PALOMAR | UC San Diego Health

Palomar UCSD Health Authority
Board of Directors

Meeting Agenda Packet

June 29, 2026

Palomar UCSD Health Authority Board of Directors

Pauline Gourdie, Chair

Margarita Baggett, RN, MSN, Vice Chair

John M. Carethers, MD, MACP, FAACR

Z. Jeff Daskalakis, MD, PhD, FRCP(C)

John Whitham

Charlene Zettel

Posted
Friday,
June 26, 2026

AMENDED
Friday,
June 26, 2026

PALOMAR | UC San Diego Health

BOARD OF DIRECTORS
Meeting Agenda

Monday, June 29, 2026
3:00 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					**3:00**
I.	**Establishment of Quorum**			1	3:01
II.	**Public Comments**[1]			30	3:31
III.	**Approval of Minutes** *(ADD A)*			5	3:36
	Agenda Item	Committee/ Department	Action		
	A. Board of Directors Meeting Minutes – Tuesday, May 18, 2026 *(Pp 6-13)*	Board of Directors	Review/ Approve		
IV.	**Reports – *Informational Only***				
	A. Chief Executive Officer, Palomar UCSD Health Authority – Diane Hansen			10	3:46
	B. Chief Executive Officer, UC San Diego Health – Patty Maysent			10	3:56
V.	**Approval of Bylaws, Charters, Resolutions and Other Actions** *(ADD B)*			63	4:59
	Agenda Item	Committee/ Department	Action		
	A. Approval: 2026-2027 Fiscal Year Budget *(Pp 15-22)*	Board of Directors	Review/ Approve		

	B. Resolution: Approving and Authorizing the Execution of Certain Agreements and Related Actions in Furtherance of Closing and the Operational Date of the Authority, including the following: *(Pp 23-25)* i. Initial Contribution Agreement *(Pp 24-112)* ii. Use Agreement *(Pp 113-141)* iii. Tax Revenue Contribution Agreement *(Pp 142-160)* iv. UCSD Health Contribution Agreement *(Pp 161-181)* v. Tenancy-in-Common Agreement *(Pp 182-201)* vi. Employee Leasing Agreement *(Pp 202-227)* vii. Retained Asset Contribution Agreement *(Pp 228-275)* viii. Post-Operational Option Agreement *(Pp 276-313)* ix. JPA Option Agreement *(Pp 314-380)* x. Amended and Restated Forbearance Agreement xi. Replacement Deeds of Trust xii. Powers of Attorney related to revenue bonds and certificates of participation xiii. Amended and Restated Closing Agreement *(Pp 381-424)* xiv. Acceptance and Recordation of Real Property Interests	Board of Directors	Review/ Approve		
Final Adjournment					**5:00**

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

Palomar Medical Center Escondido
2185 Citracado Parkway
1st Floor Conference Room
Escondido, CA 92029

- **Board Members of the Palomar UCSD Health Authority Board of Directors will attend at this location, unless otherwise noticed below**

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

Meeting ID: 260 566 765 968 688
Passcode: W46bu7fN
or
Dial in using your phone at 929.352.2216; Access Code: 923 887 515#[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 3:00 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

PALOMAR UCSD HEALTH AUTHORITY BOARD OF DIRECTORS

Board of Directors Meeting Minutes – Monday, May 18, 2026

Agenda Item

- ***Discussion*** | ***Conclusion/Action/Follow Up***

Notice of Meeting

Notice of Meeting was physically posted at the Palomar Health Administrative Office at 2125 Citracado Parkway, Suite 300, Escondido, CA 92029 and UC San Diego Health – La Jolla Emergency Department, 9432 Medical Center Drive, La Jolla, CA 92037 as well as on the Palomar Health website on Friday, May 15, 2026 and Amended on Monday, May 18, 2026, which is consistent with legal requirements.

Call to Order

The meeting, which was held at the Palomar Health Medical Center Escondido, 1st Floor Conference Room, 1285 Citracado Parkway, Escondido, CA 92029, and virtually was called to order at 2:03 p.m. by Board Vice Chair Baggett.

I. Establishment of Quorum

Quorum was established via roll call comprising of Directors Baggett; Carethers; Daskalakis; Gourdie (virtual); Whitham (virtual); Zettel

Absences: none

II. Public Comments

A. No public comments

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Board of Directors Meeting Minutes – Monday, May 18, 2026	
Agenda Item	
• *Discussion*	*Conclusion/Action/Follow Up*
III. Approval of Minutes	
A. Board of Directors Meeting Minutes – Tuesday, March 24, 2026	**MOTION:** By Director Zettel, 2nd by Director Carethers to approved the March 24, 2026 Board of Directors meeting minutes as written with a change indicated for the Motion for the Board Chair made by Director Whitham. Roll call voting was utilized. Director Baggett - aye Director Carethers, MD - aye Director Daskalakis, MD - aye Director Gourdie - aye Director Whitham - aye Director Zettel - aye Paula de Sousa announced that six (6) board members were in favor. None (0) opposed. No (0) abstention(s). None (0) absent. Motion approved.
• Board discussion held and confirmation of who made Motion for the election of the Board Chair at the March 24, 2026 meeting.	

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Board of Directors Meeting Minutes – Monday, May 18, 2026	
Agenda Item	
• *Discussion*	*Conclusion/Action/Follow Up*
IV. Adjourn to Closed Session	
V. Re-Adjourn to Open Session	
VI. Action Resulting from Closed Session, if any	
• Paula de Sousa shared that there was no reportable action.	
VII. Reports – Informational Only	
A. Chief Executive Officer – Diane Hansen	
• Verbal report was provided	
B. Chief Executive Officer, UC San Diego Health – Patty Maysent	
• Verbal report was provided	

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Board of Directors Meeting Minutes – Monday, May 18, 2026	
Agenda Item	
• *Discussion*	*Conclusion/Action/Follow Up*
VIII. Approval of Bylaws, Charters, Resolutions and Other Actions	
A. Resolution: Approving and Authorizing the Execution of Certain Agreements and Related Actions in Furtherance of Closing and the Operational Date of the Authority, including the following: *i.* Initial Contribution Agreement *ii.* Use Agreement *iii.* Tax Revenue Contribution Agreement *iv.* UCSD Health Contribution Agreement *v.* Tenancy-in-Common Agreement *vi.* Amended and Restated Closing Agreement *vii.* Acceptance and Recordation of Real Property Interests	**MOTION:** By Director Zettel, 2nd by Director Daskalakis and carried to approve Resolution No. 05.18.26(01)-13 of the Board of Directors of Palomar UCSD Health Authority Approving and Authorizing the Execution of Certain Agreements and Related Actions in Furtherance of Closing and the Operational Date of the Authority Roll call voting was utilized. Director Baggett - aye Director Carethers, MD - aye Director Daskalakis, MD - aye Director Gourdie - aye Director Whitham - aye Director Zettel - aye Paula de Sousa announced that six (6) board members were in favor. None (0) opposed. No (0) abstention(s). None (0) absent. Motion approved.
• No discussion	

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Board of Directors Meeting Minutes – Monday, May 18, 2026	
Agenda Item	
• ***Discussion***	***Conclusion/Action/Follow Up***
B. Resolution: Authorizing the Authority to Become a Member of the Obligated Group Pursuant to a Master Trust Indenture and to Become the Credit Group Representative	**MOTION:** By Director Daskalakis, 2nd by Director Gourdie and carried to approve Resolution No. 05.18.26(02)-14 of the Board of Directors of Palomar UCSD Health Authority Authorizing the Authority to Become a Member of the Obligated Group Pursuant to a Master Trust Indenture and to Become the Credit Group Representative Roll call voting was utilized. Director Baggett - aye Director Carethers, MD - aye Director Daskalakis, MD - aye Director Gourdie - aye Director Whitham - aye Director Zettel - aye Paula de Sousa announced that six (6) board members were in favor. None (0) opposed. No (0) abstention(s). None (0) absent. Motion approved.
• It was shared that this authorization only relates to the Authority.	

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Board of Directors Meeting Minutes – Monday, May 18, 2026	
Agenda Item	
• *Discussion*	*Conclusion/Action/Follow Up*
C. Resolution: Authorizing Designated Individuals(s) to Represent the Authority in Negotiations and Communications with Health Plans and Health Insurance Payors	**MOTION:** By Director Zettel, 2nd by Director Carethers and carried to approve Resolution No. 05.18.26(03)-15 of the Board of Directors of Palomar UCSD Health Authority Appointing and Authorizing Designated Individual(s) to Represent the Authority in Negotiations and Communications with Health Plans and Health Insurance Payors Roll call voting was utilized. Director Baggett - aye Director Carethers, MD - aye Director Daskalakis, MD - aye Director Gourdie - aye Director Whitham - aye Director Zettel - aye Paula de Sousa announced that six (6) board members were in favor. None (0) opposed. No (0) abstention(s). None (0) absent. Motion approved.
• No Discussion	

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Board of Directors Meeting Minutes – Monday, May 18, 2026	
Agenda Item	
Discussion	***Conclusion/Action/Follow Up***
D. Approval: Branding of Palomar UCSD Health Authority	**MOTION:** By Direct Gourdie, 2nd by Director Daskalakis and carried to approve the Branding of Palomar UCSD Health Authority as presented Roll call voting was utilized. Director Baggett - aye Director Carethers, MD - aye Director Daskalakis, MD - aye Director Gourdie - aye Director Whitham - aye Director Zettel - aye Paula de Sousa announced that six (6) board members were in favor. None (0) opposed. No (0) abstention(s). None (0) absent. Motion approved.
• Presentation on communication plan and branding logo was shared. Diane Hansen added background of the process to develop this logo. Patty Maysent reminded the board that branding is a requirement and does need board approval.	
Final Adjournment	
• There being no further business, Vice Chair Baggett adjourned the meeting at 3:55 p.m.	

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Board of Directors Meeting Minutes – Monday, May 18, 2026		
Signatures:	**Board Chair**	Pauline Gourdie
	Board Assistant	Janet Kren

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ADDENDUM B

Palomar UC San Diego Health

Fiscal Year 2027 Budget

June 29, 2026

PALOMAR | UC San Diego Health

Executive Summary

- The current budget as presented enables:
  - Stability across key financial metrics
  - Capital investment to support JPA growth strategy
  - Improvements across multiple operational areas

Palomar Health - Obligated Group & JPA Structure

Entity / Layer	Description	Role / Relationship
Obligated Group		
1. Palomar Health (the District)[1]	Public health care district; California political subdivision; includes PMC Escondido & PMC Poway	Primary obligated group member; revenue bond issuer
2. Palomar UCSD Health Authority ("the Authority")		
Palomar Health Medical Group (PHMG)	Tax-exempt medical foundation; 25+ clinic locations; incl. NCRE & SANDEMA as blended sub-units	100% of Operations moved into JPA - Medical group operations, physician services, capitation/shared risk revenue; receives financial support from PH
100% of Hospital operations[2]	Acute-care hospital network comprising PMC Escondido, PMC Poway, San Marcos Ambulatory Care Center, and Jean McLaughlin Women's Center	Core acute-care operations under JPA; primary driver of volume, revenue, & capex
49% of District assets	Portion of Palomar Health district assets contributed into JPA structure	District retains majority; JPA holds 49% interest

1. Source: FY2025 Baker Tilly audit
2. Includes all hospital P&L and capex; excludes G.O. Bond interest/tax (district-level); includes NCRE, SANDEMA, and Palomar Health Development

Volumes

Metric / Stat	FY25	FY26 Projection	FY27 Budget	Change From FY26	% Change from FY26
Acute Inpatient Discharges	26,237	27,784	28,464	680	2.4%
Acute Patient Days	112,703	115,176	116,349	1,173	1.0%
Average Daily Census	308.8	315.6	318.8	3.2	1.0%
Average Length of Stay	4.30	4.15	4.09	(0.06)	-1.4%
ED Visits (IP and OP)	122,352	120,657	129,358	8,700	7.2%
Surgeries	11,119	10,855	11,185	330	3.0%
OP Registrations	156,447	154,716	165,363	10,647	6.9%

- Attributed organic growth to Palomar Health across the ED, outpatient services, and SNF lines
- UCSD partnership driving growth in key service lines
- Select areas held flat as we reinvest in clinic operations (e.g., OB)

Consolidating Income Statement

($000s)

	Palomar-UCSD	PHMG	Eliminations	Consolidated
Operating Revenue	**$ 977,021**	**$ 106,198**	**$ (14,782)**	**$ 1,068,437**
Labor	501,658	119,287		620,945
Non-Labor Expense	397,118	42,312	(22,733)	416,697
Total Expenses	**898,776**	**161,599**	**(22,733)**	**1,037,642**
Operating Income	**78,245**	**(55,401)**	**7,951**	**30,795**
Non-Operating Income (Expense)	(28,231)	(760)	(7,951)	(36,941)
Net Income (Loss)	**$ 50,014**	**$ (56,161)**	**$ -**	**$ (6,147)**

Note: Eliminations estimated for FY27

Key Statistics

Statistics	FY25	FY26 10+2	FY27
Operating Margin	-8.0%	4.3%	8.0%
Total Margin	-11.7%	1.6%	5.1%
NPR Net to Gross Ratio (Excl. Supplementals)	12.6%	12.3%	12.6%
NPR Year Over Year Change (Excl. Supplementals)	9.5%	3.9%	13.6%
Labor Expense % of NPR	66.8%	60.0%	57.8%
Acute Adjusted Discharges	40,659	44,415	46,236
NPR Per Adjusted Discharge (Excl. Supplementals)	17,990	17,118	18,677
Operating Expense per Adjusted Discharge[1]	8,291	7,859	7,801
Labor Expense per Adjusted Discharge	11,995	10,490	10,850

- Net Patient Revenue (NPR) is continuing to grow by double digits
- Labor as a % of NPR improves as we become more efficient
- Labor and Opex per Adj Discharge is remaining relatively flat year over year

Notes:
[1]Operating Expense per Adjusted Discharge excludes Depreciation & Amortization

FY27 Capital Budget

		FY27
Sources		
Routine Capital	$	10,000,000
Bond-Financed Capital		60,000,000
Strategic Funding		115,775,000
Total Sources		**185,775,000**
Uses		
Routine - Equipment and IT		10,000,000
Facility-Related Capital Projects		15,000,000
Strategic Capital Projects - Estimated		160,775,000
Total Uses	**$**	**185,775,000**

- Total capital budget of $185.8M, funded by a balanced mix of $70M Palomar-funded capital ($10M routine + $60M bond-financed) and $115.8M of strategic funding
- Strategic funding is led by UCSD's $108.9M contribution plus $6.9M from BCHIP; both figures are estimated and not yet final
- Strategic capital is concentrated in growth investments: Tower Build Out ($68M), Epic/IT ($37M), Shelled MOB ($16.5M), Poway imaging/ICU/Eating Disorders Unit ($14.2M), and Interventional Radiology Build Out ($10M)

Approval of FY26-27

1. Consolidated Operating Budget as presented on the previous slides in the amount of revenues of $1,068M and expenditures of $1,038M (this includes Palomar Health Medical Group)

2. The Capital Budget, as outlined on slide 7, in the amount of $116M Strategic, $60M of Bond-Funded, and $10M Routine capital

3. A price increase in the aggregate of 5%

RESOLUTION NO. 06.29.26(01)-16

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR UCSD HEALTH AUTHORITY APPROVING AND AUTHORIZING THE EXECUTION OF CERTAIN AGREEMENTS AND RELATED ACTIONS IN FURTHERANCE OF CLOSING AND OPERATIONAL DATE OF THE 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 ("**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, the Authority is a separate public entity created pursuant to the Joint Exercise of Powers Act (California Government Code Sections 6500 *et seq.*) with the power to enter into agreements necessary to carry out its purposes, including the acquisition, operation, and management of healthcare facilities and related assets;

WHEREAS, the JPA Agreement contemplates that, in connection with the formation, capitalization, and commencement of operations of the Authority, the Authority will enter into certain agreements (collectively, the "**Authority Documents**") necessary to implement the transactions among UCSD Health, Palomar, and the Authority;

WHEREAS, such Authority Documents include, among others, agreements providing for:

i. the contribution of assets and assumption of liabilities by the Authority;
ii. the Authority's right to use and operate certain healthcare facilities and assets;
iii. the leasing of employees to ensure continuity of operations;
iv. the contribution of revenues and other financial support to the Authority; and
v. contributions, capital support, and other financial arrangements with UCSD Health;

WHEREAS, the Board of the Authority (the "**Board**") has been presented with final or substantially final forms of the following agreements to which the Authority is a party (collectively, the "**Authority Agreements**"):

i. Initial Contribution Agreement (by and between Palomar and the Authority);
ii. Use Agreement (by and between Palomar and the Authority);
iii. Tax Revenue Contribution Agreement (by and between Palomar and the Authority);
iv. UCSD Health Contribution Agreement (by and between UCSD Health and the Authority);
v. Tenancy-in-Common Agreement (by and between Palomar and the Authority);

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vi. Employee Leasing Agreement (by and between Palomar and the Authority);
vii. Retained Asset Contribution Agreement (by and between Palomar and the Authority);
viii. Post-Operational Option Agreement (by and between the Authority and UCSD Health);
ix. JPA Option Agreement (by and between the Authority and UCSD Health);
x. Amended and Restated Assured Forbearance Agreement (by and between Palomar, Arch Health Partners, Inc., Authority, Assured Guaranty Inc. and U.S. Bank Trust Company, N.A;
xi. Replacement Deeds of Trust (from the Authority to UCSD Health);
xii. Powers of Attorney related to Palomar's outstanding revenue bonds and certificates of participation (from Palomar to Authority);
xiii. Co-Borrower Assignment and Assumption Agreement (by and between Palomar, Authority, and Arch Health Partners, Inc.); and
xiv. Amended and Restated Closing Agreement (by and among Palomar, UCSD Health and the Authority);

WHEREAS, pursuant to the Bylaws of the Authority and JPA Agreement, the Board wishes to delegate the responsibility of finalizing the Authority Agreements and taking any and all further actions necessary to consummate the transactions contemplated by the JPA Agreement and Authority Agreements to the Chief Executive Officer of the Authority (the "**Chief Executive Officer**").

NOW, THEREFORE, IT IS HEREBY RESOLVED that the Authority Agreements are approved in substantially the forms presented to the Authority Board, with such non-material changes as may be approved by the Authorized Officers (as defined below);

FURTHER RESOLVED, that the Chairperson of the Board, Vice-Chairperson of the Board, Chief Executive Officer, Chief Financial Officer, Chief Legal Officer, and any other officer designated by the Authority Board (each, an "Authorized Officer") to: (1) execute and deliver each of the Authority Agreements; (2) execute any certificates, exhibits, schedules, or ancillary documents required in connection therewith; and (3) make non-material changes consistent with the intent of this Resolution;

FURTHER RESOLVED, that notwithstanding the Board's approval of the Employee Leasing Agreement by and between Palomar and the Authority, and understanding that further changes may be required in said agreement to comply with applicable labor law or contracts, consents to and authorizes the Authorized Officers, with review and approval as to form by Legal Counsel to the Authority, to make such changes to the Employee Leasing Agreement as necessary to comply with such laws, and to offer that amended Agreement to the Palomar for its approval;

FURTHER RESOLVED, that pursuant to California Government Code section 27281, each Authorized Officer is authorized and directed, on behalf of the Authority, to accept any and all real property interests, including without limitation fee interests, tenant-in-common interests, easements, licenses, and other property rights conveyed to the Authority pursuant to the Authority Agreements and

any related conveyance documents, and to execute any certificates of acceptance and related instruments necessary or convenient to effectuate such acceptance;

FURTHER RESOLVED, that upon execution of any certificate of acceptance or related conveyance documents by an Authorized Officer, the Authorized Officers are authorized and directed to cause the recordation of any grant deeds, certificates of acceptance, tenancy-in-common agreements, assignments, easements, notices, memoranda, and any other documents or instruments necessary or convenient to effectuate the transactions contemplated by the Authority Agreements in the Official Records of the County of San Diego;

FURTHER RESOLVED, that each Authorized Officer is authorized to: (1) take any and all further actions necessary or advisable to consummate the transactions contemplated by the Authority Agreements; and (2) execute and deliver any additional documents, agreements, or instruments necessary to carry out the intent of this Resolution;

FURTHER RESOLVED, that the Board hereby ratifies and confirms all prior actions taken by officers, employees, or agents of the Authority in connection with the negotiation of the Authority Agreements and the transactions contemplated thereby, including without limitation any actions taken pursuant to Authority Resolution No. 05.18.26(01)-13; and

FURTHER RESOLVED, that this Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Directors of the Palomar UCSD Health Authority held on June 29, 2026, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

DATED: June 29, 2026

APPROVED:	***ATTESTED***:
Pauline Gourdie, Chair Board of Directors Palomar UCSD Health Authority	Margarita Baggett, Vice-Chair Board of Directors Palomar UCSD Health Authority

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INITIAL CONTRIBUTION AGREEMENT

BY AND BETWEEN

Palomar Health

and

Palomar UCSD Health Authority

Dated as of June 30, 2026

THIS DRAFT CONTRIBUTION AGREEMENT REMAINS SUBJECT IN ALL RESPECTS TO THE TIMELY PROVISION OF REQUESTED DUE DILIGENCE, ADEQUATE TIME TO ALLOW FOR COMPREHENSIVE REVIEW, AND THOROUGH EXAMINATION OF THE DUE DILIGENCE, THE DISCLOSURE SCHEDULES, AND A REVIEW OF ALL OTHER DRAFT AGREEMENTS THAT ARE PART OF THIS TRANSACTION. EACH PARTY RESERVES THE RIGHT TO REVISE ALL OR ANY PART OF THIS AGREEMENT UNTIL FINAL REVIEW HAS BEEN COMPLETED IN ALL RESPECTS, AND ANY PROVISIONS SET FORTH HEREIN ARE SUBJECT TO CHANGE.

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EXHIBITS

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EXHIBIT C-Amended and Restated PHMG Bylaws

EXHIBIT D-Amended PHD Articles

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EXHIBIT F-Grant Deed

EXHIBIT G-Bill of Sale

EXHIBIT H-Assignment and Assumption Agreement

EXHIBIT I-Co-Borrower Assignment and Assumption Agreement

EXHIBIT J-Intellectual Property Assignment Agreement

EXHIBIT K-Lease Assignment

EXHIBIT M-TIC Agreement

EXHIBIT N - Amended and Restated Foundation Bylaws

EXHIBIT O - Foundation Funds Transfer Agreement

EXHIBIT P- Amended Foundation Articles

INITIAL CONTRIBUTION AGREEMENT

THIS INITIAL CONTRIBUTION AGREEMENT (this "**Agreement**") is entered into effective as of June 30, 2026 (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**"); Palomar UCSD Health Authority (the "**Authority**"), a joint powers authority formed by 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**") in accordance with the Joint Exercise of Powers Act, Cal. Gov. Code § 6500, *et seq.* Palomar and the Authority may also be referred to herein individually as a "**Party**" and collectively as the "**Parties**."

R E C I T A L S

WHEREAS, the Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated October 31, 2025, as further amended on April 10, 2026, April 30, 2026, and May 28, 2026 (collectively, the "**Joint Powers Agreement**"), to, among other things, stabilize and strengthen the availability of community hospital services to all residents of San Diego County, California and surrounding areas regardless of payor or funding source and improve access to healthcare for the vulnerable populations served by Palomar and the Authority through the expansion of clinical infrastructure and strengthening of certain healthcare service lines for the benefit of the residents of San Diego County, California through an integrated health system;

WHEREAS, Palomar and the other applicable Palomar Entities operate: (i) the Poway Hospital, (ii) a skilled nursing facility situated on a portion of the Poway Land commonly referred to as The Villas at Poway, (iii) a medical office building situated on a portion of the Poway Land commonly referred to as Pomerado Outpatient Pavilion, (iv) a parking structure situated on a portion of the Poway Land, (v) the other facilities identified on Schedule 1, and (vi) certain other improvements and structures on the Poway Land (collectively, the "**Poway Facilities**");

WHEREAS, Palomar owns the fee simple interest in and to certain real property located in and around Poway, California, as more specifically described on Schedule 2.1(a)(i) (the "**Poway Land**"), together with all buildings, structures, improvements, and fixtures situated thereon, except to the extent identified on Schedule 2.1(a)(i)) to be owned by a ground lease tenant, in which case Palomar owns certain interests as the ground lessor with respect to such buildings, structures, improvements, and fixtures situated thereon);

WHEREAS, Palomar and other applicable Palomar Entities operate: (a) the Escondido Hospital; and (b) (i) three medical office buildings situated on a portion of the Escondido Land commonly referred to as Palomar Health Outpatient Center 1, Palomar Health Outpatient Center 2, and Palomar Health Outpatient Center 3; (ii) a plant and a parking structure situated on a portion of the Escondido Land; (iii) the other facilities identified on Schedule 2, and (iv) certain other improvements and structures on the Escondido Land, (the "**Escondido Facilities**");

WHEREAS, Palomar owns the fee simple interest in and to certain real property located in and around Escondido, California, as more specifically described on Schedule 2.1(a)(ii) (the "**Escondido Land**"), together with all buildings, structures, improvements, and fixtures situated thereon;

WHEREAS, the applicable Palomar Entities are engaged in the business of delivering healthcare services to the public through the ownership, leasing and operation of the Poway Facilities, including the operation of the Poway Hospital, the Villas at Poway and the provision of outpatient and other healthcare

businesses through the Poway Facilities, PHMG or SDEMA, PHD, the Joint Ventures, and any other businesses owned, managed, or otherwise operated or conducted by Palomar with respect to the operation of the Poway Facilities, PHMG, SDEMA or PHD, and the, applicable, Joint Ventures(collectively, the "**Poway Business**");

WHEREAS, before the execution of this Agreement, UCSD Health and Palomar have each executed and delivered to the other party an option agreement (the "**Pre-Operational Option Agreement**") granting UCSD Health an option to purchase all or a portion of the Contributed Assets from Palomar;

WHEREAS, concurrently with the execution and delivery of this Agreement, UCSD Health and the Authority are entering into that certain Contribution Agreement (the "**UCSD Health Contribution Agreement**");

WHEREAS, prior to the formation of the Authority, but in furtherance of the formation of and fulfillment of the Authority's purpose, UCSD Health advanced a total of Thirty Million Dollars ($30,000,000.00) (the "**Existing Advances**") to Palomar in two separate tranches: (i) an initial advance of Twenty Million Dollars ($20,000,000.00) pursuant to that certain Loan Agreement dated April 4, 2025 by and between UCSD Health and Palomar (the "**Initial UCSD Loan Agreement**") and the other Loan Documents (as such term is defined in the Initial UCSD Loan Agreement) (together, the "**Initial UCSD Loan Documents**"); and (ii) a second advance of Ten Million Dollars ($10,000,000.00) pursuant to that certain Loan Agreement dated July 24, 2025 by and between UCSD Health and Palomar (the "**Second UCSD Loan Agreement**") and the other Loan Documents (as such term is defined in the Second UCSD Loan Agreement) (together, the "**Second UCSD Loan Documents**" and, together with the Initial UCSD Loan, the "**Existing Loan Documents**");

WHEREAS, concurrently with formation of the Authority, UCSD Health advanced a total of Ten Million Dollars ($10,000,000.00) (the "**New Advance**" and, together with the Existing Advances, the "**Pre-Authority Advances**") to Palomar pursuant to that certain Loan Agreement dated October 31, 2025 by and between UCSD Health and Palomar (the "**Third UCSD Loan Agreement**") and the other Loan Documents (as such term is defined in the Third UCSD Loan Agreement) (together, the "**Third UCSD Loan Documents**" and, together with the Existing Loan Documents, the "**Pre-Authority Loan Documents**");

WHEREAS, concurrently with the formation of the Authority, UCSD Health also made available to Palomar a Fifty Million Dollar ($50,000,000) revolving credit line (the "**Credit Line**") pursuant to that certain Line of Credit Agreement dated October 31, 2025 by and between UCSD Health and Palomar (the "**Credit Agreement**") and the other Loan Documents (as such term is defined in the Credit Agreement) (together, the "**Credit Line Documents**"); and

WHEREAS, in reliance upon the representations, warranties, and covenants of the Authority set forth in this Agreement, Palomar desires to contribute the Contributed Assets and assign the Assumed Liabilities to the Authority and the Authority**,** in reliance upon the representations, warranties, and covenants of Palomar set forth in this Agreement desires to acquire the Contributed Assets and assume the Assumed Liabilities from Palomar, subject to the terms and conditions and for the consideration outlined in this 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. Capitalized Terms used in this Agreement that are not otherwise defined have the meaning ascribed to such term in the Joint Powers 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, have the respective meanings given to them under U.S. 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 phrases "Palomar has delivered," "Palomar has provided," "Palomar has made available," and phrases of similar import means that, before the Effective Date, Palomar has made the document or information in question available by posting a copy thereof to the data room entitled "Palomar Health" on the Holland & Knight Client Portal (the "**VDR**" **)**.

2. CONTRIBUTION OF CONTRIBUTED ASSETS, ASSUMPTION OF LIABILITIES, AMENDMENT OF CONSTITUENT DOCUMENTS, CLOSING AND OTHER RELATED MATTERS

2.1 Contribution of Contributed Assets. Subject to the terms and conditions of this Agreement, Palomar does hereby assign, convey, transfer, and deliver to the Authority, and the Authority will acquire and accept as of the Effective Time, good and marketable title to the Contributed Assets, free and clear of all Encumbrances (other than Permitted Encumbrances). "**Contributed Assets**" means the following assets related to the Poway Facilities, and all related assets, properties, rights, and interests of every description, wherever situated and of whatever kind and nature, whether real, personal, or mixed, tangible, or intangible, used in or held for use in, or are necessary for, the operation of the Poway Business and Escondido Business, along with the other assets set forth below and specifically excluding the Excluded Assets, including the following items:

(a) (i) all of the fee simple interest in, to, and under the Poway Land as more particularly described on Schedule 2.1(a)(i) attached hereto; together with all structures, buildings, improvements, and other fixtures located on the Poway Land, and all apparatus, equipment, and appliances used in connection with the operation or occupancy of the Poway Facilities or the Poway Land (collectively, the "**Poway Improvements**"); and all rights, privileges, easements, and appurtenances to the Poway Facilities or the Poway Land and the Improvements, including all of Palomar's or other Palomar Entity's right, title and interest in and to all minerals, oil, gas, other hydrocarbon substances and water rights owned by Palomar relating to the Poway Facilities or the Poway Land, and all easements, rights-of-way, and other appurtenances used or connected with the beneficial use or enjoyment of the Poway Land (collectively, the "**Poway Appurtenances**," and together with the Poway Land and the Poway Improvements, the "**Poway Real Property**"); and (ii) a nineteen and one-half percent (19.5%) undivided tenant-in-common interest in, to, and under the Escondido Land, together with all structures, buildings, improvements, and other fixtures located on the Poway Land, and all apparatus, equipment, and appliances used in connection with the operation or occupancy of the Escondido Facilities or the Escondido Land, including the Escondido Hospital, and all rights, privileges, easements, and appurtenances thereto as well as any and all easements, rights-of-way, and other appurtenances used or connected with the beneficial use or enjoyment thereof (together, the "**TIC Property Interest**");

(b) any and all Lease Agreements relating to any premises located at the Poway Real Property, and which are set forth on Schedule 2.1(b) (the "**Assumed Leases**"), including any right, title, and interest of a Palomar Entity in and to any subleases with respect thereto, and including all amendments or modifications thereto or supplements thereof, covering all or any portion of the Poway Real Property, and all Persons occupying the Poway Real Property or any part thereof pursuant to an Assumed Leases (the "**Tenants**"), together with all files, incident reports, and other data and correspondence related to such Assumed Leases as well as deposits held in connection with the Assumed Leases including, all unapplied security deposits, prepaid rent, guaranties, letters of credit, and other similar charges and credit enhancements providing additional security for the Assumed Leases;

(c) all tangible personal property, furniture, fixtures, equipment (including medical and computer equipment), supplies, and other tangible assets owned by Palomar Entities and used or held for use in the Poway Business and related to the Contributed Assets, the Poway Facilities, or the Escondido Improvements, including the items set forth on Schedule 2.1(c) (the "**Personal Property**");

(d) all of the Inventory related to or used in the operation of the Contributed Assets, the Poway Facilities or the Escondido Improvements, including any rights to rebates, refunds, or discounts due with respect to the Inventory;

(e) all of a Palomar Entity's rights, title, and interests in the Contracts related to the operation of the Poway Business, the Escondido Business, or the Contributed Assets, including any multi-facility, which are explicitly set forth on Schedule 2.1(e) (collectively, the "**Assumed Contracts**");

(f) all of the active Medical Records with respect to the Facilities or the Business that are part of the electronic medical record software transferred to the Authority; *provided, however*, such records are being transferred solely to ensure continuity of care;

(g) the Permits set forth on Schedule 2.1(g) which, for the avoidance of doubt, will include the Permits associated with the Business, TIC Property Interest, and Poway Facilities and Escondido Facilities;

(h) all Transferred Intellectual Property, including the Trademarks (or variations thereof) that are used or held for use in, or otherwise relating to, the Facilities or the Business, and all right, title, and interest in and to the Domain Names;

(i) all Transferred Information Technology Systems related to the Poway Business or Escondido Business;

(j) all prepaid expenses, advance payments, deposits, surety accounts, and other similar assets of a Palomar Entity relating to the Business or the Facilities, including those set forth on Schedule 2.1(j), and including prepaid deposits with suppliers and utilities, so long as such supplier Contracts are among the Assumed Contracts or otherwise associated with the Business or the Facilities;

(k) all Accounts Receivable generated by the Business or at any of the Facilities, or otherwise received by a Palomar Entity on or before the Effective Time;

(l) to the extent assignable or transferable under applicable Law, the Provider Numbers for the Facilities, including those set forth on Schedule 2.1(l);

(m) all amounts due or become due to Palomar or any other Palomar Entity under a Cost Report for the periods on or before the Effective Time, including any settlements relating to or Payor Program for services provided by Palomar or any other Palomar Entity related to the Business or the Facilities on or before the Effective Time;

(n) all payments due to a Palomar Entity under the California Department of Health Care Services Quality Assurance Fee Program from the State of California or any of its administrative entities or other entities, including Medi-Cal managed care plans, payments or grants due to Palomar from the California Health Foundation & Trust, cost report, claims, electronic health records or similar appeals in each case arising from the rendering of services and the provision of goods, products or supplies to inpatients and outpatients at the Facilities or in respect of the Business before the Effective Time;

(o) all cash and cash equivalents (other than the Initial Operational Holdback), marketable securities, notes, and other investments of a Palomar Entity related to the Facilities or the Business;

(p) all Prepaid Assets related to the Facilities or the Business;

(q) all insurance policies and proceeds from the same arising in connection with the Facilities or the Business, and all insurance proceeds arising in connection with the operation of the Business or the Facilities arising from actions occurring on or before the Effective Time;

(r) all claims, causes of action, choses in action, rights of recovery, rights of set off, and rights of recoupment related to the Business or the Facilities arising before the Effective Time, and for the avoidance of doubt, arising after the Effective Time, including those related to any settlement that N Health Network Partners, LLC receives pursuant to ongoing litigation;

(s) all unclaimed property of any third-party before the Effective Time related to the Business and the Poway Facilities and TIC Property Interest, including property which is subject to applicable escheat Laws;

(t) any membership interest, capital stock, or other equity or ownership interest held by Palomar in (i) PHMG; and (ii) PHD;

(u) any membership interest, capital stock, or other equity or ownership interest held by PHD in SDEMA;

(v) any membership interest, capital stock, or other equity or ownership interest held directly or indirectly by Palomar, PHMG, or another Palomar Entity in: (i) the Joint Ventures; and (ii) any other entity identified on Schedule 2.1(v), together with all minutes and other Records, in each case related to such entity;

(w) all goodwill and other intangible assets owned by a Palomar Entity that is associated with the Business or the Facilities, including patient and supplier lists, other than those intangibles constituting Excluded Assets;

(x) all trucks, automobiles, trailers, and other titled vehicles used in the Business;

(y) All Records, including operating manuals, files with respect to the operation of the Business and the Facilities, including all personnel records for the Palomar Employees subject to the Employee Lease Agreement or are employed by PHMG, PHD, or SDEMA, financial records, equipment records, construction plans and specifications, medical and administrative libraries, and all other financial and operational records used in connection with the operation of the Business or the Facilities;

(z) all rights in all warranties of any manufacturer, vendor, or contractor in connection with the Contributed Assets;

(aa) to the extent applicable, all tax refunds and claims tax refunds for tax periods (or portions thereof) ending before the Effective Time, to the extent attributable to the ownership or operation of the Business or the Facilities;

(bb) all Credentialing and Medical Staff Records related to the Business or the Facilities;

(cc) all rights of borrower, as co-borrower, under the terms of the Existing Loan Documents and the Credit Line Documents, to the extent that the corresponding liabilities under the Existing Loan Documents and the Credit Line Documents are assumed;

(dd) the other assets listed on Schedule 2.1(dd);

(ee) the revenues that are to be provided to the Authority consistent with the terms of the Tax Revenues Contribution Agreement;

(ff) the Transferred Foundation Funds that are to be transferred to the Authority consistent with the terms of the Foundation Funds Transfer Agreement; and

(gg) any other assets owned by Palomar, another Palomar Entity, or any other Palomar Affiliate that are not otherwise specifically described above in this **Section 2.1** and which are used primarily in the operation of the Contributed Assets or the Poway Facilities and TIC Property Interest, other than the Excluded Assets.

2.2 Excluded Assets. The following assets (collectively, the "**Excluded Assets**") will not be part of the contribution of assets under this Agreement and are excluded from the Contributed Assets:

(a) any Records that (i) are related to the Excluded Assets or the Excluded Liabilities; or (ii) Palomar is required to retain in its possession under Law and which are listed on Schedule 2.2(a);

(b) the Contracts which are listed on Schedule 2.2(b) (the "**Excluded Contracts**");

(c) any Permit which is listed on Schedule 2.2(c);

(d) the Initial Operational Holdback;

(e) all Palomar's Plans and the assets of all Palomar's Plans and any asset that would revert to the employer upon the termination of any Palomar's Plans, including any assets representing a surplus or overfunding of any Palomar's Plans, provided that these shall not be Excluded Assets if the corresponding liabilities are assumed;

(f) all intercompany obligations of Palomar;

(g) the Non-Transferred Foundation Funds; and

(h) the Licensed Items (as such term is defined in the Use Agreement).

2.3 Assumed Liabilities. On the terms and subject to the conditions set forth in this Agreement, the Authority will assume the Liabilities that relate exclusively and are solely associated with the Contributed Assets and the Poway Facilities and that do not constitute Excluded Liabilities, whether arising before or after the effective date of the contribution of the Contributed Assets; *provided, however*, that, the Authority shall also become a party to the Pre-Authority Loan Documents and the Credit Line Documents and shall be co-obligated under such documents alongside Palomar and PHMG with respect to the Pre-Authority Advances and the Credit Line (the "**Assumed Liabilities**").[1]

2.4 Excluded Liabilities. Other than the Assumed Liabilities, the Authority will not be responsible for paying, performing, discharging, or assuming, and none of the Contributed Assets will be or become liable for or subject to any Liabilities of Palomar or any other Palomar Affiliate (the "**Excluded Liabilities**"). Palomar will, and will cause each Palomar Affiliate to, pay, perform, and discharge all Excluded Liabilities which any of them is obligated to pay, perform, and discharge when such Excluded Liabilities become due and payable. Without limiting the generality of the foregoing, the Excluded Liabilities include the following: (a) any Liability that the Authority is unable to assume under its Sexual Violence and Sexual Harassment Policy as in effect from time to time; (b) any Liability accruing from, arising out of, or relating to the Management Services Agreement, dated March 18, 2024, by and between Mesa Rock Healthcare Management, Inc. and Palomar (the "**Mesa Rock MSA**"); (c) any Liability accruing from, arising out of, or relating to the Staffing Agreement by and among Vaya Workforce Solutions, LLC, Palomar and PHD; (d) any Liabilities related to Palomar Employees who are not leased to the Authority under the Employee Lease Agreement and any Liabilities related to the payment of compensation, including incentive or variable compensation for services or employment by a Palomar Employee before the

[1] **Note to Palomar**: Please include a description of the $3M retention payment and language that allows the Authority rights following closing to address matters related to the retention payment following closing. There is a FN in the ICA Disclosure Schedules requesting more information regarding this matter. There is no disagreement about the retention payment being an Assumed Liability.

Operational Date, or as otherwise excluded under the terms of the Employee Leasing Agreement or applicable amendment to a Palomar Employee's employment agreement; (e) any Liabilities related to payment of expenses or other costs utilizing the funds under the Initial Operational Holdback; (f) any Liabilities related to the payment of expenses or other costs associated with the Non-Scheduled Transactional Expenses; (f) any Liabilities arising as co-obligator of the Scheduled Transactional Expenses; (f) any Liabilities related to the Non-Transferred Foundation Funds or the use of the Non-Transferred Funds; and (g) any Liabilities arising from the relationship between the Foundation and Palomar, including all Liabilities arising under the TSA, unless expressly assumed under the Foundation Funds Transfer Agreement or unless otherwise agreed to by the Authority.

2.5 Substitution of the Authority as the Sole Member of PHMG. Effective as of the Operational Date, and subject to the conditions contained in this Agreement, Palomar will surrender its membership interest in PHMG (the "**PHMG Membership Interest**") and cause the Constituent Documents of PHMG to be amended to provide for the Authority to be the sole corporate member of PHMG, along with any other changes required by the Authority. Palomar and PHMG will deliver: (a) the Amendment to Articles of Incorporation of PHMG, substantially in the form of **Exhibit B** attached hereto (the "**Amended PHMG Articles**"); and (b) the Amended and Restated Bylaws of PHMG, substantially in the form of **Exhibit C** attached hereto (the "**Amended and Restated PHMG Bylaws**").

2.6 Substitution of the Authority as the Sole Member of PHD. Effective as of the Operational Date, and subject to the conditions contained in this Agreement, Palomar will surrender its membership interest in PHD (the "**PHD Membership Interest**") and cause the Constituent Documents of PHD to be amended to provide for the Authority to be the sole corporate member of PHD, along with any other changes required by the Authority. Palomar and PHD will deliver: (a) the Amendment to Articles of Incorporation of PHD substantially in the form of **Exhibit D** attached hereto (the "**Amended PHD Articles**"); and (b) the Amended and Restated Bylaws of PHD substantially in the form of **Exhibit E** attached hereto (the "**Amended and Restated PHD Bylaws**").

2.7 Foundation Matters.

(a) Palomar represents to the Authority that the Foundation has, before the Effective Date (i) adopted the Amended and Restated Bylaws of the Foundation in the form attached as **Exhibit N** attached hereto (the "**Amended and Restated Foundation Bylaws**"); and (ii) reduced the size of its Board of Directors to three (3).

(b) Effective as of the Operational Date, Palomar and the Authority will enter into a funds transfer agreement in the form attached hereto as **Exhibit O** (the "**Foundation Funds Transfer Agreement**"), in which Palomar will transfer to the Authority all funds received from the Foundation that the Authority has agreed in writing to accept under the Foundation Funds Transfer Agreement (the "**Transferred Foundation Funds**"). The Transferred Foundation Funds will be transferred via wire transfer of immediately available funds to the Authority's designated bank account: (i) as of the Operational Date; or (ii) within five (5) Business Days following Palomar's receipt of the Transferred Foundation Funds from the Foundation or applicable third party.

(c) Palomar will irrevocably appoint the Authority as its true and lawful attorney-in-fact to do or cause to be done on behalf of Palomar all actions to effect the Funds Transfer Agreement with respect to the Transferred Foundation Funds, to review and comment on documents to be entered into by the Foundation and Palomar to effectuate the matters set forth below in **Section 2.7(e)**, and also to communicate directly with the Foundation on: (i) that certain Palomar Health Foundation Transition

Services Agreement, by and between Palomar and the Foundation, of even date herewith (the "**TSA**");[2] (ii) that certain Sublease, by and between Palomar and the Foundation, dated March 1, 2022, by and between the District and the Foundation, for the sublease of Suite 340 at 2125 Citracado Parkway; (iii) agreements and arrangements between Palomar and the Foundation that involve the use of equipment located in the Facilities or other space owned or leased by the Authority; (iv) the Transferred Foundation Funds and restriction on use the Non-Transferred Funds; and (v) other matters pertaining to Palomar and the Authority (the "**Foundation Power of Attorney**").[3]

(d) Palomar and the Foundation anticipate that following the Operational Date, the Foundation will amend its Articles of Incorporation by approving and adopting the amendment to the Foundation Articles of Incorporation attached hereto as **Exhibit P** (the "**Amended Foundation Articles**"). Palomar covenants and agrees that, to the extent its consent is required in connection with the Amended Foundation Articles, such consent shall be timely delivered without condition.

(e) [Palomar will use best efforts to deliver to the Authority evidence of the following: (i) to the extent the California Attorney General's approval is required, all of the Foundation's correspondence with and filings made to the California Attorney General's office relating to the Attorney General's approval of the filing of the Amended Foundation Articles; (ii) all of the Foundation's correspondence with and filings to the California Secretary of State relating to the filing of the Amended Foundation Articles, following, as applicable, approval from the Attorney General; and (iii) all of the Foundation's correspondence with and filings made to the Internal Revenue Service to implement any changes to the Foundation and its relationship with the Authority, to the extent the Authority requests a change in structure that requires such filings and approvals from Governmental Authorities; provided, however, that all governmental filings necessary to effect this conversion shall be made no later than sixty (60) days following a request from the Authority ("**Changes to Foundation Arrangement**")and shall be completed no later than July 1, 2027, unless the Parties mutually agree in writing to extend such time period. Failure of the Foundation to make all filings necessary to effect the Amended Foundation Articles or Changes to Foundation Arrangement will result in the Authority having a right to terminate the Foundation Funds Transfer Agreement with immediate effect upon written notice to Palomar. Further upon termination of the Foundation Funds Transfer Agreement, Palomar will be obligated to immediately terminate all arrangements between Palomar and the Foundation and return any funds received from Palomar that have not already been utilized, unless otherwise directed in writing by the Authority.][4]

2.8 Property Taxes. Unless the Poway Real Property and the TIC Property Interest are exempt from property taxation, the Authority will pay all installments of Property Taxes due from and after the Operational Date. For the avoidance of any doubt, Palomar will pay, on or before the Operational Date, any and all delinquent Property Taxes for the Poway Real Property and the TIC Property Interest, if any.

2.9 After-Contributed Assets. Notwithstanding anything to the contrary in this Agreement, if after the Operational Date, (i) it is determined by either Party (or UCSD Health, by notice to the Authority) that Palomar or any Palomar Entity holds any right, title or interest in or to, or (ii) Palomar acquires, receives, or is otherwise deemed to hold any right, title or interest, in or to, any asset, property or right that would have constituted part of the Poway Facilities, the TIC Property Interest or a Contributed Asset, had Palomar the Parties known of such asset, property, or rights as of the Operational Date (collectively, the

[2] **Note to Palomar**: The TSA contemplates that the Foundation will use space and equipment owned or leased by the Authority. Will the equipment constitute Excluded Assets? Please attach the Sublease to the TSA.

[3] **Note to Palomar:** Please provide a draft of the Foundation POA.

[4] **Note to Palomar**: All of Section 2.7 and, in particular, Section 2.7(e) is subject to further discussion and input from BBK, and changes to the Articles are not sufficient to require the Authority to assume all obligations of the Foundation.

"**After-Contributed Assets**"), Palomar will promptly notify the Authority and UCSD Health in writing of such acquisition or receipt, and will, at the Authority's or UCSD Health's request, take all actions reasonably necessary to transfer, convey, assign and deliver to the Authority all of Palomar's or such or any Palomar Entity's right, title and interest in and to such After-Contributed Assets, free and clear of all Encumbrances, absent the Permitted Encumbrances; *provided; however*, Palomar's obligations under this **Section 2.9** will not require Palomar to transfer After -Contributed Assets that would exceed forty-nine percent (49%) of the total assets owned by Palomar, but Palomar will be required to transfer all After-Contributed Assets up to such forty-nine percent (49%) threshold.

2.10 Other Owners of Contributed Assets. The Parties acknowledge that if it is determined that any Contributed Assets are owned by one or more Palomar Affiliates rather than Palomar, then: (a) for purposes of all representations, warranties, covenants and agreements contained herein, Palomar agrees that (i) its obligations with respect to any Contributed Assets will be joint and several with any Palomar Affiliate which owns or controls such Contributed Assets; (ii) the representations and warranties herein, to the extent applicable, will be deemed to have been made by Palomar by, on behalf of and with respect to, and with such knowledge possessed by, such Palomar Affiliates; and (iii) Palomar has the legal capacity to cause, and it will cause, any Palomar Affiliate that owns or controls any Contributed Assets to meet all of Palomar's obligations under this Agreement with respect to such Contributed Assets; and (b) Palomar hereby waives any defense to a claim made by the Authority under this Agreement based on the failure of any Person who owns or controls the Contributed Assets to be a Party.

2.11 Transfer Taxes. All Transfer Taxes incurred in connection with the Contemplated Transactions will be borne by the Authority.

2.12 Initial Holdback Amount.

(a) Effective as of the Operational Date, Palomar will have transferred to the Authority, through this Agreement and the Use Agreement, the right to operate substantially all of Palomar's business and related assets. From and after the Operational Date, Palomar's ongoing operations are primarily for the purpose of administering the Go and fulfilling its obligations under the Transaction Agreements ("**Palomar's Post-Authority Operations**"), which obligations are in support of Palomar's ongoing missions and efforts made by and through the Authority. Notwithstanding Palomar's obligation on the Operational Date to transfer all of its cash and cash equivalents to the Authority as part of the Contributed Assets, Palomar may retain (i) a portion of the cash not to exceed One Million Dollars ($1,00,000.00, unless otherwise agreed by the Parties (the "**Initial Operational Holdback**") to support Palomar's Post-Authority Operations for the period from the Operational Date through and including June 30, 2027.

(b) Thereafter, the cost and expense of Palomar's Post-Authority Operations will be funded through an annual remittance of a portion of the unrestricted property tax revenues received by the Authority pursuant to the Tax Revenue Contribution Agreement (as further described and defined in the Tax Revenue Contribution Agreement, the "**District Operations Allowance**").

[5]

(c) On June 24, 2026, Palomar provided a statement of the outstanding Transactional Expenses, which is attached hereto as Schedule 3("**Scheduled Transactional Expenses**").

[5] **Note to Palomar**: See Section 2.2(a) of the Tax Contribution Agreement, which addresses the concerns raised by Palomar

3. Closing

3.1 Operational Date. The consummation of the Contemplated Transactions (the "**Closing**") will take place electronically by the mutual exchange of documents via electronic mail in portable document format (.PDF) on the Effective Date, with the Closing being effective as of July 1, 2026 (the "**Operational Date**") as of 12:00:01 a.m. Pacific Time on the Operational Date (the "**Effective Time**").

3.2 Palomar's Closing Deliveries. At the Closing and unless otherwise waived in writing by the Authority, Palomar will deliver the following to the Authority and require each applicable Palomar Entity to deliver to the Authority, each in form and substance reasonably satisfactory to the Authority:

(a) a grant deed or deeds (as determined by the Authority) substantially in the form attached hereto as **Exhibit F** ("**Grant Deed**"), duly executed, and acknowledged by Palomar and any other applicable Palomar Entity, conveying to the Authority fee simple title to the Poway Real Property and the TIC Property Interest;

(b) a bill of sale substantially in the form attached hereto as **Exhibit G**, conveying to Palomar the tangible Contributed Assets (the "**Bill of Sale**"), duly executed by Palomar and, as applicable, any other Palomar Entity;

(c) an assignment and assumption agreement substantially in the form attached hereto as **Exhibit H,** conveying to the Authority the Assumed Contracts and any other Contributed Assets not otherwise conveyed by any other Transaction Agreement (the "**Assignment and Assumption Agreement**"), duly executed by Palomar and, as applicable, any other Palomar Entity;

(d) an assignment and assumption agreement substantially in the form attached hereto as **Exhibit I,** creating co-borrower rights and liabilities under the Existing Loan Documents and the Credit Line Documents ("**Co-Borrower Assignment and Assumption Agreement**"), duly executed by Palomar and, as applicable, any other Palomar Entity;

(e) as applicable, a Limited Power of Attorney for use of U.S. Drug Enforcement Administration ("**DEA**") registration numbers and other registration numbers, and DEA Order Forms (the "**Power of Attorney**"), duly executed by Palomar and, as applicable, any other Palomar Entity, and any necessary individual, authorizing the Authority to utilize Palomar's and, as applicable, any other Palomar Entity, if any, federal and state controlled substances permits and pharmacy licenses;

(f) intellectual property assignment agreements, substantially in the form attached hereto as **Exhibit J,** conveying the Transferred Intellectual Property (the "**Intellectual Property Assignment Agreement**"), duly executed by Palomar and, as applicable, any other Palomar Entity;

(g) with respect to each Lease Agreement to which Palomar is a party, an assignment of such Lease Agreement, substantially in the form attached hereto as **Exhibit K** (each, a "**Lease Assignment**"), duly executed by Palomar and, as applicable, any other Palomar Entity, together with such consents to assignment, non-referral certificates, estoppel certificates, subordination, non-disturbance, and attornment agreements or similar documents as requested by the Authority and in forms reasonably acceptable to the Authority;

(h) an owner's affidavit in the form required by the Title Company to issue the Title Policy;

(i) copies of resolutions duly adopted by the board of Palomar authorizing and approving: (i) Palomar's performance of the Contemplated Transactions, including authorizing the transfer of the Contributed Assets and transfer of the Assumed Liabilities by to the Authority; (ii) the execution and delivery of this Agreement and the other Transaction Agreements, certified as true and in full force and effect as of the Operational Date, by the appropriate officer of Palomar, and (iii) the Foundation Power of Attorney;

(j) copies of resolutions duly adopted by Palomar as the sole member of PHMG authorizing and approving: (i) the Amended PHMG Articles; (ii) the Amended and Restated PHMG Bylaws; and (iii) the execution and delivery of the other Transaction Agreements in which PHMG is a party, as applicable, certified as true and in full force and effect as of the Operational Date, by the appropriate officer of PHMG;

(k) copies of resolutions duly adopted by the PHMG board authorizing and approving: (i) the Amended PHMG Articles; (ii) the Amended and Restated PHMG Bylaws; and (iii) the execution and delivery of the other Transaction Agreements in which PHMG is a party, as applicable, certified as true and in full force and effect as of the Operational Date, by the appropriate officer of PHMG;

(l) copies of resolutions duly adopted by Palomar as the sole member of PHD authorizing and approving: (i) the Amended PHD Articles; (ii) the Amended and Restated PHD Bylaws; and (iii) the execution and delivery of the other Transaction Agreements in which PHD is a party, as applicable, certified as true and in full force and effect as of the Operational Date, by the appropriate officer of PHD;

(m) copies of resolutions duly adopted by the PHD board authorizing and approving: (i) the Amended PHD Articles; (ii) the Amended and Restated PHD Bylaws; and (iii) the execution and delivery of the other Transaction Agreements in which PHD is a party, as applicable, certified as true and in full force and effect as of the Operational Date, by the appropriate officer of PHD;

(n) copies of resolutions duly adopted by PHMG as the sole member of SDEMA authorizing and approving: (i) the Amended SDEMA Articles; (ii) the Amended and Restated SDEMA Bylaws; and (iii) the execution and delivery of the other Transaction Agreements in which SDEMA is a party, as applicable, certified as true and in full force and effect as of the Operational Date, by the appropriate officer of SDEMA;

(o) copies of resolutions duly adopted by the SDEMA board authorizing and approving: (i) the Amended SDEMA Articles; (ii) the Amended and Restated SDEMA Bylaws; and (iii) the execution and delivery of the other Transaction Agreements in which SDEMA is a party, as applicable, certified as true and in full force and effect as of the Operational Date, by the appropriate officer of SDEMA;

(p) copies of resolutions duly adopted by the Foundation board authorizing and approving the items explicitly set forth in **Section 2.7(a)**;

(q) evidence of filing with the California Secretary of State of the Amended PHMG Articles, effective as of the Operational Date;

(r) evidence of filing with the California Secretary of State of the Amended SDEMA Articles, effective as of the Operational Date;

(s) evidence of filing with the California Secretary of State of the Amended Foundation Articles, effective as of the Operational Date;

(t) the adopted Amended and Restated PHMG Bylaws, Amended and Restated PHD Bylaws, Amended and Restated SDEMA Bylaws, and Amended and Restated Foundation Bylaws;

(u) evidence of dissolution of PAC and Palomar Health Technology;

(v) a certificate, dated as of the Operational Date, of Palomar certifying: (i) each of the representations and warranties of Palomar on behalf of Palomar and the Palomar Entities contained in this Agreement and the other Transaction Agreements will be true and correct as of the Operational Date; (ii) each of the covenants and obligations that Palomar and a Palomar Entity and are required to perform or to comply with pursuant to this Agreement at or before the Closing must have been duly performed and complied with in all material respects; and (iii) the incumbency of the officers of Palomar on the Operational Date and bearing the authentic signatures of all such officers who will execute this Agreement and any additional documents contemplated by this Agreement or the Transaction Agreements;

(w) evidence of procurement of the Post-Operational Insurance Policies, the payment for which shall be borne by the Authority;

(x) a properly completed and duly executed IRS Form W-9 for Palomar;

(y) all Material Consents, including those from the debtholders and the Joint Ventures;

(z) the Employee Leasing Agreement, duly executed by Palomar;

(aa) the Tax Revenue Contribution Agreement, duly executed by Palomar;

(bb) the Closing Agreement, duly executed by Palomar;

(cc) the Use Agreement, duly executed by Palomar;

(dd) documentation evidencing transfer of the interests in the JV Interests from Palomar or the applicable Palomar Entity to the Authority and receipt of all applicable consents from any other Person in connection with such assignment;

(ee) assignments and applications for transfer of title to the motor vehicles used in the Business;

(ff) evidence of lockbox/with standing sweep orders/DACAs;

(gg) evidence of termination of the Mesa Rock MSA;

(hh) the Employee Waiver(s);

(ii) resignation of Diane Hansen from her role as Chief Executive Officer of Palomar so that she may serve as the Chief Executive Officer of the Authority, and the resignation of the other officers of Palomar so that they may serve as officers of the Authority; *provided, however,* such individuals will remain employees of Palomar;

(jj) Amendment to Employment Agreement, duly executed by Palomar and the applicable individual;

(kk) Tenant in Common Agreement in the form attached as **Exhibit M** (the "**TIC Agreement**"), duly executed by Palomar to govern the undivided tenant in common interests of Palomar and the Authority in and to the Escondido Property;

(ll) the Foundation Funds Transfer Agreement, duly executed by Palomar;

(mm) the Foundation Power of Attorney, duly executed by Palomar; and

(nn) such other agreements, instruments, and documents as UCSD Health or the Authority deems reasonably necessary to effectuate the Contemplated Transactions, including as may be required by applicable third parties;

3.3 The Authority's Closing Deliveries. At or before the Closing and unless otherwise waived in writing by Palomar, the Authority will deliver the following to Palomar, each in form and substance reasonably satisfactory to Palomar:

(a) the Bill of Sale, duly executed by the Authority;

(b) the Lease Assignments, duly executed by the Authority;

(c) the Assignment and Assumption Agreement, duly executed by the Authority;

(d) the Intellectual Property Assignment Agreement, duly executed by the Authority;

(e) the Employee Leasing Agreement, duly executed by the Authority;

(f) the Tax Revenue Contribution Agreement, duly executed by the Authority;

(g) the Use Agreement, duly executed by the Authority;

(h) the Closing Agreement, duly executed by the Authority;

(i) the TIC Agreement, duly executed by the Authority;

(j) copies of resolutions duly adopted by the governing body of the Authority authorizing and approving: (i) the Authority's performance of the Contemplated Transactions; and (ii) the execution and delivery of this Agreement and the other Transaction Agreements, certified as true and in full force and effect as of the Operational Date, by the appropriate officer of the Authority;

(k) a certificate, dated as of the Operational Date, of the Authority certifying the incumbency of the officers of the Authority as of the Operational Date and bearing the authentic signatures of all such officers who will execute this Agreement and any additional documents contemplated by this Agreement or the Transaction Agreements;

(l) a Preliminary Change of Ownership Report(s) (BOE-502-A) with respect to the Poway Real Property, duly executed by the Authority;

(m) a Preliminary Change of Ownership Report(s) (BOE-502-A) with respect to the TIC Property Interest, duly executed by the Authority;

(n) the Foundation Power of Attorney, duly executed by the Authority;

(o) the Foundation Funds Transfer Agreement, duly executed by the Authority;

(p) Co-Borrower Assignment and Assumption Agreement, duly executed by the Authority; and

(q) such other agreements, instruments, and documents which Palomar and UCSD Health mutually deem reasonably necessary to effectuate the Contemplated Transactions.

3.4 Additional Acts. From time to time after the Effective Time, each of Palomar and the Authority will, and will cause its Affiliates to, execute, acknowledge, and deliver all such further conveyances, notices, assumptions, releases, and acquittances and such other instruments, and will take such further actions, as may be necessary or appropriate to assure fully to the Authority and its respective successors or assigns, all of the properties, rights, titles, interests, estates, remedies, powers, and privileges relating to the Contributed Assets conveyed to the Authority under this Agreement and the other Transaction Agreements and to otherwise make effective the Contemplated Transactions. Palomar also will furnish the Authority with such requested information and documents in Palomar's or a Palomar Affiliate's possession or under Palomar's or a Palomar Affiliate's control, or which Palomar or a Palomar Affiliate can execute or cause to be executed, as will enable the Authority to prosecute any and all petitions, applications, claims, and demands relating to or constituting a part of the Contributed Assets. The terms of this **Section 3.4** will survive indefinitely and will not be subject to any other time limitations contained in this Agreement.

4. REPRESENTATIONS AND WARRANTIES OF PALOMAR AND PALOMAR ENTITIES

Palomar hereby represents, warrants, and covenants to the Authority that the statements contained in this **Section 4** are true and correct as of the Effective Date and will be true and correct as of the Operational Date (except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date).

4.1 Organization; Capacity, Subsidiaries and Joint Ventures.

(a) Palomar is in good standing under the Laws of the State of California. Palomar is duly authorized, qualified to do business, and in good standing under all applicable Laws of any jurisdictions (domestic and foreign) in which the character or the location of the assets owned or leased by it or the nature of the business conducted by it requires such authorization or qualification. Palomar has the requisite power and authority to enter into this Agreement and the other Transaction Agreements to which Palomar will become a party hereunder. The consummation of the Contemplated Transactions will not violate the provisions set forth in California Government Code §1090. No Palomar Entity has entered into any agreements or other arrangements that violate the provisions set forth in California Government Code §1090.

(b) PHMG is in good standing under the Laws of the State of California. PHMG is duly authorized, qualified to do business, and in good standing under all applicable Laws of any jurisdiction (domestic and foreign) in which the character or the location of the assets owned or leased by it or the nature of the business conducted by it requires such authorization or qualification. Palomar is the sole member of PHMG, and no other Person has any option or other rights to become a member of

PHMG, or has any right to act as a member pursuant to applicable Law or rights under the Constituent Documents of PHMG.

(c) PHD is in good standing under the Laws of the State of California. PHD is duly authorized, qualified to do business, and in good standing under all applicable Laws of any jurisdiction (domestic and foreign) in which the character or the location of the assets owned or leased by it or the nature of the business conducted by it requires such authorization or qualification. Palomar is the sole member of PHD, and no other Person has any option or other rights to become a member of PHD, or has any right to act as a member pursuant to applicable Law or rights under the Constituent Documents of PHD.

(d) SDEMA is in good standing under the Laws of the State of California. SDEMA is duly authorized, qualified to do business, and in good standing under all applicable Laws of any jurisdiction (domestic and foreign) in which the character or the location of the assets owned or leased by it or the nature of the business conducted by it requires such authorization or qualification. PHMG is the sole member of SDEMA, and no other Person has any option or other rights to become a member of SDEMA, or has any right to act as a member pursuant to applicable Law or rights under the Constituent Documents of SDEMA.

(e) To the Knowledge of Palomar, each JV Entity is duly organized, validly existing, and in good standing under the Laws of its respective state of formation, and has the full power to carry on its business and to own, operate, and/or lease the assets used in connection with its business as presently conducted. To the Knowledge of Palomar, each of the Joint Ventures has registered with the proper Governmental Authority all assumed names under which it operates its business(es) and continuously maintains all such filings in good standing. Palomar has made available true, correct, and complete copies of the Constituent Documents of the Joint Ventures.

(f) The organizational chart attached as Schedule 4.1(f) is an accurate and complete description of the ownership structure of Palomar and the Palomar Entities, including Palomar's or any other Palomar Entity's ownership interests in the Joint Ventures. Neither Palomar nor the Palomar Entities has any ownership interests in a Person not identified on such organizational chart. The interest held by Palomar or a Palomar Entity in any Person was acquired in compliance with applicable Law.

(g) Palomar's or the applicable Palomar Entity's interests in each JV Entity is: (i) fully owned by Palomar or applicable Palomar Entity; (ii) duly authorized, validly issued, fully paid and non-accessible; and (iii) not subject to any Encumbrances, options, warrants, calls, commitments, agreements or other rights to purchase some or all of the any interest in such JV Entity, except as otherwise listed on Schedule 4.1(g), which rights to purchase have not been exercised. To the extent required, all necessary consents for the transfer of the interests in the Joint Ventures have been obtained or will be obtained before the Operational Date.

4.2 Authority; Non-contravention; Binding Agreement.

(a) The execution, delivery and performance by Palomar of this Agreement and the other Transaction Agreements to which it is a party or will become a party, and the consummation by Palomar of the Contemplated Transactions and its obligations under the Transaction Agreements: (i) have been duly and validly authorized and approved by all necessary corporate actions, as applicable, on the part of Palomar, none of which actions have been modified or rescinded and all of which actions remain in full force and effect; (ii) are within Palomar's corporate powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of Palomar; (iii) except as set forth on Schedule 4.2, do not and will not require any Approval of, filing or registration

with, the issuance of any Permit by, or any other action to be taken by, any Governmental Authority to be made or sought by Palomar in reference to the Contemplated Transaction; (iv) except as set forth on Schedule 4.2, do not and will not require any Approval for the assignment of the Assumed Contracts, Assumed Leases or other Contributed Assets to the Authority 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 (other than Permitted Encumbrances) upon, any of the Contributed Assets under (x) any Contract or Permit applicable to any of the Contributed Assets or (y) any Order or Law applicable to any of the Contributed Assets, the Facilities or the Business or which Palomar may be subject related to consummation of the Contemplated Transactions. This Agreement and the other Transaction Agreement to which Palomar is or will become a party are and will constitute the valid and legally binding obligations of Palomar and are and will be enforceable against Palomar in accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

(b) The execution, delivery and performance by PHMG of the Transaction Agreements to which it is a party or will become a party, and the consummation of the Contemplated Transactions and its obligations under the Transaction Agreements: (i) have been duly and validly authorized and approved by all necessary corporate actions, as applicable, on the part of PHMG, none of which actions have been modified or rescinded and all of which actions remain in full force and effect; (ii) are within PHMG's corporate powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of PHMG; (iii) except as set forth on Schedule 4.2, do not and will not require any Approval of, filing or registration with, the issuance of any Permit by, or any other action to be taken by, any Governmental Authority to be made or sought by PHMG in reference to the Contemplated Transaction; (iv) except as set forth on Schedule 4.2, do not and will not require any Approval for the assignment of the Assumed Contracts, Assumed Leases or other Contributed Assets to the Authority 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 (other than Permitted Encumbrances) upon, any of the Contributed Assets under (x) any Contract or Permit applicable to any of the Contributed Assets or (y) any Order or Law applicable to any of the Contributed Assets, the Facilities or the Business or which PHMG may be subject related to consummation of the Contemplated Transactions. The Transaction Agreements to which PHMG is or will become a party are and will constitute the valid and legally binding obligations of PHMG and are and will be enforceable against PHMG in accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

(c) The execution, delivery and performance by PHD of the Transaction Agreements to which it is a party or will become a party, and the consummation of the Contemplated Transactions and its obligations under the Transaction Agreements: (i) have been duly and validly authorized and approved by all necessary corporate actions, as applicable, on the part of PHD, none of which actions have been modified or rescinded and all of which actions remain in full force and effect; (ii) are within PHD's corporate powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of PHD; (iii) except as set forth on Schedule 4.2, do not and will not require any Approval of, filing or registration with, the issuance of any Permit by, or any other action to be taken by, any Governmental Authority to be made or sought by PHD in reference to the Contemplated Transaction; (iv) except as set forth on Schedule 4.2, do not and will not require any Approval for the assignment of the Assumed Contracts, Assumed Leases or other Contributed Assets to the Authority 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 (other than Permitted Encumbrances) upon, any of the Contributed Assets under (x) any Contract or Permit applicable to any of the Contributed Assets or (y) any Order or Law applicable to any of the Contributed Assets, the Facilities or the Business or which PHD may be subject related to consummation of the Contemplated Transactions. The Transaction Agreements to which PHD is or will become a party are and will constitute the valid and legally binding obligations of PHD and are and will be enforceable against PHD in accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

(d) The execution, delivery and performance by any other Palomar Entity of the Transaction Agreements to which it is a party or will become a party, and the consummation of the Contemplated Transactions and its obligations under the Transaction Agreements: (i) have been duly and validly authorized and approved by all necessary corporate actions, as applicable, on the part of such Palomar Entity, none of which actions have been modified or rescinded and all of which actions remain in full force and effect; (ii) are within such entity's corporate powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of such Palomar Entity; (iii) except set forth on Schedule 4.2, do not and will not require any Approval of, filing or registration with, the issuance of any Permit by, or any other action to be taken by, any Governmental Authority to be made or sought by such entity in reference to the Contemplated Transaction; (iv) except as set forth on Schedule 4.2, do not and will not require any Approval for the assignment of the Assumed Contracts, Assumed Leases or other Contributed Assets to the Authority 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 (other than Permitted Encumbrances) upon, any of the Contributed Assets under (x) any Contract or Permit applicable to any of the Contributed Assets or (y) any Order or Law applicable to any of the Contributed Assets, the Facilities or the Business or which such Palomar Entity may be subject related to consummation of the Contemplated Transactions. The Transaction Agreements to which such Palomar Entity is or will become a party are and will constitute the valid and legally binding obligations of such entity and are and will be enforceable against such Palomar Entity in accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

4.3 Bring Down. All of Palomar's and PHMG's representations and warranties in, as applicable, the Master Indenture, the Pre-Authority Loan Documents, the Credit Line Documents, the Assured Forbearance Agreement, the Sharp Loan Agreement, the other Sharp Loan Documents, the Sharp Forbearance Agreement, and the other Trust Indenture Documents (except, as applicable, as modified by the Assured Forbearance Agreement and/or the Sharp Forbearance Agreement) are true, correct and complete (and all such representations and warranties are hereby incorporated herein by this reference and remade to and for the benefit of the Authority).

4.4 Title to Assets. Except as set forth on Schedule 4.4, no Person other than Palomar owns or holds in its name the Contributed Assets (including the Transferred Intellectual Property), used, or held for use in, or otherwise relating to, the Business or located at the Poway Facilities or TIC Property Interest or, except for personal property of Palomar employees, patients, or visitors. Palomar is conveying to the Authority, and the Authority is acquiring good and marketable title to the Contributed Assets, free and clear of all Encumbrances other than the Permitted Encumbrances. There are no outstanding rights (including any right of first refusal or right of first offer), options, or Contracts giving any Person any current or future right to require Palomar to sell or transfer to such Person or to any third-party any interest in any of the

Contributed Assets. All tangible Contributed Assets are in good operating condition, subject to ordinary wear and tear, and are adequate for the uses to which they are being put. None of the tangible Contributed Assets requires maintenance or repairs, except for ordinary, routine maintenance and repairs that are not material in nature or cost. Further, neither PHMG, PHD, nor any other Palomar Entity or Palomar Affiliate owns any tangible assets that are material to the operation of the Business or the Facilities.

4.5 Financial Information.

(a) Schedule 4.5(a) contains the following financial statements and financial information of the Business (collectively, the "**Historical Financial Information**"):

(i) audited consolidated balance sheets, income statements, statements of cash flows of the Business (including the accompanying consolidating schedules of balance sheet information and income statement information) as of, and for the twelve (12) month periods ended December 31, 2022, December 31, 2023, December 31, 2024, and [December 31, 2025];

(ii) an unaudited consolidated balance sheet of the Business (including the accompanying consolidating schedules of balance sheet information) as of the Balance Sheet Date (the "**Reference Balance Sheet**"); and

(iii) an unaudited consolidated income statement of the Business (including the accompanying consolidating schedules of income statement information) for the five (5) month period ended on the Balance Sheet Date.

(b) The Historical Financial Information is true, correct, and complete in all material respects and fairly presents the consolidated financial position of the Business as of the respective dates thereof and the consolidated results of the operations of the Business and changes in financial position for the respective periods covered thereby. The consolidated financial statements included in the Historical Financial Information have been prepared in accordance with GASB, applied on a consistent basis throughout the periods indicated (subject, in the case of the unaudited Historical Financial Information, to the absence of notes and normal year-end audit adjustments, the effect of which is not material, individually or in the aggregate), and are based on the information contained in the Records of Palomar. Palomar has not changed any accounting policy or methodology during the periods presented in the Historical Financial Information (including the accounting policies and methodologies for determining the obsolescence of Inventory or in calculating reserves, including reserves for uncollected accounts receivable).

(c) Schedule 4.5(c) sets forth all Indebtedness of a Palomar Entity. For each item of Indebtedness of each Palomar Entity, Schedule 4.5(c) correctly sets forth, as of the Operational Date, the debtor or borrower, creditor or lender, outstanding principal amount and accrued but unpaid interest, maturity date, the collateral, if any, securing the Indebtedness (in reasonable detail), and any prepayment, make-whole, breakage or other premiums, payments, fees costs or penalties required to be paid (in reasonable detail) to fully discharge such Indebtedness in connection with the consummation of the Contemplated Transactions.

(d) The Accounts Receivable reflected on the Financial Statement: (i) have arisen from bona fide healthcare or other transactions entered into by Palomar or any other applicable Palomar Entity, involving the sale of goods or the rendering of services in the ordinary course of business consistent with past practice; (ii) are not subject to claims of set-off or other defenses or counterclaims other than normal discounts accrued in the ordinary course of business consistent with past practice; and

(iii) subject to a reserve for bad debts shown on the Financial Statement or, with respect to accounts receivable arising after the Balance Sheet Date, are collectible in full within ninety (90) days after billing.

4.6 Permits.

(a) Schedule 4.6 sets forth the type of hospital or other licensure each Facility or Joint Venture is licensed as under applicable Law and the number of licensed beds at each Facility, or as applicable Joint Venture. The pharmacies, laboratories, and all other ancillary departments or services located at the Facilities or the Business that are required to be separately licensed are duly licensed by the appropriate Governmental Authority. Schedule 4.6 sets forth an accurate and complete list of all Permits owned or held by a Palomar Entity or a Joint Venture with respect to the Facilities and the Business, including the dates of issuance and expiration dates for each such Permit, and such Permits constitute all Permits necessary for a Palomar Entity to own and operate the Facilities and to carry on the Business as currently conducted. Palomar has made available accurate and complete copies for each Permit set forth on Schedule 4.6.

(b) PHMG is, and during the last six (6) years has been, in compliance with the requirements of California Health & Safety Code Section 1206(l) that are necessary to qualify PHMG for an exception to California's clinic license requirements. During the last six (6) years, PHMG has not received any written notice or inquiry from any Governmental Authority indicating that PHMG has failed to meet the requirements of Section 1206(l), nor, to the Knowledge of Palomar, is there any basis therefor.

(c) Palomar, the other Palomar Entities, and the Facilities, and to the Knowledge of Palomar, each Practitioner in the performance of services for the Business, is, and during the last six (6) years have been, in compliance in all material respects with the terms of such Permits. There are no provisions in, or agreements relating to, any Permits that preclude or limit Palomar or another Palomar Entity from operating the Facilities and carrying on the Business as currently conducted.

(d) No Permits relating to the Business, including any basis for an exception to the need for any particular Permit, will expire, terminate, or otherwise become invalid as a result of the Contemplated Transactions. There is no pending or, to the Knowledge of Palomar, threatened, Proceeding by or before any Governmental Authority to revoke, cancel, rescind, suspend, restrict, modify, or refuse to renew any Permit and all such Permits are unrestricted, in good standing, in full force and effect and to the Knowledge of Palomar no facts exists with respect to any such Permits or Approvals that allow, or after notice or the lapse of time or both, would allow the suspension, revocation, or termination of any Permits or Approvals.

(e) No Palomar Entity nor a Facility has received any written notice from any Governmental Authority regarding any material violation of any such Permits (other than those which have otherwise been corrected and which are set forth on Schedule 4.6). Palomar has delivered accurate and complete copies of all survey reports, deficiency notices, plans of correction, and related correspondence received by any Palomar Entity with respect to any Facility or the Business since January 1, 2022, in connection with the Permits relating to the Business or the Facilities.

(f) Each applicable Facility is duly accredited, without any conditions or non-conformities, by The Joint Commission through the period set forth on Schedule 4.6 Since the date of the most recent Joint Commission survey, no Palomar Entity nor the Facilities has made any changes in policy or operations that would cause the Facilities to lose such accreditations. Palomar has delivered a copy of each applicable Facility's Joint Commission accreditation reports and any reports, documents, or written correspondence relating thereto from the prior three (3) years.

4.7 Statutory Funds. Except as set forth on Schedule 4.7, neither Palomar nor any other Palomar Entity nor any of their respective predecessors has received any loans, grants, loan guarantees, donations, monies, or other financial assistance pursuant to the Hill-Burton Act program, the Health Professions Educational Assistance Act, the Nurse Training Act, the National Health Planning and Resources Development Act, or the Community Mental Health Centers Act, as amended, or similar Laws relating to healthcare facilities that remain unpaid or which impose any restrictions on the Business or the Contributed Assets.

4.8 Government Program Participation; Private Programs; Reimbursement.

(a) The Facilities and the Joint Ventures are certified for participation in Medicare and Medicaid and have current and valid payor agreements with such Government Programs and the Facilities are entitled to bill under, current payor agreements with certain private payors or programs, including any private insurance payor or program, self-insured employer, or other third party payor (each, a "**Private Program**") under which the Facilities or Palomar in respect of the Facilities directly or indirectly receive payments, each set forth on Schedule 4.8(a) Palomar has delivered accurate and complete copies of all Payor Agreements to the clean room of the VDR. Schedule 4.8(a) contains a list of all Provider Numbers.

(b) The Payor Agreements are each in full force and effect, and to the Knowledge of Palomar, no events or facts exist that would cause any Payor Agreement to be suspended, terminated, restricted, or withdrawn. A Palomar Entity has not received written notice from any Government Program or Private Program to the effect that it intends to cease or materially alter its business relationship with Palomar, whether as a result of the Contemplated Transactions or otherwise.

(c) For the last six (6) years, all billing and collection practices of, and claims submitted by a Palomar Entity and the Facilities in the operation of the Business, with respect to all Government Programs and Private Programs have been conducted in compliance in all respects with all applicable Laws and the billing guidelines of such Government Programs or Private Programs. The Palomar Entities have established and maintained commercially reasonable policies, procedures, and processes in accordance with all Laws for reviewing claims for covered services to applicable Payors (including processes for appealing denials of coverage), and has delivered accurate and complete copies of all policies, procedures, and processes to the Authority. To the Knowledge of Palomar, during the past six (6) years, the Palomar Entities and the Facilities have not submitted any claims that are cause for civil penalties or overpayments under, or mandatory or permissive exclusion from, any Government Program, Private Program, or under the terms of a Payor Agreement. Palomar and each Palomar Entity has maintained such records as required by applicable Law or third-party payor policy supporting the provision of services billed under all Government Programs and Private Programs. Other than claims processing adjustments arising in the ordinary course of business, during the past six (6) years, the Palomar Entities have not received any written notices from any Government Programs or Private Programs of any material audits, overpayments, false claims, civil monetary penalties, offsets or recoupments against future reimbursement that have not been fully resolved and the Palomar Entities have not received any notice of any outstanding overpayments or obligations to repay or refund any Government Programs or Private Programs. Any potential overpayment for which a Palomar Entity has credible information has been duly and diligently reviewed and assessed to determine whether any actual overpayment exists, and any actual overpayments have been appropriately and timely repaid to the applicable payors and individuals. The Palomar Entities and the Facilities have not waived or discounted co-payments or deductibles, except pursuant to a bona fide determination of financial need or after exhaustion of reasonable collection efforts. Except as set forth on Schedule 4.8(c), there are no pending appeals, adjustments, challenges, actions, or written notices of intent to audit, and no audits or inquiries with respect to prior claims or reports submitted to Government Programs or Private Programs. During

the past six (6) years, no Palomar Entity or a Facility has been audited, surveyed, or otherwise examined in connection with any Government Program or Private Program.

(d) During the past six (6) years, the Palomar Entities have timely filed all required Cost Reports relating to the Business and the Facilities for all fiscal years through and including the most recently completed fiscal year, and copies of all Cost Reports relating to the Business and the Facilities have been made available. All Cost Reports relating to the Business and the Facilities filed by or on behalf of the applicable Palomar Entities accurately reflect the information required to be included therein, and such Cost Reports do not claim, and neither the Palomar Entities nor the Facilities have received reimbursement in any amount in excess of the amounts allowed by Law or any applicable agreement. No facts or circumstances exist that would give rise to any disallowance under any such Cost Reports. Schedule 4.8(d) indicates which of such Cost Reports have not been audited and finally settled, and includes a brief description of any notices of program reimbursement, proposed or pending audit adjustments, disallowances, appeals of disallowances, and all other unresolved claims or disputes in respect of such Cost Reports. For the past six (6) years, the applicable Palomar Entities have also timely filed all reports, data, and other information to be filed with CMS regarding CMS Reporting obligations in support of a Palomar Entity's right to receive payments from Government Programs. No Palomar Entity or any managing employee of such entity has made or caused to be made a false statement or representation of a material fact in any report, data, or other information supporting Palomar's CMS Reporting.

4.9 Compliance with Laws.

(a) (i) The Palomar Entities and their officers, directors and key employees have conducted, and is now conducting, the Business, and has operated, and is operating the Facilities and the Business in compliance in all material respects with all applicable Laws; and (ii) the Palomar Entities have not received written notice of any violation of, alleged violation or potential violation of, or Liability under, any such Laws or that a Palomar Entity, or any officer, director or other Person acting on behalf of, a Palomar Entity, related to the operation or conduct of the Business or the Facilities, is under investigation or inquiry with respect to any violation or alleged violation of any Law applicable to a Palomar Entity, the Business or the Facilities. Except as otherwise provided on Schedule 4.9(a), during the past six (6) years, no Palomar Entity nor a Facility has received any written notification of any pending or threatened Proceeding or other action from any Governmental Authority of any potential or actual non-compliance by, or Liability of, a Palomar Entity or a Facility under any Law. Each applicable Palomar Entity has timely filed all reports, data, and other information required to be filed with such Governmental Authorities regarding the Facilities and the Business.

(b) Except as otherwise provided on Schedule 4.9(b), no event has occurred, and no condition exists, that would reasonably be expected to (with or without notice or lapse of time) constitute or result directly or indirectly in a violation by Palomar or another Palomar Entity of, or a failure on the part of a Palomar Entity to comply with, any Law relating to the operation and conduct of the Business, the Facilities or use of the Contributed Assets, or to bear all or any portion of the cost of, any remedial action.

(c) Except as otherwise provided on Schedule 4.9(c), the Palomar Entities, the Facilities and the Business have been during the past six (6) years and are presently in compliance in all respects with all applicable Law, including Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395lll (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended, 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396w-5 (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, as amended (the "**False Claims Act**"), the Stark Law, 42 U.S.C. § 1395nn; the Federal Health

Care Fraud law, 18 U.S.C. § 1347; Eliminating Kickbacks in Recovery Act of 2018,18 U.S.C. § 220; the Travel Act (18 U.S.C. § 1952); 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; the Exclusion Laws, 42 U.S.C. § 1320a-7; HIPAA; Relief Fund Payment Terms and Condition, any similar state and local Laws that address the subject matter of the foregoing; any state Law or precedent relating to the corporate practice of the learned or licensed healthcare professions; any state Law concerning the splitting of healthcare professional fees or kickbacks; any state Law concerning healthcare professional self-referrals; the solicitation or acceptance of improper incentives involving persons operating in the health care industry, including all federal and state Laws prohibiting or regulating fraud and abuse and patient inducements; any state healthcare professional licensure Laws, Laws governing the licensure and credentialing of healthcare professions and providers, qualifications or requirements for the practice of medicine or other learned healthcare professions; any state requirements for business corporations or professional corporations or associations that provide medical services or practice medicine or related learned healthcare profession; Laws concerning credentialing and licensure of facilities or providers of such services, standards of care, quality assurance, risk management, utilization review, peer review, and/or mandated reporting of incidents, occurrences, diseases, and events, advertising or marketing of health care services, the enforceability of restrictive covenants on health care providers, and workers compensation; any state pharmacy statutes and regulations, as well as state and federal controlled substance and drug diversion Laws, including the Federal Controlled Substances Act (21 U.S.C. § 801, et seq.) and the regulations promulgated thereunder; and all applicable implementing regulations, rules, ordinances and Orders related to any of the foregoing (the "**Healthcare Laws**").

(d) During the past six (6) years, neither a Palomar Entity nor any officer, director, or current employee of a Palomar Entity has been convicted of, charged with, or, to the Knowledge of Palomar, investigated for, or has engaged in conduct that would constitute an offense related to Medicare or any other Government Program.

(e) During the past six (6) years, neither a Palomar Entity, nor any officer, director or employee of a Palomar Entity, has: (i) been convicted of, charged with, had a complaint filed alleging a violation of any Law related to a breach of fiduciary duty, fraud, theft, embezzlement, kickbacks, bribes, other financial misconduct, obstruction of an investigation; (ii) been investigated for, or (iii) to the Knowledge of Palomar engaged in conduct that would constitute a violation of any Law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation.

(f) During the past six (6) years, none of the Palomar Entities, the Practitioners, the Facilities, any employee or any other officer, director, or employee of a Palomar Entity (whether an individual or entity) or to the Knowledge of Palomar, independent contractor who provides services to the Business, has been excluded from participating in any Government Program, subject to sanction pursuant to 42 U.S.C. § 1320a-7a or § 1320a-8, or been convicted of a crime described at 42 U.S.C. § 1320a-7b nor are any such exclusions, sanctions or charges pending or, to the Knowledge of Palomar, threatened.

(g) Any off-campus locations of each Facility that are treated by a Facility as being a provider-based location or department of such Facility (i) were in operation and billing the Medicare program under the outpatient prospective payment system for covered outpatient department services prior to November 2, 2015; (ii) are in compliance with the site-neutral programs of Section 603 of the Bipartisan Budget Act of 2015 and the requirements of CMS Regulations 42 C.F.R. § 413.65; and (iii) have been reported as practice locations on each Facility's Part A Medicare enrollment record.

(h) All of Palomar's and the other applicable Palomar Entities' Contracts or Lease Agreements with a Physician or any Immediate Family Members of any Physician, or any referral source or potential Referral Source involving services, supplies, payments, or any other type of remuneration are in writing, are signed by the appropriate parties, set forth the services, space or goods to be provided, are commercially reasonable, and provide for a compensation consistent with fair market value and that was consistent with fair market value at the time they were entered into in exchange for such services, space, or goods and comply with all applicable Law.

(i) The applicable Palomar Entities are in compliance with all applicable Laws regarding the selection, deselection, credentialing, and supervision of their Physicians and other Practitioners, including verification of licensing status and eligibility for reimbursement under Government Programs.

(j) Each individual currently employed by or contracted by a Palomar Entity to provide professional services, including the Practitioners to the Facilities, is duly licensed to provide such services, and, to the Knowledge of Palomar, is in compliance in all material respects with all Laws relating to such professional licensure and meets or met the qualifications to provide such professional services under applicable Law and the terms and conditions of the Payor Agreements to which a Palomar Entity or a Facility is a party, in each case during the periods during which such individual provided such services on behalf of such entity or the Facilities or Business.

(k) The Palomar Entities, and their Representatives have complied with the U.S. Foreign Corrupt Practices Act of 1977, as amended, the Corruption of Foreign Public Officials Act, the OECD Anti-Bribery Convention, and other applicable Laws regarding the use of funds for political activity or commercial bribery. Neither the Palomar Entities or their Representatives has, for or on behalf of the Palomar Entities, at any time, (i) made or caused to be made or provided, directly or indirectly, any type of payment, gift, contribution or similar item to a governmental official, political party, or candidate for office for the purpose of influencing a decision, inducing an official to violate their lawful duty, securing an improper advantage, or inducing an official to use their influence to affect a governmental decision; or (ii) accepted or received any unlawful payments, gifts, contributions or similar items. Neither the Palomar Entities or their Representatives has, directly or indirectly, taken any action in violation of any export restrictions, anti-boycott regulations, embargo regulations, or other similar applicable U.S. or foreign Laws. Neither the Palomar Entities nor their Representatives is a "**specially designated national**" or blocked Person under U.S. sanctions administered by OFAC. The Palomar Entities have not engaged in any business with any Person or in any country that it is prohibited for a U.S. Person to engage in any business with or under applicable Law or under applicable U.S. sanctions administered by the U.S. Department of the Treasury. Neither Palomar nor any Palomar Affiliate is a Person with whom U.S. Persons are restricted from doing business under regulations of OFAC (including those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive Order (including Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001), or the United and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56, or any other governmental action.

4.10 Information Privacy and Security Compliance. Except set forth in Schedule 4.10:

(a) The Palomar Entities are, and at all times have been for the past six (6) years, in compliance with (i) HIPAA, (ii) all other Information Privacy or Security Laws and all rules and regulations promulgated thereunder; (iii) all Contracts involving the Processing of Personal Information or Medical Records; and (iv) the privacy policies of the Facilities. The Palomar Entities have undertaken regular surveys, audits, inventories, reviews, analyses, and/or assessments of all areas of the Business required by the Information Privacy or Security Laws, including annual HIPAA risk analyses, and have

taken commercially reasonable steps to remediate and address vulnerabilities or deficiencies identified by such surveys, audits, inventories, reviews, analyses, and/or assessments.

(b) Palomar Entities currently maintain and implement, and at all times during the past six (6) years have maintained and implemented: (i) a notice of privacy practices and privacy, security, and breach notification policies and procedures as required by HIPAA, and are, and have been, in compliance in all material respects with such policies and procedures, and (ii) commercially reasonable safeguards (including administrative, physical, and technical measures) to protect the confidentiality, security, availability, and integrity of confidential information and Personal Information maintained, Processed, or transmitted by Palomar Entities in a manner consistent with Information Privacy or Security Laws. Palomar Entities have during the past three years made all legally required notifications and disclosures to Persons prior to the Processing of any Personal Information from such Persons and all such notifications and disclosures made or contained in any privacy policy, notice or other such disclosures have been and are accurate and in material compliance with appliable Information Privacy or Security Laws in all material respects.

