicant for a license or license renewal, who has a criminal record, is sufficiently rehabilitated to obtain the license, the legislative body may hold a closed session with the applicant and the applicant's attorney, if any, for the purpose of holding the discussion and making the determination. If the legislative body determines, as a result of the closed session, that the issuance or renewal of the license should be denied, the applicant shall be offered the opportunity to withdraw the application. If the applicant withdraws the application, no record shall be kept of the

discussions or decisions made at the closed session and all matters relating to the closed session shall be confidential. If the applicant does not withdraw the application, the legislative body shall take action at the public meeting during which the closed session is held or at its next public meeting denying the application for the license but all matters relating to the closed session are confidential and shall not be disclosed without the consent of the applicant, except in an action by an applicant who has been denied a license challenging the denial of the license.

§ 54956.75. Audit by the State Auditor's Office; Closed Meeting to Discuss Response

(a) Nothing contained in this chapter shall be construed to prevent the legislative body of a local agency that has received a confidential final draft audit report from the Bureau of State Audits from holding closed sessions to discuss its response to that report.

(b) After the public release of an audit report by the Bureau of State Audits, if a legislative body of a local agency meets to discuss the audit report, it shall do so in an open session unless exempted from that requirement by some other provision of law.

§ 54956.8. Real Property Transactions; Closed Meeting With Negotiator

Notwithstanding any other provision of this chapter, a legislative body of a local agency may hold a closed session with its negotiator prior to the purchase, sale, exchange, or lease of real property by or for the local agency to grant authority to its negotiator regarding the price and terms of payment for the purchase, sale, exchange, or lease.

However, prior to the closed session, the legislative body of the local agency shall hold an open and public session in which it identifies its negotiators, the real property or real properties which the negotiations may concern, and the person or persons with whom its negotiators may negotiate.

For purposes of this section, negotiators may be members of the legislative body of the local agency.

For purposes of this section, “lease” includes renewal or renegotiation of a lease.

Nothing in this section shall preclude a local agency from holding a closed session for discussions regarding eminent domain proceedings pursuant to Section 54956.9.

§ 54956.81. Closed Sessions; Specific Pension Fund Investments

Notwithstanding any other provision of this chapter, a legislative body of a local agency that invests pension funds may hold a closed session to consider the purchase or sale of particular, specific pension fund investments. All investment transaction decisions made during the closed session shall be made by rollcall vote entered into the minutes of the closed session as provided in subdivision (a) of Section 54957.2.

§ 54956.86. Closed Sessions, Legislative Body of Private Corporations; Federally Protected Information

Notwithstanding any other provision of this chapter, a legislative body of a local agency which provides services pursuant to Section 14087.3 of the Welfare and Institutions Code may hold a closed session to hear a charge or complaint from a member 42 enrolled in its health plan if the member does not wish to have his or her name, medical status, or other information that is protected by federal law publicly disclosed. Prior to holding a closed session pursuant to this section, the legislative body shall inform the member, in writing, of his or her right to have the charge or complaint heard in an open session rather than a closed session.

§ 54956.87. Records of Certain Health Plans; Meetings on Health Plan Trade Secrets

(a) Notwithstanding any other provision of this chapter, the records of a health plan that is licensed pursuant to the Knox-Keene Health Care Service Plan Act of 1975 (Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code) and that is governed by a county board of supervisors, whether paper records, records maintained in the management information system, or records in any other form, that relate to provider rate or payment determinations, allocation or distribution methodologies for provider payments, formulas or calculations for these payments, and contract negotiations with providers of health care for alternative rates are exempt from

disclosure for a period of three years after the contract is fully executed. The transmission of the records, or the information contained therein in an alternative form, to the board of supervisors shall not constitute a waiver of exemption from disclosure, and the records and information once transmitted to the board of supervisors shall be subject to this same exemption.

(b) Notwithstanding any other provision of law, the governing board of a health plan that is licensed pursuant to the Knox-Keene Health Care Service Plan Act of 1975 (Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code) and that is governed by a county board of supervisors may order that a meeting held solely for the purpose of discussion or taking action on health plan trade secrets, as defined in subdivision (f), shall be held in closed session. The requirements of making a public report of action taken in closed session, and the vote or abstention of every member present, may be limited to a brief general description without the information constituting the trade secret.

(c) Notwithstanding any other provision of law, the governing board of a health plan may meet in closed session to consider and take action on matters pertaining to contracts and contract negotiations by the health plan with providers of health care services concerning all matters related to rates of payment. The governing board may delete the portion or portions containing trade secrets from any documents that were finally approved in the closed session held pursuant to subdivision (b) that are provided to persons who have made the timely or standing request.

(d) Nothing in this section shall be construed as preventing the governing board from meeting in closed session as otherwise provided by law.

(e) The provisions of this section shall not prevent access to any records by the Joint Legislative Audit Committee in the exercise of its powers pursuant to Article 1 (commencing with Section 10500) of Chapter 4 of Part 2 of Division 2 of Title 2. The provisions of this section also shall not prevent access to any records by the Department of Managed Health Care in the exercise of its powers pursuant to Article 1 (commencing with Section 1340) of Chapter 2.2 of Division 2 of the Health and Safety Code.

(f) For purposes of this section, “health plan trade secret” means a trade secret, as defined in subdivision (d) of Section 3426.1 of the Civil Code, that also meets both of the following criteria:

(1) The secrecy of the information is necessary for the health plan to initiate a new service, program, marketing strategy, business plan, or technology, or to add a benefit or product.

(2) Premature disclosure of the trade secret would create a substantial probability of depriving the health plan of a substantial economic benefit or opportunity.

§ 54956.9. Pending Litigation; Closed Session; Abrogation of Privilege

(a) Nothing in this chapter shall be construed to prevent a legislative body of a local agency, based on advice of its legal counsel, from holding a closed session to confer with, or receive advice from, its legal counsel regarding pending litigation when discussion in open session concerning those matters would prejudice the position of the local agency in the litigation.

(b) For purposes of this chapter, all expressions of the lawyer-client privilege other than those provided in this section are hereby abrogated. This section is the exclusive expression of the lawyer-client privilege for purposes of conducting closed-session meetings pursuant to this chapter.

(c) For purposes of this section, “litigation” includes any adjudicatory proceeding, including eminent domain, before a court, administrative body exercising its adjudicatory authority, hearing officer, or arbitrator.

(d) For purposes of this section, litigation shall be considered pending when any of the following circumstances exist:

(1) Litigation, to which the local agency is a party, has been initiated formally.

(2) A point has been reached where, in the opinion of the legislative body of the local agency on the advice of its legal counsel, based on existing facts and circumstances, there is a significant exposure to litigation against the local agency.

(3) Based on existing facts and circumstances, the legislative body of the local agency is meeting only to decide whether a closed session is authorized pursuant to paragraph (2).

(4) Based on existing facts and circumstances, the legislative body of the local agency has decided to initiate or is deciding whether to initiate litigation.

(e) For purposes of paragraphs (2) and (3) of subdivision (d), "existing facts and circumstances" shall consist only of one of the following:

(1) Facts and circumstances that might result in litigation against the local agency but which the local agency believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed.

(2) Facts and circumstances, including, but not limited to, an accident, disaster, incident, or transactional occurrence that might result in litigation against the agency and that are known to a potential plaintiff or plaintiffs, which facts or circumstances shall be publicly stated on the agenda or announced.

(3) The receipt of a claim pursuant to the Government Claims Act (Division 3.6 (commencing with Section 810) of Title 1 of the Government Code) or some 45 other written communication from a potential plaintiff threatening litigation, which claim or communication shall be available for public inspection pursuant to Section 54957.5.

(4) A statement made by a person in an open and public meeting threatening litigation on a specific matter within the responsibility of the legislative body.

(5) A statement threatening litigation made by a person outside an open and public meeting on a specific matter within the responsibility of the legislative body so long as the official or employee of the local agency receiving knowledge of the threat

makes a contemporaneous or other record of the statement prior to the meeting, which record shall be available for public inspection pursuant to Section 54957.5. The records so created need not identify the alleged victim of unlawful or tortious sexual conduct or anyone making the threat on their behalf, or identify a public employee who is the alleged perpetrator of any unlawful or tortious conduct upon which a threat of litigation is based, unless the identity of the person has been publicly disclosed.

(f) Nothing in this section shall require disclosure of written communications that are privileged and not subject to disclosure pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1).

(g) Prior to holding a closed session pursuant to this section, the legislative body of the local agency shall state on the agenda or publicly announce the paragraph of subdivision (d) that authorizes the closed session. If the session is closed pursuant to paragraph (1) of subdivision (d), the body shall state the title of or otherwise specifically identify the litigation to be discussed, unless the body states that to do so would jeopardize the agency's ability to effectuate service of process upon one or more unserved parties, or that to do so would jeopardize its ability to conclude existing settlement negotiations to its advantage.

(h) A local agency shall be considered to be a "party" or to have a "significant exposure to litigation" if an officer or employee of the local agency is a party or has significant exposure to litigation concerning prior or prospective activities or alleged activities during the course and scope of that office or employment, including litigation in which it is an issue whether an activity is outside the course and scope of the office or employment.

§ 54956.95. Closed Sessions; Joint Powers Insurance Authorities

(a) Nothing in this chapter shall be construed to prevent a joint powers agency formed pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1, for purposes of insurance pooling, or a local agency member of the joint powers agency, from holding a closed session to discuss a claim for the payment of tort liability

losses, public liability losses, or workers' compensation liability incurred by the joint powers agency or a local agency member of the joint powers agency.

(b) Nothing in this chapter shall be construed to prevent the Local Agency Self-Insurance Authority formed pursuant to Chapter 5.5 (commencing with Section 6599.01) of Division 7 of Title 1, or a local agency member of the authority, from holding a closed session to discuss a claim for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the authority or a local agency member of the authority.

(c) Nothing in this section shall be construed to affect Section 54956.9 with respect to any other local agency.

§ 54956.96. Closed Session; Joint Powers Agencies

(a) Nothing in this chapter shall be construed to prevent the legislative body of a joint powers agency formed pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1, from adopting a policy or a bylaw or including in its joint powers agreement provisions that authorize either or both of the following:

(1) All information received by the legislative body of the local agency member in a closed session related to the information presented to the joint powers agency in closed session shall be confidential. However, a member of the legislative body of a member local agency may disclose information obtained in a closed session that has direct financial or liability implications for that local agency to the following individuals:

(A) Legal counsel of that member local agency for purposes of obtaining advice on whether the matter has direct financial or liability implications for that member local agency.

(B) Other members of the legislative body of the local agency present in a closed session of that member local agency.

(2) Any designated alternate member of the legislative body of the joint powers agency who is also a member of the legislative body of a local agency member

and who is attending a properly noticed meeting of the joint powers agency in lieu of a local agency member's regularly appointed member to attend closed sessions of the joint powers agency.

(b) (1) In addition to the authority described in subdivision (a), the Clean Power Alliance of Southern California, or its successor entity, may adopt a policy or a bylaw or include in its joint powers agreement a provision that authorizes both of the following:

(A) A designated alternate member of the legislative body of the Clean Power Alliance of Southern California, or its successor entity, who is not a member of the legislative body of a local agency member and who is attending a properly noticed meeting of the Clean Power Alliance of Southern California, or its successor entity, in lieu of a local agency member's regularly appointed member, to attend closed sessions of the Clean Power Alliance of Southern California, or its successor entity.

(B) All information that is received by a designated alternate member of the legislative body of the Clean Power Alliance of Southern California, or its successor entity, who is not a member of the legislative body of a local agency member, and that is presented to the Clean Power Alliance of Southern California, or its successor entity, in closed session, shall be confidential. However, the designated alternate member may disclose information obtained in a closed session that has direct financial or liability implications for the local agency member for which the designated alternate member attended the closed session, to the following individuals:

(i) Legal counsel of that local agency member for purposes of obtaining advice on whether the matter has direct financial or liability implications for that local agency member.

(ii) Members of the legislative body of the local agency present in a closed session of that local agency member.

(2) If the Clean Power Alliance of Southern California, or its successor entity, adopts a policy or bylaw or includes in its joint powers agreement a provision authorized pursuant to paragraph (1), the Clean Power Alliance of Southern California, or

its successor entity, shall establish policies to prevent conflicts of interest and to address breaches of confidentiality that apply to a designated alternate member who is not a member of the legislative body of a local agency member who attends a closed session of the Clean Power Alliance of Southern California, or its successor entity.

(c) If the legislative body of a joint powers agency adopts a policy or a bylaw or includes provisions in its joint powers agreement pursuant to subdivision (a) or (b), then the legislative body of the local agency member, upon the advice of its legal counsel, may conduct a closed session in order to receive, discuss, and take action concerning information obtained in a closed session of the joint powers agency pursuant to paragraph (1) of subdivision (a) or paragraph (1) of subdivision (b).

(d) This section shall remain in effect only until January 1, 2025, and as of that date is repealed.

§ 54956.97. Public Bank; Governing Board or Committee of Governing Board; Closed Session.

Notwithstanding any provision of law, the governing board, or a committee of the governing board, of a public bank, as defined in Section 57600 of the Government Code, may meet in closed session to consider and take action on matters pertaining to all of the following:

(a) A loan or investment decision.

(b) A decision of the internal audit committee, the compliance committee, or the governance committee.

(c) A meeting with a state or federal regulator.

§ 54956.98. Public Bank; Policy or Bylaw; Information From a Closed Session Considered Confidential

(a) For purposes of this section, the following definitions shall apply:

(1) “Shareholder, member, or owner local agency” or “shareholder, member, or owner” means a local agency that is a shareholder of a public bank.

(2) “Public bank” has the same meaning as defined in Section 57600.

(b) The governing board of a public bank may adopt a policy or a bylaw or include in its governing documents provisions that authorize any of the following:

(1) All information received by a shareholder, member, or owner of the public bank in a closed session related to the information presented to the governing board of a public bank in closed session shall be confidential. However, a member of the governing board of a shareholder, member, or owner local agency may disclose information obtained in a closed session that has direct financial or liability implications for that local agency to the following individuals:

(A) Legal counsel of that shareholder, member, or owner local agency for purposes of obtaining advice on whether the matter has direct financial or liability implications for that shareholder local agency.

(B) Other members of the governing board of the local agency present in a closed session of that shareholder, member, or owner local agency.

(2) A designated alternate member of the governing board of the public bank who is also a member of the governing board of a shareholder, member, or owner local agency and who is attending a properly noticed meeting of the public bank governing board in lieu of a shareholder, member, or owner local agency’s regularly appointed member may attend a closed session of the public bank governing board.

(c) If the governing board of a public bank adopts a policy or a bylaw or includes provisions in its governing documents pursuant to subdivision (b), then the governing board of the shareholder, member, or owner local agency, upon the advice of its legal counsel, may conduct a closed session in order to receive, discuss, and take action concerning information obtained in a closed session of the public bank governing board pursuant to paragraph (1) of subdivision (b).

§ 54957. Closed Sessions; Discussion of Employee/Independent Contractor; Exclusion of Witnesses

(a) (1) This chapter does not prevent the legislative body of a local agency from holding closed sessions with the Governor, Attorney General, district attorney, agency counsel, sheriff, or chief of police, or other law enforcement or security personnel , or a security consultant or a security operations manager, on matters posing a threat to the security of public buildings, a threat to the security of essential public services, including water, drinking water, wastewater treatment, natural gas service, and electric service, a threat to the public's right of access to public services or public facilities, or a threat to critical infrastructure controls or critical infrastructure information relating to cybersecurity.

(2) For purposes of this subdivision, the following definitions apply:

(A) "Critical infrastructure controls" means networks and systems controlling assets so vital to the local agency that the incapacity or destruction of those networks, systems, or assets would have a debilitating impact on public health, safety, economic security, or any combination thereof.

(B) "Critical infrastructure information" means information not customarily in the public domain pertaining to any of the following:

(i) Actual, potential, or threatened interference with, or an attack on, compromise of, or incapacitation of critical infrastructure controls by either physical or computer-based attack or other similar conduct, including, but not limited to, the misuse of, or unauthorized access to, all types of communications and data transmission systems, that violates federal, state, or local law or harms public health, safety, or economic security, or any combination thereof.

(ii) The ability of critical infrastructure controls to resist any interference, compromise, or incapacitation, including, but not limited to, any planned or past assessment or estimate of the vulnerability of critical infrastructure.

(iii) Any planned or past operational problem or solution regarding critical infrastructure controls, including, but not limited to, repair, recovery, reconstruction, insurance, or continuity, to the extent it is related to interference, compromise, or incapacitation of critical infrastructure controls.

(b) (1) Subject to paragraph (2), this chapter does not prevent the legislative body of a local agency from holding closed sessions during a regular or special 51 meeting to consider the appointment, employment, evaluation of performance, discipline, or dismissal of a public employee or to hear complaints or charges brought against the employee by another person or employee unless the employee requests a public session.

(1) As a condition to holding a closed session on specific complaints or charges brought against an employee by another person or employee, the employee shall be given written notice of their right to have the complaints or charges heard in an open session rather than a closed session, which notice shall be delivered to the employee personally or by mail at least 24 hours before the time for holding the session. If notice is not given, any disciplinary or other action taken by the legislative body against the employee based on the specific complaints or charges in the closed session shall be null and void.

(2) The legislative body also may exclude from the public or closed meeting, during the examination of a witness, any or all other witnesses in the matter being investigated by the legislative body.

(3) For the purposes of this subdivision, the term “employee” shall include an officer or an independent contractor who functions as an officer or an employee but shall not include any elected official, member of a legislative body or other independent contractors. This subdivision shall not limit local officials’ ability to hold closed session meetings pursuant to Sections 1461, 32106, and 32155 of the Health and Safety Code or Sections 37606 and 37624.3 of the Government Code. Closed sessions held pursuant to this subdivision shall not include discussion or action on proposed compensation except for a reduction of compensation that results from the imposition of discipline.

§ 54957.1. Closed Sessions; Public Report of Decisions

(a) The legislative body of any local agency shall publicly report any action taken in closed session and the vote or abstention on that action of every member present, as follows:

(1) Approval of an agreement concluding real estate negotiations pursuant to Section 54956.8 shall be reported after the agreement is final, as follows:

(A) If its own approval renders the agreement final, the body shall report that approval and the substance of the agreement in open session at the public meeting during which the closed session is held.

(B) If final approval rests with the other party to the negotiations, the local agency shall disclose the fact of that approval and the substance of the agreement upon inquiry by any person, as soon as the other party or its agent has informed the local agency of its approval.

(2) Approval given to its legal counsel to defend, or seek or refrain from seeking appellate review or relief, or to enter as an amicus curiae in any form of litigation as the result of a consultation under Section 54956.9 shall be reported in open session at the public meeting during which the closed session is held. The report shall identify, if known, the adverse party or parties and the substance of the litigation. In the case of approval given to initiate or intervene in an action, the announcement need not identify the action, the defendants, or other particulars, but shall specify that the direction to initiate or intervene in an action has been given and that the action, the defendants, and the other particulars shall, once formally commenced, be disclosed to any person upon inquiry, unless to do so would jeopardize the agency's ability to effectuate service of process on one or more unserved parties, or that to do so would jeopardize its ability to conclude existing settlement negotiations to its advantage.

(3) Approval given to its legal counsel of a settlement of pending litigation, as defined in Section 54956.9, at any stage prior to or during a judicial or quasi-judicial proceeding shall be reported after the settlement is final, as follows:

(A) If the legislative body accepts a settlement offer signed by the opposing party, the body shall report its acceptance and identify the substance of the agreement in open session at the public meeting during which the closed session is held.

(B) If final approval rests with some other party to the litigation or with the court, then as soon as the settlement becomes final, and upon inquiry by any person, the local agency shall disclose the fact of that approval, and identify the substance of the agreement.

(4) Disposition reached as to claims discussed in closed session pursuant to Section 54956.95 shall be reported as soon as reached in a manner that identifies the name of the claimant, the name of the local agency claimed against, the substance of the claim, and any monetary amount approved for payment and agreed upon by the claimant.

(5) Action taken to appoint, employ, dismiss, accept the resignation of, or otherwise affect the employment status of a public employee in closed session pursuant to Section 54957 shall be reported at the public meeting during which the closed session is held. Any report required by this paragraph shall identify the title of the position. The general requirement of this paragraph notwithstanding, the report of a dismissal or of the nonrenewal of an employment contract shall be deferred until the first public meeting following the exhaustion of administrative remedies, if any.

(6) Approval of an agreement concluding labor negotiations with represented employees pursuant to Section 54957.6 shall be reported after the agreement is final and has been accepted or ratified by the other party. The report shall identify the item approved and the other party or parties to the negotiation.

(7) Pension fund investment transaction decisions made pursuant to Section 54956.81 shall be disclosed at the first open meeting of the legislative body held after the earlier of the close of the investment transaction or the transfer of pension fund assets for the investment transaction.

(b) Reports that are required to be made pursuant to this section may be made orally or in writing. The legislative body shall provide to any person who has submitted a written request to the legislative body within 24 hours of the posting of the agenda, or to any person who has made a standing request for all documentation as part of a request for notice of meetings pursuant to Section 54954.1 or 54956, if the requester is present at the time the closed session ends, copies of any contracts, settlement agreements, or other documents that were finally approved or adopted in the closed session. If the action taken results in one or more substantive amendments to the related documents requiring retyping, the documents need not be released until the retyping is completed during normal business hours, provided that the presiding officer of the legislative body or his or her designee orally summarizes the substance of the 54 amendments for the benefit of the document requester or any other person present and requesting the information.

(c) The documentation referred to in subdivision (b) shall be available to any person on the next business day following the meeting in which the action referred to is taken or, in the case of substantial amendments, when any necessary retyping is complete.

(d) Nothing in this section shall be construed to require that the legislative body approve actions not otherwise subject to legislative body approval.

(e) No action for injury to a reputational, liberty, or other personal interest may be commenced by or on behalf of any employee or former employee with respect to whom a disclosure is made by a legislative body in an effort to comply with this section.

(f) This section is necessary to implement, and reasonably within the scope of, paragraph (1) of subdivision (b) of Section 3 of Article I of the California Constitution.

§ 54957.2. Minute Book Record of Closed Sessions; Inspection

(a) The legislative body of a local agency may, by ordinance or resolution, designate a clerk or other officer or employee of the local agency who shall then attend each closed session of the legislative body and keep and enter in a minute book a record of topics discussed and decisions made at the meeting. The minute book made pursuant

to this section is not a public record subject to inspection pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1), and shall be kept confidential. The minute book shall be available only to members of the legislative body or, if a violation of this chapter is alleged to have occurred at a closed session, to a court of general jurisdiction wherein the local agency lies. Such minute book may, but need not, consist of a recording of the closed session.

(b) An elected legislative body of a local agency may require that each legislative body all or a majority of whose members are appointed by or under the authority of the elected legislative body keep a minute book as prescribed under subdivision (a).

ENFORCEMENT REQUIREMENTS

§ 54957.5. Agendas and Other Writings Distributed for Discussion or Consideration at Public Meetings; Public Records; Inspection; Closed Sessions

(a) Agendas of public meetings are disclosable public records under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1), and shall be made available upon request without delay and in compliance with Section 54954.2 or section 54956, as applicable. However, this section shall not apply to a writing, or portion thereof, that is exempt from public disclosure.

(b) (1) If a writing is a public record related to an agenda item for an open session of a regular meeting of the legislative body of a local agency and is distributed to all, or a majority of all, of the members of a legislative body of a local agency by a person in connection with a matter subject to discussion or consideration at an open meeting of the body less than 72 hours before that meeting, the writing shall be made available for public inspection pursuant to paragraph (2) at the time the writing is distributed to all, or a majority of all, of the members of the body.

(2) (A) Except as provided in subparagraph (B), a local agency shall comply with both of the following requirements:

(i) A local agency shall make any writing described in paragraph (1) available for public inspection at a public office or location that the agency shall designate for this purpose.

(ii) A local agency shall list the address of the office or location designated pursuant to clause (i) on the agendas for all meetings of the legislative body of that agency.

(B) A local agency shall not be required to comply with the requirements of subparagraph (A) if all of the following requirements are met:

(i) An initial staff report or similar document containing an executive summary and the staff recommendation, if any, relating to that agenda item is made available for public inspection at the office or location designated pursuant to clause (i) of subparagraph (A) at least 72 hours before the meeting.

(ii) The local agency immediately posts any writing described in paragraph (1) on the local agency's internet website in a position and manner that makes it clear that the writing relates to an agenda item for an upcoming meeting.

(iii) The local agency lists the web address of the local agency's internet website on the agendas for all meetings of the legislative body of that agency.

(iv) (I) Subject to subclause (II), the local agency makes physical copies available for public inspection, beginning the next regular business hours for the local agency, at the office or location designated pursuant to clause (i) of subparagraph (A).

(II) This clause is satisfied only if the next regular business hours of the local agency commence at least 24 hours before that meeting.

(c) Writings that are public records described in subdivision (b) and distributed during a public meeting shall be made available for public inspection at the meeting if

prepared by the local agency or a member of its legislative body, or after the meeting if prepared by some other person. These writings shall be made available in appropriate alternative formats upon request by a person with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof.

(d) This chapter shall not be construed to prevent the legislative body of a local agency from charging a fee or deposit for a copy of a public record pursuant to Section 7922.530 , except that a surcharge shall not be imposed on persons with disabilities in violation of Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof.

(e) This section shall not be construed to limit or delay the public's right to inspect or obtain a copy of any record required to be disclosed under the requirements of the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1), including, but not limited to, the ability of the public to inspect public records pursuant to Section 7922.525 and obtain copies of public records pursuant to either subdivision (b) of Section 7922.530 or Section 7922.535.) of Division 7 of Title 1). This 57 chapter shall not be construed to require a legislative body of a local agency to place any paid advertisement or any other paid notice in any publication.

§ 54957.6. Closed Sessions; Salaries, Legislative Body of Local Agencies; Salaries, Salary Schedules or Fringe Benefits; Mandatory Subjects

(a) Notwithstanding any other provision of law, a legislative body of a local agency may hold closed sessions with the local agency's designated representatives regarding the salaries, salary schedules, or compensation paid in the form of fringe benefits of its represented and unrepresented employees, and, for represented employees, any other matter within the statutorily provided scope of representation, subject to all of the following conditions:

(1) Prior to the closed session, the legislative body of the local agency shall hold an open and public session in which it identifies its designated representatives.

(2) The closed session shall be for the purpose of reviewing its position and instructing the local agency's designated representatives.

(3) The closed session may take place prior to and during consultations and discussions with representatives of employee organizations and unrepresented employees.

(4) Any closed session with the local agency's designated representative regarding the salaries, salary schedules, or compensation paid in the form of fringe benefits may include discussion of an agency's available funds and funding priorities, but only insofar as these discussions relate to providing instructions to the local agency's designated representative.

(5) The closed session shall not include final action on the proposed compensation of one or more unrepresented employees.

(6) For the purposes enumerated in this section, a legislative body of a local agency may also meet with a state conciliator who has intervened in the proceedings.

(b) For the purposes of this section, the term "employee" shall include an officer or an independent contractor who functions as an officer or an employee, but shall not include any elected official, member of a legislative body, or other independent contractors.

§ 54957.7. Closed Sessions; Statement of Reasons and Legal Authority; Scope of Coverage; Notice

(a) Prior to holding any closed session, the legislative body of the local agency shall disclose, in an open meeting, the item or items to be discussed in the closed session. The disclosure may take the form of a reference to the item or items as they are listed by number or letter on the agenda. In the closed session, the legislative body may consider only those matters covered in its statement. Nothing in this section shall require or authorize a disclosure of information prohibited by state or federal law.

(b) After any closed session, the legislative body shall reconvene into open session prior to adjournment and shall make any disclosures required by Section 54957.1 of action taken in the closed session.

(c) The announcements required to be made in open session pursuant to this section may be made at the location announced in the agenda for the closed session, as long as the public is allowed to be present at that location for the purpose of hearing the announcements.

§ 54957.8. Closed Sessions; Legislative Body Of Multijurisdictional Law Enforcement Agency

(a) For purposes of this section, "multijurisdictional law enforcement agency" means a joint powers entity formed pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 that provides law enforcement services for the parties to the joint powers agreement for the purpose of investigating criminal activity involving drugs; gangs; sex crimes; firearms trafficking or felony possession of a firearm; high technology, computer, or identity theft; human trafficking; or vehicle theft.

(b) Nothing contained in this chapter shall be construed to prevent the legislative body of a multijurisdictional law enforcement agency, or an advisory body of a multijurisdictional law enforcement agency, from holding closed sessions to discuss the case records of any ongoing criminal investigation of the multijurisdictional law enforcement agency or of any party to the joint powers agreement, to hear testimony from persons involved in the investigation, and to discuss courses of action in particular cases.

§ 54957.9. Authorization to Clear Room Where Meeting Willfully Interrupted, Etc.

In the event that any meeting is willfully interrupted by a group or groups of persons so as to render the orderly conduct of the meeting unfeasible and order cannot be restored by the removal of individuals who are willfully interrupting the meeting, the members of the legislative body conducting the meeting may order the meeting room cleared and continue in session. Only matters appearing on the agenda may be considered in such a session. Representatives of the press or other news media, except those participating in the disturbance, shall be allowed to attend any session held

pursuant to this section. Nothing in this section shall prohibit the legislative body from establishing a procedure for readmitting an individual or individuals not responsible for willfully disturbing the orderly conduct of the meeting.

§ 54957.10. Closed Sessions; Employee Application for Early Withdrawal of Funds in Deferred Compensation Plan; Financial Hardship

Notwithstanding any other provision of law, a legislative body of a local agency may hold closed sessions to discuss a local agency employee's application for early withdrawal of funds in a deferred compensation plan when the application is based on financial hardship arising from an unforeseeable emergency due to illness, accident, casualty, or other extraordinary event, as specified in the deferred compensation plan.

§ 54957.95. Open Meetings: Orderly Conduct.

(a) (1) In addition to authority exercised pursuant to Sections 54954.3 and 54957.9, the presiding member of the legislative body conducting a meeting or their designee may remove, or cause the removal of, an individual for disrupting the meeting, including any teleconferenced meeting.

(2) Prior to removing an individual, the presiding member or their designee shall warn the individual that their behavior is disrupting the meeting and that their failure to cease their behavior may result in their removal. The presiding member or 60 their designee may then remove the individual if they do not promptly cease their disruptive behavior. This paragraph does not apply to any behavior described in subparagraph (B) of paragraph (1) of subdivision (b).

(b) As used in this section:

(1) "Disrupting" means engaging in behavior during a meeting of a legislative body that actually disrupts, disturbs, impedes, or renders infeasible the orderly conduct of the meeting and includes, but is not limited to, one of the following:

(A) A failure to comply with reasonable and lawful regulations adopted by a legislative body pursuant to Section 54954.3 or any other law.

(B) Engaging in behavior that constitutes use of force or a true threat of force.

(2) "True threat of force" means a threat that has sufficient indicia of intent and seriousness, that a reasonable observer would perceive it to be an actual threat to use force by the person making the threat.

54957.96. Member of Public Participating in Meeting via Two-Way Telephonic Service or Two-Way Audiovisual Platform; Authority for Removal or Limitation of Participation

(a) The existing authority of a legislative body or its presiding officer to remove or limit participation by persons who engage in behavior that actually disrupts, disturbs, impedes, or renders infeasible the orderly conduct of the meeting, including existing limitations upon that authority, shall apply to members of the public participating in a meeting via a two-way telephonic service or a two-way audiovisual platform.

(b) For purposes of this section, the following definitions apply:

(1) "Two-way audiovisual platform" means an online platform that provides participants with the ability to participate in a meeting via both an interactive video conference and a two-way telephonic service. A two-way audiovisual platform may be structured to disable the use of video for the public participants.

(2) "Two-way telephonic service" means a telephone service that does not require internet access and allows participants to dial a telephone number to listen and verbally participate.

§ 54958. Application of Chapter

The provisions of this chapter shall apply to the legislative body of every local agency notwithstanding the conflicting provisions of any other state law.

§ 54959. Criminal Penalty

Each member of a legislative body who attends a meeting of that legislative body where action is taken in violation of any provision of this chapter, and where the member

intends to deprive the public of information to which the member knows or has reason to know the public is entitled under this chapter, is guilty of a misdemeanor.

§ 54960. Actions to Stop or Prevent Violations or Determine Applicability of Chapter

(a) The district attorney or any interested person may commence an action by mandamus, injunction, or declaratory relief for the purpose of stopping or preventing violations or threatened violations of this chapter by members of the legislative body of a local agency or to determine the applicability of this chapter to ongoing actions 61 or threatened future actions of the legislative body, or to determine the applicability of this chapter to past actions of the legislative body, subject to Section 54960.2, or to determine whether any rule or action by the legislative body to penalize or otherwise discourage the expression of one or more of its members is valid or invalid under the laws of this state or of the United States, or to compel the legislative body to audio record its closed sessions as hereinafter provided.

(b) The court in its discretion may, upon a judgment of a violation of Section 54956.7, 54956.8, 54956.9, 54956.95, 54957, or 54957.6, order the legislative body to audio record its closed sessions and preserve the audio recordings for the period and under the terms of security and confidentiality the court deems appropriate.

(c) (1) Each recording so kept shall be immediately labeled with the date of the closed session recorded and the title of the clerk or other officer who shall be custodian of the recording.

(2) The audio recordings shall be subject to the following discovery procedures:

(A) In any case in which discovery or disclosure of the audio recording is sought by either the district attorney or the plaintiff in a civil action pursuant to Section 54959, 54960, or 54960.1 alleging that a violation of this chapter has occurred in a closed session that has been recorded pursuant to this section, the party seeking discovery or disclosure shall file a written notice of motion with the appropriate court with

notice to the governmental agency that has custody and control of the audio recording. The notice shall be given pursuant to subdivision (b) of Section 1005 of the Code of Civil Procedure.

(B) The notice shall include, in addition to the items required by Section 1010 of the Code of Civil Procedure, all of the following:

(i) Identification of the proceeding in which discovery or disclosure is sought, the party seeking discovery or disclosure, the date and time of the meeting recorded, and the governmental agency that has custody and control of the recording.

(ii) An affidavit that contains specific facts indicating that a violation of the act occurred in the closed session.

(3) If the court, following a review of the motion, finds that there is good cause to believe that a violation has occurred, the court may review, in camera, the recording of that portion of the closed session alleged to have violated the act.

(4) If, following the in camera review, the court concludes that disclosure of a portion of the recording would be likely to materially assist in the resolution of the litigation alleging violation of this chapter, the court shall, in its discretion, make a certified transcript of the portion of the recording a public exhibit in the proceeding.

(5) This section shall not permit discovery of communications that are protected by the attorney-client privilege.

§ 54960.1. Unlawful Action by Legislative Body; Action for Mandamus or Injunction; Prerequisites

(a) The district attorney or any interested person may commence an action by mandamus or injunction for the purpose of obtaining a judicial determination that an action taken by a legislative body of a local agency in violation of Section 54953, 54954.2, 54954.5, 54954.6, 54956, or 54956.5 is null and void under this section. Nothing in this

chapter shall be construed to prevent a legislative body from curing or correcting an action challenged pursuant to this section.

(b) Prior to any action being commenced pursuant to subdivision (a), the district attorney or interested person shall make a demand of the legislative body to cure or correct the action alleged to have been taken in violation of Section 54953, 54954.2, 54954.5, 54954.6, 54956, or 54956.5. The demand shall be in writing and clearly describe the challenged action of the legislative body and nature of the alleged violation.

(c) (1) The written demand shall be made within 90 days from the date the action was taken unless the action was taken in an open session but in violation of Section 54954.2, in which case the written demand shall be made within 30 days from the date the action was taken.

(2) Within 30 days of receipt of the demand, the legislative body shall cure or correct the challenged action and inform the demanding party in writing of its actions to cure or correct or inform the demanding party in writing of its decision not to cure or correct the challenged action.

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(3) If the legislative body takes no action within the 30-day period, the inaction shall be deemed a decision not to cure or correct the challenged action, and the 15-day period to commence the action described in subdivision (a) shall commence to run the day after the 30-day period to cure or correct expires.

(4) Within 15 days of receipt of the written notice of the legislative body's decision to cure or correct, or not to cure or correct, or within 15 days of the expiration of the 30-day period to cure or correct, whichever is earlier, the demanding party shall be required to commence the action pursuant to subdivision (a) or thereafter be barred from commencing the action.

(d) An action taken that is alleged to have been taken in violation of Section 54953, 54954.2, 54954.5, 54954.6, 54956, or 54956.5 shall not be determined to be null and void if any of the following conditions exist:

(1) The action taken was in substantial compliance with Sections 54953, 54954.2, 54954.5, 54954.6, 54956, and 54956.5.

(2) The action taken was in connection with the sale or issuance of notes, bonds, or other evidences of indebtedness or any contract, instrument, or agreement thereto.

(3) The action taken gave rise to a contractual obligation, including a contract let by competitive bid other than compensation for services in the form of salary or fees for professional services, upon which a party has, in good faith and without notice of a challenge to the validity of the action, detrimentally relied.

(4) The action taken was in connection with the collection of any tax.

(5) Any person, city, city and county, county, district, or any agency or subdivision of the state alleging noncompliance with subdivision (a) of Section 54954.2, Section 54956, or Section 54956.5, because of any defect, error, irregularity, or omission in the notice given pursuant to those provisions, had actual notice of the item of business at least 72 hours prior to the meeting at which the action was taken, if the meeting was noticed pursuant to Section 54954.2, or 24 hours prior to the meeting at which the action was taken if the meeting was noticed pursuant to Section 54956, or prior 64 to the meeting at which the action was taken if the meeting is held pursuant to Section 54956.5.

(e) During any action seeking a judicial determination pursuant to subdivision (a) if the court determines, pursuant to a showing by the legislative body that an action alleged to have been taken in violation of Section 54953, 54954.2, 54954.5, 54954.6, 54956, or 54956.5 has been cured or corrected by a subsequent action of the legislative body, the action filed pursuant to subdivision (a) shall be dismissed with prejudice.

(f) The fact that a legislative body takes a subsequent action to cure or correct an action taken pursuant to this section shall not be construed or admissible as evidence of a violation of this chapter.

§ 54960.2. Requirements for Filing of Actions; Cease and Desist

(a) The district attorney or any interested person may file an action to determine the applicability of this chapter to past actions of the legislative body pursuant to subdivision (a) of Section 54960 only if all of the following conditions are met:

(1) The district attorney or interested person alleging a violation of this chapter first submits a cease and desist letter by postal mail or facsimile transmission to the clerk or secretary of the legislative body being accused of the violation, as designated in the statement pertaining to that public agency on file pursuant to Section 53051, or if the agency does not have a statement on file designating a clerk or a secretary, to the chief executive officer of that agency, clearly describing the past action of the legislative body and nature of the alleged violation.

(2) The cease and desist letter required under paragraph (1) is submitted to the legislative body within nine months of the alleged violation.

(3) The time during which the legislative body may respond to the cease and desist letter pursuant to subdivision (b) has expired and the legislative body has not provided an unconditional commitment pursuant to subdivision (c).

(4) Within 60 days of receipt of the legislative body's response to the cease and desist letter, other than an unconditional commitment pursuant to subdivision (c), or within 60 days of the expiration of the time during which the legislative 65 body may respond to the cease and desist letter pursuant to subdivision (b), whichever is earlier, the party submitting the cease and desist letter shall commence the action pursuant to subdivision (a) of Section 54960 or thereafter be barred from commencing the action.

(b) The legislative body may respond to a cease and desist letter submitted pursuant to subdivision (a) within 30 days of receiving the letter. This subdivision shall not be construed to prevent the legislative body from providing an unconditional commitment pursuant to subdivision (c) at any time after the 30-day period has expired, except that in

that event the court shall award court costs and reasonable attorney fees to the plaintiff in an action brought pursuant to this section, in accordance with Section 54960.5.

(c) (1) If the legislative body elects to respond to the cease and desist letter with an unconditional commitment to cease, desist from, and not repeat the past action that is alleged to violate this chapter, that response shall be in substantially the following form:

To:

The [name of legislative body] has received your cease and desist letter dated [date] alleging that the following described past action of the legislative body violates the Ralph M. Brown Act:

[Describe alleged past action, as set forth in the cease and desist letter submitted pursuant to subdivision (a)]

In order to avoid unnecessary litigation and without admitting any violation of the Ralph M. Brown Act, the [name of legislative body] hereby unconditionally commits that it will cease, desist from, and not repeat the challenged past action as described above.

The [name of legislative body] may rescind this commitment only by a majority vote of its membership taken in open session at a regular meeting and noticed on its posted agenda as "Rescission of Brown Act Commitment." You will be provided with written notice, sent by any means or media you provide in response to this message, to whatever address or addresses you specify, of any intention to consider rescinding this commitment at least 30 days before any such regular meeting. In the event that this commitment is rescinded, you will have the right to commence legal action pursuant to subdivision (a) of Section 54960 of the Government Code. That notice will be delivered to you by the same means as this commitment, or may be mailed to an address that you have designated in writing.

Very truly yours,

[Chairperson or acting chairperson of the legislative body]

(2) An unconditional commitment pursuant to this subdivision shall be approved by the legislative body in open session at a regular or special meeting as a separate item of business, and not on its consent agenda.

(3) An action shall not be commenced to determine the applicability of this chapter to any past action of the legislative body for which the legislative body has

provided an unconditional commitment pursuant to this subdivision. During any action seeking a judicial determination regarding the applicability of this chapter to any past action of the legislative body pursuant to subdivision (a), if the court determines that the legislative body has provided an unconditional commitment pursuant to this subdivision, the action shall be dismissed with prejudice. Nothing in this subdivision shall be construed to modify or limit the existing ability of the district attorney or any interested person to commence an action to determine the applicability of this chapter to ongoing actions or threatened future actions of the legislative body.

(4) Except as provided in subdivision (d), the fact that a legislative body provides an unconditional commitment shall not be construed or admissible as evidence of a violation of this chapter.

(d) If the legislative body provides an unconditional commitment as set forth in subdivision (c), the legislative body shall not thereafter take or engage in the challenged action described in the cease and desist letter, except as provided in subdivision (e). Violation of this subdivision shall constitute an independent violation of this chapter, without regard to whether the challenged action would otherwise violate this chapter. An action alleging past violation or threatened future violation of this subdivision may be brought pursuant to subdivision (a) of Section 54960, without regard to the procedural requirements of this section.

(e) The legislative body may resolve to rescind an unconditional commitment made pursuant to subdivision (c) by a majority vote of its membership taken in open session at a regular meeting as a separate item of business not on its consent agenda, and noticed on its posted agenda as “Rescission of Brown Act Commitment,” provided that not less than 30 days prior to such regular meeting, the legislative body 67 provides written notice of its intent to consider the rescission to each person to whom the unconditional commitment was made, and to the district attorney. Upon rescission, the district attorney or any interested person may commence an action pursuant to subdivision (a) of Section 54960. An action under this subdivision may be brought

pursuant to subdivision (a) of Section 54960, without regard to the procedural requirements of this section.

§ 54960.5. Costs and Attorney Fees

A court may award court costs and reasonable attorney fees to the plaintiff in an action brought pursuant to Section 54960, 54960.1, or 54960.2 where it is found that a legislative body of the local agency has violated this chapter. Additionally, when an action brought pursuant to Section 54960.2 is dismissed with prejudice because a legislative body has provided an unconditional commitment pursuant to paragraph (1) of subdivision (c) of that section at any time after the 30-day period for making such a commitment has expired, the court shall award court costs and reasonable attorney fees to the plaintiff if the filing of that action caused the legislative body to issue the unconditional commitment. The costs and fees shall be paid by the local agency and shall not become a personal liability of any public officer or employee of the local agency.

A court may award court costs and reasonable attorney fees to a defendant in any action brought pursuant to Section 54960 or 54960.1 where the defendant has prevailed in a final determination of such action and the court finds that the action was clearly frivolous and totally lacking in merit.

§ 54961. Meetings Places; Discriminatory Admission Policies; Accessibility

(a) No legislative body of a local agency shall conduct any meeting in any facility that prohibits the admittance of any person, or persons, on the basis of ancestry or any characteristic listed or defined in Section 11135, or which is inaccessible to disabled persons, or where members of the public may not be present without making a payment or purchase. This section shall apply to every local agency as defined in Section 54951.

(b) No notice, agenda, announcement, or report required under this chapter need identify any victim or alleged victim of tortious sexual conduct or child abuse unless the identity of the person has been publicly disclosed.

§ 54962. Closed Session by Legislative Body Prohibited

Except as expressly authorized by this chapter, or by Sections 1461, 1462, 32106, and 32155 of the Health and Safety Code, or by Sections 37606, 37606.1, and 37624.3 of the Government Code as they apply to hospitals, or by any provision of the Education Code pertaining to school districts and community college districts, no closed session may be held by any legislative body of any local agency.

§ 54963. Closed Sessions: Confidential Information

(a) A person may not disclose confidential information that has been acquired by being present in a closed session authorized by Section 54956.7, 54956.8, 54956.86, 54956.87, 54956.9, 54957, 54957.6, 54957.8, or 54957.10 to a person not entitled to receive it, unless the legislative body authorizes disclosure of that confidential information.

(b) For purposes of this section, "confidential information" means a communication made in a closed session that is specifically related to the basis for the legislative body of a local agency to meet lawfully in closed session under this chapter.

(c) Violation of this section may be addressed by the use of such remedies as are currently available by law, including, but not limited to:

(1) Injunctive relief to prevent the disclosure of confidential information prohibited by this section.

(2) Disciplinary action against an employee who has willfully disclosed confidential information in violation of this section.

(3) Referral of a member of a legislative body who has willfully disclosed confidential information in violation of this section to the grand jury.

(d) Disciplinary action pursuant to paragraph (2) of subdivision (c) shall require that the employee in question has either received training as to the requirements of this section or otherwise has been given notice of the requirements of this section.

(e) A local agency may not take any action authorized by subdivision (c) against a person, nor shall it be deemed a violation of this section, for doing any of the following:

(1) Making a confidential inquiry or complaint to a district attorney or grand jury concerning a perceived violation of law, including disclosing facts to a district attorney or grand jury that are necessary to establish the illegality of an action taken by a legislative body of a local agency or the potential illegality of an action that has been the subject of deliberation at a closed session if that action were to be taken by a legislative body of a local agency.

(2) Expressing an opinion concerning the propriety or legality of actions taken by a legislative body of a local agency in closed session, including disclosure of the nature and extent of the illegal or potentially illegal action.

(3) Disclosing information acquired by being present in a closed session under this chapter that is not confidential information.

(f) Nothing in this section shall be construed to prohibit disclosures under the whistleblower statutes contained in Section 1102.5 of the Labor Code or Article 4.5 (commencing with Section 53296) of Chapter 2 of this code.

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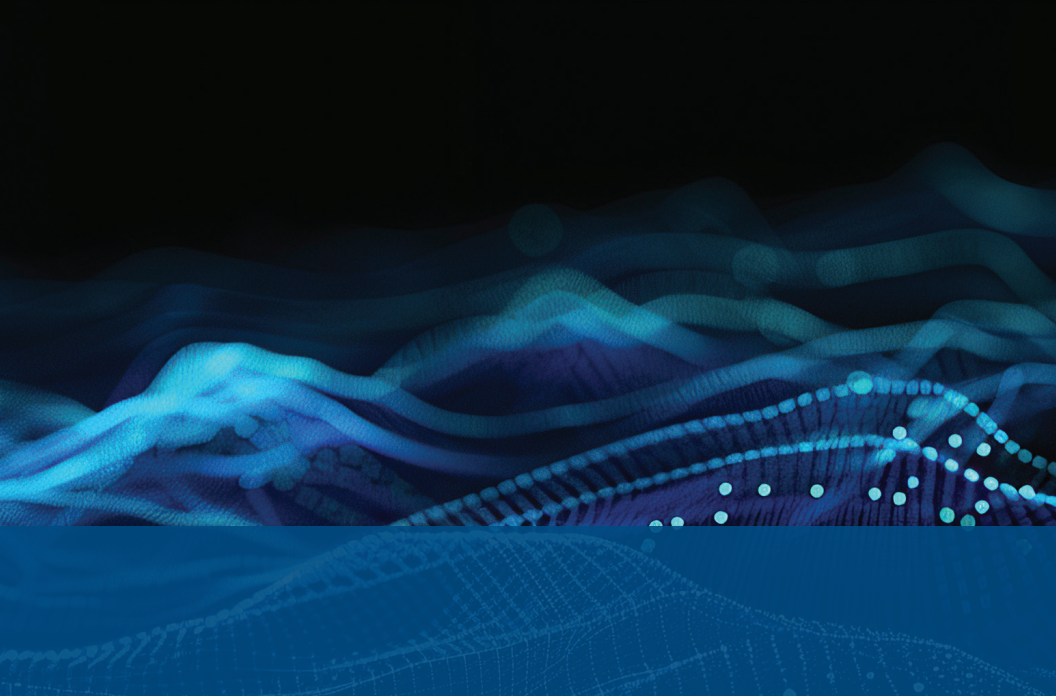

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The following information should not be construed as individual or group legal advice. Readers are cautioned to seek individualized legal assistance based on detailed analysis of particular facts and situations.

"Gift" Rules for Public Officials and Employees

The Political Reform Act of 1974 (PRA) regulates the receipt, prohibition, and required reporting of gifts by public officials, designated employees, and consultants. (Gov. Code sections 81000-91014.) The Fair Political Practices Commission (FPPC) defines and enforces the PRA and the gift rules. (Cal. Code Regulations, title 2, sections 18940-18961.)

This resource summarizes the four basic aspects of the rules governing gifts to public officials and others covered by the law:

1. Recognizing a gift.
2. Gift limits and prohibited gifts.
3. Gift reporting.
4. When a gift creates a conflict of interest.

Gift rules apply to elected and appointed public officials. This includes agency employees, consultants and volunteers who are either: (i) "statutory filers" (required to file a Statement of Economic Interests (SEI) by section 87200); or (ii) "code filers" (required to file an SEI under an agency's conflict of interest code). (Regulations 18940, 18940.1(b).) This information is not directed to lobbyists, lobbyist firms or lobbyist employers.

What is a "Gift?"

A "gift" is any payment or other benefit that provides a *personal* benefit to an official, and the official does not pay for the full value of that benefit. A gift may be a good or service, forgiveness of a debt or obligation, as well as a rebate or discount in price, unless the rebate or discount is offered in the ordinary course of business without regard to the official's status, i.e., it is available to the public. (Gov. Code section 82028; Regulation 18940.)

A gift can be almost anything if it costs money or has a market value. The FPPC's interprets "gift" broadly to encompass essentially anything received (including products, services, loans, cash, meals – including food and beverages – tickets, travel or entertainment, etc.) for which fair market value is not paid. Gifts can also include "free advice" from consultants or professionals, tickets or passes to events or entertainment (like concerts, golf or the spa) and flowers, gift baskets or other holiday treats.

The identity of the donor is irrelevant. Anyone, whether an individual or a company, can give a gift that may be reportable or prohibited. The only exceptions are gifts from family members, long-time friends, or gifts from a public agency employer (discussed below). The gift becomes reportable if the gift's source must be identified on an SEI.

Finally, a gift to an official's immediate family may be considered a gift. The PRA considers such gifts reportable if the donor has no established working, social, or similar relationship with the official's family member, or circumstances suggest the donor intended to influence the official. (Regulation 18943) This includes gifts to spouses, dependent minor children, and possibly dependent adult children up until 23.

What is not a "Gift?"

The following include some of the most common examples of items not considered reportable gifts. This list is not exhaustive; there are certain conditions, as discussed in FPPC Regulation 18942, where there is an exception to the general rule.

- Informational materials, such as books, pamphlets, calendars and periodicals used to convey information to assist in the performance of official duties.
- Gifts from the following family members, unless the donor is acting as an agent or intermediary for any person not among this list:
  - Spouse or former spouse.
  - Children, stepchildren or grandchildren.
  - Parent or grandparent.
  - Sibling.
  - Current or former parent-in-law, brother-in-law or sister-in-law.
  - Nephew, niece, aunt or uncle, including grandnephew, grandniece, great aunt or great uncle.
  - First cousin, including a first cousin once removed or the spouse, or former spouse, of any such person other than a former in-law.
- A campaign contribution required to be reported under the law.
- Any devise or inheritance.
- A personalized plaque or trophy valued at less than $250.
- The cost of home hospitality provided to an official by an individual in the individual's home when the individual is present.
- Gifts that are:
  - Unused and then returned or donated to a 501(c)(3) nonprofit within 30 days of receipt.
  - Exchanged between an official and an individual (but not a lobbyist) on a holiday, birthday or other occasions where

gifts are commonly exchanged, and to the extent that the value of the gifts exchanged are substantially the same value, including food, entertainment and nominal benefits provided to guests at an event.

  - Reciprocal exchanges in a social relationship between the official and another individual (not a lobbyist), with whom the official participates in repeated social events or activities, such as lunches, dinners, rounds of golf, attendance at entertainment or sporting events, where the parties typically rotate payments on a continuing basis so that, over time, each party pays for approximately his or her share of the costs of the continuing activities, so long as the total value of payments received by the official within the calendar year is not substantially disproportionate to the amount paid by the official.
  - From an individual with whom the official has a long-term, close, personal relationship, unrelated to the official's position.

- Admission (where paid admission is required) to an event, food, and nominal items provided as part of the paid admission, to the official where he or she makes a speech, so long as the admission is provided by the person who organizes the event.
- A ticket provided to the official and one guest for admission to a facility, event, show or performance for an entertainment, amusement, recreational or similar purpose at which the official performs a ceremonial role on behalf of his or her agency.
- Gifts received: (i) at a wedding or civil union, (ii) as bereavement-related gifts, (iii) that constitute an "act of neighborliness" or "human compassion," or (iv) in a bona fide dating relationship.
- Costs for travel, lodging and passes received from and through a public agency are normally not considered gifts to the official, though the rules are complex. Generally, transportation, lodging and meals paid for by the public agency when the official is conducting official agency business are considered neither gifts nor income and are thus not reportable on the SEI. Travel and lodging paid by third parties, however, might be considered either gifts or income depending on the circumstances, but are generally not subject to the $630 limitation. If an individual or an entity gives tickets or passes to the public agency for distribution by the agency (usually by the manager, superintendent or other executive) and they are used for public purposes, the value of such gifts are not reportable by the official on his or her SEI. Instead, the public agency must complete and file either a Form 801 or a Form 802 and follow certain reporting requirements.

What Does It Mean to "Receive" a Gift?

A gift is considered "received" and "accepted" when an official, or their family member: (i) knowingly takes actual possession of the gift, (ii) is provided the gift's benefit, ***or*** (iii) takes any action exercising direction or control over the gift. (Gov. Code 89503.5.) "Re-gifting" to another person or entity constitutes receipt of a gift. A gift is not "accepted" if, within 30 days, the official: (i) returns the ***unused*** gift to the donor; (ii) donates the gift either to a 501(c)(3) nonprofit unrelated to the official or to a local, state, or federal government agency, without claiming the donation as a tax deduction; or (iii) pays for the full value of the gift.

Is It Legal to Accept a "Gift?"

Most gifts are legal so long as the official complies with the reporting requirements and stays below the gift limits. Of course, just because a gift can be accepted does not mean it should be. Whether to accept a gift is a personal decision each public official must make in light of his or her own circumstances, in compliance with special local policies and the expectations of his or her constituents.

It is illegal, however, to **condition a vote or official governmental action on receiving a gift**. This includes offering to vote for or against an agenda item, or to take or refrain from any governmental action (including influencing staff and other elected officials) in exchange for a gift. **This is bribery.** (Penal Code sections 70 (misdemeanor), 85 (felony); see also Education Code section 35230 (misdemeanor).) Any gift considered a bribe, regardless of the amount, creates a disqualifying financial interest under the PRA and Government Code section 1090, preventing the agency from entering into any contract with the donor.

If I Accept a "Gift," What Do I Need to Know?

There are three general considerations when deciding to accept a gift: (i) prohibited gifts, (ii) gifts that must be reported, and (iii) gifts that create a disqualifying conflict of interest under the PRA.

What "Gifts" Are Prohibited?

- Any gift(s) received from a single reportable source with a value greater than $630 within the calendar year. (Gov. Code section 89503, Regulations 18940.2, 18945.1.)
- Honoraria, such as payment for making a speech, publishing an article or attending any public or private conference, convention, meeting, social event, meal or similar gathering.

What "Gifts" Must be Reported?

Any gift(s) received from a single reportable source with a value of $50 or more during the calendar year must be reported on an SEI. (Gov. Code section 87210, Regulation 18940(c).) Public officials should be careful if multiple gifts are received from the same reportable source over the course of a calendar year that total $50 or more (e.g., two $25 gift baskets); receipt of the second gift will trigger the reporting requirement. An official may also partially reimburse the donor, thus reducing the gift's value for reporting purposes.

What "Gift" Creates a Disqualifying Conflict of Interest?

Any gift or combination of gifts from a single donor valued at $630 or more which were received in the 12 months preceding a governmental decision affecting that donor creates a disqualifying conflict of interest under the PRA. (Gov. Code section 87103(e); Regulation 18700(c)(6)(E)) (**Note**: this is different than a calendar year for reporting purposes. For example, an official who receives a $400 gift from a donor in December and another $400 gift the following January will have a disqualifying conflict of interest, but will be below the $630 maximum for the calendar year.)

How Do I Determine a "Gift's" Value?

Gifts are valued at "fair market value" on the day they are received. (Regulation 18940(c).) The donor or retail source may be contacted to provide the gift's value and make a determination.

California Public Records Act[1]

The California Public Records Act ("CPRA") (California Government Code section 7922[2], ***et seq.)*** was passed by the California Legislature in 1968 for government agencies and allows the public to inspect and obtain copies of records from state and local public agencies. The main goal of the CPRA is to provide the public with access to information that allows them to examine government operations. Public agencies are required to disclose records relating to the conduct of the public's business upon request unless there is a legal basis not to do so.

Best Best & Krieger LLP's ("BBK") Advanced Records Center ("ARC"), assists public agencies by providing expert guidance and support on a variety of records-related matters. ARC's team of Certified E-Discovery Specialists leverages cutting-edge technology to provide comprehensive, cost-effective assistance with CPRA processing, policy drafting, training, and document retention.

Who Handles CPRA Requests?

Elected and appointed officials, as well as public agency employees and consultants, along with individuals contracting with public agencies, are directly responsible for preparing, using, transmitting, and storing public records.

What Is a "Public Record?"

A public record is a document or record related to the public's business that a public agency creates or receives. Under the CPRA, a "public record" is any "writing," regardless of its physical form or characteristics, that contains information related to the conduct of the public's business and is prepared, owned, used, or retained by a public agency. The CPRA's definition of "writing" includes handwriting, typewriting, printing, photographs, photocopies, emails, faxes "and every other means of recording upon any tangible thing, any form of communication or representation... and any record thereby created, regardless of the manner in which the record has been stored." (Section 7920.545[3])

Examples of disclosable public records include:

- Emails regarding a public agency's business
- Claims filed against a public agency
- Employment agreements
- Names and salaries of public employees

[1] As of January 1, 2023, the CPRA has been reorganized and recodified without any substantive change. This resource will show the new numbering with footnote references to the previous numbers. Additionally, unless stated otherwise, all statutory references cite to the California Government Code.

[2] *Formerly* Government Code section 6250 *et seq*.

[3] *Formerly* Government Code section 6252(g)

- Names and pension amounts of retired public employees
- Proposals (after negotiations are complete)
- Expense reimbursements for public officials and public employees
- Settlement agreements
- Contracts between public agencies and third parties
- Geographic Information System (GIS) data (but not the software)
- Permits and licenses issued by public agencies
- Agenda reports, ordinances, resolutions, and public meeting minutes

Best practice: Consider emails, text messages, and photographs regarding the public agency's business as disclosable public records. Keep all communications professional so casual remarks and banter stay off the public record.

Emails and Public Records

Email messages that contain information regarding an agency's official business are public records subject to the CPRA and applicable records-retention laws. However, email messages not pertaining to public business are typically not considered public records, including:

- Personal messages
- SPAM emails, advertisements, or other "junk" messages
- Birthday greetings, invitations to lunch, etc.
- Newsletters or general information from other agencies or vendors

Public officials and staff should refrain from using personal email accounts to discuss official business. If it's unavoidable, the message should be forwarded or "cc'd" to the email address provided by the agency. Emails related to official agency business must be accessible and retained by the agency in accordance with the agency's document retention policy.

Rights to Privacy

Personal privacy is a constitutionally protected right recognized by the CPRA. The legislature acknowledged the importance of individual privacy by creating several exemptions in the CPRA. For instance, the CPRA permits the withholding of personnel, medical, or similar information if releasing the information would infringe upon an

individual's personal privacy, and if the balance of interests favors non-disclosure (Section 7927.700). Similarly, a government employee's personal information is kept confidential, such as home addresses, personal telephone numbers, and birth dates (Section 7928.300).

In some cases, agencies must use a general balancing test to determine whether the right to privacy in a particular instance outweighs the public's interest in accessing the information. In such situations, if personal or intimate information is obtained from a person (e.g., a government employee or appointee, or an applicant for government employment/appointment) as a precondition for the employment or appointment, a privacy interest in such information is likely to be recognized. However, if information is provided voluntarily in a public setting (e.g., a public meeting) or in order to receive a benefit, a privacy right is less likely to be recognized. At times, the decision to disclose depends on whether the invasion of an individual's privacy is significant enough to outweigh the public interest in disclosure.

What Are Public Agencies Required to Do Under the CPRA?

1. Provide Assistance

Public agencies must help requesters make "focused and effective" records requests that reasonably describe identifiable records. This involves assisting in identifying records that are responsive to a request, describing the format in which the records exist (whether electronic or paper-based), outlining the physical location of the records (e.g., offsite storage or the agency's website), and providing suggestions to avoid having the agency deny the request (e.g., warn of any legal privileges that apply to the requested records).

Best practice: Ask the requester for clarification if you're unsure about the type of records being sought. Provide examples or descriptions of the types of records the agency uses to help identify documents or documents that may contain the information sought.

2. Provide Records

Public agencies must make copies of disclosable public records "promptly available" whenever possible and allow inspection of disclosable public records "at all times" during regular business hours. Access is always free. Fees for "inspection" or "processing"

are prohibited[4]. However, the CPRA allows public agencies to review and redact records, when necessary, to delete any portions that are exempt from disclosure before inspection. The CPRA also allows public agencies up to 10 days to determine if it has the records. In specific situations, a public agency may extend the 10 days up to an additional 14 days to make its determination. Those particular situations are when a public agency needs to 1) search for and collect records from offsite facilities, 2) search for, collect, and examine large volumes of records, 3) consult with another agency about the request, or 4) compile data, write a computer program or construct a computer report to extract data.

Best practice: When other staff members ask for documents for a CPRA request, provide the documents quickly to comply with the CPRA's legal deadlines.

3. Provide a Written Explanation When Records Are Withheld

When a public agency denies a request for records, the denial must be provided in writing and include the specific exemption in the CPRA or other statute. If no specific exemption applies, the denial must give a detailed explanation of why the public interest in withholding the records clearly outweighs the public interest served by disclosure. Moreover, the written denial must also include the names and titles/positions of each person responsible for denying the request.

The CPRA allows certain records to be kept confidential, but this doesn't mean they're completely off-limits to the public. While an agency can withhold these records, it can also choose to provide greater access. However, the law prohibits selective or favored access, and once the information is disclosed to one requester, it becomes public for everyone (Section 7921.505(b)).[5]

[4] Government Code section 7922.503 (*Formerly* Government Code section 6253(b))

[5] *Formerly* Government Code section 6254.5

Best practice: Forward all records requests to the agency's designated person to process and respond to the requests. If a records request is being denied, provide as much information as possible so a thorough explanation for the denial can be prepared.

What Are Public Agencies Not Required to Do Under the CPRA?

- The CPRA does not require creation or preparation of a record or document that does not exist at the time of the request to satisfy a records request *(Sander v. Superior Court* (2018) 26 Cal. App.5th 651, 669.)
- Requests for records generated in the future are not allowed
- Conduct research, complete checklists or answer questions
- Create a "privilege" log of withheld documents (*Elgin Haynie v. Superior Court* (2001) 26 Cal. 4th 1061.)

What Public Agencies Cannot Do Under the CPRA:

- Require a records request be submitted in writing – verbal records requests are valid (*Los Angeles Times v. Alameda Corridor Transportation Authority* (2001) 88 Cal. App. 4th 1381, 1392.)
- Charge for staff time to gather, review or redact documents (*North County Parents Organization, et al. v. Dept. of Education* (1994) 23 Cal. App. 4th 144, 148.)
- Limit access to records based on the purpose of the request (Section 7921.300[6])
- Ask requesters to provide identification before disclosing records (Section 7921[7]; Cal. Const. Art. I, section 3(b)(1); *Connell v. Superior Court* (1997) 56 Cal. App. 4th 601, 611-612 [disclosable records must be made available to any person].)

Which Records Are Exempt From Disclosure?

The "Laundry List"

Many types of records are listed as exempt from disclosure in the CPRA. In the Government Code, there is a "laundry list" of records that are not required to be disclosed. The exempt records include:

[6] *Formerly* Government Code section 6257.5

[7] *Formerly* Government Code section 6250

- Preliminary drafts, notes and other "temporary" documents that are not kept by an agency in the ordinary course of business, as long as the public interest in withholding these "draft" documents clearly outweighs the public interest in disclosure (Section 7927.500[8])
- Records pertaining to pending litigation to which the agency is a party (Section 7927.200[9])
- Personnel, medical or similar files, the disclosure of which would constitute an unwarranted invasion of personal privacy (Section 7927.700[10])
- Investigatory Records (Section 7923.600-7923.625[11])
- Voter Information (Section 7924.000[12])
- Tax Payer Information (Section 7925.000[13])
- Real estate appraisals made for or by a public agency, related to a property acquisition (Section 7928.705[14])
- Attorney-client privilege (Section 7927.705[15]).

Other Exemptions – The "Catch-All" Exemption

Other CPRA sections protect various records or information from disclosure, including utility customer information, personal addresses in DMV records and archaeological site information. Sections 7930.105[16] through 7930.215[17] contain an alphabetical listing of records and information that are protected from disclosure in other California statutes (from "Acquired Immune Deficiency Syndrome, blood test results" to "Youth Authority" records).

[8] *Formerly* Government Code section 6254(a)
[9] *Formerly* Government Code section 6254(b)
[10] *Formerly* Government Code section 6254(c)
[11] *Formerly* Government Code section 6254(f)
[12] *Formerly* Government Code section 6254(f)
[13] *Formerly* Government Code section 6254(i)
[14] *Formerly* Government Code section 6254(h)
[15] *Formerly* Government Code section 6254(k)
[16] *Formerly* Government Code section 6276.02
[17] *Formerly* Government Code section 6276.48

Section 7922.000[18] is known as the "catch-all" exemption. It includes a general balancing test for withholding public records. To withhold documents under the "catch-all" exemption, an agency must demonstrate that the public interest served by withholding the documents "clearly outweighs" the public interest served by disclosure.

Best practice: Legal counsel can help determine if a document should be withheld under the "catch-all" exemption and evaluate if the reasons for withholding the document will meet the balancing test in Section 7922.000[19].

Police Records

There were recent changes in the law regarding the disclosure of certain police records. Starting from January 1, 2019, a new law significantly changed the accessibility of police personnel records that were once confidential and not disclosable to the public, including the press. Senate Bill 1421 amended Penal Code Section 832.7, allowing for the release of records related to officer use-of-force incidents, sexual assault, and acts of dishonesty. Previously, access to such records required a Pitchess motion and a private review by a judge or arbitrator during a legal proceeding.

Senate Bill 1421 made police officer personnel records relating to the following incidents subject to disclosure:

- Discharge of a firearm at a person by a peace or custodial officer
- Use of force by a peace or custodial officer against a person that results in death or great bodily injury
- A law enforcement or oversight agency's sustained finding that a peace or custodial officer engaged in sexual assault involving a member of the public
- A sustained finding of dishonesty by a peace or custodial officer directly relating to the reporting, investigation or prosecution of a crime, or directly relating to the reporting of, or investigation of misconduct by, another peace or custodial officer

[18] *Formerly* Government Code section 6255(a)

[19] *Formerly* Government Code section 6255(a)

The California Senate passed Senate Bill 16 ("SB 16") on September 2, 2021, and it was signed into law on September 20, 2021. SB 16 is part of ongoing efforts to enhance transparency in law enforcement. In 2018, Governor Brown signed SB 1421 into law, which made significant changes to the confidentiality of certain categories of peace officer personnel records. SB 16 builds upon this by expanding the types of peace officer personnel records that can be disclosed to the public and used as evidence in court. It also mandates that law enforcement agencies review the personnel file of a lateral peace officer before employing them.

SB 16 extends the categories of peace officer personnel records that can be disclosed under a CPRA request to include:

- Sustained findings related to unreasonable or excessive force
- Sustained findings where an officer failed to intervene during another officer's clearly excessive or unreasonable use of force
- Sustained findings related to an officer's conduct involving prejudice or discrimination based on a specified protected class (including verbal, written, online, recorded, or gestural behavior)
- Sustained findings related to unlawful arrest or search conducted by an officer

Finally, as of July 1, 2019, Assembly Bill 748 ("SB 748") requires video and audio recordings of "critical incidents" be disclosed. These include incidents include:

- Discharge of a firearm at a person by a peace or custodial officer
- Use of force by a peace or custodial officer against a person that resulted in death or great bodily injury

Proceed With Caution

Agencies relying on an exemption to withhold a public record must be aware that:

- Exemptions must be "narrowly construed" – the meaning of an exemption cannot be stretched to fit a document.
  - EXAMPLE: The exemption for "preliminary drafts" protects only actual "working draft" documents. If an agency keeps draft versions of a document along with the final version, those drafts are not exempt from disclosure, even if they are stamped "draft."

  - EXAMPLE: The "pending litigation" exemption applies only to documents specifically prepared for litigation. An existing record may suddenly become important in a lawsuit. However, if the record was disclosable before the litigation, it remains disclosable during and after the litigation.