(c) Palomar Entities have delivered to the Authority accurate and complete copies of the compliance policies and procedures and privacy notices of Palomar Entities relating to Information Privacy or Security Laws. Palomar Entities have designated a privacy official and a security official who perform the duties specified in 45 C.F.R. Part 164. Each Palomar Entity's respective workforces (as such term is defined in 45 C.F.R. § 160.103) have received training with respect to compliance with Information Privacy or Security Laws.

(d) Each Palomar Entity, as applicable, has entered into business associate agreements (each, a "**BAA**") as required, including with all third parties acting as a business associate (as such term is defined in 45 C.F.R. § 160.103) of Palomar Entities. No action has been filed or threatened in writing (and received by any Palomar Entity) against a Palomar Entity by any Person alleging a violation of such Person's privacy, personal or confidentiality rights or under any Information Privacy or Security Laws. No Palomar Entity, (i) to the Knowledge of Palomar, is under investigation by any Governmental Authority for a violation of any Information Privacy or Security Laws related to Palomar Entities, the Facilities, or the Business; (ii) has received any written notice from the United States Department of Health and Human Services Office for Civil Rights, the Justice Department, the FTC, or the Attorney General of any state or territory of the United States relating to any such violations; and (iii) to the Knowledge of Palomar, has acted in any manner, or has had any incident, that would trigger a notification or reporting requirement under any BAA or any Information Privacy or Security Law, including a breach (as such term is defined in 45 C.F.R. § 164.402) ("**Breach**") with respect to any Unsecured Protected Health Information (as such term is defined in 45 C.F.R. § 164.402) ("**Unsecured PHI**") maintained by or on behalf of the Business.

(e) During the six (6) years, no Breach or a data breach or security incident (as defined under Information Privacy or Security Laws) has occurred with respect to any Personal Information, including Unsecured PHI, maintained by Palomar Entities related to the services provided by the Business, and no information security or privacy breach event has occurred that would require notification or other action or reporting under any other Information Privacy or Security Laws. During the previous three (3) years, No Palomar Entities with respect to the Business, including the Contributed Assets, has identified, documented, investigated, contained, remediated, or eradicated any security incident (as defined in 45 C.F.R. § 164.304 or Information Privacy or Security Laws) related to Personal Information or other confidential data transmitted, Processed, maintained, stored or otherwise in any Palomar Entity's possession or available on or through a Palomar Entity's or a Palomar Affiliate's network or information technology system with respect to the Business, including Contributed Assets. In addition, each Palomar Entity has taken commercially reasonable and appropriate measures to protect

and maintain the confidential nature of all Personal Information against loss, corruption, unauthorized modification, misuse, theft, and unauthorized access, use, acquisition, or disclosure of assets and infrastructure, including Personal Information, Medical Records, and Contributed Assets.

(f) No Palomar Entity transmits or stores any Personal Information outside of the United States, nor do they contract with any third-party vendor under which the third-party vendor transmits or stores any Personal Information of any Palomar Entity outside of the United States.

(g) Each Palomar Entity has full right and authority to disclose, and transfer the full ownership rights of, the information included in the Contributed Assets, including the right to access, own, and Process the Personal Information and Medical Records of each Palomar Entity, as applicable, and to make any derivative use thereof without restriction, consistent with applicable Law. Each Palomar Entity has made all necessary disclosures to, and obtained all necessary consents or authorizations from users, customers, patients, partners, workforce members, employees, contractors, and any other applicable Persons required by Information Privacy or Security Laws.

(h) For the last six (6) years, all Palomar Entities, in the operation of the Business, have used, disclosed, collected, tracked, recorded, or otherwise captured Personal Information by or through use of web technologies, web or mobile applications, software, or programs (such as metapixels, analytics, and other programs) that are furnished or otherwise made available by third parties, and other similar technologies, except as otherwise permitted by applicable Laws and guidance issued by Governmental Authorities.

4.11 Artificial Intelligence.

(a) Schedule 4.11 sets forth a complete and accurate list of (i) all third-party AI Technology used in connection with, and material to, each Palomar Entity in the operation of the Business ("**Licensed AI Tools**"); and (ii) all datasets that each Palomar Entity licenses to any third Persons ("**Company Datasets**"), identifying any Persons to whom any Company Datasets are licensed. No Palomar Entity owns any AI Technology and, except for the Licensed AI Tools, no AI Technology is incorporated in or employed by any Palomar Entity's products or services used in the operation of the Business, or that are under development, by or on behalf of any Palomar Entity.

(b) No Palomar Entity has: (i) included any Personal Information, trade secrets or material confidential or proprietary information of any Palomar Entity or of any third Person to which any Palomar Entity is under an obligation of confidentiality, in any prompts or inputs into any Licensed AI Tools where such Licensed AI Tools use such information, prompts or input to train the machine learning or algorithm of such tools or improve any products or services, including services related to such tools; or (ii) used any Licensed AI Tools to generate any technology or other Intellectual Property that any Palomar Entity intended to maintain as proprietary, or which is otherwise material to a Palomar Entity.

(c) Each Palomar Entity owns, or otherwise possesses sufficient, valid, and enforceable rights to use, all AI Inputs that are material to the Business operations of such Palomar Entity. No Palomar, Entity licenses any AI Inputs from third Persons. Each Palomar Entity: (i) has used the Licensed AI Tools in material compliance with the Contracts applicable to such Licensed AI Tools; and (ii) has provided all notices and disclosures, obtained all consents and permissions, and otherwise has all rights and authority, in each case as required under applicable Laws, to collect, use and otherwise process AI Inputs, including Company Datasets, to conduct the Business and has been and is in compliance with all use restrictions contained in the foregoing.

(d) Each Palomar Entity has taken commercially reasonable measures to ensure the ethical and responsible use of AI Technologies at and by each Palomar Entity, including implementation and compliance with internal policies and procedures relating to the ethical and responsible use of AI Technologies. There has been (i) no material actual or alleged non-compliance by any Palomar Entity with any such policies or procedures or any Laws governing the use of AI Technologies; (ii) no material written claims or allegations challenging any Palomar Entity's ethical or responsible use of AI Technologies; and (iii) no written requests for information or testimony from regulators or legislators directed to any Palomar Entity's use of any AI Technologies.

4.12 Compliance Program.

(a) Palomar has delivered an accurate and complete copy of each Facility's and applicable Palomar Entity's current compliance program materials, including all program descriptions, compliance officer and committee descriptions, ethics and risk area policy materials, training and education materials, auditing and monitoring protocols, reporting mechanisms, and disciplinary policies. During the past six (6) years, the Palomar Entities and the Facilities have conducted their operations in accordance with their respective compliance programs. Neither Palomar nor any other Palomar Entity: is (i) is a party to any Corporate Integrity Agreement ("**CIA**") with the OIG or any other monitoring agreement, deferred prosecution agreement, or similar agreement with any Governmental Authority; (ii) has had any reporting obligations pursuant to any settlement agreement entered into with any Governmental Authority; (iii) has been a defendant in any qui tam/False Claims Act litigation; (iv) has been served with or received any search warrant, subpoena, civil investigation demand, contact letter or, to the Knowledge of Palomar, telephone or personal contact by or from any federal or state enforcement agency (except in connection with medical services provided to third-parties who may be defendants or the subject of investigation into conduct unrelated to the Business); or (v) for the past six (6) years, has not received any complaints through a Palomar Entity's compliance "hotline" from a Palomar Entity employees, Practitioners or patients that would reasonably be considered to indicate that such Person has violated, or is currently in violation of, any such Law in any respect. For purposes of this Agreement, the term "compliance program" refers to provider programs of the type described in compliance guidance published by the OIG.

(b) Upon hiring employees and monthly thereafter, searches of the OIG's List of Excluded Individuals/Entities and Medi-Cal's Provider Suspended or Ineligible List are performed by a Palomar Entity or their designee to confirm that all employees, independent contractors and medical staff members providing any services to the Facilities or to the Business are not, as of the Operational Date of any such person or entity being listed as, excluded, debarred or otherwise ineligible to participate in the Government Programs. Any such Persons who have been identified as excluded as a result of those searches have been terminated.

4.13 Medical Staff Matters. Palomar has made available to the Authority true, correct, and complete copies of the bylaws and rules and regulations of the medical staff of the Facilities, as well as a list of all current members of each Facility's medical staff. The Facilities each have an open medical staff. With respect thereto: (i) there are no pending adverse actions with respect to any medical staff members of the Facilities or any applicant thereto for which a medical staff member or applicant has requested review under any Facility medical staff bylaws that has not been scheduled or has been scheduled but has not been completed; (ii) there are no pending or, to the Knowledge of Palomar, threatened disputes with applicants, staff members, or health professional affiliates; and (iii) all appeal periods in respect of any medical staff member or applicant against whom an adverse action has been taken have expired. Notwithstanding the foregoing provisions of this **Section 4.13**, Palomar will not be required to disclose any information pursuant to this **Section 4.13** where such disclosure is prohibited by Law.

4.14 Experimental Procedures. During the past six (6) years, the applicable Palomar Entities and the Facilities have not performed or permitted the performance of any experimental or research procedure or study involving patients in the Facilities that were not authorized and/or conducted in accordance with the policies and procedures of the Facilities that comply with applicable Law, including applicable U.S. Food and Drug Administration regulations.

4.15 Intellectual Property.

(a) Schedule 4.15(a), sets forth an accurate and complete list of the following Owned Intellectual Property as of the date of this Agreement: (i) Patents; (ii) registered Trademarks and applications therefor, and unregistered Trademarks that are material to the operation of the Business; (iii) registered Copyrights and applications therefor; (iv) Domain Names (including social media accounts used or held for use in or ancillary to the Business or the Contributed Assets); (v) the names set forth on Schedule 4.15(a), and any derivatives or variations thereof, and (vi) Software, including for each item listed, as applicable, the owner, the jurisdiction, the application/serial number, the registration number, the filing date, and the issuance/registration date. Schedule 4.15(a) also sets forth all payments and filings that are due, and all other actions with Governmental Authorities that must be taken, within one hundred eighty (180) days after the date hereof, with respect to each item of registered Intellectual Property listed in such schedule. All of the foregoing registered Owned Intellectual Property is valid, subsisting, and enforceable in accordance with applicable Law, has not been canceled, expired, or abandoned, and is not involved in any interference, reexamination, cancellation, or opposition Proceeding.

(b) Palomar solely and exclusively owns all right, title, and interest (including the right to enforce), free and clear of all Encumbrances, other than Permitted Encumbrances, in all Owned Intellectual Property. During the three (3) year period before the Operational Date, Palomar and Palomar Affiliates have used commercially reasonable efforts, consistent with customary industry practices, to maintain and protect each item of Owned Intellectual Property.

(c) Palomar has valid rights to use the Transferred Intellectual Property necessary for the operation of the Business.

(d) Neither Palomar nor any Owned Intellectual Property is subject to any Contract containing any covenant or other provision that in any way limits or restricts the ability of Palomar to use, assert, enforce, or otherwise exploit any Owned Intellectual Property anywhere in the world. No Person who has licensed Intellectual Property to Palomar has any ownership rights or license rights to derivative works or improvements made by or on behalf of Palomar or a Palomar Affiliate related to such Intellectual Property.

(e) Following the Effective Time, the Authority has and be permitted to exercise all of Palomar's or Palomar Entities' rights under and to all Transferred Intellectual Property, including under or pursuant to all Intellectual Property Contracts and Information Technology System Contracts to the same extent Palomar would have been able to had the Contemplated Transactions not occurred and without being required to pay any additional amounts or consideration other than fees, royalties or payments that Palomar or a Palomar Entity would otherwise be required to pay had the Contemplated Transactions not occurred. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or could reasonably be expected to, result in the delivery, license, or disclosure of any source code included in the Owned Intellectual Property.

(f) During the past three (3) years, the Owned Intellectual Property and the use of the Transferred Intellectual Property by Palomar and the operation of the Business have not infringed, misappropriated, violated, or otherwise conflicted with, in each case in any material respect, and do not

infringe, misappropriate, violate or otherwise conflict in any material respect with, any Intellectual Property rights of any other Person, violate any right to privacy or publicity, nor constitute unfair competition or trade practices under the Laws of any jurisdiction. Palomar has not received any written claim that Palomar or any Transferred Intellectual Property infringes, misappropriates, or otherwise violates any Intellectual Property rights of any Person, or constitutes unfair competition or trade practices under the Laws of any jurisdiction.

(g) Except set forth on Schedule 4.15(g), all Information Technology Systems (i) operate and perform in accordance with their documentation and functional specifications and otherwise as required by the Palomar Entities; (ii) have not materially malfunctioned or failed within the past three (3) years; (iii) ensures and protects the integrity and security of Personal Information; and (iv) are free of (A) to the Knowledge of Palomar, any critical defects, including any critical error or critical omission in the processing of any transactions; (B) to the Knowledge of Palomar, any Malicious Code; and (C) information technology, including website, tracker technology, including third-party tracking.

(h) Each Palomar Entity has implemented and follows reasonable backup, security, and disaster recovery technology, plans, policies and procedures, and facilities consistent with industry practices and applicable Law.

(i) To the extent that any Palomar Entity receives, processes, transmits or stores any financial account numbers (such as credit cards, bank accounts, PayPal accounts, debit cards), passwords, CCV data, or other related data ("**Cardholder Data**"), such Palomar Entity has implemented information security procedures, processes and systems that have, during the past three (3) years, met or exceeded all applicable Law and industry standards related to the collection, storage, processing and transmission of Cardholder Data, including those established by applicable Governmental Authorities, and the Payment Card Industry Standards Council (including the Payment Card Industry Data Security Standard).

(j) Each Palomar Entity has taken all reasonable steps to address, manage, and remediate all risks, vulnerabilities, threats, and deficiencies identified in any assessment, audit, review, or analysis of the Information Technology Systems that it has performed in the past three (3) years.

(k) Except set forth on Schedule 4.15(k), no Palomar Entity (i) licenses, owns, is currently developing, or otherwise uses or has used in its business, including in the development of any Owned Intellectual Property, any AI Technology, including third-party AI Technology; or (ii) licenses any AI Inputs or datasets to or from third Persons, or otherwise uses or has used any AI Inputs in the conduct of its business, including in the development of any Owned Intellectual Property or the ongoing modification, update, or improvement of any Owned Intellectual Property. To the knowledge of Palomar, none of the Palomar Entities' service providers have used AI Technologies to create or develop, or contribute to the creation or development of, any Owned Intellectual Property.

4.16 Contracts.

(a) Schedule 4.16(a) sets forth an accurate and complete list of each Contract (including a description of any oral Contract) that is described in any of the following subsections and either binds or affects any of the Contributed Assets or that Palomar or another Palomar Entity is bound in connection with the Business, the Facilities or the Contributed Assets (collectively, the "**Material Contracts**"):

(i) all Contracts involving aggregate consideration in excess in the aggregate of $200,000;

(ii) all Contracts that cannot be cancelled without penalty or without more than sixty (60) days' notice;

(iii) all Contracts that relate to the acquisition of any business, a material amount of stock or assets of any other Person or any real property (whether by merger, sale of stock, sale of assets or otherwise), in each case effective in the past two (2) years;

(iv) all Contracts that contain non-competition or non-solicitation provisions restricting the conduct of the Business, in any geographic area or during any period of time;

(v) all Contracts granting any exclusive rights, rights of first refusal, rights of first negotiation or similar rights to any Person;

(vi) except for agreements relating to trade receivables, all Contracts relating to Indebtedness (including guarantees), or imposing an Encumbrance on any Contributed Asset;

(vii) all Contracts with Payor Programs;

(viii) all Contracts with any Practitioner, nurse, healthcare practitioner, or licensed health care facility, including all Contracts for medical direction, the provision of professional health care services, or medical supervision of the performance of health care services, including supervision of nursing services and other allied health services at the Facilities and all other Contracts with a Referral Source or other healthcare facility;

(ix) all Contracts between Palomar and a Palomar Entity or between Palomar Entities or between a Palomar Entity and an Affiliate;

(x) All Contracts between Palomar or a Palomar Entity and the Foundation;

(xi) all collective bargaining agreements or Contracts with any labor organization, union, or association;

(xii) all employment agreements and all Contracts that provide for severance pay or any other material post-employment payment by, or financial obligation of Palomar or a Palomar Entity with respect to any Palomar Employees;

(xiii) all Contracts with independent contractors or consultants (or similar arrangements) with annual compensation in excess of $150,000;

(xiv) All Contracts involving sales and marketing services;

(xv) All Contracts involving management, administrative, or consulting services;

(xvi) all Contracts pursuant to which material payments are required upon a sale of substantially all the assets that constitute the Business;

(xvii) all joint venture, partnership, or similar Contracts that provide for the sharing of profits relating to the Business;

(xviii) all Contracts for the sale of any of the Contributed Assets or for the grant to any Person of any option, right of first refusal or preferential or similar right to purchase any of the Contributed Assets;

(xix) all Contracts that provide for the indemnification of any Person outside of the ordinary course of business of Palomar, or that provide for the assumption of any Tax, environmental or other Liability of any Person;

(xx) all Intellectual Property Contracts;

(xxi) all Information Technology System Contracts;

(xxii) all leases, including any Lease Agreements;

(xxiii) all confidentiality agreements or non-disclosure agreements;

(xxiv) all agency agreements and powers of attorney;

(xxv) all Contracts with the Foundation;

(xxvi) all Contracts in which Palomar or a Palomar Entity receives funds and for which there are restrictions on the use of such funds, including the receipt of any donor-restricted funds; and

(xxvii) all other Contracts material to the Contributed Assets or the operation of the Business and not previously listed above.

(b) Each Material Contract is valid and binding on the applicable Palomar Entity, in accordance with its terms, and is in full force and effect. The applicable Palomar Entity has properly conducted and paid all material amounts owed by such entity and otherwise performed all material obligations required to be performed by such Palomar Entity under each Material Contract, and the Palomar Entity has not received any written notice of termination, cancellation, breach, or default under any Material Contract. Except as set forth on Schedule 4.16(b), (i) to the Knowledge of Palomar, no event has occurred that, with the passage of time or the giving of notice or both, would result in a default, breach, or event of noncompliance by such Palomar Entity under any Material Contract, or result in the termination thereof, or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder, and (ii) to the Knowledge of Palomar, no other party to any Material Contract is in breach thereof or default thereunder. Palomar has delivered a true, correct, and complete copy of each written Material Contract.

(c) A Palomar Entity is not a party to any oral Contracts involving the operation of the Business, the Facilities or ownership of the Contributed Assets.

4.17 Inventory. Inventory is carried at the lower of cost or market on a first-in, first-out basis. Except to the extent of reserves reflected in the Reference Balance Sheet, all of the Inventory on hand on the Operational Date consists of and will consist of items of a quality usable or saleable in the ordinary course of business. The quantities of all Inventory are reasonable and justified under the normal operations of each of the Facilities and do not exceed levels that Palomar reasonably believes will be fully utilized within the twelve (12) month period after the date of recordation on the Records.

4.18 Real Property.

(a) Schedule 2.1(a) sets forth the physical address as well as the legal description for each parcel of Poway Real Property and TIC Property Interest. Palomar is conveying to the Authority, good, marketable, and insurable fee simple title to the Poway Real Property and the TIC Property Interest, free and clear of all Encumbrances, other than Permitted Encumbrances.

(b) The Real Property comprises all of the real property used, occupied, or otherwise possessed in connection with the ownership or operation of the Business.

(c) No Palomar Entity or any other Person has a leasehold interest in any of the Real Property or the Facilities (except for those Tenants, if any, under the Lease Agreements set forth on Schedule 4.18(c)).

(d) Schedule 4.18(d) sets forth an accurate and complete list and current rent roll of all existing Lease Agreements, including the following information with respect to each: (i) the physical address and premises covered; (ii) the effective date and any amendments thereto; (iii) the legal name of the tenant, licensee or occupant; (iv) its term; (v) the rents and other charges payable thereunder; (vi) the rents or other charges in arrears or prepaid thereunder, if any, and the period for which any such rents and other charges are in arrears or have been prepaid; (vii) the nature and amount of the security deposits thereunder, if any; (viii) any options to renew or extend such Lease Agreement; (ix) any free rent, concessions, abatements, allowances, rebates or refunds to which the tenant, licensee or occupant may be or may have been entitled; (x) the status of any tenant improvements to be performed by Palomar or the tenant, subtenant, licensee or occupant; and (xi) the nature and amount of any commissions payable with respect thereto. Other than as set forth on Schedule 4.18(d), Palomar is not a party to any Lease Agreement, and no portion of the Poway Real Property is subject to any leases, subleases, licenses, timeshare arrangements, or other occupancy agreements.

(e) Except set forth on Schedule 4.18(e), with respect to each Lease Agreement: (i) the Lease Agreement is legal, valid, binding and in full force and effect; (ii) the execution, delivery and performance by Palomar of this Agreement, and the consummation of the Contemplated Transactions, do not or will not (as the case may be) require the consent of any other party to such Lease Agreement, will not result in a breach of or default under such Lease Agreement, and will not otherwise cause such Lease Agreement to cease to be legal, valid, binding, enforceable and in full force and effect on identical terms following the Closing; (iii) there are no material ongoing disputes with respect to such Lease Agreement; (iv) Palomar has not received any written notice of a termination of any Lease Agreement, (v) neither Palomar nor any other party to such Lease Agreement is in breach or default under such Lease Agreement, and no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under such Lease Agreement; (vi) no security deposit or portion thereof deposited with respect to such Lease Agreement has been applied in respect of a breach or default under such Lease Agreement that has not been re-deposited in full; (vii) there are no Encumbrances on the estate or interest created by such Lease Agreement other than Permitted Encumbrances; and (viii) no brokerage or leasing commissions or other compensation are due or payable by Palomar or another Palomar Entity to any Person, firm, corporation or other entity with respect to, or on account of, any Lease Agreement or any extensions or renewals thereof.

(f) Palomar has made available accurate and complete copies of the Lease Agreements, in each case as amended or otherwise modified and in effect, together with all extension notices and other material correspondence, fair market value analyses, estoppel certificates, and subordination, non-disturbance and attornment agreements related thereto.

(g) The Palomar Entities have not received written notice from any Governmental Authority of, and there is not: (i) any pending or, to the Knowledge of Palomar, threatened, condemnation Proceedings affecting the Real Property or any part thereof; (ii) to the Knowledge of Palomar, any violation of any Laws (including zoning and land use ordinances, construction, building codes, Americans with Disabilities Act, as amended, Section 504 of the Rehabilitation Act of 1973 and similar requirements) with respect to the Real Property or any part thereof, which have not heretofore been cured; or (iii) any pending or, to the Knowledge of Palomar, threatened, injunction, decree, Order, writ or judgment outstanding, nor any claims, litigation, administrative actions or similar Proceedings against Palomar, any other Palomar Entity, or any Real Property relating to the ownership, lease, use or occupancy of such Real Property or any portion thereof which is reasonably likely to result in a material change in the condition of any Real Property or any part thereof or in any material respect prevent or limit the present operation of the improvements on the Real Property or any part thereof.

(h) Schedule 4.18(h) sets forth an accurate and complete list of all of the material pending (active) construction activity at the Real Property and all open permits for the performance of any construction activity at the Real Property as of the Effective Date (collectively, the "**Pending Construction Projects**"). Schedule 4.18(h) sets forth the following with respect to each Pending Construction Project, if applicable: (i) name of the contractor, subcontractor, sub-subcontractor, materialmen or supplier, as applicable; (ii) the contract price; (iii) date of the contract; (iv) scope of work; (v) permit numbers with HCAI and any other governmental agency, if applicable; and (vi) projected date of completion and status of completion, as applicable.

(i) Other than the Pending Construction Projects, a Palomar Entity has not engaged any contractors, architects, engineers, material, suppliers, or other parties to perform labor or services at the Real Property in the six (6) months prior to the Operational Date, other than maintenance and repair work in the ordinary course and which does not constitute a capital improvement or repair. Schedule 4.18(i) sets forth a description of all such construction activity including: (i) name of the contractor, subcontractor, sub-subcontractor, materialmen or supplier, as applicable, (ii) the contract price, (iii) date of the contract, (iv) scope of work, and (v) date of completion (or date of termination, if such work was properly terminated prior to completion). As of the Operational Date, other than the Pending Construction Projects, maintenance, and repair work in the ordinary course and which does not constitute a capital improvement or repair, there will be no incomplete or pending construction projects affecting the Real Property and all completed construction projects will be fully paid for, and Palomar has obtained all applicable lien releases.

(j) To the Knowledge of Palomar, neither the location, construction, occupancy, operation, nor use of the Real Property (including the improvements which are a part of the Real Property) violates any applicable Law or determination of any Governmental Authority or any board of fire underwriters (or other body exercising similar functions), judicial precedent or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Real Property or the location, construction, occupancy, operation or use thereof, including all applicable Law. To the Knowledge of Palomar all improvements located on the Real Property are located within boundary lines of the described parcels of land, and each parcel of Real Property has access to a public street adjoining the Real Property, and such access is not dependent on any land or other real property interest which is not included in the Real Property.

(k) To the Knowledge of Palomar, there are no structural or latent defects in any of the buildings or other improvements that are a part of the Real Property. To the Knowledge of Palomar, except for the Pending Construction Projects, such buildings and improvements which are a part of the Real Property, and all parts thereof and appurtenances thereto, including the heating, ventilation, air conditioning, electrical, mechanical and plumbing systems, and the drainage at or servicing the Real

Property, the Facilities and any equipment relating thereto, are in good condition and working order and adequate in quantity and quality for the normal operation of the Real Property.

(l) There are no restrictive covenants, access agreements, reciprocal parking agreements or other encumbrances affecting the Real Property and which are not reflected on the applicable title report.

(m) To the Knowledge of Palomar, Palomar has provided true, complete, and accurate copies of all Contracts that constitute a warranty or guaranty for any structural components of the Real Property (including the roof and elevators) or any equipment or furniture in the Real Property.

(n) Except as set forth on Schedule 4.18(n), no portion of the Real Property has any deferred maintenance or requires any capital repairs in excess of $500,000.

(o) Palomar provided all construction plans in its possession, custody, and control for all buildings on the Real Property, including all architectural, mechanical, electrical, plumbing, civil plans, and as-built drawings (the "**Construction Drawings**") on or before the Operational Date. To the Knowledge of Palomar, all of the Construction Drawings are true, complete, and accurate in all material respects, and to the Knowledge of Palomar, there are no material inaccuracies or omissions in the Construction Drawings. The Construction Drawings are described on Schedule 4.18(o).

(p) There are no open permits with HCAI for any active or planned construction activities on the Real Property, and there is no planned construction activity for any projects under consideration for a permit with HCAI. All active or pending construction at the Real Property subject to HCAI approval is described on Schedule 4.18(p), including status or phase of project, primary contact at HCAI for the same, and material terms regarding the project. Palomar has provided the Authority with copies of all material documents in a Palomar Entity's possession, custody, or control relating to all construction projects identified, including all construction contracts, change orders, bidding documents, specifications, permits, material correspondence with HCAI, daily reports, certificates of insurance, waivers and lien releases, and project schedule.

(q) All representations and statements made to HCAI or any other governmental agency relating to seismic compliance, including the building condition, engineering reports, and ratings assigned to same are true and correct in all material respects and Palomar is not aware of any omissions or misstatements regarding the NPC/SPC ratings for all of the Facilities as reflected on the HCAI website.

(r) Palomar has delivered all material documents relating to the Real Property and will continue to provide documents relating to the Real Property until the Operational Date, including all of the following: (i) surveys; (ii) environmental assessments; (iii) geotechnical reports; (iv) roof, structural and building reports; (v) notices of violations of any zoning ordinance or other Law or regulation; (vi) architectural and engineering plans and specifications relating to the Improvements; (vii) all property tax statements for the past three (3) years; (viii) all service contracts, property management agreements, and other agreements currently in effect and to which Palomar is a party; (ix) all Lease Agreements; (x) all current insurance policies and certificates; (xi) a schedule of all capital improvements for the past three (3) years that were undertaken by Palomar; (xii) warranties and/or guaranties relating to the improvements at the Real Property that are currently in effect; (xiii) copies of all construction documents for the Pending Construction Projects; (xiv) copies of all construction documents for any projects identified; (xv) a list and copy of any non-recorded Encumbrances; (xvi) a list of any material Tenant complaints, if any, over the last three (3) years; (xvii) a list or invoice of each material repair to the Real Property performed by Palomar, if any, over the last three (3) years; (xviii) copies of all correspondence with HCAI for the last three (3) years; and (xix) copies of all plans, drawings, submittals,

and reports relating to HCAI seismic compliance that are in progress or that have been submitted to HCAI in the last three (3) years.

4.19 Insurance.

(a) Schedule 4.19 sets forth an accurate and complete list of all insurance policies or self-insurance funds maintained by a Palomar Entity or otherwise on behalf of the Business or the Facilities (collectively, the "**Insurance Policies**"), indicating with respect to each such policy or fund, the type of insurance, policy number, identity of the insurer, coverage limits, and whether such policies are on an occurrence or claims made basis. Palomar has delivered accurate and complete copies of all such Insurance Policies. All of the Insurance Policies are now and will be until the Operational Date in full force and effect with no premium arrearages. All premiums due on the Insurance Policies have either been paid in accordance with the payment terms of each Insurance Policy. All Insurance Policies (i) are valid and binding in accordance with their terms; (ii) are provided by carriers who are financially solvent; and (iii) have not been subject to any lapse in coverage; and (iv) No Palomar Entity is in default under, or has not otherwise materially complied with, any provision contained in any Insurance Policy.

(b) The applicable Palomar Entities have one or more "business interruption" Insurance Policies in customary form and amount covering the Business, the Facilities and the assets owned by such entity, and the proceeds of such Insurance Policies will, as of the Operational Date, be assignable to the Authority as to the period following the Effective Time.

(c) The Insurance Policies are of the type and in the amounts customarily carried by Persons conducting a business similar to the Business and are sufficient for compliance with all applicable Law and Contracts to which a Palomar Entity is a party or by which a Palomar Entity, the Facilities or the Business are bound. The Palomar Entities have timely provided all notices required to be given under the Insurance Policies to the respective insurer with respect to all claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions or reserved its rights in respect of or rejected any such claims.

(d) No Palomar Entity has received any written notice from any insurer canceling or materially amending any of the Insurance Policies, and to the Knowledge of Palomar, no such cancellation or amendment is threatened, nor to the Knowledge of Palomar has a Palomar Entity failed to present any claim which is still outstanding under any of the Insurance Policies.

4.20 Employee Benefit Plans.

(a) Schedule 4.20(a) contains a true and complete list of all of the following agreements, plans or other Contracts covering any Palomar Employee, any current or former employee or director of Palomar or any current or former consultant or contractor of Palomar or a Palomar Entity: (i) employee benefit plans within the meaning of Section 3(3) of the ERISA; and (ii) any employment, severance, termination or similar Contract and any other employee benefit plan, program, policy, or arrangement providing for compensation, bonuses, commission, profit-sharing, stock option or other stock- or equity-linked benefits or rights, incentive, deferred compensation, vacation or paid-time-off benefits, insurance (including any self-insured arrangements), death, life, dental, vision, health or medical benefits, employee assistance, disability or sick leave benefits, workers' compensation, supplemental unemployment benefits, retention, transaction, change of control payments, savings, pension, retirement, post-employment or retirement benefits or other employee compensation plan, program, policy, agreement, program, arrangement or commitment, which Palomar or any Person that is required to be aggregated with a Palomar under Section 414 of the Code currently sponsors, maintains, or contributes

to, or to which Palomar has any outstanding present or future obligations to contribute or other Liability, whether voluntary, contingent or otherwise (collectively, the "**Plans**").

(b) Palomar has provided an accurate and complete copy of the following documents: (i) each Plan (including all plan documents and amendments thereto and summary of the material terms of any Plan that is not in writing); (ii) the most recent Form 5500 annual report with accompanying schedules and attachments filed with the IRS; (iii) the three (3) most recent Forms 1094 and Forms 1095 filed with the IRS; (iv) the most recent summary plan description for each Plan (as well as any summary of material modifications thereto), (v) the current employee handbook or similar document of the Facilities; and (vi) the most recent determination or opinion letter issued by the IRS with respect to any Plan that is intended to qualify under Section 401(a) of the Code.

(c) All contributions (including all employer contributions and Palomar Employee salary reduction contributions), premiums and expenses to or in respect of the Plans have been timely paid in full or, to the extent not yet due, have been adequately accrued for in accordance with GASB.

(d) With respect to Palomar and any Person that is required to be aggregated with a Palomar under Section 414 of the Code (such aggregated Persons referred to as the "**ERISA Controlled Group**"): (i) there is no "multiemployer plan" (as defined in Sections 4001(a)(3) or 3(37)(A) of ERISA) under which Palomar or an ERISA Controlled Group have any present or future obligations, whether contingent or otherwise, or under which a Palomar Employee has any present or future right to receive benefits; (ii) none of the Plans and no plan that is or has been maintained or contributed to by a member of the ERISA Controlled Group is a pension plan subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code; and (iii) none of the Plans is a "multiple employer plan" (as defined in Section 413(c) of the Code) or a multiple employer welfare plan (as defined in Section 3(40) of ERISA). No Plan provides for post-employment health benefits to any Palomar Employee or former employee of Palomar or any Palomar Affiliate, except for group health plan continuation coverage as required by COBRA.

(e) There are no Proceedings pending or, to the Knowledge of Palomar, threatened, against Palomar with respect to any Plans, other than routine claims for benefits in the ordinary course of business.

(f) Each Plan has been operated and administered in material compliance with its terms and all applicable Law, including ERISA and the Code. Palomar and each ERISA Controlled Group has complied with all of the continuation coverage requirements of COBRA and the requirements of Section 5000 of the Code. Each Plan that is intended to be Tax-qualified under Section 401(a) of the Code ("**Retirement Plans**") has received a favorable determination letter or is entitled to rely on a favorable opinion letter from the IRS concerning the Tax-qualification of such Plan and no event or circumstance exists that would be reasonably expected to adversely affect such qualification.

(g) Neither the execution and delivery of this Agreement, nor the consummation of the Contemplated Transactions, either alone or in combination with another event (whether contingent or otherwise) will (i) entitle any Palomar Employee, any current or former employee or director of Palomar or PHMG, or any current or former consultant or contractor of Palomar or another Palomar Entity to any payment or benefit; (ii) increase the amount or value of any payment, compensation or benefits due to any Palomar Employee, any current or former employee or director of Palomar or any Palomar Entity, or any current or former consultant or contractor of Palomar or another Palomar Entity; or (iii) accelerate the vesting, funding or time of payment or delivery of any compensation, equity award or other payment or benefit; (iv) result in any Liability or commitment by the Authority or any of its respective Affiliates under, or with respect to, any Plan to any Palomar Employee, any current or former employee or director of Palomar or PHMG or, or any current or former consultant or contractor of Palomar or another Palomar

Entity; or (v) result in any "parachute payment" within the meaning of Section 2800 of the Code or any similar foreign, state or local Laws.

(h) No event has occurred, and no condition or circumstance exists, that would reasonably be expected to subject Palomar or another Palomar Entity to penalties or excise Taxes under Sections 4980D, 4980H, or 4980I of the Code, Sections 6721 or 6722 of the Code (relating to returns required under Section 6055 and/or 6056 of the Code) or any provision of the Patient Protection and Affordable Care Act, Pub. L. No. 111-148 (the "**Healthcare Reform Laws**"). Not limiting the foregoing, Palomar has offered group health plan coverage to each full-time employee (as defined under the Healthcare Reform Laws), such that neither Palomar nor the Contributed Assets would reasonably be expected to have any Liability under the Healthcare Reform Laws.

4.21 Employee Matters.

(a) Schedule 4.21(a) sets forth an accurate and complete list of all Palomar Employees as of June 30, 2026, their current salary or wage rates, bonus and other compensation, accrued and unused Paid Time Off, recognized date of hire, department, job title, status as part-time, full time, PRN or temporary, name of employer and work location. During the past three (3) years, Palomar and the other Palomar Entities and each Plan has properly classified individuals providing services to Palomar or other Palomar Entity(ies), the Business or the Facilities as independent contractors or employees and as exempt or non-exempt from the application of state and federal wage-and-hour Laws for all purposes, as the case may be, and have properly reported all compensation paid to such service providers for all purposes, and no Proceeding has been initiated, and to the Knowledge of Palomar, no Proceeding has been threatened against Palomar or another Palomar Entity with respect to any of the foregoing. All of the Palomar Employees listed on Schedule 4.21(a) are employees "at-will." Palomar and the other Palomar Entities are not a party to any oral or written (i) employment agreement (including severance or change of control agreements), (ii) consulting agreement, or (iii) independent contractor agreement with any Person. No Palomar Employee has informed Palomar or another Palomar Entity, as applicable, in writing of any plan to terminate employment with or services for Palomar or such Palomar Entity, as applicable.

(b) Palomar and any other applicable Palomar Entity are not delinquent in payments to any of the Palomar Employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for any of them or any other amounts required to be reimbursed to such Palomar Employees (including Paid Time Off and other benefits) or in the payment to the appropriate Governmental Authority of all required employment-related Taxes, insurance, Social Security and withholding thereon and have made all payments and accruals in compliance with applicable Law. Except as set forth on **Schedule 4.21(b)**, a Palomar Employee has not deferred or waived any variable, incentive, or other compensation owed to such Palomar Employee. For the matters disclosed on **Schedule 4.21(b)**, any such waiver or deferral was acknowledged and agreed to by such Palomar Employee and was made in accordance with Law.

(c) (i) There is no pending, or, to the Knowledge of Palomar, threatened, employee strike, work stoppage, or labor dispute at any of the Facilities; (ii) to the Knowledge of Palomar, except set forth on Schedule 4.21(b)(ii), no union representation question exists respecting the Palomar Employees, and no demand has been made or threatened for recognition by a labor organization by or with respect to the Palomar Employees, no union organizing activities by or with respect to the Palomar Employee are taking place, and none of the Palomar Employees is represented by any labor union or organization; (iii) except set forth on Schedule 4.21(b)(iii), no collective bargaining agreement exists, or is currently being negotiated by Palomar or PHMG; (iv) except set forth on Schedule 4.21(b)(iv), there is no unfair labor practice claim against Palomar or any other Palomar Entity before the National Labor

Relations Board pending, or, to the Knowledge of Palomar, threatened, against or involving the Business or the Facilities; (v) Palomar and each applicable Palomar Entity are each in compliance in all material respects with all Laws and Contracts to which Palomar or such Palomar Entity is a party respecting employment and employment practices, including as to labor relations, terms and conditions of employment, and wages and hours, with respect to the Palomar Employees; (vi) Neither Palomar nor any other Palomar Entity are not engaged in any unfair labor practices with respect to the Palomar Employees; and (vii) except set forth on Schedule 4.22(a), there are no pending, or, to the Knowledge of Palomar, threatened, complaints or charges related to any of the Facilities before any Governmental Authority regarding employment or employment practices, including as to discrimination, harassment, or retaliation, safety or other employment-related charges or complaints, wage and hour claims, unemployment compensation claims, or workers' compensation claims.

(d) Palomar and each applicable Palomar Entity comply with the terms and provisions of the Immigration Act. For the Palomar Employees for whom compliance with the Immigration Act is required, Palomar and the other Palomar Entities have obtained and retained a complete and accurate copy of each Palomar Employee's Form I-9 (Employment Eligibility Verification Form) and all other records or documents required to be prepared, procured, or retained pursuant to the Immigration Act. Since January 1, 2023, Palomar and Palomar Entities have not been cited, fined, or served with a Notice of Intent to Fine or with a Cease and Desist Order (as such terms are defined in the Immigration Act) at any of the Facilities, nor has any Proceeding been initiated or, to the Knowledge of Palomar threatened against Palomar or Palomar Entity in connection with the Business or the Facilities, by reason of any actual or alleged failure to comply with the Immigration Act.

(e) Except as contemplated by this Agreement, since January 1, 2023, Neither Palomar nor Palomar Entity have effectuated (i) a "plant closing" (as defined in the WARN Act or any similar state, local or foreign Law) affecting any site of employment or one or more Facilities or operating units within any site of employment or facility of Palomar, or (ii) a "mass layoff" (as defined in the WARN Act, or any similar state, local or foreign Law) affecting any site of employment or facility of Palomar or Palomar Entity.

(f) Palomar: (i) has disclosed, on Schedule 4.21(f), all Allegations occurring during the ten (10) years before the Effective Date of this Agreement relating to Sexual Misconduct involving or relating to Covered Persons; and (ii) has complied with all Authorities involving or relating to Sexual Misconduct involving or relating to Covered Persons; and (iii) properly and promptly fields, classifies, records, investigates, takes remedial measures, and resolves all Allegations involving or relating to Sexual Misconduct involving or relating to Covered Persons in accordance with Authorities.

(g) Except as disclosed on Schedule 4.21(g), (i) there have been no Allegations, lawsuits, or legal, administrative or arbitration proceedings pending, or to the Knowledge of Palomar, threatened, by or against or affecting a Palomar Entity with respect to, involving or relating to Sexual Misconduct involving or relating to Covered Persons, during the past ten (10) years; and (ii) to the Knowledge of Palomar, no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Allegation or proceeding.

(h) All personal and other records maintained by Palomar and any of Palomar's Entity for its employees are true and complete in all material respects.

(i) Except as list on Schedule 4.21(i) no executive or senior management level employee of Palomar has an employment or consulting arrangements with any other Palomar Entity or Palomar Affiliate or serves as an officer or director of such entity; (ii) no executive or senior management level employee of PHMG has an employment or consulting arrangements with any other Palomar Entity

or Palomar Affiliate or serves as an officer or director of such entity; and (iii) no executive or senior management level employee of Palomar has an employment or consulting arrangements with any other Palomar Entity or Palomar Affiliate or serves as an officer or director of such entity.

(j) SDEMA does not currently employ any individuals, nor has SDEMA ever employed any individuals.

4.22 Litigation.

(a) Schedule 4.22(a) sets forth an accurate and complete list and summary description of all Proceedings with respect to Palomar, any Palomar Entity, the Business, Facilities, and the Contributed Assets, as well as all Orders, settlements, and conciliation Contracts under which Palomar or PHMG has current or future obligations with respect to the Business, Facilities, or the Contributed Assets. Except set forth on Schedule 4.22(a), there are no Proceedings, Orders, compliance reports or information requests, subpoenas or production requests pending, or, to the Knowledge of Palomar, threatened, against or affecting Palomar or a Palomar Entity with respect to the Business, the Facilities, the Contributed Assets or employees of Palomar or PHMG before or by any Governmental Authority. Neither Palomar, PHMG nor any of the Facilities has been subject to any formal (for which a Palomar, Palomar Entity, or Facility has received notice) Proceeding of the OIG, CMS, the Justice Department, the United States General Accounting Office, the California Department of Public Health, the Government Programs, or any other Governmental Authority. There are no Proceedings pending or, to the Knowledge of Palomar, threatened by Palomar or any Palomar Entity against any Person.

(b) Neither Palomar nor any Palomar Entity, nor any Contributed Asset is subject to any Order or unsatisfied judgment, penalty, award, settlement Contract, or conciliation Contract.

(c) There is no Proceeding or Order pending or, to the Knowledge of Palomar, threatened, against or affecting Palomar or any Palomar Entity before any court or Governmental Authority that has or would reasonably be expected to have an adverse effect on Palomar's or a Palomar Entity's ability to perform under this Agreement or any other Transaction Agreement with respect to any aspect of the Contemplated Transactions.

4.23 Tax Matters.

(a) The Palomar Entities have timely filed all income and other material Tax Returns required to be filed by, or with respect to, it in accordance with applicable Law relating to the Contributed Assets, the Assumed Liabilities, and the Business (all of which are true, complete, and correct in all material respects). All income and other material Taxes due and owing by Palomar and Palomar Entity (whether or not shown or required to be shown on any Tax Return) with respect to the Contributed Assets, the Assumed Liabilities, and the Business have been timely paid in full. Palomar has not waived any statute of limitations in respect of Taxes or agreed to or requested any extension of time with respect to a Tax assessment or deficiency with respect to the Contributed Assets, the Assumed Liabilities, or the Business.

(b) Palomar and the other Palomar Entities have properly withheld, deducted, or collected and timely paid in full to the proper Governmental Authority all Taxes required to have been withheld, deducted or collected and paid with respect to the Contributed Assets, the Assumed Liabilities or the Business, and has complied in all material respects with all information reporting (including IRS Forms W-2 and 1099) and backup withholding requirements.

(c) Palomar and Palomar Entities have not taken any action in respect of any Taxes (including any withholdings required to be made in respect of Palomar Employees) that may have an adverse impact upon the Contributed Assets, the Assumed Liabilities, or the Business as of or subsequent to the Effective Time.

(d) Other than Encumbrances for Taxes which are Permitted Encumbrances, there are no Encumbrances for Taxes on any of the Contributed Assets, and no basis exists for the imposition of any such Encumbrances. There are no matters under discussion by any Palomar Entity with any Governmental Authority with respect to Taxes that may result in an additional amount of Taxes for which any Palomar Entity may have any Liability or which may attach to the Contributed Assets.

(e) No deficiencies or assessments for Taxes with respect to the Contributed Assets, the Assumed Liabilities, or the Business have been claimed, proposed, or assessed by any Governmental Authority that may attach to the Contributed Assets. There are no pending or to the Knowledge of Palomar threatened Proceedings for or relating to any Liability in respect of Taxes which may attach to the Contributed Assets.

(f) The Palomar Entities is not a party to or bound by any Tax allocation, sharing indemnity or similar agreement, any closing agreement or offer in compromise with any Governmental Authority, and has no Liability with respect to any such agreements, in each case, with respect to the Contributed Assets, the Assumed Liabilities or the Business.

(g) None of the Contributed Assets is an interest in a Person classified as an association taxable as a corporation for Tax purposes.

(h) None of the Contributed Assets is an interest in a joint venture, partnership, or other arrangement that is or should be treated as a partnership for Tax purposes, and a Palomar Entity is not a party to any such arrangement.

(i) Palomar Entity has, with respect to the Contributed Assets, the Assumed Liabilities, and the Business, (i) timely paid all sales and use Taxes required to be paid under applicable Law, and (ii) properly collected and remitted to the proper Governmental Authority all sales Taxes required under applicable Law.

(j) A Palomar Entity has not entered into or been a party to any "listed transaction" as defined in Treasury Regulation Section 1.6011-4(b).

(k) No claim in writing has been made by a Governmental Authority in a jurisdiction where Palomar does not file Tax Returns with respect to the Contributed Assets, the Assumed Liabilities, or the Business that Palomar has or may have an obligation to file a Tax Return with, or is or may be subject to taxation by that jurisdiction.

(l) A Palomar Entity is not subject to Tax in any jurisdiction other than the United States and political subdivisions thereof and has no permanent establishment, place of business, or taxable presence outside the United States.

(m) There are no Tax rulings, requests for rulings, or other similar agreements or requests in effect, requested, or filed with any Governmental Authority by Palomar Entities that could affect a Person's Liability for Taxes arising after the Closing.

(n) Neither the Authority nor any of its Affiliates will be required to include an item of income in, or exclude an item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Operational Date as a result of any prepaid amount received or deferred revenue accrued before the Effective Time in connection with the Business or the Contributed Assets.

(o) No Palomar Entity uses the accrual basis method of accounting for income Tax purposes. Palomar has not used the cash basis method of accounting for income Tax purposes since its inception.

(p) None of the Contributed Assets constitutes a "United States real property interest" within the meaning of Section 897(c)(1) of the Code (or similar Tax Law).

(q) A Palomar Entity has not adopted as a method of accounting, or otherwise accounted for any advance payment or prepaid amount under, (i) the "deferral method" of accounting described in Rev. Proc. 2004-34, 2004-22 IRB 991 (or any similar method under state, local or non-U.S. Law) or (ii) the method described in Treasury Regulation Section 1.451-5(b)(l)(ii) (or any similar method under other Law).

(r) None of the Contributed Assets is subject to the limitations on "amortizable section 197 intangibles" described in Section 197(f)(9) of the Code, or is subject to any similar or comparable limitations under state, local, or foreign Law.

4.24 Environmental Matters.

(a) The applicable Palomar Entities have at all times complied, and are in compliance in all material respects with, and the Real Property, the operation of the Business, and all improvements on the Real Property are in compliance with, all Environmental Laws.

(b) Palomar and the other applicable Palomar Entities do not have any Liability under any Environmental Law with respect to the Real Property or the operation of the Business, and Palomar and PHMG are not responsible for any Liability of any other Person under any Environmental Law with respect to any of the Contributed Assets or the Real Property. There are no pending or, to the Knowledge of Palomar, threatened, Proceedings or Orders based on, and neither Palomar nor a Palomar Entity has received any written notice of any complaint, Order, directive, citation, notice of responsibility, notice of potential responsibility, or information request from any Governmental Authority or any other Person arising out of or attributable to, any Environmental Condition or alleged noncompliance with any Environmental Law (collectively, "**Palomar Environmental Obligations**"), nor to the Knowledge of Palomar does any fact exist that would reasonably be expected to form the basis for any such Palomar Environmental Obligations.

(c) There are no Environmental Conditions existing at, underneath, or migrating to or from the Real Property, nor are there any Environmental Conditions resulting from, or which would reasonably be expected to result from, the operation of the Business or the Real Property.

(d) Palomar and the applicable Palomar Entities have been duly issued, and currently have and will maintain through the Effective Time, all Approvals and Permits required under any Environmental Law with respect to any of the Facilities and the Business. A true and complete list of such Approvals and Permits, all of which are valid and in full force and effect, is set forth on Schedule 4.24(d), and any Approvals and Permits presently undergoing modification or renewal are described as such on Schedule 4.24(d). There are no Proceedings pending or, to the Knowledge of Palomar, threatened, that seek the revocation, cancellation, suspension, or adverse modification of any such Approval or

Permit. All required applications for renewal thereof have been timely filed. Palomar is, and at all times have been, in compliance with such Approvals and Permits. Except in accordance with such Approvals and Permits, there has been no Release of any Hazardous Material regulated by such Approvals and Permits, or under any Environmental Law, at, on, under, or from the Real Property.

(e) The Real Property contains no underground improvements, including treatment or storage tanks, or underground piping associated with such tanks, used currently or in the past for the management of Hazardous Materials, and no Person has used any material portion of the Real Property as a dump or landfill.

(f) No PCBs, lead-based paint, or friable asbestos-containing materials (each as defined in Environmental Laws) are present on or in the Real Property or the improvements thereto.

(g) Palomar has provided all environmental audits, reports, and assessments, including all Phase I and Phase II site assessments, concerning the Facilities, the Real Property or the Business that are in the possession, custody or control of Palomar or any Palomar Affiliate.

(h) No Encumbrance in favor of any Person relating to or in connection with an Environmental Condition or any claim under any Environmental Law has been filed or has attached to the Real Property.

4.25 Absence of Changes. Since the Balance Sheet Date, Palomar, PHMG and the other applicable Palomar Entities have conducted the Business in the ordinary course of business, and there has not occurred any change in the operation of the Business or any event or development that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect.

4.26 Brokers and Finders. Except set forth on Schedule 4.26, there are no claims for brokerage commissions, finders' fees, financial advisors' fees, or similar compensation in connection with the Contemplated Transactions based on any Contract to which Palomar or any Palomar Entity is a party or that is otherwise binding upon Palomar or another Palomar Entity, and no Person is entitled to any fee or commission or like payment in respect thereof.

4.27 Books and Records. The Records are accurate, and the transactions entered therein represent bona fide transactions. The Records are in good order, complete, and have been maintained in accordance with applicable Law.

4.28 Due Diligence. Palomar has provided or caused to be provided before the Effective Date, all material information and documents regarding the Facilities, the Business, the Contributed Assets, the Assumed Liabilities, the arrangements between the Foundation and Palomar and the funds provided by the Foundation to Palomar, including restrictions on use, and the solvency of each Palomar Entity.

4.29 Statements True and Correct. The representations and warranties of the Palomar Entities in this Agreement and all other Transaction Agreements do not contain any untrue statement of a material fact, or omit to state any material fact necessary to make the statements or facts contained therein with respect to Palomar.

4.30 Bank Accounts, Charitable Funds and Foundation Matters.

(a) Schedule 4.30(a) lists all bank accounts, safety deposit boxes, and lock boxes (designating each authorized signatory with respect thereto) for the Business or Facilities.

(b) Schedule 4.30(b) provides a description and also the amount of funds or other charitable support received by a Palomar Entity from the Foundation in the last two (2) years, including a description of all restrictions imposed on the use of such funds. The funds listed on Schedule 4.30(b) are all of the funds that have been received by Palomar from the Authority for the last two (2) years, and other than the funds set forth on Schedule 4.30(b), neither Palomar nor any other Palomar Entity has received any Charitable Funds in the last two (2) years nor is Palomar or a Palomar Entity bound by any restrictions on use related to any Charitable Funds that were received more than (2) years ago.

(c) Schedule 4.30(c) list the outstanding Liabilities of the Foundation under any promissory note or line of credit entered into between the Foundation and Palomar.

(d) (i) Palomar has complied with all restrictions on use and other applicable restrictions imposed by the Foundation, a Governmental Authority, third party or under Law related to the funds received by Palomar from the Foundation; and (ii) Palomar has not received, and to the Knowledge of Palomar, the Foundation has not received any written notice of termination, cancellation, breach, or default related to the use of such funds.

(e) Palomar has placed in the VDR, all Contracts, including all grant agreements, and all other documents that govern the relationship between Palomar and the Foundation, including the Foundation's use of any equipment or space that is owned or leased by Palomar.

4.31 2022A CapEx Funds. Palomar represents and warrants that, as of the Effective Date, it has approximately Sixty Million ($60,000,000) in Series 2022A revenue funds (the "**Series 2022A CapEx Funds**"), which must be used to fund the acquisition or improvement of real property and other capital expenditures in compliance with any restrictions on use of such Series 2022A Revenue Bonds.

5. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY

Subject to the limitations and exceptions disclosed in the correspondingly numbered Disclosure Schedules to the Agreement, which Disclosure Schedules are attached as of the Effective Date of this Agreement, the Authority hereby represents and warrants to Palomar that the statements contained in this **Section 5** are true and correct as of the Effective Date of this Agreement and will be true and correct as of the Operational Date (except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date).

5.1 Organization; Capacity. the Authority is a constitutional corporation, validly existing and in good standing under the Laws of the State of California. the Authority has the requisite power and authority to enter into this Agreement and the other Transaction Agreements to which the Authority will become a party hereunder.

5.2 Authority; Non-contravention; Binding Agreement.

(a) The execution, delivery and performance by the Authority of this Agreement and the other Transaction Agreements to which it is a party or will become a party, and the consummation by the Authority of the Contemplated Transactions and its obligations under the Transaction Agreements (i) have been duly and validly authorized and approved by all necessary corporate approvals on the part of the Authority, none of which actions have been modified or rescinded and all of which actions remain in full force and effect, and are not, and will not be, in contravention or violation of the terms of the Authority's organizational or governing documents, (ii) except set forth on Schedule 5.2(a), do not require any Approval of, filing or registration with, the issuance of any Permit by, or any other action to be taken by, any Governmental Authority to be made or sought by the Authority; and (iii) assuming the Approvals

and Permits set forth on Schedule 5.2(a) are obtained, 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) any Order or Law to which the Authority may be subject related to consummation of the Contemplated Transactions.

(b) This Agreement and the other Transaction Agreements to which a the Authority is or will become a party are and will constitute the valid and legally binding obligations of the Authority and are and will be enforceable against the Authority in accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

5.3 Litigation. No Proceeding or Order is pending or, to the knowledge of the Authority, threatened against or affecting or relating to the Authority or any of its properties or rights at Law or in equity, or before or by any Governmental Authority, that challenges or may otherwise have the effect of preventing, rendering illegal or otherwise delaying the Contemplated Transactions.

5.4 Brokers and Finders. There are no claims for brokerage commissions, finders' fees, financial advisors' fees, or similar compensation in connection with the Contemplated Transactions based on any Contract to which the Authority is a party or that is otherwise binding upon the Authority, and no Person is entitled to any fee or commission or like payment in respect thereof.

5.5 Statements True and Correct. The representations and warranties of the Authority in this Agreement and all other Transaction Agreements do not contain any untrue statement of a material fact, or omit to state any material fact necessary to make the statements or facts contained therein with respect to the Authority not misleading.

6. PRE-CLOSING COVENANTS OF PALOMAR AND THE AUTHORITY[6]

6.1 Access. From and after the Effective Date of this Agreement, the Authority and its Affiliates, agents, contractors and other Representatives shall have the right (a) to enter upon the Real Property and access the Facilities upon at least twenty-four (24) hours prior written (which may be by email) notice at mutually agreeable times, for the purpose of making such tests, inspections and document review of the Acquired Assets, and conducting such facility management and administrative interviews, as the Authority deems necessary in connection with this Option Agreement and its acquisition of the Contributed Assets (collectively, the "**Facility Inspections**"); (b) to inspect and copy all such contracts, books and records, and other existing documents and data of Palomar as the Authority may reasonably request; (c) to receive copies of all relevant due diligence requested by the Authority, including such additional financial, operating, and other data and information in Palomar's possession or control as the Authority may reasonably request, and Palomar shall use commercially reasonable efforts to make available to the Authority any such information not in its possession or control. Palomar shall use commercially reasonable efforts to assist the Authority and its Representatives in arranging such Facility Inspections. Palomar shall be entitled to have a representative present during scheduled visits to the Facilities by the Authority or its Representatives. The Facility Inspection rights granted to the Authority in this **Section 6.1** shall be accomplished in a manner that does not unreasonably interfere with or disrupt the operations of Palomar, the Business, and the activities of its personnel. Any invasive testing, including, without limitation, any Phase II environmental assessment, soil boring, soil sampling, or groundwater testing, shall require the prior written consent of Palomar, not to be unreasonably withheld, conditioned, or delayed by Palomar.

[6] **Note to Palomar**: As this is a simultaneous sign and close, these provisions are not applicable, but have not been removed for continuity purposes.

Before conducting any Facility Inspections, the Authority shall provide Palomar with copies of certificates of insurance evidencing commercial general liability insurance policies (naming Palomar as an additional insured) that shall be maintained by the Authority and by any consultants or other third parties engaged by the Authority in connection with the Authority's and such consultants' and third parties' investigations of the Facilities or other aspects of the Real Property.

6.2 Provision of Due Diligence Materials. From and after the Effective Date Palomar must cooperate with the Authority and provide the Authority and its Representatives with copies of all documents and information reasonably requested by the Authority or otherwise material with respect to the Facilities, the Business, the Contributed Assets or the arrangements between the Foundation and Palomar (collectively, the "**Diligence Information**") to facilitate the Authority's due diligence activities, including in connection with any appraisal, environmental, structural and mechanical reviews of the Real Property, analysis of compliance by the Contributed Assets, Facilities and Business with all applicable Laws and any Facility Inspections, valuations of any of the Contributed Assets or other reviews.

6.3 Completion of Schedules. Before the Effective Date, Palomar completed all Disclosure Schedules to this Agreement. The Parties acknowledge and agree that the delivery of the Diligence Information and the completion of the Disclosure Schedules are necessary not only to provide Palomar with adequate diligence in connection with its rights under this Agreement, but also in furtherance of the Parties' joint efforts towards formation, capitalization, and operation of the Authority.

6.4 Operation of the Businesses of Palomar. Between the Effective Date of this Agreement and the Operational Date, each Palomar Entity must:

(a) conduct its business in all respects only in the ordinary course of business (including the purchase of inventory, provision of services, payment of payables, incurrence and payment or financing of capital expenditures, and payment of care providers and other vendors);

(b) carry on the Business and use commercially reasonable efforts to maintain personnel, operations, real or personal property, finance, or accounting policies in all material respects;

(c) use commercially reasonable efforts to maintain the Business and the Contributed Assets, in operating condition in a manner consistent with past practices, ordinary wear and tear excepted;

(d) perform Palomar's obligations under all Material Contracts and Permits with respect to the Contributed Assets;

(e) operate the Facilities and Business in compliance with all applicable Laws;

(f) preserve the goodwill and present business relationships (contractual or otherwise) with all customers, suppliers, the Palomar Employees, licensors and others having material business relationships with it, in each case with respect to the Business or the Facilities, subject to ordinary course terminations;

(g) maintain usual insurance coverage on the Facilities and the Contributed Assets; and

(h) subject to applicable Law, otherwise report periodically to the Authority at the Authority's request concerning the status of the operations and finance of the Business as may be requested by the Authority.

6.5 Negative Covenants. From the Effective Date until the Operational Date, except in the ordinary course of business or as (i) otherwise contemplated in this Agreement, (ii) approved in advance in writing by the Authority, or (iii) may be required by applicable Law, a Palomar Entity shall not:

(a) amend, renew, or terminate any Assumed Contract, Material Contract, or Assumed Leases;

(b) create, assume, or permit to exist any new Encumbrance (other than Permitted Encumbrances) that cannot be removed or eliminated before the Closing Date;

(c) sell, assign, transfer, distribute, or otherwise dispose of any asset (or assets of a similar type, in the aggregate) with a book value greater than $25,000, other than the sale or disposition of supplies in the ordinary course of business;

(d) transfer, assign, or encumber any equity or equity-like interests in Palomar, or any public or private affiliation or joint venture involving assets or operations of Palomar or its Affiliates;

(e) solicit, initiate, or encourage the submission of any proposal for a transaction;

(f) transfer, assign, or encumber any equity or equity-like interests in Palomar or another Palomar Entity or any public or private affiliation or joint venture involving assets or operations of Palomar and Palomar Entities, or their Affiliates;

(g) incur any new debt or seek a loan or access to additional financing or capital from any party (except in the event of a documented critical cash flow need which the Authority has indicated it is unwilling or unable to fund; then in such instance, Palomar may seek a loan or access to capital from Assured Guaranty, a commercial lender or such other Person approved by the Authority in writing and provided that such additional funding is not exchanged for rights or a security interest that minimizes any of the Authority's security under any of its existing arrangements with Palomar or inhibits the ability of the Parties to complete the Contemplated Transactions);

(h) except with respect to previously budgeted expenditures shown on the cash flow statements set forth on **Schedule 6.5(h)**, purchase capital assets or incur material costs in respect of construction in progress;

(i) enter into a new Material Contract;

(j) enter into a new Lease Agreement;

(k) enter into a new line of business or make any material change in the Business, the operation of the Facilities, or with respect to the Contributed Assets;

(l) permit the employment of any of Palomar's or a Palomar Entity's executive staff by any entity or person that is not the Authority;

(m) (i) make any increase in the rate of compensation payable to any Palomar Employee, other than increases that are required under applicable Law or under the applicable CBAs; (ii) make any bonus payments, including discretionary bonus payments to or otherwise enter into one or more bonus agreements with any Palomar Employee; (iii) increase severance or termination obligations to any Palomar Employee; (iv) amend, terminate or otherwise change any employment agreement with a Palomar Employee; (v) amend any severance, bonus or other compensation policy; and (vi) take any

action that violates or otherwise could result in an allegation of a violation of California Government Code §1090;

(n) take or omit to take any action the result of which would cause, or would likely cause, any of the changes or events set forth in **Section 6.5** to occur;

(o) take any action that would constitute a "plant closing" or "mass layoff" within the meaning of the WARN Act;

(p) enter into or agree to accept funds from the Foundation that were not disclosed as of the Effective Date or amend the terms of any arrangement governing the provision or use of such funds, unless approved in writing in advance by the Authority; or

(q) (A) make, change or revoke any Tax election, (B) change any annual Tax accounting period, (C) change any Tax accounting principles, methods, practices, or policies, (D) file any amended Tax Return, (E) enter into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement, or similar agreement, (F) surrender any right to claim a refund of Taxes, (G) enter into any "closing agreement" with a Governmental Authority, (H) consent to or request any waiver or extension of time to assess or collect any Taxes, (I) settle or compromise any Proceeding or assessment relating to Taxes, or (J) fail to pay any Taxes due and payable.

For purposes of this Agreement, an action of Palomar shall be deemed to be in the "ordinary course of business" if it: (i) is consistent in nature, scope, and magnitude with the past practices of Palomar and is performed or taken in the ordinary course of the normal day-to-day operations of Palomar; or (ii) is consistent with the capital or operating budget of Palomar, existing as of the date this Agreement has been entered into. Notwithstanding any provision to the contrary in this Agreement, neither **Section 6.4** nor this **Section 6.5** shall be construed to prohibit Palomar from engaging in any act that counsel to Palomar has advised is necessary to comply with applicable Law, including federal or state antitrust Laws. Palomar shall give the Authority prompt written notice prior to taking any act described in the immediately preceding sentence.

For purposes of **Section 6.4** and **Section 6.5**, Palomar shall be deemed to have obtained the Authority's prior written consent to undertake the actions otherwise prohibited by these Sections if Palomar gives the Authority written notice of a proposed action and Palomar does not receive from the Authority written notice of objection to such action within seven (7) Business Days after the Authority receives Palomar's written notice.

6.6 Notification. From the Effective Date until the Operational Date, Palomar shall give prompt written notice to the Authority of (a) the occurrence, or failure to occur, of any event, circumstance or fact that is reasonably likely to cause any representation or warranty of a Palomar Entity contained in this Agreement to be untrue in any material respect; (b) any failure of a Palomar Entity to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; and (c) any other material development affecting the Contributed Assets or the Assumed Liabilities. Such notice must provide a reasonably detailed description of the relevant circumstances. The content of any notice or update delivered by Palomar to the Authority before the Closing pursuant to this **Section 6.6** shall not be deemed to amend or supplement the Schedules or to modify the applicable representations, warranties, and covenants contained in this Agreement or the Transaction Agreements, for purposes of determining or calculating Palomar's indemnification obligations outlined in this Agreement, the Closing Agreement or other applicable Transaction Agreement.

6.7 OCHA Notices. As of the Effective Date, each Party will prepare and submit its respective Notices of a Material Change Transaction (the "**OHCA Notices**") to OHCA. The Parties will use commercially reasonable efforts to assist and respond to each other, as needed, both in preparation for filing the OHCA Notices and for any additional responses requested from OHCA. Prior to either Party submitting their OHCA Notice or any additional responses, the other Party shall be provided with a reasonable period to review and shall consider in good faith and incorporate any such reasonable comments from the other Party. Each Party must promptly notify the other Party of any substantive communications from or with OHCA related to the OHCA Notices or any cost and market impact review that OHCA determines is required under Cal. Code Regs. tit. 22, § 97441 (the "**CMIR**") and must promptly provide the other Party with copies of any such communications. Each Party must timely respond to all requests from OHCA for additional information and/or documentation related to the OHCA Notices, the Transaction, or the CMIR. Each Party shall bear their respective costs and expenses of preparing and submitting the OHCA Notices and any additional responses requested from OHCA. No Party will participate (or agree to participate) in any substantive meeting or discussion with OHCA regarding the OHCA Notice, the Contemplated Transaction, or the CMIR unless it consults the other Parties in advance, and, to the extent permitted by OHCA, gives the other Parties the reasonable opportunity to attend and participate in such meeting or discussion to the extent permitted by Law.

6.8 Real Estate Matters.

(a) Title Report. Within ten (10) days following the Effective Date of this Agreement, Palomar shall deliver to the Authority: (i) a preliminary Title Report and legible copies of the underlying documents pertaining to the Real Property issued by Title Company; and (ii) an existing survey of the Real Property, and the Authority shall have the right to obtain an update to such existing survey or a new survey at its sole cost and expense (the "**Survey**").

(b) The Authority's Title Review. Within forty-five (45) days after the Authority's receipt of the Title Report and Survey for all Real Property from Palomar (the "**Title Approval Date**"), the Authority shall provide written notice to Palomar of whether Buyer disapproves of any defects, conditions, exceptions, liens, encroachments, or encumbrances shown in the Title Report (a "**Title Objection Notice**"). If the Authority does not timely provide a Title Objection Notice prior to the Title Approval Date, all matters shown in the Title Report shall be deemed disapproved by the Authority.

(c) Title Objections. In the event the Authority delivers a Title Objection Notice to Palomar in accordance with **Section 6.8(b)**, Palomar shall have fifteen (15) Business Days after its receipt of the Title Objection Notice to give the Authority written notice (an "**Objection Response Notice**") stating with reasonable specificity whether or not Palomar intends to cure the Authority objections. If Palomar gives the Authority an Objection Response Notice specifying that the Authority is unwilling to cause one or more matters set forth in an Objection Notice to be removed, or if Palomar fails to provide an Objection Response Notice within such fifteen (15) Business Day period, the Authority shall have ten (10) Business Days (the "**Title Response Period**") following the receipt of Palomar's Objection Response Notice (or, in the event Palomar fails to provide an Objection Response Notice, ten (10) Business Days following the date such Objection Response Notice should have been provided to the Authority), to propose an offer of compromise with respect to such matter, which the Parties shall attempt to negotiate in good faith within ten (10) Business Days. If no compromise is offered or if offered, not reached, the Authority may elect to proceed with the and take the Real Property subject to the matters Palomar is unwilling to remove or cure, provided that, the refusal of Palomar to remove an encumbrance, defect or other exception to title to the Authority's reasonable satisfaction shall give the Authority the unilateral right to elect the remedies provided in this Agreement.

(d) Supplemental Exceptions. If any new title or survey matters (i.e., matters not shown on the initial Title Report or the Survey, including any new matter disclosed by an updated survey) are disclosed by Title Company or surveyor after the delivery of the initial Title Report and Survey to the Authority, and such new title or survey matter is not acceptable to the Authority, the Authority shall so notify Palomar in writing within fifteen (15) Business Days after receiving notice of such new matter, in which event such new matter will be deemed to be a "**Disapproved Title Matter**." If the Authority notifies Palomar that such new matter is a Disapproved Title Matter, Palomar shall notify the Authority in writing, within five (5) Business Days after receiving the Authority's notice, whether Palomar will remove such Disapproved Matter at or prior to Closing. Palomar's failure to deliver such notice to the Authority within such five (5) Business Day period will be deemed an election by Palomar to not remove such Disapproved Title Matter. If Palomar elects (or is deemed to elect) not to remove such Disapproved Title Matter, the Authority may then propose an offer of compromise with respect to such matter, which the Parties shall attempt to negotiate in good faith within five (5) Business Days and if no compromise is offered or if offered, no compromise is reached, the Authority may elect to proceed to take the Real Property subject to the matters Palomar is unwilling to remove or cure. Notwithstanding the foregoing, the refusal of Palomar to remove a Disapproved Title Matter shall give the Authority the unilateral right to elect the remedies provided in this Agreement. Notwithstanding anything to the contrary, nothing shall permit the creation of any new Encumbrance other than Permitted Encumbrances.

(e) Casualty. If any part of the Contributed Assets (including any Facility) is damaged, lost or destroyed (whether by fire, theft, vandalism or other cause or casualty), in whole or in part, prior to the Operational Date under this Agreement (such damaged, lost or destroyed assets, the "**Damaged Assets**"), the Authority may, at its option: (a) require Palomar to transfer the proceeds (or the right to the proceeds) of the applicable Insurance Policies covering the Damaged Assets (including the business interruption Insurance Policies covering Palomar or the Business, as applicable) to the Authority at the Closing plus an amount equal to any deductibles paid or incurred by Palomar; or (b) if the replacement cost of the Damaged Assets is greater than $5,000,000 or if a Facility has suffered material damage, the Authority may terminate this Agreement. Until the Effective Time, Palomar will bear all risk of loss with respect to the Damaged Assets.

(f) Eminent Domain. If, before the Operational Date, proceedings are commenced for the taking by exercise of the power of eminent domain of all or a material part of the Real Property which, as reasonably determined by the Authority, would render the Real Property unacceptable to the Authority or unsuitable for the Authority's intended use, the Authority shall have the right, by giving written notice to Palomar within sixty (60) days after Palomar gives notice of the commencement of such proceedings to the Authority, to terminate this Agreement, in which event this Agreement shall automatically terminate, the Deposit shall be returned to the Authority without any further action required from either Party, and the Authority and Palomar shall each be liable for one-half of any escrow fees or charges and neither Party shall have any continuing obligations hereunder. If, before the Closing Date, proceedings are commenced for the taking by exercise of the power of eminent domain of less than a material part of the Property, or if the Authority has the right to terminate this Agreement pursuant to the preceding sentence but the Authority does not exercise such right, then this Agreement shall remain in full force and effect and, on the Closing Date, the condemnation award (or, if not theretofore received, the right to receive such portion of the award) payable on account of the taking shall be assigned, or paid to, the Authority. Palomar shall give written notice to the Authority within three (3) Business Days after Palomar or any Palomar Affiliate receives notice of the commencement of any proceedings for the taking by exercise of the power of eminent domain of all or any part of the Property. The foregoing notwithstanding, in the event the taking results in the cancellation of, or rent abatement under, any Lease, the Authority shall have the option to terminate this Agreement. The provisions of this **Section 6.8** shall survive the Closing.

6.9 Closing Conditions. Upon the terms and subject to the conditions set forth in this Agreement, each of the Parties hereto agrees to use its reasonable best efforts (and to cause its Affiliates to use their reasonable best efforts) to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in a reasonably expeditious manner, the Contemplated Transactions and to obtain satisfaction or waiver of the conditions precedent to the consummation of the Contemplated Transactions, in each case to the extent such conduct is within the internal control of such party and its Affiliates, including (a) obtaining all of the necessary Consents from Governmental Authorities and other third parties and the making of all filings and the taking of all steps as may be necessary to obtain Consent from, or to avoid an Action by, any Governmental Authority, (b) the defending of any Actions, whether judicial or administrative, challenging this Agreement or the consummation of the Contemplated Transactions, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed and (c) the execution and delivery of any additional instruments and agreements, necessary to consummate the Contemplated Transactions, and to fully carry out the purposes of, this Agreement.

6.10 Medical Staff and Allied Medical Staff Communication Plan. Palomar will work collaboratively with the Authority to jointly develop and agree upon a communication plan and course of action to announce the transactions contemplated by this Agreement and the impact of such transactions on the medical staff and allied medical staff of the Facilities. Such communications to medical staff and allied medical staff will commence within five (5) Business Days of written request of the Authority, Palomar will provide the Authority written notice at least five (5) Business Days before any meeting with the medical staff and allied medical staff of the Facilities regarding the Contemplated Transactions and the impact of the Contemplated Transactions on the medical staff and allied medical staff of the Facilities. Palomar must also allow the Authority Representatives to be present and participate in such meetings. The Parties will enter into a credentialing agreement to facilitate the coordination of medical staff matters.

6.11 Reserved.

6.12 Cooperation Regarding Obtaining Governmental Consents.

(a) Each Party hereto must use reasonable best efforts to obtain, or cause to be obtained, as promptly as possible all consents, authorizations, orders and approvals from all Governmental Authorities or other Persons that may be or become necessary for its execution and delivery of this Option Agreement and the performance of its obligations pursuant to this Agreement (including in the case of Palomar and each Palomar Entity, all notices and consents all Material Consents). Without limitation to the preceding sentence, as promptly as possible upon execution and delivery of this Agreement, but in no event later than ten (10) Business Days thereafter or on such other date as is mutually agreed by the Parties.

(b) To the extent permitted by Law, each Party will fully cooperate and coordinate its efforts with one another in seeking all approvals, orders, permits or other consents of any applicable Governmental Authorities necessary for the consummation of the Contemplated Transactions, including by: (i) timely furnishing to each other all information that counsel to the Authority or counsel to Palomar reasonably determine is required to be included in such documents; (ii) disclose to the other Party in advance of any filings, submission or attendance all analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of the Authority or Palomar before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the Contemplated Transactions (but, for the avoidance of doubt, not including any interactions between either Party and any Governmental Authorities in the Ordinary Course of Business, any disclosure which is not permitted by Law or any disclosure containing Confidential Information), it

being the intent that the Parties will use commercially reasonable efforts to consult and cooperate with one another, and consider in good faith the other Party's reasonable comments, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals; (iii) promptly exchanging with the other Party's counsel copies of all written communications to or from any Governmental Authority relating to any competition filings submitted in connection with the transactions; and (iv) keeping each other informed of any communication received or given in connection with any proceeding or action or any interaction with a Governmental Authority by the Authority or Palomar, in each case, regarding the transactions. Each Party will furnish to the other Parties and, upon request, to any Governmental Authorities such information and assistance as may be reasonably requested in connection with the foregoing, including by responding promptly to any request for additional information or documents under applicable competition Laws. Each of Palomar and the Authority will jointly control and determine strategy with respect to obtaining any Governmental Consents, *provided, however*, that, subject to this Section, in the event of any conflict or disagreement between Palomar and the Authority with respect to such strategy, the Authority will have the right to direct the matter that is the cause of any such conflict or disagreement, acting reasonably and taking into consideration in good faith the views of Palomar.

(c) The Parties hereto may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this **Section 6.12** as "outside counsel only." Such materials and the information contained therein will be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient, unless express written permission is obtained in advance from the source of the materials of Optionor and Optionee.

(d) For the avoidance of doubt, in connection with the Authority performing its obligations under this **Section 6.12**, the Authority is not required to (i) sell or otherwise dispose of, hold separate or agree to sell or dispose of, any Acquired Assets or any assets, categories of assets or businesses of the Authority; (ii) terminate existing relationships, contractual rights or obligations; (iii) take or commit to take any action that limits their freedom of action with respect to, or ability to retain, the Contributed Assets or other assets of the Authority or take any action that would have an adverse effect on the business, assets, Liabilities, results of operations or condition (financial or otherwise) of the Authority; (iv) litigate, pursue or defend any action or proceeding by a Governmental Authority or by any Person challenging the Contemplated Transactions as violative of any applicable Laws; or (iv) pay or commit to pay any amount (or incur any obligation in favor of) any Person from whom any consent, order, authorization or approval may be required.

6.13 Cooperation Regarding Lease Assignments. From and after the Effective Date of this Agreement until the Closing, Palomar shall (a) obtain estoppel certificates, subordination, non-disturbance, and attornment agreements or similar documents as requested by the Authority from counterparties to each Lease Agreement; (b) an assignment of each Lease Agreement in a form reasonably acceptable to the Authority; and (c) termination of any Lease Agreement identified by the Authority.

6.14 Cooperation Regarding Non-Governmental Third-Party Consents. From the Effective Date of this Agreement until the Closing, Palomar shall use commercially reasonable efforts to obtain the necessary consents from all counterparties to any Assumed Contract or Material Contract to consummate the Contemplated Transactions.

6.15 Interim Operating Reporting. From the Effective Date until the Closing, Palomar shall cause its officers and cause each Palomar Entity to cause its officers to confer on a regular and frequent basis with one or more Representatives of the Authority to report material operational matters in respect of the Facilities and to report the general status of ongoing operations.

6.16 Credentialing and Medical Staff Transition Activities. Prior to the Closing, to the extent required by the Health Care Quality Improvement Act, 42 U.S.C. §11101, *et. seq*, Palomar shall report to the applicable licensing board any final, non-appealable "professional review action" (as defined in the Healthcare Quality Improvement Act) that occurs prior to the Closing. Prior to the Closing, Palomar shall use commercially reasonable efforts to cooperate with the Authority in appropriately transitioning any pending professional review proceeding. Prior to the Closing, to the extent permitted under applicable Laws, and without any requirement that Palomar act in a manner that voids or violates any peer review or similar privilege or applicable Facility medical staff by-laws, policies and procedures, Palomar shall also use commercially reasonable efforts to cooperate with the Authority and with any member of the medical staff of any Facility regarding any reasonably needed access or transfer of information or copies of documents comprising Credentialing and Medical Staff Records as may be reasonably requested in connection with new or adopted credentialing transition activities.

6.17 Waiver by Employees of a Palomar Entity and Amendment to Employment Agreement.

(a) For the individuals set forth on Schedule 6.17 attached hereto, Palomar will obtain a waiver from such individual that provides that such employee acknowledges and agrees that the Contemplated Transactions, including any changes in reporting structure or duties do not constitute Good Reason or otherwise afford such employee the ability to terminate such agreement or otherwise waives his or her right to exercise his or her right to terminate his or her employment for Good Reason (the "**Employee Waiver**").

(b) For the individual(s) set forth on Schedule 6.17 attached hereto, Palomar and such individual(s) will execute an amendment to such individual(s) employment agreement to reflect the duties that such individual(s) will provide to the Authority; for the avoidance of doubt, such individual will remain an employee of Palomar and provide such services to the Authority as a leased employee pursuant to the terms of the Employee Leasing Agreement ("**Amendment to Employment Agreement**").

6.18 Medical Staff. Unless mutually agreed by the Parties prior to the Closing, the Contemplated Transactions, in and of themselves, shall 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 Closing Date. Notwithstanding the foregoing, nothing in this **Section 6.18** will limit the ability of the applicable board of trustees or medical executive committee of the Facilities or the Authority 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. Notwithstanding, following the Closing, 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, other accreditation, licensing or regulatory bodies, and best practices.

7. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE AUTHORITY

The obligations of the Authority under this Agreement are subject to the satisfaction on or prior to the Operational Date of the following conditions, unless waived in writing by the Authority:

7.1 Palomar's Performance.

(a) Each of the covenants and obligations that Palomar Entities is required to perform or to comply with pursuant to this Agreement at or before the Closing must have been duly performed and complied with in all material respects.

(b) Each document required to be delivered pursuant to **Section 3.2** must have been delivered.

(c) Palomar has provided all diligence requested by the Authority for purposes of the Authority conducting due diligence activities, including in connection with any appraisal, environmental, structural, and mechanical reviews of the real properties, analysis of compliance by the Contributed Assets, Facilities, and Business.

7.2 The Authority Required Consents. Each approval, consent, waiver, or authorization identified in **Schedule 7.2** must have been obtained and must be in full force and effect ("**Material Consents**"), including, as applicable, from OHCA, and all applicable waiting periods have expired, and such consents must be obtained before June 30, 2026, unless otherwise mutually agreed to by the Parties; notwithstanding, the Parties agree that while the consent to assign the units that Palomar holds in PHKH, LLC, will be dated as of the Closing, the actual transfer of such units will not occur until the applicable waiting period and approval, as applicable, of the applicable Governmental Authority has been granted and at the time such interest in the Joint Venture will become a Contributed Assets; provided; however, the revenues associated with Palomar's interest will constitute Contributed Assets as of the Closing Date.

7.3 Operational Insurance Policies. Palomar and the applicable Palomar Entities have obtained supplemental insurance policies and/or continuation of applicable insurance coverage in the amounts, terms, and limits set forth on Schedule 4, incorporated herein by this reference (the "**Operational Insurance Policies**"). The Operational Insurance Policies will be held for the benefit of the Business, the Facilities, or the Practitioners. The cost of the Operational Insurance Policies will be borne by the Authority.

7.4 Title to Real Property. The Authority has received a proforma title commitment from the Title Company for the Title Policy for the Palomar Real Property in form and with coverages reasonably acceptable to the Authority, and the Title Company has irrevocably committed to issue such Title Policy to the Authority at Closing.

7.5 CBA Notice Collective Bargaining Agreement. Palomar has provided the notices required under the California Nurses Association Collective Bargaining Agreement and the Caregivers Healthcare Employees Collective Bargaining Agreement (collectively, the "**CBA Notice**"). Such notice provided that the Authority does not have any successor liability or other obligations under the CBAs.

7.6 Physical Inventory and Personal Property. Within the twenty (20) day period preceding the Operational Date, the Authority or its Representatives have performed a physical inventory to verify the levels and amounts of the Inventory at the Poway Facilities to ensure such inventory meets a level mutually agreed upon by the Parties and to verify that all Personal Property remains at the Poway Facilities. Representatives of Palomar will be permitted to observe such inspection.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF PALOMAR

The obligations of Palomar under this Agreement are subject to the satisfaction on or prior to the Operational Date of the following conditions, unless waived in writing by Palomar:

8.1 The Authority Performance.

(a) Each of the covenants and obligations that the Authority is required to perform or to comply with pursuant to this Agreement at or prior to the Closing must have been duly performed and complied with in all material respects.

(b) Each document required to be delivered pursuant to **Section 3.3** must have been delivered.

(c) UCSD Health shall have made all of the Pre-Authority Advances to Palomar.

(d) UCSD Health shall have made the Credit Line available to Palomar.

9. ADDITIONAL COVENANTS

9.1 Maintenance of and Access to Records.

(a) Following the Closing, the Authority will assume all legal responsibility for, and will preserve, the Records delivered to the Authority as part of the Contributed Assets for the period of time required by applicable Law. During normal business hours and upon reasonable notice, the Authority will grant Palomar reasonable access to such Records, with an opportunity to make copies for appropriate legal and business purposes, including in connection with any audit or investigation by any Governmental Authority.

(b) Following the Closing, Palomar will retain all legal responsibility for, and will preserve, the Records that pertain to the Excluded Liabilities or the Excluded Assets or which were not otherwise transferred to the Authority. During normal business hours and upon reasonable notice, Palomar will grant the Authority reasonable access to such business records of Palomar, with an opportunity to make copies for appropriate legal and business purposes, including in connection with any audit or investigation by any Governmental Authority, preparing Tax Returns or conducting Tax audits, preparing Cost Reports or conducting audits related thereto, or any matter relating to insurance coverage or the defense or prosecution of third-party claims.

(c) The provision of such information and access will be subject to applicable Law and will be provided at the sole cost and expense of the Party requesting such records or information.

9.2 Collection of Accounts Receivable.

(a) In connection with the Authority's assumption of operational and financial responsibility for the Facilities and its right to use and enjoy the benefit of the Facilities as provided hereunder, as of the Operational Date, Palomar and, as applicable, will require the applicable Palomar Entities to, immediately provide to and allow the Authority to use such entity's billing identification information to the extent permitted by applicable Law (which information includes without limitation Palomar's name, Medicare and related Medicaid, TRICARE and other Governmental Program provider numbers, identification numbers, National Provider Identifiers, federal employer identification numbers and any other numbers, codes or passwords or other information necessary to allow the Authority to submit claims and bill for services rendered at the Facilities (collectively, the "**Provider Numbers**") after the Effective Time. The use of such Provider Numbers hereunder is effective (i) for purposes of Medicare, until CMS and the applicable Medicare Administrative Contractor approve the Authority's Medicare change of ownership application and issue a tie-in notice and approval letter acknowledging that the Authority may be reimbursed for claims submitted using the Authority's billing identification information; and (ii) for purposes of Medicaid and any other Government Program, until the applicable Medicaid program(s) or program agent(s) approves the Authority's provider enrollment application and/or approves assignment of the applicable provider contract and issues the appropriate notice acknowledging that the Authority may be reimbursed by the applicable Medicaid or other Government Program for claims submitted using the Authority's identification information. Palomar must not, and will cause its Affiliates, to refrain from taking any actions to: (i) terminate any of the Provider Numbers

except as required by Law; (ii) close any accounts used by Palomar or an applicable Palomar Affiliate, for purposes of receiving reimbursement; or (iii) cancel any electronic funds transfer agreements with respect to Medicare, Medicaid, Medi-Cal, TRICARE, or any other Government Program. All Accounts Receivable and monies, whether in the name of the Authority, Palomar, another Palomar Entity, or the Facilities, belong to the Authority. Palomar and the applicable Palomar Entities must afford the Authority and its representatives with access to all deposit accounts into which any Medicare, Medicaid, or TRICARE payments or reimbursements are deposited. The Authority's use of the Provider Numbers hereunder does not conflict with or in any way minimize Palomar's and, as applicable, the applicable Palomar Entity obligation to transfer the Provider Numbers.

(b) The Authority has the right, on behalf of Palomar and the other Palomar Entities and the Facilities, to the maximum extent permissible under applicable Law, to bill patients and payors and collect all cash revenue resulting from operation of the Facilities. Palomar and the other Palomar Entities agree to fully cooperate with the Authority to make available such billing and accounting information and to provide such financial records for review as may be necessary to accomplish the billing and collection of patient charges for services provided for and to cooperate with the Authority in the completion of reports and claim forms as necessary to procure payments and reimbursement from Governmental Agencies, insurance carriers or other third party payors. Palomar and Palomar Entities hereby authorize the Authority to do the following:

(i) To bill patients in Palomar's and any applicable Palomar Entity's name, on Palomar's or other Palomar Entity's behalf; and under the Provider Numbers;

(ii) To take possession of and endorse in the name of Palomar or any other applicable Palomar Entity any notices, checks, money orders, insurance payments, and other instruments received in payment of the Accounts Receivable that do not constitute receivables from a Government Program and deposit them directly in the Authority's bank accounts;

(iii) To collect Accounts Receivables in Palomar's or other applicable Palomar Entity's name and on Palomar's or applicable Palomar Entity's behalf, provided that any accounts receivable resulting from services to Government Program patients will continue to be paid into the applicable Palomar Entity's bank accounts, to the extent required by applicable Law and subject to Palomar's and other applicable Palomar Entity's obligations under **Section 9.2(c)** below; and

(iv) To initiate legal proceedings to collect any accounts or monies owed to the Facilities or the applicable Palomar Entities related to the Facilities or the Business.

(c) As of the Effective Date, or as soon thereafter as reasonably practicable, Palomar and each applicable Palomar Entity must deliver to the Authority, executed copies of such documentation as may be required by the depositary banks at which its depository accounts for the Facilities, including the deposit account where Palomar or the applicable Palomar Entity's receives payments from Medicare or Medi-Cal (together, the "**Healthcare Receivables Account**") is maintained to add the Authority or its designees as authorized signers on the Healthcare Receivables Account, each authorized individually to write checks, or to withdraw funds or, transfer funds electronically by wire, ACH, any applicable online banking system or otherwise, *provided, however*, that in compliance with the Medicare anti-assignment statutes and regulations, the Healthcare Receivables Account must remain in Palomar's and applicable Palomar's Entity name only and only Palomar or the Palomar Entity may issue any instructions to the depositary banks at which the Healthcare Receivables Account is maintained. Palomar and each Palomar Entity will remit to the Authority the payments and revenues received in the Healthcare Receivables Account in accordance with the terms hereof. As of the Operational Date, Palomar and the other Palomar

Entities covenant and agree that such entity will not withdraw or transfer funds from any of its bank accounts or issue checks on the Healthcare Receivables Account.

(d) All cash revenue received related to operating revenues for services rendered at the Facilities is under the control of the Authority, rather than a Palomar Entity.

9.3 Termination Prior to Closing. Notwithstanding anything to the contrary in this Agreement, this Agreement may be terminated as follows:

(a) Upon the mutual written consent of the Parties;

(b) As otherwise set forth in this Agreement; or

(c) If the Closing has not then occurred, this Agreement will terminate at 11:59 p.m., California time, on June 30, 2026, unless otherwise mutually agreed to by the Parties. Each Party's right of termination under **Section 9.3** is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to **Section 9.3**, all further obligations of the Parties under this Agreement will terminate, except that the provisions that are expressly intended to survive termination of this Agreement will survive such termination.

9.4 Use of Series 2023 A CapEx Funds and Related Funds. Series 2022A CapEx Funds and any other bond, revenue, or certificate of participation related funds available for such use to fund capital improvements

[7]

10. SURVIVAL, INDEMNIFICATION AND LIQUIDATED DAMAGES

10.1 Survival of Representations and Warranties. Except as expressly set forth in this Agreement to the contrary, including those pertaining to Palomar Fundamental Representations and the Authority Fundamental Representations, all representations and warranties of the Authority and Palomar, respectively, contained in **Sections 4** and **5** or in any certificate delivered pursuant hereto shall continue to be fully effective and enforceable following the Operational Date for thirty-six (36) months (the "**Survival Period**") and shall thereafter be of no further force and effect, except that the Palomar Fundamental Representations and the Authority Fundamental Representations shall continue to be fully effective and enforceable following the Operational Date for the greater of six (6) years or the applicable statute of limitations (as extended) plus sixty (60) days; *provided*, *however*, that if there is an outstanding notice of a claim at the end of the Survival Period**,** the Survival Period shall not end in respect of such claim until such claim is finally determined or otherwise resolved by the Parties under the terms of the Closing Agreement.