- Exempt information must be redacted from otherwise disclosable public records and the redacted versions must be disclosed (Section 7922.525(b)[20].
- Exemptions are generally discretionary, not mandatory. An agency may waive an exemption and disclose an exempt document. However, once the exemption is waived, that same document must be disclosed to anyone else who requests it (Section 7924.000[21]).

Some Records Are NOT Public

- Finally, the CPRA identifies certain documents and information that are "...not deemed to be public records." Such records and information are confidential and must not be disclosed to the public. These documents include initiative/referendum/recall petitions, the identities of persons requesting bilingual ballots, voter registration information, trade secrets (as defined in Section 7924.510[22]), Social Security numbers, public library patrons' records, family welfare records, birth records, adoption information, and personal information on various public employees.

Best practice: Avoid accidentally releasing exempt records or information for a CPRA request. Always check documents for attorney-client communications, Social Security numbers, home addresses, etc.

Can We Charge for Providing Documents?

- **Inspection of Records:** Public agencies cannot charge requesters to inspect documents, even if documents must first be copied and redacted before inspection.
- **Copies of Paper Records:** For requests for paper copies of public records, public agencies may charge the "direct costs of duplication," which includes only the cost of making the copy. Such cost cannot include staff time for retrieving, handling, reviewing,

[20] *Formerly* Government Code section 6253(a)
[21] *Formerly* Government Code section 6254.4
[22] *Formerly* Government Code section 6254.7(d)

or redacting documents. Public agencies usually charge a "per page" copying fee for paper copies that typically ranges from 10 to 25 cents per page, depending on each agency's actual cost for producing a paper copy. However, copy charges for certain documents are set by statute, including documents under the Political Reform Act (e.g., 10 cents per page for Form 700, campaign statements, etc.) and certified payroll records under the Labor Code ($1 for the first page, 25 cents for each additional page).

- **Copies of Electronic Records:** In certain situations, the CPRA allows public agencies to charge the cost of staff time to construct electronic records and for necessary programming and computer services. Typically, this cost is the hourly fee of the staff member who will provide these services. Public agencies may also charge for the cost of any materials used to provide electronic records (CDs, DVDs, flash drives, etc.). However, public agencies cannot charge a fee for simply attaching an existing electronic record to an email and sending it to a requester or uploading an electronic record to a file-sharing site (e.g., Dropbox).
- **Redactions for Body-Worn Camera Footage:** Local agencies cannot charge a requester for redacting a video or audio file. In National Lawyers Guild, San Francisco Bay Area Chapter v. City of Hayward (2020) 9 Cal. 5th 488, the court reaffirmed that local agencies may only charge the costs of duplication and not for other ancillary costs, such as retrieval, inspection, and handling of files.

Best practice: Only charge "direct cost" for paper copies and any materials needed to provide electronic records.

How Is the CPRA Enforced?

A person can file a lawsuit against a public agency to enforce the right to inspect or receive a copy of a public record (Sections 7923.000 & 7923.005[23]). If the court finds that the public agency's decision to withhold records was not justified, the public agency will be ordered to disclose the records. Also, the court has the discretion to award court costs and reasonable attorneys' fees to the prevailing plaintiff, to be paid by the public agency. (*Riskin v. Downtown Los Angeles Property Owners Association* (2022) 291 Cal.Rptr.3d. 534.)

[22] *Formerly* Government Code section 6254.7(d)

[23] *Formerly* Government Code section 6258

Alternatively, if the court finds that the plaintiff's case was "clearly frivolous," it will award court costs and reasonable attorney fees to the public agency, to be paid by the plaintiff (Section 7923.115(a)-(b))[24].

To prevent an agency from disclosing a record, a person can file a "reverse-CPRA" action. As described by the Second District Court of Appeal in *Marken v. Santa Monica-Malibu Unified School District*, the action generally involves a third-party seeking a court order stopping disclosure on grounds it would infringe that party's rights and/or is unauthorized by law.

Best practice: Legal counsel can assist in navigating the complexities of the CPRA. If uncertain about what is disclosable under the CPRA, it's always a good idea to consult with legal counsel.

[24] *Formerly* Government Code section 6259(d)

Avoiding Financial Conflicts of Interest — Should I Participate in this Decision?

The Political Reform Act of 1974 (Gov. Code Sections 81000-91014) forms the foundation for California's financial conflict of interest laws for public officials. The purpose is to cover both actual and apparent conflict of interest situations between a public official's private interest and their public duties.

The basic rule is that no public official shall make, participate in making, or in any way attempt to use their official position to influence a governmental decision if they know, or have reason to know, that they have a financial interest in the decision.

Who Should Avoid Financial Conflicts of Interest?

All decision-making public officials for local government agencies which includes every member, officer, and employee of a local government agency, as well as consultants to a local agency who meet certain criteria. Public officials may also include members of public agency boards, councils, commissions, and committees with decision-making authority.

If you are a public official who may make, participate in making, or in any way influence a public agency decision, this resource will help determine whether you have a potential financial conflict of interest that has to be addressed.

Do I Have a Financial Conflict of Interest Under the Political Reform Act?

Before making a decision or discussing a future decision of your public agency, try to answer the following questions:

1. Will you be "participating in a decision?"

You are "participating in a decision" of your public agency by doing any of the following:

- **Making an actual decision —** Voting, making an appointment, or taking an action that obligates or commits your public agency.
- **Contributing to the decision-making process —** Making a recommendation or participating in negotiations about the public agency decision.
- **Influencing the decision —** Making your position known, discussing the decision with other agency officials, providing reports, or influencing others (such as staff or consultants) who are involved in the decision-making process.

2. Does the decision affect one or more of your "financial interests?"

A financial conflict of interest can exist if the public agency decision you are participating in affects (positively or negatively) any of your "financial interests" as described in the Act and listed here:

- **Business Interest:** Any for-profit business entity in which you or your immediate family (spouse and dependent children) have a direct or indirect investment worth $2,000 or more. You also have a financial interest in any business in which you are an employee, manager, officer, director, owner, partner or trustee, regardless of whether you have an investment or receive income from the entity.
- **Source of Gross Income:** A public official has a financial interest in any source of income that is either received by or promised to the official and totals $500 or more in the 12 months before the decision. Income is very broadly defined as "a payment received" with few exceptions. Examples of income include salary, wage, advance, dividend, interest, rent, proceeds from any sale, gift, loan, forgiveness or payment of debt, or community property interest in income of a spouse. The FPPC regulations make it clear that a conflict of interest results whenever either the amount or the source of an official's income is materially affected by a decision. Also, a decision that foreseeably will materially affect an official's employer would generally necessitate a disclosure and disqualification, even if the amount of income received by the official was not affected. Common exclusions from income include loans from commercial lending institutions in the ordinary course of business made on terms available to the general public, campaign contributions, government salaries and benefits, monetary inheritances, and alimony or child support payments.
- **Gift Interest:** Any gift(s) — cash, goods or services — promised or given to you in the past 12 months by a person, business, or other entity totaling $630 or more in value. The dollar limit is adjusted biennially in odd-numbered years based on the Consumer Price Index (CPI).
- **Real Property Interest:** Any real property interest, including ownership, mortgage, lease, easement or license, or option to acquire such interest in real property, located in the public agency's jurisdiction owned directly or indirectly by you or your immediate family if the fair market value of the real property interest is $2,000 or more. Month-to-month tenancies are not considered an interest in real property. Interest in real property also includes a pro rata share of a business entity's real property or trust in which the public official or immediate family owns, directly or indirectly, a 10 percent interest or greater.

- **Personal Financial Interest:** Any personal expense, income, asset, or liability of you or your immediate family (spouse and dependent children).

3. Will the public agency decision have a reasonably foreseeable "material financial effect" on any of your financial interests?

Participation in a decision that affects your financial interest creates a conflict of interest only if it is reasonably foreseeable (a realistic possibility) and the effect is "material."

In general, if the financial effect can be recognized as a realistic possibility and more than hypothetical or theoretical, it is reasonably foreseeable. If the financial result can be expected only in extraordinary circumstances not subject to the public official's control, it is not reasonably foreseeable. In determining whether a governmental decision will have a reasonably foreseeable financial effect on a financial interest other than an interest explicitly involved, described above, the following factors should be considered:

a. The extent to which the occurrence of the financial effect is contingent upon intervening events.

b. Whether you should anticipate a financial effect on your financial interest as a potential outcome under normal circumstances when using appropriate due diligence and care.

c. Whether you have a financial interest that is of the type that would typically be affected by the terms of the governmental decision.

d. Whether the governmental decision will provide or deny an opportunity, or create an advantage or disadvantage for one of your financial interests, including whether the financial interest may be entitled to compete or be eligible for a benefit resulting from the decision.

This is not an exclusive list of all the relevant facts that may be considered in determining whether a financial effect is reasonably foreseeable.

"Material" means important or significant, and often depends upon whether or not the interest is explicitly involved. For each financial interest you identified as potentially affected by the decision, review the corresponding analysis below to determine whether the effect is material.

- **Business, Source of Income, and Gift Financial Interests —** Explicitly Involved: If your financial interest is explicitly involved (i.e., the subject of or a named party in the decision), the financial effect of the decision on your financial interest is presumed to be material unless you can demonstrate that the decision will not have a financial effect on your financial interest.
- **Business, Source of Income, and Gift Financial Interests —** Not Explicitly Involved: A reasonably foreseeable financial effect on a business entity is material if it results in 1) a change in gross revenues or in the value of assets or liabilities by at least $1 million or 5 percent of annual gross revenues, or 2) a change in business expenses of $250,000 or more or of 1 percent of annual gross revenues and the change is at least $2,500; or if the business entity owns property that is the subject of the decision or would be substantially effected by the decision.
- **Real Property Interest —** Explicitly Involved: When your real property interest is explicitly involved in a public agency decision, the reasonably foreseeable financial effect is presumed material. A real property interest is explicitly involved when the decision includes matters such as the property's zoning, annexation, sale, lease, licensed or permitted use, taxes, fees, or improved services to the property.
- **Real Property Interest —** Not Explicitly Involved: When the real property is not explicitly involved, a decision's reasonably foreseeable financial effect is presumed material if, among other things, any part of the property in which you have a financial interest is within a 500-foot radius of the real property involved in the decision, unless it is clear the decision will not have a measurable impact on your property. If your property is located more than 500 feet, but less than 1,000 feet, from the property line of the property involved in the decision, the financial effect is material if the decision would have certain specified impacts, such as changing the parcel's view, noise or traffic level, development or income-producing potential, best use, character, or market value.

  If the real property in which you have a financial interest is 1,000 feet or more from the property involved in the decision, the financial effect of the decision on your real property interest is presumed not to be material unless the specific circumstance of the decision and the nature of your property interest make it reasonably foreseeable that the decision will have a significant financial effect on your real property interest. Factors include the development potential of the property, use of the property, and character of the neighborhood.

- **Real Property Interest —** Leasehold Interest: If you have a leasehold interest in real property as opposed to an ownership interest, your leasehold interest in the property is material if the decision changes the termination date of the lease, affects the potential rental value of the property, changes your actual or legally allowable use of the property, or impacts your use and enjoyment of the property
- **Personal Financial Interest:** The financial effect of a decision on your personal financial interest is material if the decision may result in you or your immediate family member receiving a financial benefit or loss of $500 or more in any 12-month period due to the decision.

5. Does the decision affect your financial interests differently from the "public generally?"

Even if you answered "yes" to the first three questions, you have a financial conflict of interest only if the decision affects you differently from the public in general. The financial effect of a decision is indistinguishable from its effect on the public generally if you establish that a significant segment of the public is affected and the effect on your financial interest is not unique compared to the effect on the significant segment.

A significant segment of the public is at least 25 percent of:

- **Business Interest —** All businesses or nonprofit entities within your jurisdiction.
- **Real Property Interest —** All real property, commercial real property, or residential real property within your jurisdiction.
- **Individuals —** All individuals within your jurisdiction.

  If you are elected to represent a specific district/area in the public agency, your "jurisdiction" is that district/area; otherwise, your jurisdiction is the agency's jurisdiction.

  A significant segment of the public is at least 15 percent of residential property within your agency's jurisdiction if the only interest you have in the decision is your primary residence.

  Specific rules exist for special circumstances involving public service and utility charges, general use or licensing fees, decisions with limited neighborhood effects, rental properties, required representative interests as part of a board or commission membership, states of emergency, and governmental interests.

What Should I Do if a Financial Conflict Exists?

1. Do not participate in the decision.

If you answered "Yes" to all four questions above, you most likely have a financial conflict of interest and you are prohibited from participating in the decision-making process. Do not participate in the discussion or render any opinion or advice, and do not act in any way that might influence the decision.

2. Disclosure and recusal are required.

State law requires you to publicly disclose your financial conflict of interest on the record and excuse yourself from the meeting while the matter is being considered in open session. You generally do not have to excuse yourself on consent calendar items unless the item is pulled, but must publicly disclose the type of your financial interest (i.e., business entity, real property, etc.) that gives rise to the conflict of interest.

3. Do not commit violations of the Political Reform Act (PRA)

Violation of the PRA can result in administrative fines, civil penalties, and criminal sanctions.

Other Conflict of Interest Laws

Two other key financial conflict of interest laws apply to public officials that you may encounter as either a board or council member, public employee, or consultant in the decision-making process:

1. Self-Interested Contracts (Government Code Section 1090)

This key law prohibits you, as a local official or employee, from voting on, discussing, or negotiating a proposed contract or sale with your public agency if you could receive some financial gain or loss from the contract or sale. Even if you abstain as a board or council member, the entire board or council is prohibited from entering into the contract unless an exception applies. Any contract signed by a public agency board or council in violation of Section 1090 is void. The rule is different if you are a decision-making employee not on the board or council. A public agency employee may disclose their financial interest in the public agency contract and be disqualified from any involvement, allowing the board or council to enter the contract legally. Violation of this law will void the contract or sale and may result in permanent forfeiture of office for elected officials. There are limited exceptions to this law that are beyond the scope of this resource.

2. Campaign Contributions (Government Code Section 84308)

If you are a directly elected or appointed public official, this law (known as the Levine Act) prohibits you from participating in proceedings involving licenses, permits, or other entitlements for use that affect a person, business, or other entity from which you have received a campaign contribution of more than $500 within the preceding 12 months, and requires you to disclose on the record the receipt of any such contribution. In addition, this law prohibits you from accepting campaign contributions of more than $500 from a party or participant in the proceeding for 12 months after a final decision is rendered in a proceeding.

Conflict in Government Contracts — Government Code Section 1090

Generally, government officials or employees with personal financial interests in a government contract cannot participate in or influence the creation of that contract. California Government Code section 1090 ("Section 1090") prohibits members of the Legislature, state, county, district, judicial district, and city officers or employees (and certain consultants) from having a financial interest in any contract made by them in their official capacity or by any governmental body or board of which they are members.

A contract made in violation of Section 1090 carries with it serious consequences. With certain exceptions for independent contractors, a willful violation is punishable as a felony and the offending person may be banned from office for life. Prosecutors and the Fair Political Practices Commission (FPPC) can sue for civil penalties or impose administrative fines. Contracts made in violation of Section 1090 are void, even when the contract is to the advantage of the government agency. All benefits flowing from the contract obtained by the non-government entity may be restored to the agency (disgorged) without any offset to the other contracting party for goods or services provided.

Members of state or local governing bodies and state or local employees are generally subject to Section 1090. Consultants and independent contractors of an agency may be subject to Section 1090 if they have responsibilities for contracting decisions, act in a "staff capacity" such that they are "transacting on behalf of the government," or are otherwise involved in the making of a government contract, unless they fall under the exceptions outlined in Section 1097.6. If you believe that Section 1090 may apply to your situation, you should engage qualified legal counsel to help you navigate these issues.

Do I Have a Disqualifying Conflict of Interest Under Section 1090?

The FPPC is the state body responsible for ensuring that California state and local governments operate ethically under the requirements of the Political Reform Act. The FPPC applies a six-step analysis to determine whether an official or employee has a disqualifying conflict of interest under Section 1090.

1. Is the official or employee subject to the provisions of Section 1090?

All state, county, district, judicial district and city officers and employees are subject to the law. Independent contractors may be subject to Section 1090 as well unless they fall under the exceptions outlined in Section 1097.6, which went into effect on January 1, 2024. Now, independent contractors who enter into a contract with a public agency to perform one phase of a project and seek then to enter into a subsequent contract for a later phase of the same project are not "officers" under Section 1090 if their duties

and services related to the initial contract did not include assisting the public agency with any portion of a request for proposals, request for qualifications, or any other subsequent or additional contract with the agency. However, even if independent contractors assist the public agency with contracting matters, they may enter into a subsequent contract with the public agency for a later phase of the same project so long as: (1) their prior participation during an initial stage of a project was limited to conceptual, preliminary, or initial plans or specifications; and (2) all bidders or proposers for the subsequent contract have access to the same information, including all conceptual, preliminary, or initial plans or specifications.

2. Does the decision or action at issue involve a contract?

One looks to general principles of contract law to determine whether a contract is involved in a process or decision. Sections 1090 and 1097 require that all transactions be viewed in a broad manner and avoid narrow and technical definitions of "contract." Under this law, "a contract" includes a request for proposal, MOU, construction contract, lease or other real property agreements, purchase orders and agreements, any exchange of goods or services for consideration whether in writing or not and grants of money or property or other things of value. Generally, a contract exists when two or more parties agree to exchange goods or services with the expectation that each will receive something of value in return.

3. Is the official or employee participating in the making of a contract?

"Making a contract" is broadly construed and includes any participation in the making of the contract including, but not limited to involvement in preliminary discussions, negotiations, compromises, reasoning, planning, drawing of plans and specifications, solicitation for bids and other actions. The understanding of "participation" is very broad and requires careful analysis. Also, in relation to a public body, such as a city council or district board, when members of a public board, commission or similar body have the power to execute contracts, each member is presumed to be involved in the making of all contracts by his or her board regardless of whether the member actually participates in the making of the contract. The presence of one person with a financial conflict of interest in a contract prevents the entire body from acting on that contract. Thus, when council or board members are involved, it is irrelevant whether or not they recuse themselves

from the decision because the law usually presumes that the official was involved in entering the contract.

4. Does the official or employee have a "financial interest" in the contract?

A person has a financial interest in a contract if he or she might profit or suffer a loss from the contract in any way. Said another way, any kind of financial impact – good or bad – causes a conflicting financial interest. The impact need not even be certain. Although Section 1090 does not specifically define "financial interest," the term is liberally and broadly construed to include indirect, as well as direct interests. An indirect interest often arises when an official or employee has a business or financial relationship with a person or entity who is contracting with the government entity. A person is conflicted under Section 1090 when their financial interest might in any way prevent the person from exercising absolute loyalty and undivided allegiance to the best interests of the public agency. Any separate, personal interest of an officer or employee in a government-made contract may constitute an indirect interest. An official has a conflict of interest when that official's spouse has a financial interest in the making of the contract. This is because the law presumes that an official is financially interested in his or her spouse's income or financial interest.

5. Does either a "remote interest" or "non-interest" apply?

By law, there are various statutory exceptions to Section 1090's prohibition against an entire board or agency making a contract. Where the financial interest involved is deemed a "remote interest," as defined in Section 1091, the contract may be made if: 1) the officer in question discloses his or her financial interest in the contract to the public agency, 2) such interest is noted in the entity's official records and 3) the officer abstains from any participation in the making of the contract.

Section 1091 provides a list of 17 "remote interests." These provisions are complex and one should not rely on the application of these exceptions without first consulting with counsel or seeking the advice of the FPPC.

Non-interests apply to all persons covered by Section 1090: Non-interests are set forth in Section 1091.5. There are 14 of these statutory non-interests. In essence, these constitute a legislative recognition that certain financial interests are so remote or speculative as to not require disqualification from participating

in the making of a contract, or which are designed to serve or accommodate some other public policy, such as one's interest in one's own salary from a government entity or the receipt of public services. A non-interest means a person is not disqualified from participating in the making of a contract. Some non-interests do still require the official to disclose the interest in the official records. Again, as with "remote interests," these non-interest exceptions are complex and one should seek the advice of legal counsel or the FPPC before relying on one of these statutory exceptions.

6. Does the Rule of Necessity apply?

The Rule of Necessity applies only to government entities, not individuals. In very limited circumstances, a Rule of Necessity has been applied to allow the making of a contract that Section 1090 would otherwise prohibit. Under the Rule of Necessity, a government agency may acquire an essential good or service in an emergency when to delay the contract would be to the public detriment, or when no source other than that which triggers the conflict is available. When the Rule of Necessity applies, due to a conflict with an official on a multi-member board or body, the interested official must abstain from any participation in the decision.

What Are the Consequences if Section 1090 is Violated?

- With certain exceptions for independent contractors, a willful violation or aiding and abetting a willful violation of Section 1090 is punishable as a felony and carries a sentence of up to three years in state prison and a lifetime ban from holding office.
- A prosecutor or the FPPC can bring a civil action to collect civil fines of up to $10,000 or three times the amount of the benefit received under the contract.
- The FPPC can impose administrative fines of up to $5,000 per violation.
- The contract is void and suit may be brought to have the contract declared void.
- All proceeds, payments and profits received or obtained as a result of the contract must be returned to the government entity.
- Because most Section 1090 violations also violate the Political Reform Act's prohibition against having a financial interest in a governmental decision, the full array of penalties available under that Act also apply, including misdemeanor criminal liability, civil penalties, administrative fines and injunctive relief.

Completing a Statement of Economic Interests (Form 700)

The Political Reform Act (Gov. Code section 81000 et seq.) prohibits a public official from making, participating in making or using his or her official position to influence a governmental decision in which he or she knows or has reason to know he or she has a financial interest. (Gov. Code section 87100.) To help identify potential conflicts of interest, the PRA requires officials to file forms called Statements of Economic Interests, or SEIs, also known as Form 700s, disclosing personal assets and income that may be affected by participating in decisions of their position.

Public officials required to file SEIs are identified in Gov. Code section 87200 and in an agency's conflict of interest code. The PRA requires every public agency to adopt a code that provides disclosure and disqualification rules, identifies positions that make or participate in the agency's decision-making processes, and establishes categories of financial interests that are assigned to the designated positions based on their official duties.

Who Should File Form 700?

All public officials listed in section 87200, and public officials, employees and consultants identified in an agency's conflict of interest code or others in newly created positions, boards and commissions not yet covered under an agency's conflict of interest code.

General Process

The Fair Political Practices Commission (FPPC) is the state agency responsible for interpreting and administering the Act. Form 700 was developed by the FPPC for public officials to disclose personal financial interests, as required by law. Form 700 is used for both individuals filing under section 87200 and individuals filing under an agency's conflict of interest code. Form 700 and other documents are distributed by agency filing officers and filing officials to various filers. Filing an SEI is not a one-time event, but is done annually while the official retains the filing relationship with the agency, and is retrospective for reporting, disclosing activity for time periods prior to the filing date. All SEIs must have an original "wet" signature or be duly authorized by the filing officer to file electronically under section 87500.2.

There are three types of SEIs filed by public officials – Assuming Office Statement filed when first beginning duties with your agency or being sworn in, Annual Statement filed annually and Leaving Office Statement when an official's relationship with the agency has terminated. Form 700 is also used by candidates for filing a disclosure statement.

It is important to keep in mind that SEIs are signed under penalty of perjury (see Penal Code section 118) and are public records once filed.

WHERE TO FILE - 87200 FILERS

STATE OFFICES	**Your Agency**
COUNTY OFFICES	**Your County Filing Official**
CITY OFFICES	**Your City Clerk**
MULTI-COUNTY OFFICES	**Your Agency**

- **Code Filers —** Officials, Employees, and Consultants Designated in a Conflict of Interest Code: File with your agency, board or commission unless otherwise specified in the agency's conflict of interest code (e.g., Legislative staff files directly with FPPC). In most cases, the agency, board or commission will retain the SEIs.
- **Employees in Newly Created Positions of Existing Agencies:** File with the agency or its code reviewing body, if directed to do so.
- **Members of Boards and Commissions of Newly Created Agencies:** File with the newly created agency or its code reviewing body, if required.

Filing Deadlines and Reporting Periods

- **Assuming Office Statement -** Due within 30 days after the date of assuming office;
  - — Disclose reportable investments and interests in real property held on the date of assuming office and reportable income, including gifts, loans and travel payments, received during the 12 months prior to the date of assuming office.
- **Exception:** If a filer assumed office between Oct. 1 and Dec. 31 and filed an assuming office statement, the first annual SEI would not be due until one year following the date specified in the agency's Code if the date is April 1 or earlier. (Regulation 18732.)
- **Note:** These deadlines are for filers to file or mail their SEIs to the agency officer/official, as required. The postmark date is the date of filing. The filing official has 5 days after the filing deadline or date of receipt for SEIs received after the deadline to process and forward SEIs filed by 87200 filers to the FPPC or other filing officer. (Regulation 18115.)

  There is no provision for an extension of time for filing an SEI unless the filer is serving in active military duty. Statements of 30 pages or less may be faxed by the deadline as long as the originally signed paper version is sent by first class mail to the filing officer/official within 24 hours.

- **Late Filing —** The filing officer who retains originally signed or electronically filed SEIs may impose a fine for any SEI that is filed late. The fine is $10 per day up to a maximum of $100. Late filing penalties may be reduced or waived under certain circumstances.

  Persons who fail to timely file their SEIs may be referred to the FPPC's Enforcement Division (and, in some cases, to the Attorney General or district attorney) for investigation and possible prosecution. In addition to the late filing penalties, a fine of up to $5,000 per violation may be imposed.

- **Amending SEIs —** If an error has been made on an SEI, an amendment must be filed as soon as possible. SEIs may be amended at any time. Only the schedule that needs to be revised must be amended. It is not necessary to amend the entire filed form. Amendment schedules can be obtained from the filing officer or at www.fppc.ca.gov. An amendment can be filed in the same manner as the originally filed SEI; however, each page being amended must be signed.

What to Disclose:

Not everything is deemed reportable. Economic interests filers need to consider are reportable investments in businesses and business positions held, interests in real property, and sources of income, including gifts, loans and travel payments from third parties.

For code filers, reportable economic interests are determined by the agency's jurisdiction and the disclosure categories assigned to the filer's position. For 87200 filers, except for gifts, reportable economic interests are only limited by the agency's jurisdiction, and there is no jurisdiction limit applied for reporting sources of gifts. However, there are many reporting exceptions to be found under the gift regulations starting at Regulation 18940.

In addition to economic interests held and received by the filer, reportable economic interests include business investments and interests in real property held by the filer's spouse and dependent children, and income received by the spouse, if the interests and sources of income qualify under the reporting requirements as described above.

The term spouse includes registered domestic partners.

"Investments," including independent consulting or contracting businesses, are reportable if they are either located in, doing business

in, planning to do business in, or have done business during the previous 2 years in the agency's jurisdiction.

Disclosure Requirements:

87200 filers must disclose:

- All investments in any business entity in which the filer, the filer's spouse or dependent children had a direct, indirect or beneficial interest totaling $2,000 or more.
- All interests in real property located in whole or in part within, or not more than two miles outside, the jurisdiction of the agency, in which the filer, the filer's spouse or dependent children had a direct, indirect or beneficial interest totaling $2,000 or more.
- All sources of income of $500 or more received by the filer or $1,000 received by the filer's spouse.
- All business positions held with each reportable business, even if no income was received.
- All gifts aggregating $50 or more from a single reportable source

Designated Positions Must Disclose:

It is the assignment of Disclosure Categories that tells the code filer what is reportable.

Categories must be assigned to code filers based on the duties and responsibilities of the position. Categories should be designed and assigned in an effort to prevent requiring over-disclosure or the disclosure of the types of assets that the position could not affect. In other words, if the position does not participate in decisions that could affect interests in real property, the person in that position should not be required to disclose interests in real property.

Code filers must disclose interests as listed above for 87200 filers, but are limited to categories assigned under their agency's conflict of interest code. If assigned, the filer must disclose all interests in real property located in, or not more than two miles outside, the jurisdiction of the agency, and all described investments and business positions in business entities, and sources of income, including gifts, loans and travel payments. As noted above, such investments are reportable if they are located in, doing business in, planning to do business in, or have done business during the previous 2 years in the agency's jurisdiction.

Reminder: Even if a code filer's assigned disclosure category does not specify the disclosure of gifts, the definition of income includes gifts. This means any source of a gift that would be reportable as a source of income would likewise be made reportable as a source of any gifts aggregating $50 or more during the reporting period.

The chart on the following page lists some common reportable and non-reportable economic interests. Refer to the Form 700 instructions and its Reference Pamphlet for more.

Public Access:

SEIs are public documents and must be made available by the agency for viewing and copying during regular business hours no later than the second business day after they are received by the filing officer. Access to the Form 700 is not subject to the Public Records Act procedures. SEIs may never be altered or redacted, although posted copies may have signatures and certain addresses blocked. No one may ask for the identity or completion of a form as a condition of access to SEIs. Reproduction fees of no more than 10 cents per page may be charged.

Things to Know:

- Know and understand your disclosure requirements.
- Know your agency's jurisdiction.
- You only need to disclose reportable investments and interests.
- Income from public agencies is not reportable.
- You are not required to report the same interest on duplicate schedules, e.g. income on Schedule A-2 and Schedule C.
- You only need to disclose gifts from reportable sources.

Common Reportable Interests	Common Non-Reportable Interests
SCHEDULE A-1 Investments less than 10%	
Stocks, including those held in IRAs and 401Ks, bonds, managed funds. Each stock must be listed.	Gov. bonds, insurance policies, mutual funds registered with the SEC, funds similar to mutual funds, like ETFs.
SCHEDULE A-2 Investments of 10% or more	
Business entities, Partnerships, sole ownership, LLCs, investments held by business or living trust. (e.g., Form 1099 filers).	Bank accounts, money market, CDs, annuities.
SCHEDULE B Real Property	
Rental property, ownership interest, leasehold interest in filer's jurisdiction, or within two miles of the boundaries of the jurisdiction.	Personal residence including vacation home used exclusively as a personal residence.
SCHEDULE C Income, Loans & Business	
Non-Governmental Salary/wages, per diem, reimbursements, spouse's income (50%), proceeds from any sale (i.e. home, car, boat), prizes, awards, personal loans. Note: that filers are required to report only half their spouse's or partner's salary.	Governmental salary, income from government entity, stock dividends, income from PERS.
SCHEDULE D Gifts $50+ from single source	
Tickets/Passes to events – sports/ entertainment, amusement parks, parking, food, wedding gifts, rebates, discounts.	Gifts from family, home hospitality, gifts of even exchange.
SCHEDULE E Travel Payments	
Payments, advances and reimbursements from third parties for travel and related expenses including lodging and meals.	Travel paid by official's agency, payments from non-reportable sources.

The Brown Act

The Ralph M. Brown Act (California Government Code Section 54950 through 54962), often referred to as “the open meeting law,” guarantees the public’s right to attend and participate in meetings of local legislative bodies. The act includes requirements that affect the taking of minutes, including what must be in different situations. This resource provides a summary of the Brown Act’s requirements for the minutes in various circumstances, including teleconferenced meetings, non-agenda items, and closed sessions.

In adopting the Brown Act in 1953, the California Legislature's intent was clear: "In enacting this chapter, the Legislature finds and declares that the public commissions, boards and councils and the other public agencies in this State exist to aid in the conduct of the people's business. It is the intent of the law that their actions be taken openly and that their deliberations be conducted openly."

By preparing accurate and complete minutes of discussions and actions undertaken by local government bodies, local agencies ensure the public receives an accounting of the important work carried out by their representatives.

What to Include in the Minutes?

Open Sessions

- All actions taken by the legislative body in open session
- Any votes cast by members If a writing is a public record related to an agenda item for an open session of a regular meeting of a legislative body and is distributed to all, or a majority of all, of the members of a legislative less than 72 hours before that meeting, the writing shall be made available for public inspection (Section 54957.5(b))

Teleconferencing (Section 54953)

- Record that an agenda including relevant teleconference information notice was posted, that a quorum participated from locations within the jurisdiction or a single primary location (depending on the type of teleconferencing used), and other teleconference requirements were followed (Section 54953).
- If meeting remotely during a proclaimed emergency, document findings that either the emergency directly affects meeting safely in person or that state or local officials continue to impose or recommend measures to promote social distancing (Section 54953(e)).
- If a member participates remotely for "just cause" or under emergency circumstances, record the circumstances of their remote attendance, that at least a quorum participated in person from a single physical location, and that the remote member(s) disclosed whether there was anyone 18 years of age or older in the remote location and their relationship to that person (Section 54953(f)).

Meeting Outside Jurisdiction

- Record reason for the meeting to be held outside jurisdiction (Section 54954)

Action on Non-Agenda Items

- Emergency — Record that a majority vote was to invoke an emergency and a description of the emergency (Section 54954.2).
- Immediate Need — Note that a 2/3 vote of the legislative body present at the meeting or, if less than 2/3 of the members were present, a unanimous vote of those members present, was taken and the grounds were articulated by the body for invoking the rule (Section 54954.2).
- Adjourned Meetings (Section 54955)
- Special Meetings — A waiver of notice was agreed to by legislative body members (Section 54956).
- Emergency Meetings — Record special requirements for posting and what to include in the minutes (Section 54956.5).

Pre-Closed Sessions — Announcements

- Record that an open session announcement was made (Section 54957.7).
- Content — It may include a reference to the item as listed on the agenda and may be made at the location of the closed session as long as the public is allowed to be present at that location.
- Real Property — Record that a special announcement was made (Section 54956.8).
  - Special Announcement: Identify negotiators, the real property concerned, and the party whom negotiations are with.
- Pending Litigation — State on the agenda or announce the paragraph of Section 54956.9(d) that authorized the closed session.

Post-Closed Session Announcements

- A disclosure report may be made orally or in writing and may be made at the location of the closed session as long as the public is allowed to be present at that location.

Real Estate Negotiations

- Note whether a body finalizes a signed agreement (i.e., the other party signed before the agency signed) in closed session. (Section 54957.1(a)(1)(A).)
  - Disclosure must be made in open session during the same meeting.
  - The report must include (1) the acceptance action, (2) the voting tally, and (3) the substance of the agreement.
- However, if the other party or court must finalize the agreement (i.e., the other party signs after the agency signed), disclosure must be made as soon as the agency is informed of approval by the other party. (Section 54957.1(a)(1)(B))
  - No disclosure is required in open session, but disclosure must be made to any person who asks.
  - The report must include (1) the fact of the approval action, (2) the voting tally, and (3) the substance of the agreement.

Personnel Actions

- Record whether a body takes action to appoint, employ, dismiss, accept the resignation of, or otherwise affect the employment status of a public employee in closed session. (Section 54957.1(a)(5))
  - Disclosure must be made in open session during the same meeting.
  - The report must include (1) the reportable action, (2) the voting tally, and (3) the title of the position involved.
- However, if the body takes action to dismiss an employee or not renew an employment contract, and the dismissal or nonrenewal is subject to further administrative remedies, disclosure must be made in open session at the first public meeting after exhaustion of the administrative remedies.
- If a body considers an action to dismiss an employee or not renew an employment contract, but ultimately retains the employee, no disclosure report is required (Attorney General Opinion - 89 Ops. Cal.Atty.Gen. 110 (2006)).

Labor Negotiations

- If a body approves an agreement that concludes labor negotiations with represented employees:

- Disclosure must be made after the agreement is final and has been accepted or ratified by the other party. The Brown Act does not specify whether this disclosure must be during open session or may instead be made only when asked.
- The report must include (1) the approval action, (2) the voting tally, and (3) the other party to the agreement.

Approval of Initiating or Intervening in Litigation

- If the body approves initiation of, or intervention in, litigation:
  - Disclosure must be made in open session during the same meeting.
  - The report must explain (1) that the body gave direction to initiate or intervene in litigation and (2) that additional particulars will, upon inquiry, be disclosed after the litigation formally commenced.
- If the litigation authorized by the body has formally commenced and disclosure would not jeopardize the agency's ability to effect service on parties or conclude existing settlement negotiations to the agency's advantage:
  - No disclosure is required in open session, but a report must be provided to any person who asks after the lawsuit is filed.
  - The report must include (1) the approval action, (2) the voting tally, (3) the defendants, and (4) particulars about the substance of the litigation.
- If the litigation authorized by the body has formally commenced and disclosure would jeopardize the agency's ability to effect service on parties or conclude existing settlement negotiations to the agency's advantage:
  - No disclosure is required in open session, but a report must be provided to any person who asks after process has been served on unserved parties, if that was the concern, or the settlement negotiations have concluded, if that was the concern.
  - The disclosure report must include (1) the approval action, (2) the voting tally, (3) the defendants, and (4) particulars about the substance of the litigation.

Approval of Certain Litigation Actions

- If a body approves a litigation defense, filing an appeal or filing an amicus curiae brief, then:

- Disclosure must be made in open session during the same meeting.
- The report must include (1) the approval action, (2) the voting tally, (3) the adverse parties (if known), and (4) the substance of the litigation at issue (Section 54957.1(a)(2)).

Approval of Settlement Agreements

- If a body gives approval to legal counsel to settle pending litigation and accepts a settlement offer signed by the opposing party in closed session:
  - Disclosure must be made in open session during the same meeting.
  - The report must include (1) the acceptance action, (2) the voting tally, and (3) the substance of the agreement.
- However, if the other party or court must finalize the agreement (i.e., the other party signs after the agency signed), when the settlement is final:
  - No disclosure is required in open session, but must be provided to any person who asks.
  - The report must include (1) the fact of the approval action, (2) the voting tally, and (3) the substance of the agreement.

Disposition of Claims

- If a body makes a decision pertaining to claims for the payment of tort liability, losses, public liability losses, or workers' compensation liability incurred by a joint powers agency or a local agency member of the joint powers agency:
  - Disclosure must be made after the agreement as soon as disposition is reached. The statute does not specify whether this disclosure must be during open session or may instead be made only when asked.
  - The report must include (1) the name of the claimant, (2) the name of the agency claimed against, (3) the substance of the claim, (4) the voting tally, and (5) any monetary amount approved for payment and agreed upon by the claimant.

Pension Funds

- If a body makes a pension fund investment transaction decision:
  - Disclosure must be made at the first open meeting held after the earlier of (1) the close of the investment transaction or (2) the transfer of pension fund assets for the investment transaction.
  - A roll call vote must be entered into the minutes of the closed session.
  - The report must include (1) the approval action and (2) the voting tally.

Common Safe Harbor Listings for Closed Sessions

Conference with Real Property Negotiations (Section 54956.8)

- Property: Specify street address or, if no street address, the parcel number or other unique reference, of the real property.
- Agency Negotiation: Report the names of negotiators attending the closed session; if the specified negotiator cannot attend, announce who will attend at the open session before the closed session.
- Negotiating Parties: Specify the name of the party (not the agent).
- Under Negotiation: Specify whether the instruction to the negotiator will concern price, terms of payment, or both.

Conference with Legal Counsel — Existing Litigation (Section 54956.9(d)(1))

- Name of Case: Specify by reference to claimant's name, names of parties, case, or claim numbers.
- Case Name Unspecified: Specify whether disclosure would jeopardize service of process or existing settlement negotiations.

Conference with Legal Counsel — Anticipated Litigation

- Significant exposure to litigation under Section 54956.9(d)(2) or Section 54956.9(d)(3): Specify number of potential cases.
- The agency may also have to provide additional information on the agenda or in an oral statement before the closed session (Section 54956.9(e)(2)-(5)).
- Initiation of litigation under Section 54956.9(d)(4): Specify the number of potential cases.

Liability Claims for Insurance Pool JPAs or a Member Agency (Section 54956.95)

- Claimant: Specify the name unless unspecified under Section 54961.
- Agency Claimed Against: Specify the name of the agency.

Threat to Public Services or Facilities (Section 54957(a))

- Consultation with: Specify the name of the law enforcement agency and title of officer or name and title of the applicable agency representative.

Public Employee Appointment (Section 54957(b)(1))

- Title: Specify the description of the position to be filled.

Public Employment (Section 54957(b)(1))

- Title: Specify the description of the position to be filled.

Public Employee Performance Evaluation (Section 54957(b)(1))

- Title: Specify the position and title of the employee being reviewed.

Public Employee Discipline/Dismissal/Release (Section 54957(b))

- No additional information is required.

Conference with Labor Negotiators (Section 54957.6)

- Agency Designated Representatives: Specify the names of designated representatives attending the closed session; if the designated representative(s) cannot attend, announce who will attend at the open session before the closed session.
- Employee Organization: Specify the name of the organization representing the employee or employees in question.

  -or-

- Unrepresented Employee: Specify the position and title of the unrepresented employee who is the subject of the negotiations.

The Levine Act

The Political Reform Act of 1974 (Gov. Code § 81000 et seq.) prohibits agency officers from accepting, soliciting or directing a contribution of more than $500 from a party or participant (or their agents) while a proceeding involving a license, permit, or other entitlement for use, including a contract, is pending before the agency, and for 12 months after a decision, if the officer knows or has reason to know the party or participant has a financial interest in the decision. (Gov. Code § 84308.) This provision is commonly known as the “Levine Act.”

The Levine Act also requires agency officers who received a contribution of more than $500 within the preceding 12 months from a party or participant to disclose that fact on the record, and to recuse themselves from making, participating in making, or using their official position to influence a decision in the proceeding if the officer **willfully or knowingly** received a contribution exceeding the limit in the previous 12 months from a party, a participant or their agent.

Willfully or knowingly includes, among other things: actual knowledge of the contribution; a party or participant has made two or more contributions of more than $500 in the past; the officer personally solicited the contribution. A contribution being reported under campaign finance laws is not enough to prove actual knowledge.

Officers of public agencies as it relates to the Levine Act are considered anyone who is:

a. In an elected position;
b. A member of a board or commission (elected or appointed);
c. The chief executive of a state or local agency of any kind, including cities, districts, or joint powers agencies; or
d. In any position with decision-making authority with respect to certain proceedings and also a candidate for elected office or was a candidate for elected office in the 12 months before a proceeding.

Please note that the Levine Act also contains restrictions applicable to "parties," "participants," and "agents" to proceedings. Each of these types of individuals or entities are discussed below, but this resource is generally intended to inform Officers about their duties under the Levine Act.

If you believe the Levine Act may apply to your situation, you should engage qualified legal counsel to help you navigate these issues.

What Restrictions and Responsibilities Apply to Officers?

In an "entitlement for use proceeding," Officers are prohibited from accepting, soliciting, or directing a contribution of more than $500 from any party or a party's agent, or from any participant or a participant's agent if the Officer knows or has reason to know that the participant has a financial interest in the proceeding.

This prohibition applies while the proceeding is pending and for 12 months following the date of the final decision in the proceeding.

If an Officer willfully or knowingly received a contribution of more than $500 within 12 months before a proceeding from a party or party's agent, or a participant or participant's agent where the Officer knows or has reason to know that the participant has a financial interest in the proceeding, the Officer is prohibited from making, participating in making, or in any way attempting to influence the decision in the proceeding.

If the Officer has received a contribution of more than $500 from a party, participant, or agent within the 12 months before the proceeding, the Officer is required to disclose the contribution orally or in writing in the manner required by the Levine Act and implementing regulations.

What Proceedings Are Covered by the Levine Act?

A "proceeding" is broadly defined and includes decisions to grant, deny, revoke, restrict, agree to, amend, or modify any business, professional, trade, or land use licenses and permits, franchises, and *most* types of contracts.

Examples include decisions on professional license revocations, conditional use permits, rezoning of real estate parcels, zoning variances, tentative subdivision and parcel maps, consulting contracts, service agreements, purchase orders, cable television franchises, garbage service franchises, building and development permits, public street abandonments, and private development plans.

However, a "proceeding" does not include competitively bid contracts, contracts under $50,000, labor contracts (such as MOUs with labor groups or project labor agreements), personal employment contracts (such as employment agreements with the local agency's executive or in-house legal counsel), contracts between government agencies, contracts where no party receives financial compensation, or periodic review or renewal of development agreements or competitively bid contracts with no material changes.

When Does a Proceeding Become "Pending?"

For Officers, a proceeding becomes "pending" when:

1. the decision is before the Officer or Officer's legislative body for consideration, such as when an item is placed on a legislative body's agenda for discussion or decision at a public meeting; or

2. the Officer knows or has reason to know the proceeding is before the Officer's agency for an action or decision, and it is reasonably foreseeable the decision will come before the Officer in their decision-making capacity.

(Please note that a proceeding becomes "pending" at a different point for parties, participants, and their agents. For these persons, it is "pending" when the matter is before the agency for action, such as when an application or proposal for a contract has been submitted.)

Who Is a Party, Participant, or Agent in a Proceeding?

A "party" means any person who files an application for, or is the subject of, a proceeding.

A "participant" is much broader and generally means a person who is not a party but who actively supports or opposes a particular decision in a proceeding ***and*** who has a financial interest in the decision.

For example, a person will generally be considered a participant if the person has a financial interest in a proceeding and communicates with an Officer or his or her agency for the purpose of influencing a decision in the proceeding. This includes when a person lobbies in person, testifies in person (such as during public comment), or otherwise acts to influence a proceeding by communicating with an Officer or the agency to influence the proceeding, whether in person or by other means.

A participant is considered to have a "financial interest" under the Levine Act in the same way that people or entities can have a financial interest for conflicts of interest under the Political Reform Act. For example, a participant may have a financial interest in a proceeding based on their interests in business entities, real property, sources of income, sources of gifts, or personal finances, and it has to be reasonably foreseeable that the proceeding would have a material financial effect on one or more of their financial interests.

An "agent" of a party or participant in a proceeding is a person who: (1) represents a party or participant for compensation; and who (2) appears before or otherwise communicates with the agency for the purpose of influencing the pending proceeding.

Can an Official Return a Contribution of $500+ to Participate in a Proceeding?

Yes, but there is a limited time to do so. Once the Officer knows or should have known about a contribution and a proceeding, the Officer may return the contribution within 30 days and participate in the proceeding.

For example, if a contribution was received from a party before the Officer knew or had reason to know a proceeding involving the party had become pending, the Officer could return the contribution within 30 days of becoming aware of the contribution or proceeding.

For a contribution received from a participant before the Officer knew or had reason to know the participant had a financial interest in the proceeding, the Officer has 30 days from knowing about the contribution or the financial interest in the proceeding, whichever is later.

For Officers who serve on a legislative body and would otherwise be disqualified under the Levine Act from participating in a proceeding, the Officer may still participate before returning the contribution if all the following criteria are met:

1. The decision is made at a public meeting of the legislative body,
2. the Officer knew or should have known about the contribution and proceeding for less than 30 days,
3. after learning of the contribution or proceeding and prior to taking part in any further discussion or decision, the Officer discloses the fact of the disqualifying contribution on the record of the proceeding as required under the Levine Act and states that they will return the contribution within 30 days from the date the Officer knew or should have known about the contribution and proceeding, and
4. the contribution is in fact returned within that timeframe.

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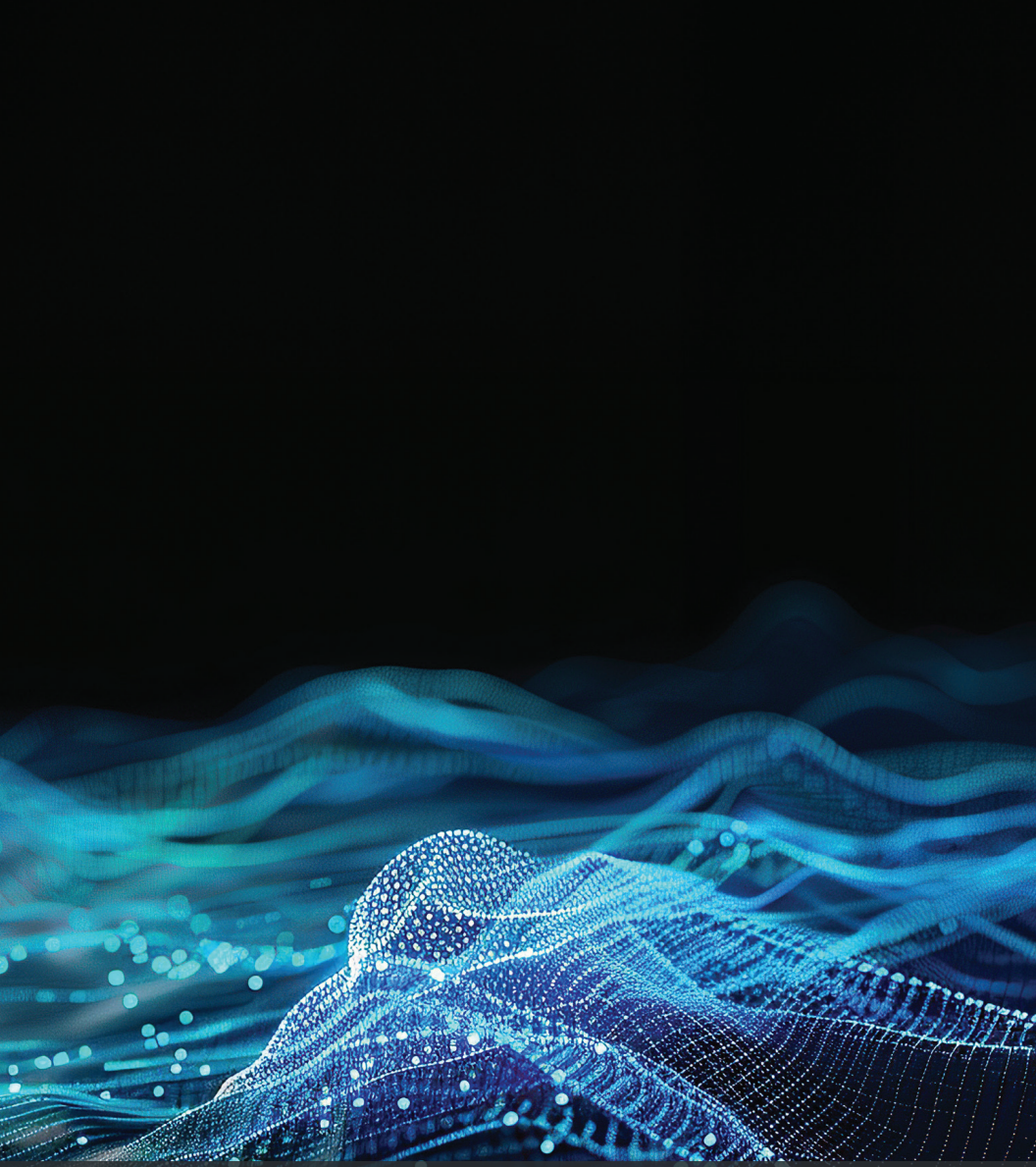

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BEST BEST & KRIEGER LLP
ATTORNEYS AT LAW

JOINT EXERCISE OF POWERS AGREEMENT

BY AND BETWEEN

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, ON BEHALF OF THE UNIVERSITY OF CALIFORNIA, SAN DIEGO HEALTH

AND

PALOMAR HEALTH

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JOINT EXERCISE OF POWERS AGREEMENT

THIS JOINT EXERCISE OF POWERS AGREEMENT (this "**Agreement**") is made and entered into as of October 31, 2025 (the "**Effective Date**"), by and between Palomar Health, a California local healthcare district and political subdivision of the State of California organized pursuant to Division 23 of the California Health and Safety Code ("**Palomar**") and The Regents of the University of California, a California constitutional corporation organized and existing under Article IX, Section 9 of the Constitution of the State of California, on behalf of the University of California, San Diego Health ("**UCSD Health**") **("The Regents")**. For purposes of this Agreement, The Regents is referred to as **"UCSD Health,"** and Palomar and UCSD Health may also be referred to herein individually as a "**Party**" and collectively as the "**Parties**."

R E C I T A L S

WHEREAS, each Party to this Agreement is a public entity authorized and empowered to contract for the joint exercise of powers under the Joint Exercise of Powers Act of the State of California, being California Government Code Sections 6500-6599, inclusive, as the same may be supplemented, amended, and/or restated (the "**JPA Act**");

WHEREAS, UCSD Health and Palomar, acting by and through their respective governing bodies, desire to advance Palomar's public health priorities and UCSD Health's public service and academic mission by: (i) stabilizing the availability of community hospital and other healthcare services to all residents of San Diego County, California and surrounding areas regardless of payor or funding source; (ii) supporting access to specialists, tertiary and quaternary care, and clinical trials; (iii) improving access to healthcare for the vulnerable populations served by Palomar through the strengthening of certain healthcare service lines for the benefit of the residents of San Diego County, California through an integrated health system; and (iv) identifying and adopting evidence-based clinical protocols and best practices and coordinating and advancing patient safety and quality improvement initiatives;

WHEREAS, UCSD Health and Palomar are each empowered by Law to: (i) acquire and operate hospitals and related healthcare assets, and to apply for and maintain related licenses, accreditations, permits, and other authorizations; (ii) contract with physicians, administrators, and staff necessary to operate such facilities and programs and enter into management and professional services agreements with third parties; (iii) enroll in Medicare, Medi-Cal, and other government-sponsored healthcare programs as a provider or supplier and contract with commercial payors; (iv) take any actions necessary to contribute to, qualify for, earn and/or distribute supplemental payments or fees associated with the Parties' participation in and treatment of beneficiaries eligible for Medicare, Medi-Cal, and other government-sponsored healthcare programs; (v) establish and maintain an independent medical staff for each of their respective hospitals and other applicable healthcare facilities; and (vi) issue debt, pledge assets, and guarantee obligations;

WHEREAS, as of the Effective Date, Palomar is engaged in the business of delivering healthcare services to the public through the ownership, leasing, and operation of the Facilities, including the operation of the Hospitals, the operation of a skilled nursing facility, the ownership of certain interests in related entities offering healthcare services (including ambulatory surgery centers), and the provision of outpatient and other healthcare businesses incidental to the operation

of the Facilities, including the Hospitals as well as any and all other businesses owned, managed, acquired, developed, operated or conducted by Palomar, whether directly or indirectly (collectively, the "**Business**"); and

WHEREAS the Parties have determined that it is in their best interest and the best interest of the communities served by each Party and the Facilities, to enter into a joint exercise of powers arrangement as permitted under the JPA Act, which will include: (i) the transfer and contribution of the Initial Assets by Palomar to the Authority (as defined below) effective on the Operational Date pursuant to the Initial Contribution Agreement; (ii) providing the Authority with the full and unrestricted right to use and operate the Retained Assets, but excluding the Excluded Items (as defined in the Use Agreement), pursuant to the terms of the Use Agreement between Palomar and the Authority, effective as of the Operational Date; (iii) the transfer and contribution of the Retained Assets, but excluding the Excluded Assets (as defined in the Retained Asset Contribution Agreement) by Palomar to the Authority upon the occurrence of certain events set forth in the Retained Asset Contribution Agreement; (iv) UCSD Health making certain contributions to the Authority, including loans and debt forgiveness, extensions of credit, capital investment, and support for the development of service lines through physician and service line integration, pursuant to the terms of the UCSD Health Contribution Agreement; and (v) providing UCSD Health with certain option rights to purchase both the Initial Assets and the Retained Assets, but excluding the Excluded Assets as described in the UCSD Options, and upon the occurrence of certain events set forth in the UCSD Options; and (vi) effecting certain amendments to the articles of incorporation and bylaws of PHMG to provide that the Authority shall be the sole corporate member of PHMG, as described in California Corporations Code Section 5056, effective concurrently with the Initial Contribution Agreement.

NOW, THEREFORE, for and in consideration of the premises, the agreements, covenants, representations, and warranties set forth in this Agreement, and other good and valuable consideration, the receipt and adequacy of which are acknowledged and agreed, the Parties agree as follows:

AGREEMENT

1. DEFINITIONS AND REFERENCES.

1.1 Definitions. Unless otherwise specifically defined herein, the capitalized terms used in this Agreement will be defined in the manner set forth on Exhibit A to this Agreement. A definitional index is attached as Exhibit C to this Agreement.

1.2 Other Definitional Provisions. As used in this Agreement, and unless the context requires otherwise:

(a) Accounting terms not defined in this Agreement, and accounting terms partly defined to the extent not defined, will have the respective meanings given to them under U.S. generally accepted accounting principles, as established by the Governmental Accounting Standards Board, as consistently applied ("**GASB**")

(b) The word "herein" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this

Agreement, and section, subsection, schedule, and exhibit references are to this Agreement unless otherwise specified.

(c) The word "including" and words of similar import when used in this Agreement, means including without limitation, unless otherwise specified in this Agreement.

(d) Words of the masculine gender include the feminine or neuter genders, and vice versa, where applicable. Words of the singular number include the plural number, and vice versa, where applicable.

(e) A reference to any Law is a reference to that Law as amended, consolidated, supplemented, or replaced from time to time and all rules and regulations promulgated thereunder.

(f) Unless otherwise indicated, references to time are references to Pacific Time.

(g) The Exhibits and Schedules hereto are incorporated and made a part of this Agreement and are an integral part hereof.

2. PURPOSE/CREATION OF THE AUTHORITY

2.1 Purpose. This Agreement is made pursuant to the provisions of California Government Code Section 6500, *et. seq.*, relating to the joint exercise of powers common to UCSD Health and Palomar, each of which is authorized to contract with the other pursuant thereto. The purposes of this Agreement are to: (i) create the Palomar UCSD Health Authority as a separate legal entity (the "**Authority**"); (ii) provide for the administration and operation of the Authority and the Business (to the extent owned, used, or operated by the Authority); (iii) acquire, improve, and operate (to the extent owned, used, or licensed by the Authority) the Facilities and the other Authority Assets; and (iv) operate the Hospitals and any other assets owned or used by the Authority. Such purposes will be accomplished, and said common powers exercised, in the manner hereinafter set forth in this Agreement or as otherwise set forth in an Authority Document.

2.2 Creation of the Authority. Pursuant to the JPA Act, the Authority is hereby created effective as of the Effective Date. The Authority will be a legal entity separate and apart from each of UCSD Health and Palomar. As soon as practicable after the Effective Date (the "**Authority Approval Date**"), the Members shall hold an organizational meeting for the purpose of appointing the Authority Board and taking such other actions as may be necessary or appropriate and, promptly thereafter, the Authority Board will hold an organizational meeting for the purpose of taking such actions as may be necessary or appropriate to organize the Authority, including adopting the Bylaws, appointing the Authority officers and Executive Management Team, approving each of the Authority Documents to which the Authority is a party and authorizing the appropriate officers of the Authority to execute the same, and transacting such other business as may properly come before the Authority Board at the meeting.

2.3 Operational Date of the Business. Subject in all respects to the Parties' receipt of the Material Governmental Consents and Material Non-Governmental Consents, the Authority will commence operations of the Business (to the extent owned, used, or operated by the Authority) as of the first date on which any portion of the Business is owned, used, or operated by the

Authority, whether under the Initial Contribution Agreement or otherwise, and which date is also conditioned on receipt of the final Material Governmental Consents and Material Non-Governmental Consents (the "**Operational Date**"). Notwithstanding the preceding sentence, from the Effective Date until the Operational Date, the Authority will be authorized to conduct its business and take such actions, including organizational actions, as are necessary or advisable to effectuate the terms and purposes of this Agreement and any other Agreement to which it is a party.

3. POWERS OF THE AUTHORITY

3.1 General Powers. The Authority will have and may exercise the powers permitted under applicable Law and all powers necessary to accomplish the purposes of this Agreement, including such powers as are set forth in this Agreement and the Bylaws.

3.2 Specific Powers. In addition to the general powers set forth in **Section 3.1**, the Authority will have the powers under applicable Law that are necessary for the use, operation, and maintenance of the Facilities and the Business (in each case, to the extent owned, used, or operated by the Authority) and any other powers authorized by the JPA Act, including the power to: (i) acquire, use, or operate all or a portion of the Facilities (including pursuant to the Use Agreement), and to apply for and maintain related licenses, accreditations, permits, certifications, and other authorizations for the Facilities (to the extent owned, used, or operated by the Authority); (ii) establish and maintain an independent medical staff for each Hospital and the other applicable Facilities; (iii) participate in Medicare, Medi-Cal, and other Government Programs as a provider or supplier, and contract with commercial payors; (iv) take any actions necessary to contribute to, qualify for, earn, and/or distribute supplemental payments or fees associated with the Authority's participation in and treatment of beneficiaries eligible for Medicare, Medi-Cal and other Government Programs; (v) issue instruments evidencing indebtedness and incur debt, pledge assets, guarantee obligations, assume any or all Indebtedness of Palomar, and become a Credit Group Representative (as defined in the Master Indenture) to the Master Trustee; (vii) lease, acquire, construct, manage, maintain, or operate any building, works, or improvements, or related real property; (viii) acquire, hold, or dispose of property; (ix) adopt rules and regulations for the conduct of the day-to-day operations of the Authority; (x) exercise any and all powers which are provided for in the JPA Act; and (xi) perform any other actions as required by this Agreement or the other Authority Documents.

4. ACTIONS AND DELIVERABLES OF THE PARTIES ON AND FOLLOWING THE EFFECTIVE DATE

4.1 Deliverables of the Parties on the Effective Date. On the Effective Date, each Party will deliver to the other Party duly executed copies of (i) an option agreement (the "**Pre-Operational Option Agreement**") granting UCSD Health an option to purchase all (but not less than all) of the Acquired Assets (as defined in the Asset Purchase Agreement) from Palomar upon the occurrence of certain events contained in the Pre-Operational Option Agreement (the "**Pre-Operational Option**"); (ii) a Closing Agreement by and among UCSD Health, Palomar and, upon the Authority Approval Date and execution of a joinder to the Closing Agreement, the Authority (the "**Closing Agreement**"); (iii) the Third UCSD Loan Documents (as defined in the Closing Agreement); (iv) the Credit Line Documents (as defined in the Closing Agreement) and (v) the

Pre-Operational Security Instruments (as defined in the Closing Agreement), each of which shall be binding and enforceable between UCSD Health and Palomar as of the Effective Date. Further, as set forth in the Closing Agreement, immediately after the Authority Approval Date, the Parties and the Authority shall ratify, authorize, approve, execute and deliver the following documents and agreements in the final forms attached to the Closing Agreement (subject only to receipt of the Material Governmental Consents and Material Non-Governmental Consents and any updates to the respective Schedules to such documents and agreements):

(a) A tax revenue contribution agreement by and among USCD Health, Palomar and the Authority (the "**Tax Contribution Agreement**").

(b) A contribution agreement by and among UCSD Health, Palomar and the Authority, pursuant to which Palomar will contribute the Initial Assets to the Authority ("**Initial Contribution Agreement**").

(c) A use agreement by and among UCSD Health, Palomar and the Authority, related to the Authority's use of the Retained Assets, excluding the Excluded Items (the "**Use Agreement**").

(d) An employee lease agreement by and among UCSD Health, Palomar and the Authority (the "**Employee Lease Agreement**").

(e) A contribution agreement by and among UCSD Health, Palomar and the Authority, pursuant to which UCSD Health will make the contributions set forth in the UCSD Health Contribution Agreement (the "**UCSD Health Contribution Agreement**").

(f) An option agreement by and between UCSD Health and the Authority (the "**Post-Operational Option Agreement**") that, upon the occurrence of certain events referenced in the Post-Operational Option Agreement, grants UCSD Health an option to purchase all (but not less than all) of the Initial Assets, including the Authority's rights and obligations under the Tax Contribution Agreement and the Authority's rights and obligations under the Use Agreement (which obligations will include the Authority's obligation under the Use Agreement to pay all liabilities and contractual obligations with respect to the Licensed Items (as defined in the Use Agreement)); provided, however, that if the Authority's rights and obligations under the Use Agreement are obtained and assumed by UCSD Health, then UCSD Health shall also obtain and assume the Authority's rights and obligations under the Employee Leasing Agreement (the "**Post-Operational Option**").

(i) A contribution agreement by and between Palomar and the Authority, pursuant to which Palomar will transfer the Retained Assets (excluding the Excluded Assets) in accordance with the terms of the Retained Asset Contribution Agreement (the "**Retained Asset Contribution Agreement**").

(j) An option agreement by and among UCSD Health, Palomar and the Authority (the "**JPA Option Agreement**"), granting UCSD Health an option to purchase all (but not less than all) of the Authority Assets on the terms and conditions contained in the JPA Option Agreement, including the Authority's rights and obligations under the Tax Contribution

Agreement and the Authority's rights and obligations under the Employee Leasing Agreement; provided, however, that to the extent that certain Authority Assets cannot be transferred to UCSD Health, such non-transferred assets will be provided to UCSD Health pursuant to the terms of a Use Agreement between UCSD Health and the Authority (the "**JPA Option**").

(k) The Authority will deliver to Palomar documentation, including any required consents, evidencing the Authority becoming co-obligated with Palomar on all outstanding liabilities of Palomar, other than those related to the General Obligation Bonds. Without limiting the foregoing, UCSD Health and Palomar will cause the Authority to become an Obligated Group Member (as defined in the Master Indenture) under the Master Indenture.

4.2 Obligations of the Parties Following the Operational Date. Notwithstanding anything to the contrary herein, the transactions contemplated by the Retained Asset Contribution Agreement shall not become effective until and unless the following conditions are satisfied:

(a) Palomar's Obligations. Promptly following the Effective Date, Palomar will meet with UCSD Health to develop a plan (the "**RACA Plan**") outlining the timing and actions needed to pursue and obtain the Retained Asset Contribution Approvals (as defined below). As soon as possible following the Operational Date, Palomar and Palomar's board of directors will (in consultation with the Authority and consistent with the RACA Plan, to the extent permitted by applicable Law, and in the case of Palomar's board, to the extent consistent with its fiduciary duties) use reasonable good faith best efforts to obtain all consents and approvals necessary (collectively, the "**Retained Asset Contribution Approvals**") to contribute and fully transfer all but not less than all of the Retained Assets (excluding the Excluded Assets) to the Authority. The Retained Asset Contribution Approvals include: (x) either a court order, legislative action, or a voter referendum, or alternatively, a judicial validation action, in each case authorizing Palomar to transfer the Retained Assets; and (y) all Approvals necessary from all Governmental Authorities and third parties (whether by contract or by law). In furtherance of its obligations to obtain and maintain all Retained Asset Contribution Approvals in a timely manner, Palomar must take all necessary action and in accordance with applicable Law which will include, but not be limited to: (i), authorizing a referendum to be held at a general election on or about November 2026, subject to polling and marketing assessments related to such referendum, or a special election held after such time upon Palomar receiving funds from an outside source equal to all documented and reasonable costs associated with conducting any such special referendum (unless a court order, legislative action, or judicial validation action under subsection 4.2(a)(x) has already been obtained); (ii) causing a voter referendum to occur in accordance with applicable Law, including Cal. Health & Safety Code § 32121(p), seeking approval from the public for such transfer (unless a court order, legislative action, or judicial validation action under subsection 4.2(a)(x) has already been obtained); (iii) obtaining and maintaining all Approvals necessary to accomplish the foregoing, including obtaining Approvals from all Governmental Authorities and third parties, and ensuring all necessary authorizations remain in effect until such voter referendum (or court order, legislative action, or judicial validation action, as applicable) is approved (for the avoidance of doubt, the obligation to obtain and maintain Approvals pursuant this **Section 4.2(a)**(iii) does not include the approval to transfer the Retained Assets by court order, legislative action, or a voter referendum); and (iv) if requested in writing and paid for by the Authority, engaging bond counsel to evaluate and determine any restructuring needs or considerations affecting the existing bond debt. The Parties acknowledge that the results of a voter referendum are determined by the voters

and that such results are outside the control of any Party. Notwithstanding the preceding sentence, if the Retained Assets Contribution Approvals necessary to transfer all of the Retained Assets to the Authority have not been obtained on or before the date that is thirty-six (36) months following the Effective Date, UCSD shall have the right to exercise the Pre-Operational Option or Post-Operational Option, as applicable.

(b) UCSD Health's Obligations. Following the Operational Date, UCSD Health shall take the actions set forth in the UCSD Health Contribution Agreement.

5. GOVERNANCE OF THE AUTHORITY

5.1 Bylaws; Creation and composition of the Authority Board.

(a) The Parties to this Agreement will, concurrently with the execution of this Agreement, agree upon a set of bylaws, in the form attached as Exhibit D, to govern the operations and administration of the Authority established under this Agreement (the "**Bylaws**"), and will cause the Authority to vote on the approval of such Bylaws promptly following the formation of the Authority. The Bylaws will set forth policies and procedures for the conduct of meetings, selection of officers, decision-making processes (including deadlock provisions), qualifications, and requirements of the Representatives, establishment of committees, management of finances, and other matters necessary for the effective and efficient operation of the Authority. The Bylaws may be amended from time to time by the affirmative vote of the Authority Board, as provided therein.

(b) The voting power will reside in the Authority Board unless otherwise specified in the Bylaws or this Agreement. The Authority will be governed by a board of six (6) members (the "**Authority Board**"). The Authority Board will be composed of three (3) representatives appointed by Palomar (collectively, the "**Palomar Representatives**" and individually a "**Palomar Representative**") and three (3) representatives appointed by UCSD Health (collectively, the "**UCSD Health Representatives**" and individually a "**UCSD Health Representative**"). Except as otherwise provided in this Agreement or in the Bylaws, the Palomar Representatives will be appointed by and serve at the pleasure of Palomar, and the UCSD Health Representatives will be appointed by and serve at the pleasure of UCSD Health. The Chief Executive Officer of UCSD Health, the Chief Executive Officer of the Authority and the Chief Medical Officer of the Authority will serve as *ex officio*, non-voting members of the Authority Board.

(c) Each Representative shall have fiduciary duties to the Authority and perform the Representative's duties as a member of the Authority Board in good faith, in a manner the Representative reasonably believes to be in the best interests of the Authority, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

5.2 Removal of Representatives. Neither UCSD Health nor Palomar shall have the right to remove the other Party's designated Representatives unless such Representatives fail to satisfy the requirements set forth in the Bylaws. Subject to the foregoing, the Bylaws shall govern the manner and process for removing a Representative from the Authority Board.