(b) For the avoidance of doubt, (i) each other covenant, agreement and obligation set forth in this Agreement or in any other Transaction Agreement, including those covenants, agreements and obligations pertaining the Excluded Liabilities and the Assumed Liabilities, shall survive the Closing for an indefinite time period unless a different time period is explicitly specified therein and such obligation has been fully performed or observed in accordance with its terms; and (ii) this **Section 10.1** shall not affect any rights to bring claims after the Survival Period based on any covenant or agreement

[7] **Note to Palomar**: The Parties to discuss Palomar will not amend the Management Services Agreement or forgive any Liabilities related to the Foundation without the Authority's consent unless such items remain Excluded Assets.

of the Parties which contemplates performance after the Operational Date or the obligations of Palomar or the Authority.

10.2 Liquidated Damages. IN THE EVENT THAT (I) A BREACH OCCURS UNDER THIS AGREEMENT OR ANY OTHER APPLICABLE AUTHORITY DOCUMENT AND PALOMAR FAILS TO CURE SUCH BREACH WITH THE APPLICABLE CURE PERIOD, IF ANY, OR (II) PALOMAR FAILS TO CONSUMMATE THE CLOSING ON OR BEFORE THE OPERATIONAL DATE NOTWITHSTANDING THAT THE AUTHORITY HAS SATISFIED OR WAIVED ALL CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE AUTHORITY SET FORTH IN SECTION 7, THE PARTIES AGREE THAT, AS ITS SOLE MONETARY REMEDY, THE AUTHORITY SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE SUM OF THREE HUNDRED MILLION DOLLARS ($300,000,000) (THE "**LIQUIDATED DAMAGES CAP**") AS LIQUIDATED DAMAGES AND NOT AS A PENALTY, IN FULL SATISFACTION OF CLAIMS AGAINST PALOMAR HEREUNDER. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 10.2 SHALL LIMIT, RESTRICT, OR OTHERWISE IMPAIR THE AUTHORITY'S RIGHT TO SEEK OR OBTAIN SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, OR ANY OTHER EQUITABLE REMEDY AVAILABLE AT LAW OR IN EQUITY, INCLUDING THE RIGHT TO COMPEL PALOMAR TO CONSUMMATE THE CLOSING IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. PALOMAR AND THE AUTHORITY AGREE THAT THE AUTHORITY'S DAMAGES RESULTING FROM PALOMAR'S DEFAULT ARE DIFFICULT, IF NOT IMPOSSIBLE, TO DETERMINE, AND THE LIQUIDATED DAMAGES AMOUNT IS A FAIR ESTIMATE OF THOSE DAMAGES WHICH HAVE BEEN AGREED TO IN AN EFFORT TO CAUSE THE AMOUNT OF SUCH DAMAGES TO BE CERTAIN. AN AWARD OF THE LIQUIDATED DAMAGES AMOUNT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO THE AUTHORITY PURSUANT TO SECTIONS 1671, 1676, AND 1677 OF THE CALIFORNIA CIVIL CODE, AND SHALL NOT BE DEEMED TO CONSTITUTE A FORFEITURE OR PENALTY WITHIN THE MEANING OF SECTION 3275 OR SECTION 3369 OF THE CALIFORNIA CIVIL CODE OR ANY SIMILAR PROVISION. IN NO EVENT SHALL PALOMAR BE LIABLE TO THE AUTHORITY FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES.

Authority's Initials:_____ Palomar's Initials:_____

10.3 Indemnification. The indemnification obligations of Palomar and the Authority under this Agreement are subject to and must be made in accordance with the indemnification procedures, rights, and limitations set forth in Section 6 of the Closing Agreement, which provisions are hereby incorporated into and made a part of this Agreement by this reference; *provided, however*, if the Authority is granted the Liquidated Damages Amount pursuant to **Section 10.2** above, then in such event, the provision of **Section 10.2** above shall control over those contained in Section 6(e) of the Closing Agreement. Notwithstanding, nothing in this Agreement will limit or impair any indemnification rights provided to UCSD Health under the Closing Agreement or other applicable agreement.

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: Chief Executive Officer

120 Craven Road, Suite 106
San Marcos, CA 92078
Email: Diane.Hansen@PalomarHealth.org

With a copy to: Holland & Knight, LLP
Attention: John Kern
560 Mission Street, Suite 1900
San Francisco, CA 94105

If to the Authority: Palomar UCSD Health Authority
2125 Citracado Parkway, Suite 300
Escondido, CA 92029
Attention: Chief Legal Officer

With a copy to: Best Best & Krieger LLP
1333 N. California Blvd., Suite 220
Walnut Creek, CA 94596
Attn: Noël Caughman, Esq.

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

and to (which will not constitute notice):

UC Legal-UC San Diego Office of Campus Counsel
Office of Legal Affairs
9500 Gilman Drive, MC 0933
San Diego, California 92093
Attention: Chief Health Counsel

and to (which will not constitute notice):

Sheppard Mullin Richter & Hampton LLP
Four Embarcadero Center, 17th Floor
San Francisco, CA 94111
Attn: Eric Newsom
Email: enewsom@sheppardmullin.com

or at such other address as an entity may designate by notice hereunder to the other entities.

11.2 Legal Fees and Costs of Disputes. In the event a Party incurs reasonable legal expenses to enforce or interpret any provision of this Agreement by mediation, arbitration, or judicial means, the prevailing Party will be entitled to recover such reasonable legal expenses, including Reasonable Attorneys' Fees, costs, and necessary disbursements, in addition to any other relief to which such Party will be entitled. As used herein, the term "**Reasonable Attorneys' Fees**" means reasonable attorneys' fees actually incurred at standard hourly rates

11.3 Choice of Law. The Parties agree that all disagreements, disputes or claims arising out of or relating to this Agreement or the Contemplated Transaction 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.

11.4 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.

11.5 Legal Advice and Reliance. Except as expressly provided in any Transaction Agreement, 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 Contemplated Transactions under applicable Law, including Tax-related Laws or under the Laws governing the Government Programs. Except for the representations and warranties made in any Transaction Agreement, 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.

11.6 Cost of Transaction.

(a) Except as otherwise provided in this Agreement, including as set forth in **Section 11.6(b)**, each Party will bear and pay its own costs and expenses relating to the preparation of the Transaction Agreements and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, the Transaction Agreement, including the disbursements and fees of their respective attorneys, accountants, advisors, agents and other Representatives, incidental to the preparation and carrying out of the Transaction Agreement, whether or not the Contemplated Transactions are consummated, and any one-time costs associated with the Transaction ("**Transactional Expenses**").

(b) The Authority agrees to be a co-obligator for the payment of the Scheduled Transactional Expenses. The Authority's obligations under this **Section 11.6(b)** are expressly conditioned on: (i) the provision of all documentation regarding these expenses, including documentation to verify the amounts stated therein; (ii) the Authority will have the sole discretion to determine the order of payment and the timing of the payment of such expenses; (iii) Palomar remains a co-obligator and is not released from Liability associated with the payment of these expenses; and (iv) the Authority will have the sole right to discuss and negotiate with the vendors and other third party to whom such Liabilities are owed, including the right to dispute such expenses.

11.7 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.

11.8 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 the Authority or Palomar 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.

11.9 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.

11.10 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 have no legal effect in construing the provisions of this Agreement.

11.11 Third-Party Beneficiaries.

(a) Notwithstanding any other provision of this Agreement, UCSD Health, and its respective successors and permitted assigns, are expressly intended as third party beneficiaries of this Agreement and will be entitled to enforce all rights, benefits, covenants, obligations, warranties, representations, undertakings, indemnifications, and remedies contained herein to the full extent as if it were a party they were parties hereto. Without limitation, such enforcement rights will include, the right to: (i) demand performance of any obligation set forth in this Agreement; (ii) receive the benefits of any representations, warranties, indemnities, and covenants in this Agreement; (iii) initiate legal proceedings to enforce any provisions of this Agreement; (iv) seek equitable and injunctive relief to prevent or remedy any breach of this Agreement; and (v) recover damages or other available remedies arising from any breach of this Agreement.

(b) No amendment, modification, waiver, or termination of this Agreement that affects the rights of UCSD Health or its respective successors and permitted assigns will be effective unless such UCSD Health or its respective successors and permitted assigns has provided its prior written consent to such amendment.

(c) The Parties hereto acknowledge and agree that UCSD Health and, as applicable, its respective successors and permitted assigns, have been granted direct and enforceable rights under this Agreement, and such rights will survive the Closing and continue in full force and effect according to the terms of this Agreement.

(d) The terms and provisions of this Agreement are intended solely for the benefit of the Authority, Palomar, and UCSD Health or such entity's respective successors and permitted assigns, and it is not the intention of the Parties to confer, and this Agreement will not confer, third-party beneficiary rights upon any other Person.

11.12 Entire Agreement; Amendment. This Agreement, together with the other Transaction Agreements, represents the entire agreement between the Parties with respect to the subject matter of this Agreement and supersede 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.

11.13 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 the same instrument. The facsimile signature of any Party or other Person to this Agreement or any other Transaction Agreement or a PDF copy of the signature of any Party or other Person to this Agreement or any other Transaction Agreement 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.

11.14 Archive Copy of VDR. Palomar will, within twenty (20) Business Days of the Operational Date, deliver to the Authority a complete archive copy of the VDR hosted by the applicable vendor as of the Operational Date from the view of an end user that was provided the most complete access to the VDR.

[Remainder of this page intentionally blank.

Signatures follow on next page.]

IN WITNESS WHEREOF, the Parties have caused this Initial Contribution 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: Chief Executive Officer

THE AUTHORITY:

PALOMAR UCSD HEALTH AUTHORITY

By:_____
Name: Pauline Gourdie
Title: Chair, Board of Directors

EXHIBIT A

"**Accounts Receivable**" means all accounts, notes, interest and other receivables of Palomar and the other Palomar Entities from the rendering of services to inpatients and outpatients at the Facilities or the Business, billed and unbilled, recorded and unrecorded (including any accounts previously written off or charged off as bad debts), for services provided by the Facilities whether payable by Government Programs or Private Programs, or by any other source, including the right to receive an amount equal to the value of all accounts receivable arising from the rendering of services and provision of medicine, drugs, and supplies to patients at the Facilities relating to Medicare, Medicaid, TRICARE, and other third-party patient claims of the Facilities or the Business.

"**Affiliate**" means, 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.

"**After-Contributed Assets**" has the meaning set forth in **Section 2.9**.

"**Agreement**" means this Contribution Agreement together with all Exhibits and Schedules hereto, as amended, consolidated, supplemented, or replaced by the Parties from time to time in accordance with this Agreement and has the meaning set forth in the preamble to this Agreement.

"**AI Inputs**" means all data, content, or materials of any nature (including text, numbers, images, photos, graphics, video, audio, or computer code) used to develop, train, refine, validate, test, improve, or deploy any AI Technology.

"**AI Technologies**" means all deep learning, machine learning or other artificial intelligence technologies that use software algorithms, neural networks, or models to analyze input data, learn from that data, and then automatically (i) make decisions or predictions based on that learning and/or (ii) generate content or output (including data, text, pictures/images, art, sounds, videos, software/code, designs, specifications, and other content).

"**Allegations**" means any and all allegations, reports, disclosures, complaints, accusations, charges, claims, demands, written declarations, grievances, and/or investigations, whether formal or informal, external or internal, regardless of a determination that such allegations, reports, disclosures, complaints, accusations, charges, claims, demands, written declarations, grievance, and/or investigations are or were without merit, insufficient, nonactionable, or unsubstantiated.

"**Amended PHD Articles**" has the meaning set forth in **Section 2.6**.

"**Amended PHMG Articles**" has the meaning set forth in **Section 2.5**.

"**Amended SDEMA Articles**" means the amendments to the SDEMA articles of incorporation.

"**Amended Foundation Articles**" has the meaning set forth in **Section 2.7 (d).**

"**Amended and Restated Foundation Bylaws**" has the meaning set forth in **Section 2.7(a).**

"**Amended and Restated PHD Bylaws**" has the meaning set forth in **Section 2.6**.

"**Amended and Restated PHMG Bylaws**" has the meaning set forth in **Section 2.5**.

"**Amended and Restated SDEMA Bylaws**" means the amendments to the SDEMA bylaws, as may be amended.

"**Amendment to Employment Agreement**" has the meaning set forth in **Section 6.17(b)**.

"**Appurtenances**" has the meaning set forth in **Section 2.1(a)**.

"**Approval**" means 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.

"**Assignment and Assumption Agreement**" has the meaning set forth in **Section 3.2(c)**.

"**Assumed Contracts**" has the meaning set forth in **Section 2.1(e)**.

"**Assumed Liabilities**" has the meaning set forth in **Section 2.3**.

"**Assured**" means Assured Guaranty Inc., a Maryland Insurance company.

"**Assured Forbearance Agreement**" means Forbearance Agreement dated January 16, 2025, by and among Palomar, Master Trustee, and Assured, as the same as amended by the First Amendment to Forbearance Agreement dated May 15, 2025.

"**Authorities**" means federal and state Laws, regulations, ordinances, and guidance, as well as all medical and ethical cannons, regulations, and standards of patient care.

"**Authority**" has the meaning set forth in the preamble to this Agreement.

"**Authority Fundamental Representations**" means, collectively, the representations and warranties contained in **Section 5.1** (Organization, Capacity), **Section 5.2** (Authority; Non-contravention; Binding Agreement), and **Section 5.4** (Brokers and Finders).

"**Balance Sheet Date**" means May 31, 2026.

"**BAA**" has the meaning set forth in **Section 4.10(d)**.

"**Bill of Sale**" has the meaning set forth in **Section 3.2(b)**.

"**Breach**" has the meaning set forth in **Section 4.10(d)**.

"**Business**" means the business of delivering healthcare services to the public through the ownership, leasing, and operation of the Facilities, the ownership of certain interests in related entities offering healthcare services, including through the Joint Ventures, and the provision of outpatient and other healthcare businesses through the Palomar Entities, as well as any and all other businesses owned, managed, acquired, developed, operated or conducted by Palomar, PHMG, PHD and SDEMA.

"**Business Day**" means any day of the year on which national banking institutions in California are open to the public for conducting business and are not required or authorized to close.

"**Cardholder Data**" has the meaning set forth in **Section 4.15(i)**.

"**CARES Act**" means the Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136, as may be amended, and the rules and regulations promulgated thereunder (including "Division N--Additional Coronavirus Response and Relief" of the "Consolidated Appropriations Act, 2021" (H.R. 133), IRS Notice 2020-65 and the Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster issued on August 8, 2020) published with respect thereto by any Governmental Authority.

"**CBA Notice**" has the meaning set forth in **Section 7.5**.

"**CBA**" or "**CBAs**" the collective bargaining agreements between Palomar and each of California Nurses Association or the Caregivers & Healthcare Employees Union.

"**Changes to Foundation Arrangement**" has the meaning set forth in **Section 2.7(e).**

"**Charitable Funds**" means all restricted cash, cash equivalents and other assets, whether held in any fund, account, reserve, endowment, or trust, that have been donated to, or dedicated by any donor(s) for the benefit of Palomar or a Palomar Entity, or that is held, managed, or administered by any Person for the benefit of Palomar or a Palomar Entity.

"CIA" has the meaning set forth in **Section 4.12**.

"**Closing**" has the meaning set forth in **Section 3.1**.

"**Closing Agreement**" means the duly executed closing agreement, by and among UCSD Health, Palomar, and the Authority, executed on October 31, 2025, as amended and restated on June 30, 2026.

"**CMIR**" has the meaning set forth in **Section 6.7**.

"**CMS**" means the Centers for Medicare & Medicaid Services.

"**CMS Reporting**" means any cost, quality, performance, use of certified electronic health record technology and electronic reporting requirements implemented by CMS pursuant, including the Social Security Act, the Patient Protection and Affordable Care Act of 2010 (or any replacement or successor Law), the Health Care and Education Reconciliation Act of 20l0, the Pathway for Sustainable Growth Reform (SGR) Act of 2013, the Protecting Access to Medicare Act of 2014, the Improving Medicare Post-Acute Care Transformation Act of 2014 (IMPACT), American Taxpayer Relief Act of 2012 (ATRA), Balanced Budget Act of 1997 (BBA), the Medicare, Medicaid and SCHIP (State Children's Health Insurance Program) Balanced Budget Refinement Act of 1999 (BBRA), the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), the 21st Century Cures Act, the HITECH Act, the Medicare Access & CHIP Reauthorization Act of 2015 (MACRA) (Pub L. 114-10, enacted April 16, 2015), amending Title XVIII of the Social Security Act and/or the Bipartisan Balanced Budget Act of 2018, each of which may be amended from time to time by a Balanced Budget Act of the United States Congress, each applicable at such time as healthcare services are rendered.

"**Co-Borrower Assignment and Assumption Agreement**" has the meaning set forth in **Section 3.2(d)**.

"**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, the Public Health Service Act, codified as 42 USC *§§* 300bb-1 through 300bb-8, and any similar state or federal continuation of coverage Laws.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Company Datasets**" has the meaning set forth in **Section 4.11(a)**.

"**Constituent Documents**" means, for any corporation, partnership, limited partnership, limited liability company, or other organization, its charter, articles of incorporation, certificate of incorporation, bylaws, partnership agreement, operating agreement, certificate of limited partnership, certificate of formation, or other similar formation and governance documents, each as amended to the relevant date.

"**Contributed Assets**" has the meaning set forth in **Section 2.1**.

"**Construction Drawings**" has the meaning set forth in **Section 4.18(o)**.

"**Contemplated Transactions**" means, collectively, the transactions contemplated by, or related to, this Agreement and the other Transaction Agreements, including (a) the contribution of the Initial Assets and (b) the execution, delivery, and performance of this Agreement and the other Transaction Agreements.

"**Contract**" means any legally binding oral or written commitment, promise, contract, lease, sublease, license, sublicense, guaranty, contractor or equipment warranty, prepaid services agreement, indenture, occupancy or other agreement or arrangement of any kind and all amendments, side letters, modifications and supplements thereto.

"**Copyrights**" means all copyrights, whether in published or unpublished works, which include literary works, and any other original works of authorship fixed in any tangible medium of expression (including nutritional and weight loss manuals and written programs); web site and online application content; rights to compilations, collective works and derivative works of any of the foregoing; and registrations and applications for registration for any of the foregoing and any renewals or extensions thereof.

"**Cost Reports**" means all cost and other reports related to the Facilities filed pursuant to the requirements of the Government Programs and other third-party payor programs for cost-based payments or reimbursement due to or claimed by Palomar from the Government Programs and other Third-Party Payor programs or their fiscal intermediaries or payor agents, including all cost report receivables or payables and all related appeals and appeal rights.

"**COVID-19**" means the novel coronavirus disease, COVID-19 virus (SARS-COV-2 and all related strains and sequences) or mutations (or antigenic shifts or drifts) thereof or a disease or public health emergency resulting therefrom.

"**Credentialing and Medical Staff Records**" means all credentialing records with respect to any Physician or other provider who provides services to the Business, all minutes of the meetings of the medical staffs of each Facility and any committees thereof, and all other records related to the administrative operations of each Facility's medical staff for the period prior to the Effective Time.

"**Credit Agreement**" has the meaning set forth in the Recitals.

"**Credit Line**" has the meaning set forth in the Recitals.

"**Credit Line Documents**" has the meaning set forth in the Recitals.

"**Damaged Assets**" has the meaning set forth in **Section 6.8(e)**.

"**DEA**" has the meaning set forth in **Section 3.2(e)**.

"**Diligence Information**" has the meaning set forth in **Section 6.2**.

"**Disapproved Title Matter**" has the meaning set forth in **Section 6.8(d)**.

"**Disclosure Schedule**" or "**Schedule**" means the disclosure schedules and any other schedule to this Agreement.

"**District Operations Allowance**" has the meaning set forth in **Section 2.12(b).**

"**Domain Names**" means Internet electronic addresses, uniform resource locators and alphanumeric designations associated therewith registered with or assigned by any domain name registrar, domain name registry or other domain name registration authority as part of an electronic address on the Internet, rights in social media accounts and social media pages, and all applications for any of the foregoing.

"**Effective Time**" has the meaning set forth in **Section 3.1**.

"**Employee Leasing Agreement**" means an employee leasing agreement that provides for the lease of certain employees of Palomar on and after the Operational Date.

"**Employee Waiver**" has the meaning set forth in **Section 6.18(a)**.

"**Encumbrances**" means 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.

"**Environmental Condition**" means any event, circumstance or conditions related in any manner whatsoever to: (a) the current or past presence or spill, emission, discharge, disposal, Release or threatened Release of any hazardous, infectious or toxic substance or waste (each term as defined by any applicable Environmental Laws), or any chemicals, pollutants, petroleum, petroleum products or oil, infectious waste material, radioactive material, medical waste, human tissue, syringes, needles, any material contaminated with bodily fluids of any type, character or nature, friable asbestos, per and polyflouroalkyl substances, mold and poly-chlorinated biphenyls ("**PCBs**") (collectively, "**Hazardous Materials**"), into the environment; (b) the on-site or off-site treatment, storage, disposal or other handling of any Hazardous Material originating on or from the Business or any portion of the Real Property; (c) the placement of structures or materials into waters of the United States; (d) the presence of any Hazardous Materials in any building, structure or workplace or on any portion of the Real Property; or (e) any violation of Environmental Laws at or on any portion of the Real Property or arising from the activities of Palomar, any Palomar Affiliate, or any other Person at the Facilities involving Hazardous Materials.

"**Environmental Laws**" means all Laws relating to pollution, the environment or human health and safety (including worker health and safety), including the Comprehensive Environmental Recovery, Compensation, and Liability Act, as amended, 42 U.S.C. § 6901, *et seq.*, the Clean Air Act, 42 U.S.C. § 7401; OSHA; and all other Laws relating to emissions, discharges, Releases, or threatened Releases of pollutants, contaminants, chemicals, pesticides, or industrial, infectious, toxic or hazardous substances or wastes into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or otherwise relating to the processing, generation, distribution, use, treatment, storage, disposal,

transport, or handling of pollutants, contaminants, chemicals, or industrial, infectious, toxic, or hazardous substances or wastes, including Hazardous Material.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Controlled Group**" has the meaning set forth in **Section 4.20(f)**.

"**Escondido Appurtenances**" has the meaning set forth in **Section 2.1(a)**.

"**Escondido Business**" has the meaning set forth in the Recitals.

"**Escondido Facilities**" has the meaning set forth in the Recitals.

"**Escondido Hospital**" means the Palomar Medical Center Escondido, a 288-bed acute care hospital located at 2185 Citracado Parkway, Escondido, California 92029.

"**Escondido Land**" has the meaning set forth in the Recitals.

"**Excluded Assets**" has the meaning set forth in **Section 2.2**.

"**Excluded Contracts**" has the meaning set forth in **Section 2.2(b)**.

"**Excluded Liabilities**" has the meaning set forth in **Section 2.4**.

"**Exhibits**" means the exhibits to this Agreement.

"**Existing Advances**" has the meaning set forth in the Recitals.

"**Existing Loan Documents**" has the meaning set forth in the Recitals.

"**Facility**" or "**Facilities**" means the Poway Facilities and the Retained Facilities.

"**Facility Inspections**" has the meaning set forth in **Section 6.1**.

"**False Claims Act**" has the meaning set forth in **Section 4.12**.

"**Foundation**" means PHF.

"**Foundation Funds Transfer Agreement**" has the meaning set forth in **Section 2.7(b).**

"**Foundation Power of Attorney**" has the meaning set forth in **Section 2.7(c).**

"**FPPC**" means the California Fair Political Practices Commission.

"**GASB**" has the meaning set forth in **Section 1.2(a)**.

["**General Obligation Bo**nds" means, collectively, the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A, the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2009A, the Palomar Pomerado Health General Obligation Bonds, SMRH:4904-2002-2630.18 -66- Election of 2004, Series 2010A, the Palomar Health General Obligation Refunding Bonds, Series 2016A, and the Palomar Health General Obligation Refunding Bonds, Series 2016B.]

"**Grant Deed**" has the meaning set forth in **Section 3.2(a)**.

"**GO CapEx Funds**" has the meaning set forth in **Section 4.31**.

"**Government Programs**" means 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**" means 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; for the avoidance of doubt, Governmental Authority will include the FPPC.

"**Hazardous Materials**" has the meaning set forth in the definition of Environmental Condition.

"**HCAI**" means the California Department of Health Care Access and Information, formerly Office of Statewide Health Planning and Development.

"**Healthcare Reform Laws**" has the meaning set forth in **Section 4.20(h)**.

"**Healthcare Laws**" has the meaning set forth in **Section 4.9(c)**.

"**HIPAA**" means the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. § 1320d-1 *et seq.)*, as amended by Subtitle D of the HITECH Act, and all amendments and regulations promulgated thereunder.

"**Historical Financial Information**" has the meaning set forth in **Section 4.5(a)**.

"**HITECH Act**" means the Health Information Technology for Economic and Clinical Health Act and all amendments and regulations promulgated thereunder.

"**Immediate Family Member**" means spouse; birth or adoptive parent, child, or sibling; stepparent, stepchild, stepbrother, or stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law; grandparent or grandchild; and spouse of a grandparent or grandchild.

"**Immigration Act**" means the Immigration Reform and Control Act of 1986.

"**Improvements**" has the meaning set forth in **Section 2.1(a)**.

"**Indebtedness**" means, 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 has 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 Time.

"**Information Privacy or Security Laws**" means any and all applicable Laws, legal requirements and self-regulatory guidelines relating to the processing of any Personal Information, including all privacy and security breach disclosure Laws and implementing Laws, in each case, of any Governmental Authority, including, as applicable, HIPAA, the Federal Wiretap Act, the Electronic Communications Privacy Act of 1986, and the Children's Online Privacy Protection Act (COPPA) of 1998, as amended, the Telephone Consumer Protection Act of 1991, as amended, the Do-Not-Call Implementation Act of 2003, as amended, the Fair Credit Reporting Act, the Fair and Accurate Credit Transaction Act, the Gramm-Leach-Bliley Act, the Telemarketing and Consumer Fraud and Abuse Prevention Act, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, Section 5 of the Federal Trade Commission Act of 1914, as amended, (as the same has been interpreted to apply to privacy, data protection, breach disclosure or data transfer issues), the CAN-SPAM Act, the California Consumer Privacy Act, as amended by the California Privacy Rights Act, the Confidentiality of Medical Information Act, the California Online Privacy Protection Act, any Laws pertaining to privacy or data security, and any Laws concerning requirements for website and mobile application privacy policies and practices, or any outbound communications (including e-mail marketing, telemarketing and text messaging), tracking and marketing, and all guidance and implementing regulations issued by any Governmental Authority thereunder.

"**Information Technology Systems**" means all information technology systems, Software, computers, hardware, servers, workstations, databases, routers, hubs, switches, communication facilities and data communications lines, firmware, middleware, platforms, interfaces, systems, networks, programs, databases, operating systems, data processing systems, websites, website content, links and other information technology equipment used primarily in connection with the Business or used to process, store, maintain and operate data, information and functions owned or used by Business.

"**Information Technology System Contracts**" means all Contracts that relate to the Information Technology Systems, including (a) any Contracts regarding the acquisition, use, license, transfer, development, installation, maintenance, hosting, distribution or sharing of any Information Technology Systems (excluding licenses for off-the-shelf Software with license or subscription fees of less than $50,000 per year).

"**Initial Operational Holdback**" has the meaning set forth in **Section 2.12(a)**.

"**Initial UCSD Loan Agreement**" has the meaning set forth in the Recitals.

"**Initial UCSD Loan Documents**" has the meaning set forth in the Recitals.

"**Insurance Policies**" has the meaning set forth in **Section 4.19**.

"**Intellectual Property**" means any and all of the following, and rights in, arising out of, or associated therewith, throughout the world: Copyrights, Domain Names, Social Media Accounts, Patents, Trademarks and Trade Secrets, the right to use the names and likenesses of natural persons and publicity and privacy rights generally, any other proprietary rights now known or hereafter recognized in any jurisdiction worldwide, copies and tangible embodiments thereof (in whatever form or medium), and the right to sue and recover damages or other remedies for past, present and future infringement, misappropriation, dilution, or other violation thereof.

"**Intellectual Property Assignment Agreement**" has the meaning set forth in **Section 3.2(f)**.

"**Intellectual Property Contracts**" means all Contracts (including licenses, indemnification agreements, co-existence agreements, and covenants not to sue) that relate to the Transferred Intellectual Property, including any Contracts: (a) under which Palomar or any Palomar Affiliate has granted or agreed to grant to any other Person any license, covenant, release, immunity or other right that applies to any Owned Intellectual Property (including any source code escrow agreements); or (b) under which any other Person has granted or agreed to grant to Palomar any license, covenant, release, immunity or other right with respect to Intellectual Property rights or technology.

"**Inventory**" means all usable inventory, drugs, pharmaceuticals, injectables, food, supplies, including janitorial and office supplies, and other disposables and consumables primarily used or primarily held for use in, or otherwise primarily relating to, the Business, including any rights to rebates, refunds, or discounts due with respect to such inventory and supplies.

"**IRS**" means the Internal Revenue Service.

"**Joint Powers Act**" means the Joint Exercise of Powers Act, Cal. Gov. Code § 6500, *et seq.* , as amended.

"**Joint Powers Agreement**" has the meaning set forth in the Recitals to this Agreement.

"**Joint Ventures**" means North County Radiology Escondido, LLC (f/k/a San Diego Imaging), PDP Ramona LLC, Palomar Health Rehabilitation Institute, LLC, Palomar Behavioral Health Institute, LLC, Palomar-AmSurg Poway Ventures, LLC, The Escondido CA Endoscopy ASC, L.P., and PHKH LLC, SCA-Palomar Holdings, LLC.

"**Knowledge of Palomar**" means the actual knowledge after due and reasonable inquiry of Diane Hansen, Omar Khawaja, MD, Mel Russell, RN, Andrew Tokar, Melissa Wallace, Russ Riehl, Phil Yphantides, MD, Heather Punak and Mark Goldworth. For purposes of this definition, "due and reasonable inquiry" includes inquiry of direct reports as to the completeness and accuracy of the matter or such individual has been provided notice of that fact or matter.

"**Law**" means, with respect to any Person, all statutes, ordinances, codes, rules or regulations of any Governmental Authority, common law, 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, and includes Healthcare Laws.

"**Lease Agreement**" means any lease (including any ground lease, master lease or prime lease), sublease, license, timeshare arrangement or any other occupancy agreement affecting all or some portion of the Real Property or to which Palomar or any other Palomar Entity is a party (whether as lessee/lessor or sublessee/sublessor), together with any amendments, supplements, exhibits, addenda, and modifications thereto.

"**Liability**" means any liability, Indebtedness, obligation, recoupment, interest, Tax, penalty, fine, claim, demand, judgment, or other Losses (including loss of benefit or relief), cost or expense of any kind or nature whatsoever, whether known or unknown, asserted or unasserted, absolute, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, recorded or unrecorded, due or to become due or otherwise, and regardless of when asserted.

"**Licensed AI Tools**" has the meaning set forth in **Section 4.11(a)**.

"**Liquidated Damages Cap**" has the meaning set forth in **Section 10.2**.

"**Loss**" or "**Losses**" means any and all losses, Liabilities, causes of action, costs, damages or expenses, whether or not arising from or in connection with any Third Party Claims (including interest, penalties, reasonable attorneys', consultants' and experts' fees and expenses and all amounts paid in investigation, defense or settlement of any of the foregoing); *provided*, *however*, that Losses will not include punitive or exemplary damages, incidental damages, consequential damages, special damages, indirect damages, or other unforeseen damages, including diminution of value, loss of business reputation, goodwill or opportunity or any losses based on any type of multiple or lost profits, except to the extent awarded in connection with a Third Party Claim.

"**Malicious Code**" means any virus, trojan horse, worm, ransom ware, back door, time bomb, drop dead device or other software routines or hardware components designed to permit unauthorized access, to disable, erase or otherwise harm Software, hardware or data, or to disable a computer program automatically with the passage of time or under the positive control of a Person other than the user of the program.

"**Master Indenture**" means that certain Master Trust Indenture, dated as of December 1, 2006, as supplemented and amended, among Palomar Health, PHMG and Master Trustee (together with all supplements, amendments, modifications, extensions, renewals and replacements thereto).

"**Master Trustee**" means 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.

"**Material Adverse Effect**" means any result, occurrence, fact, change, event, or effect that results in, or would reasonably be expected to has, or would reasonably be expected to have, a material adverse effect on the Contributed Assets or the Business, financial condition, or results of operations of the Facilities, taken individually or as a whole; *provided*, *however*, that "Material Adverse Effect" will not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) conditions generally affecting the industries in which Palomar operates; (ii) any change or proposed change in the requirements, reimbursement rates, policies or procedures of third-party payors or accreditation organizations that are generally applicable to hospitals or health care facilities in the State of California; (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by this Agreement or any action taken (or omitted to be taken)

with the written consent of or at the written request of the Authority; (vi) the negotiation, execution or performance of this Agreement or the announcement, pendency or completion of the Contemplated Transactions; (vii) any natural or man-made disaster or acts of God or other force majeure events; (viii) any pandemic, epidemic, public health emergency or similar infectious disease emergency; *provided, however*, that any result, occurrence, fact, change, event, or effect referred to clause (i), through (viii) will be taken into account in determining whether a Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition, or change has a disproportionate effect on Palomar compared to other participants in the healthcare industry.

"**Material Consents**" has the meaning set forth in **Section 7.2**.

"**Material Contracts**" has the meaning set forth in **Section 4.16(a)**.

"**Medicaid**" means any state program for medical assistance administered under Title XIX of the Social Security Act.

"**Medical Records**" means originals, or where not available, copies (including in electronic format), of all medical records, patient files, and other written accounts of the medical history of the Business' patients maintained in connection with the Business.

"**Medicare**" means the health insurance program administered under Title XVIII of the Social Security Act.

"**Medicare Accelerated and Advance Payments**" means the accelerated and advance payments received by any Palomar prior to the Effective Time pursuant to the Accelerated Payment Program or the Advance Payment Program implemented by CMS to increase cash flow to healthcare providers as a result of COVID-19.

"**Mesa Rock MSA**" has the meaning set forth in **Section 2.4**.

"**New Advance**" has the meaning set forth in the Recitals.

"**Non-Scheduled Transactional Expenses**" means all Transactional Expenses that are not included as Scheduled Transactional Expenses.

"**Non-Transferred Foundation Funds**" means the funds received from the Foundation that are not transferred to the Authority under the Foundation Funds Transfer Agreement.

"**Objection Response Notice**" has the meaning set forth in **Section 6.8(c)**.

"**Obligation No. 15**" means Master Indenture Obligation No. 15.

"**Operational Date**" has the meaning set forth in **Section 3.1**.

"**Operational Insurance Policies**" has the meaning set forth in **Section** Error! Reference source not found..

"**OHCA**" means the Office of Health Care Affordability under the California Department of Health Care Access and Information.

"**OHCA Notices**" has the meaning set forth in **Section 6.7**.

"**OFAC**" means the Office of Foreign Asset Contract of the Department of Treasury.

"**OIG**" means the Office of the Inspector General of the U.S. Department of Health and Human Services.

"**Order**" means any judgment, order, writ, injunction, decree, determination, or award including an arbitration award of any Governmental Authority or arbitrator.

"**OSHA"** means the Occupational Safety and Health Act, 29 U.S.C. § 600, *et seq.*

"**Owned Intellectual Property**" means any and all Intellectual Property, to the extent used or held for use in, or otherwise relating to, the Business or the Facilities, that is owned or purported to be owned by Palomar or any Palomar Affiliate.

"PAC" means Pacific Accountable Care, LLC, a California limited liability company in which PHMG is the sole member.

"**Paid Time Off**" means the Palomar Employees' accrued vacation or other paid time off, if treated similarly for accrual and payout upon termination purposes, and related Taxes and other payroll obligations.

"**Palomar**" has the meaning set forth in the preamble to this Agreement.

"**Palomar Affiliate**" means any Affiliate of Palomar.

"**Palomar Business**" has the meaning set forth in the Recitals.

"**Palomar Employees**" means all individuals, as of any date specified herein, who are employed by Palomar, PHMG, SDEMA, and PHD in the conduct of the Business.

"**Palomar Entity**" or "**Palomar Entities**" means Palomar, PHMG, PHD, and SDEMA.

"**Palomar Environmental Obligations**" has the meaning set forth in **Section 4.24(b)**.

"**Palomar Fundamental Representations"** means, collectively, the representations and warranties contained in **Section 4.1** (Organization, Capacity, Subsidiaries and Joint Ventures), **Section 4.2** (Authority, Non-Contravention, Binding Agreement), **Section 4.3** (Bring-Down), **Section 4.6** (Permits), **Section 4.8** (Government Payor Programs, Private Programs, Reimbursement), **Section 4.9** (Compliance with Laws), **Section 4.10** (Information Privacy and Security Compliance), **Section 4.18** (Real Property), **Section 4.21** (Employee Matters), **Section 4.24** (Environmental Matters), **Section 4.26** (Brokers and Finders) and **Section 4.29** (Statements True and Correct).

"**Palomar's Post-Authority Operations**" has the meaning set forth in **Section 2.12(a)**.

"**Party**" or "**Parties**" has the meaning set forth in the preamble to this Agreement.

"**Patents**" means all inventions (whether or not patentable and whether or not reduced to practice), patents, industrial and utility models, industrial designs, certificates of invention, and any other indicia of invention ownership issued or granted by any Governmental Authority, including all provisional applications, priority and other applications, divisionals, continuations (in whole or in part), extensions, reissues, reexaminations or equivalents or counterparts of any of the foregoing.

"**Paycheck Protection Program Act**" means the Paycheck Protection Program and Health Care Enhancement Act, P.L. 116-139, and the rules and regulations promulgated thereunder.

"**Payor Agreement**" means any Contract between Palomar and a Government Program or a Private Program under which the Business or Palomar or PHMG directly or indirectly receives payments for medical services provided to such program's beneficiaries at the Facilities or for the Business.

"**PCBs**" has the meaning set forth in the definition of Environmental Condition.

"**Pending Construction Projects**" has the meaning set forth in **Section 4.18(h)**.

"**Permits**" means authorizations, licenses, permits, Provider Numbers, certificates of need, certificates of exemption, franchises, accreditations, registrations, approvals or certificates (including pending approvals) of Governmental Authorities relating to the ownership, development, and operations of the Business.

"**Permitted Encumbrances**" means (a) any liens for Taxes not yet due and payable; (b) zoning regulations and other Laws, rules, regulations, codes, orders and directives affecting the Real Property; (c) statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies or any carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or similar Encumbrances arising out of work performed, services provided or materials delivered that (i) have not been filed of record, or (ii) have been paid off in full or bonded off in accordance with applicable Law and removed from title to the Real Property; (d) liens arising out of any act of the Authority or its Representatives; and (e) any matters shown by the Title Report (or any update thereto) to which the Authority does not object or which are waived (or deemed waived) by the Authority under this Agreement.

"**Person**" means any individual, limited liability company, corporation, association, partnership, firm, joint venture, trust, trustee, Governmental Authority, or other form of business organization recognized under applicable Law.

"**Personal Information**" means information from or about an individual person the use, aggregation, holding or management of which is restricted under any applicable Law, including, but not limited to, an individual person's: (a) personally identifiable information (e.g., name, address, telephone number, email address, Social Security Number, financial account number, driver's license number government-issued identifier, log-in information, and any other data used or intended to be used to identify, contact or precisely locate a person); (b) other data that can be used or which allows one to identify, contact, or precisely locate an individual, including internet protocol address or other persistent identifier; and (c) any other similar information or data, each to the extent defined as "personal data," "personal information," "personally identifiable information," "Protected Health Information" or "PHI" or similar terms by applicable Privacy and Security Laws.

"**Personal Property**" has the meaning set forth in **Section 2.1(c)**.

"**PHD**" means Palomar Health Development, Inc., a California nonprofit public benefit corporation, whose sole corporate member is Palomar.

"PHD Membership Interest" has the meaning set forth in **Section 2.6**.

"**PHF**" means Palomar Health Foundation, Inc., a California nonprofit public benefit corporation with no members.

"**PHMG**" means Arch Health Partners, Inc., a California nonprofit public benefit corporation, d/b/a Palomar Health Medical Group, whose sole corporate member is Palomar.

"PHMG Membership Interest" has the meaning set forth in **Section 2.5**.

"**Physician**" means a doctor of medicine or osteopathy, a doctor of dental surgery or dental medicine, a doctor of podiatric medicine, a doctor of optometry, or a chiropractor, as defined in Section 1861(r) of the Social Security Act.

"**Plans**" has the meaning set forth in **Section 4.22(a)**.

"**Operational Insurance Policies**" has the meaning set forth in **Section** Error! Reference source not found..

"**Poway Appurtenances**" has the meaning set forth in **Section 2.1(a)**.

"**Poway Business**" has the meaning set forth in the Recitals.

"**Poway Facility**" or "**Poway Facilities**" has the meaning set forth in the Recitals.

"**Poway Hospital**" means the Palomar Medical Center Poway, a 107-bed acute care hospital located at 15615 Pomerado Road, Poway, California.

"**Poway Improvements**" has the meaning set forth in **Section 2.1(a)**.

"**Poway Land**" has the meaning set forth in the Recitals.

"**Poway Real Property**" has the meaning set forth in **Section 2.1(a)**.

"**Power of Attorney**" has the meaning set forth in **Section 3.2(e)**.

"**Practitioner**" or "**Practitioners**" means the Physicians and any other licensed professional (including advanced practice providers) who provide clinical services to the Business.

"**Pre-Authority Advances**" has the meaning set forth in the Recitals.

"**Pre-Authority Loan Documents**" has the meaning set forth in the Recitals.

"**Pre-Operational Option Agreement**" has the meaning set forth in the Recitals.

"**Prepaid Assets**" means all advance payments, prepayments, prepaid expenses, and deposits which were made with respect to the operation of the Facilities or the Contributed Assets, including deposits for leases and utilities, but excluding any deposits or other prepayments for leases that are Excluded Contracts.

"**Private Program**" has the meaning set forth in **Section 4.8(a)**.

"**Proceeding**" means any action, arbitration, audit, hearing, investigation or suit (whether civil, criminal, administrative, judicial, or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any (a) Governmental Authority, (b) Medicare fiscal intermediary or administrative contractor, recovery audit contractor, zone program integrity contractor, unified program integrity contractor or similar government program contractor or (c) arbitrator, whether at Law or in equity.

"**Process**" or "**Processing**" means, with respect to Personal Information, access to, use, collection, processing, protection of, monitoring, maintenance, creation, handling, storage, recording, organization, adaption, alteration, transfer, transmission, receipt, retrieval, consultation, disclosure, dissemination, disposal, security, or combination of such Personal Information, and including processing as defined in applicable Information Privacy or Security Laws.

"**Property Taxes**" means all ad valorem, real property, and personal property Taxes, all general and special private and public assessments relating to real property, and all similar obligations and Taxes.

"**Provider Numbers**" has the meaning set forth in **Section 9.2(a)**.

"**Provider Relief Fund**" means the Public Health and Social Services Emergency Fund for provider relief under the CARES Act and the Paycheck Protection Program Act.

"**Real Property**" means the Poway Real Property, the TIC Property Interest, and Retained Real Property**.**

"**Reasonable Attorneys' Fees**" has the meaning set forth in **Section 11.2**.

"**Records**" means originals, or where not available, copies (including in electronic format), of books and records maintained in connection with the Business or the Contributed Assets or operation of PHMG, including Medical Records and books and records relating to books of account, ledgers and general financial accounting records, personnel records, machinery and equipment maintenance files, patient and customer lists, price lists, distribution lists, supplier lists, quality control records and procedures, customer and patient complaints and inquiry files, research and development files, records and data (including all correspondence with any Governmental Authority), sales material and records, strategic plans, marketing plans, internal financial statements and marketing and promotional surveys, pricing and cost information, material and research that relate to the Business.

"**Reference Balance Sheet**" has the meaning set forth in **Section 4.5(a)(ii)**.

"**Referral Source**" means any of the following: (a) a Physician, an Immediate Family Member of a Physician, or a Person owned in whole or in part by a Physician or by an Immediate Family Member of a Physician; (b) any other Person who (i) makes, who is in a position to make, or supply, or who could influence the making of referrals of patients to any health care facility; or (ii) provides services to patients who have conditions that might need to be referred for clinical or medical care, and participates in any way in directing, recommending, arranging for or steering patients to any health care provider or facility; or (c) any Person or entity that is an Affiliate of any Person or other entity described in clause (a) or (b) above.

"**Release**" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing of any pollutants, contaminants, chemicals, or industrial, infectious, toxic, or hazardous substances or wastes, including Hazardous Material, into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata).

"**Relief Fund Payment Terms and Conditions**" means the terms and conditions established by the Department of Health and Human Services or the applicable Governmental Authority for the receipt of funds from the Provider Relief Fund or any CARES Act, Paycheck Protection Act or other COVID-19 grant, payment, distribution, or other relief program and all related guidance promulgated thereunder.

"**Representatives**" means with respect to any Person, any of its Affiliates, directors, trustees, officers, members, employees, consultants, agents, attorneys, advisors, and other representatives.

"**Retained Facilities**" means 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 that do not constitute Poway Land or Escondido Contributed Land.

"**Retained Land**" means Palomar's fee simple interest in and to certain real property located in and around Escondido, California, as more specifically described on **Schedule A**, together with all buildings, structures, improvements, and fixtures situated thereon.

"**Retained Real Property**" means all land in which Palomar, PHMG or PHD holds an ownership, leasehold, easement estate or other real property interest, including that certain real property located in Escondido, California on which the Escondido Hospital is situated and which do not constitute Poway Real Property or TIC Property Interest, together with all buildings, structures, improvements, fixtures situated thereon and all rights, privileges, easements, and appurtenances related thereto.

"**Retirement Plans**" has the meaning set forth in **Section 4.20(f)**.

"**Schedule**" or "**Disclosure Schedule**" means the disclosure schedules and any other schedule to this Agreement.

"**Scheduled Transactional Expenses**" has the meaning set forth in **Section 2.12(c)**.

"**SDEMA**" means San Diego Emergency Medical Associates, Inc., a California nonprofit mutual benefit corporation, whose sole corporate member is PHMG.

"**Second UCSD Loan Agreement**" has the meaning set forth in the Recitals.

"**Second UCSD Loan Documents**" has the meaning set forth in the Recitals.

"**Series 2022A Revenue Bonds**" means the Series 2022A certificates of participation issued by Palomar in 2022 under Supplemental Master Indenture dated November 1, 2022.

"**Sexual Misconduct**" means the commission of any act of sexual abuse, misconduct, or relations with a patient, client, or customer; or any other unprofessional contact or communication of a sexual nature.

"**Sharp**" means Sharp Healthcare, a California nonprofit public benefit corporation.

"**Sharp Forbearance Agreement**" means the Forbearance Agreement dated January 14, 2025, by and between Sharp and Palomar.

"**Sharp Loan Documents**" means the Loan Agreement, dated as of March 29, 2024, by and between Sharp and Palomar and the other Loan Documents (as such term is defined in the Sharp Loan Agreement solely for the purpose of this definition).

"**Social Media Accounts**" means any and all accounts, profiles, pages, feeds, registrations and other presences on or in connection with any (a) social media or social networking website or online service, (b) blog or microblog, (c) mobile application, (d) photo, video or other content-sharing website, (e) virtual game world or virtual social world, (f) rating and review website, (g) wiki or similar collaborative content website or (h) message board, bulletin board, or similar forum.

"**Social Security Act**" means the Social Security Act of 1935 and all regulations promulgated thereunder.

"**Software**" means any and all of the following, to the extent that they are primarily used in connection with the Business: (a) computer programs and other software, including software implementations of algorithms, models, and methodologies, whether in source code, object code or other form, including libraries, subroutines and other components thereof; (b) computerized databases and other computerized compilations and collections of data or information, including all data and information included in such databases, compilations or collections (whether machine readable or otherwise) and rights therein; (c) screens, user interfaces, command structures, report formats, templates, menus, buttons and icons; (d) descriptions, flow¬ charts, architectures, development tools, and other materials used to design, plan, organize and develop any of the foregoing; and (e) documentation, including development, diagnostic, support, user and training documentation related to any of the foregoing.

"**Subsidiaries**" means, with respect to any Person, any other Person in which the first Person, directly or indirectly (e.g., through one or more Subsidiaries), owns or otherwise controls or has the right to own or otherwise control, in each case, whether by way of Contract or otherwise, either (i) more than fifty percent (50%) of the total voting or other controlling power, whether by way of Contract or otherwise, and whether through ownership of, or rights to, shares of capital stock or other equity or membership interests of any kind (including limited liability company or partnership interests or membership) entitled (without regard to the occurrence of any contingency) to vote in the election of, or otherwise control the appointment or service of, directors, managers or trustees, or Persons performing similar functions, of such second Person, or (ii) if there are no voting interests, more than fifty percent (50%) of the equity or membership or other ownership interests of the second Person.

"**Supplement No. 15**" means Master Indenture Supplement No. 15.

"**Survey**" has the meaning set forth in **Section 6.8(a)**.

"**Survival Period**" has the meaning set forth in **Section 10.1**.

"**Tax**" or "**Taxes**" means (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, by operation of Law, or otherwise.

"**Tax Revenue Contribution Agreement**" means that certain Tax Revenue Contribution Agreement by and between Palomar and the Authority entered into concurrently herewith.

"**Tax Return**" means any return, declaration, report, form, claim for refund, information return or statement, or other document (including any Tax Return for estimated Taxes), including schedules,

attachments, and amendments, relating to Taxes filed or required to be filed with any Governmental Authority.

"**Tenant**" has the meaning set forth in **Section 2.1(b)**.

"**Third-Party Payor**" means any Person (including the Government Programs, any entity authorized to provide health insurance (or property, casualty, or life insurance covering health benefits) in the State of Iowa, any health maintenance organization, or any employer authorized in accordance with applicable Law to self-insure its workers' compensation risk) that pays for or reimburses at least a portion of the healthcare expenses of its beneficiaries.

"**Third UCSD Loan Agreement**" has the meaning set forth in the Recitals.

"**Third UCSD Loan Documents**" has the meaning set forth in the Recitals.

"**TIC Agreement**" has the meaning set forth in **Section 3.2(jj).**

"**TIC Property Interest**" has the meaning set forth in **Section 2.1(a)(ii)**.

"**Title Approval Date**" has the meaning set forth in **Section 6.8(b)**.

"**Title Company**" means Fidelity National Title, 4370 La Jolla Drive, Suite 240, San Diego, CA 92122, Attn: Jeff Razi, Esq.

"**Title Objection Notice**" has the meaning set forth in **Section 6.8(b)**.

"**Title Policy**" means an ALTA extended coverage owner's policy in an amount equal to the portion of the Valuation Amount allocated to the Palomar Real Property.

"**Title Report**" means one or more current preliminary title commitments for the Palomar Real Property, as such commitment(s) may be updated from time to time.

"**Title Response Period**" has the meaning set forth in **Section 6.8(c)**.

"**Trade Secrets**" means anything that would constitute a "trade secret" under applicable Law, and, whether or not confidential, all business information (including ideas, research and development information, know-how, formulas, compositions, technical data, designs, drawings, specifications, research records, records of inventions, test information, financial, marketing and business data, customer and supplier lists and information, pricing and cost information, business and marketing plans and proposals).

"**Trademarks**" means trademarks, service marks, trade names (including fictitious, assumed and d/b/a names), certification marks, collective marks, and other proprietary rights to any words, names, slogans, symbols, logos or combinations thereof used to identify, distinguish and indicate the source or origin of goods or services; registrations, renewals, applications for registration, equivalents and counterparts of the foregoing; and the goodwill of the business associated with each of the foregoing.

"**Transaction Agreement**" or "**Transaction Agreements**" means this Agreement, the Joint Powers Agreement, the Employee Lease Agreement, the Use Agreement, Pre-Operational Option Agreement, the Tax Revenue Contribution Agreement, the Closing Agreement, the Advance Agreements, the UCSD Health Contribution Agreement, the TIC Agreement, and the other certificates, instruments, and

documents prepared, executed, and delivered pursuant to this Agreement or in connection with this Agreement.

"**Transactional Expenses**" has the meaning set forth in **Section 11.6**.

"**Transfer Taxes**" means any real or personal property transfer, sales, use, excise, documentary, transfer, value added, stock transfer, stamp or similar Taxes, and any transfer, recording, registration, and any other similar fees, levies, Taxes or amounts (including any penalties, fines and interest), together with any conveyance fees, recording charges and other similar fees and charges, in each case, imposed or payable in connection with this Agreement and the Contemplated Transactions.

"**Transferred Foundation Funds**" has the meaning set forth in **Section 2.7(b).**

"**Transferred Information Technology Systems**" means any and all Information Technology Systems, to the extent used primarily in connection with the Business, that are owned or purported to be owned or licensed, or purported to be licensed, in whole or in part, by or to Palomar or any Palomar Affiliate.

"**Transferred Intellectual Property**" means any and all Intellectual Property, to the extent used primarily in connection with the Business or the Contributed Assets that is owned or purported to be owned, licensed, or purported to be licensed, in whole or in part, by or to Palomar or any Palomar Affiliate, other than any Intellectual Property included in the definition of Excluded Assets.

"**Treasury Regulations**" means the final, proposed, or temporary regulations of the U.S. Department of Treasury, promulgated under the Code.

"**Trust Indenture Documents**" means those supplements, documents, instruments, certificates and opinions delivered by the Credit Group Representative to the Master Trustee (as each is defined in the Master Indenture) in connection with the issuance of the Obligation No. 15 and any new Obligations including as the same may be issued in connection with any Initial Advance Documents or any New Advance Documents, and the satisfaction of any conditions specified in the Master Indenture in connection therewith (together with all supplements, amendments, modifications, extensions, renewals and replacements thereto.

"**TSA**" has the meaning set forth **in Section 2.7(c)**.

"**UCSD Health**" has the meaning set forth in the preamble to this Agreement.

"**UCSD Health Contribution Agreement**" has the meaning set forth in the Recitals.

"**Unsecured PHI**" has the meaning set forth in **Section 4.10(d)**.

"Valuation Amount" means the value assigned to the Contributed Assets in that certain draft report dated November 5, 2025 prepared by Deloitte Transactions and Business Analytics LLP, as the same may be amended or finalized prior to the Operational Date.

"**VDR**" has the meaning set forth in **Section 1.2(g)**.

USE AGREEMENT

THIS USE AGREEMENT (this "Use Agreement") is made and entered into effective as of June 30, 2026, (the "Effective Date") by and between PALOMAR HEALTH, a California Health Care District organized pursuant to Division 23 of the California Health and Safety Code ("Palomar") and PALOMAR UCSD HEALTH AUTHORITY, a joint powers authority (the "Authority") formed by 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") in accordance with the Joint Exercise of Powers Act, Cal. Gov. Code § 6500, *et seq.* Palomar and the Authority are each referred to herein as a "Party" and collectively as the "Parties".

RECITALS

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 healthcare facilities, including two acute care hospitals known as Palomar Medical Center Escondido (the "Escondido Hospital") and Palomar Medical Center Poway (the "Poway Hospital" and together with the Escondido Hospital, the "Hospitals");

WHEREAS, UCSD Health and Palomar have each determined that it is in such entity's best interest and the best interest of the communities served by UCSD Health and Palomar and the Hospitals, to enter into the Joint Exercise of Powers Agreement dated October 31, 2025, as amended on April 10, 2026, April 30, 2026 and May 28, 2026 (collectively, the "Joint Powers Agreement"), in order to, among other things, stabilize and strengthen the availability of community hospital services to all residents of San Diego County, California and surrounding areas regardless of payor or funding source and improve access to healthcare for the vulnerable populations served by Palomar and the Authority through the expansion of clinical infrastructure and strengthening of certain healthcare service lines for the benefit of the residents of San Diego County, California through an integrated health system;

WHEREAS, concurrently with the execution and delivery of the Joint Powers Agreement, Palomar and UCSD Health entered into that certain Closing Agreement dated as of October 31, 2025 (the "Closing Agreement") and upon the Authority Approval Date (as defined therein), the Authority joined in as a party to the Closing Agreement, which provides for the agreed upon closing procedures, conditions precedent, and certain representations, warranties, and indemnities of the Parties;

WHEREAS, concurrently with the execution and delivery of this Use Agreement, (a) Palomar and the Authority are entering into: (i) that certain Initial Contribution Agreement to be dated as of the Effective Date hereof (the "Initial Contribution Agreement") pursuant to which, among other things, Palomar must transfer the Contributed Assets (defined below) to the Authority as of the Operational Date (as such term is defined in the Joint Powers Agreement, the "Operational Date"), and Palomar and PHMG must assign their rights and obligations in and to the UCSD Advances under and pursuant to the respective UCSD Loan Documents, together with all interest and fees accrued thereon, to the Authority, as co-obligor for all borrower obligations thereunder,

and the Authority, as co-obligor, must assume the joint and several responsibility for all borrower obligations under and pursuant to the UCSD Loan Documents; (ii) that certain Tax Revenue Contribution Agreement by and between Palomar and the Authority to be dated as of the Effective Date hereof (the "Tax Revenue Contribution Agreement") pursuant to which, among other things, Palomar must transfer its rights in the Unrestricted Property Tax Revenues to the Authority; (iii) that certain Employee Leasing Agreement by and between Palomar and the Authority to be dated as of the Effective Date hereof (the "Employee Lease Agreement"); and (b) UCSD Health and the Authority are entering into that certain Contribution Agreement to be dated as of the Effective Date hereof (the "UCSD Health Contribution Agreement");

WHEREAS, on the Operational Date, Palomar will transfer an undivided nineteen and one-half percent (19.5%) tenant-in-common interest (the "TIC Property Interest") in and to those certain parcels of real property, as more particularly described on Exhibit A (the "Escondido Land"), together with all buildings, structures, improvements, and fixtures situated thereon, including the Escondido Hospital, the PHOC MOBs (defined below), the plant, and the parking garage, and all apparatus, equipment, and appliances used in connection with the operation or occupancy of the Escondido Hospital or other operations of Palomar on the Escondido Land, which are collectively referred to herein as the "Escondido Facilities", and immediately after such transfer, Palomar will own and hold title to an undivided eighty and one-half percent (80.5%) tenant-in-common interest in and to the Escondido Land and the Escondido Facilities;

WHEREAS, in furtherance of the purpose and goals of the Authority, and pursuant to the terms of the Joint Powers Agreement, the Authority has agreed as of the Operational Date, to become co-obligated, with Palomar, to pay and discharge the debt and obligations of Palomar that existed prior to the Operational Date, including but not limited to debts and obligations directly associated with the Escondido Facilities and the Contributed Assets (as defined in the Initial Contribution Agreement, the "Contributed Assets"), and to enable the Authority to meet such obligations, as co-obligor, among other obligations under the Joint Powers Agreement, Palomar seeks to grant to the Authority the right and license to use, operate, manage, administer, collect all revenues and profits from, and derive other economic benefits from the Escondido Facilities and certain of Palomar's other remaining assets, as further described herein, in accordance with the terms of this Use Agreement and during the Term of this Use Agreement;

WHEREAS, the grant of the rights under this Use Agreement to the Authority furthers the public interest purposes of both Palomar and the Authority by stabilizing the availability of community hospital services and providing a vehicle for investment and growth of clinical infrastructure and services to serve the health care needs of residents of the North County area and beyond; and

WHEREAS, this Use Agreement and the transactions contemplated hereby are intended to be a license to use the Licensed Items (as defined in Section 1.1 below) to the Authority in exchange for, among other things, the Authority's assumption, as co-obligor, of Palomar's debts and other obligations existing as of the Operational Date and is provided solely under the terms and conditions set forth herein and do not constitute a lease of the Licensed Items, and further do not constitute any sale, assignment, or transfer of ownership of or title to the Licensed Items, and

Palomar maintains full ownership of the Licensed Items during Term of this Use Agreement, subject to the rights conveyed to the Authority herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Use Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
LICENSED ITEMS

Section 1.1 Purpose and Grant of License. The purpose of this Use Agreement is to provide the Authority with access to assets of Palomar that are essential to the ability of the Authority to meet its obligations and commitments as stated in the Joint Powers Agreement, including both the obligation to facilitate the continued availability of quality health care for the residents of the Palomar Health District and, critically, to allow the Authority access to the use of assets which are essential to its ability to meet the significant obligations undertaken by the Authority in the Joint Powers Agreement to generate sufficient revenues from operation to pay and discharge the debt obligations existing for Palomar as of the Operational Date, including obligations that are directly associated with the Escondido Facilities. Therefore, upon the terms and conditions hereinafter set forth, and except for the Excluded Items (defined below), Palomar hereby grants to the Authority, and the Authority hereby accepts from Palomar, to the fullest extent permissible under Section 32121(p) of the California Health & Safety Code, all rights of Palomar to use, occupy, manage and otherwise enjoy the benefit of, and exploit all right, title and interest in and to all of the following (collectively, the "Licensed Items"):

(a) the Escondido Hospital operations, including, but not limited to, (i) the Escondido Hospital, (ii) the three medical office buildings situated on a portion of the Escondido Land commonly referred to as Palomar Health Outpatient Center 1 ("PHOC1"), Palomar Health Outpatient Center 2 ("PHOC2"), and Palomar Health Outpatient Center 3 ("PHOC3" and together with PHOC1 and PHOC2, the "PHOC MOBs"); (iii) the parking structures and plant operations facilities; (iv) any other Escondido Facilities, and (v) all structures, buildings, improvements, and other fixtures located on the Escondido Land, and all apparatus, equipment, and appliances used in connection with the operation or occupancy of the Escondido Facilities;

(b) to the extent legally sublicensable and not otherwise transferred to the Authority pursuant to the Initial Contribution Agreement, all licenses, permits, accreditations, authorizations or other approvals of any kind, regarding, related to, held by or used in the operation of the Escondido Facilities or such other facilities comprising any part of the Contributed Assets;

(c) the Escondido Land and all other real property owned, operated or occupied by Palomar, together with all structures, buildings, improvements, and other fixtures owned, leased or licensed by Palomar and located on such real property (the "Escondido Improvements"), and all rights, privileges, easements, and appurtenances to the Escondido Land and the Escondido Improvements including all of Palomar's right, title and interest in and to all minerals, oil, gas, other hydrocarbon substances and water rights owned by Palomar relating to the Escondido Land and other owned real property, and all easements, rights-of-way, and other appurtenances used or

connected with the beneficial use or enjoyment of the Escondido Land and other owned real property (collectively, the "Escondido Appurtenances," and together with the Escondido Land, the Escondido Improvements and any other owned real property the "Escondido Real Property");

(d) all furniture, fixtures and equipment, including medical equipment (the "Equipment") utilized in the operation of the Escondido Facilities or otherwise owned by Palomar;

(e) all goods and other personal property used in the operation of the Escondido Facilities or otherwise owned by Palomar that have not been transferred to the Authority as part of the Contributed Assets pursuant to the Initial Contribution Agreement;

(f) except as set forth on Schedule 1.4(e), all contracts for goods or services related to the operation of the Escondido Facilities;

(g) except for the intellectual property rights as set forth on Schedule 1.4(j), intellectual property rights, including the right to use certain software, logos, trademarks, and tradenames;

(h) except as set forth on Schedule 1.4(g), the right to collect Palomar's accounts receivable from any non-governmental payor;

(i) except as set forth on Schedule 1.4(g), the right to observe, utilize, transfer, expend, possess, or otherwise dispose of cash held in Palomar's various bank accounts;

(j) those assets, rights, title, or interest identified on Schedule 1.1, if any; and

(k) any other assets, rights, title or interests owned or held by Palomar and not identified as an Excluded Item on Schedule 1.4.

Section 1.2 Permitted Use; Payment of Liabilities. The Authority is permitted to use the Licensed Items for any lawful purpose in connection with the operation of the Escondido Hospital by the Authority and in furtherance of the purposes for which the Authority has been formed. The Authority must ensure that the Licensed Items are used only as permitted by applicable law and regulation. During the Term of this Use Agreement, the Authority must pay all outstanding liabilities and contractual obligations with respect to the Licensed Items, whether such liabilities or obligations relate to the period prior to or during the Term of this Use Agreement.

Section 1.3 No Transfer of Ownership; Access by Palomar. This Use Agreement is a license agreement only to use the Licensed Items as contemplated hereby or as necessary and appropriate to perform the obligations under the Joint Powers Agreement. Palomar will have the right, upon reasonable prior notice to the Authority to access and inspect the physical assets comprising the Licensed Items, subject to the terms of this Use Agreement. The Authority must reasonably cooperate with Palomar in granting such access, provided that Palomar's access must not interfere with the Authority's business operations and Palomar must conduct its activities under this Section 1.3 in such a manner as to minimize any inconvenience to the Authority. Notwithstanding anything to the contrary, no entry or inspection of the Licensed Items may be

undertaken unless an authorized representative of the Authority is present to ensure that no violation of patients' medical confidentiality rights or care occurs. Nothing contained herein may be construed as transferring ownership of any Licensed Items to the Authority to the extent such transfer of ownership is contemplated pursuant to Cal. Health & Safety Code § 32121(p).

Section 1.4 Excluded Items. Notwithstanding Section 1.1, for the avoidance of doubt, the license granted to the Authority pursuant to this Use Agreement expressly excludes the following "Excluded Items":

(a) those assets transferred or assigned directly to the Authority, upon perfection of such transfer, pursuant to the terms of the Initial Contribution Agreement;

(b) 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 (v) General Obligation Bonds, Election of 2004, Series 2007A (collectively, the "GO Bonds"), and the ad valorem property tax revenues collected by Palomar solely for payment of liabilities related to the GO Bonds;

(c) those books and records of account related to Palomar's business operations, to the extent required by applicable law (provided the Authority has access to the information therein as needed to operate the Escondido Facilities);

(d) insurance policies held solely for the benefit of Palomar and identified on Schedule 1.4(d);

(e) the contracts identified on Schedule 1.4(e);

(f) any items which Palomar may not license or sublicense to the Authority by applicable law, including without limitation the Non-Sublicensable Items set forth on Schedule 1.4(f) (which is subject to the provisions of Section 1.5 below);

(g) those certain bank accounts/cash/revenues, as set forth on Schedule 1.4(g);

(h) employee benefit plans;

(i) any records or materials that Palomar is required by law to maintain in its control and possession as identified on Schedule 1.4(i); and

(j) any other any item listed on Schedule 1.4(j).

Section 1.5 Condition of Licensed Items. The Licensed Items are being made available to the Authority pursuant to this Use Agreement in their as-is, where-is condition and Palomar has no obligation to perform any alterations, repairs, modifications or improvements to any of the Licensed Items, unless otherwise expressly provided by the terms of this Use Agreement.

Section 1.6 Non-Sublicensable Items. Notwithstanding anything to the contrary in this Use Agreement, if the use by the Authority of any asset, contract (including any Lease Agreement or Assigned Contract as each is defined below), permit, license or other right included in the Licensed Items (each, a "Non-Sublicensable Item") requires the consent of any third party prior to the granting of the rights to the Authority hereunder, such consent has not been obtained prior to the Effective Date of this Use Agreement, then Palomar must thereafter diligently use commercially reasonable good faith efforts to obtain such consent, and until such consent is obtained, this Use Agreement will not be deemed to constitute a license or assignment of such item if such consent is not given or if such failure would constitute a breach of, violation of or would materially and adversely affect the rights of Palomar thereunder. If any such consent is not obtained or if such license or assignment is not permitted irrespective of such consent, the Parties will cooperate in good faith to obtain any such required consent or to otherwise reach an arrangement designed to provide the Authority with all of the rights and benefits under such item, including enforcement, for the benefit of the Authority, under such contract, permit or license. Until such consent is obtained, Palomar must provide the Authority with the benefits of the Non-Sublicensable Item, including acting as the Authority's agent, to the extent permitted by applicable law and the terms associated with the Non-Sublicensable Item.

Section 1.7 Lease Assignments. On the Operational Date, Palomar will conditionally assign all lease agreements, including any ground lease, sublease, sub-sublease, license, sub-license, time-share arrangement, or other occupancy agreement to which Palomar is a party, whether as a landlord, tenant, sublandlord, subtenant, licensor, licensee, or otherwise (each such agreement a "Lease Agreement"), to the Authority effective as of the Operational Date, provided that for any such assignment that cannot be accomplished by such date and for which the Authority elects to proceed with the closing of Phase I (as such term is defined in the Closing Agreement), such assignment must be accomplished as soon thereafter as possible, subject only to any third party consents and a reversionary interest to Palomar, in substantially the form attached hereto as Exhibit B (the "Lease Assignment"). Set forth on Schedule 1.7 is a schedule and copy of all Lease Agreements relating to the Escondido Facilities. Palomar must diligently pursue all such third-party consents in accordance with Section 1.6 above. In no event will Palomar be permitted to retain any rents or other proceeds derived under any Lease Agreement and until a conditional Lease Assignment is perfected as to any Lease Agreement, Palomar agrees to abide by and perform as directed by the Authority, in its sole but reasonable discretion. For the avoidance of doubt, the Authority has the right to amend, modify, terminate, or renew any Lease Agreement or enter into any new leases, subleases or similar agreements in connection with the Licensed Items, and to otherwise use and dispose of the Escondido Land and other Escondido Real Property as it sees fit, and Palomar must comply with the Authority's direction and take all action necessary to carry out such direction. For any Lease Agreement that is a ground lease, Palomar will perform such acts as necessary to cause notice of the assignment of same to be recorded in the Official Records of San Diego County.

Section 1.8 Operating Contracts. At the Authority's request, Palomar must conditionally assign such other contracts, agreement, insurance policy, capitalized lease, license, sublicense, lease, sublease (including any Lease Agreement), sales order, purchase order, instrument, or other binding commitment, whether written or oral (each a "Contract"), affecting

the Escondido Facilities as the Authority indicates it desires to assume and which may be assigned by Palomar (the "Assigned Contracts"). Set forth on Schedule 1.8 is a schedule and copy of all Contracts in effect and entered into by Palomar in connection with its operation of the Escondido Facilities. Upon the Authority's request, the Parties must promptly execute and deliver to each other duly executed counterpart copies of the Assignment and Assumption of Contracts, Intangible Property and Permits in the form of Exhibit C (the "Assignment and Assumption of Contracts, Intangible Property and Permits") thereby assigning to the Authority the Assigned Contracts. For the avoidance of doubt, the Authority has the right to amend, modify, terminate, or renew any Assigned Contracts or enter into any new contracts in connection with the Licensed Items, and Palomar must comply with the Authority's direction and take all action necessary to carry out such direction.

ARTICLE II
TERM AND TERMINATION

Section 2.1 Term. The "Term" will commence on the Operational Date and, unless sooner terminated in accordance with the terms of this Use Agreement, expire on the last day of the one-hundred twentieth (120th) full calendar month following the Effective Date. The Term will automatically renew for four (4) consecutive five (5) year extension terms (each a "Renewal Term") unless the Authority, upon authorization of its board of directors, provides Palomar with written notice of non-renewal at least one hundred twenty (120) days prior to the expiration of the initial Term, or the current Renewal Term, as applicable. Notwithstanding the foregoing, the Authority may terminate this Use Agreement for any reason, or no reason at all, upon not less than one hundred twenty (120) days prior written notice. Notwithstanding the foregoing, this Use Agreement is effective as of the Effective Date and will terminate immediately upon: (i) the transfer of all right, title, interest and other vested ownership in and to all of the Licensed Items to the Authority (which for the avoidance of doubt would result in the Authority owning all assets owned by Palomar other than the Excluded Items) pursuant to a separate contribution agreement; or (ii) the termination of the Authority pursuant to the terms of the Joint Powers Agreement. All references to "Term" in this Use Agreement, mean and refer to the initial Term and any Renewal Terms.

Section 2.2 Default by the Authority. Notwithstanding anything herein to the contrary, the Authority will be in default under this Use Agreement if any one (1) or more of the following events occur:

(a) The Authority fails to keep, perform or observe a material covenant, agreement, term, provision, warranty, or representation under this Use Agreement which failure causes a material disruption to the continued operation of the Escondido Hospital and the Authority fails to cure such default within sixty (60) days after receiving written notice from Palomar thereof, provided that if the time to cure cannot reasonably be completed within such sixty (60) day period, the Authority will not be in default so long as it has commenced to cure such failure in good faith as soon as possible within such sixty (60) day period and thereafter diligently pursued completion of same;

(b) The Authority is terminated; or

(c) A petition for bankruptcy is filed by or against the Authority, a receiver is appointed on account of the Authority's insolvency, or any assignment is made of the Authority's business for the benefit of its creditors.

Upon the occurrence and continuation of an event of default by the Authority (including expiration of all notice and cure periods provided herein or otherwise available at law), Palomar may, without waiving any other rights hereunder or available to Palomar at law or in equity (Palomar's rights being cumulative), do any one or more of the following: (i) by not less than three (3) months written notice to the Authority terminate this Use Agreement (during which time any rights to cure will be deemed extended), and (ii) pursue any other remedy available to it by law.

Nothing in this Section 2.2 will permit Palomar to exercise any remedies arising from a default of the Authority, if such default is in any manner directly caused or contributed to by the acts, omissions or negligence of Palomar whether in connection with its role as a member agency of the Authority or otherwise.

Section 2.3 Default by Palomar. The occurrence of any one or more of the following events will constitute an event of default by Palomar of this Use Agreement:

(a) Palomar fails to keep, perform, or observe any of the covenants, agreements, terms, provisions, warranties, or representations contained in this Use Agreement, the Employee Lease Agreement, the Tax Revenue Contribution Agreement, the Closing Agreement, or the Joint Powers Agreement, that are to be kept or performed by Palomar and Palomar fails to cure such default within sixty (60) days after receiving written notice from the Authority thereof, provided that if the time to cure cannot reasonably be completed within such sixty (60) day period, Palomar will not be in default so long as it has commenced to cure such failure in good faith as soon as possible within such sixty (60) day period and thereafter diligently pursued completion of same;

(b) a breach of Section 4.5(b); or

(c) A petition for bankruptcy is filed by or against Palomar, a receiver is appointed on account of Palomar's insolvency, or any assignment is made of Palomar's business for the benefit of its creditors.

Upon the occurrence and continuation of an event of default by Palomar, (including expiration of all notice and cure periods provided herein), the Authority may, without waiving any other rights hereunder or available to the Authority at law or in equity (the Authority's rights being cumulative), do any one or more of the following: (a) terminate this Use Agreement; (b) remedy such default on Palomar's behalf, and seek reimbursement from Palomar directly, or (c) pursue any other remedy available to it by law.

Nothing in this Section 2.3 will permit the Authority to exercise any remedies arising from a default of Palomar, if such default is caused directly and solely by the acts, omissions or negligence of the Authority.

Section 2.4 Damage by Fire or Other Casualty. If, during the Term of this Use Agreement, more than thirty percent (30%) of the Escondido Facilities are so damaged by water, fire or other casualty as to render such portion of the Escondido Facilities unusable, the Authority will have the option, in its sole discretion, to elect to repair such Licensed Items or terminate this Use Agreement. In the event the Authority elects not to repair under this Section 2.4, upon the termination of this Use Agreement, the Authority will transfer to Palomar any insurance claims or proceeds, or rights therein, applicable to the damage or casualty.

Section 2.5 Return of Licensed Items. Upon the expiration or earlier termination of this Use Agreement, unless otherwise transferred to the Authority or UCSD Health pursuant to the terms of a separate agreement, the Authority will promptly return, or facilitate the return of, all licenses, approvals, permits, certifications, registration or other authorizations, if any, to Palomar for or regarding the Licensed Items and surrender and vacate the Escondido Facilities and return possession of the other Licensed Items to Palomar in at least as good condition as received, reasonable wear and tear excepted.

ARTICLE III
LICENSE FEE, TAXES AND INSURANCE

Section 3.1 Consideration. The licenses and rights granted to the Authority pursuant to this Use Agreement constitute, in part, Palomar's contribution to the Authority, and are consideration for those terms identified in the Joint Powers Agreement. Each of the Parties further acknowledges that the transaction contemplated by the Joint Powers Agreement complies with applicable law, including without limitation Cal. Health & Safety Code § 32121(p), and constitutes fair market value for the license provided herein.

Section 3.2 Taxes. The Authority is responsible for the payment of all taxes which may be assessed against Palomar or the Authority related to the Escondido Facilities and the Licensed Items. The Authority will pay before delinquent all taxes, assessments, license fees, excises, dues, and other charges or liabilities, however described, which are imposed, levied, assessed, charged by or otherwise due to any governmental or quasi-governmental authority related to the Escondido Facilities and the Licensed Items and which are payable upon or on account of (i) the Authority's operations at, occupancy of, or conduct of business in, on or at the Escondido Facilities; and (ii) the Escondido Facilities, the Licensed Items or any other fixtures, real property or personal property in, on or at the Escondido Facilities which belongs to Palomar or the Authority.

Section 3.3 Insurance.

(a) As of the Effective Date, Palomar has in place: (i) commercial property insurance including special causes of loss coverage on the Escondido Facilities, and the Licensed Items (including without limitation the Equipment) and all other personal property located in, on or about the Escondido Land, for the full replacement value; (ii) commercial general liability and professional liability insurance insuring against all claims for bodily injury, property damage, and personal and advertising injury regarding, relating to, or connected with the condition or status of the Escondido Facilities and the Licensed Items or the conduct and operations of the Escondido Hospital in, on or about, the Escondido Land with such limits not less than Three Million Dollars

($3,000,000.00) per occurrence and Five Million Dollars ($5,000,000.00) in the aggregate; (iii) cyber technology and miscellaneous professional liability ("MPL") insurance coverage of up to Five Million Dollars ($5,000,000.00) in the aggregate ("AXIS Cybersecurity Policy") and excess cyber coverage providing excess liability insurance coverage of up to Five Million Dollars ($5,000,000.00) in the aggregate in connection with the AXIS Cybersecurity Policy; and (iv) such other general and customary policies of insurance, including excess liability and umbrella coverage insuring the Licensed Items and the operation of the Escondido Hospital (collectively, the "Existing Insurance Policies").

(b) From and after the Effective Date, Palomar must keep such Existing Insurance Policies in place, and on or prior to the Operational Date, Palomar must take all steps necessary to cause the Authority to be named as a co-insured on all of the Existing Insurance Policies. If requested by the Authority, Palomar must continue to maintain such Existing Insurance Policies or cause the same to be assigned or transferred to the Authority at any time during the Term. At all times during the Term, the insurance policies covering the Escondido Facilities or the other Licensed Items must name both the Authority and Palomar as insureds and for the avoidance of doubt, should Palomar maintain insurance for the Escondido Facilities or any other Licensed Items pursuant to this Use Agreement or as otherwise required by applicable law, the expenses associated with maintaining such insurance during the Term will be at the Authority's expense.

(c) At any time and from time to time, the Authority may, in its discretion, maintain insurance on the Escondido Facilities or the other Licensed Items directly, provided that Palomar must continue to be named as an additional insured. The Authority may also elect to increase the amount or scope of coverage or obtain different or replacement coverage and policies at any time, in its sole discretion.

(d) If any of the Existing Insurance Policies are written on a "claims made" form, the insurance policies will remain in full force and effect, or if canceled or non-renewed before the expiration of three (3) years after termination of this Use Agreement, then an extended reporting period "tail coverage" must be purchased for a period of no less than three (3) years after termination of this Use Agreement.

ARTICLE IV
REPRESENTATIONS, WARRANTIES AND COVENANTS OF PALOMAR

Section 4.1 Organization; Authority. Palomar represents and warrants that (a) it is duly organized, validly existing and in good standing under the laws of the State of California, (b) it has the full right, power, and authority to enter into and perform its obligations and grant the rights, licenses, and authorizations it grants and is required to grant under this Use Agreement, (c) the execution of this Use Agreement by its representative whose signature is set forth at the end of this Use Agreement has been duly authorized by all necessary corporate or organizational action; and (d) assuming the due execution and delivery of this Use Agreement by the Authority, when executed and delivered by Palomar, this Use Agreement will constitute a legal, valid, and binding obligation of Palomar, enforceable against Palomar in accordance with its terms.

Section 4.2 Title; Maintenance of Ownership. Palomar represents and warrants that it has good and valid title to, or a valid license to use, all of the Licensed Items licensed to the Authority hereunder. Palomar covenants and agrees that from and after the Effective Date it will remain the sole and exclusive owner or valid licensee (as applicable) of all of the Licensed Items, and must not sell, assign, transfer, pledge, encumber or otherwise dispose of any interest in the Licensed Items that would interfere with or diminish the rights granted to the Authority under this Use Agreement.

Section 4.3 Transfer of Utilities and Other Services. Palomar, at the Authority's sole expense and with the Authority's assistance, will take all steps necessary to transfer responsibility for all utilities and other services to the Escondido Facilities, including without limitation those utilities and other services listed below, to the Authority as of the Operational Date or as soon thereafter as reasonably practicable:

(a) Non-infectious and infectious waste disposal;

(b) Telecommunication services (basic telephone services, and internet access);

(c) Water for drinking, cleaning, and lavatory purposes, and must pay all water, sewerage, and drainage bills and assessments;

(d) Heat, air conditioning, and electricity to the Escondido Facilities and to any Equipment;

(e) Janitorial services to the Escondido Facilities;

(f) Pest control services to the Escondido Facilities;

(g) Lighting of the Escondido Facilities;

(h) Maintenance and landscaping of the Escondido Facilities and grounds;

(i) Fire protection for the Escondido Facilities and the Equipment;

(j) Other utilities and services currently provided by Palomar regarding or related to the use or operations of the Escondido Facilities and the Licensed Items.

For any utilities or other services not transferred to the Authority as of the Operational Date, Palomar will keep such utilities or services in good condition and standing, at the Authority's sole cost and expense, and will not take any actions or omit to take any actions which could disrupt the provision of such utilities or services to the Escondido Facilities or the other Licensed Items. Nothing in this Use Agreement may be construed to limit the Authority's discretion to retain a separate service provider or to provide any of these services directly or in any other manner which the Authority deems appropriate, so long as such method complies with applicable law.

Section 4.4 Representations and Warranties as to Escondido Facilities. Palomar hereby represents and warrants to the Authority, the following:

(a) the Escondido Hospital qualifies as duly licensed 316-bed acute care hospital under the applicable laws of the State of California and there are no proceedings or actions pending or, to the best of Palomar's knowledge, contemplated to reduce the number of licensed or certified beds of the Escondido Hospital;

(b) except as set forth on Schedule 4.4(b), Palomar has not had any deficiencies on its most recent survey (standard or complaint) that would result in a denial of payment for new admissions with no opportunity to correct prior to termination, and the Escondido Facility has not been designated as a "Special Focus Facility" (as such term is defined by the Centers for Medicare and Medicaid Services Special Focus Facility Program);

(c) except as set forth on Schedule 4.4(c), there are no pending actions, complaints, condemnation, administrative or judicial proceedings pending against any of the Escondido Facilities or Palomar relating to any of the Escondido Facilities;

(d) as of the Effective Date, Palomar has the insurance in place as described in Section 3.3 of this Use Agreement;

(e) other than the Contributed Assets, the Licensed Items, and the Excluded Items, Palomar does not own, control, lease, use, license, occupy, or otherwise have rights, whether by contract, law or otherwise, whether contingent or non-contingent, in and to any other real property or personal property assets and the Contributed Assets, the Licensed Items and the Excluded Items comprise all of the assets of Palomar as of the Effective Date; and

(f) except as set forth on Schedule 4.4(f), the execution and delivery of this Use Agreement by Palomar does not violate any material provision of any agreement or judicial order to which Palomar is a party or to which Palomar is subject.

Section 4.5 Negative Covenants. From and after the Effective Date, except as required by applicable law, Palomar must not and must cause its affiliates to refrain from taking any actions, without the prior written consent of the Authority, to:

(a) amend, terminate, or enter into any Contract except with respect to any such Contract that is amended, terminated, or entered into for the purpose of administering the GO Bonds or fulfilling Palomar's obligations under any of the Authority Documents (as defined in the Joint Powers Agreement) to which it is a party (such purposes, the "Palomar Post-Authority Operations") and that, the term of such Contract involves less than $50,000; or

(b) sell, assign, lease or otherwise transfer or dispose of any Licensed Items, any ownership interests or equity of Palomar in any joint ventures, or any property, plant, or equipment used in connection with the operation of the Escondido Facilities.

Notwithstanding anything to the contrary herein, at all times during the Term, Palomar must not and will cause its affiliates to refrain from taking any actions, without the prior written consent of the Authority, that would materially interfere with the Authority's ability to enjoy the material benefits of this Use Agreement.

Section 4.6 Access to Records. On the Effective Date, Palomar must deliver to the Authority, to the extent in Palomar's possession or under Palomar's control, all records reasonably necessary to the efficient, continued operation of the Escondido Facilities and the use of all Licensed Items.

ARTICLE V
REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE AUTHORITY

Section 5.1 Organization; Authority. The Authority represents and warrants that (a) it is duly organized, validly existing and in good standing under the laws of the State of California, (b) it has the full right, power, and authority to enter into and perform its obligations under this Use Agreement, (c) the execution of this Use Agreement by its representative whose signature is set forth at the end of this Use Agreement has been duly authorized by all necessary corporate or organizational action; and (d) assuming the due execution and delivery of this Use Agreement by Palomar, when executed and delivered by the Authority, this Use Agreement will constitute a legal, valid, and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

Section 5.2 Enjoyment of Licensed Items. The Authority must not, and must not authorize its agents, employees, or contractors to, do anything in or around the Escondido Facilities that would directly result in the Escondido Facilities being unable to obtain and maintain the types and amounts of property insurance customarily maintained for hospitals of similar size and function, without the prior written consent of Palomar.

Section 5.3 Utilities and Other Services. The Authority agrees to assume responsibility for the utilities and other services necessary for the operation of the Escondido Facilities as further described in Section 4.3 above.

Section 5.4 Continued Operation of the Facilities; Maintenance. For the first ten (10) years following the Effective Date, the Authority must continuously operate the Escondido Facilities as an acute care hospital, and, subject to the Authority's Board's good faith determination of what is in the best interest of the Authority, in accordance with the Joint Powers Agreement and the Bylaws, maintain those healthcare services provided at the Escondido Hospital immediately prior to the Operational Date. Subject to use by other occupants pursuant to the terms of their existing leases, the Authority will operate and at all times maintain the Escondido Facilities in a neat, clean and safe condition and otherwise in good order, condition, and repair, at the Authority's sole expense. The Authority will at all times during the Term, at its sole cost and expense, maintain the other Licensed Items in a neat, clean and safe condition, in good working order, condition, and repair, and in compliance with all applicable laws, making any necessary repairs or replacements thereto. The Authority will not do or suffer anything to be done whereby the Escondido Facilities or the Licensed Items may be encumbered by any mechanic's, materialmen's, or other lien, and whenever and as often as any mechanic's, materialmen's or other lien is filed against the Escondido Facilities or the Licensed Items for labor performed or material furnished to the Authority, discharge the same of record within thirty (30) days after the date of filing. Except for any necessary demolition in connection with works of improvement, the Authority may not demolish or destroy any of the physical assets comprising the Escondido Facilities in a manner which would

reasonably be expected to: (i) cause a material diminution in value of the physical assets comprising the Escondido Facilities or (ii) materially impair the ability to operate the Escondido Hospital as an acute care hospital, without the prior written consent of Palomar, not to be unreasonably withheld, conditioned or delayed. The Authority will further, at its expense, keep, maintain, and repair the Escondido Facilities' plumbing, HVAC, lighting, electrical, mechanical systems, equipment and grounds in at least the same condition as delivered on the Operational Date, subject to the Authority's other rights herein.

Section 5.5 Medical Records. Each Party must comply in all respects with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the Health Information Technology for Economic and Clinical Health Act ("HITECH") and the implementing regulations (the "Privacy Standards") as they exist from time to time with respect to its patients. Further, each Party will (i) instruct its employees, agents, and contractors regarding the confidentiality, privacy, and security of the Protected Health Information ("PHI") (as defined in the Privacy Standards) of the patients of the other party, to the extent such patients exist, and (ii) ensure that its employees, agents, and contractors do not access the other party's electronic medical records system or access, view, obtain, copy, review, use, or disclose PHI of the other Party's patients without prior written authorization. In the event that the PHI of one Party's patients is disclosed to the other Party, or that Party's contractors, subcontractors or agents, regardless as to whether the disclosure is inadvertent or otherwise, each party agrees to, and to require its contractors, subcontractors and agents to, maintain, the privacy and confidentiality of such PHI.

Section 5.6 Access to Licensed Items. The Authority must not do or cause anything to be done to obstruct access to the Escondido Facilities by Palomar or its affiliates, as well as any third party tenant pursuant to the terms of such tenant's Lease Agreement.

Section 5.7 Laws and Ordinance. The Authority must at all times be in substantial compliance with all material laws, statutes, ordinances, and regulations relative to its use of the Escondido Facilities and the other Licensed Items and the operation of the Escondido Hospital. The Authority must provide Palomar with copies of any material written notices the Authority receives from any governmental agencies relating to licenses, accreditations or otherwise material to the ability to operate the Escondido Hospital as an acute care hospital.

ARTICLE VI
LIMITATION OF LIABILITY

Section 6.1 Limitation of Liability. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, NO PARTY, NOR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONTRACTORS OR AFFILIATES, WILL BE LIABLE UNDER OR IN CONNECTION WITH THIS USE AGREEMENT FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, LIQUIDATED, SPECIAL, OR EXEMPLARY DAMAGES OR PENALTIES, INCLUDING WITHOUT LIMITATION LOSSES OF BUSINESS, REVENUE, OR ANTICIPATED PROFITS, REGARDLESS OF WHETHER SUCH DAMAGE WAS FORESEEABLE AND WHETHER THE AUTHORITY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. PALOMAR'S, AND EACH OF ITS OFFICER'S, DIRECTOR'S, EMPLOYEE'S, AGENT'S, CONTRACTOR'S

AND AFFILIATE'S, LIABILITY ARISING OUT OF OR RELATED TO THIS USE AGREEMENT WILL NOT EXCEED THE AMOUNT OF ANY APPLICABLE INSURANCE COVERAGE HELD BY SUCH PARTY. NOTWITHSTANDING THE FOREGOING, ANY SUCH LIMITATION OF LIABILITY WILL NOT APPLY TO DAMAGES RELATED TO A MATERIAL BREACH OF SUCH PARTY'S OBLIGATIONS UNDER THIS USE AGREEMENT, ANY OTHER AUTHORITY DOCUMENT (AS SUCH TERM IS DEFINED IN THE JOINT POWERS AGREEMENT) OR ANY OTHER AGREEMENT NOW OR HEREAFTER ENTERED INTO BY AND BETWEEN PALOMAR AND THE AUTHORITY.

ARTICLE VII
MISCELLANEOUS

Section 7.1 Excluded Provider Warranty. Each Party hereby represents and warrants that it is not now and at no time has been excluded from participation in any federally funded health care program, including Medicare or Medicaid. Each Party hereby agrees to immediately notify the other of any threatened, proposed, or actual exclusion from any federally funded health care program, including Medicare or Medicaid. Each Party further represents and warrants that none of its employees are now and at no time have been excluded from participation in any federally funded health care program, including Medicare or Medicaid. In the event that either Party is excluded from participation in any federally funded health care program at any time from and after the Effective Date of this Use Agreement, this Use Agreement must, as of the effective date of such exclusion or failure to notify the other Party of such exclusion, automatically terminate.

Section 7.2 Access to Books and Records. To the extent applicable, until the expiration of four (4) years after the furnishing of the services provided under this Use Agreement, each Party must make available to the Secretary, United States Department of Health and Human Services, and the United States Comptroller General, and their representatives, and such other government officials as may be required by law, a copy of this Use Agreement and such books, documents, and records of that Party that are necessary to certify the nature and extent of any costs incurred by either Party. If a Party carries out the duties of the Use Agreement through a subcontract worth Ten Thousand Dollars ($10,000.00) or more over a twelve (12) month period with a related organization, the subcontract must contain a clause placing the same obligations on such subcontractors as this clause places on that Party. Each Party must immediately notify the other Party of its receipt of any such request for this Use Agreement and any other books, documents, and records and must provide such other Party with copies of all such materials.

Section 7.3 Compliance. The Parties intend to operate in full compliance with all applicable laws and regulations, including without limitation 42 U.S.C. § 1395nn and the regulations promulgated thereunder (the "Stark Law"), 42 U.S.C. § 1320a-7b(b) and the regulations promulgated thereunder (the "Anti-Kickback Statute"), and any state equivalents, and nothing in this Use Agreement may be construed to conflict with such laws. Each Party hereby represents and confirms that it is not entering into this Use Agreement for the purpose of (a) soliciting or receiving any remuneration, directly or indirectly, in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service, or in return for

purchasing, leasing, ordering or arranging for or recommending purchasing, leasing, or ordering any good, facility, service, or item, or (b) offering or paying any remuneration to induce the referral of any patient for the furnishing of any item or service or any purchase or order any good or service. The Parties acknowledge that the remuneration described herein and otherwise in the various transaction documents related to the Authority was established after arms-length, good faith negotiation between the Parties, represents fair market value for the license and rights described hereunder, and is not determined in a manner that improperly takes into account the volume or value of referrals or other business generated between the Parties. The services covered by this Use Agreement do not exceed those that are reasonable and necessary for the legitimate business purposes of the arrangement. Each Party agrees to comply with all other applicable federal, state and local laws, rules, and regulations, including without limitation all laws applicable to the Medicare and Medicaid programs. If any provision of this Use Agreement is believed by either Party in good faith to be in violation of any applicable law, the Parties must attempt in good faith to amend this Use Agreement to conform to such laws. If the Parties are unable to agree on any such amendment, or if it is not possible to amend the Use Agreement to comply with such laws, then either Party may seek to terminate this Use Agreement upon thirty (30) days prior written notice; provided, however, that to the extent Palomar seeks to terminate this Use Agreement and the Authority rejects such termination in good faith, then the Authority may require that such disagreement be referred to an independent arbiter of fact under and pursuant to the dispute resolution terms outlined in the Closing Agreement to determine whether and to what extent any provision of this Use Agreement requires termination to avoid a non-compliance risk under the Stark Law or Anti-Kickback Statute.

Section 7.4 Severability. The Parties believe that each of the provisions in the Use Agreement is valid and enforceable under California law. However, if any provision (or portion thereof) of this Use Agreement is declared by an arbitrator or court of competent jurisdiction to be invalid or unenforceable, the remaining provisions (including other portions of a provision having an invalid portion) will remain in full force and effect and, to the extent possible, the disputed provision will be construed so that it may be valid and enforceable.

Section 7.5 No Requirement to Refer. Nothing in this Use Agreement, whether written or oral, nor any consideration in connection herewith contemplates or requires the referral of any patient. This Use Agreement is not intended to influence the judgment of the Authority or Palomar in choosing the medical facility or medical practice appropriate for the proper treatment and care of patients. Palomar and the Authority acknowledge and agree that they will not receive any compensation or remuneration for referrals, if any, from the other.

Section 7.6 Public Records Act. Palomar and the Authority acknowledge that this Use Agreement may be subject to certain public disclosure and retention requirements pursuant to the California Public Records Act, Gov. Code § 7920, *et seq*., the Ralph M. Brown Act, Cal. Gov. Code § 54950, *et seq*., and other retention or disclosure requirements as stated in applicable federal, state, and local law. The Parties understand, acknowledge, and agree that, notwithstanding any other provision in this Use Agreement, disclosure by a Party of this Use Agreement, following its execution, does not violate the terms of this Use Agreement. Pending its execution, the Parties agree this Use Agreement is subject to the Trade Secret protections codified at Cal. Civ. Code §

3426, Cal. Health & Safety Code § 32106, and Cal. Evid. Code § 1060. Notwithstanding the foregoing, any Party may disclose this Use Agreement prior to its execution if: (i) the disclosure has been approved, in advance, by the other Party in the form of a written document, (ii) the disclosure is required by any law, rule, or regulation or by any court order or to any governmental agency as part of a filing by such Party, (iii) the disclosure is to an affiliate of a Party to this Use Agreement, or (iv) the disclosure is made to a Party's attorneys, accountants, financial advisors, or lenders, provided that any of the foregoing parties agree to be bound by the same requirement of confidentiality that applies hereunder.

Section 7.7 Independent Contractor. Except as expressly provided by the Joint Powers Agreement, none of the provisions of this Use Agreement are intended to create any relationship between the Parties other than that of independent entities contracting with each other solely for the purpose of effecting the provisions of this Use Agreement. Neither of the Parties, nor any of their respective officers, directors, employees, or agents, has the authority to bind the other or may be deemed or construed to be the agent, employee, or representative of the other except as may be specifically provided herein.

Section 7.8 Governing Law; Attorneys' Fees. This Use Agreement will be construed under and governed by the laws of California, without effect to any conflicts of law principles thereof. In the event of any dispute between the Parties with respect to the interpretation or enforcement of the terms hereof, the prevailing Party is entitled to collect from the other its reasonable costs and attorneys' fees.

Section 7.9 Assignment. Neither this Use Agreement nor any interest of the Authority or Palomar herein may be assigned, mortgaged, pledged, encumbered, or in any manner transferred by the Authority or Palomar, as applicable, without receipt of the other Party's prior written consent, which may be withheld in its sole discretion. Notwithstanding the foregoing, the Authority will have the right to assign its rights under this Use Agreement to UCSD Health in connection with the exercise by UCSD Health of the Post-Operational Option Agreement, without any notice to or consent of Palomar.

Section 7.10 Amendment. This Use Agreement may not be amended except upon written agreement signed by both Parties.

Section 7.11 Notices. All notices and other communications required or permitted to be given hereunder must be in writing and will be considered given and received when (a) personally delivered to the Party, (b) delivered by courier, or (c) deposited in the United States mail, postage prepaid, certified mail, return receipt requested, properly addressed to a Party at the address set forth below, or at such other address as such Party has specified by notice given in accordance with the provisions of this Section:

If to Palomar:

Palomar Health
Attention: President & CEO
2125 Citracado Parkway, Suite 300
Escondido, CA 92029

With a copy (which does not constitute notice):

Palomar Health
Attention: Legal Department
120 Craven Road, Suite 106
San Marcos, CA 92078

And a copy (which does not constitute notice):

Holland & Knight
560 Mission Street, Suite 1900
San Francisco, California 94105
Attn: John Kern
Email: john.kern@hklaw.com

If to The Authority:

Palomar UCSD Health Authority
Attention: Chief Executive Officer
2125 Citracado Parkway, Suite 300
Escondido, CA 92029

With copy (which does not constitute notice):

Palomar UCSD Health Authority
Attention: Chief Legal Officer
2125 Citracado Parkway, Suite 300
Escondido, CA 92029

And copy (which does not constitute notice):

Best Best & Krieger LLP
1333 N. California Blvd., Suite 220
Walnut Creek, CA 94596
Attention: Noël Caughman
Email: noel.caughman@bbklaw.com

If to UCSD Health:

UC San Diego Health
9500 Gilman Drive, MC 0933
San Diego, CA 92093
Attn: Chief Health Counsel
Email: vmarsich@ucsd.edu

With a copy to (which does not constitute notice):

Sheppard Mullin Richter & Hampton LLP
Four Embarcadero Center, 17th Floor
San Francisco, CA 94111
Attn: Eric Newsom & Timothy Reimers
Email: enewsom@sheppardmullin.com
treimers@sheppardmullin.com

Section 7.12 Headings. The paragraph headings contained in this Use Agreement are for reference only and should not affect in any way the meaning or interpretation of this Use Agreement.

Section 7.13 Waiver. Waiver of a breach of or default under any term or provision of this Use Agreement by either Party, by course of dealing or otherwise, will not be deemed a waiver of any other breach of or default under the same or a different provision of this Use Agreement.

Section 7.14 Force Majeure.

(a) To the extent either Party is prevented by Force Majeure from performing its obligations, in whole or in part, under this Use Agreement, and if such Party (the "Affected Party") gives timely notice and details of the Force Majeure to the other Party as soon as reasonably practicable, then the Affected Party is excused from the performance with respect to any such obligations (other than any obligation to make any payment to the other) during the pendency of the Force Majeure event. As used herein, "Force Majeure" 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 Use 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.

(b) Each notice of Force Majeure sent by an Affected Party to the other Party must specify the event or circumstance of Force Majeure, the extent to which the Affected Party is unable to perform its obligations under this Use Agreement, and the steps being taken by the Affected Party to mitigate and to overcome the effects of such event or circumstances.

(c) The non-Affected Parties are not required to perform their obligations to the Affected Party corresponding to the obligations of the Affected Party excused by Force Majeure.

(d) A Party prevented from performing its obligations due to Force Majeure must use its best efforts to mitigate to the greatest extent possible and to overcome the effects of such event or circumstances and must resume performance of its obligations as soon as possible and immediately upon the expiration or cessation of the Force Majeure event.

Section 7.15 Further Assurances. Each of the Parties hereto agrees to execute and deliver any and all further agreements, documents or instruments reasonably necessary to effectuate this Use Agreement and the transactions referred to herein or contemplated hereby or reasonably requested by the other Party to perfect or evidence their rights hereunder.

Section 7.16 Third Party Beneficiary. The Parties acknowledge and agree that UCSD Health is an intended third party beneficiary of this Use Agreement and that UCSD Health has the right, but not the obligation, to enforce this Use Agreement and to exercise any remedies available to it under the Closing Agreement, the Pre-Operational Option Agreement (as defined in the Joint Powers Agreement) and the Post-Operational Option Agreement (as defined in the Joint Powers Agreement) in the event of any failure by Palomar to comply with its obligations hereunder.

Section 7.17 Survival. Upon termination of this Use Agreement, all rights and obligations of the Parties under this Use Agreement will terminate; provided, however, that termination will not affect or excuse the performance of either Party under any provision of this Use Agreement that by its terms survives termination (including obligations to make any payment

hereunder, to indemnify, to maintain appropriate insurance coverage, and to repair or replace the Escondido Facilities and the Licensed Items as necessary). Notwithstanding anything to the contrary herein, the provisions of this Use Agreement that are intended to survive the termination of this Use Agreement will survive indefinitely.

Section 7.18 Entire Agreement. This Use Agreement constitutes the entire written agreement of the Parties with respect to the subject matter of this Use Agreement and supersedes any prior written agreements of the Parties regarding the subject matter of this Use Agreement. Without limiting the foregoing, each of the Parties acknowledges and agrees that (i) this Use Agreement is being executed and delivered in connection with the performance of the Authority; (ii) the performance of this Use Agreement and expected benefits therefrom are a material inducement to the willingness of the Parties to enter into and perform under this Use Agreement and the Joint Powers Agreement; (iii) the execution and delivery of this Use Agreement and the rights and obligations of the Parties hereunder are interrelated and part of an integrated transaction effected pursuant to the Joint Powers Agreement; (iv) the transactions contemplated by this Use Agreement are economically interdependent; and (v) each Party will cause any of its successors or permitted assigns to expressly acknowledge and agree to this Section 7.18 prior to any assignment or transfer, by operation of law or otherwise.

IN WITNESS WHEREOF, the Parties have caused this Use Agreement to be executed by their duly authorized representatives to be effective as of the Effective Date first set forth above.

PALOMAR HEALTH

Sign: _____
Diane Hansen, CEO

PALOMAR UCSD HEALTH AUTHORITY

Sign: _____

Name: Pauline Gourdie

Title: Chair, Board of Directors

SCHEDULE 1.1
Licensed Items

[To be added]

SCHEDULE 1.4
Non-Licensed Items

[To be added]

SCHEDULE 1.7
Lease Agreements

[To be added]

SCHEDULE 1.8
Assigned Contracts

[To be added]

SCHEDULE 4.4

Representations and Warranties

[To be added]

EXHIBIT A

Escondido Land

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCELS 1 THROUGH 10 INCLUSIVE OF PARCEL MAP NO. 21624 IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY OCTOBER 17, 2018 AS FILE NO. 2018-7000411, OFFICIAL RECORDS.

APN: 232-590-15-00, 232-590-16-00, 232-590-17-00, 232-590-18-00, 232-590-19-00, 232-590-20-00, 232-590-21-00, 232-590-28-00, 232-591-29-00, AND 232-591-30-00

PARCEL B:

LOTS 25 AND 26 OF ESCONDIDO TRACT NO. 834, IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 14983, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 17, 2005.

APN: 232-591-10-00 AND APN: 232-591-11-00

EXHIBIT B

Form of Lease Assignment

[To be attached.]

EXHIBIT C

Form of Assignment and Assumption of
Contracts, Intangible Property and Permits

[To be attached.]

Updated Final Form
SMRH 6/3/26

TAX REVENUE CONTRIBUTION AGREEMENT

BY AND BETWEEN

Palomar Health

and

Palomar UCSD Health Authority

Dated as of June 30, 2026

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TAX REVENUE CONTRIBUTION AGREEMENT

THIS TAX REVENUE CONTRIBUTION AGREEMENT (this "Tax Revenue Contribution Agreement") is made and entered into effective as of June 30, 2026 (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 Palomar UCSD Health Authority, a joint powers authority formed by 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") in accordance with the Joint Exercise of Powers Act, Cal. Gov. Code § 6500, *et seq.* (the "Authority"). Palomar and the Authority may also be referred to herein individually as a "Party" and collectively as the "Parties."

R E C I T A L S

WHEREAS, the Authority was formed pursuant to a Joint Exercise of Powers Agreement between UCSD Health and Palomar dated October 31, 2025, as amended on April 10, 2026, April 30, 2026 and May 28, 2026 (collectively, the "Joint Powers Agreement"), to, among other things, stabilize and strengthen the availability of community hospital services to all residents of San Diego County, California and surrounding areas regardless of payor or funding source and improve access to healthcare for the vulnerable populations served by Palomar and the Authority through the expansion of clinical infrastructure and strengthening of certain healthcare service lines for the benefit of the residents of San Diego County, California through an integrated health system;

WHEREAS, in furtherance of the purpose and goals of the Authority, and pursuant to the terms of the Joint Powers Agreement and the other Authority Documents (as defined in the Joint Powers Agreement) which provide for, among other things: (i) Palomar's transfer and contribution to the Authority of the Palomar Medical Center Poway (the "Poway Hospital") and those other assets (collectively, the "Contributed Assets") as described in that certain Contribution Agreement by and between Palomar and the Authority (the "Initial Contribution Agreement"); (ii) Palomar's transfer and contribution to the Authority of the tax revenues in accordance with this Tax Revenue Contribution Agreement, (iii) Palomar's provision to the Authority of the rights to use and operate the Palomar Medical Center Escondido (the "Escondido Hospital") and those other assets (the "Licensed Items") as described in that certain Use Agreement by and between Palomar and the Authority (the "Use Agreement"), (iv) Palomar's lease to the Authority of employees of Palomar pursuant to that certain Employee Leasing Agreement by and between Palomar and the Authority (the "Employee Lease Agreement"), (v) UCSD Health's making of certain contributions, including providing physicians and other identified healthcare providers and services to the Hospitals in accordance with that certain Contribution Agreement by and between UCSD Health and the Authority (the "UCSD Health Contribution Agreement"), (vi) Palomar's, UCSD Health's and the Authority's entry into that certain Amended & Restated Closing Agreement (the "Closing Agreement") providing for the conditions precedent to the foregoing transfers and contributions and the indemnity obligations of the parties, and (vii) UCSD Health's receipt of an option to purchase all or a portion of the Initial Assets and to acquire the rights under the Use Agreement from the Authority pursuant to that certain Option Agreement by and between UCSD Health and the Authority (the "Post-Operational Option Agreement");

WHEREAS, Palomar derives revenues from ad valorem taxes levied by the County of San Diego (the "County") and authorized under applicable Law to be used for a variety of district purposes (the "Unrestricted Property Tax Revenues");

WHEREAS, the Unrestricted Property Tax Revenues are in addition to, and separate from, the ad valorem tax revenues resulting from the separate tax levy that are pledged solely to the payment of principal and interest on the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A (the "Series 2007A G.O. Bonds"), the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2009A (the "Series 2009A G.O. Bonds"), the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2010A (the "Series 2010A G.O. Bonds"), the Palomar Health General Obligation Refunding Bonds, Series 2016A (the "Series 2016A G.O. Bonds"), and the Palomar Health General Obligation Refunding Bonds, Series 2016B (the "Series 2016B G.O. Bonds", and together with the Series 2007A G.O. Bonds, the Series 2009A G.O. Bonds, the Series 2010A G.O. Bonds, and the Series 2016A G.O. Bonds, the "General Obligation Bonds");

WHEREAS, the County assesses and collects Palomar's share of property taxes on its behalf and distributes the Unrestricted Property Tax Revenues to Palomar by check periodically following its collection of installment payments, which are due on November 1st and February 1st of each year;

WHEREAS, in the fiscal years ended June 30, 2024 and June 30, 2025, Palomar received approximately $23,366,000 and approximately $24,372,000 in Unrestricted Property Tax Revenues in each respective fiscal year;

WHEREAS, Palomar desires to contribute and transfer the Unrestricted Property Tax Revenue to the Authority, less an amount necessary for Palomar to continue to administer its remaining assets and operations (such amount, the "District Operations Allowance") to be determined annually in accordance with the terms set forth in Section 2.2 below, and the Authority desires to receive the Unrestricted Property Tax Revenues, subject to the terms and conditions and for the consideration outlined in this Tax Revenue Contribution Agreement.

NOW, THEREFORE, for and in consideration of the premises, the agreements, covenants, representations, and warranties set forth in this Tax Revenue Contribution 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 Tax Revenue Contribution Agreement have the meaning ascribed to such term in the Joint Powers Agreement.

1.2 Other Definitional Provisions. As used in this Tax Revenue Contribution Agreement, and unless the context requires otherwise:

(a) Accounting terms not defined in this Tax Revenue Contribution Agreement, and accounting terms partly defined to the extent not defined, will have the respective meanings given to them under the U.S. Governmental Accounting Standards Board, as consistently applied ("GASB").

(b) The word "herein" and words of similar import when used in this Tax Revenue Contribution Agreement refer to this Tax Revenue Contribution Agreement as a whole and not to any particular provision of this Tax Revenue Contribution Agreement, and section, subsection, schedule, and exhibit references are to this Tax Revenue Contribution Agreement unless otherwise specified.

(c) The word "including" and words of similar import when used in this Tax Revenue Contribution Agreement, means including without limitation, unless otherwise specified in this Tax Revenue Contribution 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" means and refers to all statutes, ordinances, codes, rules or regulations of any federal, state, county, district, municipal, city, or other government or quasi-government unit or political subdivision, as may be 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) Capitalized terms used, but not defined in this Tax Revenue Contribution Agreement have the meaning ascribed to such term in the Joint Powers Agreement.

2. CONTRIBUTION OF CONTRIBUTED ASSETS, ASSUMPTION OF LIABILITIES, AMENDMENT OF CONSTITUENT DOCUMENTS, CLOSING AND OTHER RELATED MATTERS

2.1 Contribution of Unrestricted Property Tax Revenues. Subject to the terms and conditions of this Tax Revenue Contribution Agreement, including the obligation to remit the District Operations Allowance to Palomar as provided in Section 2.2, and effective as of the Effective Date, Palomar hereby assigns, conveys, transfers, and delivers or will cause to be delivered to the Authority and the Authority hereby accepts all of the Unrestricted Property Tax Revenues, including, all rights to use such revenues, and receive copies of any statements or accounting related to same, and any communications to or from the County or any other Governmental Authority relating to such Unrestricted Property Tax Revenues. Palomar further hereby grants and conveys to the Authority all powers and authority that Palomar now has with respect to the approval of the levy amount and the use of the Unrestricted Property Tax Revenues and any other rights related to the Unrestricted Property Tax Revenues. Palomar further covenants and agrees to take all actions necessary to deliver the Unrestricted Property Tax Revenues to the Authority, including without limitation, establishing the Sweep Account (defined below) or any other accounts as the Authority may request from time to time, and to otherwise allow the Authority to exercise the rights conveyed herein. On or prior to the Operational Date (as such term is defined in the Joint Powers Agreement, the "Operational Date"), to the maximum extent permitted by applicable law and regulation, Palomar must establish and maintain a dedicated, segregated account for the receipt of the Unrestricted Property Tax Revenues (the "Sweep Account") and shall grant the Authority the unconditional right, at its sole discretion and without advance notice to Palomar, to direct the financial institution holding the Sweep Account to transfer (or "sweep") any or all funds from such account to an account designated by the Authority. In furtherance of the foregoing, Palomar must provide the Authority with real-time online viewing access to the Sweep Account, furnish prompt written notice to the Authority of any deposit into the Sweep Account in excess of $100,000, and must not redirect any funds from or withdraw, transfer, or otherwise disburse any funds from, the Sweep Account without the prior written consent of the Authority, except for transfers initiated by the Authority pursuant to its sweep rights herein or as permitted herein. Palomar must promptly execute all documents, instructions, and authorizations reasonably required by the Authority or the relevant financial institution to effectuate the Authority's rights with respect to the Sweep Account, and must not change, close, or otherwise modify the Sweep Account without the Authority's prior written consent. The Sweep Account must not be commingled with any other funds. Palomar must not grant any security interest in and to the Sweep Account (including any replacement sweep account as may be established pursuant to

this Tax Revenue Contribution Agreement) without the prior written consent of the Authority. Notwithstanding the foregoing, if at any time the Parties determine it would not jeopardize the collection and receipt of such funds, Palomar must, upon written request of the Authority, take all steps reasonably required to cause the County to distribute the Unrestricted Property Tax Revenues directly to the Authority in an account or at an address as determined by the Authority. If at any time during the Term of this Tax Revenue Contribution Agreement, the Parties determine the transfer of the Unrestricted Property Tax Revenues into the Sweep Account is prohibited by any applicable law or regulation, Palomar must direct the County to deposit the funds into a separate deposit account that complies with all applicable laws and regulations, and must: (i) immediately notify the Authority in writing of all deposits received; and (ii) cause all funds deposited into such account to be immediately transferred to the Authority (unless otherwise directed by the Authority in writing). Notwithstanding anything to the contrary, Palomar must cause the Unrestricted Property Tax Revenues to be delivered to the Authority commencing on the Operational Date.

2.2 District Operations Allowance.

(a) Allowance Remittance. Palomar has conveyed to the Authority, through the Initial Contribution Agreement and the Use Agreement, the right to operate substantially all of its business and related assets and Palomar's ongoing operations are primarily for the purpose of administering the General Obligation Bonds and fulfilling its obligations under the Authority Documents ("Palomar's Post-Authority Operations") which are in support of Palomar's ongoing missions and efforts made by and through the Authority. The Parties further acknowledge that upon receipt of all Retained Asset Contribution Approvals (as such term is defined in the Joint Powers Agreement), Palomar will have contributed and fully transferred substantially all of its assets to the Authority and will continue to advance its public health priorities by and through its role as a member agency of the Authority. As support for Palomar's Post-Authority Operations, including Palomar's management of its remaining assets prior to and following the contribution of substantially all of its assets and to otherwise cover the costs of its remaining operations (the "Allowance Purpose") the Authority will deliver to Palomar, on or before July 1st of each year, beginning on July 1, 2027 and continuing each July 1st thereafter (each such date the "Remittance Deadline"), the agreed upon District Operations Allowance from the Unrestricted Property Tax Revenues collected in the fiscal year ending on the June 30th immediately preceding such Remittance Deadline pursuant to the terms of Section 2.2(c) below. Nothing in this Tax Revenue Contribution Agreement will minimize or restrict the right of Palomar to receive the Initial Operational Holdback and the Transactional Expense Holdback as provided under and defined in the Initial Contribution Agreement.

(b) Allowance Limitations. The Parties agree that it would be detrimental to the Authority for Palomar to engage in any substantial independent business that would create new liabilities or compete with the Authority and therefore, Palomar agrees that no portion of the District Operations Allowance will be used for any of the following (collectively "Excluded Allowance Items"), in each instance without the prior written consent of the Authority:

(1) Executive team bonuses or special bonuses or payouts;

(2) Benefits for employees (except as otherwise provided under the terms of the Employee Lease Agreement);

(3) New construction or capital improvement projects on any assets retained by Palomar;

(4) Acquisition of any new assets (real, personal, tangible or intangible) with a value in excess of $100,000;

(5) New leases or other contracts having an annual expense in excess of $100,000;

(6) Payment of any debts or liabilities (other than any shortfall with respect to

the debt service owed on outstanding General Obligation Bonds and ordinary course operational costs, such as payroll and utilities) in excess of $100,000; and

(7) Investments of any kind (including any new ventures) in excess of $100,000.

(c) Allowance Determination Process. Not later than February 1st of each year, beginning on February 1, 2027, and continuing on each February 1st thereafter, Palomar must deliver to the Authority a copy of its annual budget (the "District Budget") for the upcoming fiscal year commencing that July 1st and such other information or details as reasonably requested by the Authority to confirm the amounts Palomar expects to need for the Allowance Purpose. Provided that the projected costs and expenses in the District Budget: (i) do not include an Excluded Allowance Items, (ii) do not exceed One Million Dollars ($1,000,000.00) in each of the first (1st) two (2) full fiscal years ending June 30, 2028 and June 30, 2029 (unless a greater sum is authorized in writing by the Authority), and (iii) further provided that for any given fiscal year, the District Budget is not more than 105% of the greatest District Budget in any of the immediately preceding three fiscal years, then the Authority will remit, on or before the Remittance Deadline, the amount set forth in the District Budget (unless a greater sum is authorized in writing by the Authority). In the event the District Budget does not meet the foregoing requirements, then the Authority will remit an amount equal to the amounts set forth in the District Budget that comply with the foregoing or as otherwise agreed to by the Parties. For the avoidance of doubt, Palomar is not entitled to any District Operations Allowance prior to the first disbursement on July 1, 2027[1]. If Palomar fails to timely provide the District Budget in any year, the Authority may estimate the District Operations Allowance based upon the amount of the District Operations Allowances previously remitted, any prior District Budgets received and any publicly available information regarding Palomar's finances, in its discretion. Notwithstanding anything to the contrary, in no event will the District Operations Allowance exceed the Unrestricted Property Tax Revenues actually received by the Authority in the prior fiscal year.

3. TERM

3.1 Term. This Tax Revenue Contribution Agreement is effective as of the Effective Date and will continue in full force and effect until the earlier of (such period, the "Term"): (i) the thirty-fifth (35th) anniversary of the Effective Date unless the Parties mutually agree to extend the term of this Tax Revenue Contribution Agreement; (ii) the date this Tax Revenue Contribution 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 expiration or earlier termination of the Joint Powers Agreement or the dissolution of the Authority; or (v) the date upon which the Authority (or any successor to this Tax Revenue Contribution Agreement) no longer operates at least one of the Poway Hospital or the Escondido Hospital as an acute care hospital.

3.2 Default of Palomar. The occurrence of any one or more of the following events will constitute an event of default by Palomar under this Tax Revenue Contribution Agreement (each an "Event of Default"):

(a) Palomar fails to keep, perform, or observe any of the covenants, agreements, terms, provisions, warranties, or representations contained in this Tax Revenue Contribution Agreement, the Use Agreement, the Initial Contribution Agreement, the Employee Lease Agreement, the Closing Agreement, or any other agreement entered into by and between Palomar and the Authority, or the Joint Powers Agreement, that are to be kept or performed by Palomar and Palomar fails to cure such default within thirty (30) days after receiving written notice from the Authority thereof, provided that if the time to cure cannot

[1] Note: Palomar will retain the Initial Operational Holdback under the ICA (see § 2.12(a) of the ICA) which amount covers the District Operations Allowance for the period of July 1, 2026 through June 30, 2027.

reasonably be completed within such thirty (30) day period, Palomar will not be in default so long as it has commenced to cure such failure in good faith as soon as possible within such thirty (30) day period and thereafter diligently pursued completion of same provided that in such instance, the failure must have been fully cured within six (6) months after first receiving written notice from the Authority thereof; or

(b) A petition for bankruptcy is filed by or against Palomar; 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 is filed; 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 is filed; a receiver is appointed on account of Palomar's insolvency; any assignment is made of Palomar's business for the benefit of its creditors; or any action is taken in furtherance of any of the foregoing, including without limitation holding a public meeting in furtherance of satisfying the requirements of California Assembly Bill 506, 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 Palomar of any such protections.

Upon the occurrence and continuation of an Event of Default by Palomar, (including expiration of all notice and cure periods provided herein), the Authority may, without waiving any other rights hereunder or available to the Authority at law or in equity (the Authority's rights being cumulative), do any one or more of the following: (a) terminate this Tax Revenue Contribution Agreement; (b) remedy such default on Palomar's behalf, and seek reimbursement from Palomar directly; or (c) pursue any other remedy available to it by Law or in equity.

3.3 Additional Acts. From time to time after the Effective Date, each of Palomar and the Authority must execute, acknowledge, and deliver all such further conveyances, notices, assumptions, releases, and acquittances and such other instruments, and must take such further actions, as may be reasonably necessary or appropriate to assure fully to the Authority and its successors or assigns, all of the tax revenues, rights, interests, remedies, powers, and privileges relating to the Unrestricted Property Tax Revenues conveyed to the Authority under this Tax Revenue Contribution Agreement. Palomar must furnish the Authority with such reasonably requested information and documents in Palomar's possession or under Palomar's control, or which Palomar can reasonably execute or cause to be executed, as will enable the Authority to prosecute any and all petitions, applications, claims, and demands relating to or constituting the Unrestricted Property Tax Revenues. The terms of this Section 3.3 will survive indefinitely and are not subject to any other time limitations contained in this Tax Revenue Contribution Agreement.

3.4 Separate Escondido Operations. If at any time after the Operational Date, the operation of Escondido Hospital is transferred back to Palomar as a result of the termination of the Use Agreement by either (i) the Authority, or (ii) UCSD Health, then solely in such instance the Parties agree to equitably allocate the distribution of the Unrestricted Property Tax Revenues as between the Authority and Palomar, taking into consideration the revenue and expenses of each Hospital, the value of the capital and in-kind contributions made by UCSD Health towards the operation of the Hospitals and any District Operations Allowances (unless the District Operations Allowance are terminated as part of such equitable allocation). The Parties must agree upon such equitable allocation no later than ninety (90) days following the commencement of Palomar's operation of Escondido Hospital and if an agreement on the allocation cannot be reached within such ninety (90) day period, then the Parties must engage Deloitte or another third party independent valuation consultant reasonably acceptable to the Authority to determine the equitable allocation of the Unrestricted Property Tax Revenues as between Palomar and the Authority. The costs of such valuation consultant are to be shared equally by the Parties. In the event of an equitable allocation of the Unrestricted Property Tax Revenues as provided in this Section 3.4, the collection of the Unrestricted Property Tax Revenues will continue in the same manner as provided in this Tax Revenue Contribution

Agreement, subject only to the withholding or additional disbursement of the portion of the Unrestricted Property Tax Revenues allocated to Palomar for the operation of the Escondido Hospital. For the avoidance of doubt, so long as the Use Agreement is in effect, the operator of the Escondido Hospital will be the Authority or its successor in interest thereunder.

4. REPRESENTATIONS AND WARRANTIES OF PALOMAR

Palomar hereby represents, warrants, and covenants to the Authority that the statements contained in this Section 4 are true and correct as of the Effective Date (except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date).

4.1 Organization.

(a) Palomar is in good standing under the Laws of the State of California. Palomar is duly authorized, qualified to do business, and in good standing under all applicable Laws of any jurisdictions (domestic and foreign) in which the character or the location of the assets owned or leased by it or the nature of the business conducted by it requires such authorization or qualification. Palomar has the requisite power and authority to enter into this Tax Revenue Contribution Agreement and the other Authority Documents to which Palomar will become a party hereunder.

4.2 Authority; Non-contravention; Binding Agreement.

(a) The execution, delivery and performance by Palomar of this Tax Revenue Contribution Agreement, and the delivery or direction for delivery of the Unrestricted Property Tax Revenues by Palomar to the Authority: (i) have been duly and validly authorized and approved by all necessary actions, as applicable, on the part of Palomar, none of which actions have been modified or rescinded and all of which actions remain in full force and effect; (ii) are within Palomar's powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of Palomar; (iii) do not and will not require any Approval of, or any other action to be taken by, any Governmental Authority; and (iv) do not and will not require any approval, consent or other action by any third-party, except for those consents specified on Schedule 4.2(a) attached hereto. This Tax Revenue Contribution Agreement is and will constitute the valid and legally binding obligation of Palomar and is and will be enforceable against Palomar in accordance with the respective terms hereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

4.3 Sweep Account. Palomar is not aware of any laws or regulations which prohibit the establishment of the Sweep Account by Palomar or the granting of the rights to the Authority to direct the sweep of the funds contained therein, on the terms contemplated by this Tax Revenue Contribution Agreement.

4.4 Right to Unrestricted Property Tax Revenues. As of the Effective Date and throughout the Term: no Person other than Palomar has the right to receive or direct the receipt of the Unrestricted Property Tax Revenues; no other Palomar Affiliate collects or has the right to collect any ad valorem property tax revenues; other than fluctuations in property ownership and home values, Palomar does not know of and has no reason to expect that there will be any decrease in the annual amount of the Unrestricted Property Tax Revenues during the Term, as the same may be extended; and Palomar has provided the Authority with copies of all material information and documents in its possession, custody or control relating to the Unrestricted Property Tax Revenues. As used herein, "Affiliate" means 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.

4.5 Reserved.

4.6 County Authorization and Communications. At no time in the last twenty-four (24) months has the County sent Palomar any notice that the Unrestricted Property Tax Revenues were deferred, delayed, or that the same would not be collected or timely distributed.

4.7 Free of Encumbrances. As of the Effective Date and throughout the Term, other than the revenue pledge under the Master Indenture (as defined in the Joint Powers Agreement) there are no liens, encumbrances, pledges or other interests of any other Person in or to all or any portion of the Unrestricted Property Tax Revenues. To Palomar's Knowledge, there are no outstanding obligations with the County or the State of California, nor will there be at any time during the Term, that could result in any lien on or application of any portion of the Unrestricted Property Tax Revenues to such outstanding obligations. Palomar covenants and agrees to keep all payments with the County and the State of California current throughout the Term and to promptly notify the Authority in writing of any claim by the County or State of California.

4.8 Compliance with Laws. As of the Effective Date and throughout the Term, Palomar has and will continue to receive and use the Unrestricted Property Tax Revenues in material compliance with all Laws. As of the Effective Date and throughout the Term, Palomar has not received written notice of any violation of, alleged violation or potential violation of, or material liability under, any such Laws. As of the Effective Date and throughout the Term, to Palomar's knowledge, no event has occurred, and no condition exists, that would reasonably be expected to (with or without notice or lapse of time) constitute or result directly or indirectly in a violation by Palomar or a failure on the part of Palomar to comply with, any Law relating to the levy, collection, receipt and use of the Unrestricted Property Tax Revenues.

4.9 Statements True and Correct. The representations and warranties of Palomar in this Tax Revenue Contribution Agreement and all other Authority Documents do not contain any untrue statement of a material fact, or omit to state any material fact necessary to make the statements or facts contained therein with respect to Palomar.

5. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY

The Authority hereby represents and warrants to Palomar that the statements contained in this Section 5 are true and correct as of the Effective Date of this Tax Revenue Contribution Agreement (except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date).

5.1 Organization; Capacity. The Authority is a joint powers authority, validly existing and in good standing under the Laws of the State of California. The Authority has the requisite power and authority to enter into this Tax Revenue Contribution Agreement and the other Authority Documents to which the Authority is or will become a party hereunder.

5.2 Authority; Non-contravention; Binding Agreement.

(a) The execution, delivery and performance by the Authority of this Tax Revenue Contribution Agreement and the other Authority Documents to which it is a party or will become a party, and the receipt by the Authority of the Unrestricted Property Tax Revenues have been duly and validly

authorized and approved by all necessary approvals on the part of the Authority, none of which actions have been modified or rescinded and all of which actions remain in full force and effect, and are not, and will not be, in contravention or violation of the terms of the Authority's organizational or governing documents.

(b) This Tax Revenue Contribution Agreement is and will constitute the valid and legally binding obligations of the Authority and are and will be enforceable against the Authority in accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

5.3 Statements True and Correct. The representations and warranties of the Authority in this Tax Revenue Contribution Agreement and all other Authority Documents do not contain any untrue statement of a material fact, or omit to state any material fact necessary to make the statements or facts contained therein with respect to the Authority not misleading.

6. COVENANTS OF PALOMAR AND THE AUTHORITY

6.1 County Authorization. From and after the Effective Date of this Tax Revenue Contribution Agreement, Palomar must deliver all Unrestricted Property Tax Revenues to the Authority. From and after the Effective Date of this Tax Revenue Contribution Agreement, Palomar must take any and all actions reasonably necessary to establish the Sweep Account and to cause and continue to cause the County to deliver the Unrestricted Property Tax Revenues to the Sweep Account, or such other account as requested by the Authority from time to time, provided that any such account must comply with all applicable Laws relating to the collection and use of the Unrestricted Property Tax Revenues. At any time and from time to time, the Authority may request that Palomar send such notices or other communications or make such demands or take such other action, as may be reasonably necessary or desired by the Authority, to receive and utilize the Unrestricted Property Tax Revenues in the Authority's discretion, to the extent permitted by Law.

6.2 Provision of Annual Budget. From and after the Effective Date, Palomar will provide the Authority and its Representatives with copies of its District Budget (including as contemplated by Section 2.2) and those other documents and information reasonably requested by the Authority or otherwise material with respect to the Allowance Purpose and the Unrestricted Property Tax Revenues to facilitate the Authority's receipt of the Unrestricted Property Tax Revenues and the remittance of the District Operations Allowance to Palomar.

6.3 Audited Financial Statements. Throughout the Term, not later than December 1st of each year Palomar must deliver a copy of its audited financial statements for the prior fiscal year to the Authority.

6.4 Operation of the Businesses of Palomar. Throughout the Term of this Tax Revenue Contribution Agreement, Palomar must operate its assets and operations in such a manner so as to fulfill its purpose and to permit and ensure the continued collection of the Unrestricted Property Tax Revenues and the delivery of same to the Authority.

6.5 Negative Covenants. Throughout the Term of this Tax Revenue Contribution Agreement, as (i) otherwise contemplated in this Tax Revenue Contribution Agreement, (ii) approved in advance in writing by the Authority, or (iii) may be required by applicable Law, Palomar must not:

(a) Use any portion of the District Operations Allowance for any Excluded Allowance Items or for any purpose other than in accordance with the Allowance Purpose;

(b) incur any new debt or seek a loan or access to additional financing or capital from any party (except in the event of a documented critical cash flow need which the Authority has indicated it is unwilling or unable to fund; then in such instance, Palomar may seek a loan or access to capital from Assured Guaranty, a commercial lender or such other Person approved by the Authority in writing and provided that such additional funding is not exchanged for rights or a security interest that minimizes any of the Authority's security under any of its existing arrangements with Palomar or inhibits the ability of the Parties to consummate the transactions contemplated by the Authority Documents); or

(c) issue any new general obligation bonds or refinance any existing general obligation bonds.

6.6 Notification. At all times during the Term, Palomar must give prompt written notice to the Authority of (a) any notices from the County or the State of California relating to the Unrestricted Property Tax Revenues; (b) the occurrence, or failure to occur, of any event, circumstance or fact that causes or is reasonably likely to cause any representation or warranty of Palomar contained in this Tax Revenue Contribution Agreement to be untrue in any material respect; (c) any failure of Palomar to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Tax Revenue Contribution Agreement; and (d) any other material development affecting the Unrestricted Property Tax Revenues.

7. INDEMNIFICATION

7.1 Indemnification by Palomar. Palomar covenants and agrees to indemnify the Authority as set forth in Section 6 of the Closing Agreement, which provisions are hereby incorporated into and made a part of this Tax Revenue Contribution Agreement by this reference.

8. GENERAL PROVISIONS

8.1 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 2125 Citracado Parkway, Suite [___] Escondido, CA 92029 Attention: [_____]
With a copy to:	Holland & Knight LLP 560 Mission Street, Suite 1900 San Francisco, CA 94105 Attn: John Kern Email: john.kern@hklaw.com
If to the Authority:	Palomar UCSD Health Authority 2125 Citracado Parkway, Suite 300 Escondido, CA 92029 Attention: Chief Executive Officer

With a copy to:	Palomar UCSD Health Authority 2125 Citracado Parkway, Suite 300 Escondido, CA 92029 Attention: Chief Legal Officer
And a copy to:	Best Best & Krieger LLP 1333 N. California Blvd., Suite 220 Walnut Creek, CA 94596 Attention: Noël Caughman Email: noel.caughman@bbklaw.com
If to UCSD Health:	UC San Diego Health 9500 Gilman Drive, MC 0933 San Diego, CA 92093 Attn: Chief Health Counsel Email: vmarsich@ucsd.edu
With a copy to:	Sheppard Mullin Richter & Hampton LLP Four Embarcadero Center, 17th Floor San Francisco, CA 94111 Attn: Eric Newsom & Timothy Reimers Email: enewsom@sheppardmullin.com treimers@sheppardmullin.com

or at such other address as one Party may designate by notice hereunder to the other Parties.

8.2 Legal Fees and Costs of Disputes. In the event a Party incurs reasonable legal expenses to enforce or interpret any provision of this Tax Revenue Contribution Agreement by mediation, arbitration or judicial means, the prevailing Party will be entitled to recover such reasonable legal expenses, including attorney's fees, costs and necessary disbursements, in addition to any other relief to which such Party shall be entitled.

8.3 Choice of Law. The Parties agree that all disagreements, disputes or claims arising out of or relating to this Tax Revenue Contribution Agreement are governed by and must be 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.

8.4 Benefit; Assignment; Delegation. Subject to provisions herein to the contrary, this Tax Revenue Contribution 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.

8.5 Third Party Beneficiaries.

(a) Notwithstanding any other provision of this Tax Revenue Contribution Agreement, UCSD Health, and its successors and permitted assigns, are expressly intended as third party beneficiaries of this Tax Revenue Contribution Agreement and will be entitled to enforce all rights, benefits, covenants, obligations, warranties, representations, undertakings, indemnifications, and remedies contained herein to the full extent as if it were a party hereto. Without limitation, such enforcement rights will include,

the right to: (i) demand performance of any obligation set forth in this Tax Revenue Contribution Agreement; (ii) receive the benefits of any representations, warranties, indemnities, and covenants in this Tax Revenue Contribution Agreement; (iii) initiate legal proceedings to enforce any provisions of this Tax Revenue Contribution Agreement; (iv) seek equitable and injunctive relief to prevent or remedy any breach of this Tax Revenue Contribution Agreement; and (v) recover damages or other available remedies arising from any breach of this Tax Revenue Contribution Agreement.

(b) No amendment, modification, waiver, or termination of this Tax Revenue Contribution Agreement that affects the rights of UCSD Health or its successors and permitted assigns will be effective unless UCSD Health or its successors and permitted assigns has provided its prior written consent to such amendment.

(c) The Parties hereto acknowledge and agree that UCSD Health and, as applicable, its successors and permitted assigns, have been granted direct and enforceable rights under this Tax Revenue Contribution Agreement, and such rights will continue in full force and effect according to the terms of this Tax Revenue Contribution Agreement.

(d) The terms and provisions of this Tax Revenue Contribution Agreement are intended solely for the benefit of the Authority, Palomar and UCSD Health and their respective permitted successors and assigns, and it is not the intention of the Parties to confer, and, this Tax Revenue Contribution Agreement will not confer, third-party beneficiary rights upon any Person (as defined in the Joint Powers Agreement).

8.6 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 by the Authority Documents under applicable Law, including Tax-related Laws or under the Laws governing the Government Programs (as each such term is defined in the Joint Powers Agreement). 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.

8.7 Cost of Transaction. Except as otherwise provided in this Tax Revenue Contribution Agreement and the Initial Contribution Agreement, each Party shall bear and pay its own costs and expenses relating to the preparation of 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, whether or not the transactions contemplated by the Authority Documents are consummated. If any action is brought by any Party to enforce any provision of this Tax Revenue Contribution Agreement, the prevailing Party shall be entitled to recover its court costs and reasonable attorneys' fees.

8.8 Waiver of Breach. The waiver by any Party of a breach or violation of any provision of this Tax Revenue Contribution Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

8.9 Severability. If any provision of this Tax Revenue Contribution Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of the Authority or Palomar under this Tax Revenue Contribution Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Tax Revenue Contribution 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 Tax Revenue Contribution 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 Tax Revenue Contribution Agreement and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Tax Revenue Contribution Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

8.10 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 Tax Revenue Contribution Agreement; (b) this Tax Revenue Contribution Agreement is the result of lengthy and extensive negotiations between the Parties and an equal amount of drafting by all Parties; (c) this Tax Revenue Contribution 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 shall be drawn from the fact that any portion of this Tax Revenue Contribution Agreement has been drafted by or on behalf of such Party.

8.11 Divisions and Headings of this Agreement. The divisions of this Tax Revenue Contribution Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Tax Revenue Contribution Agreement.

8.12 Entire Agreement; Amendment. This Tax Revenue Contribution Agreement, together with the other Authority Documents represents the entire agreement between the Parties with respect to the subject matter of this Tax Revenue Contribution Agreement and supersede 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 Tax Revenue Contribution Agreement shall be valid or enforceable unless and until made in writing and signed by all Parties.

8.13 Multiple Counterparts. This Tax Revenue Contribution Agreement may be executed in any number of counterparts, each and all of which shall be deemed an original and all of which together shall constitute but the same instrument. The facsimile signature of any Party or other Person to this Tax Revenue Contribution Agreement or any other Authority Document or a PDF copy of the signature of any Party or other Person to this Tax Revenue Contribution 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.

[Remainder of this page intentionally blank.
Signatures follow on next page.]

IN WITNESS WHEREOF, the Parties have caused this Tax Revenue Contribution 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: Chief Executive Officer

THE AUTHORITY:

PALOMAR UCSD HEALTH AUTHORITY

By:_____
Name: Pauline Gourdie
Title: Chair, Board of Directors

Schedule 4.2(a)

- Assured Guaranty Inc.

- U.S. Bank National Association (in its capacity as Master Trustee and Bond Trustee under the Related Bond Indentures)

CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (this "Agreement") is made and entered into effective as of June 30, 2026, (the "Effective Date") by and between 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") and THE PALOMAR UCSD HEALTH AUTHORITY, a joint powers authority formed by UCSD Health and PALOMAR HEALTH, a California Health Care District organized pursuant to Division 23 of the California Health and Safety Code ("Palomar") in accordance with the Joint Exercise of Powers Act, Cal. Gov. Code § 6500, *et seq.* (the "Authority"). UCSD Health and the Authority are each referred to herein as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, UCSD Health and Palomar have each determined that it is in such entity's best interest and the best interest of the communities served by UCSD Health and Palomar and the two acute care hospitals known as Palomar Medical Center Escondido (the "Escondido Hospital") and Palomar Medical Center Poway (the "Poway Hospital" and together with the Escondido Hospital, the "Hospitals"), to enter into the Joint Exercise of Powers Agreement dated October 31, 2025 (the "Joint Powers Agreement"), in order to, among other things, stabilize and strengthen the availability of community hospital services to all residents of San Diego County, California and surrounding areas regardless of payor or funding source, improve access to healthcare for the vulnerable populations served by Palomar and the Authority through the expansion of clinical infrastructure, and strengthening of certain healthcare service lines for the benefit of the residents of San Diego County, California through an integrated health system;

WHEREAS, prior to the formation of the Authority, but in furtherance of the formation of and fulfillment of the Authority's purpose, UCSD Health advanced a total of Thirty Million Dollars ($30,000,000.00) (the "Existing Advances") to Palomar and Arch Health Partners, Inc., a California nonprofit public benefit corporation, d/b/a Palomar Health Medical Group ("PHMG" and together with Palomar, the "Borrower") in two separate tranches: (i) an initial advance of Twenty Million Dollars ($20,000,000.00) pursuant to that certain Loan Agreement dated April 4, 2025 by and between UCSD Health and Borrower (the "Initial UCSD Loan Agreement" and together with the other Loan Documents (as such term is defined in the Initial UCSD Loan Agreement), collectively, the "Initial UCSD Loan Documents"); and (ii) a second advance of Ten Million Dollars ($10,000,000.00) pursuant to that certain Loan Agreement dated July 24, 2025 by and between UCSD Health and Borrower (the "Second UCSD Loan Agreement" and together with the other Loan Documents (as such term is defined in the Second UCSD Loan Agreement), collectively, the "Second UCSD Loan Documents" and, together with the Initial UCSD Loan Documents, the "Existing Loan Documents");

WHEREAS, concurrently with the execution and delivery of the Joint Powers Agreement, UCSD Health advanced a total of Ten Million Dollars ($10,000,000.00) (the "October Advance" and, together with the Existing Advances, the "Pre-Authority Advances") to Borrower pursuant to that certain Loan Agreement dated October 31, 2025 by and between UCSD Health and Borrower (the "Third UCSD Loan Agreement" and together with the other Loan Documents (as such term

is defined in the Third UCSD Loan Agreement, collectively, the "Third UCSD Loan Documents" and, together with the Existing Loan Documents, the "Pre-Authority Loan Documents");

WHEREAS, concurrently with the execution and delivery of the Joint Powers Agreement, UCSD Health has made available to Palomar a Fifty Million Dollar ($50,000,000) revolving credit line (the "Credit Line" and, together with the Pre-Authority Advances, the "Advances") pursuant to that certain Line of Credit Agreement dated October 31, 2025 by and between UCSD Health and Borrower (the "Credit Agreement" and together with the other Credit Line Documents (as such term is defined in the Credit Agreement), collectively, the "Credit Line Documents" and, together with the Pre-Authority Loan Documents, the "UCSD Loan Documents");

WHEREAS, concurrently with the execution and delivery of this Agreement, Palomar and the Authority are entering into that certain Initial Contribution Agreement dated as of the Effective Date hereof (the "Initial Contribution Agreement") pursuant to which, among other things, as of the Operational Date: (i) Palomar must transfer the Contributed Assets (as defined in the Initial Contribution Agreement, the "Contributed Assets") to the Authority; (ii) Palomar and PHMG must assign their rights and obligations in and to the Advances under and pursuant to the respective UCSD Loan Documents, together with all interest and fees accrued thereon, to the Authority, as co-obligor for all borrower obligations thereunder; and (iii) the Authority, as co-obligor, must assume the joint and several responsibility for all borrower obligations under and pursuant to the UCSD Loan Documents;

WHEREAS, effective as of the Operational Date, the Authority will become an Obligated Group Member, along with Palomar and PHMG under the terms of that certain Master Trust Indenture, dated as of December 1, 2006, as supplemented and amended, among Palomar, PHMG, the Authority and 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 ("Master Trustee") (together with all supplements, amendments, modifications, extensions, renewals and replacements thereto, the "Master Indenture");

WHEREAS, in furtherance of the goals of the Authority and subject to the terms and conditions and for the consideration set forth in this Agreement, UCSD Health will agree to forbear on any monetary obligations, including interest, that come due or that are outstanding under any of the UCSD Loan Documents;

WHEREAS, in furtherance of the goals of the Authority, and subject to the terms and conditions and for the consideration set forth in this Agreement, UCSD Health desires to contribute to the Authority and the Authority desires to accept from UCSD Health a pledge of not less than One Hundred Sixty Million Dollars ($160,000,000) to facilitate improvements to the Facilities, including without limitation, the build-out of the two currently shelled floors at Escondido Hospital, the implementation of the Epic electronic health records system ("EPIC"), as well as certain other capital improvements pursuant to the strategic initiatives set forth on **Exhibit B** to this Agreement (the "Strategic Initiatives");

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. **INCORPORATION OF RECITALS; DEFINITIONS**. The recitals set forth above are hereby incorporated into and made an integral part of this Agreement as if fully set forth herein. 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. Capitalized Terms used in this Agreement that are not otherwise defined have the meaning ascribed to such term in the Joint Powers Agreement.

2. **TERMS OF CONTRIBUTION**.

2.1 UCSD Contributed Assets. Subject to the terms and conditions of this Agreement, UCSD Health will contribute, assign, transfer, convey and deliver to the Authority, as applicable, all of the following (collectively, the "UCSD Contributed Assets"):

(a) Conditional Forgiveness of Pre-Authority Advances. Pursuant to the terms of the Initial Contribution Agreement, the Authority has assumed, as co-obligor with Borrower: (x) all liabilities and obligations of Borrower under and pursuant to the Pre-Authority Loan Documents; and (y) all of the rights, benefits, liabilities and obligations of Borrower in and to the Credit Line under and pursuant to the Credit Line Documents.

(i) Conditional Forgiveness. UCSD Health agrees that: (A) six months following either: (1) the occurrence of both: (x) the full contribution of all Retained Assets to the Authority following receipt of all Retained Asset Contribution Approvals pursuant to a Retained Asset Contribution Agreement; and (y) the due execution and delivery of an option agreement from the Authority granting UCSD Health the option to purchase all Authority Assets (the "JPA Option"); or (2) the exercise of the Pre-Operational Option, the Post-Operational Option or the JPA Option (collectively, the "Options"); or (B) the closing of UCSD Health's acquisition of the assets of Palomar and/or the Authority pursuant to any of its Options, whichever is earlier, then in such event UCSD Health will conditionally forgive all outstanding monetary obligations, including any and all interest, fees or other costs accrued thereon, under the Pre-Authority Loan Documents and neither the Authority nor Palomar nor PHMG will have any further liability or obligations under the Pre-Authority Loan Documents from and after the date of such forgiveness. Promptly following the expiration of the six (6) month period following contribution of all Retained Assets to the Authority and the delivery of the JPA Option to UCSD Health or the exercise of an Option, or the closing on UCSD Health's acquisition pursuant to an Option, whichever occurs first, UCSD Health will deliver to the Authority a written confirmation of the total amount forgiven (the "Pre-Authority Advance Contribution Amount"). All Pre-Authority Advance Contribution Amounts so forgiven, and not applied to purchase price will remain a Contribution Credit pursuant to the terms of the Joint Powers Agreement. The forgiveness of all or any portion of any of the Pre-Authority Advances is expressly conditioned upon all Pre-Authority Advance Contribution Amounts being treated as a Contribution Credit under the terms of the Joint Powers Agreement. For the avoidance of

doubt, in no event is the Credit Line to be forgiven (except as provided in Section 2.1(a)(ii) below), unless otherwise agreed to in writing by all parties thereto.

(ii) Interim Forbearance. Until Pre-Authority Advances are forgiven as provided in Section 2.1(a)(i) above, and at all times subject to Section 2.1(a)(i) above, UCSD Health hereby agrees that it will not enforce any payment obligations under any of the Pre-Authority Loan Documents, regardless of whether the principal maturity date occurs or any other monetary payment becomes due under the terms of such Pre-Authority Loan Documents. Upon the mutual execution and delivery of this Agreement, the Authority will not have any obligation, contingent or otherwise, to repay all or any portion of the Pre-Authority Advances. Upon the consummation of the contribution of the Retained Assets and the delivery of the JPA Option to UCSD Health, the Parties must enter into an agreement documenting the forgiveness of the debts under the Pre-Authority Loan Documents and within one hundred eighty (180) days thereafter, Palomar and PHMG will be released as obligors on the Line of Credit. Nothing provided for in this Agreement is intended to create any forbearance or forgiveness, conditional or otherwise, in and to the repayment obligations under the Credit Line, as the same are and will be assumed by the Authority as co-obligor. For the avoidance of doubt, in no event are any obligations under the Credit Line Documents subject to the forbearance provisions of this Section 2.1(a)(ii).

(b) Pledge for Strategic Capital Investment. Commencing on the Operational Date, UCSD Health hereby pledges to deliver cash advances to the Authority (the "Capital Advances") in an aggregate amount of One Hundred Sixty Million Dollars ($160,000,000.00) (the "Maximum Capital Amount"), for the purpose of implementing the Strategic Initiatives set forth on **Exhibit B** (all such initiatives and capital projects, the "Approved Capital Projects"), as the Strategic Initiatives may be amended from time to time upon the written approval of the Authority Board and UCSD Health. Notwithstanding anything to the contrary, if at any time during the first (1st) eighteen (18) months following the Operational Date, the Authority's days cash on hand is less than five (5) days cash on hand (the "Minimum Working Capital Threshold"), the Authority may request a portion of the Maximum Capital Amount be provided to the Authority for the payment of working capital and debt service (the "Working Capital Portion") in a total amount not to exceed five (5) days cash on hand (the "Maximum Working Capital Amount"). If any Working Capital Portion is distributed to the Authority, then the Authority must, as soon as reasonably practicable, allocate funds of the Authority in the amount of such Working Capital Portion to payment of Approved Capital Projects and provide UCSD Health with proof of such allocation or disbursement of the Authority's funds directly to the Approved Capital Projects in the amount of the Working Capital Portion that had been provided by UCSD Health. Provided the Authority has delivered satisfactory evidence to UCSD Health of such allocation or disbursement of its own funds to the Approved Capital Projects in the amount of such Working Capital Portion, the Authority may request additional Capital Advances not to exceed the Maximum Working Capital Amount during the initial (1st) eighteen (18) month period following the Operational Date if the Authority's days cash on hand fall below the Minimum Working Capital Threshold. Except for any Working Capital Portion provided to the Authority in accordance with the terms of this Section 2.1(b), the Authority may not use any of the Capital Advances for any purpose other than the Approved Capital Projects. In addition to the Capital Advances, and to support successful implementation of the Strategic Initiatives, UCSD Health may also contribute: (i) staffing (clinical, technical, or administrative); (ii) procurement of software or hardware; (iii) third-party vendor

management related expertise and/or (iv) such other in-kind support as jointly determined by UCSD Health and the CEO of the Authority in their reasonable discretion (collectively, the "In-Kind Contributions"). The Authority will promptly acknowledge in writing each discrete delivery of Capital Advances and, if and when requested by UCSD Health, each In-Kind Contribution. For the avoidance of doubt, the In-Kind Contributions will not be a credit against the Maximum Capital Amount.

(c) Access to Maximum Capital Amount. With the exception of the first Working Capital Portion, the Authority must submit written draw requests to UCSD Health not more frequently than once per calendar month to draw any amounts on any Capital Advances. Each draw request is subject to UCSD Health's review and approval, including a description of the specific use to which the funds will be applied and evidence of payment on any prior work funded with Capital Advances (e.g., invoices and lien waivers). Notwithstanding anything to the contrary, in the event the Authority Board determines that a portion of the Capital Advances are necessary for working capital or other non-Approved Capital Project expenses, the Authority must submit a written draw request detailing same, in accordance with the provisions of this Section 2.1(c), and UCSD Health will review and consider such request. UCSD Health must ensure disbursement of Capital Advances in satisfaction of the draw request within thirty (30) days following approval. At all times, UCSD Health has the right, upon reasonable notice, to monitor the progress of the Approved Capital Projects, and to participate in meetings and inspections relating to the Approved Capital Projects, at its cost and expense. Change orders or amendments to any Approved Capital Project plans, or expenditures exceeding the approved budget require UCSD Health's prior written consent. In the event the Authority accesses the Maximum Capital Amount of the Capital Advances without completion of the Strategic Initiatives, the Authority will bear sole responsibility for all additional costs associated with completing the Strategic Initiatives, unless UCSD Health agrees in writing to provide additional funding. The Authority will use its own funds, subject to the terms of the Master Indenture, for the payment of the Approved Capital Projects regardless of whether the Authority has accessed the Maximum Capital Amount of the Capital Advances. The Authority will provide UCSD Health with quarterly reports detailing the status of construction, expenditures of funds, and utilization of in-kind contributions, as applicable. UCSD Health and its representatives will have the right, upon reasonable prior notice, to inspect Approved Capital Projects site(s), review relevant financial records, and audit expenditures of each Approved Capital Project funded in whole or in part with the Capital Advances. Upon completion of all Approved Capital Projects or full expenditure of the Maximum Capital Amount, whichever occurs first, UCSD Health will deliver to the Authority a written confirmation of the total amount contributed to the Strategic Initiatives, including as In-Kind Contribution (the "Strategic Initiative Contribution Amount").

2.2 Contribution. In the event the value of the total amount of the UCSD Contributed Assets must be determined before the final amount of any of the Pre-Authority Advance Contribution Amount or the Strategic Initiative Contribution Amount has been determined in accordance with the provisions of Section 2.1, UCSD Health may determine the value of the UCSD Contributed Assets as of such date based on contributions made, whether by cash, loan, advance, forgiveness of same, or In-Kind Contributions. UCSD Health may, but is not required to, engage a third party consultant to value any In-Kind Contributions; provided, however, that no In-Kind Contribution will be treated as a Contribution Credit unless or until the value of such In-Kind Contribution has been determined by an independent third party valuation consultant.

2.3 Contribution Credit. The Parties expressly acknowledge, covenant and agree that the full value of the UCSD Contributed Assets (including for avoidance of doubt all Pre-Authority Advances and the Credit Line, unless or until any repayment of same is made) must be treated as a dollar-for-dollar Contribution Credit under the terms of the Joint Powers Agreement for purposes of measuring the net value of the contributions made by each of Palomar and UCSD Health to the Authority, including for purposes of evaluating the aggregate offset to be applied against any purchase price to be paid pursuant to the exercise of any applicable Option by UCSD Health, the amount of any operating or liquidating distribution to be made to UCSD Health pursuant to the Joint Powers Agreement, or otherwise. Notwithstanding anything to the contrary herein, no distribution shall be double counted for purposes of determining the amount of the Contribution Credit.

3. REPRESENTATIONS AND WARRANTIES OF THE PARTIES.

3.1 UCSD Health; Organization; Authority. UCSD Health represents and warrants that (a) it is duly organized, validly existing, and in good standing under the laws of the State of California; (b) it has the full right, power, and authority to enter into and perform its obligations under this Agreement; (c) the execution of this Agreement by its representative whose signature is set forth at the end of this Agreement has been duly authorized by all necessary corporate or organizational action; and (d) assuming the due execution and delivery of this Agreement by the Authority, when executed and delivered by UCSD Health, this Agreement will constitute a legal, valid, and binding obligation of UCSD Health, enforceable against UCSD Health in accordance with its terms.

3.2 The Authority; Organization; Authority. The Authority represents and warrants that (a) it is duly organized, validly existing and in good standing under the laws of the State of California; (b) it has the full right, power, and authority to enter into and perform its obligations under this Agreement; (c) the execution of this Agreement by its representative whose signature is set forth at the end of this Agreement has been duly authorized by all necessary corporate or organizational action; and (d) assuming the due execution and delivery of this Agreement by UCSD Health, when executed and delivered by the Authority, this Agreement will constitute a legal, valid, and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.Obligated Group Member. The Authority represents and warrants that it is, or as of the Operational Date will be, an Obligated Group Member (as defined in the Master Indenture), along with Palomar and PHMG under the terms of the Master Indenture.

4. COVENANTS.

4.1 Parties' Consents and Approvals. The Parties will cooperate in good faith to obtain all government and regulatory approvals, and all third party consents, approvals and actions, necessary for UCSD Health to convey the UCSD Contributed Assets to the Authority and for the Authority to accept the UCSD Contributed Assets (collectively, the "Approvals"). The Parties will use good faith efforts to obtain all Approvals prior to the Operational Date, and for any Approval not timely obtained, the Parties will continue to seek such Approval thereafter and may, to the extent possible, seek such alternate methods of providing the Authority the benefit of all UCSD Contributed Assets.

4.2 Further Assurances. Subject to Section 4.1, the Parties agree that from time to time on or after the Operational Date, they will, at the Authority's reasonable cost and expense, promptly execute, acknowledge, and deliver, and will cause to be executed, acknowledged, and delivered, all such further acts, certificates, assignments, transfers, conveyances, powers of attorney, assurances, and other documents as may be reasonably requested by the other Party hereto to perfect the contribution of the UCSD Contributed Assets and to carry out the terms of this Agreement, provided that the same are consistent with this Agreement.

4.3 Advance Documents. The Authority covenants and agrees that it will enter into any agreements, assignments or other documents as necessary to become co-obligated with Palomar under the terms the Pre-Authority Loan Documents, the Credit Line Documents, any new loan, advance or other documents necessary to provide for the other UCSD Contributed Assets herein, as applicable, and any and all security agreements, mortgages, or deeds of trust necessary to continue to provide UCSD Health with the security interests in and to the Contributed Assets in connection with any funds advanced to Palomar or the Authority, whether directly or by assignment, from UCSD Health.

5. **TERM AND TERMINATION**.

5.1 Term. This Agreement will commence on the Operational Date and will remain in effect until the earliest to occur of: (i) the full disbursement of all UCSD Contributed Assets to the Authority and the application of a Contribution Credit for all such UCSD Contributed Assets to the purchase of any Authority Asset(s) by UCSD Health whether pursuant to one of its Options or otherwise; or (ii) the termination of the Joint Powers Agreement and the dissolution of the Authority, at which time UCSD Health will receive a Contribution Credit for all UCSD Contributed Assets in accordance with the terms of the Joint Powers Agreement.

5.2 Default by the Authority. Notwithstanding anything herein to the contrary, the Authority will be in default under this Agreement if any one (1) or more of the following events occur:

(a) The Authority fails to keep, perform or observe a material covenant, agreement, term, provision, warranty, or representation under this Agreement and such failure causes a material disruption to the continued operation of the Hospitals and the Authority fails to cure such default within sixty (60) days after receiving written notice from UCSD Health thereof; provided that if the time to cure cannot reasonably be completed within such sixty (60) day period, the Authority will not be in default so long as it has commenced to cure such failure in good faith as soon as possible within such sixty (60) day period and thereafter diligently pursued completion of same;

(b) The Authority is terminated; or

(c) A petition for bankruptcy is filed by or against the Authority, a receiver is appointed on account of the Authority's insolvency, or any assignment is made of the Authority's business for the benefit of its creditors.

5.3 Default by UCSD Health. Notwithstanding anything herein to the contrary, UCSD Health will be in default under this Agreement if UCSD Health fails to keep, perform observe a

material covenant, agreement, term, provision, warranty, or representation under this Agreement and such failure causes a material disruption to the continued operation of the Hospitals and UCSD Health fails to cure such default within sixty (60) days after receiving written notice from the Authority thereof; provided that if the time to cure cannot reasonably be completed within such sixty (60) day period, UCSD Health will not be in default so long as it has commenced to cure such failure in good faith as soon as possible within such sixty (60) day period and thereafter diligently pursued completion of same.

6. **POST-CLOSING MATTERS**.

6.1 Further Assurances. Each Party will at any time and from time to time from and after the Operational Date, upon request of the Authority: (i) enter into any agreement contemplated hereby or by the other documents and agreements delivered in connection herewith; and (ii) execute, acknowledge and deliver or cause to be done, executed and delivered all such further acts, deeds, assignments, transfers, conveyances and assurances as may be reasonably required to effect the contribution or the other transactions contemplated by this Agreement and the other documents and agreements contemplated hereby or delivered in connection herewith.

6.2 Information. In addition, each Party will cooperate with the other after the Operational Date by providing without additional consideration (except as set forth below) and promptly upon request, copies of such records and other information regarding the UCSD Contributed Assets as may be reasonably requested from time to time by the Authority, and in particular as necessary for the preparation or audit of federal, state and local income and other tax returns, third party reimbursement filings, audits (including those by third party payors), third party disputes, refund claims and other valid business purposes. The Authority will pay the reasonable out-of-pocket expenses of the Party providing such information.

7. **MISCELLANEOUS**.

7.1 Notices. 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 UCSD Health:

UC San Diego Health
9500 Gilman Drive, MC 0933
San Diego, CA 92093
Attn: Chief Health Counsel
Email: vmarsich@ucsd.edu

With a copy to (which will not constitute notice):

Sheppard Mullin Richter & Hampton LLP
Four Embarcadero Center, 17th Floor
San Francisco CA 94111

Attn: Eric Newsom, Esq. & Timothy Reimers, Esq.
Email: enewsom@sheppardmullin.com
treimers@sheppardmullin.com

If to the Authority:

Palomar UCSD Health Authority
2125 Citracado Parkway, Suite 300
Escondido, CA 92029
Attention: Chief Executive Officer
E-Mail: _____[1]

With a copy to:

Palomar UC San Diego Health Authority
2125 Citracado Parkway, Suite 300
Escondido, CA 92029
Attention: Chief Legal Officer
Email: _____

With a copy to (which will not constitute notice):

Best Best & Krieger LLP
1333 N. California Blvd., Suite 220
Walnut Creek, CA 94596
Attention: Noël Caughman
Email: noel.caughman@bbklaw.com

or at such other address as one Party may designate by notice hereunder to the other Parties.

7.2 Legal Fees and Costs of Disputes. In the event a Party incurs reasonable legal expenses to enforce or interpret any provision of this Agreement by mediation, arbitration or judicial means, the prevailing Party will be entitled to recover such reasonable legal expenses, including attorney's fees, costs and necessary disbursements, in addition to any other relief to which such Party will be entitled.

7.3 Choice of Law. The Parties agree that all disagreements, disputes or claims arising out of or relating to this Agreement or the Contemplated Transaction 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.

7.4 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

[1] **Note to Draft**: Please provide email addresses for CEO and CLO of Authority.

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.

7.5 Legal Advice and Reliance. Except as expressly provided in any Transaction Agreement, 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 Contemplated Transactions under applicable Law, including Tax-related Laws or under the Laws governing the Government Programs. Except for the representations and warranties made in any Transaction Agreement, 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.

7.6 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 the Transaction Agreements and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, the Transaction Agreement, including the disbursements and fees of their respective attorneys, accountants, advisors, agents and other Representatives, incidental to the preparation and carrying out of the Transaction Agreement, whether or not the Contemplated Transactions are consummated. If any action is brought by any Party to enforce any provision of this Agreement, the prevailing Party will be entitled to recover its court costs and reasonable attorneys' fees. As used herein, the term "Reasonable Attorneys' Fees" means reasonable attorneys' fees actually incurred at standard hourly rates.

7.7 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.

7.8 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 the Authority or UCSD Health 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.

7.9 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.

7.10 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 has no legal effect in construing the provisions of this Agreement.

7.11 Entire Agreement; Amendment. This Agreement, together with the other Transaction Agreements represents the entire agreement between the Parties with respect to the subject matter of this Agreement and supersede 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.

7.12 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 the same instrument. The facsimile signature of any Party or other Person to this Agreement or any other Transaction Agreement or a PDF copy of the signature of any Party or other Person to this Agreement or any other Transaction Agreement 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.

7.13 Exhibits. All of the Exhibits to this Agreement are incorporated into this Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned have set their hands and seals as of the date first set forth above.

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

_____

Name:
Title:
Date:

PALOMAR UCSD HEALTH AUTHORITY, a joint exercise of powers authority created under the laws of the State of California

Name: Pauline Gourdie
Title: Chair, Board of Directors
Date:

EXHIBIT A

Definitions and References

"**Advances**" has the meaning set forth in the recitals to this Agreement.

"**Affiliate**" means, 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**" has the meaning set forth in the preamble to this Agreement.

"**Approved Capital Projects**" has the meaning set forth in **Section 2.1(b)** of this Agreement.

"**Authority**" has the meaning set forth in the preamble to this Agreement.

"**Authority Assets**" means the assets of the Authority, including for the avoidance of doubt, the Contributed Assets and the Retained Assets, after such assets are contributed to the Authority.

"**Authority Board**" means the Authority governing board of as specified in the Joint Powers Agreement.

"**Borrower**" has the meaning set forth in the recitals to this Agreement.

"**Business**" means 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.

"**Capital Advances**" has the meaning set forth in **Section 2.1(b)** of this Agreement.

"**Closing Agreement**" means the Amended and Restated Closing Agreement dated as of June [__], 2026 by and among Palomar, UCSD Health and the Authority.

"**Contemplated Transactions**" means, collectively, the transactions contemplated by, or related to, this Agreement and the other Transaction Agreements, including (a) the contribution of the Contributed Assets and (b) the execution, delivery, and performance of this Agreement and the other Transaction Agreements.

"**Contract**" means any legally binding oral or written commitment, contract, lease, sublease, license, sublicense, guaranty, contractor or equipment warranty, services agreement,

indenture, or other agreement or arrangement of any kind and all amendments, side letters, modifications and supplements thereto.

"**Contribution Credits**" means: (i) an amount equal to the aggregate outstanding principal and interest of the Advances as of the date of application, but only to the extent that such Advances have been converted forgiven and/or applied as a credit against a purchase price, not as a remedy for unpaid debt, plus (ii) any other money advanced, loaned, or otherwise made available and other capital, service line, or other 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 other contributions made by UCSD Health, including any In-Kind Contributions, 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; or such other credits as may be described in the Joint Powers Agreement, as amended. For the avoidance of doubt, Contribution Credits will not be deemed to represent any unpaid loan principal or any unpaid debt, but rather constitute a bona fide contribution or purchase price offset, and exercise of any Option and application of any Contribution Credit operates as a conversion and satisfaction of the relevant Advances, not a cumulative recovery.

"**Credit Agreement**" has the meaning set forth in the recitals to this Agreement.

"**Credit Line**" has the meaning set forth in the recitals to this Agreement.

"**Credit Line Documents**" has the meaning set forth in the recitals to this Agreement.

"**Effective Date**" has the meaning set forth in the preamble to this Agreement.

"**EPIC**" has the meaning set forth in the recitals to this Agreement.

"**Escondido Hospital**" has the meaning set forth in the recitals to this Agreement.

"**Escondido Improvements**" means all structures, buildings, improvements, and other fixtures located on the Escondido Land, including the Escondido Hospital, the parking garage at Escondido Hospital, the power plant at Escondido Hospital, the Kindred Rehab Clinic, and the PHOC MOBs, and all apparatus, equipment, and appliances used in connection with the operation or occupancy thereof.

"**Escondido Land**" means that real property located in and around Escondido, California, as more specifically described on **Schedule 2.1(a)(ii)** of the Initial Contribution Agreement.

"**Existing Advances**" has the meaning set forth in the recitals to this Agreement.

"**Existing Loan Documents**" has the meaning set forth in the recitals to this Agreement.

"**Facilities**" means the Poway Facilities and the Retained Facilities.

"**General Obligation Bonds**" means (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**" means 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**" means 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.

"**Hospitals**" has the meaning set forth in the recitals to this Agreement.

"**Improvements**" means the Escondido Improvements and the Poway Improvements.

"**In-Kind Contribution**" has the meaning set forth in **Section 2.1(b)** of this Agreement.

"**Initial Palomar Contributed Assets**" the meaning set forth in the recitals to this Agreement.

"**Initial Contribution Agreement**" has the meaning set forth in the recitals to this Agreement.

"**Initial UCSD Loan Agreement**" has the meaning set forth in the recitals to this Agreement.

"**Initial UCSD Loan Documents**" means documents related to the Initial UCSD Loan Agreement.

"**Joint Powers Agreement**" has the meaning set forth in the recitals to this Agreement.

"**JPA Option**" has the meaning set forth in **Section 2.1(a)(i)** to this Agreement.

"**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**" has the meaning set forth in the recitals to this Agreement.

"**Master Trustee**" has the meaning set forth in the recitals to this Agreement.

"**Material Governmental Consents**" will mean each Approval, consent, or authorization identified on Schedule 1 of the Joint Powers Agreement 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 of the Joint Powers Agreement which must have been obtained and must be in full force and effect.

"**Maximum Capital Amount**" has the meaning set forth in **Section 2.1(b)** of this Agreement.

"**Maximum Working Capital Amount**" has the meaning set forth in **Section 2.1(b)** of this Agreement.

"**Minimum Working Capital Threshold**" has the meaning set forth in **Section 2.1(b)** of this Agreement.

"**Obligated Group**" means all Obligated Group Members.

"**Obligated Group Member**" means each Person which is obligated under the Master Indenture to the extent and in accordance with the provisions of Sections 3.07 and 3.08 thereof, from and after the date upon which such Person joins the Obligated Group, but excluding any Person which withdraws from the Obligated Group to the extent and in accordance with the provisions of Section 3.09 thereof, from and after the date of such withdrawal.

"**October Advance**" has the meaning set forth in the recitals to this Agreement.

"**Operational Date**" 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, as further defined and described in the Joint Powers Agreement.

"**Options**" has the meaning set forth in **Section 2.1(a)(i)** to this Agreement

"**Palomar**" has the meaning set forth in the preamble to this Agreement.

"**Party**" or "**Parties**" has the meaning set forth in the preamble to this Agreement.

"**Person**" means an individual, corporation, limited liability company, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"**PHMG**" has the meaning set forth in the recitals to this Agreement.

"**PHOC MOBs**" means the three medical office buildings situated on a portion of the Escondido Land commonly referred to as Palomar Health Outpatient Center 1 , Palomar Health Outpatient Center 2, and Palomar Health Outpatient Center 3.

"**Poway Appurtenances**" means all rights, privileges, easements, and appurtenances to the Poway Facilities or the Poway Land and the Improvements, including all of Palomar's or PHMG's right, title and interest in and to all minerals, oil, gas, other hydrocarbon substances and water rights owned by Palomar relating to the Poway Facilities or the Poway Land, and all easements, rights-of-way, and other appurtenances used or connected with the beneficial use or enjoyment of the Poway Land.

"**Poway Facilities**" will mean (i) the Poway Hospital, (ii) a skilled nursing facility situated on a portion of the Poway Land commonly referred to as The Villas at Poway, (iii) a medical office building situated on a portion of the Poway Land commonly referred to as Pomerado Outpatient Pavilion, (iv) a parking structure situated on a portion of the Poway Land, (v) the other facilities identified on Schedule 1 of the Initial Contribution Agreement, and (vi) certain other improvements and structures on the Poway Land.

"**Poway Hospital**" has the meaning set forth in the recitals to this Agreement.

"**Poway Improvements**" means all structures, buildings, improvements, and other fixtures located on the Poway Land, and all apparatus, equipment, and appliances used in connection with the operation or occupancy of the Poway Facilities or the Poway Land

"**Poway Land**" means certain real property located in and around Poway, California, as more specifically described on **Schedule 2.1(a)(i)** of the Initial Contribution Agreement.

"**Poway Real Property**" means the Poway Appurtenances, Poway Land and the Poway Improvements.

"**Pre-Authority Advance Contribution Amount**" has the meaning set forth in **Section 2.1(a)(i)** to this Agreement.

"**Pre-Authority Advances**" has the meaning set forth in the recitals to this Agreement.

"**Pre-Authority Loan Documents**" has the meaning set forth in the recitals to this Agreement.

"**Qualified Provider**" means any financial institution or insurance company which is a party to a Financial Product Agreement if (i) the unsecured long-term debt obligations of such financial institution or insurance company (or of the parent or a subsidiary of such financial institution or insurance company if such parent or subsidiary guarantees or otherwise assures the performance of such financial institution or insurance company under such Financial Product Agreement), or (ii) obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such financial institution or insurance company (or such guarantor or assuring parent or subsidiary), are rated in one of the three highest rating categories of a national rating agency (without regard to any gradation or such rating category) at the time of the execution and delivery of the Financial Product Agreement.

"**Reasonable Attorneys' Fees**" has the meaning set forth in **Section 7.6** of this Agreement.

"**Real Property**" means the Poway Real Property and the Escondido Real Property (including the TIC Property Interest therein and the Retained Real Property).

"**Related Supplement**" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

"**Retained Asset Contribution Agreement**" means that certain Contribution Agreement to be entered into by and between Palomar and the Authority providing for the contribution of all Retained Assets upon receipt of all Retained Asset Contribution Approvals.

"**Retained Asset Contribution Approvals**" means all consents and approvals necessary to contribute and fully transfer all but not less than all of the Retained Assets to the Authority.

"**Retained Assets**" means the Retained Facilities, the Retained Land, and all other assets owned by Palomar which were not previously contributed to the Authority pursuant to the Initial Contribution Agreement, other than any rights in and to the General Obligation Bonds.

"**Retained Facilities**" means 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 which do not constitute Poway Land or TIC Property Interest (or otherwise part of the Contributed Assets).

"**Retained Land**" means 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.

"**Retained Real Property**" means all land in which Palomar, PHMG or PHD 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 do not constitute Poway Real Property or TIC Property Interest, together with all buildings, structures, improvements, fixtures situated thereon and all rights, privileges, easements, and appurtenances related thereto.

"**Second UCSD Loan Agreement**" has the meaning set forth in the recitals to this Agreement.

"**Second UCSD Loan Documents**" has the meaning set forth in the recitals to this Agreement.

"**Strategic Initiative Contribution Amount**" has the meaning set forth in **Section 2.1(c)** of this Agreement.

"**Strategic Initiatives**" has the meaning set forth in the recitals to this Agreement.

"**Third UCSD Loan Agreement**" has the meaning set forth in the recitals to this Agreement.

"**Third UCSD Loan Documents**" has the meaning set forth in the recitals to this Agreement.

"**TIC Property Interests**" means an undivided [nineteen and a half percent (19.5%)][2] tenant-in-common interest in, to, and under the Escondido Land and all structures, buildings and improvements thereon and all furniture, fixtures and equipment therein pursuant to the terms of the Initial Contribution Agreement.

"**Tax**" means (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, by operation of Law, or otherwise.

"**TIC Agreement**" means the Tenant in Common Agreement dated June 30, 2026 by and between Palomar and the Authority.

"**Transaction Agreement**" means this Agreement, the Joint Powers Agreement, the Employee Lease Agreement, the Use Agreement, the Pre-Operational Option Agreement, the Post-Operational Option Agreement, the Tax Revenue Contribution Agreement, the Closing Agreement, the Pre-Authority Loan Documents, the Initial Contribution Agreement, the TIC Agreement, and the other certificates, instruments, and documents prepared, executed, and delivered pursuant to this Agreement or in connection with this Agreement.

"**UCSD Contributed Assets**" has the meaning set forth in **Section 2.1** of this Agreement

"**UCSD Health**" has the meaning set forth in the preamble to this Agreement.

"**Use Agreement**" means the Use Agreement dated June 30, 2026 by and between Palomar and the Authority.

"**Working Capital Portion**" has the meaning set forth in **Section 2.1(b)** of this Agreement.

[2] **Note to Draft**: Subject to update.

EXHIBIT B

Strategic Initiative

Note: The Approved Capital Projects listed below are general descriptions of the capital improvement projects to the Facilities. The reference to "IS Investment (inclusive of EMR)" in the list of capital projects below includes the EPIC implementation work described in the last recital of this Agreement. The specific project funding amounts and dates set forth below are estimates based on future projections. The actual timing, scope, and amount of capital investment into each of these capital improvement projects may vary based on operational needs, priorities, and other considerations as agreed to by the parties, provided that Capital Advances by UCSD Health will in any event be in the aggregate amount of One Hundred Sixty Million Dollars ($160,000,000.00) in accordance with the terms set forth in this Agreement. No party makes any guarantee, commitment, or representation that the projects will be completed or funded according to the schedule provided below.

Capital Infusion Schedule

Latest available estimates around capital project timing at Palomar

($000s)

Project	TI Cost	FFE Cost	Other	Total Cost	FY26	FY27	FY28	FY29	FY30
Build out two 1/2 floors Esc. Tower (+ elevators)	$ 34,125	$ 875	$ -	$ 35,000	$ 1,750	$ 14,000	$ 17,500	$ 1,750	$ -
Escondido Hospital Upgrades	9,000	1,000	-	10,000	500	8,000	1,500	-	-
Escondido Cancer Center (2125) build-out only	9,800	2,620	-	12,420	621	9,936	1,863	-	-
Escondido 2127 Build-Out	17,800	11,520	-	29,320	1,466	5,864	21,990	-	-
Poway Advanced Imaging Buildout	6,400	7,200	-	13,600	680	10,880	2,040	-	-
Poway Inpatient Conversion	13,000	800	-	13,800	-	675	5,700	6,750	675
IS Investment (inclusive of EMR)	-	-	35,000	35,000	8,750	26,250	-	-	-
Contingency	-	-	15,000	15,000	-	15,000	-	-	-
Working Capital Advance	-	-	10,000	10,000	10,000	-	-	-	-
Working Capital LOC	-	-	50,000	50,000	50,000	-	-	-	-
Total	**$ 90,125**	**$ 24,015**	**$ 110,000**	**$ 224,140**	**$ 73,767**	**$ 90,605**	**$ 50,593**	**$ 8,500**	**$ 675**

- Timing of Capital Investments provided by UCSD Strategy Team
- Total Cost of the Escondido Tower buildout is forecasted at $80M with the remaining $45M to be provided by Palomar Health via restricted bond funds
- This model excludes UCSD Cost of Capital

TENANCY-IN-COMMON AGREEMENT
(Palomar Medical Center Escondido)

THIS TENANCY-IN-COMMON AGREEMENT ("**Agreement**") is entered into effective as of June 30, 2026 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 Palomar UCSD Health Authority, a joint powers authority (the "**Authority**") formed by 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. The Authority and Palomar may be referred to herein individually as a "**Co-Owner**" and collectively, as the "**Co-Owners**". The capitalized terms used herein shall have the respective meanings assigned to such terms in Section 9.11 of this Agreement.

R E C I T A L S :

A. Each Co-Owner owns an undivided interest (individually, an "**Undivided Interest**" and collectively, the "**Undivided Interests**") in and to that certain real property described on **Exhibit "A"** attached hereto (the "**Land**") and the improvements, buildings, structures and other fixtures located thereon and/or appurtenant thereto (collectively, the "**Improvements**"). The Land and the Improvements are collectively referred to herein as the "**Property**". The respective percentage Undivided Interest (the "**Percentage Interests**") of each Co-Owner in and to the Property is more particularly set forth on **Exhibit "B"** attached hereto.

B. The Co-Owners, as tenants-in-common, now desire to enter into this Agreement in order to provide for the ownership, maintenance, repair, leasing, operation and management of the Property, and to set forth such other covenants, terms and conditions regarding their tenancy-in-common with respect to the Property, as the Co-Owners deem appropriate.

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Co-Owners hereby agree as follows:

ARTICLE I
NATURE AND TERM OF THIS AGREEMENT

1.01 Relationship of Co-Owners. The Co-Owners intend and hereby declare that their relationship is that of fee owners of the Property as tenants-in-common, each as to an Undivided Interest therein equal to their respective Percentage Interests as more particularly set forth on **Exhibit "B"** attached hereto. The Co-Owners shall have all of the rights and privileges of that relationship which are provided under the laws of the State of California, except as such rights and privileges are modified by the terms of this Agreement. As soon as reasonably practicable following the execution of this Agreement, the Co-Owners shall execute, cause to be notarized and cause to be recorded in the Official Records of the San Diego County Recorder's Office a

Memorandum of Tenancy-In-Common Agreement in the form attached hereto as **Exhibit "C"** for the purpose of providing notice of this Agreement.

1.02 Structure of the Agreement.

(a) No Partnership or Joint Venture. Neither the ownership of the Property by the Co-Owners, nor any of the provisions of this Agreement, nor any acts of the Co-Owners, nor any other circumstances, shall be deemed to create a partnership or joint venture with respect to the Property between the Co-Owners for any purpose whatsoever; provided, however, that nothing in this Section 1.02(a) shall be construed to negate, limit or otherwise affect the separate relationship of the Co-Owners under the Joint Exercise of Powers Agreement dated October 31, 2025 (as amended from time to time, the "**JPA Agreement**"). Each Co-Owner shall, in connection with the ownership of such Co-Owner's Undivided Interest in the Property, take reasonable steps in dealing with third parties to negate any inference that a partnership or joint venture exists with respect to the tenant in common ownership of the Property, and all acts of each Co-Owner shall be consistent with such Co-Owner being a tenant-in-common holding an undivided interest in the Property. The Co-Owners shall not conduct business under a common name, execute any agreements identifying any or all of the Co-Owners as partners, shareholders or members of a partnership, corporation, limited liability company or other business entity, or otherwise hold themselves out as a partnership, corporation, limited liability company or other business entity (nor may the Co-Owners hold themselves out as partners, shareholders or members of a partnership, corporation, limited liability company or other business entity). Each Co-Owner must also take all reasonable steps, including the placement of appropriate notices and disclosures in correspondence, agreements, and public documentation regarding the Property, as may be deemed reasonably necessary by the Co-Owners to ensure that third parties are informed that the relationship among the Co-Owners as to the ownership of the Property is solely one of tenants-in-common and does not in and of itself constitute a partnership or joint venture. All actions taken by the Co-Owners in respect of the Property must be consistent with such tenancy-in-common relationship.

(b) Competing Activities. This Agreement shall not in any manner (i) limit the Co-Owners in carrying out their respective separate businesses or activities, (ii) impose upon any Co-Owner any fiduciary duty by reason of such Co-Owner carrying on such separate businesses or activities, (iii) limit the ability of the Co-Owners to engage in activities that compete with the Property, (iv) create any agency relationship between the Co-Owners except as herein expressly provided, or (v) impose upon any Co-Owner any liability or obligation except as herein expressly provided.

(c) No Authority to Bind. Except as otherwise expressly provided in this Agreement, no Co-Owner shall have any authority to act for, or to assume any obligations or responsibility on behalf of, any other Co-Owner.

1.03 Term of this Agreement. This Agreement shall be in effect for a term commencing as of the date hereof and shall continue until the first to occur of: (a) the acquisition by the Authority of all interests in and to the Property; (b) the sale or other disposition of all of the

Property; (c) the date upon which any Co-Owner shall have closed and consummated the purchase of the entire Undivided Interests of the other Co-Owner; or (d) the affirmative written consent of all of the Co-Owners.

ARTICLE II
MANAGEMENT OF THE PROPERTY; TAX RETURNS AND BANK ACCOUNTS

2.01 Use Agreement. Concurrently with the execution of this Agreement, the Authority and Palomar entered into a Use Agreement dated of even date herewith (the "**Use Agreement**"), providing the Authority with the right to use and derive certain economic benefits from Palomar's Percentage Interest in the Property. For so long as the Use Agreement remains in place, the rights and responsibilities for the maintenance, repair, management, leasing and operation of Palomar's Percentage Interest in the Property, shall be subject to the terms and conditions set forth in the Use Agreement.

2.02 Management.

(a) Management of Percentage Interest. Except as otherwise provided in this Agreement (or as may be otherwise provided in the Use Agreement), each Co-Owner shall manage all facets of such Co-Owner's Percentage Interest.