5.3 Powers of the Authority Board. Except for the UCSD Health Reserve Powers, all the power and authority of the Authority will be exercised by or subject to the oversight and governance of the Authority Board. Except as otherwise provided in the Bylaws or herein, including those matters which require a Supermajority Vote of the Authority Board, the Authority Board will authorize the expenditure of any and all Revenues of the Authority. Authorized expenditures will include: (i) payments toward incurred debt; (ii) operations and maintenance of the Facilities (to the extent owned, used, or operated by the Authority); (iii) improvements to and expansion and other construction of the Facilities necessary for the operation of the Facilities (to the extent owned, used, or operated by the Authority); (iv) the construction and/or acquisition of any other facilities or improvements to accomplish the purposes for which the Authority has been formed (which other facilities or improvements, if any, will be and become a part of the Facilities); (v) the maintenance, upgrade, repair, and/or replacement of any equipment, furniture, supplies, or other personal property in connection with the operation of the Facilities (to the extent owned, used, or operated by the Authority); and (vi) any other obligations as determined by the Authority Board and under the terms of the strategic plan of the Authority (the "**Strategic Plan**") and Annual Budget.

5.4 Voting.

(a) Actions Requiring a Majority Vote, Supermajority Vote and Approval of the Members. In all matters to be considered by the Authority Board, each Representative will have one vote. Other than the actions subject to the UCSD Health Reserve Powers, the actions set forth in the Bylaws that require a Supermajority Vote, or the actions set forth in the Bylaws that require the approval of the Members, a simple majority vote by the Representatives is required to take any action by the Authority Board; provided, however, that all actions of the Authority Board shall require the affirmative vote of at least one UCSD Health Representative and one Palomar Representative.

(b) Actions Subject to UCSD Health Reserve Powers. Notwithstanding any other provision of this Agreement, any Authority Document, or any other agreement or instrument, UCSD Health will have the sole and exclusive right acting by and through its Chief Executive Officer (except as otherwise provided in this **Section 5.4(b)**), to take any of the actions set forth in this **Section 5.4(b)** on behalf of the Authority (each a "**UCSD Health Reserve Power**" and collectively, the "**UCSD Health Reserve Powers**"), and with respect to each UCSD Reserve Power, the Members, the Authority Board and the Executive Management Team shall each take all actions necessary or desirable to effect each such UCSD Health Reserve Power:

(i) at any time, and without any requirement for further action or approval of the Authority Board, Palomar, Executive Management Team or any other officer, or agent of the Authority, remove and replace, and take any action to effect the removal and replacement of, the Chief Transformation and Integration Officer of the Authority;

(ii) from the period commencing on the Effective Date and until the later of the date that definitive agreements are executed to effect the transfer and contribution of the Retained Assets to the Authority pursuant to the terms of Retained Asset Contribution Agreement (the "**Interim Period**") or three (3) years

from the Effective Date, upon (x) consultation with the Palomar Board of Directors and (y) approval of the Authority Board, take any action with respect to the termination or removal of the Chief Executive Officer of the Authority;

(iii) from and after the Interim Period, following consultation with both the Palomar Board of Directors and the Authority Board, remove, and take any action to effect the removal of, the Chief Executive Officer of the Authority;

(iv) effect the renewal of or determine not to renew the term (including the initial Term and any Renewal Term, each as defined in the Use Agreement) the Use Agreement, without any requirement for further action or approval of the Authority Board, Palomar, the Executive Management Team or any other officer, director, or agent of the Authority;

(v) any decision or action to cease participation of the Authority or any Affiliate, including the Hospitals, in any health care program paid for, in whole or in material part, by any Governmental Authority;

(vi) establish or change the Authority's name or adopt or amend the Authority's marketing/branding guidelines; and

(vii) at any time, and without any requirement for further action or approval of the Authority Board, Palomar, Executive Management Team or any other officer, or agent of the Authority, take any action to prohibit the Authority from filing a petition seeking relief under the U.S. Bankruptcy Code without first obtaining UCSD Health's consent.

5.5 Executive Management Team.

(a) Chief Executive Officer. Except as set forth in **Section 5.5**, the Chief Executive Officer of the Authority will be appointed pursuant to a Supermajority Vote of the Authority Board, and will report primarily and directly to the Chief Executive Officer of UCSD Health; provided, however, that the Chief Executive Officer of the Authority shall have a secondary reporting relationship to the Authority Board. Unless the Parties otherwise agree, the Chief Executive Officer of the Authority will initially be an employee of Palomar, but the other members of the Executive Management Team may be employees of Palomar, the Authority, or UCSD Health.

(b) Chief Transformation and Integration Officer. The Chief Transformation and Integration Officer will be appointed by the Chief Executive Officer of UCSD Health and will report directly to the Chief Executive Officer of UCSD Health.

(c) Executive Management Team. The executive management of the Authority will initially consist of the Chief Executive Officer, Chief Transformation and Integration Officer, and Chief Financial Officer, Chief Medical Officer, Chief Operating Officer, Chief Nursing Officer, and President of PHMG (the "**Executive Management Team**"). The Chief Financial Officer, Chief Medical Officer, Chief Operating Officer, Chief Nursing Officer, and President of PHMG will be jointly appointed by the Chief Executive Officer of UCSD Health and the Chief

Executive Officer of the Authority, and each of them will report to the Chief Executive Officer of the Authority.

(d) Chief Legal Officer. The Authority Board shall appoint a Chief Legal Officer who shall report to the Authority Board.

6. FINANCIAL MATTERS

6.1 Fiscal Year. The fiscal year of the Authority will be the period commencing on July 1st of each year and ending on June 30th of each year **(**the "**Fiscal Year**").

6.2 Budget.

(a) As of the Effective Date, the Representatives have approved the interim budget for the Authority, which will constitute the initial Annual Budget.

(b) No later than ninety (90) business days before the beginning of each Fiscal Year, a capital and operating budget memorializing all expenses to be made by the Authority during the ensuing Fiscal Year ("**Annual Budget**") will be presented to the Authority Board. No later than thirty (30) business days before the beginning of each Fiscal Year, the Authority Board, by Supermajority Vote, will adopt the Annual Budget.

(c) In the event the Authority Board does not approve the Annual Budget prior to the start of a given Fiscal Year, the budgeted amounts of all expenses and allocation of contributions from the Parties will remain the same as the amounts approved by the Authority Board in its most recently approved Annual Budget; provided, however, that the amounts will be increased by the Producer Price Index with a minimum increase of no less than three percent (3%). The Producer Price Index will mean PPI for Inpatient Health Care Services for the twelve (12) month period ending the December prior to the beginning of the Fiscal Year. This factor will be applied to the last Annual Budget approved by the Authority Board until such time as the Annual Budget for the then current Fiscal Year is approved by the Authority Board.

6.3 Deposit and Disposition of Revenues. All Revenues generated by the Authority shall be available to the Authority for payment of the Authority's obligations, including the Authority's obligations as an Obligated Group Member under the Master Indenture, and all such Revenues or funds received by or made available to the Authority from any source whatsoever will be deposited into accounts that are established by the Authority, and may be expended by the Authority in any legal manner, subject to such reservations as may be imposed by the Authority from time to time and in accordance with the funds flow attached hereto as Exhibit B, as may be amended by the Parties, from time to time (the "**Funds Flow**").

7. OPERATION OF THE FACILITIES ON AND AFTER THE OPERATIONAL DATE

7.1 Service Commitments.

(a) For a period of ten (10) years from the Operational Date, subject in all cases to the dissolution of the Authority by the mutual agreement of the Members or UCSD Health's

exercise of the Pre-Operational Option, Post-Operational Option or JPA Option, as applicable, the Authority will (i) ensure that the Hospitals continue to be operated as acute care hospitals, (ii) ensure that the Hospitals remain certified to participate in the Medicare program and provide services to Medicare beneficiaries in a non-discriminatory manner; (iii) ensure that the Hospitals provide medical care and treatment without regard to insurance status, income or ability to pay, in a manner consistent with the patient financial assistance policies and procedures adopted by the Authority; and (iv) subject to **Section 5.1(c)**, use commercially reasonable efforts to maintain the services provided at the Hospitals immediately prior to the Operational Date.

(b) Notwithstanding anything to the contrary herein, a Force Majeure Event shall excuse the Authority's failure to perform its obligations under the covenants set forth above only if such Force Majeure Event (i) materially impacts more than thirty percent (30%) of the applicable Facility; (ii) materially impacts more than thirty percent (30%) of the space or section of an applicable Facility where a given service or services line is provided; or (iii) materially impacts or jeopardizes the level and quality of patient care provided in the applicable Facility or portion of a Facility where a given service or services line is provided.

7.2 Medical Staff of the Facilities. The transactions contemplated by this Agreement and the Authority Documents will not affect or change the medical staff privileges held by members of the medical staff of the Facilities who are in good standing as of the Effective Date. Notwithstanding the foregoing, nothing in this **Section 7.2** will limit the ability of the Authority or the medical executive committee of the Facilities to grant, withhold, or suspend medical staff appointments or clinical privileges in accordance with the terms and provisions of the applicable governing documents of the Facilities; provided, however, that, following the Operational Date, the governing documents of the medical staff may be conformed to standards adopted by the Authority to bring them into conformity with quality improvement initiatives, requirements of The Joint Commission, CMS and other Governmental Authorities, other accreditation, licensing, or regulatory bodies and to facilitate faculty appointments to the applicable medical staffs of the Facilities.

8. TERM/EVENTS OF DEFAULT/DISSOLUTION

8.1 Term of the Authority. This Agreement will become effective as of the Effective Date and will continue in full force and effect until the earlier of: (i) the thirty-fifth (35^{th}) anniversary of the Effective Date unless the Parties mutually agree to extend the term of this Agreement; (ii) the date this Agreement is terminated by mutual agreement of the Parties; (iii) upon the occurrence of an uncured Event of Default unless the non-defaulting Party agrees to waive such Event of Default; (iv) the failure to obtain the Material Non-Governmental Consents and Material Governmental Consents by March 30, 2026, unless otherwise mutually agreed to by the Parties in writing; or (v) the exercise of an applicable UCSD Option by UCSD Health unless UCSD Health waives its right to require dissolution of the Authority (each, a "**Dissolution Event**").

8.2 Events of Default. Unless waived in writing by the Party that has not committed an Event of Default, the occurrence of any of the following will constitute an event of default ("**Event of Default**") under this Agreement:

(a) If an "Event of Default" (as defined in Section 4.13 of the Master Indenture) by Palomar or PHMG occurs under the provisions of the Master Indenture, as modified by Assured Forbearance Agreement.

(b) If a Party fails to perform or observe when and as required, or breaches or defaults under any covenant, condition, or agreement contained in this Agreement or another Authority Document, subject to any applicable notice and cure periods expressly provided for in such agreements, documents, or instruments.

(c) If Palomar fails to perform or observe, when and as required, any covenant, condition or agreement contained in any other agreements, promissory notes, instruments or documents between Palomar or its Affiliates and UCSD Health or any of UCSD Health's Affiliates, subject to any applicable cure periods expressly provided for in such agreements, promissory notes, documents or instruments.

(d) If UCSD Health fails to perform or observe, when and as required, any covenant, condition, or agreement contained in any other agreements, instruments, or documents between UCSD Health and Palomar, subject to any applicable cure periods expressly provided for in such agreements, documents, or instruments.

(e) If Palomar fails to fully perform or observe, when and as required, any covenant, condition, or agreement contained in any loan agreement or similar agreement between Palomar or any Affiliate of Palomar and Sharp Healthcare or any Affiliate of Sharp Healthcare, or in any agreements between Palomar or any Affiliate of Palomar and Mesa Rock, or any Affiliate of Mesa Rock.

(f) If any warranty, representation, or other statement by or on behalf of a Party contained in this Agreement or any other Authority Document or other certificate delivered by a Party, is false or misleading in any material respect at any time or omits to state a material fact.

(g) If any financial statement or other certificate delivered by Palomar is false or misleading in any material respect at any time or omits to state a material fact.

(h) If Palomar: (i) files a petition seeking relief under the U.S. Bankruptcy Code; (ii) files an answer consenting to, admitting the material allegations of, or otherwise failing to contest a petition filed against Palomar under the U.S. Bankruptcy Code; (iii) files a petition or answer seeking relief under any other federal or state Law now or hereafter in effect relating to bankruptcy, insolvency, reorganization, winding up, or liquidation of business organizations, or for an arrangement, composition, extension, or adjustment with creditors; or (iv) takes any action in preparation or in furtherance of any of the foregoing, including dispatching notice in furtherance of satisfying the requirements of California Government Code section 53760.3, giving notice of a public hearing in furtherance of satisfying the requirements of California Government Code section 53760.5, authorizing or approving the commencement of such proceedings, calling or setting a meeting of a governing body to consider such actions, engaging legal or financial advisors in connection with such proceedings or otherwise initiating steps to avail itself of any such protections.

(i) If: (i) an order for relief is entered or threatened to be entered against Palomar under the U.S. Bankruptcy Code, which order is not stayed; or (ii) an entered order, judgment or decree by operation of Law or by a court having jurisdiction in the premises which is not stayed adjudges Palomar a bankrupt or insolvent under, or ordering relief against Palomar under, or approves as properly filed, a petition seeking relief against Palomar under the provisions of any other now existing or future applicable bankruptcy, insolvency or other similar Law providing for the reorganization, winding up, or liquidation of business organizations or for any arrangement, composition, extension, or adjustment with creditors; (iii) a court or other tribunal of competent jurisdiction appoints a receiver, liquidator, assignee, trustee, or custodian for Palomar or with respect to any substantial part of its assets or properties; or (iv) a court or other tribunal of competent jurisdiction orders the reorganization, winding up or liquidation of Palomar's business and affairs, or (v) any involuntary petition is filed against Palomar seeking any relief available under the U.S. Bankruptcy Code or any other Law described in this Section without the petition being dismissed within sixty (60) days after filing.

(j) If Palomar: (i) makes a general assignment for the benefit of its creditors; (ii) consents to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, or custodian of optionor or of all or substantially all of its assets or property; or (iii) admits its insolvency or inability to pay its debts generally as such debts become due.

(k) If Palomar conceals, removes, or permits to be concealed or removed any part of its properties and assets, with the intent to hinder, delay, or defraud its creditors, or makes or suffers any transfer of any of its properties or assets which may be fraudulent under any bankruptcy, fraudulent conveyance, or similar Law, or makes any transfer of its property to or for the benefit of creditors at a time when other creditors similarly situated have not been paid.

(l) If, for any reason, Palomar or any of its Affiliates is excluded or suspended from participation in any federal health care program (as defined in 42 U.S.C. Section 1320a-7(b)(f)), including the Medicare and Medi-Cal programs.

(m) If any Event of Default occurs and the defaulting party fails to immediately give written notice to the other Party and the Authority describing in reasonable detail the occurrence of such Event of Default.

8.3 Cure Period and Remedies Upon the Occurrence of an Event of Default. The Party who has not committed an Event of Default may terminate this Agreement if an Event of Default occurs and the Party that caused the Event of Default fails to cure such Event of Default within thirty (30) days after the date that the non-defaulting Party notifies the defaulting Party of such Event of Default in writing; provided, however, that, if such Event of Default is not reasonably capable of being cured within such thirty (30) day period due to the inherent nature of the Event of Default, and the Party that caused the Event of Default commences such cure within such period and acts diligently to cure such Event of Default, then the Party that caused the Event of Default will have such additional period of time as may be reasonably necessary to effect and complete such cure (provided that such additional period of time shall in no event exceed ninety (90) additional days), and the Party who has not caused the Event of Default may not terminate this Agreement with respect to such Event of Default during such period or if such Event of Default is cured during such period. Notwithstanding anything in this **Article 8** to the contrary, the Parties

will have all rights and remedies available under this Agreement, including **Section 8.4**, and under applicable Law and in equity, including the remedy of specific performance, recovery of damages, and recovery of such Party's costs, expenses, and fees (including reasonable legal fees) incurred in connection with enforcing the terms of this Agreement and the Authority Documents.

8.4 Dissolution of the Authority.

(a) If a Dissolution Event has occurred, unless waived by the Parties, the Parties will take such actions as may be necessary or appropriate to effect the dissolution of the Authority within one hundred eighty (180) days following the Dissolution Date (or such other date upon which the Parties may agree), utilizing the process described in this **Section 8.4**. As used herein, "**Dissolution Date**" will mean the date on which a Dissolution Event occurs, subject to any applicable cure periods.

(b) Within fifteen (15) days following the Dissolution Event, UCSD Health will appoint to a committee (the "**Dissolution Committee**") three (3) members who do not serve on the Authority Board, who are not on the UCSD Health governing board, and who are not employees of UCSD Health working, as of the Dissolution Date, at the Authority (the "**UCSD Health Members**") and Palomar will appoint to the Dissolution Committee three (3) members who do not serve on the Authority Board or the Palomar governing board and who are not employees of Palomar (the "**Palomar Members**"). Within fifteen (15) days following its formation, the Dissolution Committee will select an Independent Dissolution Expert; provided, however, that if the Dissolution Committee cannot agree upon an Independent Dissolution Expert within such timeframe, then the UCSD Health Members (acting as a group) and the Palomar Members (acting as a group) each will select an Independent Dissolution Expert, and the two Independent Dissolution Experts so selected will agree upon a third Independent Dissolution Expert (the three Independent Dissolution Experts to comprise an "**Expert Panel**"). The Independent Dissolution Expert (or Expert Panel, as applicable) will assist the Dissolution Committee to identify, agree upon, and implement the actions that are necessary or appropriate to effect the dissolution of the Authority in strict accordance with the provisions of this Agreement ("**Dissolution Transaction**").

(c) Upon any dissolution of the Authority, and subject in all cases to the exercise by UCSD Health of the Pre-Operational Option, Post-Operational Option or JPA Option, and the respective transactions contemplated therein:

(i) **Exercise of Pre-Operational Option.** Upon the exercise of the Pre-Operational Option by UCSD Health:

(a) UCSD shall only assume the debts, liabilities and obligations of Palomar that solely and directly correspond to the assets acquired and assumed by UCSD Health pursuant to the Pre-Operational Option;

(b) Palomar (x) shall be and remain responsible for (i) all liabilities associated with the General Obligation Bonds, and (ii) all debts, liabilities, and obligations of Palomar that are not expressly assumed by UCSD Health pursuant to the Pre-

Operational Option; and (y) Palomar shall take all actions as are necessary or desirable to effect any transfer of such debts, liabilities and obligations from the Authority to Palomar, if any; and

(c) The Parties will work in good faith to apportion pro rata any system wide contracts for goods or services used in the operation of both Hospitals among the assets that revert to Palomar and the assets acquired by UCSD Health pursuant to the Pre-Operational Option; provided, however, that any such pro rata apportionment shall, in all cases, be subject to UCSD Health's obligations under any of its collective bargaining agreements.

(ii) **Exercise of Post Operational Option.** Upon the exercise of the Post-Operational Option by UCSD Health:

(a) UCSD shall only assume the debts, liabilities and obligations of Authority that solely and directly correspond to the assets acquired and assumed by UCSD Health pursuant to the Post-Operational Option;

(b) Palomar (x) shall be and remain responsible for (i) all liabilities associated with the General Obligation Bonds, and (ii) all debts, liabilities, and obligations of Palomar that are not expressly assumed by UCSD Health pursuant to the Post-Operational Option; and (y) Palomar shall take all actions as are necessary or desirable to effect any transfer of such debts, liabilities and obligations from the Authority to Palomar;

(c) The Parties will work in good faith to apportion pro rata any system wide contracts for goods or services used in the operation of both Hospitals among the assets that revert to Palomar and the assets acquired by UCSD Health pursuant to the Post-Operational Option; provided, however, that any such pro rata apportionment shall, in all cases, be subject to UCSD Health's obligations under any of its collective bargaining agreements;

(d) The Authority will not remain as a co-obligor under the Master Indenture or any associated documents; and

(e) If the Use Agreement or the Employee Lease Agreement are assumed by UCSD Health as part of the exercise of the Post-Operational Option, UCSD Health will agree to be responsible for making those debt service payments related to all of the debts, liabilities, and obligations for which the Authority was co-obligated for the duration of UCSD Health's assumption of the Use Agreement but under no circumstances shall UCSD Health become part of the Obligated Group and in all such instances Palomar must be and will remain responsible, whether as a co-obligor or otherwise, for all such obligations.

(iii) **Exercise of JPA Option**. Upon any dissolution of the Authority, and subject in all cases to the exercise by UCSD Health of the JPA Option:

(a) UCSD Health shall assume all debts, liabilities, and obligations of the Authority related to or associated with the Authority Assets acquired and assumed by UCSD Health pursuant to the JPA Option, including all obligations under the Master Indenture; and

(b) Palomar shall be and will remain responsible for all liabilities associated with the General Obligation Bonds and any other debts, liabilities, and obligations which solely and directly relate to the assets that revert to Palomar (or, for the avoidance of doubt, any debts, liabilities and obligations which solely and directly relate to assets of Palomar which are not or did not become part of the Authority Assets pursuant to this Agreement or the other Authority Documents), and Palomar shall take all actions as are necessary or desirable to effect the transfer of such debts, liabilities and obligations from the Authority to Palomar.

(iv) **No Option is Exercised**. Upon dissolution of the Authority, and in the event that UCSD Health does not exercise the Pre-Operational Option, Post-Operational Option or the JPA Option:

(a) The Dissolution Committee shall immediately proceed to wind up the affairs of the Authority. The Dissolution Committee shall have full power and authority to sell, assign and encumber any or all of the Authority's assets and to wind up and liquidate the affairs of the Authority in an orderly and businesslike manner and on such terms and conditions as it deems necessary or advisable, without the consent of the Members. Upon liquidation of the Authority, the assets of the Authority shall be applied and allocate in the following manner:

(b) First, to the payment and discharge of all of the Authority's then outstanding debts, liabilities and obligations to creditors in the order of priority as provided by Law and of the costs and expenses of liquidation;

(c) Second, to establish such reserves as the Dissolution Committee deems reasonably necessary or advisable, or as required by Law, to provide for the contingent liabilities of the Authority in connection with the dissolution of the Authority;

(d) Third, any remaining assets, debts, liabilities and obligations of the Authority shall revert to Palomar and Palomar shall take all actions as are necessary or desirable to effect any transfer of such assets, debts, liabilities and obligations from the Authority to Palomar;

(e) Fourth, any remaining surplus money and other assets, if any, shall be paid or conveyed to UCSD Health in an amount equal to the net value of all Advances of UCSD not covered in (b) or (c) above, including capital contributions and in-kind efforts contributed by UCSD Health; and

(f) Fifth, any remaining surplus money and other assets, if any, shall be returned to the Members in proportion to the contributions made.

(d) Following the Dissolution Date and until a Dissolution Transaction is consummated, the Parties will: (i) operate, and permit each other to operate, the Facilities and Business in the ordinary course of business, consistent with past practices; and (ii) take such actions as may be necessary or appropriate to preserve the goodwill of the Facilities and Business, including maintaining physician, employee, and payor relationships.

(e) In the event that a Dissolution Transaction otherwise approved pursuant to this **Section 8.4** cannot be immediately effectuated by Palomar because of the inability of the Obligated Group (as such term is defined in the Master Indenture) to comply with the financial covenants specified the Master Indenture or other associated documents, upon the completion of the Dissolution Transaction, Palomar will use reasonable best efforts to promptly restructure or repay or refinance such Palomar debt as necessary to permit completion of the Dissolution Transaction within no more than ninety (90) days of the commencement date of the Dissolution Transaction; and if the Dissolution Transaction still cannot be completed, any resulting damages or losses incurred by UCSD Health or the Authority shall be indemnifiable Losses under the Closing Agreement. The Parties acknowledge the difficulty of fashioning a remedy in advance for such an event and agree that this remedy is reasonable for the possible anticipated circumstances in which it may become operative.

(f) In the event that this Agreement is terminated as a result of the exercise by UCSD Health of either the Pre-Operational Option, the Post-Operational Option or the JPA Option, then in such event, the net proceeds of the purchase price (which, in all cases, will reflect UCSD Health's Contribution Credits) and other available assets will be used: (i) first, to pay all then outstanding Indebtedness of the Authority not assumed by UCSD Health pursuant to the applicable purchase agreement, if any; (ii) second, to return to Palomar an amount equal to the net value of the contributions made by Palomar to the Authority on the date such contributions were made; and (iii) the remaining surplus money and other assets, if any, shall be returned in proportion to the contributions made.

9. NONCOMPETITION

9.1 Palomar Covenants.

(a) Between the Effective Date and during the remainder of the term of the Authority, Palomar will not, nor will it authorize or permit any of its Affiliates, officers, directors, employees, attorneys, advisors, or agents to: (i) solicit, initiate, or encourage the submission of any proposal: (1) for the sale of any assets of Palomar or its Affiliates, or the material sale, lease, license, or other transfer or use or occupancy arrangement (whether structured as a transfer of ownership, a financing, or otherwise) relating to any such assets with a value individually or in the aggregate in excess of $250,000, except in the ordinary course of business; (2) for the acquisition of any equity or equity-like interests in Palomar or its Affiliates, or any public or private affiliation or joint venture involving any assets or operations of Palomar or its Affiliates; (3) for a loan or access to additional financing or capital from a party (provided, however, that with respect to this subsection (3) only, if Palomar has documented a critical cash flow need which UCSD Health has stated in writing that it is unable or unwilling to fund, then in such instance Palomar may seek a loan or access to capital from Assured, another commercial lender, or such other Person approved by UCSD Health in writing, such approval not to be unreasonably withheld and provided the terms of such additional funding do not adversely impact UCSD Health's rights under any of its existing arrangements; or (4) for the employment of any of Palomar's executive staff (the composition of which will be determined jointly by the CEO of Palomar Health and the CEO of UCSD Health) by any entity or person that is not UCSD Health or the Authority (any of the foregoing, an "**Alternative Transaction**"); or (ii) participate in any discussions or negotiations regarding, or furnish to any person or entity other than UCSD Health any information with respect to, or take

any other action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, an Alternative Transaction. Palomar hereby also agrees to immediately cease any discussions that it or its agents are having with other parties regarding any Alternative Transaction. Notwithstanding the foregoing, Palomar shall not be restricted from (x) actions related to that certain lease agreement with Rady Children's Hospital San Diego for the NICU at Palomar Escondido Hospital, or (y) participating in the joint venture with LifePoint for the construction of a new 120-bed behavioral health hospital located on or about the Escondido Hospital, each to the extent not included in the Contributed Assets in the Initial Contribution Agreement or Retained Asset Contribution Agreement; and for the avoidance of doubt, nothing herein shall restrict any individual from seeking or attaining employment from any party.

(b) Effective as of the Operational Date, and continuing thereafter until the dissolution of the Authority, Palomar will not (and will not take any steps to, or prepare to), and will cause any Affiliate not to, directly or indirectly, in any capacity, other than through or for the benefit of the Authority: (i) own, develop, manage, operate, control, lease property to, or provide funds to or otherwise finance (including through grant making), any Person or enterprise that participates or is engaged in any Competing Business, or any Affiliate or any Code Section 509(a)(3) supporting organization of any such Person or enterprise (a "**Competitor**"); or (ii) be connected as an owner, investor, grant maker, partner, joint venturer, limited liability company manager, independent contractor, consultant, or other agent of any Competitor; or (iii) otherwise participate in the foregoing; in each case, anywhere within in California.

9.2 UCSD Health Covenants.

(a) Subject to the covenants of the Parties set forth in **Section 9.2(b)**, (i) UCSD Health may, notwithstanding the existence of this Agreement or any fiduciary relationship created hereby, engage in any and all activities it chooses, whether the same be competitive with the Authority or otherwise, without having or incurring any obligation to offer any interest in such activities to the Authority or Palomar otherwise, and (ii) neither this Agreement, any Authority Documents, nor any activity undertaken pursuant hereto or thereto will prevent UCSD Health from engaging in such activities or require UCSD Health to permit the Authority, or Palomar or any Affiliate of Palomar, to participate in any such activities and, as a material part of the consideration for the execution hereof by UCSD Health, Palomar and the Authority hereby waives, relinquishes and renounces any such right or claim of participation.

(b) Solely for the period of time that Palomar is a member of the Authority and only from the time period following Palomar's contribution of the Retained Assets to the Authority, to the extent that UCSD Health (which, for avoidance of doubt only includes the UCSD Health Medical Center) creates or elects to participate in a transaction or agreement to purchase more than fifty percent (50%) of the assets of, or otherwise takes a greater than fifty percent (50%) interest in the ownership, development, or operation of, any acute care hospital or post-acute facility located north of US 56 in San Diego County, UCSD Health shall, subject to receiving authorization from the proposed partner(s) in any such venture (which it will seek in good faith), disclose the opportunity to the Authority Board and shall not participate in any such transaction without first using good-faith efforts to provide the Authority with the opportunity to also participate in the transaction, either along with UCSD Health or, where UCSD Health and the Authority Board agree, in lieu of UCSD Health, provided; however, that UCSD Health's inability

to cause such third party to allow such participation by the Authority following good-faith efforts will not constitute a default by UCSD Health under the terms of this Agreement.

9.3 Enforceability.

(a) Each Party recognizes that the covenants in this **Section 9**, and the territorial, time, and other limitations with respect thereto, are reasonable and properly required for the adequate protection of the acquisition of the Authority Assets by the Authority, and agree and acknowledge that such limitations are reasonable with respect to the Authority's activities, business and public purpose. Each Party acknowledges and represents that: (i) sufficient consideration has been given by each Party to the other as it relates to the covenants set forth in this **Section 9**; (ii) the restrictions and agreements in this **Section 9** are reasonable in all respects and necessary for the protection of the Authority and the goodwill associated with the Business and that, without such protection, the Authority's customer and client relationships and competitive advantage would be materially adversely affected; and (iii) these covenants are an essential inducement for the Parties to enter into this Agreement and they are in addition to, rather than in lieu of, any similar or related covenants to which such Party is party or by which it is bound. Each Party acknowledges and agrees that the violation of the covenants or agreements in this **Section 9** would cause irreparable injury to the Authority and that monetary damages and any other remedies at Law for any violation or threatened violation thereof would be inadequate, and that, in addition to whatever other remedies may be available at Law or in equity, the Authority and the other applicable Party will be entitled to temporary and permanent injunctive or other equitable relief without the necessity of proving actual damages or posting a bond or other security.

(b) It is the intention of each Party that the provisions of this **Section** 9 will be enforced to the fullest extent permissible under the Law and the public policies of the State of California and of any other jurisdiction in which enforcement may be sought, but that the unenforceability (or the modification to conform with such Laws or public policies) of any provisions hereof will not render unenforceable or impair the remainder of this Agreement. Accordingly, if any term or provision of this **Section 9** is determined to be illegal, invalid or unenforceable, either in whole or in part, this Agreement will be deemed amended to delete or modify, as necessary, the offending provisions and to alter the balance of this Agreement to render the same valid and enforceable to the fullest extent permissible as aforesaid, with the maximum period, scope or geographical area permitted under applicable Law being substituted for the period, scope or geographical area hereunder.

10. INDEMNITY AND INSURANCE

10.1 Indemnity. To the maximum extent permitted by Law, the Authority will indemnify and hold harmless each Member, Representative and officer of the Authority (each an "**Indemnitee**"), from and against any and all losses, claims, demands, costs, damages, liabilities (including joint and several), expenses of any nature (including attorney's fees and disbursements), judgments, fines, settlements, penalties, and other expenses actually and reasonably incurred by the Indemnitee in connection with any and all claims, demands, actions, suits, or proceedings, whether civil, criminal, administrative, or investigative, in which the Indemnitee may be involved, or threatened to be involved, as a party or otherwise, by reason of the fact that the Indemnitee is or was a Member, Representative or officer of the Authority, provided: (a) the Indemnitee's

conduct did not constitute gross negligence, willful misconduct, recklessness, or a breach of fiduciary duty; (b) the action is not based on a material breach of this Agreement or the professional negligence of the Indemnitee; (c) the Indemnitee acted in good faith and in a manner he/she/it reasonably believed to be in the best interests of the Authority and within the scope of such Indemnitee's authority; and (d) with respect to a criminal action or proceeding, the Indemnitee had no reasonable cause to believe his/her/its conduct was unlawful. The Authority will not indemnify an Indemnitee (a) in connection with a proceeding by or in the name of the Authority in which Indemnitee was adjudged liable to the Authority or (b) in connection with any other proceeding charging that the Indemnitee derived an improper personal benefit, whether or not involving action in his/her/its official capacity, in which proceeding he/she/it was adjudged liable on the basis that he/she/it derived an improper personal benefit. The termination of any action, suit, or proceeding by judgment, Order, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, will not, in and of itself, create a presumption or otherwise constitute evidence that the Indemnitee acted in a manner contrary to that specified above. The Authority's duty to indemnify each Indemnitee pursuant to this Agreement will survive that Indemnitee's withdrawal, removal or departure from the Authority. The indemnification provided by this **Section 10.1** will be in addition to any other rights to which the Indemnitee may be entitled under any agreement, as a matter of Law or equity, or otherwise, and will inure to the benefit of the successors, assignees, heirs, personal representatives, and administrators of the Indemnitee.

10.2 Insurance. The Authority will maintain types and levels of insurance coverage for the Authority as the Authority Board determines to be reasonably adequate; provided, however, such coverage should be no less than the types and levels of insurance that UCSD Health maintains for its own healthcare facilities.

10.3 Liabilities of the Authority, Authority Board, Officers, Employees. Except as otherwise set forth in this Agreement, pursuant to Government Code section 6508.1, all debts, liabilities, and obligations of the Authority will not be the debts, liabilities, and obligations of any of the Parties or any of their respective Affiliates, members, officers, directors, employees, or agents. The Authority, its Representatives, officers, employees, staff, and agents will use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No Party, its officer, director, or employee will be responsible for any action taken or omitted by any other Party, or its officers, or employees.

11. GENERAL PROVISIONS

11.1 Notice. Any notice, demand, letter or other communication required, permitted, or desired to be given hereunder will be deemed effectively given when either personally delivered, or when received by electronic means (including email) or overnight courier, or five (5) calendar days after being deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

If to Palomar: Palomar Health
Attention: President & CEO
2125 Citracado Parkway, Suite 300
Escondido, CA 92029
Email: Diane.Hansen@palomarhealth.org

With a copy to: Palomar Health
Attention: Legal Department
120 Craven Road, Suite 106
San Marcos, CA 92078
Email: Kevin.DeBruin@palomarhealth.org

and to (which will not constitute notice):

Holland & Knight LLP
560 Mission Street, Suite 1900
San Francisco, California 94105
Attn: John Kern, Esq.
John.Kern@hklaw.com

and to (which will not constitute notice):

Rosenberg and Pick, a Law Corporation
12100 Wilshire Blvd, Ste 1025
Los Angeles, CA 90025-7111
Attn: Lenard I. Pick, Esq.
Email: lpick@rosenbergandpick.com

If to UCSD Health: UC San Diego Health
6363 Greenwich Drive, 0891 Suite 100
San Diego, California 92122
Attention: Patricia S. Maysent,
Chief Executive Officer
E-Mail: pmaysent@ucsd.edu

With a copy to: UC Legal-UC San Diego Office of Campus Counsel
Office of Legal Affairs
9500 Gilman Drive, MC 0933
San Diego, California 920923
Attention: Veronica Marsich, Chief Health Counsel
Email: vmarsich@ucsd.edu

and to (which will not constitute notice):

Sheppard Mullin Richter & Hampton LLP
Four Embarcadero Center, 17th Floor
San Francisco, CA 94111
Attn: Eric Newsom, Esq.
Email: enewsom@sheppardmullin.com

or at such other address as one Party may designate by notice hereunder to the other Parties.

11.2 Authority to Enter into this Agreement and the Authority Documents. The execution, delivery and performance by the Parties of this Agreement and applicable Authority Agreements: (i) have been duly and validly authorized and approved by all necessary corporate actions, none of which actions have been modified or rescinded and all of which actions remain in full force and effect; (ii) are within such Party's powers, and are not and will not be in contravention or violation of the terms of the organizational or governing documents of such Party; (iii) do not and will not require any approval of, filing or registration with, or any other action to be taken by, any Governmental Authority to be made or sought by such Party in reference to this Agreement absent the Material Governmental Consents; (iv) except with respect to the approval of the Authority to be obtained pursuant to **Section 2.2**, have been duly and validly authorized and approved by all necessary third parties, including, as applicable, bondholders, bond insurers and debtholders of Palomar; and (v) do not and will not require any approval or other action under, conflict with, or result in any violation of or default under (with or without notice or lapse of time or both), or give rise to a right of termination, cancellation, acceleration, loss of material benefit under or result in the creation of any Encumbrance upon, the Initial Assets or the Retained Assets.

11.3 The Regents of the University of California. Palomar acknowledges that The Regents of the University of California have entered into this Agreement solely on behalf of and with respect to UCSD Health, and any medical center, hospital, clinic, medical group, physician, or health or medical plan or program, business or operating unit, enterprise, or facility, that is or may be owned or controlled by, UCSD Health. The Regents of the University of California have not entered into this Agreement on behalf of or with respect to any other division, business or operating unit, enterprise, facility, group, plan or program that is or may be owned, controlled, governed or operated by, or affiliated with, The Regents of the University of California, including without limitation any other university, campus, health system, medical center, hospital, clinic, medical group, physician, or health or medical plan or program (collectively, the "**Excluded UCSD Health Affiliates**"). In light of the foregoing, Palomar further acknowledges and agrees that, notwithstanding any other provision contained in this Agreement:

(a) All obligations of UCSD Health under this Agreement will be limited to The Regents of the University of California as and when acting solely on behalf of or with respect to UCSD Health and will in no way obligate, be binding on or restrict the business or operating activities of any of the Excluded UCSD Health Affiliates or The Regents of the University of California as and when acting on behalf of or with respect to any of such Excluded UCSD Health Affiliates;

(b) None of the Excluded UCSD Health Affiliates will constitute or be deemed to constitute an "Affiliate" of UCSD Health for any purpose under this Agreement, and none of the Excluded UCSD Health Affiliates will be subject to any limitations set forth herein that may otherwise be applicable to Affiliates; and

(c) UCSD Health, through The Regents of the University of California or otherwise, will have the right to participate in, provide services under, contract as part of, and otherwise be involved in the management or operation of, any health or medical insurance or benefit plan, program, service or product that is sponsored or offered in whole or in part by The Regents on a system-wide basis.

11.4 Legal Fees and Costs of Disputes. In the event a Party incurs reasonable legal expenses to enforce or interpret any provision of this Agreement or the Bylaws by mediation, arbitration or judicial means, the prevailing Party's reasonable legal expenses, including attorney's fees, costs, and necessary disbursements shall be indemnifiable Losses under the Closing Agreement, in addition to any other relief to which such Party will be entitled.

11.5 Choice of Law. The Parties agree that all disagreements, disputes or claims arising out of or relating to this Agreement will be governed by and construed in accordance with the applicable Law of the State of California without giving effect to any choice or conflicts of Law provision or rule thereof that would result in the application of the applicable Law of any other jurisdiction other than the applicable Law of the United States of America, where applicable.

11.6 Benefit; Assignment; Delegation. Subject to provisions herein to the contrary, this Agreement will inure to the benefit of and be binding upon the Parties and their respective legal representatives, successors and permitted assigns and delegates. No Party may assign any of its rights hereunder or delegate any of its duties hereunder without the prior written consent of the other Parties.

11.7 Legal Advice and Reliance. Except as expressly provided in any Authority Document, none of the Parties (nor any of the Parties' respective representatives) has made or is making any representations to any other Party (or to any other Party's representatives) concerning the consequences of the transactions contemplated under applicable Law, including Tax-related Laws or under the Laws governing the Government Programs. Except for the representations and warranties made in any Authority Document, each Party has relied solely upon the Tax, Government Program, and other advice of its own Representatives engaged by such Party and not on any such advice provided by any other Party.

11.8 Cost of Transaction. Except as otherwise provided in this Agreement, each Party will bear and pay its own costs and expenses relating to the preparation of this Agreement and the Authority Documents and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, the Authority Documents, including the disbursements and fees of their respective attorneys, accountants, advisors, agents and other representatives, incidental to the preparation and carrying out of the Authority Documents

11.9 Waiver of Breach. The waiver by any Party of a breach or violation of any provision of this Agreement will not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

11.10 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any Party under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

11.11 No Inferences; Sophisticated Parties. Each Party acknowledges and agrees to the following: (a) all of the Parties are sophisticated and represented by experienced healthcare and transactional counsel in the negotiation and preparation of this Agreement; (b) this Agreement is the result of lengthy and extensive negotiations between the Parties and an equal amount of drafting by all Parties; (c) this Agreement embodies the justifiable expectations of sophisticated parties derived from arm's-length negotiations; and (d) no inference in favor of, or against, any Party will be drawn from the fact that any portion of this Agreement has been drafted by or on behalf of such Party.

11.12 Divisions and Headings of this Agreement. The divisions of this Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and will have no legal effect in construing the provisions of this Agreement.

11.13 Entire Agreement; Amendment. This Agreement, together with the other Authority Documents and the Confidentiality Agreement, represents the entire agreement between the Parties with respect to the subject matter of this Agreement and supersedes all prior or contemporaneous oral or written understandings, negotiations, letters of intent, or agreements between the Parties. No modifications of, amendments to, or waivers of any rights or duties under this Agreement will be valid or enforceable unless and until made in writing and signed by all Parties, provided, however that, notwithstanding anything to the contrary contained in this Agreement, during the period commencing on the Effective Date and ending on the Operational Date, the amendment, waiver or modification of this Agreement shall not be effective without the prior written consent of Assured, such consent not be unreasonably withheld conditioned or delayed. The Parties agree that: (i) solely with respect to this **Section 11.13**, Assured shall be deemed a third-party beneficiary and shall have the right to enforce only the provisions of this **Section 11.13** against the Parties; and (ii) Assured shall not be deemed a third-party beneficiary of any other provision of this Agreement and shall have no right to enforce any other provisions of this Agreement.

11.14 Multiple Counterparts. This Agreement may be executed in any number of counterparts, each and all of which will be deemed an original and all of which together will constitute but one and the same instrument. The facsimile signature of any Party or other Person

to this Agreement or any other Authority Document or a PDF copy of the signature of any Party or other Person to this Agreement or any other Authority Document delivered by electronic mail for purposes of execution or otherwise, is to be considered to have the same binding effect as the delivery of an original signature on an original contract.

11.15 Press Releases and Public Announcements. Except as and to the extent required by Law, without the prior written consent of the other Party, neither Party will, and each will cause its representatives not to make, directly or indirectly, any public comment, statement or communication with respect to, or otherwise to disclose or to permit the disclosure of any of the terms, conditions or other aspects of the matters contemplated by this Agreement. In the case of a disclosure required by Law, the disclosing Party will share a draft of the required disclosure with the other Party as soon as practicable. Any and all public announcements or press releases concerning this Agreement, and the method of the release for publication thereof, will be planned and coordinated by and among the Parties, and no Party will act unilaterally in this regard without the prior written approval of the other Party, which will not be unreasonably withheld; provided, however, that if the Parties have agreed upon the content of a public announcement or press release, then after such public announcement or press release is issued, the Parties' Representatives will be permitted to disclose and discuss such contents with media, community members, and others as the Parties may deem to be reasonable and appropriate. The Parties will mutually agree on a press release to be issued at or immediately following the execution of this Agreement.

11.16 Use of Name. Neither Palomar nor the Authority will use UCSD Health's name (including, for the avoidance of doubt, the names "UC", "UCSD", "UCSD Health", or "The Regents", abbreviation of UCSD Health's name, trade names, and/or trademarks (i.e., logos and seals) or any derivation thereof (collectively, "**UCSD Health's Name**")), in any form or manner in advertisements, reports, or other information released to the public without UCSD Health's prior written approval. Palomar and the Authority each agrees to comply at all times with California Education Code Section 92000.

[Remainder of this page intentionally blank.]

[Signatures follow on next page.]

IN WITNESS WHEREOF, the Parties have caused this Joint Exercise of Powers Agreement to be executed by their duly authorized officers as of the Effective Date first set forth above.

UCSD Health:

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, on behalf of UC San Diego Health, a California constitutional corporation organized and existing pursuant to Article IX, Section 9 of the Constitution of the State of California

DocuSigned by:
David Rubin
D880668F622246E...

By:_____

Name: David Rubin, MD, MSCE
Title: Executive Vice President, UC Health

IN WITNESS WHEREOF, the Parties have caused this Joint Exercise of Powers Agreement to be executed by their duly authorized officers as of the Effective Date first set forth above.

PALOMAR:

PALOMAR HEALTH

By: _____
Name: Diane Hansen
Title: President & CEO

By: _____
Name: Jeff Griffith, EMPT-P
Title: Chairperson, Board of Directors

UCSD Health:

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, ON BEHALF OF UC SAN DIEGO

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the Parties have caused this Joint Exercise of Powers Agreement to be executed by their duly authorized officers as of the Effective Date first set forth above.

PALOMAR:

PALOMAR HEALTH

By: _____
Name: Diane Hansen
Title: President & CEO

By: _____
Name: Jeff Griffith, EMPT-P
Title: Chairperson, Board of Directors

UCSD Health:

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, ON BEHALF OF UC SAN DIEGO

By: _____
Name: _____
Title: _____

EXHIBIT A

"**Advance Agreements**" will mean the Third UCSD Loan Documents and Credit Line Documents, each as defined in the Closing Agreement.

"**Advances**" will mean all refer to any sums of money, property, or other assets, businesses or service lines transferred, paid, or made available by UCSD Health to or on behalf of Palomar, PHMG, the Authority or the Business at any time, including any such transfers, payments, or advances effected to facilitate the implementation, administration, or achievement of any undertakings, or functions described within this Agreement or any Authority Documents and including any advances that UCSD Health provided to either Palomar and/or PHMG and/or the Authority, including the cash advance in the principal amount of $20,000,000 provided by UCSD Health on or about April 4, 2025, and the cash advance in the principal amount of $10,000,000 provided to Palomar on or about July 24, 2025, and the cash advance in the amount of $60,000,000 provided by UCSD Health on or about October 31, 2025 pursuant to the Advance Agreements.

"**Affiliate**" will mean, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For this purpose, "control" will include the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of memberships, securities, election, or appointment of directors, by contract or otherwise.

"**Agreement**" will have the meaning as set forth in the preamble to this Agreement.

"**Alternative Transaction**" will have the meaning set forth in **Section 9.1(a)**

"**Annual Budget**" will have the meaning set forth in **Section 6.2(b)**.

"**Approval**" will mean any approval, authorization, consent, notice, qualification or registration, or any extension, modification, amendment, or waiver of any of the foregoing, of or from, or any notice, statement, filing or other communication to be filed with or delivered to, any Governmental Authority or any other Person.

"**Asset Purchase Agreement**" means that certain form of asset purchase agreement attached as an exhibit to the Pre-Operational Option Agreement.

"**Assured**" will mean Assured Guaranty Inc., a Maryland Insurance company.

"**Assured Forbearance Agreement**" will mean that certain Forbearance Agreement dated as of January 16, 2025 by and among Palomar, Assured and the Master Trustee, as amended by that certain First Amendment to Forbearance Agreement dated as of May 15, 2025 and that certain Joinder and Second Amendment to Forbearance Agreement dated as of July 24, 2025 by and among Palomar, PHMG, Assured and the Master Trustee (as amended, restated, supplemented or otherwise modified from time to time).

"**Authority**" will have the meaning as set forth in **Section 2.1**.

"**Authority Approval Date**" will have the meaning set forth in **Section 2.2.**

"**Authority Assets**" will mean the assets of the Authority, including for the avoidance of doubt, the Initial Assets and the Retained Assets (excluding the Excluded Assets), after such assets are contributed to the Authority.

"**Authority Board**" will have the meaning set forth in **Section 5.1(b)**.

"**Authority Document**" or "**Authority Documents**" will mean this Agreement, the Closing Agreement, the Pre-Operational Option Agreement, JPA Option Agreement, the Post-Operational Option Agreement, the Use Agreement, the Employee Leasing Agreement, the Initial Contribution Agreement, the Retained Asset Contribution Agreement, the UCSD Health Contribution Agreement, the Advance Agreements, the Tax Revenue Contribution Agreement and the other certificates, instruments, and documents prepared, executed, and delivered pursuant to this Agreement or in connection with this Agreement.

"**Business**" will have the meaning set forth in the **Recitals**.

"**Bylaws**" will have the meaning set forth in **Section 5.1(a)**.

"**Closing Agreement**" will have the meaning set forth in **Section 4.1.**

"**Competing Business**" will mean (i) a healthcare provider, including those that are an enrolled provider or supplier in Medicare, another federal healthcare program, or Medicaid, and any one or more of the following: (A) general acute care hospital, (B) outpatient surgery center, (C) diagnostic imaging center, (D) outpatient therapy center, or (E) other healthcare facility that provides outpatient healthcare services; or (ii) an entity engaged in the provision of physician services in person or virtually (including telehealth or other digital health services).

"**Competitor**" will have the meaning set forth in **Section 9.1(b).**

"**Confidentiality Agreement**" will mean that certain Mutual Confidentiality/Non-disclosure Agreement by and between the Parties, effective as of April 8, 2025.

"**Contribution Credit**" will mean: (i) an amount equal to the aggregate outstanding principal and interest of the Advances as of the date of application, plus (ii) any other money advanced, loaned, or otherwise made available, and other capital contributions made by UCSD Health to or on behalf of the Authority, Palomar or any of their respective Affiliates at any time; and (iii) as applicable, an amount equal to the value (as determined by an independent fair market value analysis) of any service line, or other contributions made by UCSD Health that have increased the value of the Authority, the Authority Assets or the Business and for which UCSD Health did not otherwise receive full compensation (as determined by an independent fair market value analysis of such contributions).

"**Dissolution Committee**" will have the meaning as set forth in **Section 8.4(b)**.

"**Dissolution Date**" will have the meaning as set forth in **Section 8.4(a)**.

"**Dissolution Event**" will have the meaning as set forth in **Section 8.1**.

"**Dissolution Transaction**" will have the meaning as set forth in **Section 8.4(b).**

"**Effective Date**" will have the meaning as set forth in the preamble to this Agreement.

"**Employee Lease Agreement**" will have the meaning as set forth in **Section 4.1(d).**

"**Encumbrances**" will mean liabilities, levies, claims, charges, assessments, mortgages, security interests, liens, pledges, exceptions, conditional sales agreements, title retention contracts, rights of first refusal, options to purchase, restrictions, and other encumbrances, agreements or commitments to create or suffer any of the foregoing.

"**Escondido Hospital**" will mean the Palomar Medical Center Escondido, a 288 bed acute care hospital located at 2185 Citracado Parkway, Escondido, California 92029.

"**Event of Default**" will have the meaning set forth in **Section 8.2**.

"**Excluded UCSD Health Affiliates**" will have the meaning set forth in **Section 11.3.**

"**Exhibits**" will mean the exhibits to this Agreement.

"**Expert Panel**" will have the meaning as set forth in **Section 8.4(b)**.

"**Facilities**" will mean the Poway Facilities and Retained Facilities.

"**Fiscal Year**" will have the meaning set forth in **Section 6.1**.

"Force Majeure Event" means any act of God, fire, flood, storm, explosion, terrorist act or any similar event or circumstance that prevents a Party from performing its obligations under this Agreement, but only if the event or circumstance: (a) is not within the reasonable control of the affected Party; (b) is not the result of the fault or negligence of the affected Party; and (c) could not, by the exercise of due diligence, have been overcome or avoided.

"**Funds Flow**" will have the meaning as set forth in **Section 6.3.**

"**GASB**" will have the meaning as set forth in **Section 1.2(a).**

"General Obligation Bonds" will mean (a) all contracts, agreements, amendments, assets, revenues and liabilities of, regarding or related to Palomar's (i) General Obligation Refunding Bonds, Series 2016A, (ii) General Obligation Refunding Bonds, Series 2016B, (iii) General Obligation Bonds, Election of 2004, Series 2010A, (iv) General Obligation Bonds, Election of 2004, Series 2009A, and (iv) General Obligation Bonds, Election of 2004, Series 2007A, and the assets and revenues set aside for the payments of any liabilities related thereto.

"**Government Programs**" will mean the Medicare (including Medicare Part D and Medicare Advantage), Medicaid, Medicaid-waiver and CHAMPUS/TRICARE programs, any other similar or successor federal health care program (as defined in 42 U.S.C. §1320a-7b(f)) and any similar state or local programs.

"**Governmental Authority**" or "**Governmental Authorities**" will mean all agencies, authorities, bodies, boards, commissions, courts, instrumentalities, legislatures, and offices of any nature whatsoever of any federal, state, county, district, municipal, city, or other government or quasi-government unit or political subdivision.

"**Hospital(s)**" will mean the Poway Hospital or the Escondido Hospital.

"**Indebtedness**" will mean, at any specified time (without duplication), any of the following liabilities of any Person (whether or not contingent and including any and all principal, accrued and unpaid interest, prepayment premiums or penalties, related expenses, commitment and other fees, sale or liquidity participation amounts, reimbursements, indemnities and other amounts which would be payable in connection therewith): (a) any liabilities of such Person for borrowed money or in respect of loans or advances; (b) any liabilities of such Person evidenced by bonds, debentures, notes, or other similar instruments or debt securities; (c) any liabilities of such Person as lessee under any lease or similar arrangement required to be recorded as a capital lease in accordance with GASB; (d) all liabilities of such Person under or in connection with letters of credit or bankers' acceptances, performance bonds, sureties or similar obligations; (e) any liabilities of such Person to pay the deferred purchase price of property, goods or services other than those trade payables incurred in the ordinary course of business which are not more than ninety (90) days past due (including the employer portion of payroll, employment, or similar Taxes incurred in connection with any of the foregoing); (f) all liabilities of such Person arising from cash/book overdrafts; (g) all liabilities of such Person under conditional sale or other title retention agreements; (h) all liabilities of such Person with respect to vendor advances or any other advances made to such Person; (i) all liabilities of such Person arising out of interest rate and currency swap arrangements and any other arrangements designed to provide protection against fluctuations in interest or currency rates; (i) all liabilities to purchase, redeem, retire, defeasance or otherwise make any payment in respect of any equity interests or any warrant, right or option to acquire such equity interest, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; (k) any liabilities of such Person related to unfunded 401(k) plans, pension plans, profits sharing plans or similar retirement plan or obligations (including the employer portion of payroll, employment, or similar Taxes incurred in connection with any of the foregoing); (l) any liabilities of others guaranteed by, or secured by any Encumbrance on the assets of, such Person, whether or not such indebtedness, liabilities or obligations will have been assumed by such Person or is limited in recourse; and (m) to the extent not reflected in (a) through (l) any liabilities for other accounts payable, accrued expenses, medical claims payable, insurance claims and reserves, lines of credit, revolving credit facilities, settlements with payors, Medicare advances, provider fee payables, deferred Governmental Authority stimulus funds, long-term debt, lease financing obligations and finance leases, in each case arising on or prior to the Effective Date.

"**Indemnitee**" will have the meaning set forth in **Section 10.1**.

"**Independent Dissolution Expert**" means an independent consultant or firm of consultants of nationally recognized standing who/which has substantial experience in the dissolution of joint powers authorities and also health care systems and who/which has not historically provided material consulting or other services to either UCSD Health or Palomar.

"**Initial Assets**" will mean the assets the Parties shall mutually agree to convey to the Authority pursuant to the terms of the Initial Contribution Agreement.

"**Initial Contribution Agreement**" will have the meaning as set forth in **Section 4.1(b)**.

"**JPA Act**" will have the meaning set forth in the Recitals.

"**JPA Option**" will have the meaning set forth in **Section 4.1(j)**.

"**JPA Option Agreement**" will have the meaning set forth in **Section 4.1(j)**.

"**Law**" will mean, with respect to any Person, all statutes, ordinances, codes, rules or regulations of any Governmental Authority as may be amended from time to time, including for the avoidance of doubt the JPA Act and the Marks-Roos Local Bond Pooling Act of 1985, and any restrictions, judgments, Orders, writs, injunctions, decrees, determinations or awards of any Governmental Authority having jurisdiction over such Person or any of such Person's assets or businesses.

"**Master Indenture**" will mean that certain Master Trust Indenture, dated as of December 1, 2006, as supplemented and amended, among Palomar, PHMG, and Master Trustee (together with all supplements, amendments, modifications, extensions, renewals, and replacements thereto).

"**Master Trustee**" will mean U.S. Bank Trust Company, National Association, a national banking association, as successor to U.S. Bank National Association, in its capacity as Master Trustee under the Master Indenture, or such successor or replacement thereto.

"**Material Governmental Consents**" will mean each Approval, consent, or authorization identified on **Schedule 1** which must have been obtained and must be in full force and effect.

"**Material Non-Governmental Consents**" will mean each Approval, consent, or authorization identified on Schedule 2 which must have been obtained and must be in full force and effect.

"**Medicaid**" will mean any state program for medical assistance administered under Title XIX of the Social Security Act.

"**Medicare**" will mean the health insurance program administered under Title XVIII of the Social Security Act.

"**Operational Date"** will have the meaning set forth in **Section 2.3**.

"**Order**" will mean any judgment, order, writ, injunction, decree, determination, or award, including an arbitration award of any Governmental Authority or arbitrator.

"**Palomar**" will have the meaning as set forth in the preamble to this Agreement.

"**Palomar Member**" or "**Palomar Members**" will have the meaning as set forth in **Section 8.4(b).**

"**Palomar Representatives**" will have the meaning set forth in **Section 5.1(b)**.

"**Party**" or "**Parties**" will have the meaning as set forth in the preamble to this Agreement.

"**Person**" will mean any individual, limited liability company, corporation, association, partnership, firm, joint venture, trust, trustee, Governmental Authority, or other form of business.

"**PHMG**" will mean Arch Health Partners, Inc. d/b/a Palomar Health Medical Group.

"Post-Operational Option Agreement" will have the meaning set forth in **Section 0**.

"**Post-Operational Option**" will have the meaning set forth in **Section 0**.

"**Pre-Operational Option**" will have the meaning set forth in **Section** Error! Reference source not found..

"**Pre-Operational Option Agreement**" will have the meaning set forth in **Section** Error! Reference source not found..

"**Poway Facilities**" will mean the Poway Hospital, the Villas at Poway, the Pomerado Outpatient Pavilion, and other facilities identified in the Initial Contribution Agreement.

"**Poway Hospital**" will mean the Palomar Medical Center Poway, a 107-bed acute care hospital located at 15615 Pomerado Road, Poway, California.

"**RACA Plan**" will have the meaning set forth in **Section** Error! Reference source not found..

"**Retained Assets**" will mean the Retained Facilities, the Retained Land, and all other assets owned by Palomar which were not previously contributed to the Authority, absent the General Obligation Bonds.

"**Retained Asset Contribution Agreement**" will have the meaning set forth in **Section 4.1(i)**.

"**Retained Asset Contribution Approval**" will have the meaning set forth in **Section 4.2(a)**.

"**Retained Facilities**" will mean the Escondido Hospital and all other buildings, structures, improvements, fixtures, and other facilities on the Retained Land or in which Palomar otherwise holds an ownership, leasehold, easement estate, or other interest and which Palomar did not previously transfer to the Authority pursuant to the terms of the Initial Contribution Agreement.

"**Retained Land**" will mean all land in which Palomar holds an ownership, leasehold, easement estate or other real property interest, including without limitation that certain real property located in Escondido, California on which the Escondido Hospital is situated and which

Palomar did not previously transfer all of its ownership, leasehold, easement or other interest in and to such real property to the Authority pursuant to the terms the Initial Contribution Agreement, together with all buildings, structures, improvements, fixtures situated thereon and all rights, privileges, easements, and appurtenances related thereto.

"**Revenues**" will mean all receipts, income, and other moneys received by the Authority for the Facilities and PHMG and from and/or for the operation and/or use of all or any part of the Facilities, and PHMG, or the Business as may be described, assigned, or levied by the Authority Board or its designated agents.

"**Schedule**" will mean the schedules and any other schedule to this Agreement.

"**Strategic Plan**" will have the meaning set forth in **Section** Error! Reference source not found..

"**Supermajority Vote**" will mean the affirmative vote of five (5) of the six (6) Representatives.

"**Tax**" or "**Taxes**" will mean (a) all federal, state, local, foreign or other Taxes, including any income, gross receipts, license, payroll, employment (including employee withholding or employer payroll Tax, FICA or FUTA), excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, stamp, capital, gains, sales, use, transfer, registration, liability or obligation under escheat or abandoned or unclaimed property Laws, value added, alternative or add-on minimum, estimated, or other Tax, assessment, charge, levy or fee of any kind whatsoever (however denominated), including interest or penalties thereon, additions to Tax and additional amounts with respect thereto that are due or alleged to be due to any Governmental Authority, whether disputed or not and (b) and any liability with respect to the foregoing as a result of being or formerly having been a member of any affiliated, consolidated, unitary or similar group or as a result of any transferee or successor liability in respect of the foregoing, or any obligation to indemnify or pay any of the foregoing to or on behalf of another Person, whether arising as a result of any Contract (as defined in the Asset Purchase Agreement), by operation of Law, or otherwise.

"**Tax Contribution Agreement**" will have the meaning set forth in **Section 4.1(a)**.

"**UCSD Health**" will have the meaning as set forth in the preamble to this Agreement.

"**UCSD Health Contribution Agreement**" will have the meaning as set forth in **Section 4.1(e)**.

"**UCSD Health Members**" will have the meaning as set forth in **Section 8.4(b).**

"**UCSD Health Representatives**" will have the meaning set forth in **Section 5.1(b)**.

"**UCSD Health Reserve Powers**" will have the meaning set forth in **Section 5.4(b)**.

"**UCSD Options**" will mean either one, more, or all of the Pre-Operational Option, the Post-Operational Option, and the JPA Option, as applicable.

"**U.S. Bankruptcy Code**" will mean Title 11 of the United States Code, as amended from time to time.

"**Use Agreement**" will have the meaning set forth in **Section 4.1(c)**.

EXHIBIT B
FUNDS FLOW

FIRST — to the payment of Authority Maintenance and Operation Expenses for the costs to operate the Business and maintain the Hospitals and other Facilities, which includes, without limitation, expenditures authorized under an Annual Budget that has been approved by the Authority Board. "**Maintenance and Operation Expenses**" shall mean, for any given period, the total operation and maintenance expenses of the Authority as determined in accordance with GASB as in effect from time to time;

SECOND: — to payment of debt service on any indebtedness of the Authority, including, without limitation, any Master Indenture Obligations and debt payments under any line of credit or other short-term debt indebtedness;

THIRD: — provided that the Authority on the date of determination has not less than fifty (50) Days Cash on Hand (the "**Margin Threshold**"), to the payment of such amounts as directed by UCSD Health, provided further that no payment of any such amounts shall be made to UCSD Health if, or to the extent that, such payment would cause the Debt Service Coverage Ratio (calculated based on date of determination) to be less than 1.0;

FOURTH: — after all foregoing priorities are satisfied (including any annual accounting and reimbursement requirements), any remaining funds constitute "**Net Retained Earnings**" which may be held, invested or distributed in accordance with the terms of the Joint Exercise of Powers Agreement, provided that no distribution of any Net Retained Earnings shall be made if, or to the extent that, such distribution would cause the Debt Service Coverage Ratio (calculated based on the date of determination) to be less than 1.0.

For purposes of this **Exhibit B**:

"**Days Cash on Hand**" means, as of any date of determination (including, without limitation, the date of any proposed distribution), the quotient (expressed in days) obtained by dividing (a) the sum of (i) unrestricted cash and cash equivalents, (ii) marketable securities and other short-term investments that are available for operations or otherwise readily convertible to cash without material restriction, (iii) amounts held in board-designated or other internally restricted funds that may be liquidated or withdrawn for operating purposes within thirty (30) days, and **(iv)** the undrawn amount of any committed lines of credit or other committed liquidity facilities available to a credit group member or its affiliates (other than those the proceeds of which are restricted to capital expenditures or debt repayment), by (b) one-three-hundred-sixty-fifth (1/365th) of Maintenance and Operating Expenses of the Authority (excluding depreciation, amortization, interest expense, and any other non-cash charges) for the most recent Fiscal Year or twelve-month period then ended, all as determined in accordance with GAAP consistently applied. For purposes of this definition, "cash equivalents" include investments with an original maturity of one hundred eighty (180) days or less, and "marketable securities" include any readily marketable investments in U.S. Government obligations, obligations of U.S. agencies, certificates of deposit, commercial paper, money market funds, or other instruments customarily treated as cash equivalents by similarly situated healthcare organizations.

"Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service.

"Income Available for Debt Service" means, as to any period of time, the combined excess of revenues over expenses (or, in the case of for-profit credit group members, net income after taxes) of the credit group members for such period (including any realized investment income and losses), to which shall be added depreciation, amortization and interest (and indebtedness to the extent that such indebtedness payments are treated as an expense during such period of time in accordance with GAAP), provided that no such determination will include (1) any gain or loss resulting from (a) the extinguishment of indebtedness, (b) any disposition of capital assets not made in the ordinary course of business, (c) any discontinued operations or (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles, (2) unrealized gains or losses on marketable securities, (3) gains or losses resulting from changes in valuation of any hedging, derivative, interest rate exchange or similar contract, (4) unrealized gains or losses from the write-down, reappraisal or revaluation of assets including investments for "other than temporary" declines in value, or (5) any extraordinary gains or losses.

"Maximum Annual Debt Service" means the greatest amount of annual debt service becoming due and payable in any fiscal year including the fiscal year in which the calculation is made or any subsequent fiscal year; provided, however that for the purposes of computing Maximum Annual Debt Service:

(a) with respect to a guaranty, (i) one hundred percent (100%) of the credit group members' monetary liability under the guaranty which has been drawn upon shall be included in the calculation of annual debt service for two fiscal years thereafter and (ii) otherwise, there will be included in the calculation of annual debt service a percentage of the monetary liability under the guaranty, based on the ratio of Income Available for Debt Service of the person or entity whose debt is guaranteed by the credit group member (calculated as if such person or entity were a credit group member), over the Maximum Annual Debt Service of such person or entity (calculated as if such person or entity were a credit group member) (the "Ratio"). If the Ratio is less than 1.10, one hundred percentage of such monetary liability will be included in the calculation of annual debt service. If the Ratio is greater than or equal to the values set forth below, the applicable percentage of such monetary liability shall be included in the calculation of annual debt service, as follows:

Ratio	Percentage of Monetary Liability to be Included
1.10 or greater	75%
1.50 or greater	50%
2.0 or greater	20%

(b) if interest on Long-Term Indebtedness is payable pursuant to a variable interest rate formula (or if financial product payments or financial product receipts are determined pursuant to a variable rate formula), the interest rate on such Long-Term Indebtedness (or the variable rate formula for such financial product payments or financial product receipts) for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to (i) if such Long-Term Indebtedness is subject to a financial products agreement that effectively converts the interest rate on such Long-Term Indebtedness to a fixed rate of interest, the fixed rate of interest specified in such financial products agreement during the stated term of such financial products agreement and (ii), otherwise, a fixed rate equal to the Thirty-Year Revenue Bond Index most recently published in The Bond Buyer;

(c) if moneys or Government Obligations have been deposited with a trustee or escrow agent in an amount, together with earnings thereon, sufficient to pay all or a portion of the principal of or interest on Long-term Indebtedness as it comes due, such principal or interest, as the case may be, to the extent provided for, shall not be included in computations of Maximum Annual Debt Service;

(d) debt service on Long-Term Indebtedness incurred to finance capital improvements shall be included in the calculation of Maximum Annual Debt Service only in proportion to the

amount of interest on such Long-Term Indebtedness which is payable in the then current fiscal year from sources other than capitalized interest funds held by a trustee or escrow agent for such purpose; and

(e) with respect to Balloon Indebtedness, at the option of the credit group representative, such Balloon Indebtedness shall be treated as Long-Term Indebtedness with substantially level debt service over a period of twenty-five (25) years from the date of incurrence of such Balloon Indebtedness at an interest rate equal to a fixed rate equal to the Thirty-Year Revenue Bond Index most recently published in The Bond Buyer; provided, however, that the entire principal amount of such Balloon Indebtedness shall be included in the calculation of Maximum Annual Debt Service if such calculation is made within twelve months of the maturity of such Balloon Indebtedness.

"Long-Term Indebtedness" means indebtedness having an original maturity greater than one year or renewable at the option of a credit group member for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such indebtedness, no indebtedness is permitted to be outstanding thereunder for a period of at least five (5) consecutive days during each calendar year.

"Government Obligations" means: (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (2) obligations issued or guaranteed by any agency, department or instrumentality of the United States of America if the obligations issued or guaranteed by such entity are rated in one of the two highest rating categories of a rating agency (without regard to any gradation of such rating category); (3) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (1) and/or (2), provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and (4) obligations the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust of cash and/or obligations described in clauses (1), (2) and/or (3).

"**Balloon Indebtedness"** means Long-term Indebtedness, twenty-five percent (25%) or more of the principal of which (calculated as of the date of issuance) becomes due during any period of twelve (12) consecutive months if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption prior to such 12-month period.

EXHIBIT C
DEFINITIONS INDEX

EXHIBIT D
AUTHORITY BYLAWS

BYLAWS

OF

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BYLAWS
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PREAMBLE

In accordance with the Joint Exercise of Powers Act of the State of California, being California Government Code Sections 6500-6599, inclusive, as the same may be supplemented, amended, and/or restated (the "**JPA Act**"), the Palomar UCSD Health Authority (the "**Authority**") was established by its Members (as defined herein) pursuant to a Joint Powers Agreement (the "**JPA Agreement**") dated October 31, 2025 by and between Palomar Health, a California local healthcare district and political subdivision of the State of California organized pursuant to Division 23 of the California Health and Safety Code ("**Palomar**") and The Regents of the University of California, a California constitutional corporation organized and existing under Article IX, Section 9 of the Constitution of the State of California, on behalf of the University of California, San Diego Health ("**UCSD Health**") for the purposes set forth in the JPA Agreement and these Bylaws. If there is a conflict between any provision of these Bylaws and any provision of the JPA Agreement, the provision in the JPA Agreement shall govern.