(b) Unanimous Decisions. Except as otherwise provided in this Agreement (or as may be otherwise provided in the Use Agreement), the unanimous written approval of all of the Co-Owners shall be required before: (i) any sale of the entire Property; (ii) any lease or re-lease of all or any significant portion of the Property; (iii) any termination of any lease that relates to all or any significant portion of the Property; (iv) any negotiation, re-negotiation and approval of any indebtedness secured by any mortgage or deed of trust recorded against all or substantially all of the Property; (v) the hiring of any manager for the Property and the negotiation, renegotiation, approval of any management contract or agreement with any such manager (and any extension or renewal of any such contract or agreement); (vi) the repair, restoration or improvement of the Property, other than day to day maintenance involving an expenditure of less than one hundred thousand dollars ($100,000); (vii) entering into any agreement which would encumber the other Co-Owner's Undivided Interest; or (viii) commencing, prosecuting, defending or settling any litigation, arbitration, mediation or other dispute resolution procedure regarding the Property.

(c) All Other Decisions. Except as otherwise provided in this Agreement (or as may be otherwise provided in the Use Agreement), all actions with respect to the Property that do not require the unanimous consent of all of the Co-Owners pursuant to Section 2.02(b) above or elsewhere in this Agreement shall only require the approval of a Majority in Interest of the Co-Owners.

2.03 Payment of Expenses. Except as may be otherwise provided in the Use Agreement, the Co-Owners hereby agree that any proceeds realized from the Property shall be applied first in payment of expenses arising from or associated with the ownership and operation of the Property,

unless such other costs, expenses and/or payments are unanimously approved by the Co-Owners in writing.

2.04 Tax Returns. Except as may be otherwise provided in the Use Agreement, each Co-Owner, at such Co-Owner's expense, shall be responsible for the preparation and filing of such Co-Owner's federal and state income tax returns relative to such Co-Owner's Percentage Interest in the Property, and shall be entitled to make any and all allowable elections with respect thereto independently of the other Co-Owners and the Co-Owners shall not file a partnership or corporate tax return, or any other similar return with respect to the Property.

ARTICLE III
DISTRIBUTION OF CASH FLOW; COORDINATION WITH THE USE AGREEMENT

3.01 Distribution of Cash Flow. Subject to the rights of the Authority under the Use Agreement (including without limitation the right to derive all economic benefit from the Property pursuant to Section 1.1 of the Use Agreement), Cash Flow from ownership of the real property comprising the Property shall be allocated among the Co-Owners in accordance with their respective Percentage Interests; provided, however, that nothing in this Section 3.01 shall limit, diminish or otherwise affect the Authority's rights and obligations under the Use Agreement, including the right to use, occupy or derive economic benefits from the Property. In the event of any conflict between the terms of this Agreement and the Use Agreement, the terms of the Use Agreement will control.

ARTICLE IV
SALE OR LEASE; COMPENSATION

4.01 Restrictions and Limitations on the Co-Owners. Except as otherwise provided in this Agreement (or as may be otherwise provided in the Use Agreement), no Co-Owner acting individually shall have any rights, duties or obligations with respect to the other Co-Owner's Undivided Interests and no Co-Owner shall have any authority (i) to act on or assume any liability or responsibility on behalf of any other Co-Owner in any business dealings involving such other Co-Owner's Undivided Interest with any third party including, without limitation, any tenants of such other Co-Owner's Undivided Interest and/or creditors of such other Co-Owner, or (ii) to purport or represent to any other person that such Co-Owner has any such authority.

4.02 Compensation for Services. Except as may be otherwise provided in the Use Agreement, no Co-Owner shall be entitled to receive under this Agreement any compensation or reimbursement from any source for any services rendered with respect to, or in connection with, the Property.

ARTICLE V
ACCOUNTING

5.01 Location and Availability of Records. All books and records of the Property shall be kept at a location as may be agreed upon by the Co-Owners, and shall, during regular business hours, be available for inspection and duplication by the Co-Owners and their designated

representatives including, without limitation, attorneys, auditors, and accountants, at the expense of the relevant Co-Owner.

5.02 Commingling of Funds. There shall be no commingling of the monies and funds of the Co-Owners with respect to the Property or any activity undertaken by any Co-Owner with respect to the Property.

ARTICLE VI
LIMITATION ON LIABILITY

6.01 Limitation on Liability. The Co-Owners shall perform their obligations under this Agreement with ordinary prudence and in a manner characteristic of owners in similar circumstances. No individual Co-Owner shall have any liability whatsoever to the other Co-Owner for any loss caused by any act or by the failure to do any act if the loss suffered arises out of a mistake in judgment of such Co-Owner, or if such Co-Owner, in good faith, had determined that the action or lack of action giving rise to the loss was in the best interests of the Co-Owner or if the action or lack of action giving rise to the loss was based on the advice of counsel; provided, however, that such exculpation from liability shall not apply to any liability for loss caused by any act or by the failure to do any act which arises out of the fraud, gross negligence, or willful misconduct of any Co-Owner or the willful breach by a Co-Owner of this Agreement.

6.02 Insurance. Except as may be otherwise provided under the Use Agreement (including any provisions of the Use Agreement shifting responsibility for the cost of insurance for the Property to the Authority), during the term of this Agreement, Palomar shall procure and keep in full force and effect, for the benefit of all Co-Owners at least the same types, amounts and levels of insurance as are in place as of the effective date hereof. Such policies shall identify all Co-Owners and any mortgagees as additional insureds.

ARTICLE VII
LIMITATIONS ON TRANSFERS

7.01 Restrictions on Transfers and Encumbrances. Neither Co-Owner may, directly or indirectly, sell, convey, exchange and/or transfer (collectively, "**Transfer**") or encumber, hypothecate and/or mortgage all or any part of such Co-Owner's Undivided Interest in the Property without the prior written consent of the other Co-Owner, which may be withheld in such Co-Owner's sole discretion. Notwithstanding the foregoing, each of the following shall constitute a "**Permitted Transfer**" and shall not require the consent of Palomar and shall not be subject to the restrictions set forth in this Section 7.01 or the Right of First Refusal set forth in Section 7.02: (a) the grant to or exercise by UCSD Health of the Post-Operational Option (as defined in the JPA Agreement) pursuant to the Option Agreement entered into by and between UCSD Health (as defined below) and the Authority concurrently with the execution of this Agreement (the "**Post-Operational Option Agreement**"), (b) the grant to or exercise by UCSD Health of the JPA Option (as defined in the JPA Agreement) pursuant to the JPA Option Agreement (as defined in the JPA Agreement) to be entered into by UCSD Health and the Authority (the "**JPA Option Agreement**"), (c) the grant of the security interests to or the foreclosure by UCSD Health of that certain Deed of Trust with Fixture Filing and Security Agreement dated concurrently with the date of this Agreement (the "**Post-Operational Option Deed of Trust**"), or (d) e grant of the

security interests to or the foreclosure by UCSD Health of the deed of trust (including fixture filing and security agreement) to be granted by the Authority in connection with the JPA Option (the "**JPA Option Deed of Trust**") in accordance with the terms of the JPA Agreement and the other Authority Documents (as defined in the JPA Agreement). Each of the Post-Operational Option Agreement, JPA Option Agreement, Post-Operational Option Deed of Trust and JPA Option Deed of Trust are contemplated by the terms of the JPA Agreement.

7.02 Right of First Refusal**.** In the event a Co-Owner receives a bona fide offer for the purchase of its Percentage Interest which it is willing to accept, such Co-Owner shall deliver a written notice to the other Co-Owner (the "**Purchasing Co-Owner**") setting forth the name of the proposed buyer, the purchase price and all the terms of the sale (the "**Offer Notice**"). If the proposed buyer has offered to exchange other property for the selling Co-Owner's Percentage Interest, the Purchasing Co-Owner shall have the right to pay an amount equal to the fair market value of such other property, as determined by an independent and reputable third-party appraiser jointly selected by the Co-Owners. The Purchasing Co-Owner shall have 90 days following receipt of the selling Co-Owner's delivery of the Offer Notice to elect to acquire the Percentage Interest, directly or through an assignee, of the applicable party for the stated purchase price. If the Purchasing Co-Owner elects to acquire the interest, the closing will occur on a date specified by Purchasing Co-Owner (which shall not be later than 90 days from the date of such Co-Owner's election, unless additional time is required to obtain any necessary governmental approvals). Any closing will be subject to any documentation reasonably required by the applicable Co-Owner (including representations and warranties as to ownership and lack of liens other than liens consented to in writing by such Co-Owner). The selling Co-Owner shall not sell its Percentage Interest to any third-party on terms more favorable to the third-party than those offered to the Purchasing Co-Owner in the Offer Notice. If, at any time prior to closing with the third-party, the selling Co-Owner proposes to accept an offer from the third-party with terms that are more favorable to the third-party (including but not limited to a lower purchase price or more beneficial payment terms) than those set forth in the original Offer Notice, the selling Co-Owner shall promptly deliver an amended Offer Notice to the Purchasing Co-Owner setting forth such revised terms. The Purchasing Co-Owner shall then have an additional 90 days from receipt of the amended Offer Notice to elect to acquire the Percentage Interest on the revised terms. Notwithstanding the foregoing, the provisions of this Section 7.02 shall not apply to any Permitted Transfer (as defined in Section 7.01).

ARTICLE VIII
NO RIGHT TO PARTITION BY THE AUTHORITY; PALOMAR'S RIGHT TO ACQUIRE; NO RIGHT BY THE AUTHORITY TO BLOCK PALOMAR'S BANKRUPTCY FILING

8.01 Waiver. Each Co-Owner hereby irrevocably waives and relinquishes any and all right, power, or authority to seek or maintain a partition of the Property during the term of this Agreement. Neither Co-Owner will have the right, power, or authority to demand, initiate, or pursue any partition action or proceeding with respect to the Property at any time while this Agreement remains in effect.

8.02 Right to Acquire in Bankruptcy. Notwithstanding the foregoing, in the event that Palomar becomes a debtor in bankruptcy under the U.S. Bankruptcy Code, Palomar shall have the

right to acquire the Authority's Undivided Interest for an amount equal to the fair market value of such Undivided Interest, as determined by an independent and reputable, third party qualified real estate appraiser jointly selected by the Co-Owners. For the avoidance of doubt, Palomar will only have the purchase rights provided in this Section 8.02 for so long as it is and remains a debtor in bankruptcy.

ARTICLE IX
MISCELLANEOUS

9.01 Notice. All notices or other communications required or permitted hereunder shall be in writing, and shall be delivered or sent, as the case may be, by any of the following methods: (i) personal delivery, (ii) overnight commercial carrier, or (iii) certified mail, return receipt requested. Any such notice or communication sent by overnight commercial carrier or certified mail shall be addressed to each Co-Owner at the address set forth for such Co-Owner on Exhibit "B" attached hereto. Each Co-Owner may change such party's address for the delivery of notices or communications under this Agreement by giving written notice of such change to the other Co-Owner hereto in writing in the manner set forth in this Section 9.01. Any such notice or other communication shall be deemed received and effective upon the earlier of (i) if personally delivered, on the date of delivery to the address of the person to receive such notice; (ii) if delivered by overnight commercial carrier, one (1) day following the receipt of such communication by such carrier from the sender, as shown on the sender's delivery invoice from such carrier; or (iii) if sent by certified mail, return receipt requested, three (3) days following deposit in the United States mail, postage prepaid. Any reference herein to the date of receipt, delivery, or giving, or effective date, as the case may be, of any notice or communication shall refer to the date such communication becomes effective under the terms of this Section 9.01. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice or other communication sent.

If to Palomar:

Palomar Health
Attention: Legal Department
120 Craven Road, Suite 106
San Marcos, CA 92078

With a copy to (which does not constitute notice):

Holland & Knight
560 Mission Street, Suite 1900
San Francisco, California 94105
Attn: John Kern
Email: john.kern@hklaw.com

If to The Authority:

Palomar UCSD Health Authority
Attention: Chief Executive Officer
2125 Citracado Parkway, Suite 300
Escondido, CA 92029

With a copy to (which does not constitute notice):

Palomar UCSD Health Authority
Attention: Chief Legal Officer
2125 Citracado Parkway, Suite 300
Escondido, CA 92029

And a copy to (which does not constitute notice):

Best Best & Krieger LLP
1333 N. California Blvd., Suite 220

Walnut Creek, CA 94596
Attention: Noël Caughman
Email: noel.caughman@bbklaw.com

If to UCSD Health:

UC San Diego Health
9500 Gilman Drive, MC 0933
San Diego, CA 92093
Attn: Chief Health Counsel
Email: vmarsich@ucsd.edu

With a copy to (which does not constitute notice):
Sheppard Mullin Richter & Hampton LLP
Attention: Legal Department
Four Embarcadero Center, 17th Floor
San Francisco, CA 94111
Attn: Eric Newsom & Timothy Reimers
Email: enewsom@sheppardmullin.com; treimers@sheppardmullin.com

9.02 Construction of Agreement. The Article and Section headings used in this Agreement are for reference purposes only and shall not be used in construing this Agreement. Each of the Exhibits attached hereto is incorporated herein by reference and expressly made a part of this Agreement for all purposes. References to any Exhibit in this Agreement shall be deemed to include this reference and incorporation. As used in this Agreement, the masculine gender shall include the feminine and neuter, and the singular number shall include the plural, and vice versa. Time is of the essence of this Agreement. The provisions of this Agreement shall be construed and enforced in accordance with the laws of the State of California. Each Co-Owner hereto acknowledges, represents, and warrants that (i) each Co-Owner hereto is of equal bargaining strength; (ii) each such Co-Owner has actively participated in the drafting, preparation, and negotiation of this Agreement; (iii) such Co-Owner and such Co-Owner's independent counsel have reviewed and/or had the opportunity to review this Agreement, and (iv) any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement, any portion hereof, any amendments hereto, or any Exhibits attached hereto.

9.03 Successors and Assigns. This Agreement shall inure to the benefit of and shall bind the parties hereto and their respective heirs, executors, administrators, personal representatives, legal representatives, successors-in-interest and assigns.

9.04 Modifications. No alteration, modification, or interpretation of this Agreement shall be binding unless in writing and signed by all of the Co-Owners.

9.05 Counterparts and Execution. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original Agreement, but all of which shall

constitute one and the same Agreement, binding on the parties hereto. The signature of any party hereto to any counterpart hereof shall be deemed a signature to, and may be appended to, any other counterpart.

9.06 Attorneys' Fees. If any proceeding is brought by any party hereto against any other party hereto that arises out of this Agreement, then the party prevailing in such proceeding shall be entitled to recover reasonable attorneys' fees and costs.

9.07 Third-Party Beneficiaries.

(a) Notwithstanding any other provision of this Agreement, 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**"), and its respective successors and permitted assigns, are expressly intended as third party beneficiaries of this Agreement and will be entitled to enforce all rights, benefits, covenants, obligations, warranties, representations, undertakings, indemnifications, and remedies contained herein to the full extent as if they were parties hereto. Without limitation, such enforcement rights will include, the right to: (i) demand performance of any obligation set forth in this Agreement; (ii) receive the benefits of any representations, warranties, indemnities, and covenants in this Agreement; (iii) initiate legal proceedings to enforce any provisions of this Agreement; (iv) seek equitable and injunctive relief to prevent or remedy any breach of this Agreement; and (v) recover damages or other available remedies arising from any breach of this Agreement.

(b) No amendment, modification, waiver, or termination of this Agreement that affects the rights of UCSD Health or its respective successors and permitted assigns will be effective unless UCSD Health or its respective successors and permitted assigns has provided its prior written consent to such amendment.

(c) Each Co-Owner acknowledges and agrees that UCSD Health and, as applicable, its respective successors and permitted assigns, have been granted direct and enforceable rights under this Agreement, and such rights will continue in full force and effect according to the terms of this Agreement.

(d) Upon the consummation of a Permitted Transfer to UCSD Health,, UCSD Health shall automatically be deemed a "Co-Owner" for all purposes under this Agreement and shall succeed to all of the rights, benefits, obligations, and liabilities of the Authority with respect to the Undivided Interest so transferred, including the corresponding Percentage Interest. As a condition to the effectiveness of any Permitted Transfer, UCSD Health (or its successor, as applicable) shall execute and deliver to Palomar a written instrument, in form and substance reasonably satisfactory to Palomar, pursuant to which UCSD Health assumes and agrees to be bound by all of the terms, covenants, and conditions of this Agreement applicable to a Co-Owner. Upon execution and delivery of such instrument, all references in this Agreement to the "Authority" shall be deemed to include UCSD Health (or its successor, as applicable) with respect to the Undivided Interest so acquired, and **Exhibit "B"** shall be deemed amended to reflect the updated Percentage Interests of the Co-Owners.

(e) The terms and provisions of this Agreement are intended solely for the benefit of the Authority, Palomar and UCSD Health and their permitted successors and assigns, and it is not the intention of the Co-Owners to confer, and, this Agreement will not confer, third-party beneficiary rights upon any other person or entity.

9.08 Waiver. No consent or waiver, express or implied, by a Co-Owner to or of any breach or default by any other Co-Owner in the performance by such Co-Owner of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such Co-Owner hereunder. Failure on the part of a Co-Owner to complain of any act or failure to act of another Co-Owner or to declare any other Co-Owner in default, irrespective of how long such failure continues, shall not constitute a waiver by a Co-Owner of its rights hereunder.

9.09 Remedies. Each Co-Owner shall, in addition to all other rights provided herein or as may be provided by law, be entitled to the remedies of specific performance and injunction to enforce its rights hereunder. All rights and remedies under this Agreement are cumulative and no one of them shall be exclusive of any other, and each Co-Owner shall have the right to pursue any one or all of such rights and remedies or any other remedy which may be provided by law, whether or not stated in this Agreement, except to the extent otherwise expressly provided in this Agreement.

9.10 Cooperation. In the event that any claim, demand, or action is instituted against a Co-Owner arising out of or in any way connected to the Property, each Co-Owner agrees to fully cooperate with the other Co-Owner in responding to such claim, demand or action including, without limitation, appearances at depositions or in court.

9.11 Definitions.

(a) Agreement. The term "**Agreement**" is defined in the Preamble.

(b) Cash Flow. The term "**Cash Flow**" shall mean for any applicable period, the excess, if any, of all cash receipts realized from the Property as of any applicable determination date (including any funds released from the Operating Funds Reserve for distribution) in excess of the sum of (i) all cash disbursements made with respect to the Property (exclusive of any cash disbursements paid for with funds from the Operating Funds Reserve) during such period, plus (ii) any amounts added to the Operating Funds Reserve, (iii) less any applicable reserves (including but not limited to outstanding payables, debt service, etc.) as may be reasonably determined by the Co-Owners.

(c) Co-Owner(s). The terms "**Co-Owner**" and "**Co-Owners**" are defined in the Preamble.

(d) Land. The term "**Land**" is defined in Recital A.

(e) Majority in Interest. The term "**Majority in Interest**" means, with respect to any relevant group of Co-Owners, greater than fifty percent (50%) of such Co-Owners in terms of Percentage Interests.

(f) Percentage Interests. The term "**Percentage Interests**" is defined in Recital A.

(g) Property. The term "**Property**" is defined in Recital A.

(h) Transfer. The term "**Transfer**" is defined in Section 7.01.

(i) Undivided Interest(s). The terms "**Undivided Interest**" and "**Undivided Interests**" are defined in Recital A.

(j) Use Agreement. The term "Use Agreement" is defined in Section 2.01.

[*Remainder of page intentionally blank; Signatures on following page*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

PALOMAR HEALTH

By: _____
Name: Diane Hansen
Title: Chief Executive Officer

PALOMAR UCSD HEALTH AUTHORITY

By: _____
Name: Pauline Gourdie
Title: Chair, Board of Directors

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCELS 1 THROUGH 10 INCLUSIVE OF PARCEL MAP NO. 21624 IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY OCTOBER 17, 2018 AS FILE NO. 2018-7000411, OFFICIAL RECORDS.

APN: 232-590-15-00, 232-590-16-00, 232-590-17-00, 232-590-18-00, 232-590-19-00, 232-590-20-00, 232-590-21-00, 232-590-28-00, 232-591-29-00, AND 232-591-30-00

PARCEL B:

LOTS 25 AND 26 OF ESCONDIDO TRACT NO. 834, IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 14983, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 17, 2005.

APN: 232-591-10-00 AND APN: 232-591-11-00

EXHIBIT "B"

NAMES AND PERCENTAGE INTERESTS

	Co-Owners' Names	Percentage Interest
1.	Palomar Health	80.5%
2.	Palomar UCSD Health Authority	19.5%
		100%

EXHIBIT "C"

MEMORANDUM OF TENANCY-IN-COMMON AGREEMENT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Palomar UCSD Health Authority
_____
_____
_____

(Above Space for Recorder's Use Only)

MEMORANDUM OF TENANCY-IN-COMMON AGREEMENT

THIS MEMORANDUM OF TENANCY-IN-COMMON AGREEMENT ("**Memorandum**") is made and entered into effective as of [_____], 2026 by and among **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, as to an undivided 80.5% tenant-in-common interest, and **PALOMAR UCSD HEALTH AUTHORITY**, a joint powers authority formed by Palomar Health 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, as to an undivided 19.5% tenant-in-common interest (collectively referred to herein as the "**Co-Owners**" and sometimes individually referred to herein as a "**Co-Owner**").

The Co-Owners have separately entered into a Use Agreement dated as of even date herewith (the "**Use Agreement**"), which provides for, among other things the right for the Palomar UCSD Health Authority to use and operate the assets located on the Property (defined below).

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, the Co-Owners hereby declare and agree as follows:

1. The Co-Owners have entered into that certain unrecorded Tenancy-In-Common Agreement of even date herewith (the "**TIC Agreement**"), for the purpose of providing for, among other things, the management and operation of certain real property located at 2185 Citracado Parkway, Escondido, California 92029 and more particularly described on Schedule "A" attached hereto (the "**Property**").

2. The TIC Agreement, among other things, (i) restricts under certain circumstances the rights of the Co-Owners to finance, sell, transfer, assign, or encumber their respective undivided interests in the Property; (ii) restricts under certain circumstances the rights of each Co-Owner to incur expenses or to enter into contracts or other agreements in connection therewith on

behalf of the other Co-Owners; and (iii) provides that, except as otherwise provided in TIC Agreement, no single Co-Owner shall have any authority to act for, or assume obligations or responsibility on behalf of, the other Co-Owners.

3. The TIC Agreement provides, among other things, that so long as the Use Agreement remains in effect, certain of the obligations, responsibilities and rights of the Co-Owners as to the Property shall be dictated by the terms of the Use Agreement, as the same may be amended from time to time.

4. This Memorandum is being made and entered into for the purpose of providing notice of the TIC Agreement and the provisions thereof. The TIC Agreement is incorporated herein by this reference and hereby is made a part hereof as if set forth in full herein.

5. This Memorandum may be executed in multiple counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one (1) and the same document.

[Signatures on following page]

IN WITNESS WHEREOF, the undersigned have executed this Memorandum of Tenancy-In-Common Agreement as of the day and year first above written.

CO-OWNERS:

PALOMAR HEALTH	**PALOMAR UCSD HEALTH AUTHORITY**
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

ACKNOWLEDGMENTS

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Diego)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Schedule "A"

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCELS 1 THROUGH 10 INCLUSIVE OF PARCEL MAP NO. 21624 IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY OCTOBER 17, 2018 AS FILE NO. 2018-7000411, OFFICIAL RECORDS.

APN: 232-590-15-00, 232-590-16-00, 232-590-17-00, 232-590-18-00, 232-590-19-00, 232-590-20-00, 232-590-21-00, 232-590-28-00, 232-591-29-00, AND 232-591-30-00

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APN: 232-591-10-00 AND APN: 232-591-11-00

EMPLOYEE LEASING AGREEMENT[1]

This Employee Leasing Agreement (this "Agreement") is entered into as of June 30, 2026 (the "Effective Date"), by and between Palomar Health, a California local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("Palomar"), and Palomar UCSD Health Authority, a joint powers authority entity created in accordance with the JPA Act (the "Authority"). Palomar and the Authority are each referred to herein as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, unless otherwise specifically defined in this Agreement, the capitalized terms used in this Agreement will be defined in the manner set forth on **Addendum A** to this Agreement or as defined in the Joint Powers Exercise Agreement by and among UCSD Health (as defined herein), the Authority, and Palomar dated October 31, 2025, as amended April 10, 2026, April 30, 2026, May 28, 2026, and as may further be amended (collectively, the "JPA Agreement");

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 healthcare facilities, including the operation of two acute care hospitals, ambulatory surgery centers, a skilled nursing facility, and the provision of outpatient and other healthcare businesses (individually a "Facility" and collectively, the "Facilities");

WHEREAS, the JPA Agreement provides: (i) for the transfer and contribution of the Initial Assets by Palomar to the Authority; (ii) the Authority with the right to use and operate the Retained Assets pursuant to the terms of a Use Agreement between Palomar and the Authority; (iii) for the transfer and contribution of the Retained Assets by Palomar to the Authority upon the occurrence of certain events; (iv) for UCSD Health making certain contributions to the Authority; and (v) UCSD Health with certain option rights to purchase both the Initial Assets and the Retained Assets upon the occurrence of certain events;

WHEREAS, the Parties have determined that it is in the mutual best interests of the Parties that certain employees of Palomar continue to be employed by Palomar during the Term (as defined herein) and provide services to the Authority immediately upon the Operational Date (as such term is defined in the JPA) to ensure no interruption in the services and patient care provided by the Facilities;

WHEREAS, as of the Operational Date, Palomar will provide the Leased Employees (as defined herein) to provide services to the Authority for the duration of the Term (as defined herein); and

WHEREAS, Palomar desires to make the Leased Employees available to the Authority to permit the Authority to provide services for the Facilities and for the Authority.

[1] **Note to Palomar**: This Agreement is subject to further revisions to benefits representations and, as applicable, further clarification regarding variable compensation depending on PH's revisions to the RACA and PH's responses to the revised ICA which will be circulated this morning.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and incorporating the recitals above as if fully set forth herein, the Parties hereby agree as follows:

SECTION 1
TERM OF AGREEMENT

The "Term" will commence on the Operational Date and, unless sooner terminated in accordance with the terms of this Agreement, expire on the last day of the one-hundred twentieth (120th) full calendar month following the Effective Date (the "Initial Term"). The Term will automatically renew for four (4) consecutive five (5) year extension terms (each a "Renewal Term") unless the Authority, upon authorization of its board of directors, provides Palomar with written notice of non-renewal at least one hundred twenty (120) days before the expiration of the Initial Term, or the then current Renewal Term, as applicable. Notwithstanding the foregoing, the Authority may terminate this Agreement for any reason, or no reason at all, upon not less than one hundred twenty (120) days' prior written notice. All references to "Term" in this Agreement mean and refer to the Initial Term and any Renewal Terms.

SECTION 2
PROVISION OF LEASED EMPLOYEES AND REPRESENTATIONS AND WARRANTIES REGARDING THE LEASED EMPLOYEES

2.1 During the Term, except as otherwise set forth herein, Palomar will continue to use commercially reasonable efforts to employ the number of Leased Employees as the Authority determines to be reasonably necessary and appropriate for the operation of the Facilities and provision of services at the Facilities, and to make such Leased Employees available to the Authority, to perform the services which were performed by the Leased Employee for Palomar's or its Affiliates' benefit immediately before the Operational Date. As used herein, "Leased Employee" and "Leased Employees" mean, as of the Operational Date, the current employee(s) of Palomar who will provide services for the Authority as of a date certain, whether on the Operational Date or a later date as agreed by the Parties, (the "Leasing Date") and who, as of the Leasing Date: (i) are actively employed by Palomar; ; and (ii) meet the qualifications to act as a Leased Employee pursuant to the policies and procedures of the Authority, including exclusion checks, background checks and other applicable policies or metrics. Any employee of Palomar in inactive status or on long-term disability leave who otherwise meets the requirements to be a Leased Employee, as set forth above, and who has received a working assignment to a Facility, will be returned to work, when applicable, as a Leased Employee as appropriate and in compliance with Palomar policy and Law, and in accordance with any applicable CBA (as defined herein). The Leased Employees are listed on **Exhibit A**. The Parties acknowledge that **Exhibit A** will be amended from time to time to reflect the removal or addition of Leased Employees; *provided, however*, the addition of any Leased Employee requires the prior written approval of the Authority. Notwithstanding, for the avoidance of doubt, the Parties further acknowledge and agree that the Chief Executive Officer of the Authority, as of the Operational Date, will initially remain an employee of Palomar, unless the Parties otherwise agree, and will be deemed a Leased Employee. The other members of the Executive Management Team of the Authority may be employees of either Palomar or UCSD

Health, as approved by the Authority's governing body, unless the Parties otherwise agree in writing. For the avoidance of doubt, in the event of any conflict between this Agreement, the JPA Agreement, or the Bylaws regarding reporting relationships or other matters related to the Executive Management Team, the terms of the JPA Agreement or the Bylaws will prevail.

2.2 Nothing in this Agreement will confer upon any Leased Employee any right to continued employment, including for any specified period of time. While Palomar may coordinate with the Authority regarding the termination of employment of any Leased Employee, Palomar will retain the ultimate authority to hire, fire, and discipline the Leased Employees, although such Leased Employees may report to and be managed and directed by individuals or agents designated by the Authority, as the Authority may reasonably determine or as otherwise set forth in the JPA Agreement, the Bylaws or applicable Authority policy(ies). For the avoidance of doubt, any termination of employment of a Leased Employee by Palomar must not violate Palomar's employment policies and procedures, other applicable agreements, including any employment agreement with any such person or a CBA, or applicable Law, and Palomar retains all obligations to pay such Leased Employee arising from such termination. Consistent with, and subject to, the provisions set forth in Section 2.3, Palomar retains any obligations and other Liabilities arising from the payment to an individual Leased Employee of compensation, severance resulting from the termination of such individual's employment, or other remuneration or reimbursement of expenses; provided, however, that, such compensation, severance, or reimbursement of expenses for the period of time during which such individual was providing services to the Authority as a Leased Employee will be included in the Fee. Further, for the avoidance of doubt, Palomar retains all Liabilities for a Palomar employee who does not become a Leased Employee or, except as set forth herein, is no longer a Leased Employee, and Palomar will not include any expenses or other compensation of such Palomar employee in the Fee.

2.3 Notwithstanding any other provision of this Agreement to the contrary, upon written notice to Palomar by the Authority, the Authority will have the right to refuse continued placement of, and receipt of services from, any Leased Employee at a Facility for: (a) misconduct; (b) substandard performance; (c) disruptive behavior by such Leased Employee; (d) any determination by the Authority that such Leased Employee is not performing his or her duties in a reasonably acceptable manner, including without limitation, loss or suspension of a permit or licenses required by the Leased Employee for the Leased Employee to provide the applicable services for the Authority; (e) pursuant to the provisions set forth in this Agreement, including without limitation, Section 2.8.1 and Section 2.8.5; or (f) no longer having a patient or other need for the provision of services by the Leased Employee. Should Palomar continue to place a Leased Employee who the Authority has refused continued placement pursuant to any of the clauses (a) through (f), and fail to remove such individual from performing services at a Facility within three (3) business days after written notice from the Authority, or such longer period as may be required under an applicable CBA or Law, then the Authority will have the right to terminate this Agreement upon fifteen (15) business days' advance written notice. Any costs and losses incurred by Palomar arising from the termination of employment of a Leased Employee removed pursuant to this Section 2.3, including compensation accrued through the removal date, severance resulting from the termination of such individual's employment and other remuneration or reimbursement of expenses, in each case arising before the removal date

and related solely to the period of time during which such individual was providing services to the Authority as a Leased Employee, will be included in the Fee; provided, however, that, to the extent such individual remains an employee of Palomar to provide other services, or Palomar fails to terminate such individual's employment within three (3) business days of the Authority's written request for removal pursuant to this Section 2.3, or such longer period as may be required under an applicable CBA or Law, any costs and losses incurred by Palomar relating to or arising from the continued employment or subsequent termination of such individual by Palomar, including compensation, severance, or other remuneration or reimbursement accruing after the expiration of such period, will be the sole responsibility of Palomar. For the avoidance of doubt, Palomar will be solely responsible for any Liabilities arising from claims of wrongful termination or other employment-related claims brought by a Leased Employee removed pursuant to this Section 2.3, except to the extent such Liabilities arise directly from the Authority's actions or instructions.

2.4 The Authority's right to refuse continued placement of Leased Employees at the Facilities may result in Leased Employees' separation from employment with Palomar. The Authority understands and agrees that any such separation may qualify as part of a mass layoff, relocation, or termination at a covered establishment as such terms are used in California Labor Code Section 1400, *et seq*., and/or 29 U.S.C. § 2101, *et seq*. The Authority understands and agrees that, in such circumstances, Palomar may be required to provide certain notice to Leased Employees and other third parties not later than sixty (60) days in advance of a mass layoff, relocation, or termination. Accordingly, should the Authority refuse continued placement of any Leased Employee during the Term due to there no longer being a patient or other need for the provision of services by such Leased Employee, the Authority agrees to limit the number of refused placements to the minimum number commercially reasonable. Moreover, if it becomes reasonably foreseeable to the Authority that the Authority intends to refuse placement of in excess of twenty-five (25) Leased Employees during any thirty (30) day period due to there no longer being a patient or other need for the provision of services by such Leased Employees, the Authority agrees to provide Palomar with not less than sixty (60) days' notice of its intent to refuse placement pursuant to this Section, whenever practicable. If it becomes reasonably foreseeable to the Authority that the Authority intends to refuse placement of in excess of twenty-five (25) *additional* Leased Employees due to there no longer being a patient or other need for the provision of services by such Leased Employees during the sixty (60) day period following the Authority providing notice under this Section (i.e., such that the Authority intends or actually does refuse placement of in excess of fifty (50) Leased Employees during any given ninety (90) day period), the Authority agrees to provide Palomar with not less than one hundred (100) days' notice of its intent to refuse placement pursuant to this Section, whenever practicable. The Authority understands and agrees that its timely compliance with this Section is of the essence and facilitates Palomar providing timely written notice, where and when required, of certain personnel actions.

2.5 Palomar will not be required to incur any increased costs or expenses not currently incurred or paid by it to continue any Leased Employee's employment except for those costs and expenses for which Palomar is entitled to reimbursement by the Authority under the terms of this Agreement or unless otherwise agreed to by the Parties in writing.

2.6 For the avoidance of doubt, the Parties acknowledge that, during the Term, absent the prior written approval of the Authority and pursuant to a mutually agreed upon schedule and solely for the individuals listed on such schedule and only for the provisions of services to Palomar or the Palomar Health Foundation ("Carved-Out Facility"), Leased Employees will exclusively provide services to the Facilities. Employees of the Carved-Out Facility may be Leased Employees under this Agreement, notwithstanding the event that a Leased Employee provides services to an entity other than the Authority. Palomar will not charge the Authority for the expenses and compensation for the time period where such Leased Employee is providing services for a Carved-Out Facility.

2.7 Palomar and the Authority acknowledge and agree that certain Leased Employees are represented by a Union, either the California Nurses Association ("CNA") or the Caregivers & Healthcare Employees Union ("CHEU" and, collectively with CNA, the "Unions" and individually a "Union"), and are subject to the current applicable collective bargaining agreements (each a "CBA" and collectively, the "CBAs") between Palomar and each such Union, for the duration of each CBA's term. Each Party represents that it intends to and will abide by, and will support the other Party in abiding by, the terms of the CBAs and that a Party will not seek to unilaterally seek to change the terms of the CBAs. To that end, the CBAs represent standing contractual commitments on behalf of both Palomar and the Unions, which the Authority understands and agrees may bind, or restrict, Palomar's ability to take certain personnel actions as relates to, among other items, discipline, pay, benefits, or other terms and conditions of employment for Leased Employees. The Authority understands and agrees that wages and fringe benefits of some of the Leased Employees may be set or controlled by a CBA, including prospective increases in wages and/or fringe benefit rates. In such circumstances, the prospective increase in wages and/or benefits will be invoiced to, and paid by, the Authority commencing upon the effective date of the new wages and/or benefit scales set by such CBA and included in the Fee. Palomar represents and warrants that it has provided all notices required under the terms of the applicable CBAs within the prescribed time periods to allow Palomar to enter into this Agreement.

2.8 Palomar represents and warrants as of the Effective Date and during the Term, the following:

2.8.1 Neither Palomar nor any Leased Employee has been excluded from participation in any Federal Health Care Program (as defined by 42 U.S.C. § 1320a-7b(f)). Palomar will promptly notify the Authority in writing upon becoming aware, including through the performance of monthly exclusion checks, of any exclusion or threatened exclusion of Palomar or any Leased Employee from participation in any Federal Health Care Program. Notwithstanding any other provision of this Agreement to the contrary, the Authority will have the right to terminate this Agreement (i) upon notice in the event of the exclusion of Palomar from any Federal Health Care Program and (ii) upon three (3) business days' advance notice of termination if any Leased Employee is excluded or threatened with exclusion from any Federal Health Care Program unless Palomar removes the excluded Leased Employee(s) from performing any services at the Facility before the expiration of such three (3) business day cure period.

2.8.2 Palomar has verified that, as of the Operational Date or hiring date of such Leased Employee, whichever is later, and will continue to verify during the Term, that each Leased Employee holds all licenses and certifications as required by the State of California or applicable accreditation agency to provide the services to be provided by such Leased Employee.

2.8.3 There have been no Allegations (as defined herein) occurring during the ten (10) years before the Effective Date of this Agreement relating to Sexual Misconduct (as defined) involving or relating to any Leased Employees. Palomar complies with all applicable Laws, regulations, ordinances, and guidance, as well as all medical and ethical canons, regulations, and standards of patient care by Governmental Authorities involving or relating to Sexual Misconduct involving or relating to Leased Employees. Further, Palomar properly and promptly fields, classifies, records, investigates, takes remedial measures, and resolves all Allegations involving or relating to Sexual Misconduct involving or relating to Leased Employees in accordance with applicable Law and guidance. Notwithstanding any other provision of this Agreement to the contrary, after the Effective Date, Palomar will report all known Allegations of Sexual Misconduct occurring at a Facility during the Term involving an Allegation by or about a Leased Employee to the Authority's Chief Compliance Officer in accordance with the provisions of this Agreement. For purposes of this Agreement, "Allegations" means any and all allegations, reports, disclosures, complaints, accusations, charges, claims, demands, written declarations, grievances, and/or investigations, whether formal or informal, external or internal, regardless of a determination that such allegations, reports, disclosures, complaints, accusations, charges, claims, demands, written declarations, grievances, and/or investigations are or were without merit, insufficient, nonactionable, or unsubstantiated, and "Sexual Misconduct" refers collectively to the commission of any act of sexual abuse, misconduct, or relations with a patient, client, or customer, or any other unprofessional contact or communication of a sexual nature with another person, and "Knowledge" means the actual knowledge after due and reasonable inquiry of the Chief Executive Officer and the Chief Human Resource Officer of Palomar. For purposes of this definition, "due and reasonable inquiry" includes inquiry of direct reports as to the completeness and accuracy of the matter or such individual has been provided notice of that fact or matter. There have been no Allegations, lawsuits, or legal, administrative or arbitration proceedings pending, or threatened, by or against or affecting Palomar with respect to, involving or relating to Sexual Misconduct involving or relating to any Leased Employee, and, to the Knowledge of Palomar, no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Allegation or proceeding.

2.8.4 (i) There have been no Allegations, lawsuits, or legal, administrative or arbitration proceedings pending, or threatened, by or against or affecting Palomar with respect to, involving, or relating to Sexual Misconduct involving or relating to any Leased Employee during the ten (10) years before the Effective Date; and (ii) to the Knowledge of Palomar, no event has occurred or circumstance exists that may give

rise to or serve as a basis for the commencement of any such Allegation or proceeding.

2.8.5 Palomar will disclose to the Authority the existence and basis of any proceeding, or any formal complaint, claim, or allegation, known by Palomar of material substandard service or misconduct, raised against any Leased Employee by any patient, visitor, staff member, Authority, or Palomar employee (including any other Leased Employee), employer, or agency during the Term. In particular, within three (3) days after Palomar becomes aware, Palomar will notify the individual designated by the Authority Board, in a comprehensive writing, of Allegations involving or relating to Sexual Misconduct involving or relating to any Leased Employees, regardless of a determination by Palomar or any other person or entity that such Allegations are or were without merit, insufficient, nonactionable, or unsubstantiated, including disclosure of all possible parties involved. Palomar will immediately commence an investigation of the Allegation(s) in accordance with Palomar's processes. Palomar will notify the Authority of the status of the investigation from time to time, and as requested by the Authority. Palomar will conduct any additional interviews as the Authority determines appropriate to complete Palomar's investigation. Upon completion of its investigation, or upon the Authority's request, Palomar will provide a written report to the Authority of its findings of the Allegations. At any time, the Authority will have the right, in its sole discretion, to determine that the Leased Employee who is the subject of the Allegation presents a risk to patient health or safety and to request in writing to Palomar the removal by Palomar, of such Leased Employee who is alleged to have engaged in the conduct that is the basis of the Allegation, from providing services to the Facility. Within three (3) days of receipt of the Authority's request, Palomar will remove such Leased Employee from any activity at the Facility and will notify the Authority of such removal in writing. The Authority also will have the right to remove such Leased Employee as a provider under the Authority's managed care contracts (if applicable). The Authority may release or disclose any information provided by Palomar in accordance with the Authority's policy or practice, including to the applicable professional boards and law enforcement officials. Upon a breach of the provisions of this Section 2.8.5 by Palomar, the Authority will have the right to immediately terminate this Agreement.

2.8.6 During the Term, Palomar will continue to properly classify the Leased Employees as exempt or non-exempt in compliance with state and federal wage-and-hour Laws and, subject to the Authority's obligations under Section **Error! Reference source not found.**, properly report all compensation paid to such Leased Employees for all purposes, and will not alter any Leased Employee's employment from "at will" to contractual employment status. During the Term, the Authority will also not take any actions with respect to the assignment of work at its Facility or otherwise that would impact the Leased Employees' proper classification as exempt or non-exempt under state and federal Law.

2.8.7 Palomar will ensure the Leased Employees' ongoing compliance with all applicable licensure and credentialing requirements, as applicable, at all times during which each Leased Employee is providing services to the Authority at the Facilities.

2.8.8 Palomar will maintain complete and accurate Records regarding the provision of the Leased Employees to the Authority, including Records regarding Palomar's payment of all taxes, contributions, and withholding obligations referenced in Section 3.2 below. Such Records will be maintained in accordance with GASB principles and other applicable standards.

2.8.9 Palomar will retain for the period required under applicable Law or this Agreement any books, documents, or Records which are necessary to certify the nature and extent of the costs of the services provided hereunder.

2.8.10 During the Term, Palomar will comply with all Laws, including those imposed on Palomar as the employer of the Leased Employees, and will adhere to all applicable policies and procedures as are necessary to ensure such compliance in reference to the provision of the Leased Employees to the Authority.

2.8.11 Palomar will designate a Leased Employee who is available to answer questions for the Authority relating to Leased Employees.

2.8.12 Except as set forth on Schedule 2.8.12, as of the Effective Date, no Leased Employee will have the right to terminate such individual's employment as a result of the transactions contemplated under the JPA, nor will a Leased Employee have an agreement or arrangement that contains the ability to terminate employment for Good Reason and be afforded any compensation or severance unless such Leased Employee has waived such right in writing.

2.8.13 Except as set forth on Schedule 2.8.13, as of the Effective Date and during the Term, no Senior Level Leased Employee will have an employment or consulting arrangement with any entity other than Palomar or the Authority or serve as an officer or director of any such entity. "Senior Level Leased Employee" will mean any officer, director, or senior-level executive of Palomar.

SECTION 3
PALOMAR'S RESPONSIBILITY FOR PAYMENT OF WAGES AND SALARIES AND THE AUTHORITY'S OBLIGATIONS

3.1 The Parties agree that the base salary or hourly base wages, as applicable, for each of the Leased Employees will be handled in accordance with any applicable CBA, will not be less than that paid to such Leased Employees immediately before their Leasing Date, and that other compensation and benefits for such Leased Employee will be substantially comparable in the aggregate to those in effect immediately before the Leasing Date. For the avoidance of doubt, following the Leasing Date, officers and representatives of the Authority will have the right to develop all performance metrics and other standards that a Leased Employee must meet to be eligible to receive bonuses, as applicable, incentive compensation, as applicable, variable

compensation, or similar forms of compensation; provided, however, that Palomar will pay such compensation to Leased Employees, consistent with Section 3.2.

3.2 At all times during which any given Leased Employee is providing services to the Authority under this Agreement, such Leased Employee will be deemed to be employed by Palomar, and Palomar will pay and be solely responsible for providing the applicable wages, incentive compensation, variable compensation or other forms of compensation (if any), and benefits due to all Leased Employees under the Benefit Plans (as defined herein) of Palomar. Without limiting the foregoing, during the Term and as applied to Leased Employees, Palomar will be responsible for: (a) providing health insurance and other benefits, including vacation/PTO and paid sick time, to the Leased Employees; (b) reimbursing all Leased Employees for all properly documented reimbursable out-of-pocket business expenses, consistent with applicable policies which shall be consistent with applicable Authority policies; (c) providing workers' compensation insurance coverage for each Leased Employee, furnishing to the Authority upon request a certificate of insurance evidencing policies of such insurance coverage, and paying and/or defending all workers' compensation claims concerning any injury or condition suffered by a Leased Employee during the Term, arising out of or in the course of performing services described herein; and (d) complying with any other obligations, including pursuant to all Laws, imposed on Palomar as the employer of the Leased Employees. As of the Effective Date, Palomar will have registered with the California Employment Development Department as the employer of record for the Leased Employees. Except as set forth in the annual operating budget adopted by the Authority or with the prior written consent of the Authority, Palomar will not, commencing on the Effective Date, increase compensation for any Leased Employee or enter into, terminate, modify, or amend any Benefit Plan or employment agreement, severance agreement, arrangement or policy, incentive arrangement or policy, or other compensation agreement or arrangement, except as required to comply with applicable Law, or the CBAs, or as otherwise agreed to by the Parties.

3.3 For the avoidance of doubt, the Authority will not be obligated to pay any amounts set forth above in Section 3.2 or to or reimburse expenses for the Leased Employees directly to any Leased Employee, third-party or Governmental Authority, nor will the Authority be responsible for paying any Governmental Authority any employer-related or employee-related taxes, withholdings, deductions, or other legally required contributions (such as in the nature of social security payments due or workers compensation insurance), or for reporting or disclosure obligations to any Governmental Authority in connection therewith with respect to the Leased Employees; *provided; however*, beginning on the Operational Date, the Authority will provide payroll processing, timekeeping, employment verification, and related administrative support services for the Leased Employees as Palomar's disclosed agent, and the Authority will timely furnish Palomar with the information reasonably necessary for Palomar to process payroll and satisfy its employer obligations, as applicable. As between the Parties, as towards the Leased Employees, the Authority will be responsible for any costs or losses incurred by Palomar arising from or relating to inaccurate or untimely payroll, timekeeping, employment verification, or withholding information furnished by the Authority or its designee, and Palomar will be responsible for costs or losses incurred by the Authority arising from or relating to its failure to make payments or filings required of it as the employer of record.

SECTION 4
EMPLOYEE BENEFITS

4.1 During the Term, the Leased Employees (and their spouses and dependents, as applicable) may, if eligible, enroll as or remain participants in the Benefit Plans of Palomar, in accordance with Palomar's policies and procedures, the terms and eligibility requirements of the applicable Benefit Plans, and applicable Law.

4.2 Palomar will continue to operate and administer the Benefit Programs that Palomar administered before the Leasing Date for all Leased Employees, including the 401(k) retirement plan, and group medical, dental, vision, and life insurance for all Leased Employees. Palomar will provide continuation coverage to any Leased Employees (and their eligible dependents) who incur a "qualifying event" during the Term and who become "qualified beneficiaries" under Palomar's Benefits Plans in accordance with federal and state Law continuation coverage requirements. For the avoidance of doubt, during the Term, no Leased Employee will be entitled to receive any benefits from the Authority, including, without limitation, coverage under the Authority's or an Affiliate's benefits plans, other than Palomar's Benefits Plans, including any welfare, medical, or dental plans, life or disability insurance plans, or pension plans, or any other sponsored fringe benefits.

4.3 Palomar will maintain general liability, professional liability, and other appropriate insurance policies covering the Leased Employees before and after the Leasing Date, including employment practices liability insurance ("EPLI"), to the extent such coverage is commercially available on reasonable terms. If the applicable insurance policies do not provide continued coverage to the Leased Employees after the Operational Date, Palomar may obtain comparable replacement insurance, with the procurement of such insurance coordinated with the Authority. The Authority will bear the actual cost of purchasing and maintaining such policies to the extent such cost is included in the Fee or otherwise approved in writing by the Authority.

4.4 Palomar will also retain, during the Term and thereafter, responsibility and Liability for payment of any severance amounts or benefits, including but not limited to COBRA coverage, to which a Leased Employee may be entitled; *provided, however*, that the Authority will reimburse Palomar only to the extent such amounts arise from: (i) subject to the provisions set forth in Section 2.3, the Authority's request to remove such Leased Employees; (ii) a reduction in force, elimination of services, or any other operational change initiated by the Authority or occurring at the Facilities; or (iii) amounts expressly included in the Fee, and in no event for amounts resulting from Palomar's breach of this Agreement, Palomar's failure to terminate a Leased Employee within the time periods set forth in Section 2.3, or matters unrelated to the Leased Employee's services to the Authority. No amount will be payable by the Authority directly to the Leased Employee, Governmental Authority, or third party for Palomar providing any employee benefits, it being intended that the amount payable to Palomar hereunder, including pursuant to Section 5, will fully compensate Palomar for employee benefits earned by Leased Employees and paid or provided by Palomar to the Leased Employees (and their spouses and dependents, as applicable) during the Term, but not before the Leasing Date. In addition, Palomar agrees not to make any change with respect to any severance plan and policy or any vacation pay/PTO plan and policy, except as may be required by a CBA or Law, for any Leased Employee without first consulting with, and receiving the prior written approval of the Authority.

SECTION 5
PAYMENT BY THE AUTHORITY TO PALOMAR FOR LEASED EMPLOYEE COSTS

5.1 In exchange for Palomar's provision of the Leased Employees to be provided hereunder, during the Term, the Authority agrees, every month, to make payment to Palomar of an amount equal to the costs associated with: (i) the compensation paid to, or to be paid to, or accrued by, the Leased Employees, including for any severance benefits, as applicable, hereunder consistent with the terms of this Agreement (except as expressly provided in Sections 2.2, 2.3 or 4.4); (ii) all taxes payable on, regarding or related to the compensation payable with respect to the Leased Employees; (iii) all costs of, associated with, regarding or related to the Benefit Plans of the Leased Employees while such individuals are providing services at the Facilities, which are incurred over such period (without a mark-up) and (iv) all other direct costs of providing the Leased Employees which are included in the approved operating budget of the Authority (collectively, the "Fee"). Notwithstanding the foregoing, to the extent that additional costs are directly incurred by Palomar in providing the Leased Employees, which are not set forth in the approved operating budget of the Authority, upon the provision of documentation supporting such costs, and upon the prior written approval of the Authority, the Authority will pay such costs, with approval of payment of such costs not to be unreasonably withheld. Palomar acknowledges and agrees that the Fee will not include any costs related to any compensation or benefits for a Leased Employee, including any variable compensation or incentive compensation, that was earned by such Leased Employee before the date that such Leased Employee commenced providing services to, or on behalf of, the Authority.

5.2 Upon the Leasing Date, the Authority will pay to Palomar a payment (the "Advance Monthly Payment") to ensure Palomar has all funds necessary to make all payments required hereunder. The Advance Monthly Payment will be credited towards the Fee owed for the month. The Advance Monthly Payment shall be paid to Palomar during each month of the Term, in two equal installments for the given month. The first installment of the given month's Advanced Monthly shall be paid to Palomar no later than the first day of each month of the Term thereafter, and the second installment of the given month's Advanced Monthly Payment shall be paid to Palomar no later than the sixteenth (16th) day of each month of the Term thereafter. After the conclusion of each applicable month, Palomar will prepare a detailed invoice reflecting the actual documented costs of providing the Leased Employees for that month, with applicable supporting detail (the "Monthly Invoice") reflecting the accounting of the amounts due to Palomar for such month pursuant to this Agreement and the Advance Monthly Payment received for such month (the "Monthly True-Up"). Should the Advance Monthly Payment exceed the Fee owed for the applicable month, the Monthly True-Up will reflect an overpayment by the Authority to Palomar, and such overpayment amount may be carried over and applied towards the following month's Advance Monthly Payment; however, should the Fee owed for the applicable month, exceed the Advance Monthly Payment, the Monthly True-Up will reflect a shortfall and the Authority will promptly, and in no event more than fifteen (15) business days after the delivery of the Monthly Invoice, make an additional payment to Palomar in the amount of the undisputed shortfall as reflected on the Monthly Invoice. This process of Advance Monthly Payment, Monthly Invoice, and Monthly True-Up will continue each month of the Term of this Agreement. Upon expiration or termination of this Agreement for any reason, Palomar will promptly prepare a final true-up calculation (the "Final True-Up") reflecting any

overpayment or underpayments calculated hereunder. Promptly, and in no event more than fifteen (15) business days after the calculation of such Final True-Up, Palomar, in the event of an overpayment, or the Authority, in the event of an underpayment, each as the case may be, will transmit to the other Party payment in the amount of the undisputed overpayment or undisputed underpayment reflected on the Final True-Up. To the extent that a Party disputes any portion of the Fee for the month during the Term, the disputing Party will provide written notice of such dispute together with reasonable documentation or explanation supporting such dispute to the other Party within thirty (30) days from the date such dispute arises. In the event that the non-disputing Party disagrees with respect to any such dispute, the Parties will work in good faith to promptly resolve any disputed amounts. The Parties agree that the Fee will be prorated for any partial calendar month that the Leased Employees provide services for the Facilities pursuant to this Agreement. Notwithstanding the foregoing, the Authority will not be responsible for, and the Invoice will not include expenses associated with, any employee of Palomar: (i) whose employment with Palomar has been terminated before the Leasing Date or during the Term; (ii) who does not provide services as a Leased Employee; (iii) who has been removed from providing services as a Leased Employee (except to the extent that costs associated with such removal are expressly included in the Fee pursuant to Sections 2.2, 2.3 or 4.4); or (iv) for the periods of time that such Leased Employee is providing services to a Carved-Out Facility.

SECTION 6
SUPERVISION OF LEASED EMPLOYEES

6.1 Subject to the Authority's rights under this Agreement, including, without limitation, removal of such Leased Employees from providing services to the Authority, Palomar has the ultimate authority to exercise control over the hiring, firing, or discipline, and all other terms and conditions of employment, of the Leased Employees. The Authority will have the right to direct, supervise, and manage the work of the Leased Employees in the Facilities and to require that the Leased Employees comply with the Authority's policies, procedures, and guidelines in the performance of their work in the Facilities. Palomar is and will be the employer of record of the Leased Employees during the Term.

6.2 To the extent applicable under Law, the Authority will direct, manage, and supervise the Leased Employees in the Facilities and the Leased Employees will comply with the Authority's policies, practices, and procedures in the performance of their work at the Facilities during the Term. The Authority will provide the Leased Employees with access to and training on all applicable policies and procedures with which the Leased Employees are expected to comply during placement at the Facilities during the Term, and all systems the Leased Employees will be required to utilize during placement. The Authority, or its designee, reserves the right to direct and manage the nature of work performed and methods of accomplishing such work, performed by the Leased Employees at the Facilities during the Term.

6.3 During the Term, the Authority, or its designee(s), will have reasonable access during regular working hours to all Records relating to the Leased Employees; provided that the Parties will observe all applicable Laws, including privacy Laws, with respect to the personal and health information of the Leased Employees. Palomar will promptly notify the Authority if it receives notice of any Leased Employee's actual or pending termination of employment with

Palomar (other than as a result of the request of the Authority). Further, following the termination or expiration of this Agreement, the Authority or an affiliate of the Authority will have access rights for the purposes provided under Law or as otherwise outlined in an agreement between the Parties or a Party and an affiliate of a Party.

SECTION 7
TERMINATION OF EMPLOYEE LEASING AGREEMENT

7.1 This Agreement is subject to the JPA Agreement and, unless terminated by a Party in accordance with the provisions set forth in this Section below, will be subject to the same conditions for termination as set forth in the JPA Agreement.

7.2 Notwithstanding the foregoing, this Agreement may terminate if: (i) the Parties mutually agree to do so; (ii) a Party materially breaches the Agreement and fails to cure such material breach within sixty (60) days following written notice of such breach by the non-breaching Party; (iii) an uncured Event of Default (as such term is defined in the JPA Agreement) occurs; (iv) the Authority acts pursuant to the provisions set forth in Section 2.3, Section 2.8.1 or Section 2.8.5 of this Agreement; (v) the Authority fails to pay any material undisputed amount when due, provided that Palomar first provides the Authority at least sixty(60) days' written notice of the Authority's failure to pay and of Palomar's intent to terminate the Agreement if such payment is not made by the end of such sixty (60)-day period; and (vi) the Authority acts pursuant to the terms of the JPA Agreement.

7.3 The termination of this Agreement does not terminate any obligation by Palomar to any Leased Employee, including the payment of compensation, bonuses, severance, other termination payments, or other obligations due to such Leased Employee by Palomar. Further, Palomar will remain solely responsible for the satisfaction of any obligations of Palomar under any Benefit Plans, including in connection with claims for medical, dental, life insurance, health, accident, or disability benefits by or in respect of the Leased Employees or their spouses or dependents, which claims relate to events occurring on or before the effective date of termination of this Agreement. The Authority will reimburse Palomar for obligations under this Section 7.3 only to the extent such obligations are attributable to the Leased Employees' services for the Authority during the Term and do not arise from: (i) Palomar's breach of this Agreement; (ii) matters unrelated to the Authority's operations; or (iii) Liabilities for which Palomar is solely responsible pursuant to Section 2.2, Section 2.3, or Section 4.4, including Liabilities arising from claims of wrongful termination or other employment-related claims, except to the extent such Liabilities arise directly from the Authority's actions or instructions that are inconsistent with applicable Law or the terms of an applicable CBA.

7.4 The termination of this Agreement does not terminate any obligation by the Authority to pay Palomar the undisputed Fee incurred before the effective date of termination.

7.5 Termination of this Agreement will not affect or excuse the performance of either Party under any provision of this Agreement that by its terms survives termination, including obligations to make payment for services provided or Liabilities incurred before the effective date of such termination. Notwithstanding anything to the contrary herein, the provisions of this Agreement intended to survive termination will survive in accordance with their terms and, if no

survival period is expressly stated, for the applicable statute of limitations (subject to all applicable tolling doctrines); provided that any indemnification rights and related limitations remain subject to Section 11 and the Closing Agreement to the extent applicable.

7.6 Notwithstanding any provision in this Agreement to the contrary, the exercise of the Post-Operational Option and JPA Option (as such terms are defined in the JPA Agreement) will not lead to the termination of this Agreement; rather, UCSD Health and Palomar will amend this Agreement to allow for the applicable Leased Employees to provide services to UCSD Health. The Parties will concurrently work on a transition plan that will allow for the appropriate transfer or transition of the applicable Leased Employees to employment with UCSD Health, with the transition of such employees to be consistent with the provisions set forth in the Post-Operational Option and JPA Option.

SECTION 8
CHOICE OF LAW AND VENUE

8.1 This Agreement will be governed by and construed under the Laws of the State of California without giving effect to the principles of conflicts of law. Any action arising from, relating to, or in connection with this Agreement will be brought solely in the state or federal courts sitting in the County of San Diego, California, and the Parties irrevocably consent to personal jurisdiction therein.

SECTION 9
INTEGRATED AGREEMENT AND AMENDMENT

9.1 This Agreement, together with the JPA Agreement and the Bylaws, 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 the Parties.

SECTION 10
CONFIDENTIAL INFORMATION/OWNERSHIP OF WORK PRODUCT.

10.1 The Parties acknowledge and agree that, in the course of the Leased Employees' employment by Palomar, the Leased Employees may be provided with or have access to Confidential Information (as defined herein) belonging to Palomar, the Authority, an Affiliate, or its or their clients, customers, and patients. "Confidential Information" includes any information that any Party or Affiliate may consider proprietary or otherwise wish to keep confidential, including, customer lists, employee lists and contact information, patient information, including protected health information, computer programs, cost or profit figures and projections, current, future, or proposed products or services, plans and technology, business forecasts, financial records, accounting records, and reimbursement information. Palomar will require that each Leased Employee hold in strict confidence all Confidential Information that

such Leased Employee uses or to which the Leased Employee gains access during the course of such Leased Employee's employment by Palomar (including the rendering of the services pursuant to this Agreement), and not use, reproduce, publish, disclose, or otherwise make known to any person or entity any Confidential Information, except to the extent required in the performance of each such Leased Employee's assignment to the Authority.

10.2 To the extent requested by the Authority, upon the termination of a Leased Employee's assignment to the Authority or at any time, Palomar will use commercially reasonable efforts to ensure that such Leased Employee immediately returns to the Authority all information, data, and any other materials supplied by or obtained from the Authority in the course of such Leased Employee's assignment, along with all copies thereof in the Leased Employee's possession, custody, or control.

10.3 The Parties acknowledge and agree that the disclosure of any Confidential Information or any other violation of the terms of this SECTION 10 would cause immediate and irreparable injury, loss, and damage to Palomar and the Authority and an Affiliate, and/or their respective clients, customers, and/or patients, and that an adequate remedy at Law for such injury, loss, and damage may not exist. The Parties further acknowledge and agree that, in the event of such disclosure or threatened disclosure, Palomar and the Authority and an Affiliate, as applicable, will be entitled to institute and prosecute proceedings against a Leased Employee or other third party in a court of competent jurisdiction to obtain temporary and/or permanent injunctive relief to enforce such protections under this provision of this Agreement, without the necessity of proof of actual damage or loss.

10.4 Notwithstanding any other provision of this Agreement to the contrary, the Parties recognize that Palomar and the Authority are subject to disclosure obligations under the California Public Records Act (the "PRA"), and that nothing in this Agreement will be interpreted as limiting such entity's ability to honor and abide by the requirements of the PRA as such entity, in its reasonable discretion, deems appropriate. To the extent permitted by Law, such entity will notify the other entity promptly upon determining that Confidential Information from the disclosing entity may be subject to a pending PRA request. Such notification will include a reasonably specific description of the Confidential Information potentially subject to disclosure pursuant to the pending PRA request (the "Potentially Relevant Records"). To the extent permitted by Law, the Party will then give the other entity a reasonable time period to demonstrate, to the reasonable satisfaction of the entity subject to such PRA request, that some or all of the Potentially Relevant Records are (1) not relevant to the pending PRA request, and/or (2) protected from disclosure pursuant to an exception codified in the PRA. If the entity subject to the PRA request thereafter concludes, in its reasonable discretion, that some or all of the Potentially Relevant Records must be disclosed, such entity will so notify the other entity and, to the extent permitted by Law, give such entity a reasonable opportunity to seek a court order protecting such Potentially Relevant Records. Unless such a court order is secured in a timely fashion, the entity subject to the PRA request will disclose those records that it determines, in its reasonable discretion, must be released pursuant to the pending PRA request.

10.5 All right, title, and interest in materials first created specifically for the Authority by the Leased Employees or Palomar's other employees in the performance of services provided under this Agreement, including budgets, plans, Authority specific policies, marketing materials,

financial information, memoranda, clinical manuals, staff training materials, practice guidelines, protocols, and other decision-making tools, together with all goodwill associated therewith (collectively, "Work Product"), will be the sole and exclusive property of the Authority. To the extent any Work Product is not deemed a work made for hire, as defined under applicable Laws, Palomar hereby assigns to the Authority all right, title, and interest Palomar may hold in and to such Work Product. Notwithstanding the foregoing, Work Product does not include Palomar's pre-existing materials, templates, policies, know-how, methodologies, trade secrets, or other intellectual property developed independently of services for the Authority, and Palomar retains ownership of such materials, provided that Palomar grants the Authority a nonexclusive, perpetual, royalty-free license to use any such materials solely as incorporated into the Work Product or otherwise reasonably necessary for the Authority's use of the Work Product. Any waiver of moral rights by Palomar will be effective only to the maximum extent permitted by applicable Law. Palomar will use good faith efforts to cause its Leased Employees to assign to the Authority the right, title, and interest in the Work Product as contemplated by this Section 10.5.

10.6 Each Party will comply with all applicable Laws, and acknowledges its responsibility to be informed of, and to take all action required of it to comply with its respective legal obligations.

SECTION 11
INDEMNIFICATION

11.1 The indemnification obligations of Palomar and the Authority under this Agreement are subject to and must be made in accordance with the indemnification procedures, rights and limitations set forth in the Closing Agreement dated as of October 31, 2025, as amended on the Effective Date, by and among UCSD Health, Palomar and the Authority, which provisions are hereby incorporated into and made a part of this Agreement by this reference.

SECTION 12
SEVERABILITY

12.1 The Parties believe each of the provisions in this Agreement is valid and enforceable under California Law. However, if any provision (or portion thereof) of this Agreement is declared by an arbitrator or court of competent jurisdiction to be invalid or unenforceable, the remaining provisions (including other portions of a provision having an invalid portion) will remain in full force and effect, and, to the extent possible, the disputed provision will be construed so that it may be valid and enforceable.

SECTION 13
NO WAIVER

13.1 No failure or delay in exercising any right, power, or privilege in respect of this Agreement will act as a waiver to a later demand for full and complete performance.

SECTION 14
FORCE MAJEURE

14.1 To the extent either Party is prevented by Force Majeure from performing its obligations, in whole or in part, under this Agreement, and, if such Party ("Affected Party") gives timely notice and details of the Force Majeure to the other Party as soon as reasonably practicable, then the Affected Party will be excused from the performance with respect to any such obligations. Force Majeure will not excuse the Authority's obligation to make timely payment of any undisputed Fee when due. As used herein, "Force Majeure" means any act of God, fire, flood, storm, explosion, pandemic or epidemic, terrorist act, rebellion or insurrection, illegality, strikes and labor disputes 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; or (b) is not the result of the fault or negligence of the Affected Party.

14.2 Each notice of Force Majeure sent by an Affected Party to the other Parties will specify the event or circumstance of Force Majeure, the extent to which the Affected Party is unable to perform its obligations under this Agreement, and the steps being taken by the Affected Party to mitigate and to overcome the effects of such event or circumstances, to the extent possible, if at all.

14.3 The non-Affected Parties will not be required to perform their obligations to the Affected Party corresponding to the obligations of the Affected Party excused by Force Majeure, except that nothing herein will be construed to authorize the delay of any payment when due hereunder.

14.4 A Party prevented from performing its obligations due to Force Majeure will use commercially reasonable efforts to mitigate and to overcome the effects of such event or circumstances and will resume performance of its obligations as soon as practicable.

SECTION 15
MISCELLANEOUS

15.1 The Parties acknowledge the accuracy of the Recitals set forth herein. Each of the signatories to this Agreement represents that it is duly authorized to execute this Agreement on behalf of the Party for which s/he is signing, and that such signature is sufficient to bind the Party purportedly represented.

15.2 Any notice, demand, or communication required or permitted under this Agreement will be in writing and delivered personally, by tracked overnight delivery, and will be deemed to have been duly given as of the date and time reflected on the delivery receipt, as follows:

To Palomar:

Palomar Health
120 Craven Road, Ste. 106
San Marcos, CA 92078
Attn: Legal Department

With a copy (which will not constitute notice) to:

Holland & Knight
560 Mission Street, Suite 1900
San Francisco, California 94105
Attn: John Kern

To the Authority:

Palomar UCSD Health Authority
2125 Citracado Parkway, Suite 300
Escondido, CA 92029
Attention: Chief Executive Officer

With a copy to (which will not constitute notice) to:

Best Best & Krieger LLP
1333 N. California Blvd., Suite 220
Walnut Creek, CA 94596
Attn: Noël Caughman, Esq.

A Party may change its address for the purposes of notices hereunder by giving notice to the other Party specifying such changed address in the manner specified in this Section.

15.3 By way of further assurances, the Parties agree to execute such additional instruments, agreements, and documents, and to take such other actions, as may be necessary and appropriate to effectuate the purposes of this Agreement.

15.4 This Agreement may be executed in counterparts, electronic signatures through DocuSign or AdobeSign, or PDF signatures will be accepted as if they were originals, and there will be a duplicate executed Agreement provided for each signatory Party.

15.5 No ambiguity will be resolved against any Party by virtue of having participated in the drafting of this Agreement.

15.6 In this Agreement, unless a clear contrary intention appears: (a) the singular includes the plural and vice versa; (b) reference to any Person includes such Person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity; (c) reference to any gender includes each other gender; (d) reference to any agreement

(including this Agreement), document or instrument means such agreement, document, or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of this Agreement; (e) reference to any Section means such Section of this Agreement, and references in any Section or definition to any clause means such clause of such Section or definition; (f) "hereunder," "hereof," "hereto" and words of similar import will be deemed references to this Agreement as a whole and not to any particular Section or other provision hereof or thereof; (g) "including" (and with correlative meaning "include") means including without limitation; and (h) relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding" and "through" means "through and including."

15.7 This Agreement is binding upon each Party, each Party enters into this Agreement with the intent to be bound, and it will inure to the benefit of the Parties and their respective successors, permitted assigns, and legal representatives.

15.7.1 Notwithstanding any other provision of this Agreement, UCSD Health, and its respective successors and permitted assigns, are expressly intended as third party beneficiaries of this Agreement and will be entitled to enforce all rights, benefits, covenants, obligations, warranties, representations, undertakings, indemnifications, and remedies contained herein to the full extent as if it were a party, or they were parties hereto. Without limitation, such enforcement rights will include, the right to: (i) demand performance of any obligation set forth in this Agreement; (ii) receive the benefits of any representations, warranties, indemnities, and covenants in this Agreement; (iii) initiate legal proceedings to enforce any provisions of this Agreement; (iv) seek equitable and injunctive relief to prevent or remedy any breach of this Agreement; and (v) recover damages or other available remedies arising from any breach of this Agreement.

15.7.2 No amendment, modification, waiver, or termination of this Agreement that affects the rights of UCSD Health or its respective successors and permitted assigns will be effective unless UCSD Health or its respective successors and permitted assigns has provided its prior written consent to such amendment.

15.7.3 The Parties hereto acknowledge and agree that UCSD Health and, as applicable, its respective successors and permitted assigns, have been granted direct and enforceable rights under this Agreement, and such rights will survive the Closing and continue in full force and effect according to the terms of this Agreement.

15.7.4 The terms and provisions of this Agreement are intended solely for the benefit of the Authority, Palomar, and UCSD Health or its respective successors and permitted assigns, and it is not the intention of the Parties to confer, and this Agreement will not confer, third-party beneficiary rights upon any other Person.

15.8 Time is of the essence in the performance of this Agreement.

15.9 Unless otherwise provided in this Agreement, with respect to any consent or approval that it is entitled to grant pursuant to this Agreement, each Party will grant or withhold such consent or approval in its reasonable discretion.

15.10 Without limiting the foregoing, each of the Parties acknowledges and agrees that (i) this Agreement is being executed and delivered in connection with the performance of the JPA Agreement and related transaction documents; and (ii) the performance of this Agreement and expected benefits therefrom are a material inducement to the willingness of the Parties to enter into and perform under this Agreement.

15.11 This Agreement will be governed by, and construed in accordance with, the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. §§ 1320d to 1320d-8; 42 U.S.C. § 1320d-2) ("HIPAA"), the regulations promulgated thereunder ("HIPAA Regulations"), and applicable state Law. The Parties recognize and agree that for purposes of HIPAA, the Leased Employees will be treated as the "workforce" of the Authority. Palomar covenants that it will not request, nor does it anticipate receiving, any personally identifiable information or protected health information of any patient, regular employee, or customer of the Authority. Accordingly, the Parties agree that Palomar, in its capacity hereunder, will not constitute a "business associate" under HIPAA, provided that Palomar agrees to enter into a Business Associate Agreement as appropriate and upon the reasonable request of the Authority. Palomar acknowledges and agrees that all patient records, reports, and related information obtained, generated, or encountered relating to the services provided by the Leased Employees on behalf of the Authority will at all times be and remain the property of the Authority.

15.12 Palomar and the Authority agree and certify that this Agreement is not intended to generate referrals for services or supplies or other business for which payment may be made in whole or in part under any Federal Health Care Program to the other Party or an Affiliate of the other Party.

15.13 If required by applicable Law, the Parties agree that, until the expiration of ten (10) years after the furnishing of Services under this Agreement, Palomar will make available to the Secretary of the United States Department of Health and Human Services and the United States Comptroller General, and their duly authorized representatives, this Agreement and all Records necessary to certify the nature and extent of the costs of the goods and services provided under this Agreement.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the Parties have caused this Employee Leasing Agreement to be executed by their duly authorized representatives to be effective as of the Effective Date set forth above.

PALOMAR HEALTH

By: _____

Name: _____

Title: _____

PALOMAR UCSD HEALTH AUTHORITY

By: _____

Name: _____

Title: _____

ADDENDUM A

DEFINITIONS

In addition to those terms which are defined in the body of this Agreement, as used in this Agreement, the following terms have the respective meanings set forth below:

"Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, a specified Person. A Person will be deemed to control another Person if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

"Benefit Plans" means each employee benefit plan, as defined in Section 3(3) of ERISA, and any other material plan, policy, program, practice, agreement, understanding or arrangement (whether written or oral) providing compensation or other benefits to any Leased Employee (or to any dependent or beneficiary thereof), including, without limitation, any stock bonus, stock ownership, stock option, stock purchase, stock appreciation rights, phantom stock, restricted stock or other equity-based compensation plans, policies, programs, practices or arrangements, and any bonus or incentive compensation plan, deferred compensation, profit sharing, holiday, cafeteria, medical, disability or other employee benefit plan, program, policy, agreement or arrangement sponsored, maintained, or contributed to by Palomar or any of its ERISA Affiliates, or under which Palomar or any ERISA Affiliate may have any obligation or Liability, whether actual or contingent, in respect of or for the benefit of any Leased Employee (but excluding workers compensation benefits (whether through insured or self-insured arrangements) and directors and officers liability insurance).

"Bylaws" means the bylaws of the Authority, as amended or restated.

"COBRA Coverage" means continuation of health coverage required pursuant to Section 4980B of the Code or Part 6 of Subtitle B of Title I of ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any entity that would be treated as a single employer with Palomar under Sections 414(b), (c) or (m) of the Code or Section 4001(b)(1) of ERISA.

"Governmental Authority" 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.

"JPA Act" means 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

"Laws" means all federal, state, and local employment laws, statutes, ordinances, codes, rules or regulations, including, but not limited to, the California Labor Code and Government

Code, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Fair Labor Standards Act, and the Occupational Safety and Health Act, federal, state, and local tax laws, statutes, ordinances, codes, rules or regulations, including, without limitation, income taxes, unemployment taxes, and social security tax deductions required by law (including FICA, MHI, FUTA) and all laws, statutes, ordinances, codes, rules or regulations of any Governmental Agency as may be amended from time to time, having jurisdiction over a Party or any of the Party's businesses, including laws pertaining to the operation of a healthcare facility and the services provided therein

"Liability" means, collectively, any indebtedness, commitment, guaranty, endorsement, claim, loss, damage, deficiency, demand, cost, expense, obligation, contingency, responsibility, or other liability, in each case, whether fixed or unfixed, asserted or unasserted, due or to become due, accrued or unaccrued, or absolute, contingent or otherwise.

"Person" means any individual, partnership, joint venture, corporation, limited liability company, limited partnership, trust, unincorporated organization, or Governmental Authority, entity, or any subdivision, department, or agency thereof, who is not a Party.

"Records" means payroll, pay, time-keeping documentation and personnel files, as those terms may also be defined in the California Labor Code, as well as any internal investigation, leave of absence, vacation or PTO tracking, workers' compensation or medical documentation maintained in the ordinary course of business by Palomar for the Leased Employees, and any documents that a Leased Employee is required to sign to secure or maintain employment with Palomar or any other documents or records that Palomar is required to keep under applicable Law related to its employment of individuals.

Schedule 2.8.12

None.

Schedule 2.8.13

None.

Exhibit A

Leased Employees

RETAINED ASSET CONTRIBUTION AGREEMENT

BY AND BETWEEN

Palomar Health

and

Palomar UCSD Health Authority

Dated as of June 30, 2026

THIS DRAFT RETAINED CONTRIBUTION AGREEMENT REMAINS SUBJECT IN ALL RESPECTS TO A COMPREHENSIVE REVIEW AND THOROUGH EXAMINATION OF THE DUE DILIGENCE, THE DISCLOSURE SCHEDULES, AND A REVIEW OF ALL OTHER DRAFT AGREEMENTS THAT ARE PART OF THIS TRANSACTION. THE AUTHORITY RESERVES THE RIGHT TO REVISE ALL OR ANY PART OF THIS AGREEMENT UNTIL FINAL REVIEW HAS BEEN COMPLETED IN ALL RESPECTS, AND ANY PROVISIONS SET FORTH HEREIN ARE SUBJECT TO CHANGE.

EXHIBITS

EXHIBIT 1- List Of Required Third-Party Consents

EXHIBIT A – Definitions – Terms

EXHIBIT B – Grant Deed

EXHIBIT C – Bill of Sale

EXHIBIT D – Assignment and Assumption Agreement

EXHIBIT E – Intellectual Property Assignment Agreement

EXHIBIT F – Lease Assignment

RETAINED ASSET CONTRIBUTION AGREEMENT

THIS RETAINED ASSET CONTRIBUTION AGREEMENT (this "**Agreement**") is entered into effective as of June 30, 2026 (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**"); Palomar UCSD Health Authority (the "**Authority**"), a joint powers authority formed by 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**") in accordance with the Joint Exercise of Powers Act, Cal. Gov. Code § 6500, *et seq.* Palomar and the Authority may also be referred to herein individually as a "**Party**" and collectively as the "**Parties**."

R E C I T A L S

WHEREAS, the Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated October 31, 2025, as further amended on April 10, 2026, April 30, 2026, and May 28, 2026 (collectively, the "**Joint Powers Agreement**"), to, among other things, stabilize and strengthen the availability of community hospital services to all residents of San Diego County, California and surrounding areas regardless of payor or funding source and improve access to healthcare for the vulnerable populations served by Palomar and the Authority through the expansion of clinical infrastructure and strengthening of certain healthcare service lines for the benefit of the residents of San Diego County, California through an integrated health system;

WHEREAS, Palomar and the Authority have entered into that certain Initial Contribution Agreement, dated as of June 30, 2026 (the "**Initial Contribution Agreement**"), pursuant to which Palomar contributed the Initial Contributed Assets to the Authority and the Authority assumed certain liabilities associated therewith;

WHEREAS, before the Operational Date (as defined in the Joint Powers Agreement) Palomar and its applicable Affiliates operated: (i) the Escondido Hospital; (ii) the three medical office buildings situated on a portion of the Land commonly referred to as Palomar Health Outpatient Center 1 ("**PHOC1**"), Palomar Health Outpatient Center 2 ("**PHOC2**"), and Palomar Health Outpatient Center 3 ("**PHOC3**" and together with PHOC1 and PHOC2, the "**PHOC MOBs**"); (iii) the parking structures; (iv) the plant operations facilities; and (v) certain other structures, buildings, improvements, and other fixtures located on the Escondido Land identified on **Schedule 1** (collectively, the "**Escondido Facilities**");

WHEREAS, the Authority owns an undivided [nineteen and half percent (19.5%)] tenant in common fee simple interest (the "**TIC Property Interest**") in and to certain real property located in and around Escondido, California, as more specifically described on **Schedule 2** (the "**Escondido Land**"), and all apparatus, equipment, and appliances used in connection with the operation or occupancy of the Escondido Facilities or the Escondido Land, and all rights, privileges, easements, and appurtenances thereto (the "**Escondido Improvements**," and, together with the Escondido Land and all rights, privileges, easements and appurtenances (the "**Escondido Appurtenances**"), the "**Escondido Real Property**");

WHEREAS, the Authority and Palomar entered into that certain Tenant in Common Agreement, dated as of June 30, 2026 (the "**TIC Agreement**") to govern the TIC Property Interest;

WHEREAS, Palomar owns an undivided [eighty and a half percent (80.5%)] tenant in common fee simple interest in and to the Escondido Real Property;

WHEREAS, Palomar and the Authority entered into that certain Use Agreement, dated as of May June 30, 2026 (the "**Use Agreement**"), pursuant to which, among other things, Palomar licensed to the Authority the "**Licensed Items**" (as defined in the Use Agreement) used in connection with the operation of the Escondido Facilities;

WHEREAS, beginning on and continuing after the Operational Date (as defined in the Joint Powers Agreement), the Authority operates the Escondido Facilities; *provided, however*, Palomar retained the Licensed Items utilized by the Authority at the Escondido Facilities;

WHEREAS, prior to the formation of the Authority, but in furtherance of the formation of and fulfillment of the Authority's purpose, UCSD Health advanced a total of Thirty Million Dollars ($30,000,000.00) (the "**Existing Advances**") to Palomar in two separate tranches: (i) an initial advance of Twenty Million Dollars ($20,000,000.00) pursuant to that certain Loan Agreement dated April 4, 2025 by and between UCSD Health and Palomar (the "**Initial UCSD Loan Agreement**") and the other Loan Documents (as such term is defined in the Initial UCSD Loan Agreement) (together, the "**Initial UCSD Loan Documents**"); and (ii) a second advance of Ten Million Dollars ($10,000,000.00) pursuant to that certain Loan Agreement dated July 24, 2025 by and between UCSD Health and Palomar (the "**Second UCSD Loan Agreement**") and the other Loan Documents (as such term is defined in the Second UCSD Loan Agreement) (together, the "**Second UCSD Loan Documents**" and, together with the Initial UCSD Loan Documents, the "**Existing Loan Documents**");

WHEREAS, concurrently with formation of the Authority, UCSD Health advanced a total of Ten Million Dollars ($10,000,000.00) (the "**New Advance**" and, together with the Existing Advances, the "**Pre-Authority Advances**") to Palomar pursuant to that certain Loan Agreement dated October 31, 2025 by and between UCSD Health and Palomar (the "**Third UCSD Loan Agreement**") and the other Loan Documents (as such term is defined in the Third UCSD Loan Agreement) (together, the "**Third UCSD Loan Documents**" and, together with the Existing Loan Documents, the "**Pre-Authority Loan Documents**");

WHEREAS, concurrently with the formation of the Authority, UCSD Health also made available to Palomar a Fifty Million Dollar ($50,000,000) revolving credit line (the "**Credit Line**") pursuant to that certain Line of Credit Agreement dated October 31, 2025, by and between UCSD Health and Palomar (the "**Credit Agreement**") and the other Loan Documents (as such term is defined in the Credit Agreement) (together, the "**Credit Line Documents**");

WHEREAS, in reliance upon the representations, warranties, and covenants of the Authority set forth in this Agreement and conditioned upon authorization to transfer the Contributed Assets to the Authority has been obtained via: (a) a court order; (b) legislative action; or (c) voter referendum; or (d) alternatively, a judicial validation action or other form of declaratory relief, Palomar desires to contribute the Contributed Assets and assign the Assumed Liabilities (as defined herein) to the Authority; and

WHEREAS, the Authority, in reliance upon the representations, warranties, and covenants of Palomar set forth in this Agreement, including the applicable closing conditions, desires to acquire the Contributed Assets and assume the Assumed Liabilities from Palomar, subject to the terms and conditions and for the consideration outlined in this 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. Capitalized Terms used in this Agreement that are not otherwise defined have the meaning ascribed to such term in the Joint Powers 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, have the respective meanings given to them under the U.S. 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 phrases "Palomar has delivered," "Palomar has provided," "Palomar has made available," and phrases of similar import means that, before the Effective Date, Palomar has made the document or information in question available by providing timely and complete copies of all documents or information available to the General Counsel of the Authority and those individuals designed by the General Counsel. Such documents will be delivered in electronic form or by other means designated by the Authority.

2. CONTRIBUTION OF PALOMAR'S INTEREST IN THE CONTRIBUTED ASSETS, ASSUMPTION OF LIABILITIES, CLOSING, AND OTHER RELATED MATTERS

2.1 Contribution of Palomar's Interest in the Contributed Assets. Subject to the terms and conditions of this Agreement, and conditioned upon authorization to transfer the Contributed Assets to the Authority has been obtained via: ((a) a court order; (b) legislative action; or (c) voter referendum; or (d) alternatively, a judicial validation action or other form of declaratory relief, Palomar does hereby assign, convey, transfer, and deliver to the Authority, and the Authority will acquire and accept as of the Effective Time, good and marketable title to the Contributed Assets (which exclude any assets transferred or assigned under the Initial Contribution Agreement), free and clear of all Encumbrances (other than Permitted Encumbrances). "**Contributed Assets**" means the Escondido Real Property, the Licensed Items, and all related assets, properties, rights, and interests of every description, wherever situated and of whatever kind

and nature, whether real, personal, or mixed, tangible, or intangible, used in or held for use in, or are necessary for, the operation of the Escondido Business, but excluding: (i) the Excluded Assets; and (ii) any assets previously transferred under the Initial Contribution Agreement:

(a) Palomar's undivided [eighty-one-half percent (80.5%)] tenant-in-common interest in and to the Escondido Real Property and for purposes of this Agreement, all references to Contributed Assets shall include "Escondido Real Property" in totality and not just the tenant in common interest;

(b) any and all Lease Agreements and relating to any premises located at the Escondido Real Property, and which are set forth on **Schedule 2.1(b)** (the "**Assumed Leases**"), including any right, title, and interest of Palomar or a Palomar Affiliate in and to any subleases with respect thereto, and including all amendments or modifications thereto or supplements thereof, covering all or any portion of the Escondido Real Property, and all Persons occupying the Escondido Real Property or any part thereof pursuant to the Assumed Leases (the "**Tenants**"), together with all files, incident reports, and other data and correspondence related to such Assumed Leases as well as deposits held in connection with the Assumed Leases including, all unapplied security deposits, prepaid rent, guaranties, letters of credit, and other similar charges and credit enhancements providing additional security for the Assumed Leases and any reversionary interests previously held by Palomar in the Assumed Leases, is hereby terminated and such rights are fully vested in the Authority with no right of reversion;

(c) all tangible personal property, furniture, fixtures, equipment (including medical and computer equipment), supplies, and other tangible assets owned by Palomar and used or held for use in the operation of the Escondido Business and related to the Escondido Facilities or the Escondido Real Property and all other goods and personal property used in the operation of the Escondido Facilities that were not otherwise transferred to the Authority, including the items set forth on **Schedule 2.1(c)** (the "**Personal Property**");

(d) all of Palomar's rights, title, and interests in the Contracts related to the operation of the Escondido Business, and which are set forth on **Schedule 2.1(d)** (collectively, the "**Assumed Contracts**") and any reversionary interests previously held by Palomar in the Assumed Contracts are hereby terminated, and such rights are fully vested in the Authority with no right of reversion;

(e) all Transferred Intellectual Property, including the Trademarks (or variations thereof) that are used or held for use in, or otherwise relating to, the Escondido Facilities or the Escondido Business;

(f) as applicable, all Prepaid Assets related to the Contributed Assets;

(g) all rights of Palomar in all warranties of any manufacturer, vendor, or contractor in connection with the Contributed Assets;

(h) all insurance policies and proceeds from the same arising in connection with the Contributed Assets, including the Escondido Real Property, and all insurance proceeds arising in connection with the Contributed Assets, including the Escondido Real Property, arising from actions occurring on or before the Effective Time;

(i) all claims, causes of action, choices in action, rights of recovery, rights of set off, and rights of recoupment related to the Contributed Assets, including the Escondido Real Property;

(j) all goodwill and other intangible assets owned by Palomar that are associated with the Contributed Assets;

(k) [except as set forth on **Schedule 2.1(l)**, the right to observe, utilize, transfer, expend, possess, or otherwise dispose of cash held in Palomar's various bank accounts;][1]

(l) to the extent not previously transferred, revenues that are to be provided to the Authority consistent with the terms of the Tax Revenues Contribution Agreement; and

(m) any other assets owned by Palomar that are not otherwise specifically described above in this **Section 2.1** and which are not identified as an Excluded Asset.

2.2 Excluded Assets. The following assets (collectively, the "**Excluded Assets**") will not be part of the contribution of assets under this Agreement and are excluded from the Contributed Assets:

(a) any Records that (i) are related exclusively to the Excluded Assets or the Excluded Liabilities; or (ii) Palomar is required to retain originals of in its possession under Law and which are listed on **Schedule 2.2(a)**;

(b) the Contracts which are listed on **Schedule 2.2(b)** (the "**Excluded Contracts**");

(c) all of Palomar's Plans and the assets of all Palomar's Plans and any asset that would revert to the employer upon the termination of any Palomar's Plans, including any assets representing a surplus or overfunding of any Palomar's Plans, provided that these shall not be Excluded Assets if the corresponding liabilities are assumed by the Authority in connection with the termination of the Employee Leasing Agreement or as otherwise agreed by the parties in writing;

(d) Palomar's rights as delineated in the Tax Revenue Contribution Agreement; and

(e) Any assets required by law or regulation to be retained by Palomar and set forth on **Schedule 2.2(e)**.

2.3 Assumed Liabilities. On the terms and subject to the conditions set forth in this Agreement, the Authority will assume the Liabilities that relate exclusively and are solely associated with the Contributed Assets and that do not constitute Excluded Liabilities, whether arising before or after the effective date of the contribution of the Contributed Assets; *provided*, *however*, the Authority shall continue as sole obligor under the Credit Line Documents at the time that the Authority, Palomar, PMHG and UCSD Health enter an agreement releasing Palomar as obligor on Credit Line Documents (the "**Assumed Liabilities**").

2.4 Excluded Liabilities. Other than the Assumed Liabilities, the Authority will not be responsible for paying, performing, discharging, or assuming, and none of the Contributed Assets will be or become liable for or subject to any Liabilities of Palomar (the "**Excluded Liabilities**"). Palomar will pay, perform, and discharge all Excluded Liabilities that it is obligated to pay, perform, and discharge when such Excluded Liabilities become due and payable. Without limiting the generality of the foregoing, the Excluded Liabilities include the following:

(a) any Liability that the Authority is unable to assume under its Sexual Violence and Sexual Harassment Policy, as in effect from time to time;

[1] **Note to Palomar:** The parties are still exploring which bank accounts will need to be excluded for a period of time, but which contain funds that need to be transferred to the Authority.

(b) any Liabilities related to Palomar Employees who are not leased to the Authority under the Employee Leasing Agreement;[2] and

(c) any Liabilities arising from or related to the Excluded Assets except to the extent included in the Fee as defined in and payable under the Employee Leasing Agreement.

2.5 Property Taxes. Unless the Escondido Real Property is exempt from property taxation, the Authority will pay all installments of Property Taxes due from and after the Contribution Date. For the avoidance of any doubt, Palomar will pay, on or before the Contribution Date, any and all delinquent Property Taxes owed by Palomar for the Escondido Real Property, if any.

2.6 After-Contributed Assets. Notwithstanding anything to the contrary in this Agreement, if after the Contribution Date, (i) it is determined by either Party (or UCSD Health, by notice to the Authority) that Palomar holds any right, title or interest in or to, or (ii) Palomar acquires, receives, or is otherwise deemed to hold any right, title or interest, in or to, any asset, property or right that would have constituted part of the Escondido Real Property, the Escondido Facilities, the Poway Facilities, the TIC Property Interest or an Initial Contributed Asset or a Contributed Asset, or, for the avoidance of doubt, that would have constituted a "Licensed Item" under the Use Agreement, had the Parties known of such asset, property, or rights as of the Contribution Date (collectively, the "**After-Contributed Assets**"), Palomar will promptly notify the Authority and UCSD Health in writing of such acquisition or receipt, and will, at the Authority's or UCSD Health's request, take all actions reasonably necessary to transfer, convey, assign and deliver to the Authority all of Palomar's right, title and interest in and to such After-Contributed Assets, free and clear of all Encumbrances, absent the Permitted Encumbrances.

2.7 Transfer Taxes. All Transfer Taxes incurred in connection with the Contemplated Transactions will be borne by the Authority.

3. CLOSING

3.1 Contribution Date. The consummation of the Contemplated Transactions (the "**Closing**") will take place electronically by the mutual exchange of documents via electronic mail in portable document format (.PDF) on the date the Retained Asset Contribution Approvals are obtained (the "**Contribution Date**"). Unless otherwise agreed in writing by the Parties, the Closing will be effective as of 12:00:01 a.m. Pacific Time on the Contribution Date (the "**Effective Time**").

3.2 Palomar's Closing Deliveries. At the Closing and unless otherwise waived in writing by the Authority, Palomar will deliver the following to the Authority and require Palomar to deliver to the Authority, each in form and substance reasonably satisfactory to the Authority:

(a) a grant deed or deeds (as determined by the Authority) substantially in the form attached hereto as **Exhibit B** ("**Grant Deed**"), duly executed, and acknowledged by Palomar, conveying to the Authority a fee simple interest in the Escondido Real Property;

(b) a bill of sale substantially in the form attached hereto as **Exhibit C**, conveying to the Authority the tangible Contributed Assets (the "**Bill of Sale**"), duly executed by Palomar and, as applicable, Palomar;

[2] **Note to Palomar:** to the implementation of appropriate guardrails and limits, the amount that Palomar is allowed to hold back under the TRCA will be increased to cover such associated transactional expenses. **HK Note to Draft:** Will this be reflected in TRCA or elsewhere?

(c) an owner's affidavit in the form required by the Title Company to issue the Title Policy with respect to the Escondido Real Property;

(d) an assignment and assumption agreement substantially in the form attached hereto as **Exhibit D**, terminating any revisionary interests previously held by Palomar in the Assumed Contracts, and fully vesting such rights in the Authority with no right of reversion and transferring any other Contributed Assets not otherwise conveyed by any other Transaction Agreement (the "**Assignment and Assumption Agreement**"), duly executed by Palomar;

(e) intellectual property assignment agreements, substantially in the form attached hereto as **Exhibit E**, conveying the Transferred Intellectual Property (the "**Intellectual Property Assignment Agreement**"), duly executed by Palomar solely with respect to Transferred Intellectual Property included in Contributed Assets and not previously assigned under the Initial Contribution Agreement;

(f) with respect to each Lease Agreement, an assignment of such Lease Agreement, substantially in the form attached hereto as **Exhibit F** (each, a "**Lease Assignment**"), duly executed by Palomar and, as applicable, Palomar, together with such consents to assignment, non-referral certificates, estoppel certificates, subordination, non-disturbance, and attornment agreements or similar documents as requested by the Authority and in forms reasonably acceptable to the Authority;

(g) copies of resolutions duly adopted by the board of Palomar authorizing and approving: (i) Palomar's performance of the Contemplated Transactions, including authorizing the transfer of the Contributed Assets and transfer of the Assumed Liabilities to the Authority; and (ii) the execution and delivery of this Agreement and the other Transaction Agreements, certified as true and in full force and effect as of the Contribution Date, by the appropriate officer of Palomar;

(h) a certificate, dated as of the Contribution Date, of Palomar certifying: (i) each of the representations and warranties of Palomar contained in this Agreement and the other Transaction Agreements will be true and correct as of the Contribution Date; (ii) each of the covenants and obligations that Palomar is required to perform or to comply with pursuant to this Agreement at or before the Closing must have been duly performed and complied with in all material respects; and (iii) the incumbency of the authorized signatories of Palomar on the Contribution Date and bearing the authentic signatures of all such authorized signatories who will execute this Agreement and any additional documents contemplated by this Agreement or the Transaction Agreements;[3]

(i) a properly completed and duly executed IRS Form W-9 for Palomar;

(j) all Material Consents, including those from the debtholders;

(k) as applicable, evidence of lockbox, with standing sweep orders and DACAs, to the extent applicable;

(l) a letter agreement memorializing the Parties' mutual agreement to terminate the TIC Agreement effective as of the Contribution Date (the "**TIC Agreement Termination**"), duly executed by Palomar;

[3] **Note to Palomar:** The chairman of the Palomar Board or another individual designated by Palomar will deliver this bringdown.

(m) [Delivery by Palomar of the monetary value of the Series 2022A CapEx Funds held in the applicable Palomar bank account;][4] and

(n) such other agreements, instruments, and documents as UCSD Health or the Authority deems reasonably necessary to effectuate the Contemplated Transactions, including as may be required by applicable third parties.

3.3 The Authority's Closing Deliveries. At or before the Closing and unless otherwise waived in writing by Palomar, the Authority will deliver the following to Palomar, each in form and substance reasonably satisfactory to Palomar:

(a) the Bill of Sale, duly executed by the Authority;

(b) the Lease Assignments, duly executed by the Authority;

(c) the Assignment and Assumption Agreement, duly executed by the Authority;

(d) the Intellectual Property Assignment Agreement, duly executed by the Authority;

(e) copies of resolutions duly adopted by the governing body of the Authority authorizing and approving: (i) the Authority's performance of the Contemplated Transactions; and (ii) the execution and delivery of this Agreement and the other Transaction Agreements, certified as true and in full force and effect as of the Contribution Date, by the appropriate officer of the Authority;

(f) a certificate, dated as of the Contribution Date, of the Authority certifying the incumbency of the officers of the Authority as of the Contribution Date and bearing the authentic signatures of all such officers who will execute this Agreement and any additional documents contemplated by this Agreement or the Transaction Agreements;

(g) a Preliminary Change of Ownership Report(s) (BOE-502-A) with respect to the Escondido Real Property, duly executed by the Authority;

[5]

(h) the TIC Agreement Termination, duly executed by the Authority and UCSD Health; and

(i) such other agreements, instruments, and documents which Palomar and UCSD Health mutually deem reasonably necessary to effectuate the Contemplated Transactions.

3.4 Additional Acts. From time to time after the Effective Time, each of Palomar and the Authority will, and will cause its Affiliates to, execute, acknowledge, and deliver all such further conveyances, notices, assumptions, releases, and acquittances and such other instruments, and will take

4 Note to Draft: Finance teams to confirm.

[5] **Note to Palomar:** The delivery by UCSD Health of cash or other immediately available funds in the amount of the committed but not yet contributed portion of the Maximum Capital Amount pursuant to the terms of the UCSD Health Contribution Agreement has been removed. The UCSD Health Contribution: (i) does not tie delivery of these funds to unification of the Palomar assets; and (ii) provides for a schedule (Schedule B) of when such funds will be committed to the Authority. The Liquidated Damages provision in this Agreement provides for an offset against the Liquidated Damages Cap of any Capital Advances not paid by UCSD Health to the Authority.

such further actions, as may be necessary or appropriate to assure fully to the Authority and its respective successors or assigns, all of the properties, rights, titles, interests, estates, remedies, powers, and privileges relating to the Contributed Assets conveyed to the Authority under this Agreement and the other Transaction Agreements (including, as applicable, any assets formerly constituting "Licensed Items" under the Use Agreement), and to otherwise make effective the Contemplated Transactions. Subject to **Section 11.6**, Palomar, at the Authority's cost and expense, also will furnish the Authority with such requested information and documents in Palomar's possession or under Palomar's control, or which Palomar can execute or cause to be executed, as will enable the Authority to prosecute any petitions, applications, claims, and demands relating to or constituting a part of the Contributed Assets. The terms of this **Section 3.4** will survive until the earlier of: (i) exercise of the Post-Operational Option (as defined in the Joint Powers Agreement); (ii) JPA Option (as defined in the Joint Powers Agreement); or (iii) indefinitely and will not be subject to any other time limitations contained in this Agreement.

4. REPRESENTATIONS AND WARRANTIES OF PALOMAR

Palomar hereby represents, warrants, and covenants to the Authority that the statements contained in this **Section 4** are true and correct as of the Effective Date and will be true and correct as of the Contribution Date (except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date).

4.1 Organization; Capacity. Palomar is in good standing under the Laws of the State of California. Palomar is duly authorized, qualified to do business, and in good standing under all applicable Laws of any jurisdictions (domestic and foreign) in which the character or the location of the assets owned or leased by it or the nature of the business conducted by it requires such authorization or qualification. Palomar has the requisite power and authority to enter into this Agreement and the other Transaction Agreements to which Palomar will become a party hereunder. The consummation of the Contemplated Transactions will not violate the provisions set forth in California Government Code §1090. Palomar has not entered into any agreements or other arrangements that violate the provisions set forth in California Government Code §1090. Palomar does not have any Affiliates.

4.2 Authority; Non-contravention; Binding Agreement. The execution, delivery and performance by Palomar of this Agreement and the other Transaction Agreements to which it is a party or will become a party, and the consummation by Palomar of the Contemplated Transactions and its obligations under the Transaction Agreements: (i) have been duly and validly authorized and approved by all necessary corporate actions, as applicable, on the part of Palomar, none of which actions have been modified or rescinded and all of which actions remain in full force and effect; (ii) are within Palomar's corporate powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of Palomar; (iii) except as set forth on **Schedule 4.2**, do not and will not require any Approval of, filing or registration with, the issuance of any Permit by, or any other action to be taken by, any Governmental Authority to be made or sought by Palomar in reference to the Contemplated Transaction; (iv) except as set forth on **Schedule 4.2**, do not and will not require any Approval for the assignment of the Assumed Contracts, Assumed Leases or other Contributed Assets to the Authority or, as applicable, the termination or assignment of the Use Agreement with respect to the Contributed Assets, 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 (other than Permitted Encumbrances) upon, any of the Contributed Assets under (x) any Contract or Permit applicable to any of the Contributed Assets or (y) any Order or Law applicable to any of the Contributed Assets or which Palomar may be subject related to consummation of the Contemplated Transactions. This Agreement and the other Transaction Agreements to which Palomar is or will become a party are and will constitute the valid and legally binding obligations of Palomar and are and will be enforceable against Palomar in

accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

4.3 Title to Assets. Except as set forth on **Schedule 4.3**, no Person other than Palomar owns or holds in its name the Contributed Assets used, or held for use in. Palomar is conveying to the Authority, and the Authority is acquiring good and marketable title to the Contributed Assets, free and clear of all Encumbrances other than the Permitted Encumbrances. Other than the Permitted Encumbrances, there are no outstanding rights (including any right of first refusal or right of first offer), options, or Contracts giving any Person any current or future right to require Palomar to sell or transfer to such Person or to any third-party any interest in any of the Contributed Assets. To the Knowledge of Palomar, the tangible Contributed Assets are in good operating condition, subject to ordinary wear and tear, and are adequate for the uses to which they are being put.

4.4 Indebtedness. Schedule 4.5 sets forth all Indebtedness of Palomar.

4.5 Compliance with Laws.

(a) During the past six (6) years, neither Palomar nor any officer or director[6] of Palomar has been convicted of, charged with, or, to the Knowledge of Palomar, investigated for, or has engaged in conduct that would constitute an offense related to Medicare or any other Government Program.

(b) During the past six (6) years, neither Palomar, nor any officer or director of Palomar, has: (i) been convicted of, charged with, had a complaint filed alleging a violation of any Law related to a breach of fiduciary duty, fraud, theft, embezzlement, kickbacks, bribes, other financial misconduct, obstruction of an investigation; (ii) been investigated for, or (iii) to the Knowledge of Palomar engaged in conduct that would constitute a violation of any Law related to fraud, theft, embezzlement, breach of fiduciary duty, kickbacks, bribes, other financial misconduct, obstruction of an investigation.

(c) During the past six (6) years, none of Palomar or any other officer or director, or of Palomar (whether an individual or entity) or to the Knowledge of Palomar, independent contractor who provides services to the Escondido Business, has been excluded from participating in any Government Program, subject to sanction pursuant to 42 U.S.C. § 1320a-7a or § 1320a-8, or been convicted of a crime described at 42 U.S.C. § 1320a-7b nor are any such exclusions, sanctions or charges pending or, to the Knowledge of Palomar, threatened.

(d) Palomar and its Representatives have complied with the U.S. Foreign Corrupt Practices Act of 1977, as amended, the Corruption of Foreign Public Officials Act, the OECD Anti-Bribery Convention, and other applicable Laws regarding the use of funds for political activity or commercial bribery. Neither Palomar nor its Representatives has, for or on behalf of Palomar, at any time, (i) made or caused to be made or provided, directly or indirectly, any type of payment, gift, contribution or similar item to a governmental official, political party, or candidate for office for the purpose of influencing a decision, inducing an official to violate their lawful duty, securing an improper advantage, or inducing an official to use their influence to affect a governmental decision; or (ii) accepted or received any unlawful payments, gifts, contributions or similar items. Neither Palomar nor its Representatives has, directly or indirectly, taken any action in violation of any export restrictions, anti-boycott regulations, embargo regulations, or other similar applicable U.S. or foreign Laws. Neither Palomar nor its Representatives is a "**specially**

[6] **Note to Palomar**: Removal of references to employees from the representations and warranties set forth in Section 4.5, is subject to the Employee Leasing Agreement providing such representations and warranties regarding these individuals.

designated national" or blocked Person under U.S. sanctions administered by OFAC. Palomar has not engaged in any business with any Person or in any country that it is prohibited for a U.S. Person to engage in any business with or under applicable Law or under applicable U.S. sanctions administered by the U.S. Department of the Treasury. Palomar is not a Person with whom U.S. Persons are restricted from doing business under regulations of OFAC (including those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive Order (including Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001), or the United and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56, or any other governmental action.

4.6 Intellectual Property.

(a) **Schedule 4.6(a)**, sets forth an accurate and complete list of the following Owned Intellectual Property as of the date of this Agreement: (i) Patents; (ii) registered Trademarks and applications therefor, and unregistered Trademarks; (iii) registered Copyrights and applications therefor; (iv) Domain Names; and (v) the names set forth on **Schedule 4.6(a)**, and any derivatives or variations thereof. **Schedule 4.6(a)** also sets forth all payments and filings that are due, and all other actions with Governmental Authorities that must be taken, within one hundred eighty (180) days after the date hereof, with respect to each item of registered Intellectual Property listed in such schedule. All of the foregoing registered Owned Intellectual Property is valid, subsisting, and enforceable in accordance with applicable Law, has not been canceled, expired, or abandoned, and is not involved in any interference, reexamination, cancellation, or opposition Proceeding.

(b) Palomar solely and exclusively owns all right, title, and interest (including the right to enforce), free and clear of all Encumbrances, other than Permitted Encumbrances, in all Owned Intellectual Property. During the six (6) year period before the Contribution Date, Palomar has used commercially reasonable efforts, consistent with customary industry practices, to maintain and protect each item of Owned Intellectual Property.

(c) Palomar has valid rights to use the Transferred Intellectual Property.

(d) Neither Palomar nor any Owned Intellectual Property is subject to any Contract containing any covenant or other provision that in any way limits or restricts the ability of Palomar to use, assert, enforce, or otherwise exploit any Owned Intellectual Property anywhere in the world. No Person who has licensed Intellectual Property to Palomar has any ownership rights or license rights to derivative works or improvements made by or on behalf of Palomar related to such Intellectual Property.

(e) Following the Effective Time, the Authority shall be permitted to exercise all of Palomar's rights under and to all Transferred Intellectual Property and without being required to pay any additional amounts or consideration other than fees, royalties, or payments that Palomar would otherwise be required to pay had the Contemplated Transactions not occurred. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or could reasonably be expected to, result in the delivery, license, or disclosure of any source code included in the Owned Intellectual Property.

(f) During the past three (3) years, the Owned Intellectual Property and the use of the Transferred Intellectual Property by Palomar has not infringed, misappropriated, violated, or otherwise conflicted with, in each case in any material respect, and do not infringe, misappropriate, violate or otherwise conflict in any material respect with, any Intellectual Property rights of any other Person, violate any right to privacy or publicity, nor constitute unfair competition or trade practices under the Laws of any jurisdiction. Palomar has not received any written claim that Palomar or any Transferred Intellectual

Property infringes, misappropriates, or otherwise violates any Intellectual Property rights of any Person, or constitutes unfair competition or trade practices under the Laws of any jurisdiction.

4.7 Real Property.

(a) **Schedule 2** sets forth the physical address as well as the legal description for each parcel of the Escondido Real Property. Palomar is conveying to the Authority, good, marketable, and insurable fee simple title to an undivided [eighty and one-half percent (80.5%)] tenant-in-common interest in and to the Escondido Real Property, free and clear of all Encumbrances, other than Permitted Encumbrances, which will vest in the Authority fee simple in the entire Escondido Real Property.

(b) The Escondido Real Property comprises all of the real property used, occupied, or otherwise possessed in connection with Palomar's ownership or operation of the Escondido Business prior to the Operational Date.

(c) Neither Palomar nor any other Person has a leasehold interest in any of the Escondido Real Property (except for those Tenants, if any, under the Lease Agreements set forth on **Schedule 4.7(c)**).

(d) As of the Effective Date, **Schedule 4.7(d)** sets forth an accurate and complete list and current rent roll of all existing Lease Agreements, including the following information with respect to each: (i) the physical address and premises covered; (ii) the effective date and any amendments thereto; (iii) the legal name of the tenant, licensee or occupant; (iv) its term; (v) the rents and other charges payable thereunder; (vi) the rents or other charges in arrears or prepaid thereunder, if any, and the period for which any such rents and other charges are in arrears or have been prepaid; (vii) the nature and amount of the security deposits thereunder, if any; (viii) any options to renew or extend such Lease Agreement; (ix) any free rent, concessions, abatements, allowances, rebates or refunds to which the tenant, licensee or occupant may be or may have been entitled; (x) the status of any tenant improvements to be performed by Palomar or the tenant, subtenant, licensee or occupant; and (xi) the nature and amount of any commissions payable with respect thereto. Other than as set forth on **Schedule 4.7(d)**, Palomar is not a party to any Lease Agreement, and no portion of the Escondido Real Property is subject to any leases, subleases, licenses, timeshare arrangements, or other occupancy agreements.

(e) Except as set forth on **Schedule 4.7(e)**, with respect to each Lease Agreement: (i) the Lease Agreement is legal, valid, binding and in full force and effect; (ii) the execution, delivery and performance by Palomar of this Agreement, and the consummation of the Contemplated Transactions, do not or will not (as the case may be) require the consent of any other party to such Lease Agreement, will not result in a breach of or default under such Lease Agreement, and will not otherwise cause such Lease Agreement to cease to be legal, valid, binding, enforceable and in full force and effect on identical terms following the Closing; (iii) there are no material ongoing disputes with respect to such Lease Agreement; (iv) Palomar has not received any written notice of a termination of any Lease Agreement, (v) neither Palomar nor any other party to such Lease Agreement is in breach or default under such Lease Agreement, and no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under such Lease Agreement; (vi) no security deposit or portion thereof deposited with respect to such Lease Agreement has been applied in respect of a breach or default under such Lease Agreement that has not been re-deposited in full; (vii) there are no Encumbrances on the estate or interest created by such Lease Agreement other than Permitted Encumbrances; and (viii) no brokerage or leasing commissions or other compensation are due or payable by Palomar to any Person, firm, corporation or other entity with respect to, or on account of, any Lease Agreement or any extensions or renewals thereof.

(f) Palomar has made available accurate and complete copies of the Lease Agreements, in each case as amended or otherwise modified and in effect, together with all extension notices and other material correspondence, fair market value analyses, estoppel certificates, and subordination, non-disturbance and attornment agreements related thereto.

(g) Palomar has not received written notice from any Governmental Authority of, and there is not: (i) any pending or, to the Knowledge of Palomar, threatened, condemnation Proceedings affecting the Escondido Real Property or any part thereof; (ii) to the Knowledge of Palomar, any violation of any Laws (including zoning and land use ordinances, construction, building codes, Americans with Disabilities Act, as amended, Section 504 of the Rehabilitation Act of 1973 and similar requirements) with respect to the Escondido Real Property or any part thereof, which have not heretofore been cured; or (iii) any pending or, to the Knowledge of Palomar, threatened, injunction, decree, Order, writ or judgment outstanding, nor any claims, litigation, administrative actions or similar Proceedings against Palomar or any Escondido Real Property relating to the ownership, lease, use or occupancy of such Escondido Real Property or any portion thereof which is reasonably likely to result in a material change in the condition of any Escondido Real Property or any part thereof or in any material respect prevent or limit the present operation of the improvements on the Escondido Real Property or any part thereof.

(h) As of the Effective Date, **Schedule 4.7(h)** sets forth an accurate and complete list of all of the material pending (active) construction activity at the Escondido Real Property and all open permits for the performance of any construction activity at the Escondido Real Property as of the Effective Date (collectively, the "**Pending Construction Projects**"). **Schedule 4.7(h)** sets forth the following with respect to each Pending Construction Project, if applicable: (i) name of the contractor, subcontractor, sub-subcontractor, materialmen or supplier, as applicable; (ii) the contract price; (iii) date of the contract; (iv) scope of work; (v) permit numbers with HCAI and any other governmental agency, if applicable; and (vi) projected date of completion and status of completion, as applicable.

(i) Other than the Pending Construction Projects, Palomar has not engaged any contractors, architects, engineers, material suppliers, or other parties to perform labor or services at the Escondido Real Property, other than maintenance and repair work in the ordinary course, and which does not constitute a capital improvement or repair. **Schedule 4.7(i)** sets forth a description of all such construction activity including: (i) name of the contractor, subcontractor, sub-subcontractor, materialmen or supplier, as applicable, (ii) the contract price, (iii) date of the contract, (iv) scope of work, and (v) date of completion (or date of termination, if such work was properly terminated prior to completion). As of the Contribution Date, other than the Pending Construction Projects, maintenance, and repair work in the ordinary course, and which does not constitute a capital improvement or repair, there will be no incomplete or pending construction projects affecting the Escondido Real Property, and all completed construction projects will be fully paid for, and Palomar has obtained all applicable lien releases.

(j) To the Knowledge of Palomar, neither the location, construction, occupancy, operation, nor use of the Escondido Real Property (including the improvements which are a part of the Escondido Real Property) violates any applicable Law or determination of any Governmental Authority or any board of fire underwriters (or other body exercising similar functions), judicial precedent or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Escondido Real Property or the location, construction, occupancy, operation or use thereof, including all applicable Law. To the Knowledge of Palomar all improvements located on the Escondido Real Property are located within boundary lines of the described parcels of land, and each parcel of Escondido Real Property has access to a public street adjoining the Escondido Real Property, and such access is not dependent on any land or other real property interest which is not included in the Escondido Real Property.

(k) To the Knowledge of Palomar, there are no structural or latent defects in any of the buildings or other improvements that are a part of the Escondido Real Property.

(l) There are no restrictive covenants, access agreements, reciprocal parking agreements, or other encumbrances affecting the Escondido Real Property and which are not reflected on the applicable title report.

(m) To the Knowledge of Palomar, Palomar has provided true, complete, and accurate copies of all Contracts that constitute a warranty or guaranty for any structural components of the Escondido Real Property (including the roof and elevators) or any equipment or furniture in the Escondido Real Property.

(n) Except as set forth on **Schedule 4.7(n)**, to the Knowledge of Palomar, no portion of the Escondido Real Property has any deferred maintenance or requires any capital repairs in excess of $500,000.

(o) Palomar provided all construction plans in its possession, custody, and control for all buildings on the Escondido Real Property, including all architectural, mechanical, electrical, plumbing, civil plans, and as-built drawings (the "**Construction Drawings**") on or before the Contribution Date. To the Knowledge of Palomar, all of the Construction Drawings are true, complete, and accurate in all material respects, and to the Knowledge of Palomar, there are no material inaccuracies or omissions in the Construction Drawings. The Construction Drawings are described on **Schedule 4.7(o)**.

(p) To the Knowledge of Palomar, there are no open permits with HCAI for any active or planned construction activities on the Escondido Real Property, and there is no planned construction activity for any projects under consideration for a permit with HCAI. All active or pending construction at the Escondido Real Property subject to HCAI approval is described on **Schedule 4.7(p)**, including status or phase of project, primary contact at HCAI for the same, and material terms regarding the project. Palomar has provided the Authority with copies of all material documents in Palomar's possession, custody, or control relating to all construction projects identified, including all construction contracts, change orders, bidding documents, specifications, permits, material correspondence with HCAI, daily reports, certificates of insurance, waivers and lien releases, and project schedule.

(q) To the Knowledge of Palomar, all representations and statements made to HCAI or any other governmental agency relating to seismic compliance, including the building condition, engineering reports, and ratings assigned to same are true and correct in all material respects and Palomar is not aware of any omissions or misstatements regarding the NPC/SPC ratings for all of the Escondido Facilities as reflected on the HCAI website.

(r) As of the Effective Date, Palomar has delivered all material documents relating to the Escondido Real Property and will continue to provide documents relating to the Escondido Real Property until the Contribution Date that Palomar receives, absent any documents that are also provided to the Authority by such third party, including all of the following: (i) surveys; (ii) environmental assessments; (iii) geotechnical reports; (iv) roof, structural and building reports; (v) notices of violations of any zoning ordinance or other Law or regulation; (vi) architectural and engineering plans and specifications relating to the Improvements; (vii) all property tax statements for the past three (3) years; (viii) all service contracts, property management agreements, and other agreements currently in effect and to which Palomar is a party; (ix) all Lease Agreements; (x) all current insurance policies and certificates; (xi) a schedule of all capital improvements for the past three (3) years that were undertaken by Palomar; (xii) warranties and/or guaranties relating to the improvements at the Escondido Real Property that are currently in effect; (xiii) copies of all construction documents for the Pending Construction Projects; (xiv) copies of all construction

documents for any projects identified; (xv) a list and copy of any non-recorded Encumbrances; (xvi) a list of any material Tenant complaints, if any, over the last three (3) years; (xvii) a list or invoice of each material repair to the Escondido Real Property performed by Palomar, if any, over the last three (3) years; (xviii) copies of all correspondence with HCAI for the last three (3) years; and (xix) copies of all plans, drawings, submittals, and reports relating to HCAI seismic compliance that are in progress or that have been submitted to HCAI in the last three (3) years.

4.8 Insurance.

(a) **Schedule 4.8** sets forth an accurate and complete list of all insurance policies or self-insurance funds to be bound on or before the Effective Date by Palomar or otherwise on behalf of the Authority or Contributed Assets, including, the Escondido Real Property (collectively, the "**Insurance Policies**"), indicating with respect to each such policy or fund, the type of insurance, policy number, identity of the insurer, coverage limits, and whether such policies are on an occurrence or claims made basis. Palomar has delivered accurate and complete copies of all such Insurance Policies. All of the Insurance Policies are now and will be until the Contribution Date in full force and effect with no premium arrearages. All premiums due on the Insurance Policies have either been paid in accordance with the payment terms of each Insurance Policy. All Insurance Policies (i) are valid and binding in accordance with their terms; (ii) are provided by carriers who are financially solvent; and (iii) have not been subject to any lapse in coverage; and (iv) Palomar is not in default under, or has not otherwise materially complied with, any provision contained in any Insurance Policy.

(b) The Insurance Policies are sufficient for compliance with all applicable Law, Contract and Lease Agreements to which Palomar is a party or by which Palomar or the Contributed Assets, including the Escondido Real Property, are bound. Palomar has timely provided all notices required to be given under the Insurance Policies to the respective insurer with respect to all claims and actions covered by insurance, and no insurer has denied coverage of any such claims or actions or reserved its rights in respect of or rejected any such claims.

(c) Palomar has not received any written notice from any insurer canceling or materially amending any of the Insurance Policies, and to the Knowledge of Palomar, no such cancellation or amendment is threatened, nor to the Knowledge of Palomar has Palomar failed to present any claim which is still outstanding under any of the Insurance Policies.

4.9 Litigation.

(a) **Schedule 4.9(a)** sets forth an accurate and complete list and summary description of all Proceedings with respect to Palomar, the Contributed Assets, including the Escondido Real Property, as well as all Orders, settlements, and conciliation Contracts under which Palomar has current or future obligations. Except set forth on **Schedule 4.9(a)**, there are no Proceedings, Orders, compliance reports or information requests, subpoenas or production requests pending, or, to the Knowledge of Palomar, threatened, against or affecting Palomar with respect to the Escondido Real Property, or the Contributed Assets before or by any Governmental Authority. Palomar has not been subject to any formal (for which a Palomar has received notice) Proceeding of the OIG, CMS, the Justice Department, the United States General Accounting Office, the California Department of Public Health, the Government Programs, or any other Governmental Authority. There are no Proceedings pending or, to the Knowledge of Palomar, threatened by Palomar against any Person.

(b) Neither Palomar nor any Contributed Asset is subject to any Order or unsatisfied judgment, penalty, award, settlement Contract, or conciliation Contract.

(c) There is no Proceeding or Order pending or, to the Knowledge of Palomar, threatened, against or affecting Palomar before any court or Governmental Authority that has or would reasonably be expected to have an adverse effect on Palomar's or Palomar's ability to perform under this Agreement or any other Transaction Agreement with respect to any aspect of the Contemplated Transactions.

4.10 Environmental Matters.

(a) As of the Effective Date, Palomar has at all times complied with, and is in compliance in all material respects with, and the Escondido Real Property and all improvements on the Escondido Real Property are in compliance with, all Environmental Laws.

(b) Palomar does not have any Liability under any Environmental Law with respect to the Escondido Real Property, and to the Knowledge of Palomar, Palomar is not responsible for any Liability of any other Person under any Environmental Law with respect to the Escondido Real Property. There are no pending or, to the Knowledge of Palomar, threatened, Proceedings or Orders based on, and Palomar has not received any written notice of any complaint, Order, directive, citation, notice of responsibility, notice of potential responsibility, or information request from any Governmental Authority or any other Person arising out of or attributable to, any Environmental Condition or alleged noncompliance with any Environmental Law related to the Escondido Real Property (collectively, "**Palomar Environmental Obligations**"), nor to the Knowledge of Palomar does any fact exist that would reasonably be expected to form the basis for any such Palomar Environmental Obligations.

(c) As of the Effective Date, there are no Environmental Conditions existing at, underneath, or migrating to or from the Escondido Real Property, nor are there any Environmental Conditions resulting from, or which would reasonably be expected to result from, the Escondido Real Property.

(d) As of the Effective Date, except as set forth on **Schedule 4.10(d)**, the Escondido Real Property contains no underground improvements, including treatment or storage tanks, or underground piping associated with such tanks, used currently or in the past for the management of Hazardous Materials, and no Person has used any material portion of the Escondido Real Property as a dump or landfill.

(e) As of the Effective Date, no PCBs, lead-based paint, or friable asbestos-containing materials (each as defined in Environmental Laws) are present on or in the Escondido Real Property or the improvements thereto.

(f) Palomar has provided all environmental audits, reports, and assessments, including all Phase I and Phase II site assessments, concerning the Escondido Real Property that are in the possession, custody or control of Palomar.

(g) No Encumbrance in favor of any Person relating to or in connection with an Environmental Condition or any claim under any Environmental Law has been filed or has attached to the Escondido Real Property.

(h) As of the Effective Date, Palomar has been duly issued, and currently has all Approvals and Permits required under any Environmental Law with respect to any of the Escondido Real Property. A true and complete list of such Approvals and Permits, all of which are valid and in full force and effect, is set forth on **Schedule 4.10(h)**, and any Approvals and Permits presently undergoing modification or renewal are described as such on **Schedule 4.10(h)**. As of the Effective Date, there are no Proceedings pending or, to the Knowledge of Palomar, threatened, that seek the revocation, cancellation,

suspension, or adverse modification of any such Approval or Permit. As of the Effective Date, all required applications for renewal thereof have been timely filed. Palomar is, and at all times has been, in compliance with such Approvals and Permits. Except in accordance with such Approvals and Permits, there has been no Release of any Hazardous Material regulated by such Approvals and Permits, or under any Environmental Law, at, on, under, or from the Escondido Real Property.

4.11 Brokers and Finders. Except as set forth on **Schedule 4.11**, there are no claims for brokerage commissions, finders' fees, financial advisors' fees, or similar compensation in connection with the Contemplated Transactions based on any Contract to which Palomar is a party or that is otherwise binding upon Palomar, and no Person is entitled to any fee or commission or like payment in respect thereof.

4.12 Due Diligence. Palomar has provided or caused to be provided before the Effective Date, all material information and documents regarding the Contributed Assets, including the Escondido Real Property, the Assumed Liabilities, and the solvency of Palomar, and as of the Contribution Date, Palomar has complied with the requirements set forth in Section 6.2, regarding the provision of materials.

4.13 Reserved.[7]

4.14 Reserved.[8]

4.15 Statements True and Correct. The representations and warranties of Palomar in this Agreement and all other Transaction Agreements do not contain any untrue statement of a material fact, or omit to state any material fact necessary to make the statements or facts contained therein with respect to Palomar.

4.16 Contribution of Substantially All Assets of Palomar. The Initial Contributed Assets and the Contributed Assets collectively constitute substantially all assets of Palomar.

4.17 Tax Matters.

(a) Palomar has timely filed all income and other material Tax Returns required to be filed by, or with respect to, it in accordance with applicable Law relating to the Contributed Assets, the Assumed Liabilities, and the Escondido Business (all of which are true, complete, and correct in all material respects). All income and other material Taxes due and owing by Palomar (whether or not shown or required to be shown on any Tax Return) with respect to the Contributed Assets, the Assumed Liabilities, and the Escondido Business have been timely paid in full. Palomar has not waived any statute of limitations in respect of Taxes or agreed to or requested any extension of time with respect to a Tax assessment or deficiency with respect to the Contributed Assets, the Assumed Liabilities, or the Escondido Business.

(b) To the Knowledge of Palomar, other than Encumbrances for Taxes which are Permitted Encumbrances, there are no Encumbrances for Taxes on any of the Contributed Assets, and no basis exists for the imposition of any such Encumbrances. There are no matters under discussion by Palomar with any Governmental Authority with respect to Taxes that may result in an additional amount of Taxes for which Palomar may have any Liability or which may attach to the Contributed Assets.

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[7] **Note to Palomar**: The removal of the Benefit Plans representations and warranties is conditioned on appropriate representations and warranties being provided in the Employee Leasing Agreement or similar document.

[8] **Note to Palomar:** The removal of the employment representations and warranties, including the removal of the representations previously found in Section 4.14(b) and (c), is conditioned on appropriate representations and warranties being provided in the Employee Leasing Agreement or similar document.

(c) To the Knowledge of Palomar, no deficiencies or assessments for Taxes with respect to the Contributed Assets, the Assumed Liabilities, or the Escondido Business have been claimed, proposed, or assessed by any Governmental Authority that may attach to the Contributed Assets. There are no pending or to the Knowledge of Palomar threatened Proceedings for or relating to any Liability in respect of Taxes which may attach to the Contributed Assets.

(d) Palomar is not a party to or bound by any Tax allocation, sharing indemnity or similar agreement, any closing agreement or offer in compromise with any Governmental Authority, and has no Liability with respect to any such agreements, in each case, with respect to the Contributed Assets, the Assumed Liabilities or the Escondido Business.

(e) To the Knowledge of Palomar, none of the Contributed Assets is an interest in a Person classified as an association taxable as a corporation for Tax purposes.

(f) To the Knowledge of Palomar, none of the Contributed Assets is an interest in a joint venture, partnership, or other arrangement that is or should be treated as a partnership for Tax purposes, and Palomar is not a party to any such arrangement.

(g) Palomar has, with respect to the Contributed Assets, the Assumed Liabilities, and the Escondido Business, (i) timely paid all sales and use Taxes required to be paid under applicable Law, and (ii) properly collected and remitted to the proper Governmental Authority all sales Taxes required under applicable Law.

(h) Palomar has not entered into or been a party to any "listed transaction" as defined in Treasury Regulation Section 1.6011-4(b).

(i) No claim in writing has been made against Palomar by a Governmental Authority in a jurisdiction where Palomar does not file Tax Returns with respect to the Contributed Assets, the Assumed Liabilities, or the Escondido Business that Palomar has or may have an obligation to file a Tax Return with, or is or may be subject to taxation by that jurisdiction.

(j) Palomar is not subject to Tax in any jurisdiction other than the United States and political subdivisions thereof and has no permanent establishment, place of business, or taxable presence outside the United States.

(k) There are no Tax rulings, requests for rulings, or other similar agreements or requests in effect, requested, or filed with any Governmental Authority by Palomar that could affect a Person's Liability for Taxes arising after the Closing.

(l) To the Knowledge of Palomar, the Authority will not be required to include an item of income in, or exclude an item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Contribution Date as a result of any prepaid amount received or deferred revenue accrued before the Effective Time in connection with the Escondido Business or the Contributed Assets.

(m) Palomar does not use the accrual basis method of accounting for income Tax purposes. Palomar has not used the cash basis method of accounting for income Tax purposes since its inception.

(n) Palomar has not adopted as a method of accounting, or otherwise accounted for any advance payment or prepaid amount under, (i) the "deferral method" of accounting described in Rev.

Proc. 2004-34, 2004-22 IRB 991 (or any similar method under state, local or non-U.S. Law) or (ii) the method described in Treasury Regulation Section 1.451-5(b)(l)(ii) (or any similar method under other Law).

(o) To the Knowledge of Palomar, none of the Contributed Assets is subject to the limitations on "amortizable section 197 intangibles" described in Section 197(f)(9) of the Code, or is subject to any similar or comparable limitations under state, local, or foreign Law.

4.18 2022A CapEx Funds. Palomar represents and warrants that, as of the Effective Date, it has approximately Sixty Million ($60,000,000) in Series 2022A revenue funds (the "**Series 2022A CapEx Funds**"), which must be used to fund the acquisition or improvement of real property and other capital expenditures in compliance with any restrictions on use of such Series 2022A Revenue Bonds.

5. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY

Subject to the limitations and exceptions disclosed in the correspondingly numbered Disclosure Schedules to the Agreement, which Disclosure Schedules are attached as of the Effective Date of this Agreement, the Authority hereby represents and warrants to Palomar that the statements contained in this **Section 5** are true and correct as of the Effective Date of this Agreement and will be true and correct as of the Contribution Date (except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date).

5.1 Organization; Capacity. The Authority is a joint powers authority duly organized, validly existing and in good standing under the Laws of the State of California. The Authority has the requisite power and authority to enter into this Agreement and the other Transaction Agreements to which the Authority will become a party hereunder.

5.2 Authority; Non-contravention; Binding Agreement.

(a) The execution, delivery and performance by the Authority of this Agreement and the other Transaction Agreements to which it is a party or will become a party, and the consummation by the Authority of the Contemplated Transactions and its obligations under the Transaction Agreements (i) have been duly and validly authorized and approved by all necessary corporate approvals on the part of the Authority, none of which actions have been modified or rescinded and all of which actions remain in full force and effect, and are not, and will not be, in contravention or violation of the terms of the Authority's organizational or governing documents, (ii) except set forth on **Schedule 5.2(a)**, do not require any Approval of, filing or registration with, the issuance of any Permit by, or any other action to be taken by, any Governmental Authority to be made or sought by the Authority; and (iii) assuming the Approvals and Permits set forth on **Schedule 5.2(a)** are obtained, 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) any Order or Law to which the Authority may be subject related to consummation of the Contemplated Transactions.

(b) This Agreement and the other Transaction Agreements to which a the Authority is or will become a party are and will constitute the valid and legally binding obligations of the Authority and are and will be enforceable against the Authority in accordance with the respective terms hereof and thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other Laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

5.3 Litigation. No Proceeding or Order is pending or, to the knowledge of the Authority, threatened against or affecting or relating to the Authority or any of its properties or rights at Law or in

equity, or before or by any Governmental Authority, that challenges or may otherwise have the effect of preventing, rendering illegal or otherwise delaying the Contemplated Transactions.

5.4 Brokers and Finders. There are no claims for brokerage commissions, finders' fees, financial advisors' fees, or similar compensation in connection with the Contemplated Transactions based on any Contract to which the Authority is a party or that is otherwise binding upon the Authority, and no Person is entitled to any fee or commission or like payment in respect thereof.

5.5 Statements True and Correct. The representations and warranties of the Authority in this Agreement and all other Transaction Agreements do not contain any untrue statement of a material fact, or omit to state any material fact necessary to make the statements or facts contained therein with respect to the Authority not misleading.

6. PRE-CLOSING COVENANTS OF PALOMAR AND THE AUTHORITY

6.1 Access. From and after the Effective Date of this Agreement, the Authority and its Affiliates, agents, contractors and other Representatives shall have the right (a) to enter upon the Escondido Real Property and access the Escondido Facilities to the extent not already provided under the Use Agreement, for the purpose of making such tests, inspections and document review of the Contributed Assets, and conducting such facility management and administrative interviews, as the Authority deems necessary in connection with this Agreement and its acquisition of the Contributed Assets (collectively, the "**Facility Inspections**"); (b) to inspect and copy all such contracts, books and records, and other existing documents and data of Palomar as the Authority may reasonably request; (c) to receive copies of all relevant due diligence requested by the Authority, including without limitation such additional financial, operating, and other data and information in Palomar's possession or control as the Authority may reasonably request, and Palomar shall use commercially reasonable efforts to make available to the Authority any such information not in its possession or control. Palomar shall use commercially reasonable efforts to assist the Authority and its Representatives in arranging such Facility Inspections. The Facility Inspection rights granted to the Authority in this **Section 6.1** shall be accomplished in a manner that does not unreasonably interfere with or disrupt the operations of Palomar and the activities of its personnel. Any invasive testing, including, without limitation, any Phase II environmental assessment, soil boring, soil sampling, or groundwater testing, shall require the prior written consent of Palomar, not to be unreasonably withheld, conditioned, or delayed by Palomar. Before conducting any Facility Inspections, the Authority shall provide Palomar with copies of certificates of insurance evidencing commercial general liability insurance policies (naming Palomar as an additional insured) that shall be maintained by the Authority and by any consultants or other third parties engaged by the Authority in connection with the Authority's and such consultants' and third parties' investigations of the Escondido Facilities or other aspects of the Escondido Real Property.

6.2 Provision of Due Diligence Materials.

(a) From and after the Effective Date and to the extent that the Authority has not also received such documents, Palomar must cooperate with the Authority and provide the Authority and its Representatives with copies of all documents and information reasonably requested by the Authority or otherwise material with respect to its assets and operations and the Contributed Assets, including any Licensed Items under the Use Agreement (collectively, the "**Diligence Information**") to facilitate the Authority's due diligence activities, including in connection with any appraisal, environmental, structural and mechanical reviews of the Escondido Real Property, analysis of compliance by the Contributed Assets and Escondido Real Property with all applicable Laws and any Facility Inspections, valuations of any of the Contributed Assets or other reviews.

(b) The parties acknowledge and agree that from and after the Effective Date, the Authority will operate the Escondido Business pursuant to the Use Agreement. Accordingly, from and after the Effective Date, the Authority must cooperate with Palomar and provide Palomar and its Representatives with copies of all Diligence Information reasonably requested by Palomar to facilitate Palomar's preparation of each Schedule Update (as defined below).

6.3 Completion of Schedules.

(a) Before the Effective Date, Palomar completed all Disclosure Schedules to this Agreement. The Parties acknowledge and agree that the delivery of the Diligence Information and the completion of the Disclosure Schedules are necessary not only to provide the Authority with adequate diligence in connection with its rights under this Agreement, but also in furtherance of the Parties' joint efforts towards formation, capitalization, and operation of the Authority.

(b) Notwithstanding anything to the contrary in this Agreement, Palomar may, upon request of and with assistance from the Authority, from time to time after the Effective Date and before the Closing, deliver written supplements to the Disclosure Schedules (each, a "**Schedule Update**"); *provided* that each Schedule Update shall be reasonably detailed and delivered no later than fifteen (15) Business Days before the Closing. The Authority shall have ten (10) Business Days after receipt to object by written notice identifying the matters objected to and the basis therefor; if the Authority objects, Palomar shall have ten (10) Business Days to cure. If Palomar fails to timely cure, the Authority may postpone Closing until resolved or, if the Schedule Update (individually or in the aggregate with other updates) would reasonably be expected to result in a Material Adverse Effect, terminate this Agreement by written notice. Each Schedule Update shall amend the Disclosure Schedules only prospectively and shall not, by its delivery, cure any breach existing before disclosure, absent the Authority's written consent, and no acceptance or non-objection by the Authority shall waive or limit any rights or remedies (including for fraud or intentional misrepresentation) or diminish Palomar's indemnification obligations with respect to the matters disclosed.

6.4 Insurance. Between the Effective Date of this Agreement and the Contribution Date, to the extent that Authority does not control such matter or action under the terms of the Use Agreement, Palomar must maintain usual insurance coverage on the Contributed Assets, including the Escondido Real Property.

6.5 Negative Covenants.[9] From the Effective Date until the Contribution Date, except in the ordinary course of business or as (i) otherwise contemplated in this Agreement, (ii) approved in advance in writing by the Authority, or (iii) may be required by applicable Law, Palomar shall not:

(a) amend, renew, or terminate any Assumed Contact or Assumed Leases that (i) involves the use, receipt and/or exchange of funds in excess of $2,000,000, (ii) is expected to have an impact on annual revenues and/or Optionor's unrestricted cash in excess of $2,000,000,

(b) create, assume, or permit to exist any new Encumbrance (other than Permitted Encumbrances) on the Contributed Assets or Escondido Real Property that cannot be removed or eliminated before the Closing;

(c) sell, assign, transfer, distribute, or otherwise dispose of any Contributed Asset (or assets of a similar type, in the aggregate) with a book value greater than $2,000,000, other than the sale or disposition of supplies in the ordinary course of business;

[9] **HK Note to Draft**: Conformed with Post-Operational Option.

(d) transfer, assign, or encumber any equity or equity-like interests in Palomar, or any public or private affiliation or joint venture involving assets or operations of Palomar or its Affiliates;

(e) incur any new debt or seek a loan or access to additional financing or capital from any party (except in the event of a documented critical cash flow need which the Authority has indicated it is unwilling or unable to fund; then in such instance, Palomar may seek a loan or access to capital from Assured Guaranty, a commercial lender or such other Person approved by the Authority in writing and provided that such additional funding is not exchanged for rights or a security interest that minimizes any of the Authority's security under any of its existing arrangements with Palomar or inhibits the ability of the Parties to complete the Contemplated Transactions);

(f) except with respect to previously budgeted expenditures shown on the cash flow statements set forth on **Schedule 6.5(f)**, purchase capital assets or incur material costs in respect of construction in progress;

(g) enter into a new Lease Agreement with respect to any portion of the Real Property (other than minor subleases in the ordinary course for which the total square footage is not more than 7,500 rentable square feet and the total rental (including option terms) is not in excess of $500,000;

(h) take or omit to take any action the result of which would cause, or would likely cause, any of the changes or events outlined in **Section 6.5** to occur; or

(i) enter into a new line of business or make any material change in the Escondido Real Property or with respect to the Contributed Assets.

For purposes of this Agreement, an action of Palomar shall be deemed to be in the "ordinary course of business" if it: (i) is consistent in nature, scope, and magnitude with the past practices of Palomar and is performed or taken in the ordinary course of the normal day-to-day operations of Palomar; or (ii) is consistent with the capital or operating budget of Palomar, existing as of the date this Agreement has been entered into. Notwithstanding any provision to the contrary in this Agreement, neither **Section** Error! Reference source not found. nor this **Section 6.5** shall be construed to prohibit Palomar from engaging in any act that counsel to Palomar has advised is necessary to comply with applicable Law, including federal or state antitrust Laws. Palomar shall give the Authority prompt written notice prior to taking any act described in the immediately preceding sentence.

For purposes of **Section** Error! Reference source not found. and **Section 6.5**, Palomar shall be deemed to have obtained the Authority's prior written consent to undertake the actions otherwise prohibited by these Sections if Palomar gives the Authority written notice of a proposed action and Palomar does not receive from the Authority written notice of objection to such action within seven (7) Business Days after the Authority receives Palomar's written notice.

6.6 Notification. From the Effective Date until the Contribution Date, Palomar shall give prompt written notice to the Authority of (a) the occurrence, or failure to occur, of any event, circumstance or fact that is reasonably likely to cause any representation or warranty of Palomar contained in this Agreement to be untrue in any material respect; (b) any failure of Palomar to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; and (c) any other material development affecting the Contributed Assets or the Assumed Liabilities. Such notice must provide a reasonably detailed description of the relevant circumstances. If the subject matter of any notice is of a type that is required to be disclosed on the Disclosure Schedules, Palomar shall concurrently (or as promptly as practicable) deliver a Schedule Update pursuant to **Section 6.3(b)**, and the Authority's rights in **Section 6.3(b)** shall apply. For the avoidance of doubt: (i) delivery of a notice

under this **Section 6.6**, by itself, shall not amend or supplement the Disclosure Schedules, modify any representation, warranty or covenant, or cure any breach (which may only occur, if at all, in accordance with **Section 6.3(b)**); and (ii) nothing herein shall limit or prejudice any rights or remedies of the Authority (including indemnification, the rights afforded under **Section 6.3(b)**, or rights arising from fraud or intentional misrepresentation).

6.7 OCHA Notices. As of the Effective Date, to the required extent notice is required under applicable Law, each Party will prepare and submit its respective Notices of a Material Change Transaction (the "**OHCA Notices**") to OHCA. The Parties will use commercially reasonable efforts to assist and respond to each other, as needed, both in preparation for filing the OHCA Notices and for any additional responses requested from OHCA. Prior to either Party submitting their OHCA Notice or any additional responses, the other Party shall be provided with a reasonable period to review and shall consider in good faith and incorporate any such reasonable comments from the other Party. Each Party must promptly notify the other Party of any substantive communications from or with OHCA related to the OHCA Notices or any cost and market impact review that OHCA determines is required under Cal. Code Regs. tit. 22, § 97441 (the "**CMIR**") and must promptly provide the other Party with copies of any such communications. Each Party must timely respond to all requests from OHCA for additional information and/or documentation related to the OHCA Notices, the Transaction, or the CMIR. Each Party shall bear their respective costs and expenses of preparing and submitting the OHCA Notices and any additional responses requested from OHCA. No Party will participate (or agree to participate) in any substantive meeting or discussion with OHCA regarding the OHCA Notice, the Contemplated Transaction, or the CMIR unless it consults the other Parties in advance, and, to the extent permitted by OHCA, gives the other Parties the reasonable opportunity to attend and participate in such meeting or discussion to the extent permitted by Law.

6.8 Real Estate Matters.

(a) Title Report. After the completion of all Material Consents, including approval by the voters of San Diego County, statutory change or judicial approval, Palomar shall deliver to the Authority: (i) a preliminary Title Report and legible copies of the underlying documents pertaining to the Escondido Real Property issued by Title Company; and (ii) an existing survey of the Escondido Real Property, and the Authority shall have the right to obtain an update to such existing survey or a new survey at its sole cost and expense (the "**Survey**").

(b) The Authority's Title Review. Within forty-five (45) days after the Authority's receipt of the Title Report and Survey for all Escondido Real Property from Palomar (the "**Title Approval Date**"), the Authority shall provide written notice to Palomar of whether the Authority disapproves of any defects, conditions, exceptions, liens, encroachments, or encumbrances shown in the Title Report (a "**Title Objection Notice**"). If the Authority does not timely provide a Title Objection Notice prior to the Title Approval Date, all matters shown in the Title Report shall be deemed disapproved by the Authority.

(c) Title Objections. In the event the Authority delivers a Title Objection Notice to Palomar in accordance with **Section 6.8(b)**, Palomar shall have fifteen (15) Business Days after its receipt of the Title Objection Notice to give the Authority written notice (an "**Objection Response Notice**") stating with reasonable specificity whether or not Palomar intends to cure the Authority objections. If Palomar gives the Authority an Objection Response Notice specifying that Palomar is unwilling to cause one or more matters set forth in an Objection Notice to be removed, or if Palomar fails to provide an Objection Response Notice within such fifteen (15) Business Day period, the Authority shall have ten (10) Business Days (the "**Title Response Period**") following the receipt of Palomar's Objection Response Notice (or, in the event Palomar fails to provide an Objection Response Notice, ten (10) Business Days following the date such Objection Response Notice should have been provided to the Authority), to propose an offer of

compromise with respect to such matter, which the Parties shall attempt to negotiate in good faith within ten (10) Business Days. If no compromise is offered or if offered, not reached, the Authority may elect to proceed with the and take the Escondido Real Property subject to the matters Palomar is unwilling to remove or cure, provided that, the refusal of Palomar to remove an encumbrance, defect or other exception to title to the Authority's reasonable satisfaction shall give the Authority the unilateral right to elect the remedies provided in this Agreement.

(d) Supplemental Exceptions. If any new title or survey matters (i.e., matters not shown on the initial Title Report or the Survey, including any new matter disclosed by an updated survey) are disclosed by Title Company or surveyor after the delivery of the initial Title Report and Survey to the Authority, and such new title or survey matter is not acceptable to the Authority, the Authority shall so notify Palomar in writing within fifteen (15) Business Days after receiving notice of such new matter, in which event such new matter will be deemed to be a "**Disapproved Title Matter**." If the Authority notifies Palomar that such new matter is a Disapproved Title Matter, Palomar shall notify the Authority in writing, within five (5) Business Days after receiving the Authority's notice, whether Palomar will remove such Disapproved Matter at or prior to Closing. Palomar's failure to deliver such notice to the Authority within such five (5) Business Day period will be deemed an election by Palomar to not remove such Disapproved Title Matter. If Palomar elects (or is deemed to elect) not to remove such Disapproved Title Matter, the Authority may then propose an offer of compromise with respect to such matter, which the Parties shall attempt to negotiate in good faith within five (5) Business Days and if no compromise is offered or if offered, no compromise is reached, the Authority may elect to proceed to take the Escondido Real Property subject to the matters Palomar is unwilling to remove or cure. Notwithstanding the foregoing, the refusal of Palomar to remove a Disapproved Title Matter shall give the Authority the unilateral right to elect the remedies provided in this Agreement. Notwithstanding anything to the contrary, nothing shall permit the creation of any new Encumbrance other than Permitted Encumbrances.

(e) Casualty. If any part of the Contributed Assets, including the Escondido Real Property is damaged, lost or destroyed (whether by fire, theft, vandalism or other cause or casualty), in whole or in part, prior to the Contribution Date under this Agreement (such damaged, lost or destroyed assets, the "**Damaged Assets**"), the Authority may, at its option: (a) require Palomar to transfer the proceeds (or the right to the proceeds) of the applicable Insurance Policies covering the Damaged Assets to the Authority at the Closing plus an amount equal to any deductibles paid or incurred by Palomar; or (b) if the replacement cost of the Damaged Assets is greater than $5,000,000 or if an Escondido Facility has suffered material damage, the Authority may terminate this Agreement. Until the Effective Time, Palomar will bear all risk of loss with respect to the Damaged Assets.

(f) Eminent Domain. If, before the Contribution Date, proceedings are commenced for the taking by exercise of the power of eminent domain of all or a material part of the Escondido Real Property which, as reasonably determined by the Authority, would render the Escondido Real Property unacceptable to the Authority or unsuitable for the Authority's intended use, the Authority shall have the right, by giving written notice to Palomar within sixty (60) days after Palomar gives notice of the commencement of such proceedings to the Authority, to terminate this Agreement, in which event this Agreement shall automatically terminate, the deposit shall be returned to the Authority without any further action required from either Party, and the Authority and Palomar shall each be liable for one-half of any escrow fees or charges and neither Party shall have any continuing obligations hereunder. If, before the Closing, proceedings are commenced for the taking by exercise of the power of eminent domain of less than a material part of the Property, or if the Authority has the right to terminate this Agreement pursuant to the preceding sentence but the Authority does not exercise such right, then this Agreement shall remain in full force and effect and, on the Closing, the condemnation award (or, if not theretofore received, the right to receive such portion of the award) payable on account of the taking shall be assigned, or paid to, the Authority. Palomar shall give written notice to the Authority within three (3) Business Days after

Palomar receives notice of the commencement of any proceedings for the taking by exercise of the power of eminent domain of all or any part of the Escondido Real Property. The foregoing notwithstanding, in the event the taking results in the cancellation of, or rent abatement under, any Lease, the Authority shall have the option to terminate this Agreement. The provisions of this **Section 6.8** shall survive the Closing.

6.9 Closing Conditions. Upon the terms and subject to the conditions set forth in this Agreement, each of the Parties hereto agrees to use its reasonable best efforts (and to cause its Affiliates to use their reasonable best efforts) to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in a reasonably expeditious manner, the Contemplated Transactions and to obtain satisfaction or waiver of the conditions precedent to the consummation of the Contemplated Transactions, in each case to the extent such conduct is within the internal control of such party and its Affiliates, including (a) obtaining all of the necessary Consents from Governmental Authorities and other third parties and the making of all filings and the taking of all steps as may be necessary to obtain Consent from, or to avoid an Proceeding by, any Governmental Authority, (b) the defending of any Proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the Contemplated Transactions, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed and (c) the execution and delivery of any additional instruments and agreements, necessary to consummate the Contemplated Transactions, and to fully carry out the purposes of, this Agreement.

6.10 Cooperation Regarding Obtaining Governmental Consents.

(a) Each Party hereto must use reasonable best efforts to obtain, or cause to be obtained, as promptly as possible all consents, authorizations, orders and approvals from all Governmental Authorities or other Persons that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement (including in the case of Palomar, all notices and consents all Material Consents). Without limitation to the preceding sentence, as promptly as possible upon execution and delivery of this Agreement, but in no event later than ten (10) Business Days thereafter or on such other date as is mutually agreed by the Parties.

(b) To the extent permitted by Law, each Party will fully cooperate and coordinate its efforts with one another in seeking all approvals, orders, permits or other consents of any applicable Governmental Authorities necessary for the consummation of the Contemplated Transactions, including by: (i) timely furnishing to each other all information that counsel to the Authority or counsel to Palomar reasonably determine is required to be included in such documents; (ii) disclose to the other Party in advance of any filings, submission or attendance all analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of the Authority or Palomar before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the Contemplated Transactions (but, for the avoidance of doubt, not including any interactions between either Party and any Governmental Authorities in the ordinary course of business, any disclosure which is not permitted by Law or any disclosure containing Confidential Information), it being the intent that the Parties will use commercially reasonable efforts to consult and cooperate with one another, and consider in good faith the other Party's reasonable comments, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals; (iii) promptly exchanging with the other Party's counsel copies of all written communications to or from any Governmental Authority relating to any competition filings submitted in connection with the transactions; and (iv) keeping each other informed of any communication received or given in connection with any proceeding or action or any interaction with a Governmental Authority by the Authority or Palomar, in each case, regarding the transactions. Each Party will furnish to the other Parties and, upon request, to any Governmental Authorities such information and assistance as may be reasonably

requested in connection with the foregoing, including by responding promptly to any request for additional information or documents under applicable competition Laws. Each of Palomar and the Authority will jointly control and determine strategy with respect to obtaining any Governmental Consents, *provided, however*, that, subject to this Section, in the event of any conflict or disagreement between Palomar and the Authority with respect to such strategy, the Authority will have the right to direct the matter that is the cause of any such conflict or disagreement, acting reasonably and taking into consideration in good faith the views of Palomar.

(c) The Parties hereto may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this **Section** Error! Reference source not found. as "outside counsel only." Such materials and the information contained therein will be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient, unless express written permission is obtained in advance from the source of the materials of Palomar and the Authority.

(d) For the avoidance of doubt, in connection with the Authority performing its obligations under this **Section** Error! Reference source not found., the Authority is not required to (i) sell or otherwise dispose of, hold separate or agree to sell or dispose of, any Contributed Assets or any assets, categories of assets or businesses of the Authority; (ii) terminate existing relationships, contractual rights or obligations; (iii) take or commit to take any action that limits their freedom of action with respect to, or ability to retain, the Contributed Assets or other assets of the Authority or take any action that would have an adverse effect on the business, assets, Liabilities, results of operations or condition (financial or otherwise) of the Authority; (iv) litigate, pursue or defend any action or proceeding by a Governmental Authority or by any Person challenging the Contemplated Transactions as violative of any applicable Laws; or (v) pay or commit to pay any amount (or incur any obligation in favor of) any Person from whom any consent, order, authorization or approval may be required.

6.11 Cooperation Regarding Non-Governmental Third-Party Consents. From the Effective Date of this Agreement until the Closing, Palomar shall use commercially reasonable efforts to obtain the necessary consents from all counterparties to any Assumed Lease to consummate the Contemplated Transactions.

6.12 Interim Operating Reporting. From the Effective Date until the Closing, Palomar shall cause its authorized designee(s) to confer on a regular and frequent basis with one or more Representatives of the Authority to report material matters in respect of the Contributed Assets, including the Escondido Real Property.

7. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE AUTHORITY

The obligations of the Authority under this Agreement are subject to the satisfaction on or prior to the Contribution Date of the following conditions, unless waived in writing by the Authority:

7.1 Palomar's Performance.

(a) Each of the covenants and obligations that Palomar is required to perform or to comply with pursuant to this Agreement at or before the Closing must have been duly performed and complied with in all material respects.

(b) Each document required to be delivered pursuant to **Section 3.2** must have been delivered.

(c) Palomar has provided all diligence requested by the Authority for purposes of the Authority conducting due diligence activities, including in connection with any appraisal, environmental, structural, and mechanical reviews of the real properties, analysis of compliance by the Contributed Assets and the Escondido Real Property.

7.2 The Authority Required Consents. Each approval, consent, waiver, or authorization identified in **Schedule 7.2** must have been obtained and must be in full force and effect ("**Material Consents**"),[10] including, as applicable, from OHCA, and all applicable waiting periods have expired and such consents must be obtained before June 30, 2027, unless otherwise mutually agreed to by the Parties; provided, that, if, despite Palomar's best diligent efforts, the only unfilled condition to the Closing is a failure to obtain voter approval (or substantially equivalent legislative or judicial validation or approval) for completing such transfer, then Palomar shall have until December 31, 2028, to obtain such voter approval (or legislative or judicial approvals).

7.3 Tail Policies. As applicable, Palomar has obtained supplemental insurance policies (the "**Tail Policies**") providing for extended reporting periods for claims made on or after the Contribution Date in respect of events occurring before the Effective Time, in form and substance reasonably acceptable to the Authority, for any claims-made Insurance Policies held for the benefit of the Escondido Real Property, relating to all periods before the Effective Time, and to have the effect of converting such claims-made Insurance Policies into "occurrence based" coverage. Such Tail Policies will extend for the greater available option of an indefinite period of time or the maximum time period permissible by each respective Insurance Policy and will provide minimum coverages in an amount no less than the coverage currently maintained under the applicable Insurance Policy. The Authority will bear the cost of the Tail Policies.

7.4 Title to Real Property. The Authority has received a proforma title commitment from the Title Company for the Title Policy for the Escondido Real Property in form and with coverages reasonably acceptable to the Authority, and the Title Company has irrevocably committed to issue such Title Policy to the Authority at Closing.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF PALOMAR

The obligations of Palomar under this Agreement are subject to the satisfaction on or prior to the Contribution Date of the following conditions, unless waived in writing by Palomar:

8.1 The Authority's Performance.

(a) Each of the covenants and obligations that the Authority is required to perform or to comply with pursuant to this Agreement at or prior to the Closing must have been duly performed and complied with in all material respects.

(b) Each document required to be delivered pursuant to **Section 3.2** must have been delivered.

9. ADDITIONAL COVENANTS

9.1 Maintenance of and Access to Records.

(a) Following the Closing, the Authority will assume all legal responsibility for, and will preserve, the Records delivered to the Authority as part of the Contributed Assets for the period of time

[10] **HK Note to Draft**: Subject to receipt/review of Material Consents schedule.

required by applicable Law. During normal business hours and upon reasonable notice, the Authority will grant Palomar reasonable access to such Records, with an opportunity to make copies for appropriate legal and business purposes, including in connection with any audit or investigation by any Governmental Authority.

(b) Following the Closing, Palomar will retain all legal responsibility for, and will preserve, the Records that pertain to the Excluded Liabilities or the Excluded Assets or which were not otherwise transferred to the Authority. During normal business hours and upon reasonable notice, Palomar will grant the Authority reasonable access to such business records of Palomar, with an opportunity to make copies for appropriate legal and business purposes, including in connection with any audit or investigation by any Governmental Authority, preparing Tax Returns or conducting Tax audits, preparing Cost Reports or conducting audits related thereto, or any matter relating to insurance coverage or the defense or prosecution of third-party claims.

(c) The provision of such information and access will be subject to applicable Law and will be provided at the sole cost and expense of the Party requesting such records or information.

9.2 Termination Prior to Closing. Notwithstanding anything to the contrary in this Agreement, this Agreement may be terminated as follows:

(a) Upon the mutual written consent of the Parties;

(b) As otherwise set forth in this Agreement; or

(c) If the Closing has not then occurred, this Agreement will terminate at 11:59 p.m., California time, on June 30, 2027, unless otherwise mutually agreed to by the Parties; provided, that, if, despite Palomar's best diligent efforts, the only unfilled condition to the Closing is a failure to obtain voter approval (or substantially equivalent legislative or judicial validation or approval) for completing such transfer, then Palomar shall have until by December 31, 2028, to obtain such voter approval (or legislative or judicial approvals). Each Party's right of termination under **Section 9.2** is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to **Section 9.2**, all further obligations of the Parties under this Agreement will terminate, except that the provisions that are expressly intended to survive termination of this Agreement will survive such termination.

10. SURVIVAL, INDEMNIFICATION AND LIQUIDATED DAMAGES

10.1 Survival of Representations and Warranties. Except as expressly set forth in this Agreement to the contrary, including those pertaining to Palomar Fundamental Representations and the Authority Fundamental Representations, all representations and warranties of the Authority and Palomar, respectively, contained in **Sections 4** and **5** or in any certificate delivered pursuant hereto shall continue to be fully effective and enforceable following the Contribution Date for thirty-six (36) months (the "**Survival Period**") and shall thereafter be of no further force and effect, except that the Palomar Fundamental Representations and the Authority Fundamental Representations shall continue to be fully effective and enforceable following the Contribution Date for the greater of six (6) years or the applicable statute of limitations (as extended) plus sixty (60) days; *provided, however*, that if there is an outstanding notice of a claim at the end of the Survival Period**,** the Survival Period shall not end in respect of such claim until such claim is finally determined or otherwise resolved by the Parties under the terms of the Closing Agreement.

(b) For the avoidance of doubt, (i) each other covenant, agreement and obligation set forth in this Agreement or in any other Transaction Agreement, including those covenants, agreements and

obligations pertaining the Excluded Liabilities and the Assumed Liabilities, shall survive the Closing for an indefinite time period unless a different time period is explicitly specified therein and such obligation has been fully performed or observed in accordance with its terms; and (ii) this **Section 10.1** shall not affect any rights to bring claims after the Survival Period based on any covenant or agreement of the Parties which contemplates performance after the Contribution Date or the obligations of Palomar or the Authority.

10.2 Liquidated Damages. IN THE EVENT THAT (I) A BREACH OCCURS UNDER THIS AGREEMENT AND PALOMAR FAILS TO CURE SUCH BREACH WITH THE APPLICABLE CURE PERIOD, IF ANY, OR (II) PALOMAR FAILS TO CONSUMMATE THE CLOSING ON OR BEFORE THE CONTRIBUTION DATE NOTWITHSTANDING THAT THE AUTHORITY HAS SATISFIED OR WAIVED ALL CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE AUTHORITY SET FORTH IN SECTION 7, THE PARTIES AGREE THAT, AS ITS SOLE MONETARY REMEDY, THE AUTHORITY SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE SUM OF SEVEN HUNDRED FIFTY MILLION DOLLARS ($750,000,000) (THE "**LIQUIDATED DAMAGES CAP**") LESS ANY PORTION OF THE ONE HUNDRED SIXTY MILLION ($160,000,000) CAPITAL ADVANCES DUE FROM UCSD HEALTH TO THE AUTHORITY PURSUANT TO THE TERMS OF THE UCSD CONTRIBUTION AGREEMENT WHICH HAVE NOT BEEN DISBURSED TO THE AUTHORITY ON OR BEFORE THE DATE THAT THE EVENTS SET FORTH IN (I) AND/0R (II) OCCURRED (THE "**UNDISBURSED CAPITAL ADVANCES AMOUNT**") (SUCH LIQUIDATED DAMAGES CAP, LESS THE UNDISBURSED CAPITAL ADVANCES AMOUNT, IF ANY, THE "**LIQUIDATED DAMAGES AMOUNT**") AS LIQUIDATED DAMAGES AND NOT AS A PENALTY, IN FULL SATISFACTION OF CLAIMS AGAINST PALOMAR HEREUNDER. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 10.2 SHALL LIMIT, RESTRICT, OR OTHERWISE IMPAIR THE AUTHORITY'S RIGHT TO SEEK OR OBTAIN SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, OR ANY OTHER EQUITABLE REMEDY AVAILABLE AT LAW OR IN EQUITY, INCLUDING THE RIGHT TO COMPEL PALOMAR TO CONSUMMATE THE CLOSING IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT. PALOMAR AND THE AUTHORITY AGREE THAT THE AUTHORITY'S DAMAGES RESULTING FROM PALOMAR'S DEFAULT ARE DIFFICULT, IF NOT IMPOSSIBLE, TO DETERMINE, AND THE LIQUIDATED DAMAGES AMOUNT IS A FAIR ESTIMATE OF THOSE DAMAGES WHICH HAVE BEEN AGREED TO IN AN EFFORT TO CAUSE THE AMOUNT OF SUCH DAMAGES TO BE CERTAIN. AN AWARD OF THE LIQUIDATED DAMAGES AMOUNT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO THE AUTHORITY PURSUANT TO SECTIONS 1671, 1676, AND 1677 OF THE CALIFORNIA CIVIL CODE, AND SHALL NOT BE DEEMED TO CONSTITUTE A FORFEITURE OR PENALTY WITHIN THE MEANING OF SECTION 3275 OR SECTION 3369 OF THE CALIFORNIA CIVIL CODE OR ANY SIMILAR PROVISION. IN NO EVENT SHALL PALOMAR BE LIABLE TO THE AUTHORITY FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES.

Authority's Initials:_____ Palomar's Initials:_____

10.3 Indemnification. The indemnification obligations of Palomar and the Authority under this Agreement are subject to and must be made in accordance with the indemnification procedures, rights, and limitations set forth in Section 6 of the Closing Agreement, which provisions are hereby incorporated into and made a part of this Agreement by this reference; *provided, however*, if the Authority is granted the Liquidated Damages Amount pursuant to **Section 10.2** above, then in such event, the provision of **Section 10.2** above shall control over those contained in Section 6 of the Closing Agreement. Further, notwithstanding any provision in this Agreement to the contrary, nothing in this Agreement will limit or impair any right that UCSD Health may have to seek indemnification against Palomar under the Closing Agreement for final resolution of any unresolved Claim or otherwise change Palomar's indemnification obligations under the terms of the Closing Agreement or other applicable Transaction Agreement.

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: [_____]
120 Craven Road, Suite 106
San Marcos, CA 92078
Email: [_____]

With a copy to:
Palomar Health
Attention: Legal Department
120 Craven Road, Suite 106
San Marcos, CA 92078

If to the Authority:
Palomar UCSD Health Authority
2125 Citracado Parkway, Suite 300
Escondido, CA 92029
Attention: [_____]
E-Mail:[_____]

With a copy to:
Best Best & Krieger LLP
1333 N. California Blvd., Suite 220
Walnut Creek, CA 94596
Attention: Noël Caughman, Esq.
Email: noel.caughman@bbklaw.comAttention:

Chief Legal Officer
Palomar Health
2125 Citracado Parkway, Suite 300
Escondido, CA 92029

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

and to (which will not constitute notice):

Sheppard Mullin Richter & Hampton LLP
Four Embarcadero Center, 17th Floor
San Francisco, CA 94111
Attn: Eric Newsom
Email: enewsom@sheppardmullin.com

or at such other address as an entity may designate by notice hereunder to the other entities.

11.2 Legal Fees and Costs of Disputes. In the event a Party incurs reasonable legal expenses to enforce or interpret any provision of this Agreement by mediation, arbitration, or judicial means, the prevailing Party will be entitled to recover such reasonable legal expenses, including Reasonable Attorneys' Fees, costs, and necessary disbursements, in addition to any other relief to which such Party will be entitled. As used herein, the term "**Reasonable Attorneys' Fees**" means reasonable attorneys' fees actually incurred at standard hourly rates.

11.3 Choice of Law. The Parties agree that all disagreements, disputes or claims arising out of or relating to this Agreement or the Contemplated Transaction 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.

11.4 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.

11.5 Legal Advice and Reliance. Except as expressly provided in any Transaction Agreement, 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 Contemplated Transactions under applicable Law, including Tax-related Laws or under the Laws governing the Government Programs. Except for the representations and warranties made in any Transaction Agreement, 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.

11.6 Cost of Transaction.[11] Except as otherwise provided in this Agreement [or Tax Revenue Contribution Agreement], the Authority will bear and pay both Parties' costs and expenses relating to the preparation of the Transaction Agreements and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, the Transaction Agreement, including the disbursements and fees of their respective attorneys, accountants, advisors, agents and other Representatives, incidental to the preparation and carrying out of the Transaction Agreement, whether or not the Contemplated Transactions are consummated, and any one-time costs associated with the Transaction or subsequent transition ("**Transactional Expenses**").

11.7 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.

11.8 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 the Authority or Palomar 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

[11] **HK Note to Draft**: To be updated per FN 2 re: Transactional Expenses.

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.

11.9 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.

11.10 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 have no legal effect in construing the provisions of this Agreement.

11.11 Third-Party Beneficiaries.

(a) Notwithstanding any other provision of this Agreement, UCSD Health, and its respective successors and permitted assigns, are expressly intended as third party beneficiaries of this Agreement and will be entitled to enforce all rights, benefits, covenants, obligations, warranties, representations, undertakings, indemnifications, and remedies contained herein to the full extent as if it were a party they were parties hereto. Without limitation, such enforcement rights will include, the right to: (i) demand performance of any obligation set forth in this Agreement; (ii) receive the benefits of any representations, warranties, indemnities, and covenants in this Agreement; (iii) initiate legal proceedings to enforce any provisions of this Agreement; (iv) seek equitable and injunctive relief to prevent or remedy any breach of this Agreement; and (v) recover damages or other available remedies arising from any breach of this Agreement.

(b) No amendment, modification, waiver, or termination of this Agreement that affects the rights of UCSD Health or its respective successors and permitted assigns will be effective unless such UCSD Health or its respective successors and permitted assigns has provided its prior written consent to such amendment.

(c) The Parties hereto acknowledge and agree that UCSD Health and, as applicable, its respective successors and permitted assigns, have been granted direct and enforceable rights under this Agreement, and such rights will survive the Closing and continue in full force and effect according to the terms of this Agreement.

(d) The terms and provisions of this Agreement are intended solely for the benefit of the Authority, Palomar, and UCSD Health or such entity's respective successors and permitted assigns, and it is not the intention of the Parties to confer, and this Agreement will not confer, third-party beneficiary rights upon any other Person.

11.12 Entire Agreement; Amendment. This Agreement, together with the other Transaction Agreements, 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.

11.13 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 the same instrument. The facsimile signature of any Party or other Person to this Agreement or any other Transaction Agreement or a PDF copy of the signature of any Party or other Person to this Agreement or any other Transaction Agreement 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.

11.14 Condition Precedent. Notwithstanding anything to the contrary in this Agreement, the obligations of the Parties under this Agreement are expressly conditioned upon the occurrence of either a court order, legislative action, or a voter referendum, or alternatively, a judicial validation action or other form of declaratory relief, in each case authorizing Palomar to transfer the Contributed Assets to the Authority.

[Remainder of this page intentionally blank.

***Signatures follow on next page.*]**

IN WITNESS WHEREOF, the Parties have caused this Contribution 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: Chief Executive Officer

THE AUTHORITY:

PALOMAR UCSD HEALTH AUTHORITY

By:_____
Name: Pauline Gourdie
Title: Chair, Board of Directors

EXHIBIT A

"**Affiliate**" means, 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; provided that, UCSD Health, the Authority, and any entity in which the Authority holds any equity interest shall not be considered an Affiliate of Palomar. 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.

"**After-Contributed Assets**" has the meaning set forth in **Section 2.6**.

"**Agreement**" has the meaning set forth in the preamble to this Agreement.

"**Approval**" means 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.

"**Assignment and Assumption Agreement**" has the meaning set forth in **Section 3.2(d)**.

"**Assumed Contracts**" has the meaning set forth in **Section 2.1(d)**.

"**Assumed Leases**" has the meaning set forth in **Section 2.1(b)**.

"**Assumed Liabilities**" has the meaning set forth in **Section 2.3**.

"**Assured**" means Assured Guaranty Inc., a Maryland Insurance company.

"**Assured Forbearance Agreement**" means Forbearance Agreement dated January 16, 2025, by and among Palomar, Master Trustee, and Assured, as the same as amended by the First Amendment to Forbearance Agreement dated May 15, 2025, as amended [_____].

"**Authorities**" means federal and state Laws, regulations, ordinances, and guidance, as well as all medical and ethical cannons, regulations, and standards of patient care.

"**Authority**" has the meaning set forth in the preamble to this Agreement.

"**Authority Fundamental Representations**" means, collectively, the representations and warranties contained in **Section 5.1** (Organization, Capacity), **Section 5.2** (Authority; Non-contravention; Binding Agreement), and **Section 5.4** (Brokers and Finders).

"**Bill of Sale**" has the meaning set forth in **Section 3.2(b)**.

"**Business Day**" means any day of the year on which national banking institutions in California are open to the public for conducting business and are not required or authorized to close.

"**Closing**" has the meaning set forth in **Section 3.1**.

"**Closing Agreement**" means the duly executed closing agreement, by and among UCSD Health, Palomar, and the Authority, executed on October 31, 2025, as amended and restated on June 30, 2026.

"**CMIR**" has the meaning set forth in **Section 6.7**.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Construction Drawings**" has the meaning set forth in **Section 4.7(o)**.

"**Contemplated Transactions**" means, collectively, the transactions contemplated by, or related to, this Agreement and the other Transaction Agreements, including (a) the contribution of the Contributed Assets and (b) the execution, delivery, and performance of this Agreement and the other Transaction Agreements.

"**Contract**" means any legally binding oral or written commitment, promise, contract, lease, sublease, license, sublicense, guaranty, contractor or equipment warranty, prepaid services agreement, indenture, occupancy, or other agreement or arrangement of any kind and all amendments, side letters, modifications, and supplements thereto.

"**Contributed Assets**" has the meaning set forth in **Section 2.1**.

"**Contribution Date**" has the meaning set forth in **Section 3.1**.

"**Copyrights**" means all copyrights, whether in published or unpublished works, which include literary works, and any other original works of authorship fixed in any tangible medium of expression (including nutritional and weight loss manuals and written programs); web site and online application content; rights to compilations, collective works and derivative works of any of the foregoing; and registrations and applications for registration for any of the foregoing and any renewals or extensions thereof.

"**Credit Agreement**" has the meaning set forth in the Recitals.

"**Credit Line**" has the meaning set forth in the Recitals.

"**Credit Line Documents**" has the meaning set forth in the Recitals.

"**Damaged Assets**" has the meaning set forth in **Section 6.8(e)**.

"**Diligence Information**" has the meaning set forth in **Section 6.2**.

"**Disapproved Title Matter**" has the meaning set forth in **Section 6.8(d)**.

"**Disclosure Schedule**" or "**Schedule**" means the disclosure schedules and any other schedule to this Agreement.

"**Domain Names**" means Internet electronic addresses, uniform resource locators and alphanumeric designations associated therewith registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet, rights in social media accounts and social media pages, and all applications for any of the foregoing.

"**Effective Date**" has the meaning set forth in the preamble to this Agreement.

"**Effective Time**" has the meaning set forth in **Section 3.1**.

"**Employee Leasing Agreement**" means an employee leasing agreement that provides for the lease of certain employees of Palomar.

"**Encumbrances**" means 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.

"**Environmental Condition**" means any event, circumstance or conditions related in any manner whatsoever to: (a) the current or past presence or spill, emission, discharge, disposal, Release or threatened Release of any hazardous, infectious or toxic substance or waste (each term as defined by any applicable Environmental Laws), or any chemicals, pollutants, petroleum, petroleum products or oil, infectious waste material, radioactive material, medical waste, human tissue, syringes, needles, any material contaminated with bodily fluids of any type, character or nature, friable asbestos, per and polyflouroalkyl substances, mold and poly-chlorinated biphenyls ("**PCBs**") (collectively, "**Hazardous Materials**"), into the environment; (b) the on-site or off-site treatment, storage, disposal or other handling of any Hazardous Material originating on or from the Escondido Real Property; (c) the placement of structures or materials into waters of the United States; (d) the presence of any Hazardous Materials in any building, structure or workplace or on any portion of the Escondido Real Property; or (e) any violation of Environmental Laws at or on any portion of the Escondido Real Property or arising from the activities of Palomar prior to the Operational Date at the Escondido Facilities involving Hazardous Materials.

"**Environmental Laws**" means all Laws relating to pollution, the environment or human health and safety (including worker health and safety), including the Comprehensive Environmental Recovery, Compensation, and Liability Act, as amended, 42 U.S.C. § 6901, *et seq.*, the Clean Air Act, 42 U.S.C. § 7401; OSHA; and all other Laws relating to emissions, discharges, Releases, or threatened Releases of pollutants, contaminants, chemicals, pesticides, or industrial, infectious, toxic or hazardous substances or wastes into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or otherwise relating to the processing, generation, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, infectious, toxic, or hazardous substances or wastes, including Hazardous Material.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Escondido Appurtenances**" has the meaning set forth in the Recitals .

"**Escondido Business**" means the business of delivering healthcare services to the public through the ownership, leasing, and operation of the Escondido Facilities and the provision of outpatient and other healthcare businesses through (a) Palomar prior to the Operational Date, and (b) the Authority pursuant to the Use Agreement after the Operational Date, at the Escondido Facilities.

"**Escondido Facilities**" has the meaning set forth in the Recitals.

"**Escondido Hospital**" means the Palomar Medical Center Escondido, a 288-bed acute care hospital located at 2185 Citracado Parkway, Escondido, California 92029.

"**Escondido Improvements**" has the meaning set forth in the Recitals.

"**Escondido Land**" has the meaning set forth in the Recitals.

"**Escondido Real Property**" has the meaning set forth in the Recitals .

"**Excluded Assets**" has the meaning set forth in **Section 2.2**.

"**Excluded Contracts**" has the meaning set forth in **Section 2.2(b)**.

"**Excluded Liabilities**" has the meaning set forth in **Section 2.4**.

"**Exhibits**" means the exhibits to this Agreement.

"**Existing Advances**" has the meaning set forth in the Recitals.

"**Existing Loan Documents**" has the meaning set forth in the Recitals.

"**Facility Inspections**" has the meaning set forth in **Section 6.1**.

"**FPPC**" means the California Fair Political Practices Commission.

"**GASB**" has the meaning set forth in **Section 1.2(a)**.

"**General Obligation Bonds**" means, collectively, the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A, the Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2009A, the Palomar Pomerado Health General Obligation Bonds, SMRH:4904-2002-2630.18 -66- Election of 2004, Series 2010A, the Palomar Health General Obligation Refunding Bonds, Series 2016A, and the Palomar Health General Obligation Refunding Bonds, Series 2016B.

"**Grant Deed**" has the meaning set forth in **Section 3.2(a)**.

"**Governmental Authority**" means 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; for the avoidance of doubt, Governmental Authority will include the FPPC.

"**Hazardous Materials**" has the meaning set forth in the definition of Environmental Condition.

"**HCAI**" means the California Department of Health Care Access and Information, formerly Office of Statewide Health Planning and Development.

"**Indebtedness**" means, 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; (j) 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 has 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 Time.

"**Initial Contributed Assets**" means the assets contributed under the terms of the Initial Contribution Agreement.

"**Initial Contribution Agreement**" has the meaning set forth in the Recitals to this Agreement.

"**Initial UCSD Loan Agreement**" has the meaning set forth in the Recitals.

"**Initial UCSD Loan Documents**" has the meaning set forth in the Recitals.

"**Insurance Policies**" has the meaning set forth in **Section 4.8**.

"**Intellectual Property**" means any and all of the following, and rights in, arising out of, or associated therewith, throughout the world: Copyrights, Domain Names, Social Media Accounts, Patents, Trademarks and Trade Secrets, the right to use the names and likenesses of natural persons and publicity and privacy rights generally, any other proprietary rights now known or hereafter recognized in any jurisdiction worldwide, copies and tangible embodiments thereof (in whatever form or medium), and the right to sue and recover damages or other remedies for past, present and future infringement, misappropriation, dilution, or other violation thereof.

"**Intellectual Property Assignment Agreement**" has the meaning set forth in **Section 3.2(e)**.

"**IRS**" means the Internal Revenue Service.

"**Joint Powers Act**" means the Joint Exercise of Powers Act, Cal. Gov. Code § 6500, *et seq.* , as amended.

"**Joint Powers Agreement**" has the meaning set forth in the Recitals to this Agreement.

"**Knowledge of Palomar**" means, as of the Effective Date, the actual knowledge after due and reasonable inquiry of Diane Hansen, Omar Khawaja, MD, Mel Russell, RN, Andrew Tokar, Melissa Wallace, Russ Riehl, Phil Yphantides, MD, Heather Punak, and immediately following the Effective Date, means the actual knowledge after due and reasonable inquiry of the chairperson of the board of Palomar. For purposes of this definition, "due and reasonable inquiry" includes inquiry of direct reports as to the completeness and accuracy of the matter or such individual has been provided notice of that fact or matter.

"**Law**" means, with respect to any Person, all statutes, ordinances, codes, rules or regulations of any Governmental Authority, common law, 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, and includes Healthcare Laws.

"**Lease Agreement**" means any lease (including any ground lease, master lease or prime lease), sublease, license, timeshare arrangement or any other occupancy agreement affecting all or some portion of the Escondido Real Property or to which Palomar is a party (whether as lessee/lessor or sublessee/sublessor), together with any amendments, supplements, exhibits, addenda, and modifications thereto.

"**Lease Assignment**" has the meaning set forth in **Section 3.2(f)**.

"**Liability**" means any liability, Indebtedness, obligation, recoupment, interest, Tax, penalty, fine, claim, demand, judgment, or other Losses (including loss of benefit or relief), cost or expense of any kind or nature whatsoever, whether known or unknown, asserted or unasserted, absolute, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, recorded or unrecorded, due or to become due or otherwise, and regardless of when asserted.

"**Liquidated Damages Amount**" has the meaning set forth in **Section 10.2**.

"**Liquidated Damages Cap**" has the meaning set forth in **Section 10.2**.

"**Loss**" or "**Losses**" means any and all losses, Liabilities, causes of action, costs, damages or expenses, whether or not arising from or in connection with any Third Party Claims (including interest, penalties, reasonable attorneys', consultants' and experts' fees and expenses and all amounts paid in investigation, defense or settlement of any of the foregoing); *provided, however*, that Losses will not include punitive or exemplary damages, incidental damages, consequential damages, special damages, indirect damages, or other unforeseen damages, including diminution of value, loss of business reputation, goodwill or opportunity or any losses based on any type of multiple or lost profits, except to the extent awarded in connection with a Third Party Claim.

"**Master Indenture**" means that certain Master Trust Indenture, dated as of December 1, 2006, as supplemented and amended, among Palomar Health, PHMG, and Master Trustee (together with all supplements, amendments, modifications, extensions, renewals, and replacements thereto).

"**Master Trustee**" means 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.

"**Material Adverse Effect**" means any result, occurrence, fact, change, event, or effect that results in, or would reasonably be expected to has, or would reasonably be expected to have, a material adverse effect on the Contributed Assets or the Escondido Real Property, taken individually or as a whole; *provided, however*, that "Material Adverse Effect" will not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) conditions generally affecting the industries in which Palomar operates; (ii) any change or proposed change in the requirements, reimbursement rates, policies or procedures of third-party payors or accreditation organizations that are generally applicable to hospitals or health care facilities in the State of California; (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted

by this Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of the Authority; (vi) the negotiation, execution or performance of this Agreement or the announcement, pendency or completion of the Contemplated Transactions; (vii) any natural or man-made disaster or acts of God or other force majeure events; (viii) any pandemic, epidemic, public health emergency or similar infectious disease emergency; *provided, however*, that any result, occurrence, fact, change, event, or effect referred to clause (i), through (viii) will be taken into account in determining whether a Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition, or change has a disproportionate effect on Palomar compared to other participants in the healthcare industry.

"**Material Consents**" has the meaning set forth in **Section 7.2**.

"**New Advance**" has the meaning set forth in the Recitals.

"**Objection Response Notice**" has the meaning set forth in **Section 6.8(c)**.

"**OHCA**" means the Office of Health Care Affordability under the California Department of Health Care Access and Information.

"**OHCA Notices**" has the meaning set forth in **Section 6.7.**

"**OFAC**" means the Office of Foreign Assets Control of the Department of the Treasury.

"**OIG**" means the Office of the Inspector General of the U.S. Department of Health and Human Services.

"**Order**" means any judgment, order, writ, injunction, decree, determination, or award, including an arbitration award of any Governmental Authority or arbitrator.

"**OSHA"** means the Occupational Safety and Health Act, 29 U.S.C. § 600, *et seq*.

"**Owned Intellectual Property**" means any and all Intellectual Property, to the extent used or held for use in, or otherwise relating to, the Contributed Assets, Escondido Business, or the Escondido Facilities, that is owned or purported to be owned by Palomar and was not transferred under the Initial Contribution Agreement.

"**Palomar**" has the meaning set forth in the preamble to this Agreement.

Palomar Employees" means all individuals, as of any date specified herein, who are employed by Palomar.

"**Palomar Environmental Obligations**" has the meaning set forth in **Section 4.10(b)**.

"**Palomar Fundamental Representations"** means, collectively, the representations and warranties contained in **Section 4.1** (Organization, Capacity), **Section 4.2** (Authority, Non-Contravention, Binding Agreement), **Section 4.5** (Compliance with Laws), **Section 4.7** (Real Property), **Section 4.10** (Environmental Matters), **Section 4.11** (Brokers and Finders), **Section 4.15** (Statements True and Correct) and **Section 4.19** (Bring Down).

"**Party**" or "**Parties**" has the meaning set forth in the preamble to this Agreement.

"**Patents**" means all inventions (whether or not patentable and whether or not reduced to practice), patents, industrial and utility models, industrial designs, certificates of invention, and any other indicia of invention ownership issued or granted by any Governmental Authority, including all provisional applications, priority and other applications, continuations (in whole or in part), extensions, reissues, reexaminations or equivalents or counterparts of any of the foregoing.

"**PCBs**" has the meaning set forth in the definition of Environmental Condition.

"**Pending Construction Projects**" has the meaning set forth in **Section 4.7(h)**.

"**Permits**" has the meaning set forth in **Section 2.1(e)**.