ARTICLE I
DEFINITIONS

Section 1. Definitions.

(a) Unless otherwise specifically defined herein, the capitalized terms used in these Bylaws and not otherwise defined herein shall have the meanings ascribed to them in the JPA Agreement.

(b) As used in these Bylaws, and unless the context requires otherwise:

(1) Accounting terms not defined in these Bylaws, and accounting terms partly defined to the extent not defined, will have the respective meanings given to them under U.S. generally accepted accounting principles, as established by the Governmental Accounting Standards Board, as consistently applied.

(2) The word "herein" and words of similar import when used in these Bylaws refer to these Bylaws as a whole and not to any particular provision of these Bylaws, and section, subsection and exhibit references are to these Bylaws unless otherwise specified.

(3) The word "including" and words of similar import when used in these Bylaws, means including without limitation, unless otherwise specified in these Bylaws.

(4) Words of the masculine gender include the feminine or neuter genders, and vice versa, where applicable. Words of the singular number include the plural number, and vice versa, where applicable.

(5) A reference to any Law is a reference to that Law as amended, consolidated, supplemented, or replaced from time to time and all rules and regulations promulgated thereunder.

(6) References to the "Brown Act" shall mean the Ralph M. Brown Act, California Government Code § 54950 *et seq*. and, as applicable, California Health and Safety Code §§ 32106 and 32155.

(7) Unless otherwise indicated, references to time are references to Pacific Time.

(8) The Exhibits are incorporated and made a part of these Bylaws and are an integral part hereof.

ARTICLE II
NAME

The name of the Authority shall be Palomar UCSD Health Authority.

ARTICLE III
PURPOSES AND POWERS

Section 1. Purposes. The purposes of the Authority are to: (i) provide for the administration and operation of the Authority and the Business (to the extent owned, used, or operated by the Authority); (ii) acquire, improve, and operate (to the extent owned, used, or licensed by the Authority) the Facilities and the other Authority Assets; (iii) operate the Hospitals and any other assets owned or used by the Authority; and (iv) to do and engage in any and all lawful activities that may be incidental to or reasonably necessary to any of the foregoing purposes and to have and exercise all other powers and authority now or hereafter conferred under the laws of the State of California.

Section 2. General Powers. The Authority will have and may exercise the powers permitted under applicable Law and all powers necessary to accomplish the purposes of these Bylaws, including such powers as are set forth in the JPA Agreement and these Bylaws.

Section 3. Specific Powers. In addition to the general powers set forth in **Section 2** of this **Article III**, the Authority will have the powers under applicable Law that are necessary for the use, operation, and maintenance of the Facilities and the Business (in each case, to the extent owned, used, or operated by the Authority) and any other powers authorized by the JPA Act, including the power to: (i) acquire, use, or operate all or a portion of the Facilities (including pursuant to the Use Agreement and the Employee Leasing Agreement), and to apply for and maintain related licenses, accreditations, permits, certifications, and other authorizations for the Facilities (to the extent owned, used, or operated by the Authority); (ii) establish and maintain an independent medical staff for each Hospital and the other applicable Facilities; (iii) participate in Medicare, Medi-Cal, and other Government Programs as a provider or supplier, and contract with commercial payors; (iv) take any actions necessary to contribute to, qualify for, earn, and/or distribute supplemental payments or fees associated with the Authority's participation in and treatment of beneficiaries eligible for Medicare, Medi-Cal and other Government Programs; (v)

issue and incur debt, pledge assets, and guarantee obligations; (vi) sue and be sued in its own name; (vii) lease, acquire, construct, manage, maintain, or operate any building, works, or improvements, or related real property; (viii) acquire, hold, or dispose of property; (ix) adopt rules and regulations for the conduct of the day-to-day operations of the Authority; and (x) exercise any and all powers which are provided for in the JPA Act.

ARTICLE IV
OFFICES

Section 1. Principal Office. The principal office of the Authority in the State of California shall be located in San Diego, California.

Section 2. Other Offices. The Authority may have such other offices, either within or without San Diego, California, as the Authority Board of the Authority may determine or as the affairs of the Authority may from time to time require.

ARTICLE V
DISSOLUTION

Dissolution of the Authority shall be conducted, in all respects, in accordance with the terms of the JPA Agreement.

ARTICLE VI
MEMBERS

Section 1. Members. Palomar and UCSD Health (each, a "**Member**" and, collectively, the "**Members**") shall be the only Members of the Authority.

Section 2. Meetings of the Members and Voting.

(a) There shall be an annual meeting of the Members which shall be held immediately following the meeting of the Authority Board to be held in April of each calendar year. In addition, at any time during the calendar year, either Member may call a special meeting of the Members, which meeting shall occur within ten (10) days after the date of such Member's request for a special meeting.

(b) Each Member shall designate one (1) individual to serve as a primary Member representative at meetings of the Members (a "**Member Representative**") and may designate one (1) individual to serve as an alternative Member Representative. Within ten (10) days after the adoption of these Bylaws, each Member shall provide to the other Member and the Board Chair a written statement naming the Member Representative (primary and, if desired, alternate) of such Member. The Member may change the Member Representative from time to time by notifying the other Member and the Board Chair in writing.

(c) Meetings of the Members shall be held in San Diego, California, unless the Members agree to a different location.

(d) Notice of any meeting shall be given at least five (5) days previous thereto by written notice to each Member. Such notice shall state the purpose or purposes for which the meeting is called. The attendance of a Member Representative at any meeting shall constitute a waiver of notice of such meeting, except where a Member Representative attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

(e) At any meeting of the Members, a quorum for the transaction of business shall consist of at least one (1) Member Representatives for both Members. Except as otherwise set forth in these Bylaws, all determinations, decisions, approvals, and actions on which the Members are entitled to vote as provided under these Bylaws or required under the JPA Act, shall be determined, made, approved, or authorized by the affirmative vote of all the Members present at a meeting at which a quorum is present.

(f) Notwithstanding anything to the contrary in these Bylaws, and except as may be otherwise required by applicable Law, any action that may be taken at a meeting of the Members may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Members. Member actions under these Bylaws may be taken by unanimous written consent of the Members, provided such action does not constitute action by or on behalf of the Authority Board and does not violate the Brown Act.

(g) Members may participate in and hold a meeting of the Members by means of a video conference or telephone or similar communications equipment by means of which all persons participating in the meeting can speak to and hear each other, and participation in the meeting shall constitute attendance and presence in person at the meeting, except where a Member participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 3. Member Voting Rights. Members shall have the right to vote, in accordance with the provisions of **Section 3** of this **Article VI**, on those matters which are required to be submitted to the Members for approval under other provisions of these Bylaws, the JPA Agreement or any Authority Document. Notwithstanding anything in these Bylaws to the contrary, the Authority may not take any of the following actions except upon the affirmative vote of all of the Members:

(a) approving the dissolution or liquidation of the Authority;

(b) the merger, consolidation or reorganization of the Authority;

(c) the sale, exchange, lease or other disposition of all or substantially all of the assets of the Authority, whether in a single transaction or in a series of related transactions;

(d) any amendment to, or repeal or restatement of these Bylaws;

(e) any transaction which results in any liens, security interests or other encumbrances upon or with respect to any of the Authority's assets, other than in the ordinary course of business;

(f) any conversion of the Authority to another legal form of entity; and

(g) any amendments to any of the Authority Documents;

(h) any actions specified in (a)-(g) above with respect to any Affiliate of the Authority.

Section 4. UCSD Health Reserve Powers. Notwithstanding any other provision of these Bylaws, the JPA Agreement, any Authority Document, or any other agreement or instrument, UCSD Health will have the sole and exclusive right acting by and through its Chief Executive Officer (except as otherwise provided in this **Article VISection 4** or such other Person as she or he may designate), to take any of the actions set forth in this **Article VISection 4** on behalf of the Authority (each a "**UCSD Health Reserve Power**" and collectively, the "**UCSD Health Reserve Powers**"), and, with respect to each UCSD Reserve Power, the Members, the Authority Board and the Executive Management Team shall each take all actions necessary or desirable to effect each such UCSD Health Reserve Power:

(a) at any time, and without any requirement for further action or approval of the Authority Board, Palomar, the Executive Management Team or any other officer, director or agent of the Authority, remove and replace, and take any action to effect the removal and replacement of, the Chief Transformation and Integration Officer of the Authority;

(b) from the period commencing on the Effective Date and until the later of the date that definitive agreements are executed to effect the transfer and contribution of the Retained Assets to the Authority pursuant to the terms of Retained Asset Contribution Agreement (the "**Interim Period**") or three (3) years from the Effective Date, upon (x) consultation with the Palomar Board of Directors and (y) approval of the Authority Board, take any action with respect to the termination or removal of the Chief Executive Officer of the Authority;

(c) from and after the Interim Period, following consultation with (and not approval from) both the Palomar Board of Directors and the Authority Board, remove, and take any action to effect the removal of, the Chief Executive Officer of the Authority;

(d) any decision to renew or not renew the term (including the initial Term and any Renewal Term, each as defined in the Use Agreement) of the Use Agreement, without any requirement for further action or approval of the Authority Board, Palomar, the Executive Management Team or any other officer, director or agent of the Authority;

(e) any decision or action to cease participation of the Authority or any Affiliate, including the Hospitals, in any health care program paid for, in whole or in material part, by any Governmental Authority;

(f) establish or change the Authority's name or adopt or amend the Authority's marketing/branding guidelines; and

(g) at any time, and without any requirement for further action or approval of the Authority Board, Palomar, Executive Management Team or any other officer, or agent of the Authority, take any action to prohibit the Authority from filing a petition seeking relief under the U.S. Bankruptcy Code (and neither the Authority Board, Palomar, Executive Management Team nor any other officer, or agent of the Authority shall take any such action without first obtaining UCSD Health's written consent).

Notwithstanding anything herein to the contrary, the replacement of the Chief Executive Officer (following such officer's resignation, death, or removal) shall be appointed and approved by the Authority Board.

ARTICLE VII
BOARD OF DIRECTORS

Section 1. General Powers. Except as otherwise provided in these Bylaws, the business, property, affairs and funds of the Authority shall be managed, supervised and controlled by the Authority Board in accordance with the terms of the JPA Agreement, these Bylaws, all applicable policies and procedures of the Authority and all applicable Laws. Except as otherwise provided in these Bylaws, including **Section 3** and **Section 4** of **Article VI**, and the terms of the JPA Agreement, the Authority Board shall have full power and authority to do and perform any and all acts and functions that are not inconsistent with the Laws governing the operations of the Authority or these Bylaws. To facilitate the management and conduct of the Authority's activities and affairs, the Authority Board shall establish corporate policies for, and formulate the basic rules and regulations governing, the operation and management of the Authority. The Authority Board may, to the extent permitted by these Bylaws and applicable Law, delegate the management and conduct of the Authority's activities and affairs to any person or persons or committee however composed; provided that no such delegation of authority by the Authority Board precludes the Authority Board from exercising the authority required to fulfill its responsibility to manage, supervise and control the Authority's activities and affairs. At its initial organizational meeting, the Authority Board shall adopt and periodically review a Delegation of Authority Policy ("**Delegation of Authority Policy**") that defines the limits of authority for the Chief Executive Officer and Executive Management Team including with respect to expenditures, contracts, personnel actions, capital commitments, litigation and settlements. The Chief Executive Officer and Executive Management Team shall comply with the Delegation of Authority Policy, and any actions exceeding delegated limits shall require the prior approval of the Authority Board. Notwithstanding anything contained in the Delegation of Authority Policy, the Authority Board shall retain the right to rescind any delegation rights at any time.

Section 2. Actions Requiring Majority Vote of the Authority Board. Other than the actions subject to the approval of the Members, the UCSD Health Reserve Powers or actions requiring a Supermajority Vote, a simple majority vote by the Representatives is required to take an action by the Authority Board; provided, however, that all actions of the Authority Board shall require the affirmative vote of at least one UCSD Health Representative and one Palomar Representative. Subject to the terms of these Bylaws, including all matters requiring a

Supermajority Vote and **Section 3** and **Section 4** of **Article VI**, and the JPA Agreement, the approval of a majority of the Representatives shall be required to take the following actions:

(a) to the extent not included in the Annual Budget, approving any payments toward the Authority's incurred debt;

(b) to the extent not included in the Annual Budget, approving any action that involves making any expenditure involving payment by the Authority of at least $2,000,000 that is related to the operation and maintenance of the Facilities (to the extent owned, used, or operated by the Authority);

(c) to the extent not included in the Annual Budget, approving any action that involves making any capital expenditure or expenditure involving payment by the Authority of at least $2,000,000 that is related to improvements, expansion or other construction projects that are necessary for the operation of the Facilities (to the extent owned, used, or operated by the Authority);

(d) to the extent not included in the Annual Budget, approving any action that involves making any expenditure involving payment by the Authority of at least $2,000,000 that is related to the construction and/or acquisition of any other facilities or improvements to accomplish the purposes for which the Authority has been formed;

(e) approving any action reserved to the Authority as a member, shareholder or partner of any Affiliate of the Authority, except for such matters reserved to the Members under **Article VISection 3(g)** of **Article VI** of these Bylaws;

(f) approving any matters requiring the majority approval of the Authority Board under the JPA Agreement or any Authority Document;

(g) causing the Authority to engage in any business other than for the purposes set forth in these Bylaws;

(h) approving any services agreement, management agreement, lease or other agreement between the Authority or any Affiliate and any third party, and any amendments or renewals thereto or termination thereof or enforcement of the Authority's rights thereunder, that involves making any expenditure involving payment by the Authority of at least $2,000,000, unless such lease, services agreement, management agreement, lease or other agreement or expenditure was provided for in an approved Annual Budget;

(i) confessing a judgment against the Authority or any Affiliate;

(j) approving the removal and replacement of the Chief Executive Officer of the Authority during the Interim Period, as provided in **Article VISection 4** of **Article VI**;

(k) approving any change to the compensation of the Chief Executive Officer of the Authority (outside of the compensation terms contained in her or his employment agreement);

(l) the appointment of the Chief Executive Officer;

(m) approving the credentials for the Chief of Staff of the Medical Staff; and

(n) the approval of the Strategic Plan of the Authority;

(o) the approval of the Annual Budget, including annual operating and capital budgets, and, as applicable, the annual budget of any Facility owned or operated by the Authority in accordance with the budgeting process set forth in Section 6.2 of the JPA Agreement;

(p) approving any action that may affect the status of, or rights under, any license issued to the Hospitals by any Governmental Authority, including the consolidation, combination, or integration of the Hospitals' licenses.

(q) approving the sale of any real property assets of the Authority exceeding Two Million Dollars ($2,000,000) in value;

(r) approving any joint venture, merger, acquisition, disposition, dissolution, sale of assets, affiliation, or other transaction or strategic arrangement involving the Authority or any Facility or Affiliate owned or controlled by the Authority;

(s) establishing any standing committee or other special or ad hoc committees, including defining the purposes and scope of responsibility for each such committee and appointing the chair and members of each such committee;

(t) creating any new officer positions for the Authority, including defining the duties and responsibilities of each officer position and appointing individuals to serve in such officer positions;

(u) creating, acquiring, capitalizing or otherwise owning or holding any subsidiary or Affiliate of the Authority; and

(v) adopting and amending the Delegation of Authority Policy and any other policies that require the approval of the Authority Board.

Section 3. Actions Requiring a Supermajority Vote. The following items, and any other items identified in these Bylaws or the JPA Agreement as requiring the Supermajority Vote (as defined below) of the Authority Board, will require the affirmative vote of five (5) of the six (6) Representatives, which shall include at least one (1) Palomar Representative and at least one (1) UCSD Health Representative ("**Supermajority Vote**"):

(a) any voluntary dissolution not arising from an Event of Default or not otherwise subject to the UCSD Health Reserve Powers;

(b) any amendment, modification or repeal of the bylaws or other governing documents of the Hospitals or any Affiliate of the Authority;

(c) subject to the UCSD Health Reserve Powers, approving the filing of a petition seeking relief under any chapter of the U.S. Bankruptcy Code, including but not limited to chapter 9 or chapter 11, or initiating or participating in an insolvency, receivership or similar proceeding affecting creditors' rights, including but not limited to initiating or participating in a neutral evaluation process, giving notice of or scheduling a public hearing on its fiscal condition, finding it is unable to pay its obligations as they come due or within the next sixty (60) days, or declaring a fiscal emergency (subject to the terms of the JPA Agreement);

(d) approval of any agreement that (i) constitutes a guarantee, indemnity, or assumption of liability for obligations of any third party; or (ii) grants exclusivity rights or imposes exclusivity restrictions upon the Authority or any Facilities or any of their respective assets that are material to operations;

(e) incurrence of any indebtedness in excess of Two Million Dollars ($2,000,000), individually or in the aggregate, that are not provided for in the Annual Budget;

(f) any determination and approval of the District Operations Allowance (as defined in the Tax Contribution Agreement); and

(g) except as contemplated by **Section 12** of this **Article VII**, entering into any Related Party Transaction or terminating or modifying the terms of any Related Party Transaction in any material respect, including approving any material increases in the compensation of any employee leased by the Authority pursuant to the Employee Leasing Agreement.

Section 4. Manner of Acting.

(a) In all matters to be considered by the Authority Board, each Representative shall be entitled to one (1) vote on each matter submitted to a vote of the Authority Board. Subject to any notice of meeting requirements in these Bylaws or under applicable Law, one or more Representatives of the Authority may participate in and hold a meeting of such Representatives by means of video or telephone conference or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at the meeting including the counting of Representatives for the purpose of determining a quorum. Proxies shall not be permitted; a Representative must be present at a meeting to vote. The affirmative vote of a majority of the voting Representatives present at a meeting at which a quorum is present which shall include at least two (2) Palomar Representatives and at least two (2) UCSD Health Representative, shall be the act of the Authority Board, unless the act of a greater number is required by applicable Law or these Bylaws. No action by the Authority Board may be taken outside a duly noticed public meeting in compliance with the Brown Act. Action by unanimous written consent of the Authority Board is not permitted.

(b) Each Representative shall have fiduciary duties to the Authority and perform the Representative's duties as a member of the Authority Board in good faith, in

a manner the Representative reasonably believes to be in the best interests of the Authority, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 5. Qualification Requirements for Representatives. Persons who demonstrate, and maintain at all times while such person is a Representative, the following qualifications may become and remain as Representatives of the initial Authority Board or to succeed or replace one of the initial Representatives:

(a) Demonstrates the willingness, ability, circumstances, and moral character sufficient to allow the person to fulfill the duties described in these Bylaws or required by applicable Law.

(b) Is free from such conflicts of interest that would impede, impair, or interfere with the person's ability to effectively fulfill the duties described in these Bylaws or required by applicable Law.

(c) Is a person that is broadly representative of the public served by the Authority and is not an elected official or a member of the governing board of either UCSD Health or Palomar.

(d) Possesses knowledge and understanding of health care and hospital operations.

(e) Acts in the best interest of the Authority, including complying with the fiduciary duties set forth in **Article VIISection 4(b)** of **Article VII**, and its patients and has not taken any action or inaction that jeopardizes, or reasonably could be expected to jeopardize, the Authority or the purposes for which the Authority was formed, or the licensure or accreditation of any business or operations owned, used or operated by the Authority, or that may otherwise adversely affect the Authority or result in or reasonably be expected to result in reputational harm to the Authority.

(f) Has not been disciplined, sanctioned, reprimanded or censured by a reputable organization as determined by a majority of the Authority Board, or found guilty of, any unprofessional, unethical or unlawful conduct, including, but not limited to, any act of fraud, embezzlement, theft, willful misconduct, dishonesty or gross negligence, or is convicted, or enters a plea of guilty or no contest to, any felony or serious misdemeanor.

(g) Have not conducted themselves in an inappropriate manner with the office or professional staff or patients of the Authority or its Members and other Representatives, including harassment, discrimination, assault or conduct that is sexual in nature, or engages in misconduct or disruptive behavior which the Authority Board reasonably determines could result in reputational harm to the Authority or its Members or otherwise adversely affect the Authority or any business or operations owned, used or operated by the Authority, or violates applicable Law.

Section 6. Number, Tenure, Appointment, and Vacancies.

(a) Number of Representatives. The Authority will be governed by a board of six (6) members (the "**Authority Board**"). The Authority Board will be composed of three (3) representatives appointed by Palomar (collectively, the "**Palomar Representatives**" and individually a "**Palomar Representative**") and three (3) representatives appointed by UCSD Health (collectively, the "**UCSD Health Representatives**" and individually a "**UCSD Health Representative**"). Each Palomar Representative and UCSD Health Representative shall be referred to as a "**Representative**," and the Palomar Representatives and the UCSD Health Representatives may, collectively, be referred to as the "**Representatives**." Except as otherwise provided in these Bylaws, the Palomar Representatives will be appointed by and serve at the pleasure of Palomar, and the UCSD Health Representatives will be appointed by and serve at the pleasure of UCSD Health. The Chief Executive Officer of UCSD Health, the Chief Executive Officer of the Authority and the Chief Medical Officer of the Authority will serve as *ex officio*, non-voting members of the Authority Board. The initial Representatives comprising the Authority Board shall be appointed by the Members (for the initial term determined by the Members) at the initial meeting of the Members to be held as soon as practicable after the Effective Date.

(b) Term. The initial voting members of the Authority Board shall be appointed to staggered terms as follows: one (1) Palomar Representative and one (1) UCSD Health Representative shall each serve a one (1) year term; one (1) Palomar Representative and one (1) UCSD Health Representative shall each serve a two (2) year term; and one (1) Palomar Representative and one (1) UCSD Health Representative shall each serve a three (3) year term. Following the expiration of the initial staggered terms, each Representative shall be appointed to serve an additional term of three (3) years. Representatives may serve up to two (2) consecutive full terms of three (3) years each and, thereafter, may be eligible for appointment to the Authority Board after a one (1) year absence from the Authority Board. Each Representative, including a Representative appointed to fill a vacancy, shall hold office until the expiration of his or her term and until the appointment and qualification of a successor, or until earlier death, resignation, or removal in accordance with these Bylaws and applicable Law. Each Representative, including a Representative elected to fill a vacancy, shall hold office until the expiration of the term for which he or she was elected and until the election and qualification of a successor, or until that Representative's earlier death, resignation or removal in accordance with these Bylaws and/or applicable Law.

(c) Removal of Representatives. Any Representative may be removed at any time, with or without cause, by the Member who designated such Representative in accordance with **Article VIISection 6(a)** of this **Article VII**; provided, however, that UCSD Health or Palomar shall have the right to remove the other Party's designated Representatives if either determines in good-faith that such Representative fails to satisfy the qualifications set forth in **Section 5** of this **Article VII**. In connection with the removal of any Representative for failure to satisfy the qualifications set forth herein, such Representative shall be provided with written notice setting forth the reasons for removal no less than fifteen (15) days prior to the effective date of his or her removal. Such Representative shall have the right to be heard, orally or in writing, by the Members and the Authority Board not less than five (5) days before the effective date of their removal.

(d) Resignation by Representatives. Any Representative may resign from the Authority Board at any time by giving written notice to the Board Chair. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date of receipt or at the time specified in such notice.

(e) Vacancies and Appointment of Successors. A vacancy shall be declared in any seat on the Authority Board upon the death, removal, or resignation of the occupant thereof, or upon the disability of the occupant rendering him permanently incapable of participating in the management and affairs of the Authority. Except as otherwise provided herein, in the event of a vacancy and upon the expiration of a Representative's term of office, the successor to a Representative shall be appointed by the Member who appointed such Representative.

Section 7. Regular Meetings. An annual meeting of the Authority Board shall be held in April of each calendar year, at such time and place as may be designated by resolution of the Authority Board for the purpose of electing officers and transacting such other business as may properly come before the meeting. In addition to the annual meeting, regular meetings of the Authority Board shall be held at such time and place as may be designated from time to time by resolution of the Authority Board. All meetings of the Authority Board shall be called, held, and conducted in accordance with the Brown Act, these Bylaws and any rules of proceedings that may be adopted by the Authority Board. Except as otherwise provided or permitted by applicable Law, all meetings of the Authority Board shall be open and public.

Section 8. Notice of Regular Meetings. Notice, including the meeting's agenda, must be provided in accordance with Government Code section 54954.2(a)(1) at least 72 hours prior to the beginning of a regular meeting.

(a) The 72-hour requirement can be waived, and items can be added to regular meetings if any of the following criteria are met:

(1) During the meeting, a majority of the Authority Board determines that there is an emergency as defined by Government Code section 54956.5 which would give rise to the ability to call an emergency meeting as described below;

(2) If at least two-thirds of the Authority Board members are present, and by a vote of at least two-thirds of those Representatives present, the Authority Board determines there is a need to take immediate action, and the need for action came to the attention of the Authority after the agenda was posted;

(3) If less than two-thirds of the Representatives are present, and by a unanimous vote of those Representatives present, the Authority Board determines there is a need to take immediate action, and the need for action came to the attention of the Authority after the agenda was posted; or

(4) The item was posted for a prior meeting occurring not more than five (5) calendar days prior to the date action is taken on the item and at the prior meeting the item was continued to the meeting at which action is being taken, as allowed by Government Code section 54954.2.

Section 9. Special Meetings. Special meetings of the Authority Board may be called for any purpose at any time by the Board Chair or by at least three (3) Representatives by delivering at least 24 hours' written notice as required by Government Code section 54956. Written notice of a special board meeting may be dispensed with as to any Representative who, at or prior to the time the meeting convenes, files with the Board Chair a written waiver of notice. Such written notice may also be dispensed with as to any Representative who is actually present at the meeting at the time it convenes except where a Representative attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 10. Quorum. At least two (2) of the Palomar Representatives and two (2) of the UCSD Health Representatives shall constitute a quorum for the transaction of business at any meeting of the Authority Board. If less than a quorum is present at any meeting of the Authority Board, a majority of the voting Representatives present may adjourn the meeting from time to time without further notice.

Section 11. Conduct of Business.

(a) Open Meetings. Meetings of the Authority Board are open to the public, except as otherwise provided in applicable Law, including but not limited to the Brown Act. Members of the public must be afforded an opportunity to provide input to the Authority's processes and Authority Board meetings to the extent permitted under applicable Law, including but not limited to the Brown Act as well as any applicable Authority policies. In conformity with applicable Law, the Authority does not require public comments to be submitted in advance of the meeting and shall provide an opportunity for the public to address the Authority Board for a set, timed, public comment period, and will not close public comment until the assigned comment period has elapsed. Notwithstanding the foregoing, in the event that the time allotted to public comment has not elapsed, but there are no other registered public comments, the Authority Board may proceed to other business, provided that the registration period for public comment remains open for the fully allotted time. Should a person register a comment after the Authority Board has proceeded to other business but before the expiration of the time for public comment, the Authority Board must immediately permit the public comment, only after which it may continue the business to which it proceeded. A registered comment received after the fully allotted time for public comment has elapsed is untimely and may be submitted at the next scheduled session at the election of the person submitting the registration for public comment, such election to be noted in the submitted registration for public comment.

(b) Chairperson Presides. At all meetings of the Authority Board, the Board Chair shall preside, and in the absence of the Board Chair, a chairperson shall be chosen by the Authority Board from among the Representatives present. The Board Chair may appoint any person to act as secretary of the meeting.

(c) Closed Sessions; Attorney-Client Privilege. The Authority Board may convene closed sessions consistent with the Brown Act and applicable Law to confer with the Chief Legal Officer and outside counsel on matters protected by attorney-client privilege, litigation strategy, claims, or other privileged topics. The Chief Legal Officer

shall advise the Authority Board on the scope and preservation of attorney-client privilege and work product protection.

Section 12. Related Party Transactions.

(a) Except as otherwise provided in these Bylaws, the Authority may not enter into any Related Party Transaction unless such Related Party Transaction has been approved in accordance with these Bylaws. For purposes of these Bylaws, "**Related Party Transaction**" means any lease, contract, agreement, or other transaction or arrangement involving payments or remuneration between the Authority or any of its Affiliates, on the one hand, and any Member, Representative or officer of the Authority, or any Affiliate of any such Person, on the other hand. Notwithstanding the foregoing, as contemplated by the JPA Agreement, on or around the date these Bylaws are effectuated, the Authority entered into the agreements listed on Exhibit A attached hereto, all of which constitute Related Party Transactions and are approved by the Members. The Chief Legal Officer shall advise the Authority Board on the identification, evaluation, and management of any conflicts arising under this Section and shall recuse from any matter as necessary to comply with applicable Law and ethical obligations.

(b) Notwithstanding anything to the contrary in these Bylaws, in the event of any actual or potential dispute between the Authority and any Member or any Affiliate of a Member relating to any Related Party Transaction, the Member that is involved (or whose Affiliate is involved) in the Related Party Transaction ("**Conflicted Member**") and the Representatives appointed by such Conflicted Member may not participate in any vote, approval, or decision with respect to such dispute, and the non-conflicted Member ("**Disinterested Member**") and the Representatives appointed by such Disinterested Member will have, notwithstanding any other provision of these Bylaws, the sole and exclusive right, power, and authority to initiate, prosecute, and defend, in the name and on behalf of the Authority or its Affiliates, as applicable, any claim, suit, proceeding, or other legal action that the Authority or its Affiliates has or may have against such Conflicted Member or Affiliate of such Conflicted Member. For the purposes of any action or decisions requiring the approval, vote, or consent of the Authority Board or Members with respect to any such dispute, claim, suit, proceeding, or other legal action, the affirmative approval, vote, or consent of the Representatives appointed by the Disinterested Member, will be sufficient to approve any such action or decision.

Section 13. Material Deadlock. In the event that the Authority Board is unable, after commercially reasonable efforts in good faith and at least two (2) duly held meetings of the Authority Board, to approve or disapprove any proposed action requiring approval of the Authority Board under these Bylaws that, as a result of the deadlock with respect to such proposed action, has had or could reasonably be expected to have a material adverse effect on (i) the furtherance of the mission or the achievement of the purposes of the Authority, (ii) the financial performance of the Authority, (iii) the operations of the Facilities, or (iv) the quality of services rendered by the Facilities (each, a "**Material Deadlock**"), the Authority shall first attempt to resolve such Material Deadlock by submitting the matter to the most senior member of management of each Member for discussion and resolution. In the event they are unable to resolve such Material Deadlock within fifteen (15) business days after submission of the matter to them, then the Material Deadlock shall

be submitted to the Chief Executive Officer of UCSD Health and the Board Chair of Palomar for discussion and resolution (such Chief Executive Officer and Board Chair, the "**Senior Executives**"). In the event the Senior Executives are unable to resolve such Material Deadlock, then the Authority shall not take the action with respect to the matter over which the Authority Board is deadlocked until such Senior Executives have come to a resolution on such Material Deadlock, provided that if such if such Senior Executives are unable to resolve such Material Deadlock within fifteen (15) business days of submission of the deadlock to such Senior Executives, then the Parties agree to first attempt in good faith to resolve the dispute through non-binding mediation before initiating any action or proceeding. The mediation shall be conducted in San Diego County, California, administered by the American Health Law Association, and shall commence within thirty (30) days following a written demand for mediation by either Party. Each Party shall bear its own costs and expenses of the mediation and shall share the mediator's fees and any mediation costs equally. If the dispute is not resolved through mediation within sixty (60) days after commencement, either Party may pursue any action or proceeding relating in any way to such Material Deadlock or the obligations hereunder in the competent courts of San Diego, California, or such other forum as the Parties may agree, and the Parties consent to the exclusive jurisdiction of such courts in respect to such action or proceeding.

Section 14. Compensation. Persons serving on the Authority Board shall not receive any compensation for their services as Representatives except that such persons may receive reimbursement for reasonable expenses incurred in their capacity as Representatives and approved by the Authority. Notwithstanding the foregoing, nothing contained herein shall be construed to preclude any Representative from serving the Authority in any other capacity and receiving compensation therefor.

ARTICLE VIII
OFFICERS AND EXECUTIVE MANAGEMENT TEAM

Section 1. Officers of the Authority. The officers of the Authority shall be a Chairperson of the Authority Board (the "**Board Chair**"), a Vice-Chairperson of the Authority Board (the "**Vice-Chair**"), and the Authority Board may appoint such other officers of the Authority as it deems desirable, such officers to have the authority and perform the duties prescribed from time to time by the Authority Board.

(a) Board Chair. The Board Chair shall at all times be a serving Representative. In general, he or she, along with the Chief Executive Officer of UCSD Health, shall advise and counsel the Chief Executive Officer, perform all duties incident to the office of the Board Chair and perform such other duties as may be prescribed by the Authority Board from time to time. The Board Chair shall preside at all meetings of the Authority Board and shall recommend to the Authority Board for approval the chairs for each of the Committees of the Authority Board and the Board Chair or his or her designee shall be an *ex officio* member of all such Committees.

(b) Vice-Chair. The duties and responsibilities of the Vice-Chair shall include acting as Board Chair in the absence of the Board Chair and, when so acting, having the power and authority of the Board Chair. The Vice-Chair shall also perform such other duties as the Board Chair may assign.

Section 2. Appointment and Term of Office. Upon the effective date of these Bylaws, Palomar shall appoint the initial Board Chair, and UCSD Health shall appoint the initial Vice Chair. For a period of five (5) years following the effective date of these Bylaws (the "**Rotation Period**"), the offices of Board Chair and Vice Chair shall alternate annually between individuals designated by UCSD Health and Palomar. At the conclusion of each one-year term, the Member that previously appointed the Board Chair shall appoint the Vice Chair for the succeeding term, and the Member that previously appointed the Vice Chair shall appoint the Board Chair for the succeeding term. Each Board Chair and Vice Chair shall serve for a one (1) year term, unless earlier removed or replaced by the Authority Board. Following expiration of the Rotation Period, the appointment of the Board Chair and Vice Chair shall be made by the Authority Board. New offices may be created and filled at any meeting of the Authority Board. The newly appointed officers shall take office effective as of the date determined by the Authority Board. Each officer shall hold the office for the term which such officer is appointed or until such officer's successor shall have been appointed, and qualified or until such officer's earlier death, resignation or removal.

Section 3. Removal. Any officer appointed by the Authority Board may be removed by the Authority Board whenever in its judgment the best interests of the Authority would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Such removal may be accomplished by a majority vote of the Authority Board. Appointment of an officer shall not of itself create contract rights.

Section 4. Resignation. Any officer appointed by the Authority Board may resign at any time by delivering written notice to the Board Chair or Vice Chair. The resignation shall be effective upon receipt unless a later effective date is specified. Acceptance of the resignation shall not be required to make it effective.

Section 5. Vacancies. A vacancy in any office shall be filled by the Authority Board for the unexpired portion of the term of office left vacant.

Section 6. Executive Management Team. The executive management of the Authority will initially consist of the Chief Executive Officer, Chief Transformation and Integration Officer, and Chief Financial Officer, Chief Medical Officer, Chief Operating Officer, Chief Nursing Officer, and President of PHMG (the "**Executive Management Team**"). The Chief Financial Officer, Chief Medical Officer, Chief Operating Officer, Chief Nursing Officer, and President of PHMG will be jointly appointed by the Chief Executive Officer of UCSD Health and the Chief Executive Officer of the Authority, and each of them will report to the Chief Executive Officer of the Authority. The Chief Transformation and Integration Officer will be appointed by Chief Executive Officer of UCSD Health and will report directly to the Chief Executive Officer of UCSD Health. The members of the Executive Management Team may be employees of Palomar, the Authority, or UCSD Health.

Section 7. Chief Executive Officer. The Chief Executive Officer of the Authority (the "**Chief Executive Officer**") shall be appointed pursuant to a Supermajority Vote of the Authority Board, will report primarily and directly to the Chief Executive Officer of UCSD Health, and will also have a secondary reporting relationship to the Authority Board. Unless the Members otherwise agree, the Chief Executive Officer of the Authority will initially be an employee of

Palomar. Removal and, following the Initial Period, the replacement of the Chief Executive Officer is and shall be governed exclusively by the UCSD Health Reserve Powers in **Article VISection 4** of **Article VI**. The Chief Executive Officer shall be the direct representative of the Authority Board in the management of the business of the Authority. In general, subject to the authority of the Authority Board and the Members, the UCSD Health Reserve Powers, and the Delegation of Authority Policy, the Chief Executive Officer shall supervise and control the business and affairs of the Authority. The Chief Executive Officer shall be qualified by educational training and experience for the position. When authorized by the Authority Board, and subject to the authority of the Authority Board and the Members, the UCSD Health Reserve Powers and the Delegation of Authority Policy, the Chief Executive Officer shall have the power to execute on behalf of the Authority such contracts, leases and other documents pertaining to the normal operations of the Authority and any deeds, mortgages, or other instruments which require authorization by the Authority Board or the Members, unless the signing and execution thereof is expressly reserved to the Authority Board or delegated by the Authority Board to some other officer or agent, or is required by applicable Law to be otherwise signed or executed.

Section 8. Chief Legal Officer. The Authority Board shall appoint a Chief Legal Officer of the Authority (the "**Chief Legal Officer**") who shall report to the Authority Board. The Chief Legal Officer shall serve in an independent capacity as legal counsel to the Authority and the Authority Board. In carrying out the Chief Legal Officer's responsibilities, the Chief Legal Officer shall exercise independent professional judgment consistent with applicable Law, these Bylaws, and rules of professional conduct.

ARTICLE IX
COMMITTEES

Section 1. Committees. The Authority Board may, by resolution adopted by a majority of the Representatives in office, designate one or more committees, as needed or required to conduct and transact the business of the Authority. The number of members of each such committee, as well as the composition of each committee, shall be determined by the Authority Board; provided, however, that each committee shall be comprised of at least one (1) voting Palomar Representative and one (1) voting UCSD Health Representative. Any committee may have advisory members who are not members of the Authority Board and who are not entitled to vote on committee matters. Each committee shall perform the functions assigned to it by the Authority Board and shall have and exercise such powers and authority of the Authority Board in the management of the Authority as may be delegated to it from time to time by the Authority Board, subject to any limitations provided by applicable Law or these Bylaws. No committee shall be delegated the power and authority of the Authority Board in the management of the Authority unless the Members otherwise agree in writing. Minutes of all committee meetings shall be recorded and copies of such minutes shall be provided to the Authority Board. Actions of committees shall be reported to the full Authority Board at each succeeding Authority Board meeting, but actions of committees which include persons other than Representatives shall be subject to ratification by the full Authority Board.

Section 2. Limitations. No committee appointed by the Authority Board, including those committees established under **Section 3** of this **Article IX,** shall be granted the authority of the Authority Board to:

(a) adopt a plan for the distribution of the assets of the Authority, or for dissolution;

(b) approve or recommend to the Members any act required by applicable Law or these Bylaws to be approved by the Members;

(c) fill vacancies on the Authority Board or on any of its committees;

(d) elect, appoint or remove any officer or Representative or member of any committee;

(e) adopt, amend or repeal these Bylaws;

(f) adopt a plan of merger or adopt a plan of consolidation with another corporation;

(g) authorize the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the Authority; or

(h) amend, alter, repeal or take action inconsistent with any resolution or action of the Authority Board that by its terms provides that it shall not be amended, altered, or repealed by such committee.

Section 3. Standing and Special Committees. The standing committees of the Authority Board may be established by the Authority Board from time to time. Special or ad hoc committees may also be established by the Authority Board for such finite tasks as circumstances warrant. A special or ad hoc committee shall limit its activities to the accomplishment of the tasks for which it was appointed and shall have no power to act except as specifically conferred by action of the Authority Board. Upon completion of the tasks for which it was created and after making a final report to the Authority Board, special and ad hoc committees shall stand discharged.

Section 4. Term of Office. Each member of a committee of the Authority Board shall continue as such until such time that the committee member resigns from such committee, is removed by the Authority Board, or until his earlier death, unless the committee shall be sooner terminated, or such member shall cease to qualify as a member thereof.

Section 5. Resignations and Removals. Any member of a committee may resign at any time by giving notice to the chairman of the committee or the Board Chair. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date of receipt or at the time specified in such notice. The Board Chair may, with approval of the Authority Board, remove any appointed member of any committee.

Section 6. Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

Section 7. Meetings and Notice. All meetings of standing committees are subject to the Brown Act, as applicable, including but not limited to all applicable notice requirements. Meetings of a committee may be called by the Board Chair or the chairman of the committee. Each

committee shall meet as often as is necessary to perform its duties. All committee meetings will follow proper notice procedures as provided in applicable law, including but not limited to the Brown Act.

Section 8. Quorum. Unless otherwise required by applicable Law or provided in the resolution of the Authority Board designating a committee, a majority of the members of a committee (but not less than two (2) members which shall include at least one (1) member appointed by each of Palomar and UCSD Health) shall constitute a quorum, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 9. Action by Unanimous Written Consent. Any action required or permitted to be taken at a meeting of a committee established by or pursuant to this Article may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the members of such committee eligible to vote. Such consent shall have the same force and effect as a unanimous vote and may be described as such in any document. Standing committees and any committees comprised of a majority of Representatives or delegated decision-making authority shall comply with the Brown Act and may not act by written consent. Advisory committees not subject to the Brown Act may act by unanimous written consent.

Section 10. Action by Conference Video or Telephone. Subject to any notice of meeting requirements in these Bylaws or under applicable Law, one or more members of a committee may participate in and hold a meeting of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at the meeting including the counting of members for the purpose of determining a quorum.

ARTICLE X
MEDICAL STAFFS

Section 1. Organization.

(a) There will be separate Medical Staff organizations for both Palomar Medical Center Escondido and for Palomar Medical Center Poway with appropriate officers and bylaws. The Medical Staff of each Hospital is self-governing with respect to the professional work performed in that Hospital. Membership in the respective Medical Staff organization is a prerequisite to the exercise of clinical privileges in each Hospital, except as otherwise specifically provided in each Hospital's Medical Staff bylaws.

(b) Facilities other than the Hospitals may also have professional personnel organized as a medical or professional staff, when deemed appropriate by the Authority Board pursuant to applicable Law and The Joint Commission and/or other appropriate accreditation standards. The Authority Board will establish the rules and regulations applicable to any such staff and may delegate such responsibilities, and perform such functions, as may be required by applicable Law and The Joint Commission and/or other appropriate accreditation standards. To the extent provided by such rules, regulations,

Laws and standards, the medical or professional staffs of such Facilities must perform those functions specified in these Bylaws.

Section 2. Medical Staff Bylaws. Each Medical Staff organization must propose and adopt by vote bylaws, rules, and regulations for its internal governance which are subject to, and effective upon, Authority Board approval, which may not be unreasonably withheld. The bylaws, rules, and regulations will be periodically reviewed for consistency with Hospital policy and applicable legal and other requirements. The bylaws must create an effective administrative unit to discharge the functions and responsibilities assigned to the Medical Staffs by the Authority Board. The bylaws, rules, and regulations must state the purpose, functions, and organization of the Medical Staffs and must set forth the policies by which the Medical Staffs exercise and account for their delegated authority and responsibilities. The bylaws, rules, and regulations must also establish mechanisms for the selection by the Medical Staff of its officers, departmental chairs, and committees. In conducting credentialing, privileging, peer review, and quality improvement activities, the Medical Staff and Authority shall comply with applicable laws including Evidence Code §1157 and Health & Safety Code §32155.

Section 3. Medical Staff Membership and Clinical Privileges.

(a) Membership on the Medical Staffs is restricted to practitioners who are competent in their respective fields, worthy in character and in professional ethics, and who are currently licensed by the State of California. The bylaws of the Medical Staffs may provide for additional qualifications for membership and privileges, as appropriate.

(b) While retaining its ultimate authority to independently investigate and/or evaluate Medical Staff matters, the Authority Board hereby recognizes the duty and responsibility of the Medical Staffs to carry out Medical Staff activities, including the investigation and evaluation of all matters relating to Medical Staff membership, clinical privileges and corrective action. The Medical Staffs must forward to the Authority Board specific written recommendations, with appropriate supporting documentation that will allow the Authority Board to take informed action, related to at least the following:

(1) Medical Staff structure and organization;

(2) The process used to review credentials and to delineate individual clinical privileges;

(3) Appointing and reappointing Medical Staff members, and restricting, reducing, suspending, terminating and revoking Medical Staff membership;

(4) Granting, modifying, restricting, reducing, suspending, terminating, and revoking clinical privileges;

(5) Matters relating to professional competency;

(6) The process by which Medical Staff membership may be terminated; and

(7) The process for fair hearing procedures.

(c) Final action on all matters relating to Medical Staff membership, clinical privileges and corrective action will be taken by the Authority Board after considering the Medical Staff recommendations. The Authority Board may use the advice of the Medical Staff in granting and defining the scope of clinical privileges to individuals, commensurate with their qualifications, experience, and present capabilities. If the Authority Board does not concur with the Medical Staff recommendation relative to Medical Staff appointment, reappointment, or termination of appointment, and granting or curtailment of clinical privileges, there will be a review of the recommendation by a conference of two (2) Authority Board members and two members of the relevant Medical Staff, before the Authority Board renders a final decision. The Authority Board shall comply with applicable reporting requirements under Business and Professions Code §805 et seq.

(d) No applicant may be denied Medical Staff membership and/or clinical privileges on the basis of sex, race, creed, color, or national origin, or on the basis of any other criterion lacking professional justification or not in accordance with all applicable laws. The Hospitals may not discriminate with respect to employment, staff privileges or the provision of professional services against a licensed clinical psychologist within the scope of his or her licensure, or against a physician, dentist, or podiatrist on the basis of whether the physician or podiatrist holds an M.D., D.O., D.D.S., D.M.D., or D.P.M. degree. Wherever staffing requirements for a service mandate that the physician responsible for the service be certified or eligible for certification by an appropriate American medical board, such position may be filled by an osteopathic physician who is certified or eligible for certification by the equivalent appropriate American Osteopathic Board.

Section 4. Performance Improvement.

(a) The Medical Staffs must meet at regular intervals to review and analyze their clinical experience, to assess, preserve, and improve the overall quality and efficiency of patient care in the Hospitals and other Facilities, as applicable. The medical records of patients will be the basis for such review and analysis. The Medical Staffs will identify and implement an appropriate response to findings. The Authority Board may further require mechanisms to assure that patients with the same health problems are receiving a consistent level of care. Such performance improvement activities must be regularly reported to the Authority Board.

(b) The Medical Staffs must provide recommendations to the Authority Board as necessary regarding the organization of the Medical Staffs' performance improvement activities as well as the processes designed for conducting, evaluating, and revising such activities. The Authority Board may take appropriate action based on such recommendations.

(c) The Authority Board hereby recognizes the duty and responsibility of the Medical Staffs to carry out these performance improvement activities. The Authority Board, through the Chief Executive Officer, will provide whatever administrative

assistance is reasonably necessary to support and facilitate such performance improvement activities.

Section 5. Medical Records. A complete and accurate medical record must be prepared and maintained for each patient.

Section 6. Terms and Conditions. The terms and conditions of Medical Staff membership, and of the exercise of clinical privileges, will be as specified in the Hospitals' Medical Staff bylaws.

Section 7. Procedure. The procedure to be followed by the Medical Staff and the Authority Board in acting on matters of membership status, clinical privileges, and corrective action, must be specified in the applicable Medical Staff bylaws.

Section 8. Appellate Review. Any adverse action taken by the Authority Board with respect to a practitioner's Medical Staff status or clinical privileges, is, except under circumstances for which specific provision is made in the Medical Staff bylaws, subject to the practitioner's right to appellate review in accordance with procedures set forth in the bylaws of the Medical Staffs.

Section 9. Closed Session. Nothing in this Article shall be construed to require the Medical Staff or Authority Board to conduct privileged peer review discussions in public; such proceedings may be conducted in closed session as permitted by the Brown Act and applicable Law.

ARTICLE XI
CONFLICTS OF INTEREST

Each of the Authority's officers and Representatives shall act at all times in a manner that furthers the Authority's purposes and shall exercise care that he or she does not act in a manner that furthers his or her private interests to the detriment of the Authority's purposes. A conflict of interest can be considered to exist in any instance where the actions or activities of an individual on behalf of the Authority also involve the obtaining of a direct or indirect personal gain or advantage, or an adverse or potentially adverse effect on the interests of the Authority. The Authority's officers and Representatives shall avoid conflicts of interest and otherwise fully disclose to the Authority any potential or actual conflicts of interest, if such conflicts cannot be avoided, so that such conflicts are dealt with in the best interests of the Authority. The Authority and all of its officers and Representatives will comply with any policies of the Authority and any policies of the Members regarding conflicts of interest, as well as all requirements of Law regarding such conflicts, and shall complete any and all such disclosure forms as may be deemed necessary or useful by the Authority for identifying potential conflicts of interest.

ARTICLE XII
INDEMNIFICATION

The Authority shall indemnify and hold harmless its Representatives, Members and officers in accordance with the provisions of Article 10 of the JPA Agreement.

ARTICLE XIII
CHECKS, DEPOSITS, GIFTS, LOANS AND SERVICES

Section 1. Checks, Drafts, or Orders for Payment. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of or payable to the Authority shall be signed by such officer or officers, agent or agents of the Authority and in such manner as shall from time to time be determined by resolution of the Authority Board or as set forth in the Delegation of Authority Policy.

Section 2. Deposits. All funds of the Authority shall be deposited from time to time to the credit of the Authority in such banks, trust companies, or other depositories as the Authority Board may select.

Section 3. Gifts. The Authority Board may accept on behalf of the Authority any contribution, gift, bequest, or devise for the general purposes, or for any specific purpose, for which the Authority has been created.

Section 4. Loans to Officers and Representatives Prohibited. No loans shall be made by the Authority to any of its officers or Representatives. Any Representative voting for or assenting to the making of any such loan and any Representative or officer participating in the making thereof shall be jointly and severally liable to the Authority for the amount of such loan until repayment thereof.

ARTICLE XIV
GENERAL PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Authority will be the period commencing on July 1st of each year and ending on June 30th of each year.

Section 2. Waiver of Notice. Whenever any notice is required to be given under the provisions of the JPA Agreement, the Brown Act or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, either before or after the occurrence of the event or transaction described therein, shall be deemed equivalent to the giving of the required notice.

ARTICLE XV
AMENDMENTS

These Bylaws may be amended, repealed, added to, or replaced by action of the Authority Board upon Supermajority Vote, subject to the affirmative vote of all Members under **Article VISection 3(d)** of **Article VI**.

Adopted by the Authority Board and approved by the Members effective as of [October __, 2025].

EXHIBIT A

RELATED PARTY TRANSACTIONS

The Related Party Agreements shall include the following Agreements (as defined in the JPA Agreement):

1. The Closing Agreement

2. The Pre-Operational Option Agreement

3. The JPA Option Agreement

4. The Post-Operational Option Agreement

5. The Use Agreement

6. The Employee Leasing Agreement

7. The Initial Contribution Agreement

8. The Retained Asset Contribution Agreement

9. The UCSD Health Contribution Agreement

10. The Advance Agreement

11. The Tax Revenue Contribution Agreement

12. All other certificates, instruments, and documents prepared, executed, and delivered pursuant to the JPA Agreement or any Authority Document or in connection with the JPA Agreement or Authority Documents that are Related Party Transactions.

Schedule 1
Material Governmental Consents

The Material Governmental Consents include:

1. The California Office of Health Care Affordability ("OHCA") requires Palomar Health and UC San Diego Health to notify OHCA of the material change ninety (90) days prior to the Effective Time and receive OHCA's prior written clearance of the material change.

2. The California Department of Health ("CDPH") General Acute Care Hospital ("GACH") license (License No. 080000127, issued to Palomar Medical Center Poway on 11/21/2024, expires 11/20/2025) requires Palomar Health to notify the CDPH of the change of ownership at least thirty (30) days prior to the Effective Time and receive the CDPH's prior written consent/approval to the change of ownership.

3. The CDPH GACH license (License No. 080000083, issued to Palomar Medical Center on 11/21/2024, expires 11/20/2025) requires Palomar Health to notify the CDPH of the change of ownership at least thirty (30) days prior to the Effective Time and receive the CDPH's prior written consent/approval to the change of ownership.

4. The CDPH GACH license (License No. 550006213, issued to Palomar Rehabilitation Institute on 4/29/2025, expires 4/28/2026) requires Palomar Health to notify the CDPH of the change of ownership at least thirty (30) days prior to the Effective Time and receive the CDPH's prior written consent/approval to the change of ownership.

5. The California Board of Pharmacy ("BOP") license (Board of Pharmacy Sterile Compounding Pharmacy (Government Owned), License No. LSE 99931, issued to Palomar Medical Center Poway on 6/21/2014, expires 8/1/2026) requires Palomar Health to notify the BOP of the change of ownership at least thirty (30) days prior to the Effective Time and receive the BOP's prior written consent/approval to the change of ownership.

6. The California BOP license (Board of Pharmacy Hospital Pharmacy (Government Owned), License No. HPE 19625, issued to Palomar Medical Center Poway Pharmacy on 11/1/1984, expires 8/1/2026) requires Palomar Health to notify the BOP of the change of ownership at least thirty (30) days prior to the Effective Time and receive the BOP's prior written consent/approval to the change of ownership.

7. The California BOP license (Board of Pharmacy Sterile Compounding Pharmacy (Government Owned), License No. LSE 99930, issued to Palomar Medical Center Escondido Pharmacy on 7/19/2012, expires 8/1/2026) requires Palomar Health to notify the BOP of the change of ownership at least thirty (30) days prior to the Effective Time and receive the BOP's prior written consent/approval to the change of ownership.

8. The California BOP license (Board of Pharmacy Hospital Pharmacy (Government Owned), License No. HPE 50988, issued to Palomar Medical Center Escondido Pharmacy on 7/19/2012, expires 8/1/2026) requires Palomar Health to notify the BOP of the change of ownership at least thirty (30) days prior to the Effective Time and receive the BOP's prior written consent/approval to the change of ownership.

9. The California BOP license (Board of Pharmacy (Government Owned Community), License No. PHE 51949, issued to PMC Outpatient Pharmacy on 7/28/2014, expires 11/1/2025) requires Palomar Health to notify the BOP of the change of ownership at least thirty (30) days prior to the Effective Time and receive the BOP's prior written consent/approval to the change of ownership.

10. The California BOP license (Board of Pharmacy Clinic Permit, License No. CLN 4828, issued to Palomar Surgical Center Escondido on 11/6/2024, expires 11/1/2026) requires Palomar Health to notify the BOP of the change of ownership at least thirty (30) days prior to the Effective Time and receive the BOP's prior written consent/approval to the change of ownership.

11. The California BOP license (Board of Pharmacy Hospital Pharmacy Permit, License No. HSP 58348, issued to Palomar Rehabilitation Institute on 12/23/2021, expires 12/1/2025) requires Palomar Health to notify the BOP of the change of ownership at least thirty (30) days prior to the Effective Time and receive the BOP's prior written consent/approval to the change of ownership.

12. The Joint Commission ("TJC") accreditations set forth below require Palomar Health to notify TJC prior to the Effective Time and to provide notice of the change of ownership within thirty (30) days of the change of ownership

    a. The Joint Commission, Hospital Accreditation Program, No. 2866, issued to Palomar Poway Hospital d/b/a Palomar Medical Center Poway on 3/31/2023, expires 3/31/2026.

    b. The Joint Commission, Deemed Hospital Program, ID. No. 2866, issued to Palomar Poway Hospital d/b/a Palomar Medical Center Poway on 3/31/2023, valid through 3/31/2026.

    c. The Joint Commission, Deemed Hospital Program, ID. No. 2866, issued to Palomar Medical Center Poway d/b/a Poway Outpatient Pavilion on 3/31/2023, valid through 3/31/2026.

    d. The Joint Commission, Hospital Accreditation Program, ID. No. 2866, issued to Palomar Health d/b/a Palomar Medical Center Poway on 3/31/2023, valid through 3/31/2026.

    e. The Joint Commission, Advanced Total Hip and Knee Replacement Certification, ID. No. 2866, issued to Palomar Health d/b/a Palomar Medical Center Poway on 11/23/2024, valid through 11/23/2026.

    f. The Joint Commission, Advanced Primary Stroke Center Certification, ID. No. 2866, issued to Palomar Health d/b/a Palomar Medical Center Poway on 11/28/2023, valid through 11/28/2025.

    g. The Joint Commission, Hospital Accreditation Program, No. 4648, issued to Palomar Medical Center on 3/25/2023, expires 3/31/2026.

    h. The Joint Commission, Deemed Hospital Program, ID. No. 4648, issued to San Marcos Ambulatory Care Center d/b/a Palomar Wound Care Center on 3/25/2023, valid through 3/31/2026.

    i. The Joint Commission, Deemed Hospital Program, ID. No. 4648, issued to San Marcos Ambulatory Care Center d/b/a Palomar Outpatient Rehabilitation Services on 3/25/2023, valid through 3/31/2026.

    j. The Joint Commission, Deemed Hospital Program, ID. No. 4648, issued to Palomar Medical Center d/b/a Palomar Medical Center Escondido on 3/25/2023, valid through 3/31/2026.

    k. The Joint Commission, Deemed Hospital Program, ID. No. 4648, issued to San Marcos Ambulatory Care Center d/b/a Palomar Health Cardiac and Pulmonary Rehabilitation on 3/25/2023, valid through 3/31/2026.

    l. The Joint Commission, Deemed Hospital Program, ID. No. 4648, issued to Palomar Health Radiation Oncology d/b/a Palomar Health Radiation Oncology on 3/25/2023, valid through 3/31/2026.

    m. The Joint Commission, Deemed Hospital Program, ID. No. 4648, issued to Palomar Health, Escondido d/b/a Palomar Health Infusion Services on 3/25/2023, valid through 3/31/2026.

    n. The Joint Commission, Deemed Hospital Program, ID. No. 4648, issued to Palomar Health, Escondido d/b/a Palomar Health Perinatal Services on 3/25/2023, valid through 3/31/2026.

o. The Joint Commission, Advanced Thrombectomy Capable Stroke Center Certification, ID. No. 4648, issued to Palomar Medical Center on 9/2/2023, valid through 9/2/2025.

13. The Centers for Medicare and Medicaid Services requires new Medicare 855 enrollment applications to be submitted for the respective Palomar Medicare provider numbers.

14. The California Department of Health Care Services requires new Medi-Cal enrollment applications to be submitted for the respective Palomar Medi-Cal provider numbers.

15. The Federal Communications Commission ("FCC") requires FCC 603 Form, Application for Assignments of Authorization or Transfers of Control to be filed with the FCC with respect to Palomar Health (FCC Registration No. 0036919744, expires 4/13/2035). Notice of consummation of the transaction must be provided to the FCC within 180 days of FCC approval of the transfer of control.

Schedule 2

Material Non-Governmental Consents

The Material Non-Governmental Consents shall include:

1. Inventurus Knowledge Solutions, Inc. ("IKS"), as required under that certain Master Services Agreement dated August 1, 2024, between Palomar Health and IKS.

2. U.S. Bank Trust Company, National Association, in its capacity as Master Trustee (the "Master Trustee") as required under that certain Master Trust Indenture dated as of December 1, 2006 (as supplemented and amended, the "Master Indenture"), among the Authority, Palomar Health, PHMG and the Master Trustee, as modified by that certain Forbearance Agreement dated January 16, 2025 (as modified, the "Forbearance Agreement"), by and among Palomar Health, PHMG, the Master Trustee, and Assured Guaranty Inc. ("Assured").

3. Assured, as required by the Forbearance Agreement.

4. The following lease consents to assignment and notices:

    a. Lease, dated May 28, 2021 by and between Pomerado Pavilion MOB, LLC, a Tennessee limited liability company ("Landlord:") and Palomar Health, a California local healthcare district ("Tenant") (15611 Pomerado Road, Poway CA 92064)

    b. Triple net medical office building lease, dated as of June 14, 2022, by and between Healthpeak Properties, Inc., a Maryland corporation ("Landlord") and Arch Health Partners, Inc., a California nonprofit public benefit corporation ("Tenant"), as amended (15725 Pomerado Road, Poway CA 92064)

    c. Standard Form Office Lease, dated September 14, 2023, by and between Madison-MOB Citracado CA LLC, A Delaware limited liability company ("Landlord") and Arch Health Partners, Inc., a California nonprofit corporation, dba Palomar Health Medical Group ("Tenant") (1955 Citracado Pkwy, Escondido, CA 92029)

    d. Amended and Restated Palomar Medical Center I Office Space Lease, dated December 14, 2018 by and between ERTC Medical Office Development I, L.P., a California limited Partnership, (Landlord) and Palomar Health, a California local health care district (Tenant) as amended (2125 Citracado Pkwy, Escondido, CA 92029)

    e. Amended and Restated Palomar Medical II Office Space Lease, dated December 14, 2018 by and between ERTC Medical Office Development L.P., a California limited partnership ("Landlord") and Palomar Health, a California local health care district ("Tenant") (2127 Citracado Pwky, Escondido, CA 92029)

f. Lots 2-5 Phase Office Space Lease, dated December 14, 2018 by and between JRM-ERTC I, L.P.("Landlord") and Palomar Health, a California local healthcare district ("Tenant") (2130 Citracado Pkwy, Escondido, CA 92029)

g. Standard Industrial/Commercial Single-Tenant Lease, dated October 17, 2019, by and between HJL Leasing Company, GP ("Lessor") and Palomar Health fka Palomar Pomerado Health, a local healthcare district ("Lessee") (2140 Enterprise St. Escondido, CA 92029)

h. Single-Tenant Triple Net Lease, dated June 29, 2023 by and between Escondido CA I DGH, LLC, a Delaware limited liability company ("Landlord") and Palomar Health, a local health care district ("Tenant") (2227 Enterprise St. Escondido, CA 92029)

i. Single-Tenant Triple Net Lease, dated June 29, 2023 by and between Escondido CA I DGH, LLC, a Delaware limited liability company ("Landlord") and Palomar Health, a California local health care district ("Tenant") (975 Andreasen Dr. Escondido, CA 92029)

j. Office Space Lease, executed June 1, 2012 by and between PDP Ramona LLC ("Landlord") and Palomar Health ("Tenant") (211 13th St, Ramona, CA 925065)

k. Triple Net Medical Office Building Lease, dated September 15, 2023, by and between Healthpeak OP, LLC, a Maryland limited liability company ("Landlord") and Arch Health Partners, Inc., a California nonprofit corporation dba Palomar Health Medical Group ("Tenant") (25405 Hancock Avenue, Murrieta, CA 92562)

l. Craven Road Phase I Office Space Lease, dated April 24, 2023 by and between 120 Craven Road, LLC, a California limited liability company ("Landlord"), and Palomar Health, a California health care district ("Tenant") (120 Craven Road, San Marcos, CA 92078)

m. Craven Road Phase II Office Space Lease, dated May 21, 2023 by and between 120 Craven Road, LLC, a California limited liability company ("Landlord") and Palomar Health, a California local health care district ("Tenant") (120 Craven Road, San Marcos, CA 92078)

n. Lease dated February 13, 2019 between SunBrewer Parnters, L.P., a California limited partnership ("Landord") and Arch Health Partners, Inc. ("Tenant") as amended (9878 Carmel Mountain Road San Diego, CA 92129)

o. Lease Agreement, dated November 16, 2017 by and between Sabre Springs Marketplace LP ("Landlord") and SmartCare MD Practice Management LLC ("Tenant") as amended (12650 Sabre Springs Pkwy San Diego CA 92128)

p. Lease Agreement, dated February 20, 2025 by and between Premier Surgical, LLC, a California limited liability company ("Landlord") and Arch Health Partners, Inc.

dba Palomar Health Medical Group ("Tenant") as amended (2381 & 2385 S. Melrose Drive, Vista, CA 92081)

5. Guidehouse Managed Services, LLC, as required by that certain Master Services Agreement dated as of June 29, 2023, by and between Palomar Health and Guidehouse Managed Services, LLC, as modified on October 2, 2024 and November 1, 2024.

6. The agreements between Palomar Health and the California Nurses Association (the "CNA") and the Caregivers Healthcare Employees Union (the "CHEU") dated November 6, 2024 require Palomar Health to notify CNA and the CHEU of any assignment, transfer of ownership or joint powers agreement ninety (90) days prior to the Effective Time.

ADDENDUM C

RESOLUTION NO. 02.02.26(02)-02

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR UCSD HEALTH AUTHORITY AUTHORIZING AND APPROVING CERTAIN LIMITED EXPENDITURES IN FURTHERANCE OF THE TRANSACTIONS CONTEMPLATED BY THE JOINT EXERCISE OF POWERS AGREEMENT

WHEREAS, on October 31, 2025, pursuant to the Joint Exercise of Powers Act, California Government Code § 6500 *et seq.* (the "**JPA Act**"), Palomar Health, a California local healthcare district and political subdivision of California organized pursuant to Division 23 of the California Health and Safety Code, and The Regents of the University of California, a California constitutional corporation organized and existing under Article IX, Section 9 of the Constitution of UCSD of California, on behalf of the University of California, San Diego Health ("**UCSD Health**"), entered into that certain Joint Exercise of Powers Agreement (the "**JPA Agreement**") and created the Palomar UCSD Health Authority, a California joint powers authority established pursuant to the JPA Act (the "**Authority**");

WHEREAS, pursuant to the JPA Agreement and the transactions contemplated therein, UCSD Health will fund certain capital projects after the Operational Date (as defined in the JPA Agreement) of the Authority, including the implementation of an electronic health record system;

WHEREAS, Palomar and UCSD Health, as the Members of the Authority, have determined it is in the best interest of the Authority to commence certain preliminary work related to the implementation of the electronic health record system prior to the Operational Date (as defined in the JPA Agreement) of the Authority;

WHEREAS, UCSD Health is willing to expend limited funds for such preliminary work on the implementation of the electronic health record system prior to the Operational Date (as defined in the JPA Agreement) of the Authority;

WHEREAS, pursuant to the JPA Agreement and the Bylaws of the Authority, the Board of Directors of the Authority may approve and authorize expenditures related to capital projects.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board of Directors of Palomar UCSD Health Authority authorizes and approves the expenditure of funds by UCSD Health, in accordance and subject to the provisions of the JPA Agreement and related transactions including any contribution credit rights of UCSD Health contained therein, to commence certain preliminary work related to the implementation of the electronic health record system prior to the Operational Date (as defined in the JPA Agreement) of the Authority not to exceed $125,000.00.

PASSED AND ADOPTED by the Board of Directors of the Palomar UCSD Health Authority held on February 2, 2026, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

DATED: February 2, 2026

APPROVED:	***ATTESTED***:
_____, Chair Board of Directors Palomar UCSD Health Authority	_____, Vice-Chair Board of Directors Palomar UCSD Health Authority

RESOLUTION NO. 02.02.26(03)-03

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR UCSD HEALTH AUTHORITY AUTHORIZING THE USE OF TELECONFERENCING FOR BOARD AND C OMMITTEE MEETINGS OF PALOMAR UCSD HEALTH AUTHORITY

WHEREAS, on October 31, 2025, pursuant to the Joint Exercise of Powers Act, California Government Code § 6500 *et seq*. (the "**JPA Act**"), Palomar Health, a California local healthcare district and political subdivision of California organized pursuant to Division 23 of the California Health and Safety Code, and The Regents of the University of California, a California constitutional corporation organized and existing under Article IX, Section 9 of the Constitution of UCSD of California, on behalf of the University of California, San Diego Health, entered into that certain Joint Exercise of Powers Agreement and created the Palomar UCSD Health Authority, a California joint powers authority established pursuant to the JPA Act (the "**Authority**");

WHEREAS, pursuant to the JPA Act and the Bylaws of the Authority, the Authority is subject to the open meeting requirements of the Brown Act, California Government Code § 54950 *et seq*. (the "**Brown Act**") and;

WHEREAS, the Brown Act permits the legislative body of a local agency to use teleconferencing for the benefit of the public and the legislative body in connection with any meeting or proceeding authorized by law.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board of Directors of Palomar UCSD Health Authority, the legislative body of the Authority, authorizes the use of teleconferencing for Board meetings and Committee meetings of the Authority in compliance with the requirements of the Brown Act, as it may be amended from time to time.

PASSED AND ADOPTED by the Board of Directors of the Palomar UCSD Health Authority held on February 2, 2026, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

DATED: February 2, 2026

APPROVED:	***ATTESTED***:
_____, Chair Board of Directors Palomar UCSD Health Authority	_____, Vice-Chair Board of Directors Palomar UCSD Health Authority

RESOLUTION NO. 02.02.26(04)-04

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR UCSD HEALTH AUTHORITY AUTHORIZING AND APPROVING THE OPENING OF BANKING ACCOUNTS WITH BANK OF AMERICA FOR PALOMAR UCSD HEALTH AUTHORITY

WHEREAS, on October 31, 2025, pursuant to the Joint Exercise of Powers Act, California Government Code § 6500 *et seq*. (the "**JPA Act**"), Palomar Health, a California local healthcare district and political subdivision of California organized pursuant to Division 23 of the California Health and Safety Code, and The Regents of the University of California, a California constitutional corporation organized and existing under Article IX, Section 9 of the Constitution of UCSD of California, on behalf of the University of California, San Diego Health, entered into that certain Joint Exercise of Powers Agreement (the "**JPA Agreement**") and created the Palomar UCSD Health Authority, a California joint powers authority established pursuant to the JPA Act (the "**Authority**");

WHEREAS, pursuant to the JPA Agreement and the Bylaws of Authority, the Board of Directors of the Authority may approve and authorize the selection and opening of banking accounts to operationalize the Authority.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Board of Directors of Palomar UCSD Health Authority authorizes and approves the opening of banking accounts with Bank of America to operationalize the Authority; and

FURTHER RESOLVED, that the Chief Executive Officer and the Officers of the Board are each hereby authorized, empowered, and directed to do and perform all such acts and things as they may reasonably deem necessary to open such banking accounts with Bank of America to operationalize the Authority.

PASSED AND ADOPTED by the Board of Directors of the Palomar UCSD Health Authority held on February 2, 2026, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

DATED: February 2, 2026

APPROVED:	***ATTESTED***:
_____, Chair Board of Directors Palomar UCSD Health Authority	_____, Vice-Chair Board of Directors Palomar UCSD Health Authority