"**Permitted Encumbrances**" means (a) any liens for Taxes not yet due and payable; (b) zoning regulations and other Laws, rules, regulations, codes, orders and directives affecting the Escondido Real Property; (c) statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies or any carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or similar Encumbrances arising out of work performed, services provided or materials delivered that (i) have not been filed of record, or (ii) have been paid off in full or bonded off in accordance with applicable Law and removed from title to the Escondido Real Property; (d) liens or options arising out of any act of the Authority or its Representatives, including the TIC Property Interest, Post-Operational Option and JPA Option; and (e) any matters shown by the Title Report (or any update thereto) to which the Authority does not object or which are waived (or deemed waived) by the Authority under this Agreement.

"**Person**" means any individual, limited liability company, corporation, association, partnership, firm, joint venture, trust, trustee, Governmental Authority, or other form of business organization recognized under applicable Law.

"**Personal Property**" has the meaning set forth in **Section 2.1(c)**

"**PHMG**" means Arch Health Partners, Inc., a California nonprofit public benefit corporation, d/b/a Palomar Health Medical Group, whose sole corporate member is the Authority.

"**Plans**" means (i) employee benefit plans within the meaning of Section 3(3) of ERISA; and (ii) any employment, severance, termination or similar Contract and any other employee benefit plan, program, policy, or arrangement providing for compensation, bonuses, commission, profit-sharing, stock option or other stock- or equity-linked benefits or rights, incentive, deferred compensation, vacation or paid-time-off benefits, insurance (including any self-insured arrangements), death, life, dental, vision, health or medical benefits, employee assistance, disability or sick leave benefits, workers' compensation, supplemental unemployment benefits, retention, transaction, change of control payments, savings, pension, retirement, post-employment or retirement benefits or other employee compensation plan, program, policy, agreement, program, arrangement or commitment, which Palomar or any Person that is required to be aggregated with a Palomar under Section 414 of the Code currently sponsors, maintains, or contributes to, or to which Palomar has any outstanding present or future obligations to contribute or other Liability, whether voluntary, contingent or otherwise.

"**Poway Facilities**" means (i) the Poway Hospital, (ii) a skilled nursing facility situated on a portion of the Poway Land commonly referred to as The Villas at Poway, (iii) a medical office building situated on a portion of the Poway Land commonly referred to as Pomerado Outpatient Pavilion, (iv) a parking structure situated on a portion of the Poway Land, (v) the other facilities identified on Schedule 3, and (vi) certain other improvements and structures on the Poway Land.

"**Poway Land**" means certain real property located in and around Poway, California, as more specifically described on Schedule 4, together with all buildings, structures, improvements, and fixtures situated thereon.

"**Pre-Authority Advances**" has the meaning set forth in the Recitals.

"**Pre-Authority Loan Documents**" has the meaning set forth in the Recitals.

"**Pre-Operational Option Agreement**" has the meaning set forth in the Recitals.

"**Prepaid Assets**" means all advance payments, prepayments, prepaid expenses, and deposits which were made by Palomar with respect to the Escondido Real Property or the Contributed Assets, including deposits for leases and utilities, but excluding any deposits or other prepayments for leases that are Excluded Contracts.

"**Proceeding**" means any action, arbitration, audit, hearing, investigation or suit (whether civil, criminal, administrative, judicial, or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any (a) Governmental Authority, (b) Medicare fiscal intermediary or administrative contractor, recovery audit contractor, zone program integrity contractor, unified program integrity contractor or similar government program contractor or (c) arbitrator, whether at Law or in equity.

"**Property Taxes**" means all ad valorem, real property, and personal property Taxes, all general and special private and public assessments relating to real property, and all similar obligations and Taxes.

"**Reasonable Attorneys' Fees**" has the meaning set forth in **Section 11.2**.

"**Records**" means originals, or where not available, copies (including in electronic format), of books and records maintained in connection with the Escondido Real Property or the Contributed Assets, including books and records relating to books of account, ledgers and general financial accounting records, records and data (including all correspondence with any Governmental Authority) that relate to the Escondido Real Property.

"**Release**" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing of any pollutants, contaminants, chemicals, or industrial, infectious, toxic, or hazardous substances or wastes, including Hazardous Material, into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata).

"**Representatives**" means with respect to any Person, any of its Affiliates, directors, trustees, officers, members, employees, consultants, agents, attorneys, advisors, and other representatives.

"**Retained Asset Contribution Approvals**" has the meaning set forth in the Joint Power Agreement.

"**Schedule**" or "**Disclosure Schedule**" means the disclosure schedules and any other schedule to this Agreement.

"**Schedule Update**" has the meaning set forth in **Section 6.3(b)**.

"**Second UCSD Loan Agreement**" has the meaning set forth in the Recitals.

"**Second UCSD Loan Documents**" has the meaning set forth in the Recitals.

"**Sharp**" means Sharp Healthcare, a California nonprofit public benefit corporation.

"**Sharp Forbearance Agreement**" means the Forbearance Agreement dated January 14, 2025, by and between Sharp and Palomar.

"**Sharp Loan Documents**" means the Loan Agreement, dated as of March 29, 2024, by and between Sharp and Palomar and the other Loan Documents (as such term is defined in the Sharp Loan Agreement solely for the purpose of this definition).

"**Social Media Accounts**" means any and all accounts, profiles, pages, feeds, registrations and other presences on or in connection with any (a) social media or social networking website or online service, (b) blog or microblog, (c) mobile application, (d) photo, video or other content-sharing website, (e) virtual game world or virtual social world, (f) rating and review website, (g) wiki or similar collaborative content website or (h) message board, bulletin board, or similar forum.

"**Social Security Act**" means the Social Security Act of 1935 and all regulations promulgated thereunder.

"**Survey**" has the meaning set forth in **Section 6.8(a)**.

"**Survival Period**" has the meaning set forth in **Section 10.1**.

"**Tail Policies**" has the meaning set forth in **Section 7.3**.

"**Tax**" or "**Taxes**" means (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, by operation of Law, or otherwise.

"**Tax Revenue Contribution Agreement**" means that certain Tax Revenue Contribution Agreement by and between Palomar and the Authority entered into June 30, 2026.

"**Tax Return**" means any return, declaration, report, form, claim for refund, information return or statement, or other document (including any Tax Return for estimated Taxes), including schedules, attachments, and amendments, relating to Taxes filed or required to be filed with any Governmental Authority.

"**Tenants**" has the meaning set forth in **Section 2.1(b)**.

"**Third UCSD Loan Agreement**" has the meaning set forth in the Recitals.

"**Third UCSD Loan Documents**" has the meaning set forth in the Recitals.

"**TIC Agreement**" has the meaning set forth in the Recitals.

"**TIC Agreement Termination**" has the meaning set forth in **Section 3.2(n)**.

"**TIC Property Interest**" has the meaning set forth in the Recitals.

"**Title Approval Date**" has the meaning set forth in **Section 6.8(b)**.

"**Title Company**" means Fidelity National Title, 4370 La Jolla Drive, Suite 240, San Diego, CA 92122, Attn: Jeff Razi, Esq.

"**Title Objection Notice**" has the meaning set forth in **Section 6.8(b)**.

"**Title Policy**" means an ALTA extended coverage owner's policy in an amount equal to the portion of the Valuation Amount allocated to the Escondido Real Property.

"**Title Report**" means one or more current preliminary title commitments for the Escondido Real Property, as such commitment(s) may be updated from time to time.

"**Title Response Period**" has the meaning set forth in **Section 6.8(c)**.

"**Trade Secrets**" means anything that would constitute a "trade secret" under applicable Law, and, whether or not confidential, all business information (including ideas, research and development information, know-how, formulas, compositions, technical data, designs, drawings, specifications, research records, records of inventions, test information, financial, marketing and business data, customer and supplier lists and information, pricing and cost information, business and marketing plans and proposals).

"**Trademarks**" means trademarks, service marks, trade names (including fictitious, assumed and d/b/a names), certification marks, collective marks, and other proprietary rights to any words, names, slogans, symbols, logos or combinations thereof used to identify, distinguish and indicate the source or origin of goods or services; registrations, renewals, applications for registration, equivalents and counterparts of the foregoing; and the goodwill of the business associated with each of the foregoing.

"**Transaction Agreement**" or "**Transaction Agreements**" means this Agreement, the Grant Deed, Bill of Sale, Assignment and Assumption Agreement, Intellectual Property Assignment Agreement, Lease Assignment, and the other certificates, instruments, and documents prepared, executed, and delivered pursuant to this Agreement or in connection with this Agreement.

"**Transactional Expenses**" has the meaning set forth in **Section 11.6**.

"**Transfer Taxes**" means any real or personal property transfer, sales, use, excise, documentary, transfer, value added, stock transfer, stamp or similar Taxes, and any transfer, recording, registration, and any other similar fees, levies, Taxes or amounts (including any penalties, fines and interest), together with any conveyance fees, recording charges and other similar fees and charges, in each case, imposed or payable in connection with this Agreement and the Contemplated Transactions.

"**Transferred Intellectual Property**" means any Intellectual Property, to the extent used primarily in connection with the Escondido Business or the Contributed Assets that is owned or purported to be owned, licensed, or purported to be licensed, in whole or in part, by or to Palomar and which was not transferred under the Initial Contribution Agreement.

"**Treasury Regulations**" means the final, proposed, or temporary regulations of the U.S. Department of the Treasury, promulgated under the Code.

"**Trust Indenture Documents**" means those supplements, documents, instruments, certificates and opinions delivered by the Credit Group Representative to the Master Trustee (as each is defined in the Master Indenture) in connection with the issuance of the Obligation No. 15 and any new Obligations including as the same may be issued in connection with any Initial Advance Documents or any New Advance Documents, and the satisfaction of any conditions specified in the Master Indenture in connection therewith (together with all supplements, amendments, modifications, extensions, renewals and replacements thereto).

"**Undisbursed Capital Advances Amount**" has the meaning set forth in **Section 10.2**.

"**UCSD Health**" has the meaning set forth in the preamble to this Agreement.

"**UCSD Health Contribution Agreement**" means the agreement entered into between UCSD Health and the Authority dated June 30, 2026.

"Valuation Amount" means the value assigned to the Contributed Assets in that certain report dated November 5, 2025, prepared by Deloitte Transactions and Business Analytics LLC, as amended and finalized on [_____].

OPTION AGREEMENT

THIS OPTION AGREEMENT (this "**Option Agreement**") is made and entered into effective as of June 30, 2026 (the "**Effective Date**"), by and among 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 ("**Optionee**"), on the one hand, and PALOMAR UCSD HEALTH AUTHORITY, a joint exercise of powers authority duly organized and validly existing under the laws of the State of California ("**Optionor**" or the "**Authority**"), on the other hand. Optionee and Optionor may be collectively referred to herein as the "**Parties**" or each individually as a "**Party**."

RECITALS

WHEREAS, Optionor owns and operates: (i) the acute care hospital known as Palomar Medical Center Poway (the "**Poway Hospital**"), (ii) the Land on which the Poway Hospital is located as more particularly described in [Exhibit _] to the Purchase Agreement (defined below) attached hereto (the "**Poway Land**"); (iii) the [19.5%] tenant in common interest (the "**TIC Interest**") in the Land on which the Escondido Hospital (defined below) is located as more particularly described in [Exhibit _] to the Purchase Agreement (the "**Escondido Land**"), (iv) the ambulatory surgery center known as the San Marcos Ambulatory Care Center (the "**SMACC**"), together with the Land on which the SMACC is located as more particularly described in [Exhibit _] to the Purchase Agreement attached hereto (the "**San Marcos Land**"); and (v) the Land on which the PDP Ramona medical office building is located as more particularly described in [Exhibit _] to the Purchase Agreement attached hereto (the "**Ramona Land**"), together with all buildings, structures, improvements, and fixtures situated thereon and those other Facilities, Improvements and Appurtenances described in the Purchase Agreement (collectively, the "**Owned Property**").

WHEREAS, Optionor also has the exclusive right to use and operate the acute care hospital known as the Palomar Medical Center Escondido (the "**Escondido Hospital**" and, together with the Poway Hospital, the "**Hospitals**") pursuant to the terms of that certain Use Agreement of even date herewith (the "**Use Agreement**") between Optionor, as licensee and Palomar Health, a California local health care district and political subdivision of the State of California ("**Palomar**"), as licensor, together with he exclusive right to use those other Licensed Items (as defined in the Use Agreement) (the "Licensed Property, and together with the Owned Property, the "**Property**").

WHEREAS, Optionee advanced a total of Forty Million Dollars ($40,000,000.00) (the "**Advances**") to Optionor, Palomar and Arch Health Partners, Inc., a California nonprofit public benefit corporation, d/b/a Palomar Health Medical Group ("**PHMG**" and together with Optionor and Palomar, the "**Initial Borrower**") in three separate tranches: (i) an initial advance of Twenty Million Dollars ($20,000,000.00) pursuant to that certain Loan Agreement dated April 4, 2025 by and between Optionee and Initial Borrower (the "**Initial UCSD Loan Agreement**") and together with the other Loan Documents (as such term is defined in the Initial UCSD Loan Agreement) (collectively, the "**Initial UCSD Loan Documents**"); (ii) a second advance of Ten Million Dollars ($10,000,000.00) pursuant to that certain Loan Agreement dated July 24, 2025 by and between Optionee and Initial Borrower (the "**Second UCSD Loan Agreement**") and together with the

other Loan Documents (as such term is defined in the Second UCSD Loan Agreement) (collectively, the "**Second UCSD Loan Documents**"); and (iii) a third advance of Ten Million Dollars ($10,000,000.00) pursuant to that certain Loan Agreement dated as of October 31, 2025 by and between Optionee and Initial Borrower (the "**Third UCSD Loan Agreement**") and together with the other Loan Documents (as such term is defined in the Third UCSD Loan Agreement) (collectively, the "**Third UCSD Loan Documents**", and, together with the Initial UCSD Loan Documents, and the Second UCSD Loan Documents, collectively the "**Advance Documents**").

WHEREAS, Optionee has extended up to Fifty Million Dollars ($50,000,000) of revolving credit facilities to Borrower (the "**Credit Line**") pursuant to that certain Line of Credit Agreement dated as of October 31, 2025 by and between Optionee and Initial Borrower (the "**Credit Agreement**") and together with the other Credit Line Documents (as such term is defined in the Credit Agreement) (collectively, the "**Credit Line Documents**").

WHEREAS, Optionee and Palomar entered into that certain Joint Exercise of Powers Agreement dated as of October 31, 2025 (as amended from time to time, the "**Joint Powers Agreement**") for the purpose of forming Optionor and with the intent of transferring Palomar's assets to Optionor through a two-phased transaction.

WHEREAS, in furtherance of the formation of and fulfillment of the Optionor's purpose, and to accomplish the first-phase of the two-phased transaction, concurrently with the execution of this Option Agreement, (i) Optionor, Optionee and Palomar entered into that certain Amended and Restated Closing Agreement dated as of even date herewith (the "**Closing Agreement**"); (ii) Optionor and Palomar entered into that certain Initial Contribution Agreement dated as of even date herewith (the "**Initial Contribution Agreement**"), that certain Employee Leasing Agreement dated as of even date herewith (the "**Employee Leasing Agreement**"), that certain Tax Revenue Contribution Agreement dated as of even date herewith (the "**Tax Revenue Contribution Agreement**"), that certain Tenancy-In-Common Agreement dated as of even date herewith (the "**TIC Agreement**"), and the Use Agreement; and (iii) Optionee and Optionor entered into that certain Contribution Agreement dated as of even date herewith (the "**UCSD Contribution Agreement**").

WHEREAS, concurrently with the execution of this Option Agreement, Optionor became a co-borrower under the Advance Documents and the Credit Line Documents with the rights and liabilities of borrower under the Advance Documents and the Credit Line Documents pursuant to the terms of that certain Assignment and Assumption Agreement (the "**Co-Borrower Assignment Agreement**") dated as of even date herewith by and among Optionee, as lender, and Initial Borrower, as assignor and co-borrower, and Optionor, as assignee and co-borrower. All references to "**Borrower**" mean and refer to Optionor and Initial Borrower in connection with each of the Advance Documents and/or the Credit Line Documents.

WHEREAS, concurrently with the execution of this Option Agreement, Optionor became an Obligated Group Member as defined in the Master Trust Indenture dated as of December 1, 2006 (as amended from time to time, the "**Master Indenture**") by and between Palomar and U.S. Bank National Association, as Master Trustee (the "**Master Trustee**") and in connection with certain existing events of default under the Master Indenture, Optionor, Palomar and PHMG, in

their capacity as Obligated Group Members and Assured Guaranty Inc., a Maryland insurance company ("**Assured**") have also entered into the Amended and Restated Forbearance Agreement dated as of even date herewith (the "**Assured Forbearance Agreement**").

WHEREAS, Optionor has committed certain capital and in-kind contributions to the Authority pursuant to the UCSD Contribution Agreement, including, without limitation, cash advances in the aggregate amount of One-Hundred Sixty Million Dollars ($160,000,000) (the "**Cash Advances**") to implement certain strategic initiatives as further described in and in accordance with the terms of the UCSD Contribution Agreement.

WHEREAS, upon the occurrence of certain events, Palomar has agreed to transfer ownership of the Escondido Hospital and all other Retained Assets (as defined in the JPA Agreement) to the Authority pursuant to the terms of that certain Retained Asset Contribution entered into by Palomar and Optionor concurrently herewith (the "**Retained Asset Contribution Agreement**"), which provides for the remaining transfers to accomplish the second-phase of the transaction.

WHEREAS, in connection with the funds advanced and the commitment to provide additional financing and support to the Authority and in consideration of the payment of the Option Fee described below, Optionor agreed to grant Optionee the Option (as defined herein) to purchase the Acquired Assets (as defined in the Purchase Agreement, the "**Acquired Assets**") pursuant to the terms as set forth on the Asset Purchase Agreement attached hereto as Exhibit A (the "**Purchase Agreement**").

WHEREAS, to secure the obligations under this Option Agreement, Optionor has granted Optionee a first-priority mortgage lien on the real property assets comprising the Acquired Assets (including improvements consisting of a healthcare facility) pursuant to that certain Deed of Trust with Fixture Filing and Security Agreement dated as of the Effective Date (the "**Post-Operational Option Deed of Trust**").

WHEREAS, capitalized terms used in this Option Agreement, but not defined herein, have the meaning ascribed to such capitalized terms in the attached Purchase Agreement.

WHEREAS, Optionor has determined that the granting of this Option is in the best interest of Optionor and Optionor has duly approved and authorized this Option Agreement, the attached Purchase Agreement and the other transactions contemplated by this Option Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the agreements, covenants, representations, and warranties set forth in this Option Agreement, and other good and valuable consideration, the receipt and adequacy of which are acknowledged and agreed, the Parties agree as follows:

1. Grant of Option. Subject to the terms and conditions of this Option Agreement, Optionor grants to Optionee the exclusive option (the "**Option**") to purchase the Acquired Assets (as defined in the Purchase Agreement), pursuant to the terms and conditions set forth in this Option Agreement and in the Purchase Agreement.

1.1 Option Consideration. The Parties acknowledge and agree that the Option is granted in consideration of Optionee's (a) One Hundred Dollars ($100.00), to be paid within five (5) Business Days after the full execution and delivery of this Option Agreement (the "**Option Fee**"), and (b) the other consideration recited in this Option Agreement. If Optionee elects to exercise its rights to purchase the Acquired Assets as set forth herein, the Option Fee will be applied to the Purchase Price (defined below).

1.2 Term; Termination.

1.2.1 Term. Provided that the Co-Borrower Assignment Agreement and the UCSD Contribution Agreement have been fully executed and the Option Fee has been delivered to Optionor, the Option will be exercisable commencing upon the first occurrence of an Option Trigger Event (as defined in Section 1.3 below) and terminating on the Option Expiration Date (as defined below). The period from the first occurrence of an Option Trigger Event through and including the Option Expiration Date is referred to herein as the "**Option Term**". Notwithstanding that the Option Term may commence after the Effective Date, the exclusive right to purchase the Acquired Assets and the mutual covenants and agreements in this Option Agreement will commence and be binding upon the Parties as of the Effective Date and continue until the earliest to occur of (such date, the "**Option Expiration Date**"): (a) the date that is the last day of the twelfth (12th) full calendar month following such Option Trigger Event, (such date the "**Option Trigger Expiration Date**"); or (b) the date on which all of the following have occurred: (i) the Escondido Hospital and any other Retained Assets are transferred to the Authority in full pursuant to the terms of the Retained Asset Contribution Agreement, and (ii) Optionor has granted Optionee a binding option to purchase all of the Authority's assets (which for the avoidance of doubt includes both Hospitals and the Authority's rights under the Employee Lease Agreement and the Tax Revenue Contribution Agreement) (the "**JPA Option**") pursuant to the terms of the Option Agreement entered into by and between Optionor and Optionee concurrently herewith in the form attached to the Closing Agreement as Exhibit I (the "**JPA Option Agreement**"). The period from the Effective Date through and including the Option Expiration Date is referred to herein as the "**Term**". Notwithstanding the foregoing, in the event the Option is validly exercised during the Option Term but the Parties fail to execute or close on the Purchase Agreement prior to the Option Expiration Date, then the Term shall extend for such period as necessary to accomplish the closing, but in no event greater than eighteen (18) months.

1.3 Option Trigger Event. The following events will trigger the commencement of the Option Term pursuant to Section 1.2 above (such instance being the "**Option Trigger Event**"):

1.3.1 Optionor's failure to complete or cause the completion of any one of the following by December 15, 2028 (unless otherwise mutually agreed to by the Parties in writing): a court order, legislative action or a voter referendum, or alternatively, a judicial validation action or other form of declaratory relief, in each case authorizing Palomar to transfer the Retained Assets to the Authority (each such instance an "**Authorizing Event**");

1.3.2 Optionor's failure to complete or cause the completion of all of the following within one hundred eighty (180) days following the first occurrence of an Authorizing

Event under Section 1.3.1 above (unless otherwise mutually agreed to by the Parties in writing, such date, the "**Outside Phase II Closing Date**"):

(a) all Approvals necessary from all Governmental Authorities and third parties (whether by contract or by law) to transfer the Retained Assets to the Authority must have been obtained and must be in full force and effect;

(b) contribution and transfer of all Retained Assets to the Authority pursuant to the Retained Asset Contribution Agreement (including recording of all grant deeds and execution of all assignments, bills of sale and other transfer documents necessary to effectuate such transfers);

(c) full execution and delivery of all of the following: (i) a final and binding JPA Option Agreement by and among Optionor and Optionee; and (ii) the recording in the Official Records of San Diego County of: (A) a memorandum of option with respect to the JPA Option and (B) a first priority deed of trust securing the obligations under the JPA Option; and

(d) each approval, consent and authorization identified on Schedule 1.3.1(e) attached hereto (the "**Material Post-Operational Option Consents**") must have been obtained and must be in full force and effect;

1.3.3 any material breach by Optionor of a covenant or condition in this Option Agreement or in any of the following: (i) the Advance Documents, (ii) the Credit Line Documents, (iii) the Post-Operational Option Deed of Trust, (iv) the Closing Agreement, (v) the Initial Contribution Agreement, (vi) the Use Agreement, (vii) the Employee Lease Agreement, (viii) the Tax Revenue Contribution Agreement, (ix) the UCSD Contribution Agreement, (x) the TIC Agreement, and (xi) the Co-Borrower Assignment Agreement, (and together with this Option Agreement, as each may be amended from time to time, the "**Phase I Authority Documents**") that remains uncured for the longer of: (A) the cure period provided in the respective Phase I Authority Document, and (B) a period of sixty (60) days following written notice thereof from Optionee to Optionor;

1.3.4 any material breach by Optionor that constitutes an Event of Default under Section 9.2 (to the extent the Master Trustee takes any action to foreclose on such Obligation or sweep any accounts of Optionor), Sections 9.4, 9.5, 9.6, 9.7, 9.11, and 9.12 of this Option Agreement;

1.3.5 Optionor, through a determination by not less than a simple majority of its board of directors ("**Board of Directors**"), and Optionee mutually agree that Optionor cannot continue to operate or that Optionor cannot meet its obligations as they become due and Optionor and Optionee, each acting reasonably and in good faith, determine in writing that Optionor is unable to continue operating the Facilities in the ordinary course or is unable to pay its debts as they become due in accordance with their terms;

1.3.6 Optionor, through its Board of Directors, votes or elects to dissolve Optionor or to cease Optionor's operations at the Poway Hospital or the Escondido Hospital; or

1.3.7 Palomar (i) files a petition seeking relief under the U.S. Bankruptcy Code or otherwise seeks 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 (ii) through its Board of Directors, votes or elects to dissolve Palomar.

1.4 Exercise of Option. Upon the occurrence of an Option Trigger Event and at any time on or before the Option Expiration Date, Optionee may exercise the Option by providing written notice to Optionor at the address stated in and in accordance with the terms of Section 7 below (the "**Exercise Notice**") stating Optionee's intention to exercise the Option as to all of the Acquired Assets. Upon Optionor's receipt of the Exercise Notice, the Parties will promptly, within five (5) Business Days, execute the Purchase Agreement and proceed to closing of the transaction contemplated therein, in accordance with the terms of this Option Agreement and the Purchase Agreement; provided, however, that Optionee will have the right to rescind such Exercise Notice as to all or any portion of the Acquired Assets by written notice to Optionor within thirty (30) days after receipt of the FMV Determination referenced in Section 1.6 below if, in Optionee's sole discretion, the resulting valuation is not acceptable to Optionee. For the avoidance of doubt, Optionee's exercise of the rescission right under this Section 1.4 will not constitute a default, waiver of any rights, or forfeiture of any amounts previously paid or advanced by Optionee, and the Option will remain in full force and effect following any such rescission

1.5 Escrow; Purchase Agreement. Upon Optionee's timely exercise of the Option in accordance with Section 1.4, Optionor is obligated to sell the Acquired Assets to Optionee on the terms and conditions as set forth in the Purchase Agreement. Optionor and Optionee each acknowledge and agree that all of the material and essential terms to purchase the Acquired Assets are set forth in this Option Agreement, which incorporates by this reference all of the terms and conditions set forth in the Purchase Agreement attached hereto as Exhibit A. Optionor and Optionee must, within five (5) Business Days following Optionor's receipt of Exercise Notice enter into the Purchase Agreement and within ten (10) Business Days open an escrow with the Title Company. At any time during the Term of this Option Agreement, Optionor must, upon the written request of Optionee, deliver to the Title Company, in its capacity as escrow holder, a signed copy of the Purchase Agreement, together with a duly executed and acknowledged Grant Deed and those other Seller's Closing Deliveries identified in Section 3.2 of the Purchase Agreement, to be held in escrow until the Option is exercised or this Option Agreement terminates. The delivery of the signed Purchase Agreement to escrow holder pursuant to this Section 1.5 will not prevent or prohibit the delivery of or any necessary updates to the Disclosure Schedules pursuant to Section 4.3.

1.6 Purchase Price. The purchase price for the Acquired Assets (the "**Purchase Price**") will be the fair market value as of the date of exercise of the Option as determined by Deloitte Transactions and Business Analytics LLP ("**Deloitte**") or such other independent valuation consultant as agreed to by the Parties in writing (such valuation, the "**FMV Determination**") as adjusted in accordance with Section 2.7 of the Purchase Agreement, including, without limitation, a deduction for the Contribution Credit (representing advances and capital contributions previously made by Optionee, and applied solely as a purchase price adjustment and not as debt repayment). The term "Contribution Credit" has the meaning ascribed to it in the Purchase Agreement and the treatment, application and effect of the Contribution Credit

on the Purchase Price shall be governed exclusively by the terms of the Purchase Agreement. Notwithstanding anything in this Option Agreement to the contrary, the application of any Contribution Credit in determining the Purchase Price will constitute full and complete satisfaction of the relevant Advance and related indebtedness underlying such credit, and will not operate as a cumulative remedy. Upon such application, all Advances so credited will be deemed fully satisfied and extinguished as debt obligations. In such event, the satisfaction and extinguishment of any Advance as a debt obligation of Optionor will be effective only as of the Closing Date and simultaneously with Optionee's receipt of the Grant Deed and all other Seller's Closing Deliveries required under the Purchase Agreement. Prior to Closing, all Advances will remain outstanding obligations of Optionor and will continue to bear interest in accordance with the respective UCSD Loan Documents.

1.7 FMV Determination Process. Optionee may, at any time during the Term of this Option Agreement, and at Optionee's sole cost and expense, engage Deloitte, or such other independent valuation consultant as agreed to by the Parties in writing, to prepare or update the FMV Determination. All work product prepared by Deloitte at Optionee's direction pursuant to this Section 1.7, and all communications between Optionee and Deloitte in connection therewith, shall be treated as Optionee's Confidential Information and shall not be disclosed to Optionor without Optionee's prior written consent unless and until Optionee elects to exercise the Option by delivery of the Exercise Notice. For the avoidance of doubt, the FMV Determination (including the full report and any exhibits or addenda thereto, if any) must be shared with Optionor and Palomar concurrently with or promptly following delivery of the Exercise Notice, and in any event no later than five (5) Business Days after delivery of the Exercise Notice (provided that, if the FMV Determination has not been completed by such date, Optionee must provide Optionor any current drafts by such date and any final drafts immediately upon receipt). Upon receipt of the FMV Determination, Optionor shall have fifteen (15) Business Days to review the FMV Determination and deliver to Optionee a written notice setting forth any objections thereto, together with reasonable supporting detail (a "**Valuation Objection Notice**"). If Optionor does not timely deliver a Valuation Objection Notice, the FMV Determination as presented to Optionor shall be deemed accepted by Optionor and shall be final and binding on both Parties for purposes of establishing the Valuation Amount under the Purchase Agreement. If Optionor timely delivers a Valuation Objection Notice, the Parties shall negotiate in good faith for a period of fifteen (15) Business Days to resolve such objections. If the Parties are unable to resolve such objections within such fifteen (15) Business Day period, the disputed matters shall be submitted to Deloitte for final determination, which determination shall be binding on both Parties; provided, however, that Deloitte shall not assign a value to any disputed item that is greater than the value proposed by Optionor or less than the value proposed by Optionee. The costs of any such dispute resolution determination by Deloitte pursuant to this paragraph shall be borne equally by the Parties. Notwithstanding the foregoing, Optionee's right to rescind the Exercise Notice pursuant to Section 1.4 shall not be affected by the pendency of any valuation dispute under this Section 1.7, and the thirty (30) day rescission period set forth in Section 1.4 shall be tolled during the pendency of any such dispute until the FMV Determination becomes final and binding, at which point the thirty (30) day rescission period shall recommence. For the avoidance of doubt, the FMV Determination, once final and binding pursuant to this Section 1.7, shall constitute the Valuation Amount for all purposes under the Purchase Agreement.

1.8 Extended Outside Phase II Closing Date. Notwithstanding anything to the contrary in Section 1.3.2 above, in the event: (x) the Optionor fails to complete any of the items specified in Section 1.3.2 by the Outside Phase II Closing Date due to any action, inaction or delay by the Optionee that prevents Optionor from completing or causing the completion of such item, and (y) Optionor has delivered written notice to Optionee (the "**Trigger Interference Notice**") within five (5) Business Days of first being aware of such action, inaction or delay specifying in reasonable detail the item that Optionor has been unable to complete and the particular action, inaction or delay by Optionee that has prevented such completion and providing Optionee thirty (30) days to cure such failure (or, if such cure cannot reasonably be completed within such thirty (30) day period, to commence such cure within such thirty (30) day period and thereafter diligently pursue such cure to completion in good faith, but in no event later than ninety (90) days thereafter), then (z) the Outside Phase II Closing Date shall be extended to the date that is thirty (30) days following the date Optionee has cured such failure (or, if such item cannot reasonably be completed within such thirty (30) day period, then provided Optionee has taken all necessary action to complete such item within such thirty (30) day period and thereafter diligently pursue such item to completion in good faith, up to ninety (90) days thereafter) (such date, the "**Extended Outside Phase II Closing Date**"). Optionor shall only have the benefit of an Extended Outside Phase II Closing Date if the item prevented by Optionee's action, inaction or delay is the only item of this Section 1.8 not completed by the Outside Phase II Closing Date. If Optionee disagrees with Optionor's allegations of any action, inaction or delay set forth in a Trigger Interference Notice from Optionor pursuant to this Section 1.8, then Optionee may refer such disagreement to an independent arbiter of fact under and pursuant to the dispute resolution terms outlined in Section 1.9 below; provided that the Outside Phase II Closing Date or Extended Outside Phase II Closing Date, as applicable, shall be tolled solely with respect to the disputed allegations pending final resolution of such disagreement. If Optionee fails to cure such action, inaction or delay as specified in a Trigger Interference Notice from Optionor pursuant to this Section 1.8 and Optionee has not referred such matter to an independent arbiter of fact under and pursuant to the dispute resolution terms outlined in Section 1.9, then Optionor's failure to complete the respective item due to such failure shall not constitute an Option Trigger Event. For the avoidance of doubt, no action, inaction or delay by Palomar that prevents or impedes Optionor from completing or causing the completion of any of the following items shall relieve Optionor of its obligations hereunder, and Optionor shall remain fully obligated to complete or cause the completion of all such items notwithstanding any such action, inaction or delay by Palomar.

1.9 Dispute Resolution. Solely in connection with a dispute arising under Section 1.3.2 above, if upon receipt of a Trigger Interference Notice the Optionee disputes the contentions made in such notice, Optionee may, within ten (10) Business Days of its receipt of such Trigger Interference Notice, submit such dispute to arbitration administered by the American Health Law Association ("**AHLA**") Dispute Resolution Service and conducted pursuant to the AHLA Rules of Procedure for Arbitration (Commercial). Upon submission of the claim form to the AHLA, Optionee shall request that AHLA provide candidates with experience in healthcare transactional matters located in or around San Diego County, California. For the avoidance of doubt, the sole issues that may be adjudicated by the Arbitrator are: (i) whether Optionor is entitled to any extension of the Outside Phase II Closing Date due to any action, inaction or delay on the part of Optionee; or (ii) whether Optionor's failure to complete the respective item under Sections 1.3.2(a)-(d) shall not constitute an Option Trigger Event due to any action, inaction or

delay on the part of Optionee. Judgment on the award may be entered and enforced in any court having jurisdiction. Optionor and Optionee agree to disclose the existence of any arbitration pursuant to this Section 1.9, information about what has taken place or may take place in any such arbitration, the award, or information about the outcome of any such arbitration, only as needed to: (a) present claims and defenses in arbitration; (b) pursue or oppose legal remedies in court pertaining to this arbitration, including enforcement of an award; (c) comply in good faith with applicable laws, rules, regulations, court orders, or other legal requirements; or (d) comply with the award. In all other respects, Optionor and Optionee agree to keep any such arbitration strictly confidential. Optionor and Optionee reserve the right to enter into, or request from the arbitrator, a more detailed confidentiality agreement or protective order.

2. Representations and Warranties of Optionee. Optionee hereby represents, warrants and covenants to Optionor, that the following is true and correct as of the Effective Date of this Option Agreement and will be true and correct as of the Closing Date (as such term is defined in the Purchase Agreement), except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date:

2.1 Authority; Non-contravention; Binding Agreement. The execution, delivery and performance by Optionee of this Option Agreement, and subject to receipt of the Material Post-Operational Option Consents, the consummation by Optionee of its obligations under this Option Agreement (a) has been duly and validly authorized and approved by all necessary corporate actions, as applicable, on the part of Optionee, none of which actions have been modified or rescinded and all of which actions remain in full force and effect, (b) is within Optionee's powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of Optionee, and (c) does not violate any Law or Contract. This Option Agreement does and will constitute the valid and legally binding obligations of Optionee and is and will be enforceable against Optionee in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

2.2 Statements True and Correct. The representations and warranties of Optionee contained in this Option Agreement (including as incorporated by reference to those set forth in Section 5 of the Purchase Agreement) are true and correct and do not and will not contain any untrue statement of a material fact, or omit to state any material fact necessary to make the statements or facts contained therein with respect to Optionee not misleading.

3. Representations and Warranties of Optionor. Optionor hereby represents, warrants and covenants to Optionee subject to the disclosures in the applicable Disclosure Schedules attached to the Purchase Agreement, that the following is true and correct as of the Effective Date of this Option Agreement and will be true and correct as of the Closing Date (as such term is defined in the Purchase Agreement), except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date:

3.1 Authority; Non-contravention; Binding Agreement. The execution, delivery and performance by Optionor of this Option Agreement, and subject to receipt of the Material Post-Operational Option Consents, the consummation by Optionor of its obligations under this Option Agreement (a) has been duly and validly authorized and approved by all necessary corporate or limited liability company actions, as applicable, on the part of Optionor, none of which actions have been modified or rescinded and all of which actions remain in full force and effect, (b) is within Optionor's powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of Optionor, and (c) does not violate any Law or Contract, except for a violation of those Contracts set forth on Schedule 3.1(c), none of which violations individually or in the aggregate would reasonably be expected to result in a Material Adverse Effect to the Optionor. This Option Agreement does and will constitute the valid and legally binding obligations of Optionor and is and will be enforceable against Optionor in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

3.2 Statements True and Correct. The representations and warranties of Optionor contained in this Option Agreement (including as incorporated by reference to those set forth in Section 4 of the Purchase Agreement), the statements contained in the Disclosure Schedules and any other schedule, certificate or other document furnished to Optionee pursuant to the Purchase Agreement will be true and correct and do not and will not contain any untrue statement of a material fact, or omit to state any material fact necessary to make the statements or facts contained therein with respect to Optionor, the Business, the Facilities or the Acquired Assets not misleading.

4. Covenants.

4.1 Access. From and after the Effective Date of this Option Agreement, Optionee and its affiliates, agents, contractors and other Representatives have the right (a) to enter upon the Real Property and access the Facilities upon at least twenty-four (24) hours prior written (which may be by email) notice at mutually agreeable times, for the purpose of making such tests, inspections and document review of the Acquired Assets, and conducting such facility management and administrative interviews, as Optionee deems necessary in connection with this Option Agreement and its acquisition of the Acquired Assets under the Purchase Agreement (collectively, the "**Facility Inspections**"); (b) to inspect and copy all such contracts, books and records, and other existing documents and data of Optionor as Optionee may reasonably request; (c) to receive copies of all relevant due diligence requested by Optionee, including without limitation such additional financial, operating, and other data and information in Optionor's possession or control as Optionee may reasonably request, and Optionor must use commercially reasonable efforts to make available to Optionee any such information not in its possession or control. Optionor must use commercially reasonable efforts (at the sole expense of Optionee) to assist Optionee and its Representatives in arranging such Facility Inspections. Optionor is entitled to have a representative present during scheduled visits to the Facilities by Optionee or its Representatives. The Facility Inspection rights granted to Optionee in this Section 4.1 will be accomplished in a manner that does not unreasonably interfere with or disrupt the operations of Optionor, the Business, and the activities of its personnel and in compliance with all applicable

Laws. Any invasive testing, including without limitation any Phase II environmental assessment, soil boring, soil sampling or groundwater testing, requires the prior written (which may be by email) consent of Optionor, not to be unreasonably withheld, conditioned or delayed by Optionor. Prior to conducting any Facility Inspections, Optionee will provide Optionor with copies of certificates of insurance evidencing commercial general liability insurance policies (naming Optionor as an additional insured) that will be maintained by Optionee and by any consultants or other third parties engaged by Optionee in connection with Optionee's and such consultants' and third parties' investigations of the Facilities or other aspects of the Real Property.

4.2 Provision of Due Diligence Materials. From and after the Effective Date of this Option Agreement, Optionor must cooperate with Optionee and provide Optionee and its Representatives with copies of all documents and information reasonably requested by Optionee or otherwise material with respect to the Facilities, the Business and the Acquired Assets (collectively, the "**Diligence Information**") to facilitate Optionee's due diligence activities, including in connection with any appraisal, environmental, structural and mechanical reviews of the Real Property, analysis of compliance by the Acquired Assets, Facilities and Business with all applicable Laws and any Facility Inspections, valuations of any of the Acquired Assets or other reviews.

4.3 Completion of Schedules. Promptly following the delivery of the Exercise Notice, Optionor must complete all Disclosure Schedules to the Purchase Agreement and must maintain and periodically update such Disclosure Schedules, as applicable, from and after the Exercise Notice until the Closing Date.[1]

4.4 Operation of the Businesses of Optionor. Following the Effective Date of this Option Agreement and until the earlier termination hereof or the Closing Date under the Purchase Agreement, Optionor must:

4.4.1 use good faith efforts to carry on the Business in the ordinary course in all material respects (except as otherwise required by applicable Law or as otherwise contemplated by this Option Agreement) and maintain the Acquired Assets in an operating condition and a manner consistent with past practices, ordinary wear and tear excepted;

4.4.2 operate the Facilities and Business in material compliance with all applicable Laws; and

4.4.3 maintain usual insurance coverage on the Facilities and the Acquired Assets.

4.5 Negative Covenants. Following the Effective Date of this Option Agreement and until the earlier termination hereof or the Closing Date under the Purchase Agreement, except in the ordinary course of business or as (i) otherwise contemplated in this Option Agreement, (ii) approved in advance in writing (which may be by email) by Optionee (such

[1] **Note to Draft**: This requires inclusion of the Disclosure Schedules with the form of APA. Parties to populae based on the ICA/Use Schedules. **HK Note to Draft:** No. We discussed that Sheppard would prepare a draft of the RACA schedules based on the ICA/Use Schedules in order to facilitate Palomar's execution and delivery of the RACA on the Phase I Closing Date, but Option APA schedules will not be populated at Phase I Closing.

approval not to be unreasonably withheld, conditioned or delayed) or (iii) may be required by applicable Law, Optionor must not:

4.5.1 amend, renew, or terminate any Assumed Contract, Assumed Leases or any Contract or Lease that (i) involves the use, receipt and/or exchange of funds in excess of $2,000,000, (ii) is expected to have an impact on annual revenues and/or Optionor's unrestricted cash in excess of $2,000,000, (iii) is with or for the benefit of (A) a member of the Optionor's Board of Directors, the Palomar board of directors or the PHMG board of directors, (B) an officer of Optionor, Palomar or PHMG, or (C) an entity in which a person described in the foregoing clauses (A) – (B) has a material pecuniary interest, or (iv) grants any exclusive rights, rights of first refusal, rights of first negotiation, or similar rights to any Person in all or any portion of the Poway Hospital, the Poway Land, the Escondido Hospital, or the Escondido Land;

4.5.2 create, assume, or permit to exist any new Encumbrance (other than Permitted Encumbrances or Permitted Liens (as the latter is defined in the Master Indenture)) that cannot be removed or eliminated prior to the Closing Date;

4.5.3 sell, assign, transfer, distribute, or otherwise dispose of any asset (or assets of a similar type, in the aggregate) with a book value greater than $2,000,000 other than the sale or disposition of supplies in the ordinary course of business; provided that Optionor will not sell or dispose of assets with an aggregate book value in excess of 5% of the net book value of the Acquired Assets in any 12-month period during the Term without Optionee's prior written (which may be by email) consent;

4.5.4 transfer, assign, or encumber any equity or equity-like interests in Optionor, or any public or private affiliation or joint venture involving assets or operations of Optionor or its Affiliates;

4.5.5 enter into a new Lease Agreement with respect to any portion of the Real Property (other than minor subleases in the ordinary course for which the total square footage is not more than 7,500 rentable square feet and the total rental (including option terms) is not in excess of $500,000; or

4.5.6 (i) make any general increase in the rate of compensation payable to any employee(s) of Optionor, other than normal and customary increases in accordance with Optionor's personnel policies or increases that are required under applicable Law or the CBAs; (ii) make any bonus payment to or otherwise enter into one or more bonus agreements with any employee; or (iii) increase severance or termination obligations to any employee of Optionor.[2]

For purposes of this Option Agreement, an action of Optionor will be deemed to be in the "ordinary course of business" if it: (i) is consistent in nature, scope, and magnitude with the past practices of Optionor and is performed or taken in the ordinary course of the normal day-to-day operations of Optionor (or, prior to the Effective Date, Palomar); or (ii) is consistent with the capital or operating budget of Optionor, existing as of the date this Option Agreement has been entered into. Notwithstanding any provision to the contrary in this Option Agreement, neither

[2] **Note to Draft**: While provided under the Employee Leasing Agreement, this should be a standalone covenant hereunder for the benefit of UCSD Health (who is not a party to the ELA) and this provision is consistent with the terms of the Employee Leasing Agreement.

Section 4.4 nor this Section 4.5 may be construed to prohibit Optionor from engaging in any act that counsel to Optionor has advised is necessary to comply with applicable Law, including federal or state antitrust Laws. Optionor must give Optionee prompt written notice prior to taking any act described in the immediately preceding sentence.

For purposes of Section 4.4 and Section 4.5, Optionor will be deemed to have obtained Optionee's prior written consent to undertake the actions otherwise prohibited by these Sections if Optionor gives Optionee written (which may be by email) notice of a proposed action and Optionor does not receive from Optionee written (which may be by email) notice of objection to such action within seven (7) Business Days after Optionee receives Optionor's written notice. Notwithstanding the foregoing, in cases of medical emergency posing an immediate threat to patient safety, Optionor may act without prior notice, provided that Optionor provide written (which may be by email) notice to Optionee as promptly thereafter as possible, but in any event no later than five (5) Business Days, together with a written explanation of the circumstances.

4.6 Notification. Following the Effective Date of this Option Agreement and until the earlier termination hereof or the Closing Date under the Purchase Agreement, Optionor must give prompt written (which may be by email) notice to Optionee of (a) the occurrence, or failure to occur, of any event, circumstance or fact that is reasonably likely to cause any representation or warranty of Optionor contained in this Option Agreement to be untrue in any material respect; (b) any failure of Optionor to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Option Agreement; and (c) any other development affecting the Acquired Assets or the Assumed Liabilities which could reasonably be expected to result in a Material Adverse Effect on the Acquired Assets or the rights of Optionor. Such notice must provide a reasonably detailed description of the relevant circumstances. The content of any notice or update delivered by Optionor to Optionee prior to the Closing Date pursuant to this Section 4.6 will not be deemed to amend or supplement the Schedules or to modify the applicable representations, warranties and covenants contained in this Option Agreement, the Advance Documents, the Credit Line Documents, the Purchase Agreement or the other Transaction Agreements (as defined in the Purchase Agreement) for purposes of determining or calculating Optionor's indemnification obligations under the Closing Agreement.

4.7 OHCA Notices. Within ten (10) Business Days after written request by Optionor from and after an Option Trigger Event, each Party will prepare and submit their respective Notices of a Material Change Transaction (the "**OHCA Notices**") to the Office of Health Care Affordability under the California Department of Health Care Access and Information ("**OHCA**"). The Parties will use commercially reasonable efforts to assist and respond to each other, as needed, in the preparation for filing the OHCA Notices and for any additional responses requested from OHCA. Each Party must promptly notify the other Party of any substantive communications from or with OHCA related to the OHCA Notices or any cost and market impact review that OHCA determines is required under Cal. Code Regs. tit. 22, § 97441 (the "**CMIR**") and must promptly provide the other Party with copies of any such communications. Each Party must timely respond to all requests from OHCA for additional information and/or documentation related to the OHCA Notices, the Transaction, or the CMIR. Each Party will bear its respective costs and expenses associated with any additional responses requested by OHCA. No Party will participate (or agree to participate) in any substantive meeting or discussion with OHCA regarding

the OHCA Notice, the underlying transaction(s), or the CMIR unless it consults the other Party in advance, and, to the extent permitted by OHCA, gives the other Party the reasonable opportunity to attend and participate in such meeting or discussion to the extent permitted by Law. Any material written submission to OHCA by or on behalf of Optionor relating to the contemplated transactions must be provided to Optionee for review and comment at least five (5) Business Days prior to submission. Optionee's written comments must be given good-faith consideration, provided that Optionor retains the right to make final decisions regarding the content of its own submissions

4.8 Approvals of Governmental Authorities.

4.8.1 Each Party hereto must use commercially reasonable efforts to obtain, or cause to be obtained, as promptly as possible all consents, authorizations, orders and approvals from all Governmental Authorities or other Persons that may be or become necessary for its execution and delivery of this Option Agreement and the performance of its obligations pursuant to this Option Agreement (including in the case of Optionor, all notices, consents and all Material Consents). Without limitation to the preceding sentence, as promptly as possible upon execution and delivery of this Option Agreement, but in no event later than ten (10) Business Days thereafter or on such other date as is mutually agreed by Optionee and Optionor, each of Optionee and Optionor, shall provide such notifications with respect to the Contemplated Transactions, to the extent required by applicable Laws.

4.8.2 To the extent permitted by Law, each Party will fully cooperate and coordinate its efforts with one another in seeking all approvals, orders, permits or other consents of any applicable Governmental Authorities necessary for the consummation of the Contemplated Transactions, including by: (i) timely furnishing to each other all information that counsel to Optionee or counsel to Optionor reasonably determine is required to be included in such documents; (ii) disclose to the other Party in advance of any filings, submission or attendance all analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of Optionee or Optionor before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the Contemplated Transactions (but, for the avoidance of doubt, not including any interactions between either Party and any Governmental Authorities in the ordinary course of business, any disclosure which is not permitted by Law or any disclosure containing Confidential Information), it being the intent that the Parties will use commercially reasonable efforts to consult and cooperate with one another, and consider in good faith the other Party's reasonable comments, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals; (iii) unless prohibited by Law, promptly exchanging with the other Party's counsel copies of all written communications to or from any Governmental Authority relating to any competition filings submitted in connection with the transactions; and (iv) keeping each other informed of any communication received or given in connection with any proceeding or action or any interaction with a Governmental Authority by Optionee or Optionor, in each case, regarding the transactions. Each Party will furnish to the other Parties and, upon request, to any Governmental Authorities such information and assistance as may be reasonably requested in connection with the foregoing, including by responding promptly to any request for additional information or documents under applicable competition Laws. Each of Optionee and Optionor will work in good faith to jointly control and determine strategy with respect to obtaining any

Governmental Consents.

4.8.3 The Parties hereto may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this Section 4.8 or the Confidentiality Agreement (as such term is defined in the Purchase Agreement) as "outside counsel only." Such materials and the information contained therein will be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, directors, or representatives of the recipient, unless express written permission is obtained in advance from the source of the materials of Optionor and Optionee.

4.9 Real Estate Matters.

4.9.1 Title Report. Promptly following Optionee's written request at any time during the Option Term (but in no event more than ten (10) days following such written request), Optionor must order and upon receipt must promptly deliver to Optionee: (i) a preliminary Title Report and legible copies of the underlying documents pertaining to the Real Property issued by Title Company; and (ii) an existing survey of the Real Property (if available), and Optionee will have the right to obtain an update to such existing survey or a new survey at its sole cost and expense (the "**Survey**").

4.9.2 Optionee's Title Review. Within forty-five (45) days after Optionee's receipt of the Title Report and Survey for all Real Property from Optionor (the "**Title Approval Date**"), Optionee will provide written notice to Optionor of whether Optionee disapproves of any defects, conditions, exceptions, liens, encroachments, or encumbrances (other than Permitted Encumbrances) shown in the Title Report (a "**Title Objection Notice**"). If Optionee does not timely provide a Title Objection Notice prior to the Title Approval Date, all matters shown in the Title Report will be deemed disapproved by Optionee.

4.9.3 Title Objections. In the event Optionee delivers a Title Objection Notice to Optionor in accordance with Section 4.9.2, Optionor will have fifteen (15) Business Days after its receipt of the Title Objection Notice to give Optionee written notice (an "**Objection Response Notice**") stating with reasonable specificity whether or not Optionor intends to cure such Optionee objections. If Optionor gives Optionee an Objection Response Notice specifying that Optionor is unwilling to cause one or more matters set forth in a Title Objection Notice to be removed, or if Optionor fails to provide an Objection Response Notice within such fifteen (15) Business Day period, Optionee will have ten (10) Business Days (the "**Title Response Period**") following the receipt of Optionor's Objection Response Notice (or, in the event Optionor fails to provide an Objection Response Notice, ten (10) Business Days following the date such Objection Response Notice should have been provided to Optionee), to propose an offer of compromise with respect to such matter, which the Parties will attempt to negotiate in good faith within ten (10) Business Days. If no compromise is offered or if offered, not reached, Optionee may elect to proceed with the purchase rights provided under the Purchase Agreement and take the Real Property subject to the matters Optionor is unwilling to remove or cure, provided that Deloitte must take such matters into consideration for purposes of the FMV Determination or to otherwise ascertain any necessary adjustment to the Purchase Price to account for such encumbrance, defect or other exception to title; provided that, the refusal of Optionor to remove an encumbrance, defect or other exception to title to Optionee's reasonable satisfaction must give Optionee the unilateral

right to elect the remedies provided in Sections 12 and 13 of this Option Agreement. The remedies set forth in this Section 4.9.3 are alternative remedies, and Optionee may elect either a Purchase Price adjustment as determined by Deloitte or the Section 13.1 remedies, but not both simultaneously with respect to the same Disapproved Title Matter.

4.9.4 Supplemental Exceptions. If any new title or survey matters (i.e., matters not shown on the initial Title Report or the Survey, including any new matter disclosed by an updated survey), that are not Permitted Encumbrances, are disclosed by Title Company or surveyor after the delivery of the initial Title Report and Survey to Optionee, and such new title or survey matter is not acceptable to Optionee, Optionee will so notify Optionor in writing within fifteen (15) Business Days after receiving notice of such new matter, in which event such new matter will be deemed to be a "**Disapproved Title Matter**." If Optionee notifies Optionor that such new matter is a Disapproved Title Matter, Optionor must notify Optionee in writing, within five (5) Business Days after receiving Optionee's notice, whether Optionor will remove such Disapproved Matter at or prior to Closing. Optionor's failure to deliver such notice to Optionee within such five (5) Business Day period will be deemed an election by Optionor to not remove such Disapproved Title Matter. If Optionor elects (or is deemed to elect) not to remove such Disapproved Title Matter, Optionee may then propose an offer of compromise with respect to such matter, which the Parties must attempt to negotiate in good faith within five (5) Business Days and if no compromise is offered or if offered, no compromise is reached, Optionee may elect to proceed with the purchase rights provided under the Purchase Agreement and take the Real Property subject to the matters Optionor is unwilling to remove or cure, provided that Deloitte must take such matters into consideration for purposes of the FMV Determination or otherwise ascertain any necessary adjustment to the Purchase Price to account for such Disapproved Title Matter. Notwithstanding anything to the contrary, nothing will permit the creation of any new Encumbrance other than Permitted Encumbrances.

4.9.5 Casualty. If any part of the Acquired Assets (including any Facility) is damaged, lost or destroyed (whether by fire, theft, vandalism or other cause or casualty), in whole or in part, prior to the Closing Date under the Purchase Agreement (such damaged, lost or destroyed assets, the "**Damaged Assets**"), Optionee may, at its option: (a) reduce the Purchase Price by the greater of (i) the fair market value of the Damaged Assets (such value to be determined as of the date immediately prior to such damage, Loss or destruction) plus an amount equal to the estimated revenues in excess of expenses for the Facilities during any period of repair or reconstruction that extends beyond the Closing Date (the "**Estimated Business Loss**"), or (ii) the estimated cost to replace or restore the Damaged Assets plus an amount equal to the Estimated Business Loss; (b) require Optionor to transfer the proceeds (or the right to the proceeds) of the applicable Insurance Policies covering the Damaged Assets (including the business interruption Insurance Policies covering Optionor or the Business, as applicable) to Optionee at the Closing plus an amount equal to any deductibles paid or incurred by Optionor; or (c) if the replacement cost of the Damaged Assets is greater than $5,000,000 or if a Facility has suffered material damage, Optionee may terminate this Option Agreement. For purposes of this Section 4.9.5, "material damage" means any damage to a Facility that prevents full operation of such Facility for a period of thirty (30) consecutive days or more or has a replacement cost in excess of $5,000,000. From and after the Effective Date, Optionor may not settle, compromise, or waive any insurance claim in excess of $2,500,000 related to damage to any Acquired Asset or Licensed Item without Optionee's prior written consent (not to be unreasonably withheld, conditioned, or delayed), and

must diligently pursue all available insurance remedies. Any reduction in the Purchase Price pursuant to this Section 4.9.5 must be determined by Optionee based upon an appraisal of such reduction in value by Deloitte. Until the Effective Time, Optionor will bear all risk of loss with respect to the Damaged Assets.

4.10 Closing Conditions. Upon the terms and subject to the conditions set forth in this Option Agreement, upon the exercise of the Option by Optionee hereunder, each of the Parties hereto agrees to use its reasonable best efforts (and to cause its Affiliates to use their reasonable best efforts) to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in a reasonably expeditious manner, the transactions contemplated by the Purchase Agreement (the "**Contemplated Transactions**") and to obtain satisfaction or waiver of the conditions precedent to the consummation of the Contemplated Transactions, in each case to the extent such conduct is within the internal control of such party and its Affiliates, including (a) obtaining all Material Consents, including required consents from Governmental Authorities and other third parties and the making of all filings and the taking of all steps as may be necessary to obtain consent from, or to avoid an action by, any Governmental Authority, (b) the defending of any actions, whether judicial or administrative, challenging this Option Agreement or the consummation of the Contemplated Transactions, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed and (c) the execution and delivery of any additional instruments and agreements, necessary to consummate the Contemplated Transactions, and to fully carry out the purposes of, this Option Agreement. From and after the date on which Optionee delivers the Exercise Notice pursuant to Section 1.4, Optionor must immediately and diligently pursue, and use its commercially reasonable good faith efforts to cause to be satisfied as promptly as practicable, each and every condition precedent to the obligations of the Parties under the Purchase Agreement, including, without limitation: (a) the delivery of all closing deliveries required of Optionor under Section 6 of the Purchase Agreement; (b) the obtaining of all Material Consents and any other approvals, consents, or authorizations required under the Purchase Agreement or any other Transaction Agreement; (c) the procurement of all Tail Policies required pursuant to the Purchase Agreement; (d) the delivery of all Payoff Documents and satisfaction of all Payoff Amounts; (e) the delivery of all CBA Notices required pursuant to the Purchase Agreement; and (f) the taking of all other actions within Optionor's control that are reasonably necessary to consummate the Contemplated Transactions in accordance with the terms of the Purchase Agreement. From and after the date on which Optionee delivers the Exercise Notice pursuant to Section 1.4, Optionor must promptly notify Optionee in writing of any circumstance or event that would reasonably be expected to delay or prevent the satisfaction of any such condition precedent promptly after becoming aware of such circumstance or event. Optionor's failure to comply with the obligations set forth in this Section will constitute a material breach of this Option Agreement and an Event of Default hereunder.

4.11 Medical Staff and Allied Medical Staff Communication Plan. Optionor will work collaboratively with Optionee to jointly develop and agree upon a communication plan and course of action to announce the transactions contemplated by the Purchase Agreement and the impact of such transactions on the medical staff and allied medical staff of the Facilities. Such communications to medical staff and allied medical staff will commence within five (5) Business Days of written request of Optionee, Optionor will promptly provide Optionee written notice at

least five (5) Business Days (or as soon as reasonably practicable) prior to any meeting with the medical staff and allied medical staff of the Facilities regarding the Contemplated Transaction, the Authority and the impact of the transactions on the medical staff and allied medical staff of the Facilities. Optionor must also allow Optionee Representatives to be present and participate in such meetings. The Parties will enter into a credentialing agreement to facilitate the coordination of medical staff matters.

4.12 Employment Transition Communication Plan. The Parties will develop an employment transition communication plan (the "**Transition Plan**") for the employees of Optionor who provide services to the Facilities. The Transition Plan will include a proposed schedule of employee town hall meetings. Such communications to Optionor's employees under the Transition Plan will commence within ten (10) Business Days of Optionee's written request to Optionor. Optionor must provide Optionee with written notice as soon as reasonably practical (and at least five (5) Business Days) before any employee town hall meeting. Optionor must also allow Optionee Representatives to be present and participate in such employee town hall meetings.

4.13 Collective Bargaining Agreement. From and after the Effective Date of this Option Agreement, and in conjunction with the exercise of the Option by Optionee hereunder, Optionor will cooperate with Optionee to coordinate the transition of nursing staff in connection with Optionor's collective bargaining agreement with the California Nurses Association ("**California Nurses CBA**") and Caregivers Healthcare Employees Union ("**CHEU**") provided, however, that Optionee will not be bound by or have any liability arising under the California Nurses CBA and CHEU.

4.14 COVID-19 Funds and Medicare Accelerated and Advance Payments. Optionor must comply in all material respects with the Relief Fund Payment Terms and Conditions and all Laws applicable to the Medicare Accelerated and Advance Payments and COVID-19 Funds that have been received by Optionor, including the timely submission of any required attestations, certifications, and financial records, and must return any COVID-19 Funds that Optionor is not entitled to retain to the applicable Governmental Authority within the timeframes required by the applicable Relief Fund Payment Terms and Conditions and applicable Law. On the Closing Date, Optionor must repay to CMS, or the applicable Medicare administrative contractor, all Medicare Accelerated and Advance Payments related to the Acquired Assets that have not been repaid as of the Closing Date.

4.15 Cooperation Regarding Obtaining Governmental Consents. From and after the Effective Date of this Option Agreement, Optionor must use commercially reasonable efforts to (a) cooperate with Optionee's efforts to obtain prior to Closing under the Purchase Agreement all consents, approvals, authorizations and clearances of Governmental Authorities required of Optionee to consummate the Contemplated Transaction, (b) promptly provide such information and communications to Governmental Authorities as is appropriate, and (c) prepare any document or other information reasonably required of Optionor by any such Governmental Authorities to consummate the Contemplated Transaction.

4.16 Cooperation Regarding Third Party Consents and Lease Assignments. From and after the Effective Date of this Option Agreement, Optionor must use commercially reasonable efforts to (a) obtain estoppel certificates, subordination, non-disturbance, and

attornment agreements or similar documents as requested by Optionee from counterparties to each Lease Agreement; (b) an assignment of each Lease Agreement in a form reasonably acceptable to Optionee; and (c) termination of any Lease Agreement identified by Optionee, as long as such termination does not result in any cost, penalty, or ongoing obligation or liability to Optionor.

4.17 Cooperation Regarding Third Party Consents. From and after the Effective Date of this Option Agreement, Optionor must use commercially reasonable efforts to obtain the necessary consents from all counterparties to any Assumed Contract or Material Contract to consummate the Contemplated Transaction.

4.18 Payoff Documents. Upon request from Optionee from time to time during the Term, Optionor must use commercially reasonable good faith efforts to obtain from each creditor that is owed debt to which liens are attributable and related to the Business or the Acquired Assets that is not an Assumed Liability, documentation reasonably satisfactory to Optionee (the "**Payoff Documents**") setting forth the principal amount then outstanding and the interest rate thereon, which may include per diem amounts necessary to calculate the amount necessary to pay off all such principal and interest as of the Closing Date (together with all prepayment premiums and penalties, and any other fees, expenses, indemnities and other amounts payable as a result of the prepayment or discharge of any of the foregoing, collectively, the "**Payoff Amounts**") and committing the creditor, effective automatically upon its receipt of its applicable Payoff Amount, to release all of its Encumbrances on the applicable Acquired Assets and terminate all Contracts relating to such debt effective at Closing under the Purchase Agreement.

4.19 Interim Operating Reporting. During the Term of this Option Agreement, Optionor must use commercially reasonable good faith efforts to cause its officers to confer on a regular and frequent basis with one or more Representatives of Optionee to report material operational matters in respect of the Facilities and to report the general status of ongoing operations.

4.20 Transition Services Agreement. Upon request from Optionee at any time during the Term, Optionor will work with Optionee in good faith to identify the transition services needed following the Closing of the Purchase Agreement. In furtherance of the foregoing, the Parties will work together to establish a Transition Services Agreement ("**Transition Services Agreement**") to commence as of the Effective Time. Such Transition Services Agreement may be with Optionor or one of its Affiliates and assigns and must be for those corporate services mutually agreed to by the Parties thereto. The Transition Services Agreement will set forth the specific transition services to be provided and the cost of the same, which cost must be consistent with historical costs for the same services, to the extent reasonable, and to the extent mutually agreed upon by the Parties.

4.21 Advance Covenants. In addition to those covenants of Optionor, Palomar and PHMG as "Co-Obligors" under the Master Indenture (the "**MTI Covenants**") that accrue to the benefit of Optionee as the "Holder" (as defined in the Master Indenture) of Master Indenture Obligation No. 15, Master Indenture Obligation No. 16, Master Indenture Obligation No. 17 and Master Indenture Obligation No. 18 during the Term of this Option Agreement and while all or any portion of the $40,000,000 Advances under the Advance Documents are outstanding, or so long as any portion of the Credit Line is outstanding under the Credit Line Documents, Optionor

must remain in compliance with the covenants set forth in the Advance Documents and the Credit Line Documents, subject to any Documented Breach Waiver Agreement (as defined below).

4.22 Performance of Agreements. From and after the Effective Date, Optionor must observe and perform in all material respects all terms and conditions of (a) each Material Contract, (b) each general or limited partnership, limited liability company operating, or other joint venture agreements to which Optionor or any affiliate is a party or by which it is bound, (c) the Post-Operational Option Deed of Trust, (d) the Master Indenture, (e) the Advance Documents and Credit Line Documents, (f) the Assured Forbearance Agreement, (g) the Initial Contribution Agreement, (h) the Use Agreement, (i) the Employee Leasing Agreement, (j) the Tax Revenue Contribution Agreement, (k) the TIC Agreement, and (l) the UCSD Contribution Agreement; provided, however, that in the event the non-breaching party(ies) under any of the agreements set forth in the foregoing clauses(a)-(k) of this Section 4.22 has agreed in writing to forbear or waive the exercise of all rights or remedies available to it under the applicable agreement due to Optionor's failure to observe or perform any term or condition thereunder and such written forbearance or waiver has: (i) been delivered to Optionee; and (ii) explicitly provides that Optionee will be notified in writing prior to any rescission or termination of such waiver or forbearance prior to any stated termination date therein (a "**Documented Breach Waiver Agreement**"), then Optionor's failure to observe or perform the terms and conditions of the foregoing clauses (a)-(k) will not be deemed a breach of this Section 4.22, but only during and to the extent such Documented Breach Waiver Agreement is in full force and effect and only during the period of time in which such Documented Breach Waiver Agreement has been delivered to Optionee and not rescinded or terminated by the applicable non-breaching party.

4.23 Payment of Indebtedness. Optionor must pay when due, or in conformity with the terms and conditions thereof, all of its indebtedness (including accounts payable, Required Payments (as defined in the Master Indenture) long-term indebtedness or other liabilities).

4.24 Participation. Commencing as of the Effective Date and continuously during the Term of this Option Agreement, Optionor must participate in the Medicare, Medi-Cal, and other federal health care programs, as defined at 42 U.S.C. Section 1320(a)-7(b)(f) ("**Federal Health Care Programs**") in which it currently participates.

4.25 Assured Consent. Optionor must obtain and maintain the written consent of Assured or its applicable affiliate (the "**Assured Consent**")[3], in form and substance satisfactory to Optionee in its reasonable discretion, which consent must remain in full force and effect during the Term hereof, and which expressly consents to (i) the transactions contemplated by this Option Agreement, including the making of Advances, the grant of the Option, and in the event the Option is exercised, the transfer of the Acquired Assets, and (ii) each Party's right to enforce all of its rights and remedies under this Option Agreement without further consent from Assured. Optionor's failure to comply with any terms and conditions of the written consent from Assured shall be a breach of this Section 4.25.]

[3] **Note to Draft**: Per discussions with Latham, we anticipate that the Consent will prohibit amendment to material terms of certain of the Authority Documents without their prior written consent. **HK Note to Draft**: Subject to further discussion pending review of Assured Consent.

4.26 No Action In Furtherance of Bankruptcy. Optionor must not (i) file a petition seeking relief under Title 11 of the United States Code (the "**U.S. Bankruptcy Code**"), as amended from time to time; (ii) file an answer consenting to, admitting the material allegations of, or otherwise failing to contest a petition filed against Optionor under the U.S. Bankruptcy Code; (iii) file 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) take any action in furtherance of any of the foregoing, including without limitation holding a public meeting in furtherance of satisfying the requirements of California Assembly Bill 506, 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.

4.27 Enforcement of Rights. In the event of any material breach by Palomar of a covenant or condition in any of the following: (i) the Closing Agreement, (ii) the Initial Contribution Agreement, (iii) the Use Agreement, (iv) the Employee Lease Agreement, (v) the Tax Revenue Contribution Agreement, (vi) the TIC Agreement, or (vii) the Retained Asset Contribution Agreement (collectively, the "**Palomar Performance Documents**"), Optionor must use commercially reasonable good faith efforts to preserve and enforce its material rights and remedies under the applicable Palomar Performance Document(s) to enforce Palomar's obligations thereunder, to protect the interests of the Authority and to preserve the Acquired Assets, including, without limitation, the delivery of default notices, the exercise of any contractual cure rights, the pursuit of injunctive or other equitable relief, and the commencement and prosecution of legal proceedings against Palomar, in each case to the extent determined by Optionor in good faith, after consultation with Optionee, to be commercially reasonable, legally permissible, and necessary to prevent material harm to Optionor, the Facilities, the Acquired Assets or Optionee's rights under this Option Agreement. Optionor must provide Optionee with written notice of any such material breach by Palomar within five (5) Business Days after Optionor becomes aware thereof, together with a reasonably detailed description of the breach and the remedial actions Optionor intends to pursue. Optionor must consult with Optionee in good faith regarding the enforcement strategy and remedial actions to be undertaken, and must give reasonable consideration to Optionee's views and recommendations with respect thereto, including with respect to the timing, nature and scope of any legal proceedings; provided, however, that Optionor shall retain final decision making authority with respect to the prosecution, defense, settlement, compromise, waiver or release of any claim, right or remedy, subject to the consent rights expressly set forth in the immediately following sentence. Optionor must not settle, compromise, waive or release any material claim, right or remedy arising from any such breach by Palomar under any Palomar Performance Document without the prior written consent of Optionee, such consent not to be unreasonably withheld, conditioned or delayed but only to the extent such settlement, compromise, waiver or release would materially and adversely affect the Acquired Assets, the Authority Assets, Optionor's material rights under the applicable Palomar Performance Document, or Optionee's rights under this Option Agreement. Optionor must keep Optionee reasonably informed of the status of any enforcement actions and legal proceedings undertaken pursuant to this Section 4.27, including by providing copies of all material correspondence, pleadings and other documents related thereto promptly upon request by Optionee. Optionor's failure to comply with the obligations set forth in this Section 4.27 will constitute a material breach of this Option Agreement.

Nothing in this Section 4.27 shall be construed to give Optionee the right to direct or control Optionor's operations, patient care decisions, budgetary decisions, litigation strategy, public agency obligations, fiduciary obligations, regulatory compliance decisions, or the exercise of Optionor's independent judgment in managing the Facilities and the Acquired Assets.

5. **Memorandum of Agreement**. Optionor must deliver to Optionee a recordable Memorandum of Agreement in the form attached hereto as Exhibit B (the "**Memorandum of Agreement**"), duly executed, and acknowledged, on or before the mutual execution and delivery of this Option Agreement. Upon the full execution and delivery of this Option Agreement, and the payment of the Option Fee by Optionee to Optionor, Optionee may record the Memorandum of Agreement on the Property in the Official Records of San Diego County, California. Optionee is responsible for paying any recording charges associated therewith and must provide Optionor with a photocopy of the recorded and stamped Memorandum of Agreement upon Optionee's receipt thereof from the County Recorder.

6. **Notices**. All notices, requests, demands and other communications required or permitted to be given hereunder must be in writing and will be deemed to have been duly given: (a) upon receipt, if delivered personally or via express mail courier, or (b) on the third (3rd) Business Day following mailing, if mailed first-class, postage prepaid, registered or certified mail as follows:

Optionor:	Optionee:
Palomar UCSD Health Authority 2125 Citracado Parkway, Suite 300 Escondido, CA 92029 Attn: Chief Legal Officer	UC San Diego Health 9500 Gilman Drive, MC 0933 San Diego, CA 92093 Attn: Chief Health Counsel
With a copy to (which will not constitute notice):	With a copy to (which will not constitute notice):
Best Best & Krieger LLP 1333 N. California Blvd., Suite 220 Walnut Creek, CA 94596 Attn: Noël Caughman, Esq.	Sheppard Mullin Richter & Hampton LLP 350 South Grand Ave. 40th Floor Los Angeles, CA 90071-3460 Attn: Timothy Reimers, Esq.

Any party may by notice given in accordance with this Section to the other parties designate another address or person for receipt of notices hereunder.

7. **Attorneys' Fees**. If any legal action or other proceeding is brought for the enforcement of this Option Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Option Agreement, the successful or prevailing party will be entitled to recover such reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled, as may be awarded by the court or arbitrator.

8. **Assignment of Option**. This Option Agreement will inure to the benefit of, and be binding upon, Optionor and Optionee and their respective permitted successors and assigns. The rights granted to Optionor pursuant to this Option Agreement will run with the land and be binding upon and burden the Acquired Assets during the Option Term. Neither Optionor nor Optionee may assign its interest in this Option Agreement to any Person without the express prior written consent of the other party; provided Optionee may, without the prior notice to or consent of Optionor, assign its interest in this Option Agreement to: (i) an entity controlled by, controlling or under common control of Optionee; or (ii) an entity acquiring or succeeding to substantially all of the business, or substantially all of a business unit, of Optionee, by merger, spin-off, reorganization, consolidation, acquisition (of assets or equity) or otherwise.

9. **Events of Default**. The occurrence of any of the following constitutes an event of default ("**Event of Default**") under this Option Agreement:

9.1 **Failure to Timely Pay**. If Optionor fails to pay all or any portion of any payment of principal and/or interest when and as due on any Advance or Credit Line, and such failure continues for a period of ten (10) days following written notice thereof to Optionor.

9.2 **Default Under MTI**. If an "Event of Default" (as defined in Section 4.13 of the Master Indenture) occurs under the provisions of the Master Indenture and is not subject to a Documented Breach Waiver Agreement (including the Assured Forbearance Agreement), and the Master Trustee takes any action to foreclose on such Obligation or sweep any accounts of Optionor. For the avoidance of doubt, any action to foreclose taken solely by Optionee, in its capacity as a Holder, will not alone trigger an Event of Default under this Section **Error! Reference source not found.**.

9.3 **Default Under Advance Documents**. If Optionor breaches or defaults under any covenant, condition or agreement contained in the Advance Documents or any Credit Line Documents, subject to any applicable cure periods expressly provided for in such agreements, documents or instruments and the term of any Documented Breach Waiver Agreement.

9.4 **Breach of Enforcement Covenant**. If Optionor materially breaches its obligations under Section 4.27 of this Option Agreement, and such failure continues for a period of thirty (30) days following written notice thereof from Optionee to Optionor; provided, however, that if such breach cannot reasonably be cured within such thirty (30)-day period, no Event of Default shall occur so long as Optionor commences cure within such thirty (30)-day period and thereafter diligently pursues such cure to completion in good faith. For the avoidance of doubt, a disagreement between Optionor and Optionee regarding litigation strategy, settlement strategy, or whether commencement or prosecution of legal proceedings is commercially reasonable, legally permissible or necessary shall not constitute an Event of Default under this Section 9.4 so long as Optionor has complied with the notice and consultation obligations set forth in Section 4.27 and has acted in good faith.

9.5 **Bankruptcy**. If Optionor (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 Optionor 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 official action by or at the direction of the Optionor's Board of Directors in furtherance of any of the foregoing, including without limitation holding a public meeting in furtherance of satisfying the requirements of California Assembly Bill 506, authorizing or approving the commencement of such proceedings, calling or setting a meeting of a governing body to authorize such actions, or otherwise initiating steps to avail itself of any such protections; provided, however, that the mere engagement of legal or financial advisors for the purpose of evaluating Optionor's financial condition or compliance obligations, absent a resolution of the Board of Directors authorizing the commencement of proceedings described in clauses (i)–(iii) above, shall not constitute an Event of Default under this Section 9.4.

9.6 Order for Relief. If (i) an order for relief is entered against Optionor 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 (a) adjudges Optionor a bankrupt or insolvent under, or ordering relief against Optionor under, or approves as properly filed, a petition seeking relief against Optionor under the provisions of any other now existing or future applicable bankruptcy, insolvency or other similar federal or state law providing for the reorganization, winding up, liquidation of business organizations or for any arrangement, composition, extension or adjustment with creditors, (b) appoints a receiver, liquidator, assignee, trustee or custodian for Optionor or with respect to any substantial part of its assets or properties, or (c) orders the reorganization, winding up or liquidation of Optionor's business and affairs, or (iii) any involuntary petition is filed against Optionor 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, provided, however, that no Event of Default shall be deemed to have occurred under this clause (iii) so long as Optionor is diligently contesting such involuntary petition in good faith and has provided Optionee with written notice of such petition within five (5) Business Days of Optionor's receipt thereof.

9.7 General Assignment. If Optionor (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; provided, however, that the delivery of financial reports, notices, or disclosures by Optionor to Optionee pursuant to Section 4.6, Section 4.19, or any other reporting obligation under this Option Agreement, the Master Indenture, or any Authority Document shall not, solely by reason of such delivery, constitute an "admission" for purposes of clause (iii).

9.8 Prohibited Transaction. If Optionor enters into any agreement, including without limitation any extension, amendment or modification of the Assured Forbearance Agreement, with all or a majority of the holders of Outstanding Master Indenture Obligations providing for any moratorium or other indulgence with respect to payment or performance of Optionor's obligations to such holders, or the participation of such holders or their agents or representatives (including without limitation any consultants or managers) in the supervision, management, or control of Optionor's hospital, medical and other healthcare operations, business and affairs without the express prior written consent and approval of Optionee, such consent not to be unreasonably withheld, conditioned or delayed.

9.9 Judgment. If a final judgment for the payment of money of One Million Dollars ($1,000,000.00) or more in excess of any insurance coverage available to Optionor is entered against Optionor which is not satisfied within thirty (30) days of the entry thereof, unless an appeal is pending and all appropriate appellate bonds or other security have been posted, if required.

9.10 Lien or Liability. If any execution, levy, attachment or similar matter based on a liability or debt of One Million Dollars ($1,000,000.00) or more that is not a Permitted Encumbrance is placed on Optionor's assets, or any portion thereof, by any creditor that is not released or satisfied within sixty (60)[4] days of the issuance thereof. For purposes of this Section 9.10, a lien, levy, or attachment will be deemed 'released' only if it has been (i) fully discharged, (ii) vacated by court order, or (iii) bonded over by a surety bond in a form and from a surety acceptable to Optionee in its reasonable discretion. Payment into court or assertion of a legal defense alone will not constitute a release. If a court of competent jurisdiction enters an order staying enforcement of any such execution, levy, or attachment, the running of the sixty (60) day period set forth in this Section 9.10, shall be tolled for so long as such stay remains in full force and effect; provided, that (A) Optionor delivers written notice of such stay to Optionee within five (5) Business Days of entry thereof, together with a copy of the applicable court order, (B) upon the expiration, vacatur, or termination of such stay, the sixty (60) day period shall resume from the point at which it was tolled, and (C) if Optionor fails to deliver timely notice of the stay to Optionee, the tolling provided by this sentence shall not apply.

9.11 Conveyance. If Optionor 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 is determined by a court of competent jurisdiction to be fraudulent under any bankruptcy, fraudulent conveyance, or similar law, or makes any transfer of its property to or for the benefit of one or more creditors at a time when other creditors similarly situated have not been paid; provided, however, that (A) transfers made in the ordinary course of Optionor's business operations (including routine payments to vendors, suppliers, and payroll) shall not constitute an Event of Default under this Section 9.11, and (B) transfers made with Optionee's prior written consent or expressly contemplated by this Option Agreement or the other Authority Documents shall not constitute an Event of Default under this Section 9.11.

9.12 Debarment. If for any reason Optionor is permanently 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. Notwithstanding the foregoing, in the event the exclusion or suspension is due to the acts of one (1) particular individual, then so long as: (i) such exclusion or suspension is temporary (and not a permanent or final exclusion), and (ii) Optionor removes and terminates such individual within twenty-four (24) hours of becoming aware of the event, then Optionor shall have thirty (30) days following the initial date of such temporary suspension or exclusion to cure such default; provided, however, that "cure" for purposes of this Section 9.10 shall require, at a minimum, (a) timely filing a written appeal, request for reconsideration, or request for reinstatement with the applicable governmental authority, (b) delivering written evidence of such filing to Optionee, and (iii) diligently pursuing such appeal or

[4] **Note to Draft**: Please explain why 60 days is not sufficient time.

reinstatement in good faith. If at any time a curable temporary exclusion or suspension becomes permanent or final, Optionor shall not have any further cure rights under this Section 9.12.

9.13 Notice of Default. If any Event of Default described above occurs and Optionor is aware of such Event of Default but fails to give written notice to Optionee of such Event of Default within fifteen (15) Business Days after becoming aware of the occurrence of such Event of Default.

10. Rights to Cure Defaults and Protection of the Acquired Assets. After the occurrence and during the continuation of any Event of Default (a "**Protective Advance Event**"), Optionee may, but without any obligation to do so and without notice to or demand on Optionor and without releasing Optionor from any obligations under this Option Agreement, make any payment or do any other act required of Optionor under this Option Agreement or under any Advance Documents or Credit Line Documents, which payment or action on the part of Optionee will be in such manner and to such extent as Optionee, in its discretion, deems necessary to protect the Acquired Assets. Optionee is authorized to enter upon the Facilities for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Acquired Assets or to protect Optionee's rights under this Option or to collect repayment of any Advances, if applicable, and the cost and expense thereof (including reasonable attorneys' fees and expenses to the extent permitted by Law), with interest as provided in this Section, will be an Advance and will be due and payable to Optionee upon demand or applied to the Purchase Price as a Contribution Credit, as provided in this Section. All such costs and expenses incurred by Optionee in remedying any Protective Advance Event or in appearing in, defending, or bringing any such action or proceeding will bear interest at the Default Rate (meaning the default rate of interest as defined in the applicable Advance Documents or Credit Line Documents, as the case may be), for the period beginning on the first day that such cost or expense was incurred and continuing until the date of payment to Optionee or application to the Purchase Price as a Contribution Credit, as provided in this Section. All such costs and expenses incurred by Optionee, together with interest thereon calculated at the Default Rate, will constitute a portion of the Advances and be subject to the rights and protections of this Option Agreement and the other Advance Documents or Credit Line Documents.

10.1 Entry. Upon the occurrence of a Protective Advance Event, Optionee may enter into or upon the Facilities, either personally or by its agents, nominees or attorneys and dispossess Optionor and its agents and Representatives therefrom, without liability for trespass, damages or otherwise and exclude Optionor and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Optionor agrees to surrender possession of the Acquired Assets and of such books, records and accounts to Optionee upon demand, and thereupon Optionee may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Acquired Assets and conduct the business thereat; (ii) complete any construction on the Acquired Assets in such manner and form as Optionee deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Acquired Assets; (iv) exercise all rights and powers of Optionor with respect to the Acquired Assets, whether in the name of Optionor or otherwise, including without limitation the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all rents of the Acquired Assets and every part thereof; (v) require Optionor to pay monthly in advance to Optionee, or any receiver appointed to collect the

rents, the fair and reasonable rental value for the use and occupation of such part of the Acquired Assets as may be occupied by Optionor; (vi) require Optionor to vacate and surrender possession of the Acquired Assets to Optionee or to such receiver and, in default thereof, Optionor may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Acquired Assets to the payment of the Advances (if applicable), in such order, priority and proportions as Optionee deems appropriate in its sole discretion after deducting therefrom all expenses (including reasonable attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, other charges, insurance and other expenses in connection with the Acquired Assets, as well as just and reasonable compensation for the services of Optionee, its counsel, agents, employees and other Representatives.

10.2 **Receiver**. Optionee, as a matter of right and, except as required by applicable Laws, apply for the appointment of a receiver, trustee, liquidator or conservator of the Acquired Assets, without notice and without regard for the adequacy of the security for the Advances and without regard for the solvency of Optionor, any guarantor or any indemnitor with respect to the Advances or of any other Person liable for the payment of the Advances (if applicable). Optionor waives any right to any hearing or notice of hearing prior to the appointment of a receiver except for notices required by applicable Law. To the extent permitted under applicable Law, such receiver and its agents will be empowered to (i) take possession of the Acquired Assets and perform all necessary or desirable acts with respect to management and operation of the Acquired Assets, (ii) exclude Optionor and Optionor's agents, servants, and employees from the Acquired Assets, (iii) collect the rents, issues, profits, and income therefrom, (iv) complete any construction which may be in progress, (v) do such maintenance and make such repairs and alterations as the receiver deems necessary, (vi) use all stores of materials, supplies, and maintenance equipment on the Acquired Assets and replace such items at the expense of the receivership estate, (vii) pay all taxes and assessments against the Acquired Assets, all premiums for insurance thereon, all utility and other operating expenses, and all sums due under any prior or subsequent encumbrance, (viii) generally do anything which Optionor could legally do if Optionor were in possession of the Acquired Assets, and (ix) take any other action permitted by Law. To the extent permitted under applicable Law, all expenses incurred by the receiver, or his agents will constitute a part of the Advances. Subject to applicable Law, any revenues collected by the receiver will be applied first to the expenses of the receivership, including reasonable attorneys' fees incurred by the receiver and by Optionee, and the balance will be applied toward the Advances or in such other manner as the court may direct. To the extent provided by applicable Law, unless sooner terminated with the express consent of Optionee, any such receivership will continue until the Advances have been discharged in full.

11. **Default; Remedies**. If a default occurs, beyond notice and cure periods, then the non-defaulting Party will have all rights and remedies available under applicable Laws and in equity, including without limitation the remedy of specific performance, recovery of damages, and recovery of the non-defaulting party's costs, expenses and fees (including reasonable legal fees) incurred in connection with enforcing this Option Agreement, the Advance Documents, the Credit Line Documents, the Post-Operational Deed of Trust, the Purchase Agreement or the other Transaction Agreements.

12. **Remedies; Acceleration**. In addition to the other remedies provided in this Option Agreement, if an Event of Default occurs:

12.1 Equity. Nothing in this Option Agreement, the Purchase Agreement, the Master Indenture, the Advance Documents, or the Credit Line Documents will prevent or preclude Optionee from exercising or pursuing any and all rights or remedies generally available to Optionee at law or in equity.

12.2 Third Party Payers. Optionee does not, as a result of this Option Agreement or any Advance Documents or in any assignment or otherwise in connection therewith, assume any of Optionor's obligations related to, and Optionee will not be responsible in any manner for the performance by Optionor of any of, the terms and conditions of Optionor's contracts with licensed health care service plans, or other third-party payers.

12.3 Liquidated Damages. IN THE EVENT THAT OPTIONOR COMMITS ANY EVENT OF DEFAULT UNDER THIS OPTION AGREEMENT AND OPTIONOR FAILS TO CURE SUCH EVENT OF DEFAULT WITHIN THE APPLICABLE CURE PERIOD, THE PARTIES AGREE THAT, AS ITS SOLE MONETARY REMEDY, OPTIONEE SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE SUM OF THREE HUNDRED MILLION DOLLARS ($300,000,000) (THE "**LIQUIDATED DAMAGES CAP**") LESS ANY PORTION OF THE ONE HUNDRED SIXTY MILLION ($160,000,000) CAPITAL ADVANCES DUE FROM OPTIONEE TO OPTIONOR PURSUANT TO THE TERMS OF THE UCSD CONTRIBUTION AGREEMENT WHICH HAVE NOT BEEN DISBURSED TO OPTIONOR ON OR BEFORE THE DATE THE OPTION IS EXERCISED (THE "**UNDISBURSED CAPITAL ADVANCES AMOUNT**")[5] (SUCH LIQUIDATED DAMAGES CAP, LESS THE UNDISBURSED CAPITAL ADVANCES AMOUNT, IF ANY, THE "**LIQUIDATED DAMAGES AMOUNT**") AS LIQUIDATED DAMAGES AND NOT AS A PENALTY, IN FULL SATISFACTION OF CLAIMS AGAINST OPTIONOR HEREUNDER, AND FURTHER PROVIDED THAT THE LIQUIDATED DAMAGES AMOUNT SHALL BE SATISFIED SOLELY AS: (A) A CONTRIBUTION CREDIT AGAINST THE PURCHASE PRICE FOR THE ACQUIRED ASSETS PURSUANT TO THE PURCHASE AGREEMENT; AND/OR (B) AS AN OFFSET OR CREDIT BID IN CONNECTION WITH ANY FORECLOSURE OR OTHER EXERCISE OF REMEDIES UNDER THE POST-OPERATIONAL OPTION DEED OF TRUST OR OTHER SECURITY INSTRUMENT SECURING THE SECURED OBLIGATIONS UNDER THIS OPTION AGREEMENT. IN NO EVENT SHALL THE LIQUIDATED DAMAGES AMOUNT BE UTILIZED, DIRECTLY OR INDIRECTLY, AS THE BASIS FOR OR TO OBTAIN A DEFICIENCY JUDGMENT AGAINST OPTIONOR (OR ANY OTHER PLEDGOR OR OBLIGOR) IN ANY JUDICIAL FORECLOSURE OR SIMILAR PROCEEDING. OPTIONEE AND OPTIONOR AGREE THAT OPTIONEE'S DAMAGES RESULTING FROM OPTIONOR'S DEFAULT ARE DIFFICULT, IF NOT IMPOSSIBLE, TO DETERMINE AND THE LIQUIDATED DAMAGES AMOUNT IS A FAIR ESTIMATE OF THOSE DAMAGES WHICH HAS BEEN AGREED TO IN AN EFFORT TO CAUSE THE AMOUNT OF SUCH DAMAGES TO BE CERTAIN. AN AWARD OF THE LIQUIDATED DAMAGES AMOUNT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO OPTIONEE PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL

[5] **Note to Draft**: There is no offset for amounts of Tax Revenue Contributions during this Post-Operational Option Period. HK Note to Draft: Removal of offset for Tax Contributions Amount is acceptable if UCSD includes an obligation to fund the remainder of its capital commitment when the Retained Assets are contributed (this could be documented in the Retained Assets Contribution Agreement and/or the UCSD Contribution Agreement).

CODE, AND SHALL NOT BE DEEMED TO CONSTITUTE A FORFEITURE OR PENALTY WITHIN THE MEANING OF SECTION 3275 OR SECTION 3369 OF THE CALIFORNIA CIVIL CODE OR ANY SIMILAR PROVISION. IN NO EVENT SHALL OPTIONOR BE LIABLE TO OPTIONEE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES.

Optionee's Initials **Optionor's Initials**

12.4 Specific Enforcement. If Optionee seeks by court process to specifically enforce any provisions of this Option Agreement or any Advance Document or any Credit Line Document, Optionor hereby irrevocably waives any bonds, surety or security relating thereto required by any statute, court rule or otherwise as an incident to such process and waives any demand for possession prior to the commencement of any proceeding. suit or action.

12.5 Election of Remedies. Optionee may, upon the occurrence and continuance of an Event of Default, elect one of the following remedies: (a) to foreclose under the Deed of Trust with Fixture Filing and Security Agreement dated as of the Effective Date (the "**Post-Operational Advances Deed of Trust**") from Optionor to Optionee to secure the obligations under the Advance Documents and the Credit Line Documents; (b) to exercise its Option to purchase the Acquired Assets for the Purchase Price (with application of Contribution Credits as provided in this Option Agreement); or (c) to foreclose under the Post-Operational Option Deed of Trust securing Optionor's obligations under this Option Agreement, solely for the purpose of enforcing monetary obligations (including, without limitation, liquidated damages expressly provided for in this Option Agreement, or any contractual obligation to pay money arising from failure of performance), but in no event for the purpose of obtaining direct transfer of title to the Real Property as an alternative to the procedures specified in this Option Agreement for purchase and sale. The exercise of any one remedy constitutes an irrevocable election and bars pursuit or enforcement of the other for the same Event of Default, provided that such remedy is consummated to satisfaction of the underlying obligation. Should the elected remedy fail to result in satisfaction of the obligation (for example, foreclosure sale fails to cover the debt or is determined to be unenforceable), Optionee may elect and pursue an alternative remedy, but only to the extent needed to achieve satisfaction and not to create a double recovery. In no event will the Post-Operational Advances Deed of Trust or the Post-Operational Option Deed of Trust (each a "**Deed of Trust**") operate to vest title in Optionee automatically upon default, nor shall foreclosure under any Deed of Trust operate in substitution for, or as an alternative path to, exercise of the Option to purchase the Acquired Assets under this Option Agreement outside the agreed contractual procedures. The equity of redemption of Optionor is expressly preserved, and any sale of the Acquired Assets in foreclosure will be conducted strictly in accordance with applicable California law. This Option Agreement and any Deeds of Trust are intended to provide separate, non-cumulative remedies, each supported by independent consideration. No provision of this Option Agreement or any related security instrument shall effectuate an automatic conveyance or forfeiture of title. Any purchase price offset for an exercised Option is intended solely as a bona fide contributory adjustment in the context of an arm's-length transaction, and not as a deficiency judgment, debt recovery, or disguised foreclosure.

12.6 **Notice**. Optionor waives (i) notice of the acceptance of this Option Agreement (but for the avoidance of doubt, excluding the Option Exercise Notice); (ii) any right to require Optionee to proceed against any other person or entity or to exhaust any security that Optionee may now or hereafter have; (iii) any right to require Optionee to pursue any right or remedy in Optionee's power with respect any indebtedness of Optionor now or hereafter existing in favor of Optionee; (iv) all defenses arising by reason of any disability or other defense of Optionor or any other person or entity, or by reason of the cessation from any cause whatsoever of the liability of Optionor or any other person or entity; and (v) any right of subrogation and any right to enforce any remedy which Optionee now has or may hereafter have against any other person or entity under this Option Agreement or otherwise.

12.7 **Notice or Demand**. Unless otherwise expressly provided in this Option Agreement, Optionee will not be under any duty or obligation whatsoever to make or give any presentment, demand for performance, notice of non-performance, protest, notice of protest, notice of dishonor or any other demand or notice whatsoever, in connection with any of the Secured Obligations (meaning, collectively, all obligations of Optionor to Optionee secured by the Post-Operational Option Deed of Trust and arising under or in connection with this Option Agreement, the Advance Documents, and the Credit Line Documents, the "**Secured Obligations**"), the exercise of any remedies, or otherwise, and all of same are hereby waived by Optionor to the fullest extent permitted by law.

13. **Specific Performance**.

13.1 **Specific Performance**.

13.1.1 Notwithstanding any other remedy in this Option Agreement, the Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each Party agrees that, in the event of any breach or threatened breach by any other Party of any covenant or obligation contained in this Option Agreement, the non-breaching Party will be entitled (in addition to any other equitable remedy that may be available to it and in addition to the right to liquidated damages pursuant to Section 12.3) to seek and obtain, without proof of actual damages, (i) a decree or other order of specific performance to enforce the observance and performance of such covenant or obligation and (ii) an injunction restraining such breach or threatened breach.

13.1.2 Each Party acknowledges and agrees that (i) it will not oppose any equitable relief or equitable remedy referred to in this Section 13.1.2 on the grounds that any other remedy is available at law or in equity, and (ii) no Party will be required to obtain, furnish or post any bond or similar instrument in connection with, or as a condition to, obtaining any equitable relief or equitable remedy referred to in this Section 13.1.2 (and it hereby irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument).

14. General Provisions.

14.1 Choice of Law. The Parties agree that all disagreements, disputes or claims arising out of or relating to this Option Agreement or the Contemplated Transaction is governed by and must be 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.

14.2 Benefit; Assignment; Delegation. Subject to provisions herein to the contrary, this Option 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.

14.3 Legal Advice and Reliance. Except as expressly provided in any Transaction Agreement, 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 Contemplated Transactions under applicable Law, including Tax-related Laws or under the Laws governing the Government Programs. Except for the representations and warranties made in any Transaction Agreement, 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.

14.4 Cost of Transaction. Except as otherwise provided in this Option Agreement, each Party will bear and pay its own costs and expenses relating to the preparation of the Transaction Agreements and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, the Transaction Agreements, including the disbursements and fees of their respective attorneys, accountants, advisors, agents and other Representatives, incidental to the preparation and carrying out of the Transaction Agreements, whether or not the Contemplated Transactions are consummated. The Parties expressly agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges, and the like in connection with the sale of the Acquired Assets will be borne by Optionee.

14.5 Waiver of Breach. The waiver by any Party of a breach or violation of any provision of this Option Agreement will not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

14.6 Severability. If any provision of this Option Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of Optionee or Optionor under this Option Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Option 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 Option 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 Option Agreement and (d) in lieu of such illegal, invalid or unenforceable provision, there will

be added automatically as a part of this Option Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

14.7 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 Option Agreement; (b) this Option Agreement is the result of lengthy and extensive negotiations between the Parties and an equal amount of drafting by all Parties; (c) this Option 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 must be drawn from the fact that any portion of this Option Agreement has been drafted by or on behalf of such Party.

14.8 Divisions and Headings of this Agreement. The divisions of this Option 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 Option Agreement.

14.9 No Third-Party Beneficiaries. The terms and provisions of this Option Agreement are intended solely for the benefit of Optionee and Optionor, and such parties' respective permitted successors, assigns or delegates, and it is not the intention of the Parties to confer, and, this Option Agreement does not confer, third-party beneficiary rights upon any other Person.

14.10 Entire Agreement; Amendment. This Option Agreement, together with the Purchase Agreement, the Joint Exercise of Powers Agreement by and between Palomar and UCSD Health dated October 31, 2025 (as amended, the "**JPA Agreement**"), the Initial Contribution Agreement, the Use Agreement, the Employee Lease Agreement, the Tax Revenue Contribution Agreement, the UCSD Contribution Agreement, the TIC Agreement, the Closing Agreement, the Retained Asset Contribution Agreement, the JPA Option Agreement, the Advance Documents, and the other Transaction Agreements (as defined in the Purchase Agreement), represent the entire agreement between the Parties with respect to the subject matter of this Option Agreement and supersede 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 Option Agreement will be valid or enforceable unless and until made in writing and signed by all Parties; provided, that, notwithstanding anything to the contrary contained in this Agreement, any amendment, waiver or modification of the terms of this Option Agreement shall not be effective without the prior written consent of Assured, such consent not to be unreasonably withheld, conditioned, or delayed. The Parties agree that (i) solely with respect to this Section 14.10, Assured shall be deemed a third-party beneficiary and shall have the right to enforce only the provisions of this Section 14.10 against the Parties; and (ii) Assured shall not be deemed a third-party beneficiary of any other provision of this Option Agreement and shall have no right to enforce any other provisions of this Option Agreement.

14.11 Multiple Counterparts. This Option Agreement may be executed in any number of counterparts, each, and all of which will be deemed an original and all of which together constitute but one and the same instrument. The facsimile signature of any Party or other Person to this Option Agreement or any other Transaction Agreement or a PDF copy of the signature of

any Party or other Person to this Option Agreement or any other Transaction Agreement 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.

14.12 Press Releases and Public Announcements. Except as and to the extent required by Law, without the prior written consent of the other Party, the Parties will not, and each will cause their 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 Contemplated Transactions. 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 Option Agreement and the Contemplated Transactions, and the method of the release for publication thereof, must be planned and coordinated by and among the Parties, and no Party may act unilaterally in this regard without the prior written approval of the other Party, which must 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 Closing of the Purchase Agreement.

14.13 Other Owners of Acquired Assets. The Parties acknowledge that if it is determined that any Acquired Assets are owned by one or more affiliates of Optionor (each, an "**Optionor Affiliate**," and "**Affiliate**" having the meaning ascribed to such term in the Purchase Agreement) rather than Optionor, then (a) for purposes of all representations, warranties, covenants and agreements contained herein, Optionor agrees that (i) its obligations with respect to any Acquired Assets will be joint and several with any Optionor Affiliate which owns or controls such Acquired Assets, (ii) the representations and warranties herein, to the extent applicable, will be deemed to have been made by, on behalf of and with respect to, such Optionor Affiliates in their ownership capacity, and (iii) Optionor has the legal capacity to cause, and it will cause, any Optionor Affiliate that owns or controls any Acquired Assets to meet all of Optionor's obligations under this Agreement with respect to such Acquired Assets, and (b) Optionor hereby waives any defense to a claim made by Optionee under this Agreement based on the failure of any Person who owns or controls the Acquired Assets to be a Party.

14.14 CPRA/Confidentiality. Notwithstanding anything to the contrary in this Option Agreement, Optionor and Optionee each acknowledges and agrees that Optionee and Optionor are subject to the California Public Records Act (Cal. Govt. Code §7920 et. seq. (the "**CPRA**")), which provides generally that all records relating to a public agency's business are open to public inspection and copying unless exempted under the CPRA, and that if Optionee or Optionor is required to make disclosures thereunder (as reasonably determined by its respective legal counsel), it may do so without further obligations to the other party.

14.15 Use of Name. Optionor will not use the Optionee's name (including, for the avoidance of doubt, the names "UC", "UCSD", "UCSD Health", or "The Regents", abbreviation of the Optionee's name, trade names, and/or trademarks (i.e., logos and seals) or any derivation thereof (collectively, the "**Optionee's Name**")), in any form or manner in

advertisements, reports, or other information released to the public without Optionee's prior written approval. Optionor agrees to comply at all times with California Education Code Section 92000. The foregoing shall in no way restrict Optionor from using its full name "the Palomar UCSD Health Authority".

Remainder of page intentionally left blank.
Signatures on following page.

IN WITNESS WHEREOF, the parties hereto have caused this Option Agreement to be duly executed as of the Effective Date.

OPTIONOR

PALOMAR UCSD HEALTH AUTHORITY

By:_____
Name:_____
Title:_____

OPTIONEE

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

By:_____
Name:_____
Title:_____

SMRH:4930-8572-0954.7
061926

EXHIBIT A

Form of Purchase Agreement

[to be attached]

EXHIBIT B

Form of Memorandum of Agreement

Memorandum of Agreement

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

The Regents of the University of California
1111 Franklin Street, 7th Floor
Oakland, CA 94607-5200
Attn: Real Estate Services and Strategies

[APNs: 275-461-14-00, 275-461-15-00, 275-470-28-00, 275-470-26-00][6] THIS SPACE ABOVE FOR RECORDER'S USE

MEMORANDUM OF OPTION AGREEMENT

THIS MEMORANDUM OF OPTION AGREEMENT (this "Memorandum"), dated [_____ __, 2026] ("Effective Date"), is by and among 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 ("Optionee"), and PALOMAR UCSD HEALTH AUTHORITY, a joint exercise of powers authority duly organized and validly existing under the laws of the State of California ("Optionor").

1. **Option; Property**. Optionor and Optionee have entered into an unrecorded Option Agreement dated of even date herewith (the "Option Agreement"), whereby Optionor granted to Optionee, and Optionor hereby grants to Optionee, the option ("Option") to purchase from Optionor the real property and improvements commonly known and designated as Palomar Poway Campus, 15611 Pomerado Road, Poway, California, known as the San Marcos Ambulatory Care Center, 120 Craven Road, San Marcos, California, known as the Ramona Medical Plaza, 211 13th Street, Ramona, California, and the [19.5%] tenant in common interest in the Palomar Escondido Campus, 2185 Citracado Parkway, Escondido, California, as each is more particularly described on Schedule 1, attached hereto and made a part hereof (including certain appurtenant intangible property rights further described in the Option Agreement, the "Real Property") and the rights under that certain Use Agreement dated June 30, 2026 by and between Palomar Health and Optionor, a memorandum of which was recorded in the Official Records of San Diego County on June 30, 2026 with Instrument No. _____, and those other related assets to the foregoing, (collectively and as more particularly described in the Option, the "Property").

2. **Term**. Optionee will have the right to exercise the Option at any time following the occurrence of certain triggering events as more particularly described in the Option Agreement,

[6] **Note to Draft**: Separate options for each property for recording (consistent with title).

and continue for a period of twelve (12) full calendar months thereafter (the "Option Term"), subject to earlier termination in accordance with the terms of the Option Agreement. The term of the Option Agreement commences upon the Effective Date and expires on the last day of the Option Term (the "Term").

3. **Option to Purchase**. Optionee may, at Optionee's option in accordance with the terms of the Option Agreement, purchase the Property at any time during the Option Term, as more particularly set forth in the Option Agreement.

4. **Incorporation of Option Agreement**. This Memorandum is a memorandum of the Option Agreement. The purpose of this Memorandum is to give notice of the rights and obligations of the parties hereto under the Option Agreement, and all of the terms and conditions of the Option Agreement are incorporated herein by reference as if they were fully set forth herein. In the event of any inconsistency between the terms of this Memorandum and the terms of the Option Agreement, the terms of the Option Agreement will prevail.

5. **Binding on Property**. Subject to the terms of the Option Agreement, this Memorandum is binding upon and ensures the benefit of the respective successors in interest and assigns of the parties hereto. The rights granted to Optionee pursuant to the Option Agreement run with the land and are binding upon and burden Property during the Option Term.

Remainder of page intentionally left blank

Signatures on following page.

IN WITNESS WHEREOF, Optionor and Optionee have caused this Memorandum to be duly executed as of the Effective Date.

OPTIONOR

PALOMAR UCSD HEALTH AUTHORITY

By:_____
Name:_____
Its:_____

OPTIONEE

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

By:_____
Name:_____
Its:_____

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy or validity of that document.

State of California)

County of _____)

On _____, before me, _____,

(insert name of notary)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy or validity of that document.

State of California)

County of _____)

On _____, before me, _____,

(insert name of notary)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

Schedule 1[7]

Legal Description

Palomar Poway Campus, 15611 Pomerado Road, Poway, California

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF POWAY, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PROPERTY I:

PARCEL 1 OF PARCEL MAP NO. 20036, IN THE CITY OF POWAY, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY JULY 5, 2006 AS INSTRUMENT NO. 2006-0473949 OF OFFICIAL RECORDS, AND CERTIFICATE OF CORRECTION RECORDED DECEMBER 8, 2008 AS INSTRUMENT NO. 2008-0625612 OF OFFICIAL RECORDS.

APN: 275-461-14-00

PROPERTY II:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 20036, IN THE CITY OF POWAY, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY JULY 5, 2006 AS INSTRUMENT NO. 2006-0473949 OF OFFICIAL RECORDS, AND CERTIFICATE OF CORRECTION RECORDED DECEMBER 8, 2008 AS INSTRUMENT NO. 2008-0625612 OF OFFICIAL RECORDS.

PARCEL B:

A NON-EXCLUSIVE EASEMENT FOR VEHICULAR AND PEDESTRIAN ACCESS, INGRESS AND EGRESS TO AND FROM POMERADO ROAD, AS SET FORTH AND DESCRIBED IN THAT CERTAIN "DECLARATION OF EASEMENT" MADE BY PALOMAR POMERADO HEALTH, A CALIFORNIA HEALTH CARE DISTRICT, RECORDED ON JULY 5, 2006 AS DOCUMENT NO. 2006-0473948, OF OFFICIAL RECORDS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

"PROPOSED ACCESS EASEMENT TO PARCEL 2" - BEGINNING AT THE NORTHWESTERLY CORNER OF PARCEL 1 OF PARCEL MAP NO. 16427 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY; THENCE ALONG THE WESTERLY LINE OF SAID PARCEL 1, SOUTH 00° 35' 58" WEST 286.12 FEET (SOUTH 00°

[7] **Note to Draft**: To reflect agreed upon legal per the final deeds.

34' 42" WEST 286.07 FEET - RECORD PER PARCEL MAP NO. 16427) TO A POINT IN THE NORTHERLY LINE OF LOT 1 OF CITY OF POWAY TRACT NO. 84-10, MAP NO. 11388 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY;

THENCE ALONG SAID NORTHERLY LINE, NORTH 88° 33' 44" WEST (NORTH 88° 35' 17" WEST - RECORD PER MAP NO. 11388) 157.56 FEET; THENCE LEAVING SAID NORTHERLY LINE, NORTH 19° 01' 48" WEST 100.17 FEET;

THENCE SOUTH 70° 58' 12" WEST 237.38 FEET TO THE SOUTHEAST CORNER OF PARCEL 2 OF PARCEL MAP NO. 20036 HEREIN ABOVE DESCRIBED;

THENCE ALONG THE BOUNDARY OF SAID PARCEL 2 SOUTH 70° 58' 12" WEST 104.09 FEET AND NORTH 83° 35' 53" WEST 89.78 FEET TO THE TRUE POINT OF BEGINNING OF THE HEREIN DESCRIBED "PROPOSED ACCESS EASEMENT";

THENCE CONTINUING ALONG THE BOUNDARY OF PARCEL 2 NORTH 19° 01' 48" WEST 62.40 FEET; THENCE LEAVING SAID BOUNDARY OF PARCEL 2 THROUGH THE FOLLOWING COURSES: SOUTH 73° 05' 43" WEST 11.39 FEET TO THE BEGINNING OF A NON-TANGENT CURVE WITH A RADIUS OF 20.00 FEET, CONCAVE NORTHWESTERLY, A RADIAL LINE TO SAID POINT BEARS SOUTH 71° 39' 41" WEST;

THENCE SOUTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 119° 09' 36", A DISTANCE OF 41.59 FEET;

THENCE TANGENT TO SAID CURVE, NORTH 79° 10' 43" WEST 56.85 FEET TO THE BEGINNING OF A TANGENT CURVE WITH A RADIUS OF 350.00 FEET, CONCAVE SOUTHERLY;

THENCE WESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 17° 50' 57", A DISTANCE OF 109.03 FEET;

THENCE TANGENT TO SAID CURVE, SOUTH 82° 58' 20" WEST 130.17 FEET TO THE BEGINNING OF A NON-TANGENT CURVE WITH A RADIUS OF 567.00 FEET, CONCAVE NORTHERLY, A RADIAL LINE TO SAID POINT BEARS SOUTH 3° 47' 59" EAST;

THENCE WESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 20° 30' 33", A DISTANCE OF 202.96 FEET TO THE BEGINNING OF A TANGENT COMPOUND CURVE WITH A RADIUS OF 340.00 FEET, CONCAVE NORTHEASTERLY;

THENCE NORTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 40° 57' 24", A DISTANCE OF 245.19 FEET TO THE BEGINNING OF A TANGENT COMPOUND CURVE WITH A RADIUS OF 485.00 FEET, CONCAVE NORTHEASTERLY;

THENCE NORTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 11° 20' 32", A DISTANCE OF 96.01 FEET;

THENCE TANGENT TO SAID CURVE NORTH 22° 52' 34" WEST 116.24 FEET;

THENCE SOUTH 72° 54' 11" WEST 109.07 FEET TO THE BEGINNING OF A NON-TANGENT CURVE WITH A RADIUS OF 30.00 FEET, CONCAVE NORTHERLY, A RADIAL LINE TO SAID POINT BEARS SOUTH 13° 32' 10" EAST;

THENCE WESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 56° 37' 28", A DISTANCE OF 29.65 FEET TO AN INTERSECTION WITH THE EASTERLY LINE OF POMERADO ROAD (102 FEET WIDE);

THENCE ALONG SAID EASTERLY LINE, SOUTH 1° 24' 23" WEST 38.39 FEET TO AN ANGLE POINT THEREIN;

THENCE CONTINUING ALONG SAID EASTERLY LINE, SOUTH 2° 08' 10" WEST 49.80 FEET TO THE BEGINNING OF A NON-TANGENT CURVE WITH A RADIUS OF 32.50 FEET, CONCAVE SOUTHEASTERLY, A RADIAL LINE TO SAID POINT BEARS SOUTH 41° 45' 48" EAST;

THENCE LEAVING SAID EASTERLY LINE, NORTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 21° 01' 19", A DISTANCE OF 11.92 FEET;

THENCE NON-TANGENT TO SAID CURVE, NORTH 72° 54' 11" EAST 98.73 FEET TO THE BEGINNING OF A TANGENT CURVE WITH A RADIUS OF 35.50 FEET, CONCAVE SOUTHWESTERLY;

THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 84° 13' 15", A DISTANCE OF 52.18 FEET;

THENCE TANGENT TO SAID CURVE, SOUTH 22° 52' 34" EAST 20.52 FEET TO THE BEGINNING OF A TANGENT CURVE WITH A RADIUS OF 511.00 FEET, CONCAVE NORTHEASTERLY;

THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 11° 17' 37", A DISTANCE OF 100.72 FEET TO THE BEGINNING OF A TANGENT COMPOUND CURVE HAVING A RADIUS OF 369.00 FEET, CONCAVE NORTHEASTERLY;

THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 40° 57' 24", A DISTANCE OF 263.77 FEET TO THE BEGINNING OF A TANGENT COMPOUND CURVE HAVING A RADIUS OF 593.00 FEET, CONCAVE NORTHERLY;

THENCE EASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 20° 34' 51", A DISTANCE OF 213.10 FEET;

THENCE NON-TANGENT TO SAID CURVE NORTH 82° 58' 20" EAST 130.90 FEET TO THE BEGINNING OF A TANGENT CURVE WITH A RADIUS OF 324.00 FEET, CONCAVE SOUTHERLY;

THENCE EASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 17° 50' 57", A DISTANCE OF 100.93 FEET;

THENCE TANGENT TO SAID CURVE SOUTH 79° 10' 43" FEET TO AN INTERSECTION WITH A LINE WHICH BEARS SOUTH 19° 01' 48" EAST FROM THE TRUE POINT OF BEGINNING;

THENCE ALONG SAID LINE NORTH 19° 01' 48" WEST 7.98 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL C:

A NON-EXCLUSIVE EASEMENT FOR VEHICULAR AND PEDESTRIAN ACCESS, INGRESS AND PARKING, AS SET FORTH AND DESCRIBED IN THAT CERTAIN "EASEMENT AGREEMENT" MADE BY PALOMAR POMERADO HEALTH, A CALIFORNIA LOCAL HEALTH CARE DISTRICT, AND POMERADO PAVILION MOB, LLC, A TENNESSEE LIMITED LIABILITY COMPANY, RECORDED ON JUNE 03, 2021 AS DOCUMENT NO. 2021-0414111 OF OFFICIAL RECORDS.

APN: 275-461-15-00

PROPERTY III:

PARCEL A:

PARCEL 1 OF CITY OF POWAY BOUNDARY ADJUSTMENT CERTIFICATE OF COMPLIANCE BA NO. 05-05, RECORDED MAY 5, 2006 AS DOCUMENT NO. 2006-0318223 OF OFFICIAL RECORDS, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEING A PORTION OF THE SOUTHEAST ONE-QUARTER OF SECTION 35, TOWNSHIP 13 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF POWAY, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO UNITED STATES GOVERNMENT SURVEY APPROVED APRIL 22, 1876, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWESTERLY CORNER OF PARCEL 1 OF PARCEL MAP NO. 16427 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY; THENCE ALONG THE WESTERLY LINE OF SAID PARCEL 1, SOUTH 00°36'16" WEST 286.12 FEET (NORTH 00°34'42" EAST 286.07 FEET - RECORD PER PARCEL MAP 16427) TO THE NORTHERLY LINE OF LOT 1 OF CITY OF POWAY TRACT NO. 84-10, MAP NO. 11388 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY; THENCE ALONG SAID NORTHERLY LINE, NORTH 88°33'44" WEST (NORTH 88°35'17" WEST - RECORD PER MAP NO. 11388) 157.56 FEET TO A POINT HEREINAFTER REFERRED TO AS POINT "A"; THENCE DEPARTING SAID NORTHERLY LINE, NORTH 19°01'48" WEST 380.70 FEET TO THE INTERSECTION WITH THE WESTERLY LINE OF THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 35, SAID INTERSECTION HEREINAFTER REFERRED TO AS POINT "B"; THENCE ALONG SAID WESTERLY LINE, NORTH 00°41'42" EAST 576.66 FEET TO THE SOUTHEASTERLY CORNER OF CITY OF POWAY TRACT NO. 84-03, MAP NO. 11187 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY;

THENCE CONTINUING ALONG SAID WESTERLY LINE, NORTH 00°36'38" EAST 687.10 FEET (NORTH 00°36'58" EAST 687.23 FEET - RECORD PER MAP NO. 11187) TO THE NORTHWEST CORNER OF THE WEST ONE-HALF OF THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 35; THENCE ALONG THE NORTHERLY LINE OF THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 35, SOUTH 88°49'00" EAST (SOUTH 88°33'14" EAST - RECORD PER RECORD OF SURVEY MAP NO. 4261) 654.02 FEET (654.03 FEET - RECORD PER RECORD OF SURVEY MAP NO. 8324) TO THE NORTHEAST CORNER OF THE WEST ONE-HALF OF THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 35; THENCE ALONG THE EAST LINE OF THE WEST ONE-HALF OF THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 35, SOUTH 00°38'10" WEST 1337.30 FEET (NORTH 00°54'26" EAST 1337.16 FEET – RECORD PER RECORD OF SURVEY MAP NO. 8324) TO THE SOUTHEAST CORNER OF THE WEST ONE-HALF OF THE NORTHEAST ONE-QUARTER OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 35, SAID CORNER ALSO BEING IN THE NORTHERLY LINE OF SAID PARCEL MAP NO. 16427; THENCE ALONG THE NORTHERLY LINE OF SAID PARCEL MAP NO. 16427, NORTH 88°33'18" WEST 368.80 FEET (NORTH 88°35'17" WEST) 368.81 FEET - RECORD PER PARCEL MAP NO. 16427 TO THE POINT OF BEGINNING.

PARCEL B:

AN EASEMENT FOR ROAD, SEWER, WATER, GAS, POWER, TELEPHONE, AND DRAINAGE LINES AND INCIDENTAL PURPOSES OVER, ALONG AND ACROSS A STRIP OF LAND 60.00 FEET IN WIDTH LYING WITHIN A PORTION OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 35, TOWNSHIP 13 SOUTH, RANGE 2 WEST, SAN BERNARDINO BASE AND MERIDIAN, ACCORDING TO THE OFFICIAL FLAT THEREOF, BEING 30.00 FEET ON EACH SIDE OF THE CENTERLINE DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 35, TOWNSHIP 13 SOUTH, RANGE 2 WEST IN THE CITY OF POWAY, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA; THENCE ALONG THE NORTHERLY LINE OF SAID SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SOUTH 88°35'17" EAST A DISTANCE OF 285.70 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID NORTHERLY LINE SOUTH 00°35'03" WEST A DISTANCE OF 123.69 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE EASTERLY WITH A RADIUS OF 300.00 FEET; THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 18°11'42" A DISTANCE OF 95.27 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE WESTERLY WITH A RADIUS OF 300.00 FEET, SAID BEGINNING OF CURVE HAS RADIAL BEARING OF SOUTH 72°23'21" WEST; THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 18°11'42" A DISTANCE OF 95.27 FEET; THENCE SOUTH 00°35'03" WEST A DISTANCE OF 328.25 FEET TO THE POINT OF TERMINUS.

THE SIDELINES SHALL BE LENGTHENED OR SHORTENED TO TERMINATE ON AN ARC CONCAVE SOUTHERLY WITH RADIUS OF 50.00 FEET. THE RADIUS POINT OF

SAID ARC IS SOUTH 00°35'03" WEST A DISTANCE OF 50.00 FEET FROM SAID POINT OF TERMINUS.

EXCEPTING THEREFROM THAT PORTION LYING WITHIN THE ABOVE DESCRIBED PARCEL A.

APN: 275-470-28-00

PROPERTY IV:

PARCEL A:

PARCEL 1 OF PARCEL MAP NO. 16427, IN THE CITY OF POWAY, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 15, 1991 AS FILE NO. 1991-0115457, OF OFFICIAL RECORDS.

PARCEL B:

AN EASEMENT AND RIGHT OF WAY FOR ROAD AND UTILITY PURPOSES, OVER, UNDER, ALONG AND ACROSS THE WESTERLY 30.00 FEET OF LOT 6 OF CITY OF POWAY TRACT NO. 84-10, IN THE CITY OF POWAY, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 11388, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 9, 1985.

PARCEL C:

AN EASEMENT FOR ROAD, SEWER, WATER, GAS, POWER, TELEPHONE AND DRAINAGE LINES AND INCIDENTAL PURPOSES, OVER, ALONG AND ACROSS THAT PORTION OF A STRIP OF LAND 60.00 FEET IN WIDTH, THE SIDELINES OF SAID STRIP OF LAND LYING 30.00 FEET ON EACH SIDE OF THE CENTERLINE, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST COMER OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 35, TOWNSHIP 13 SOUTH, RANGE 2 WEST, IN THE CITY OF POWAY, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA; THENCE ALONG THE NORTHERLY LINE OF SAID SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER, SOUTH 88°35'17" EAST, A DISTANCE OF 285.70 FEET TO THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID NORTHERLY LINE SOUTH 00°35'03" WEST, A DISTANCE OF 123.69 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE EASTERLY, WITH A RADIUS OF 300.00 FEET; THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 18°11’42”, A DISTANCE OF 95.27 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE WESTERLY, WITH A RADIUS OF 300.00 FEET.

SAID BEGINNING OF CURVE HAS A RADIAL BEARING OF SOUTH 72°23'21" WEST; THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 18°11’42", A DISTANCE OF 95.27 FEET; THENCE SOUTH 00°35'03” WEST, A

DISTANCE OF 328.25 FEET TO THE POINT OF TERMINUS. EXCEPTING THEREFROM THAT PORTION LYING WITHIN PARCEL A ABOVE. THE SIDELINES SHALL BE LENGTHENED OR SHORTENED TO TERMINATE ON AN ARC CONCAVE SOUTHERLY WITH A RADIUS OF 50.00 FEET. THE RADIUS POINT OF SAID ARC IS SOUTH 00°35’03“ WEST, A DISTANCE OF 50.00 FEET FROM SAID POINT OF TERMINUS.

APN: 275-470-26-00

San Marcos Ambulatory Care Center, 120 Craven Road, San Marcos, California

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN MARCOS, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

LOT 2 OF SAN MARCOS TRACT 347, RANCHO CORONADO, IN THE CITY OF SAN MARCOS, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP NO. 12591, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 29, 1990.

EXCEPTING THEREFROM THOSE PORTIONS OF SAID LOT 2 AS CONVEYED TO THE CITY OF SAN MARCOS IN DEEDS RECORDED SEPTEMBER 19, 1994 AS INSTRUMENT NO. 1994-0557047 AND AS INSTRUMENT NO. 1994-0557048, BOTH OF OFFICIAL RECORDS.

APN: 221-091-02-00

Ramona Medical Plaza, 211 13th Street, Ramona, California

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE UNINCORPORATED AREA IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

ALL THAT PORTION OF BLOCK 46 OF RAMONA, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 643, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, OCTOBER 15, 1890, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID BLOCK 46; THENCE SOUTHEASTERLY ALONG THE EASTERLY LINE OF SAID BLOCK 46; SOUTH 33° 10' 10" EAST 140.00 FEET TO A POINT ON THE NORTHERLY LINE OF THE SOUTHERLY 200.00 FEET OF SAID BLOCK 46; THENCE SOUTHWESTERLY ALONG A LINE PARALLEL WITH THE SOUTHERLY LINE OF SAID BLOCK 46 SOUTH 56° 50' 00" WEST 282.40 FEET; THENCE NORTH 33° 10' 10" WEST 140.00 TO A POINT ON THE NORTHERLY LINE OF SAID BLOCK 46; THENCE NORTHEASTERLY ALONG SAID NORTHERLY LINE NORTH 56° 50' 00" EAST 282.40 FEET TO THE POINT OF BEGINNING.

APN: 281-190-16-00 AND APN: 760-157-51-00

The 19.5% tenant in common interest in the Palomar Escondido Campus, 2185 Citracado Parkway, Escondido, California

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCELS 1 THROUGH 10 INCLUSIVE OF PARCEL MAP NO. 21624 IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY OCTOBER 17, 2018 AS FILE NO. 2018-7000411, OFFICIAL RECORDS.

APN: 232-590-15-00, 232-590-16-00, 232-590-17-00, 232-590-18-00, 232-590-19-00, 232-590-20-00, 232-590-21-00, 232-590-28-00, 232-591-29-00, AND 232-591-30-00

PARCEL B:

LOTS 25 AND 26 OF ESCONDIDO TRACT NO. 834, IN THE CITY OF ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 14983, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 17, 2005.

APN: 232-591-10-00 AND APN: 232-591-11-00

Schedule 1.3.1(e)

Material Post-Operational Option Consents

- Assured Guaranty, Inc.
- U.S. Bank Trust Company, National Association
- Alavarez & Marsal Holdings, LLC

Schedule 3.1(c)

Violations of Contracts

None.

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OPTION AGREEMENT

THIS OPTION AGREEMENT (this "**Option Agreement**") is made and entered into effective as of June 30, 2026 (the "**Effective Date**"), by and among 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 ("**Optionee**"), on the one hand, and PALOMAR UCSD HEALTH AUTHORITY, joint exercise of powers authority duly organized and validly existing under the laws of the State of California ("**Optionor**" or the "**Authority**"), on the other hand. Optionee and Optionor may be collectively referred to herein as the "**Parties**" or each individually as a "**Party**."

RECITALS

WHEREAS, Optionor owns and operates or will own and operate: (i) the two acute care hospitals known as Palomar Medical Center Poway (the "**Poway Hospital**") and Palomar Medical Center Escondido (the "**Escondido Hospital**" and, together with the Poway Hospital, the "**Hospitals**"); (ii) the Land on which the Poway Hospital is located as more particularly described in [Exhibit _] to the Purchase Agreement (defined below) attached hereto (the "**Poway Land**"); (iii) the Land on which the Escondido Hospital is located as more particularly described in [Exhibit _] to the Purchase Agreement attached hereto (the "**Escondido Land**"); (iv) the ambulatory surgery center known as the San Marcos Ambulatory Care Center (the "**SMACC**"), together with the Land on which the SMACC is located as more particularly described in [Exhibit _] to the Purchase Agreement attached hereto (the "**San Marcos Land**"); (v) the Land on which the PDP Ramona medical office building is located as more particularly described in [Exhibit _] to the Purchase Agreement attached hereto (the "**Ramona Land**"), together with all buildings, structures, improvements, and fixtures situated thereon and those other Facilities, Improvements and Appurtenances described in the Purchase Agreement (collectively, the "**Property**").

WHEREAS, Optionee has contributed or will have contributed capital advances, forgiven debt and other in-kind contributions pursuant to the terms of the Contribution Agreement dated as of June 30, 2026 by and between Optionee and Optionor (the "**UCSD Contribution Agreement**") as well as forgiven the debts owed on a total of Forty Million Dollars ($40,000,000.00) (the "**Advances**") to Optionor pursuant to the terms of that certain Loan Agreement dated April 4, 2025 by and between Optionee, on the one hand and Palomar and PHMG (the "**Initial Borrower**"), that certain Loan Agreement dated July 24, 2025 by and between Optionee and Initial Borrower and that certain Loan Agreement dated as of October 31, 2025 by and between Optionee and Initial Borrower (collectively, the "**UCSD Loan Agreements**") and together with the other Loan Documents (as such term is defined in each of the UCSD Loan Agreements) collectively, the "**UCSD Loan Documents**"), which Advances were assumed by Optionor, as co-borrower, pursuant to that certain Assignment and Assumption Agreement by and among, Initial Borrower, as assignor, and Optionor, as assignee dated as of June 30, 2026 (the "**UCSD Loans Assumption**").

WHEREAS, Optionee has extended up to Fifty Million Dollars ($50,000,000) of revolving credit facilities to Initial Borrower (the "**Credit Line**") pursuant to that certain Line of Credit Agreement dated as of October 31, 2025 by and between Optionee and Initial Borrower (the "**Credit Agreement**") and together with the other Credit Line Documents (as such term is

defined in the Credit Agreement) (collectively, the "**Credit Line Documents**"), which Credit Line was assumed by Optionor, as co-borrower, pursuant to that certain Assignment and Assumption Agreement by and among, Initial Borrower, as assignor, and Optionor, as assignee dated as of June 30, 2026, (the "**Credit Line Assumption**").

WHEREAS, in connection with the funds advanced, the debts forgiven, the in-kind contributions that have been made, and the commitment to provide additional financing and support to the Authority and in consideration of the payment of the Option Fee described below, Optionor agreed to grant Optionee the Option (as defined herein) to purchase the Authority Assets (as defined in the Purchase Agreement, the "**Authority Assets**") pursuant to the terms as set forth on the Asset Purchase Agreement attached hereto as Exhibit A (the "**Purchase Agreement**").

WHEREAS, to secure the obligations under this Option Agreement, Optionor has granted Optionee a first-priority mortgage lien on the real property assets comprising the Authority Assets (including improvements consisting of a healthcare facility) pursuant to that certain Deed of Trust with Fixture Filing and Security Agreement dated as of the Effective Date (the "**JPA Option Deed of Trust**").

WHEREAS, the Parties have entered into this Option Agreement prior to the closing of the Retained Asset Contribution Agreement by and between Palomar and Optionor dated as of even date herewith (the "**Retained Asset Contribution Agreement**") which provides for, among other things, the transfer of ownership of the remaining interests in the Escondido Hospital and the Escondido Land to Optionor upon the occurrence of either a court order, legislative action or a voter referendum, or alternatively, a judicial validation action or other form of declaratory relief, in each case authorizing Palomar to transfer the Retained Assets to the Authority.

WHEREAS, capitalized terms used in this Option Agreement, but not defined herein, have the meaning ascribed to such capitalized terms in the attached Purchase Agreement.

WHEREAS, Optionor, acting through its duly authorized governing body in the exercise of its own independent judgement and in accordance with applicable law, has determined that granting this Option and entering into this Option Agreement is in the best interest of Optionor and the communities it serves, and has duly approved and authorized this Option Agreement, the attached Purchase Agreement and the other transactions contemplated by this Option Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the agreements, covenants, representations, and warranties set forth in this Option Agreement, and other good and valuable consideration, the receipt and adequacy of which are acknowledged and agreed, the Parties agree as follows:

1. **Grant of Option**. Subject to the terms and conditions of this Option Agreement, Optionor grants to Optionee the exclusive option (the "**Option**") to purchase the Authority Assets, pursuant to the terms and conditions set forth in this Option Agreement and in the Purchase Agreement.

1.1 **Option Consideration**. The Parties acknowledge and agree that the Option is granted in consideration of Optionee's (a) One Hundred Dollars ($100.00), to be paid within five

(5) Business Days after the full execution and delivery of this Option Agreement (the "**Option Fee**"), and (b) the other agreements, covenants and consideration recited in this Option Agreement. If Optionee elects to exercise its rights to purchase the Authority Assets as set forth herein, the Option Fee will be applied to the Purchase Price (defined below).

1.2 **Term; Termination.**

1.2.1 **Term.** Provided that the Option Fee has been delivered to Optionor, the Option will be exercisable commencing on the earlier of: (i) October 31, 2032, or (ii) the first occurrence of an Option Trigger Event (as defined in Section 1.3 below) (either occurrence the "**Initial Exercise Date**") but in any event must be exercised no later than the Option Expiration Date (as defined below). The period from the Initial Exercise Date through and including the Option Expiration Date is referred to herein as the "**Option Term**". The exclusive option to purchase the Authority Assets and the mutual covenants and agreements in this Option Agreement will commence and be binding upon the Parties as of the Effective Date and continue until the date that is the last day of the three hundred and sixtieth (360^{th}) full calendar month following the Initial Exercise Date (the "**Option Expiration Date**"). The period from the Effective Date through and including the Option Expiration Date is referred to herein as the "**Term**". Notwithstanding the foregoing, in the event the Option is validly exercised during the Option Term but the Parties fail to execute or close on the Purchase Agreement prior to the Option Expiration Date, then the Term shall extend for such period as necessary to accomplish the closing, but in no event greater than twelve (12) months.

1.3 **Option Trigger Event**. The following events will trigger the commencement of the Option Term pursuant to Section 1.2 above (such instance being the "**Option Trigger Event**"):

1.3.1 any material breach by Optionor of a covenant or condition in Sections 4.5.1, 4.25, or 4.27 of this Option Agreement that remains uncured for a period of forty-five (45) days following written notice thereof from Optionee to Optionor; [provided, however, that no notice and cure period shall be provided in the event of a closure of the Poway Hospital or the Escondido Hospital not approved in advance in writing by Optionee in accordance with Section 4.5] [1]; or

1.3.2 any material breach by Optionor that constitutes an Event of Default under Sections 9.1 (to the extent the Master Trustee takes any action to foreclose on such Obligation or sweep any accounts of Optionor), 9.3, 9.4, 9.5, 9.7, and 9.8 of this Option Agreement; or

1.3.3 Optionor, through a determination by not less than a simple majority of its Board, and Optionee mutually agree that Optionor cannot continue to operate or that Optionor cannot meet its obligations as they become due and Optionor and Optionee, each acting reasonably and in good faith, determine in writing that Optionor is unable to continue operating the Facilities in the ordinary course or is unable to pay its debts as they become due in accordance with their terms; or

[1] **Note to Draft**: A closure of one of the Hospitals could not feasibly be cured. **HK Note to Draft:** To be discussed.

1.3.4 Optionor, through its board of directors ("**Board of Directors**"), votes or elects to dissolve Optionor or to cease Optionor's operations of all or any substantial portion of the Facilities.

1.4 **Exercise of Option**. From and after October 31, 2032, or otherwise upon the occurrence of an Option Trigger Event, and at any time on or before the Option Expiration Date, Optionee may exercise the Option by providing written notice to Optionor at the address stated in and in accordance with the terms of Section 6 below (the "**Exercise Notice**") stating Optionee's intention to exercise the Option as to all of the Authority Assets. Upon Optionor's receipt of the Exercise Notice, the Parties will promptly, within five (5) Business Days, execute the Purchase Agreement and proceed to closing of the transaction contemplated therein, in accordance with the terms of this Option Agreement and the Purchase Agreement; provided, however, that Optionee will have the right to rescind such Exercise Notice as to all or any portion of the Authority Assets by written notice to Optionor within thirty (30) days after receipt of the FMV Determination referenced in Section 1.6 below if, in Optionee's sole discretion, the resulting valuation is not acceptable to Optionee. For the avoidance of doubt, Optionee's exercise of the rescission right under this Section 1.4 will not constitute a default, waiver of any rights, or forfeiture of any amounts previously paid or advanced by Optionee, and the Option will remain in full force and effect following any such rescission.

1.5 **Escrow; Purchase Agreement**. Upon Optionee's timely exercise of the Option in accordance with Section 1.4, Optionor is obligated to sell the Authority Assets to Optionee on the terms and conditions as set forth in the Purchase Agreement. Optionor and Optionee each acknowledge and agree that all of the material and essential terms to purchase the Authority Assets are set forth in this Option Agreement, which incorporates by this reference all of the terms and conditions set forth in the Purchase Agreement attached hereto as Exhibit A. Optionor and Optionee must, within five (5) Business Days following Optionor's receipt of Exercise Notice enter into the Purchase Agreement and within ten (10) Business Days open an escrow with the Title Company. At any time during the Term of this Option Agreement, Optionor must, upon the written request of Optionee, deliver to the Title Company, in its capacity as escrow holder, a signed copy of the Purchase Agreement, together with a duly executed and acknowledged Grant Deed and those other Seller's Closing Deliveries identified in Section 3.2 of the Purchase Agreement, to be held in escrow until the Option is exercised or this Option Agreement terminates. The delivery of the signed Purchase Agreement to escrow holder pursuant to this Section 1.5 will not prevent or prohibit the delivery of or any necessary updates to the Disclosure Schedules pursuant to Section 4.3.

1.6 **Purchase Price**. The purchase price for the Authority Assets (the "**Purchase Price**") will be the fair market value as of the date of exercise of the Option as determined by Deloitte Transactions and Business Analytics LLP ("**Deloitte**") or such other independent valuation consultant as agreed to by the Parties in writing (such valuation, the "**FMV Determination**"), as adjusted in accordance with Section 2.7 of the Purchase Agreement, including, without limitation, a deduction for the Contribution Credit (representing advances and capital contributions previously made by Optionee, and applied solely as a purchase price adjustment and not as debt repayment). The term "Contribution Credit" has the meaning ascribed to it in the Purchase Agreement and the treatment, application and effect of the Contribution Credit on the Purchase Price shall be governed exclusively by the terms of the Purchase Agreement.

Notwithstanding anything in this Option Agreement to the contrary, the application of any Contribution Credit in determining the Purchase Price will constitute full and complete satisfaction of the relevant Advance and related indebtedness underlying such credit, and will not operate as a cumulative remedy. Upon such application, all Advances so credited will be deemed fully satisfied and extinguished as debt obligations. In such event, the satisfaction and extinguishment of any Advance as a debt obligation of Optionor will be effective only as of the Closing Date and simultaneously with Optionee's receipt of the Grant Deed and all other Seller's Closing Deliveries required under the Purchase Agreement. Prior to Closing, all Advances will remain outstanding obligations of Optionor and will continue to bear interest in accordance with the respective UCSD Loan Documents.

1.7 **FMV Determination Process**. Optionee may, at any time during the Term of this Option Agreement, and at Optionee's sole cost and expense, engage Deloitte, or such other independent valuation consultant as agreed to by the Parties in writing, to prepare or update the FMV Determination. All work product prepared by Deloitte at Optionee's direction pursuant to this Section 1.7, and all communications between Optionee and Deloitte in connection therewith, shall be treated as Optionee's Confidential Information and shall not be disclosed to Optionor without Optionee's prior written consent unless and until Optionee elects to exercise the Option by delivery of the Exercise Notice. For the avoidance of doubt, the FMV Determination (including the full report and any exhibits or addenda thereto) must be shared with Optionor and Palomar concurrently with or promptly following delivery of the Exercise Notice, and in any event no later than five (5) Business Days after delivery of the Exercise Notice (provided that, if the FMV Determination has not been completed by such date, Optionee must provide Optionor any current drafts by such date and any final drafts immediately upon receipt). Upon receipt of the FMV Determination, Optionor shall have fifteen (15) Business Days to review the FMV Determination and deliver to Optionee a written notice setting forth any objections thereto, together with reasonable supporting detail (a "**Valuation Objection Notice**"). If Optionor does not timely deliver a Valuation Objection Notice, the FMV Determination as presented to Optionor shall be deemed accepted by Optionor and shall be final and binding on both Parties for purposes of establishing the Valuation Amount under the Purchase Agreement. If Optionor timely delivers a Valuation Objection Notice, the Parties shall negotiate in good faith for a period of fifteen (15) Business Days to resolve such objections. If the Parties are unable to resolve such objections within such fifteen (15) Business Day period, the disputed matters shall be submitted to Deloitte for final determination, which determination shall be binding on both Parties; provided, however, that Deloitte shall not assign a value to any disputed item that is greater than the value proposed by Optionor or less than the value proposed by Optionee. The costs of any such dispute resolution determination by Deloitte pursuant to this paragraph shall be borne equally by the Parties. Notwithstanding the foregoing, Optionee's right to rescind the Exercise Notice pursuant to Section 1.4 shall not be affected by the pendency of any valuation dispute under this Section 1.7, and the thirty (30) day rescission period set forth in Section 1.4 shall be tolled during the pendency of any such dispute until the FMV Determination becomes final and binding, at which point the thirty (30) day rescission period shall recommence. For the avoidance of doubt, the FMV Determination, once final and binding pursuant to this Section 1.7, shall constitute the Valuation Amount for all purposes under the Purchase Agreement.

2. **Representations and Warranties of Optionee**. Optionee hereby represents, warrants and covenants to Optionor, that the following is true and correct as of the Effective Date of this Option

Agreement and will be true and correct as of the Closing Date (as such term is defined in the Purchase Agreement), except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date:

2.1 **Authority; Non-contravention; Binding Agreement**. The execution, delivery and performance by Optionee of this Option Agreement, and subject to receipt of the consents set forth on Schedule 2.1, if any (the "**Material JPA Option Consents**"), the consummation by Optionee of its obligations under this Option Agreement (a) has been duly and validly authorized and approved by all necessary corporate actions, as applicable, on the part of Optionee, none of which actions have been modified or rescinded and all of which actions remain in full force and effect, (b) is within Optionee's powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of Optionee, and (c) does not violate any Law or Contract. This Option Agreement does and will constitute the valid and legally binding obligations of Optionee and is and will be enforceable against Optionee in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

2.2 **Statements True and Correct**. The representations and warranties of Optionee contained in this Option Agreement (including as incorporated by reference to those set forth in Section 5 of the Purchase Agreement) are true and correct.

3. **Representations and Warranties of Optionor**. Optionor hereby represents, warrants and covenants to Optionee subject to the disclosures in the applicable Disclosure Schedules attached to the Purchase Agreement, that the following is true and correct as of the Effective Date of this Option Agreement and will be true and correct as of the Closing Date (as such term is defined in the Purchase Agreement), except in the case of representations and warranties that are made as of a specified date, in which case such representations and warranties will be true and correct as of such specified date:

3.1 **Authority; Non-contravention; Binding Agreement**. The execution, delivery and performance by Optionor of this Option Agreement, and subject to receipt of the Material JPA Option Consents (if any), the consummation by Optionor of its obligations under this Option Agreement (a) has been duly and validly authorized and approved by all necessary corporate or limited liability company actions, as applicable, on the part of Optionor, none of which actions have been modified or rescinded and all of which actions remain in full force and effect, (b) is within Optionor's powers and are not and will not be in contravention or violation of the terms of the organizational or governing documents of Optionor, and (c) does not violate any Law or Contract, except for a violation of those Contracts set forth on Schedule 3.1(c), none of which violations individually or in the aggregate would reasonably be expected to result in a Material Adverse Effect to the Optionor. This Option Agreement does and will constitute the valid and legally binding obligations of Optionor and is and will be enforceable against Optionor in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Optionor's representations and warranties will not be deemed breached solely by reason of any matter that was expressly and specifically disclosed in writing to Optionee's Chief Health Counsel or Chief Legal Officer by a duly authorized officer of Optionor in a written notice, certificate, or Disclosure Schedule delivered pursuant to this Option Agreement; provided that (i) no knowledge will be attributed to Optionee arising from any board membership, committee participation, observer rights, or other governance role held by any officer, director, employee, contractor, or representative of Optionee or any of its affiliates, (ii) knowledge of any such individual in their governance capacity will not be imputed to Optionee for purposes of this Section 3.1, and (iii) nothing in this Section 3.1 will limit Optionee's right to rely on Optionor's representations and warranties as a condition to Closing.

4. **Covenants**.

4.1 **Access**. From and after the earlier of (i) an Option Trigger Event, or (ii) September 1, 2032, Optionee and its affiliates, agents, contractors and other Representatives have the right (a) to enter upon the Real Property and access the Facilities upon at least twenty-four (24) hours prior written (which may be by email) notice at mutually agreeable times, for the purpose of making such tests, inspections and document review of the Authority Assets, and conducting such facility management and administrative interviews, as Optionee deems necessary in connection with this Option Agreement and its acquisition of the Authority Assets under the Purchase Agreement (collectively, the "**Facility Inspections**"); (b) to inspect and copy all such contracts, books and records, and other existing documents and data of Optionor as Optionee may reasonably request; (c) to receive copies of all relevant due diligence requested by Optionee, including without limitation such additional financial, operating, and other data and information in Optionor's possession or control as Optionee may reasonably request, and Optionor must use commercially reasonable efforts to make available to Optionee any such information not in its possession or control. Optionor must use commercially reasonable efforts (at the sole expense of Optionee) to assist Optionee and its Representatives in arranging such Facility Inspections. Optionor is entitled to have a representative present during scheduled visits to the Facilities by Optionee or its Representatives. The Facility Inspection rights granted to Optionee in this Section 4.1 will be accomplished in a manner that does not unreasonably interfere with or disrupt the operations of Optionor, the Business, and the activities of its personnel and in compliance with all applicable Laws. Any invasive testing, including without limitation any Phase II environmental assessment, soil boring, soil sampling or groundwater testing, requires the prior written consent of Optionor, not to be unreasonably withheld, conditioned or delayed by Optionor. Prior to conducting any Facility Inspections, Optionee will provide Optionor with copies of certificates of insurance evidencing commercial general liability insurance policies (naming Optionor as an additional insured) that will be maintained by Optionee and by any consultants or other third parties engaged by Optionee in connection with Optionee's and such consultants' and third parties' investigations of the Facilities or other aspects of the Real Property.

4.2 **Provision of Due Diligence Materials**. From and after the earlier of (i) an Option Trigger Event, or (ii) September 1, 2032, Optionor must cooperate with Optionee and promptly provide Optionee and its Representatives (in no event later than ten (10) days following written request for same) with copies of all documents and information reasonably requested by Optionee or otherwise material with respect to the Facilities, the Business and the Authority Assets (collectively, the "**Diligence Information**") to facilitate Optionee's due diligence activities,

including in connection with any appraisal, environmental, structural and mechanical reviews of the Real Property, analysis of compliance by the Authority Assets, Facilities and Business with all applicable Laws and any Facility Inspections, valuations of any of the Authority Assets or other reviews.

4.3 **Completion of Schedules**. Promptly following Optionee's written request at any time after the earlier of (i) an Option Trigger Event, or (ii) September 1, 2032, (and in no event later than ten (10) days following Optionee's written request for same), Optionor must complete all Disclosure Schedules to the Purchase Agreement.

4.4 **Operation of the Businesses of Optionor**. Following the Effective Date of this Option Agreement and until the earlier termination hereof or the Closing Date under the Purchase Agreement, Optionor must:

4.4.1 use good faith efforts to carry on the Business in the ordinary course in all material respects (except as otherwise required by applicable Law or as otherwise contemplated by this Option Agreement) and maintain the Authority Assets in an operating condition and a manner consistent with past practices, ordinary wear and tear excepted;

4.4.2 operate the Facilities and Business in material compliance with all applicable Laws; and

4.4.3 maintain usual insurance coverage on the Facilities and the Authority Assets.

4.5 **Negative Covenants**.

4.5.1 Following the Effective Date of this Option Agreement and until the earlier termination hereof or the Closing Date under the Purchase Agreement, except in the ordinary course of business or as (i) otherwise contemplated in this Option Agreement, (ii) approved in advance in writing (which may be by email) by Optionee (such approval not to be unreasonably withheld, conditioned or delayed) or (iii) may be required by applicable Law, Optionor must not:

(a) create, assume, or permit to exist any new Encumbrance (other than Permitted Encumbrances or Permitted Liens (as the latter is defined in the Master Indenture)) that cannot be removed or eliminated prior to the Closing Date;

(b) sell, assign, transfer, distribute, or otherwise dispose of any asset (or assets of a similar type, in the aggregate) with a book value greater than $2,500,000, other than the sale or disposition of supplies in the ordinary course of business; provided that Optionor will not sell or dispose of assets with an aggregate book value in excess of 5% of the net book value of the Authority Assets in any 12-month period during the Term without Optionee's prior written (which may be by email) consent;

(c) transfer, assign, or encumber any equity or equity-like interests in Optionor, or any public or private affiliation or joint venture involving assets or operations of Optionor or its Affiliates; or

(d) permanently close or take any action with the intent to permanently close all or substantially all of the Poway Hospital or the Escondido Hospital.

4.5.2 In addition to, and not in lieu of the negative covenants set forth in Section 4.5.1 above, following the delivery of the Exercise Notice and until the earlier termination hereof or the Closing Date under the Purchase Agreement, except in the ordinary course of business or as (i) otherwise contemplated in this Option Agreement, (ii) approved in advance in writing by Optionee (such approval not to be unreasonably withheld, conditioned or delayed) or (iii) may be required by applicable Law, Optionor must not:

(a) amend, renew, or terminate any Assumed Contract, Material Contract, or Assumed Leases (provided, however, that any such agreements having a total value of less than $1,000,000, including option terms, may be amended, renewed or terminated in the ordinary course without Optionee's approval during the period from the Effective Date through the Initial Exercise Date). For purposes of this Section 4.5.1, all agreements with the same counterparty, or all agreements relating to substantially the same subject matter, will be aggregated in determining whether the $1,000,000 threshold is exceeded, whether entered into simultaneously or in sequence;

(b) sell, assign, transfer, distribute, or otherwise dispose of any asset (or assets of a similar type, in the aggregate) with a book value greater than $25,000, other than the sale or disposition of supplies in the ordinary course of business; provided that Optionor will not sell or dispose of assets with an aggregate book value in excess of $1,000,000 in any 12-month period during the Term without Optionee's prior written (which may be by email) consent;

(c) solicit, initiate or encourage the submission of any proposal for a transaction identified in Section 4.5.2(b);

(d) enter into a new Lease Agreement or any other occupancy or license agreement with respect to any portion of the Real Property; or

(e) (i) make any general increase in the rate of compensation payable to any employee(s) of Optionor, other than normal and customary increases in accordance with Optionor's personnel policies or increases that are required under applicable Law; (ii) make any bonus payment to or otherwise enter into one or more bonus agreements with any employee; or (iii) increase severance or termination obligations to any employee of Optionor.

For purposes of this Option Agreement, an action of Optionor will be deemed to be in the "ordinary course of business" if it: (i) is consistent in nature, scope, and magnitude with the past practices of Optionor and is performed or taken in the ordinary course of the normal day-to-day operations of Optionor; or (ii) is consistent with the capital or operating budget of Optionor, existing as of the date this Option Agreement has been entered into. Notwithstanding any provision to the contrary in this Option Agreement, neither Section 4.4 nor this Section 4.5 may be construed to prohibit Optionor from engaging in any act that counsel to Optionor has advised is necessary to comply with applicable Law, including federal or state antitrust Laws. Optionor must give Optionee prompt written (which may be by email) notice prior to taking any act described in the immediately preceding sentence.

For purposes of Section 4.4 and Section 4.5, Optionor will be deemed to have obtained Optionee's prior written consent to undertake the actions otherwise prohibited by these Sections if Optionor gives Optionee written (which may be by email) notice of a proposed action and Optionor does not receive from Optionee written (which may be by email) notice of objection to such action within seven (7) Business Days after Optionee receives Optionor's written notice. Notwithstanding the foregoing, in cases of medical emergency affecting patient safety or Facility operations where immediate action is required, Optionor may act without prior notice and must provide written (which may be by email) notice to Optionee as promptly as practicable thereafter, but in any event within two (2) Business Days, together with a written explanation of the circumstances.

4.6 **Notification**. Following the Effective Date of this Option Agreement and until the earlier termination hereof or the Closing Date under the Purchase Agreement, Optionor must give prompt written (which may be by email) notice to Optionee of (a) the occurrence, or failure to occur, of any event, circumstance or fact that is reasonably likely to cause any representation or warranty of Optionor contained in this Option Agreement to be untrue in any material respect; (b) any failure of Optionor to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Option Agreement; and (c) any other development affecting the Authority Assets or the Assumed Liabilities which could reasonably be expected to result in a Material Adverse Effect on the Authority Assets or the rights of Optionor. Such notice must provide a reasonably detailed description of the relevant circumstances. The content of any notice or update delivered by Optionor to Optionee prior to the Closing Date pursuant to this Section 4.6 will not be deemed to amend or supplement the Schedules or to modify the applicable representations, warranties and covenants contained in this Option Agreement, the UCSD Loan Documents, the Credit Line Documents, the Purchase Agreement or the other Transaction Agreements for purposes of determining or calculating Optionor's indemnification obligations under the Closing Agreement.

4.7 **OHCA Notices**. Following the Initial Exercise Date of this Option Agreement, within ten (10) Business Days after written request by Optionor at any time during the Term, if required by applicable Laws, each Party will prepare and submit their respective Notices of a Material Change Transaction (the "**OHCA Notices**") to the Office of Health Care Affordability under the California Department of Health Care Access and Information ("**OHCA**"). The Parties will use commercially reasonable efforts to assist and respond to each other, as needed, in the preparation for filing the OHCA Notices and for any additional responses requested from OHCA. Each Party must promptly notify the other Party of any substantive communications from or with OHCA related to the OHCA Notices or any cost and market impact review that OHCA determines is required under Cal. Code Regs. Tit. 22, § 97441 (the "**CMIR**") and must promptly provide the other Party with copies of any such communications. Each Party must timely respond to all requests from OHCA for additional information and/or documentation related to the OHCA Notices, the Transaction, or the CMIR. Each Party will bear its respective costs and expenses associated with any additional responses requested by OHCA. No Party will participate (or agree to participate) in any substantive meeting or discussion with OHCA regarding the OHCA Notice, the underlying transaction(s), or the CMIR unless it consults the other Party in advance, and, to the extent permitted by OHCA, gives the other Party the reasonable opportunity to attend and participate in such meeting or discussion to the extent permitted by Law. Any material written submission to OHCA by or on behalf of Optionor relating to the contemplated transactions must

be provided to Optionee for review and comment at least five (5) Business Days prior to submission. Optionee's written comments must be given good-faith consideration, provided that Optionor retains the right to make final decisions regarding the content of its own submissions.

4.8 **Approvals of Governmental Authorities.**

4.8.1 Each Party hereto must use commercially reasonable efforts to obtain, or cause to be obtained, as promptly as possible all consents, authorizations, orders and approvals from all Governmental Authorities or other Persons that may be or become necessary for its execution and delivery of this Option Agreement and the performance of its obligations pursuant to this Option Agreement (including in the case of Optionor, all notices, consents and all Material Consents). Without limitation to the preceding sentence, as promptly as possible upon execution and delivery of this Option Agreement, but in no event later than ten (10) Business Days thereafter or on such other date as is mutually agreed by Optionee and Optionor, each of Optionee and Optionor, shall provide such notifications with respect to the Contemplated Transactions, to the extent required by applicable Laws.

4.8.2 To the extent permitted by Law, each Party will fully cooperate and coordinate its efforts with one another in seeking all approvals, orders, permits or other consents of any applicable Governmental Authorities necessary for the consummation of the Contemplated Transactions, including by: (i) timely furnishing to each other all information that counsel to Optionee or counsel to Optionor reasonably determine is required to be included in such documents; (ii) disclose to the other Party in advance of any filings, submission or attendance all analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of Optionee or Optionor before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the Contemplated Transactions (but, for the avoidance of doubt, not including any interactions between either Party and any Governmental Authorities in the ordinary course of business, any disclosure which is not permitted by Law or any disclosure containing Confidential Information), it being the intent that the Parties will use commercially reasonable efforts to consult and cooperate with one another, and consider in good faith the other Party's reasonable comments, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals; (iii) unless prohibited by Law, promptly exchanging with the other Party's counsel copies of all written communications to or from any Governmental Authority relating to any competition filings submitted in connection with the transactions; and (iv) keeping each other informed of any communication received or given in connection with any proceeding or action or any interaction with a Governmental Authority by Optionee or Optionor, in each case, regarding the transactions. Each Party will furnish to the other Parties and, upon request, to any Governmental Authorities such information and assistance as may be reasonably requested in connection with the foregoing, including by responding promptly to any request for additional information or documents under applicable competition Laws. Each of Optionee and Optionor will work in good faith to jointly control and determine strategy with respect to obtaining any Governmental Consents.

4.8.3 The Parties hereto may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this Section 4.8 or the Confidentiality Agreement (as such term is defined in the Purchase Agreement) as "outside

counsel only." Such materials and the information contained therein will be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, directors, or representatives of the recipient, unless express written permission is obtained in advance from the source of the materials of Optionor and Optionee.

4.9 **Real Estate Matters**.

4.9.1 Title Report. Promptly following Optionee's written request following the earlier of (i) an Option Trigger Event, or (ii) September 1, 2032, (and in no event later than ten (10) days following Optionee's written request for same), Optionor must order and upon receipt must promptly deliver to Optionee: (i) a preliminary Title Report and legible copies of the underlying documents pertaining to the Real Property issued by Title Company; and (ii) an existing survey of the Real Property (if available), and Optionee will have the right to obtain an update to such existing survey or a new survey at its sole cost and expense (the "**Survey**").

4.9.2 Optionee's Title Review. Within forty-five (45) days after Optionee's receipt of the Title Report and Survey for all Real Property from Optionor (the "**Title Approval Date**"), Optionee will provide written notice to Optionor of whether Optionee disapproves of any defects, conditions, exceptions, liens, encroachments, or encumbrances (other than Permitted Encumbrances) shown in the Title Report (a "**Title Objection Notice**"). If Optionee does not timely provide a Title Objection Notice prior to the Title Approval Date, all matters shown in the Title Report will be deemed disapproved by Optionee.

4.9.3 Title Objections. In the event Optionee delivers a Title Objection Notice to Optionor in accordance with Section 4.9.2, Optionor will have fifteen (15) Business Days after its receipt of the Title Objection Notice to give Optionee written notice (an "**Objection Response Notice**") stating with reasonable specificity whether or not Optionor intends to cure such Optionee objections. If Optionor gives Optionee an Objection Response Notice specifying that Optionor is unwilling to cause one or more matters set forth in a Title Objection Notice to be removed, or if Optionor fails to provide an Objection Response Notice within such fifteen (15) Business Day period, Optionee will have ten (10) Business Days (the "**Title Response Period**") following the receipt of Optionor's Objection Response Notice (or, in the event Optionor fails to provide an Objection Response Notice, ten (10) Business Days following the date such Objection Response Notice should have been provided to Optionee), to propose an offer of compromise with respect to such matter, which the Parties will attempt to negotiate in good faith within ten (10) Business Days. If no compromise is offered or if offered, not reached, Optionee may elect to proceed with the purchase rights provided under the Purchase Agreement and take the Real Property subject to the matters Optionor is unwilling to remove or cure, provided that Deloitte must take such matters into consideration for purposes of the FMV Determination or to otherwise ascertain any necessary adjustment to the Purchase Price to account for such encumbrance, defect or other exception to title; provided that, the refusal of Optionor to remove an encumbrance, defect or other exception to title to Optionee's reasonable satisfaction must give Optionee the unilateral right to elect the remedies provided in Section 12.1 of this Option Agreement. The remedies set forth in this Section 4.9.3 are alternative remedies, and Optionee may elect either a Purchase Price adjustment as determined by Deloitte or the Section 13.1 remedies, but not both simultaneously with respect to the same Disapproved Title Matter.

4.9.4 Supplemental Exceptions. If any new title or survey matters (i.e., matters not shown on the initial Title Report or the Survey, including any new matter disclosed by an updated survey), that are not Permitted Encumbrances, are disclosed by Title Company or surveyor after the delivery of the initial Title Report and Survey to Optionee, and such new title or survey matter is not acceptable to Optionee, Optionee will so notify Optionor in writing within fifteen (15) Business Days after receiving notice of such new matter, in which event such new matter will be deemed to be a "**Disapproved Title Matter**." If Optionee notifies Optionor that such new matter is a Disapproved Title Matter, Optionor must notify Optionee in writing, within five (5) Business Days after receiving Optionee's notice, whether Optionor will remove such Disapproved Matter at or prior to Closing. Optionor's failure to deliver such notice to Optionee within such five (5) Business Day period will be deemed an election by Optionor to not remove such Disapproved Title Matter. If Optionor elects (or is deemed to elect) not to remove such Disapproved Title Matter, Optionee may then propose an offer of compromise with respect to such matter, which the Parties must attempt to negotiate in good faith within five (5) Business Days and if no compromise is offered or if offered, no compromise is reached, Optionee may elect to proceed with the purchase rights provided under the Purchase Agreement and take the Real Property subject to the matters Optionor is unwilling to remove or cure, provided that Deloitte must take such matters into consideration for purposes of the FMV Determination or otherwise ascertain any necessary adjustment to the Purchase Price to account for such Disapproved Title Matter. Notwithstanding anything to the contrary, nothing will permit the creation of any new Encumbrance other than Permitted Encumbrances.

4.9.5 Casualty. If any part of the Authority Assets (including any Facility) is damaged, lost or destroyed (whether by fire, theft, vandalism or other cause or casualty), in whole or in part, prior to the Closing Date under the Purchase Agreement (such damaged, lost or destroyed assets, the "**Damaged Assets**"), Optionee may, at its option: (a) reduce the Purchase Price by the greater of (i) the fair market value of the Damaged Assets (such value to be determined as of the date immediately prior to such damage, Loss or destruction) plus an amount equal to the estimated revenues in excess of expenses for the Facilities during any period of repair or reconstruction that extends beyond the Closing Date (the "**Estimated Business Loss**"), or (ii) the estimated cost to replace or restore the Damaged Assets plus an amount equal to the Estimated Business Loss; (b) require Optionor to transfer the proceeds (or the right to the proceeds) of the applicable Insurance Policies covering the Damaged Assets (including the business interruption Insurance Policies covering Optionor or the Business, as applicable) to Optionee at the Closing plus an amount equal to any deductibles paid or incurred by Optionor; or (c) if the replacement cost of the Damaged Assets is greater than $5,000,000 or if a Facility has suffered material damage, Optionee may terminate this Option Agreement. For purposes of this Section 4.9.5, "material damage" means any damage to a Facility that prevents full operation of such Facility for a period of thirty (30) consecutive days or more or has a replacement cost in excess of $5,000,000. From and after the Initial Exercise Date, Optionor may not settle, compromise, or waive any insurance claim related to damage to any Authority Asset without Optionee's prior written consent (not to be unreasonably withheld, conditioned, or delayed), and must diligently pursue all available insurance remedies. Any reduction in the Purchase Price pursuant to this Section 4.9.5 must be determined by Optionee based upon an appraisal of such reduction in value by Deloitte. Until the Effective Time, Optionor will bear all risk of loss with respect to the Damaged Assets.

4.10 **Closing Conditions**. Upon the terms and subject to the conditions set forth in this Option Agreement, upon the exercise of the Option by Optionee hereunder, each of the Parties hereto agrees to use its reasonable best efforts (and to cause its Affiliates to use their reasonable best efforts) to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in a reasonably expeditious manner, the transactions contemplated by the Purchase Agreement (the "**Contemplated Transactions**") and to obtain satisfaction or waiver of the conditions precedent to the consummation of the Contemplated Transactions, in each case to the extent such conduct is within the internal control of such party and its Affiliates, including (a) obtaining all Material Consents, including required consents from Governmental Authorities and other third parties and the making of all filings and the taking of all steps as may be necessary to obtain consent from, or to avoid an action by, any Governmental Authority, (b) the defending of any actions, whether judicial or administrative, challenging this Option Agreement or the consummation of the Contemplated Transactions, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed and (c) the execution and delivery of any additional instruments and agreements, necessary to consummate the Contemplated Transactions, and to fully carry out the purposes of, this Option Agreement. From and after the date on which Optionee delivers the Exercise Notice pursuant to Section 1.4, Optionor must immediately and diligently pursue, and use its commercially reasonable good faith efforts to cause to be satisfied as promptly as practicable, each and every condition precedent to the obligations of the Parties under the Purchase Agreement, including, without limitation: (a) the delivery of all closing deliveries required of Optionor under Section 6 of the Purchase Agreement; (b) the obtaining of all Material Consents and any other approvals, consents, or authorizations required under the Purchase Agreement or any other Transaction Agreement; (c) the procurement of all Tail Policies required pursuant to the Purchase Agreement; (d) the delivery of all Payoff Documents and satisfaction of all Payoff Amounts; I the delivery of all CBA Notices required pursuant to the Purchase Agreement; and (f) the taking of all other actions within Optionor's control that are reasonably necessary to consummate the Contemplated Transactions in accordance with the terms of the Purchase Agreement. From and after the date on which Optionee delivers the Exercise Notice pursuant to Section 1.4, Optionor must promptly notify Optionee in writing of any circumstance or event that would reasonably be expected to delay or prevent the satisfaction of any such condition precedent promptly after becoming aware of such circumstance or event. Optionor's failure to comply with the obligations set forth in this Section will constitute a material breach of this Option Agreement and an Event of Default hereunder.

4.11 **Medical Staff and Allied Medical Staff Communication Plan**. Optionor will work collaboratively with Optionee to jointly develop and agree upon a communication plan and course of action to announce the transactions contemplated by the Purchase Agreement and the impact of such transactions on the medical staff and allied medical staff of the Facilities. Such communications to medical staff and allied medical staff will commence within five (5) Business Days of written request of Optionee, Optionor will promptly provide Optionee written notice at least five (5) Business Days (or as soon as reasonably practicable) prior to any meeting with the medical staff and allied medical staff of the Facilities regarding the Contemplated Transaction, the Authority and the impact of the transactions on the medical staff and allied medical staff of the Facilities. Optionor must also allow Optionee Representatives to be present and participate in such

meetings. The Parties will enter into a credentialing agreement to facilitate the coordination of medical staff matters.

4.12 **Employment Transition Communication Plan**. The Parties will develop an employment transition communication plan (the "**Transition Plan**") for the employees of Optionor who provide services to the Facilities. The Transition Plan will include a proposed schedule of employee town hall meetings. Such communications to Optionor's employees under the Transition Plan will commence within ten (10) Business Days of Optionee's written request to Optionor. Optionor must provide Optionee with written notice as soon as reasonably practical (and at least five (5) Business Days) before any employee town hall meeting. Optionor must also allow Optionee Representatives to be present and participate in such employee town hall meetings.

4.13 **Collective Bargaining Agreement**. From and after the earlier of (i) an Option Trigger Event, or (ii) September 1, 2032, and in conjunction with the exercise of the Option by Optionee hereunder, Optionor will cooperate with Optionee to coordinate the transition of nursing staff in connection with Optionor's collective bargaining agreement with the California Nurses Association ("**California Nurses CBA**") and Caregivers Healthcare Employees Union ("**CHEU**").

4.14 **COVID-19 Funds and Medicare Accelerated and Advance Payments**. Optionor must comply in all material respects with the Relief Fund Payment Terms and Conditions and all Laws applicable to the Medicare Accelerated and Advance Payments and COVID-19 Funds that have been received by Optionor, including the timely submission of any required attestations, certifications, and financial records, and must return any COVID-19 Funds that Optionor is not entitled to retain to the applicable Governmental Authority within the timeframes required by the applicable Relief Fund Payment Terms and Conditions and applicable Law. On the Closing Date, Optionor must repay to CMS, or the applicable Medicare administrative contractor, all Medicare Accelerated and Advance Payments related to the Authority Assets that have not been repaid as of the Closing Date.

4.15 **Cooperation Regarding Obtaining Governmental Consents**. From and after the earlier of (i) an Option Trigger Event, or (ii) September 1, 2032, Optionor must use commercially reasonable efforts to (a) cooperate with Optionee's efforts to obtain prior to Closing under the Purchase Agreement all consents, approvals, authorizations and clearances of Governmental Authorities required of Optionee to consummate the Contemplated Transaction, (b) promptly provide such information and communications to Governmental Authorities as is appropriate, and (c) prepare any document or other information reasonably required of Optionor by any such Governmental Authorities to consummate the Contemplated Transaction.

4.16 **Cooperation Regarding Third Party Consents and Lease Assignments**. From and after the earlier of (i) an Option Trigger Event, or (ii) September 1, 2032, Optionor must use commercially reasonable efforts to (a) obtain estoppel certificates, subordination, non-disturbance, and attornment agreements or similar documents as requested by Optionee from counterparties to each Lease Agreement; (b) an assignment of each Lease Agreement in a form reasonably acceptable to Optionee; and (c) termination of any Lease Agreement identified by Optionee, as long as such termination does not result in any cost, penalty, or ongoing obligation or liability to Optionor.

4.17 **Cooperation Regarding Third Party Consents**. From and after the earlier of (i) an Option Trigger Event, or (ii) September 1, 2032, Optionor must use commercially reasonable efforts to obtain the necessary consents from all counterparties to any Assumed Contract or Material Contract to consummate the Contemplated Transaction.

4.18 **Payoff Documents**. Upon request from Optionee from time to time during the Term, Optionor must use commercially reasonable good faith efforts to obtain from each creditor that is owed debt to which liens are attributable and related to the Business or the Authority Assets that is not an Assumed Liability, documentation reasonably satisfactory to Optionee (the "**Payoff Documents**") setting forth the principal amount then outstanding and the interest rate thereon, which may include per diem amounts necessary to calculate the amount necessary to pay off all such principal and interest as of the Closing Date (together with all prepayment premiums and penalties, and any other fees, expenses, indemnities and other amounts payable as a result of the prepayment or discharge of any of the foregoing, collectively, the "**Payoff Amounts**") and committing the creditor, effective automatically upon its receipt of its applicable Payoff Amount, to release all of its Encumbrances on the applicable Authority Assets and terminate all Contracts relating to such debt effective at Closing under the Purchase Agreement.

4.19 **Interim Operating Reporting**. During the Term of this Option Agreement, Optionor must use commercially reasonable good faith efforts to cause its officers to confer on a regular and frequent basis with one or more Representatives of Optionee to report material operational matters in respect of the Facilities and to report the general status of ongoing operations.

4.20 **Transition Services Agreement**. Following the earlier of (i) an Option Trigger Event, or (ii) September 1, 2032, upon request from Optionee, Optionor will work with Optionee in good faith to identify the transition services needed following the Closing of the Purchase Agreement. In furtherance of the foregoing, the Parties will work together to establish a Transition Services Agreement ("**Transition Services Agreement**") to commence as of the Effective Time. Such Transition Services Agreement may be with Optionor or one of its Affiliates and assigns and must be for those corporate services mutually agreed to by the Parties thereto. The Transition Services Agreement will set forth the specific transition services to be provided and the cost of the same, which cost must be consistent with historical costs for the same services, to the extent reasonable, and to the extent mutually agreed upon by the Parties.

4.21 **Advance Covenants**. In addition to those covenants of Optionor, Palomar and PHMG as "Co-Obligors" under the Master Indenture (the "**MTI Covenants**") that accrue to the benefit of Optionee as the "Holder" (as defined in the Master Indenture) of Master Indenture Obligation No. 15, Master Indenture Obligation No. 16, Master Indenture Obligation No. 17 and Master Indenture Obligation No. 18 during the Term of this Option Agreement and while all or any portion of the $40,000,000 Advances under the UCSD Loan Documents are outstanding, or so long as any portion of the Credit Line is outstanding under the Credit Line Documents, Optionor must remain in compliance with the covenants set forth in the UCSD Loan Documents and the Credit Line Documents, subject to any Documented Breach Waiver Agreement.

4.22 **Performance of Agreements**. Subsequent to the Initial Exercise Date, Optionor must observe and perform in all material respects all terms and conditions of (a) each Material

Contract, (b) each general or limited partnership, limited liability company operating, or other joint venture agreements to which Optionor or any affiliate is a party or by which it is bound, (c) the Master Indenture, (d) the UCSD Loan Documents and Credit Line Documents, I the Authority Documents, and (f) the Amended and Restated Assured Forbearance Agreement; provided, however, that in the event the non-breaching party under any of the agreements set forth in the foregoing clauses(a)-(f) of this Section 4.22 has agreed in writing to forbear or waive the exercise of all rights or remedies available to it under the applicable agreement due to Optionor's failure to observe or perform any term or condition thereunder and such written forbearance or waiver has: (i) been delivered to Optionee; and (ii) explicitly provides that Optionee will be notified in writing prior to any rescission or termination of such waiver or forbearance prior to any stated termination date therein (a "**Documented Breach Waiver Agreement**"), then Optionor's failure to observe or perform the terms and conditions of the foregoing clauses (a)-(f) will not be deemed a breach of this Section 4.22, but only during and to the extent such Documented Breach Waiver Agreement is in full force and effect and only during the period of time in which such Documented Breach Waiver Agreement has been delivered to Optionee and not rescinded or terminated by the applicable non-breaching party.

4.23 **Payment of Indebtedness**. Optionor must pay when due, or in conformity with the terms and conditions thereof, all of its indebtedness (including accounts payable, Required Payments (as defined in the Master Indenture), long-term indebtedness or other liabilities).

4.24 **Participation**. Commencing as of the Effective Date and continuously during the Term of this Option Agreement, Optionor must participate in the Medicare, Medi-Cal, and other federal health care programs, as defined at 42 U.S.C. Section 1320(a)-7(b)(f) ("Federal Health Care Programs") in which it currently participates.

4.25 **Assured Consent**. Optionor must obtain the written consent of Assured Guaranty Inc., a Maryland insurance company ("**Assured**") or its applicable affiliate (the "**Assured Consent**")[2], in form and substance satisfactory to Optionee in its reasonable discretion, which Assured Consent must remain in full force and effect during the Term hereof, and which expressly consents to (i) the transactions contemplated by this Option Agreement, including the grant of the Option, and in the event the Option is exercised, the transfer of the Authority Assets to Optionee, and (ii) each Party's right to enforce all of its rights and remedies under this Option Agreement without further consent from Assured. Optionor's failure to comply with any terms and conditions of the Assured Consent shall be a breach of this Section 4.25.

4.26 **No Action In Furtherance of Bankruptcy**. Optionor must not (i) file a petition seeking relief under Title 11 of the United States Code (the "**U.S. Bankruptcy Code**"), as amended from time to time; (ii) file an answer consenting to, admitting the material allegations of, or otherwise failing to contest a petition filed against Optionor under the U.S. Bankruptcy Code; (iii) file 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

[2] **Note to Draft**: Subject to further discussion pending review of Assured's proposed form of Consent. **HK Note to Draf**t: Subject to receipt and review of Assured Consent.

(iv) take any action in furtherance of any of the foregoing, including without limitation holding a public meeting in furtherance of satisfying the requirements of California Assembly Bill 506, 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.

4.27 **Enforcement of Rights**. In the event of any material breach by Palomar of a covenant or condition in the Tax Revenue Contribution Agreement, Optionor must use commercially reasonable good faith efforts to preserve and enforce its material rights and remedies under the Tax Revenue Contribution Agreement to enforce Palomar's obligations thereunder, to protect the interests of the Authority and to preserve the Authority Assets, including, without limitation, the delivery of default notices, the exercise of any contractual cure rights, the pursuit of injunctive or other equitable relief, and the commencement and prosecution of legal proceedings against Palomar, in each case to the extent determined by Optionor in good faith, after consultation with Optionee, to be commercially reasonable, legally permissible, and necessary to prevent material harm to Optionor, the Facilities, the Authority's Assets or Optionee's rights under this Option Agreement. Optionor must consult with Optionee in good faith regarding the enforcement strategy and remedial actions to be undertaken, and must give reasonable consideration to Optionee's views and recommendations with respect thereto, including with respect to the timing, nature and scope of any legal proceedings; provided, however, that Optionor shall retain final decision making authority with respect to the prosecution, defense, settlement, compromise, waiver or release of any claim, right or remedy, subject to the consent rights expressly set forth in the immediately following sentence. Optionor must not settle, compromise, waive or release any material claim, right or remedy arising from any such breach by Palomar under the Tax Revenue Contribution Agreement without the prior written consent of Optionee, such consent not to be unreasonably withheld, conditioned or delayed but only to the extent such settlement, compromise, waiver or release would materially and adversely affect the Acquired Assets, the Authority Assets, Optionor's material rights under the Tax Revenue Contribution Agreement, or Optionee's rights under this Option Agreement. Optionor must keep Optionee reasonably informed of the status of any enforcement actions and legal proceedings undertaken pursuant to this Section 4.27, including by providing copies of all material correspondence, pleadings and other documents related thereto promptly upon request by Optionee. Optionor's failure to comply with the obligations set forth in this Section 4.27 will constitute a material breach of this Option Agreement. Nothing in this Section 4.27 shall be construed to give Optionee the right to direct or control Optionor's operations, patient care decisions, budgetary decisions, litigation strategy, public agency obligations, fiduciary obligations, regulatory compliance decisions, or the exercise of Optionor's independent judgment in managing the Facilities and the Authority's Assets.

5. **Memorandum of Agreement**. Optionor must deliver to Optionee a recordable Memorandum of Agreement in the form attached hereto as Exhibit B (the "**Memorandum of Agreement**"), duly executed, and acknowledged, on or before the mutual execution and delivery of this Option Agreement. Upon the full execution and delivery of this Option Agreement, and the payment of the Option Fee by Optionee to Optionor, Optionee may record the Memorandum of Agreement on the Property in the Official Records of San Diego County, California. Optionee is responsible for paying any recording charges associated therewith and must provide Optionor with a photocopy of the recorded and stamped Memorandum of Agreement upon Optionee's receipt thereof from the County Recorder.

6. **Notices**. All notices, requests, demands and other communications required or permitted to be given hereunder must be in writing and will be deemed to have been duly given: (a) upon receipt, if delivered personally or via express mail courier, or (b) on the third (3rd) Business Day following mailing, if mailed first-class, postage prepaid, registered or certified mail as follows:

Optionor:	Optionee:
Palomar UCSD Health Authority 2125 Citracado Parkway, Suite 300 Escondido, CA 92029 Attention: Chief Legal Officer	UC San Diego Health 9500 Gilman Drive, MC 0933 San Diego, CA 92093 Attn: Chief Health Counsel
With a copy to (which will not constitute notice):	With a copy to (which will not constitute notice):
Best Best & Krieger LLP 1333 N. California Blvd., Suite 220 Walnut Creek, CA 94596 Attn: Noël Caughman, Esq.	Sheppard Mullin Richter & Hampton LLP 350 South Grand Ave. 40th Floor Los Angeles, CA 90071-3460 Attn: Timothy Reimers, Esq.

Any party may by notice given in accordance with this Section to the other parties designate another address or person for receipt of notices hereunder.

7. **Attorneys' Fees**. If any legal action or other proceeding is brought for the enforcement of this Option Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Option Agreement, the successful or prevailing party will be entitled to recover such reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it may be entitled, as may be awarded by the court or arbitrator.

8. **Assignment of Option**. This Option Agreement will inure to the benefit of, and be binding upon, Optionor and Optionee and their respective permitted successors and assigns. The rights granted to Optionee pursuant to this Option Agreement will run with the land and be binding upon and burden the Authority Assets during the Option Term. Neither Optionor nor Optionee may assign its interest in this Option Agreement to any Person without the express prior written consent of the other party; provided Optionee may, without the prior notice to or consent of Optionor, assign its interest in this Option Agreement to: (i) an entity controlled by, controlling or under common control of Optionee; or (ii) an entity acquiring or succeeding to substantially all of the business, or substantially all of a business unit, of Optionee, by merger, spin-off, reorganization, consolidation, acquisition (of assets or equity) or otherwise.

9. **Events of Default**. The occurrence of any of the following constitutes an event of default ("**Event of Default**") under this Option Agreement:

9.1 **Default Under MTI**. If (i) an "Event of Default" (as defined in Section 4.01 of the Master Indenture) occurs under the provisions of the Master Indenture and is not subject to a

Documented Breach Waiver Agreement (including the Amended and Restated Forbearance Agreement dated as of [June 30, 2026] by and among Assured, on the one hand, and Optionor, Palomar Health and PHMG, on the other hand), and (ii) the Master Trustee takes any action to foreclose on a Master Indenture Obligation (as defined in Section 1.01 of the Master Indenture) or sweep any accounts of Optionor. For the avoidance of doubt, any action to foreclose taken solely by Optionee, in its capacity as a Holder, will not alone trigger an Event of Default under this Section 9.1.

9.2 **Breach of Enforcement Covenant**. If Optionor materially breaches its obligations under Section 4.27 of this Option Agreement and such failure continues for a period of thirty (30) days following written notice thereof from Optionee to Optionor; provided, however, that if such breach cannot reasonably be cured within such thirty (30)-day period, no Event of Default shall occur so long as Optionor commences cure within such thirty (30)-day period and thereafter diligently pursues such cure to completion in good faith. For the avoidance of doubt, a disagreement between Optionor and Optionee regarding litigation strategy, settlement strategy, or whether commencement or prosecution of legal proceedings is commercially reasonable, legally permissible or necessary shall not constitute an Event of Default under this Section 9.4 so long as Optionor has complied with the notice and consultation obligations set forth in Section 4.27 and has acted in good faith.

9.3 **Bankruptcy**. If Optionor (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 Optionor 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 furtherance of any of the foregoing, including without limitation holding a public meeting in furtherance of satisfying the requirements of California Assembly Bill 506, authorizing or approving the commencement of such proceedings, calling or setting a meeting of a governing body to authorize such actions, or otherwise initiating steps to avail itself of any such protections; provided, however, that the mere engagement of legal or financial advisors for the purpose of evaluating Optionor's financial condition or compliance obligations, absent a resolution of the Board of Directors authorizing the commencement of proceedings described in clauses (i)–(iii) above, shall not constitute an Event of Default under this Section 9.2.

9.4 **Order for Relief**. If (i) an order for relief is entered against Optionor 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 (a) adjudges Optionor a bankrupt or insolvent under, or ordering relief against Optionor under, or approves as properly filed, a petition seeking relief against Optionor under the provisions of any other now existing or future applicable bankruptcy, insolvency or other similar federal or state law providing for the reorganization, winding up, liquidation of business organizations or for any arrangement, composition, extension or adjustment with creditors, (b) appoints a receiver, liquidator, assignee, trustee or custodian for Optionor or with respect to any substantial part of its assets or properties, or (c) orders the reorganization, winding up or liquidation of Optionor's business and affairs, or (iii) any involuntary petition is filed against Optionor 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; provided, however, that no Event of Default shall be deemed to have occurred under this clause (iii) so long as Optionor is diligently contesting such involuntary petition in good faith and has provided Optionee with written notice of such petition within five (5) Business Days of Optionor's receipt thereof.

9.5 **General Assignment**. If Optionor (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; provided, however, that the delivery of financial reports, notices, or disclosures by Optionor to Optionee pursuant to Section 4.6, Section 4.19, or any other reporting obligaftion under this Option Agreement, the Master Indenture, or any Authority Document shall not, solely by reason of such delivery, constitute an "admission" for purposes of clause (iii).

9.6 **Lien or Liability**. If any execution, levy, attachment or similar matter based on a liability or debt of One Million Dollars ($1,000,000.00) or more that is not a Permitted Encumbrance or Permitted Lien (as the latter is defined in the Master Indenture) is placed on Optionor's assets, or any portion thereof, by any creditor that is not released or satisfied within sixty (60) days of the issuance thereof. For purposes of this Section 9.6, a lien, levy, or attachment will be deemed 'released' only if it has been (i) fully discharged, (ii) vacated by court order, or (iii) bonded over by a surety bond in a form and from a surety acceptable to Optionee in its reasonable discretion. Payment into court or assertion of a legal defense alone will not constitute a release. If a court of competent jurisdiction enters an order staying enforcement of any such execution, levy, or attachment, the running of the sixty (60) day period set forth in this Section 9.6, shall be tolled for so long as such stay remains in full force and effect; provided, that (A) Optionor delivers written notice of such stay to Optionee within five (5) Business Days of entry thereof, together with a copy of the applicable court order, (B) upon the expiration, vacatur, or termination of such stay, the sixty (60) day period shall resume from the point at which it was tolled, and (C) if Optionor fails to deliver timely notice of the stay to Optionee, the tolling provided by this sentence shall not apply.

9.7 **Conveyance**. If Optionor 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 is determined by a court of competent jurisdiction to 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; provided, however, that (A) transfers made in the ordinary course of Optionor's business operations (including routine payments to vendors, suppliers, and payroll) shall not constitute an Event of Default under this Section 9.7, and (B) transfers made with Optionee's prior written consent or expressly contemplated by this Option Agreement or the other Authority Documents shall not constitute an Event of Default under this Section 9.7.

9.8 **Debarment**. If for any reason Optionor is permanently 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. Notwithstanding the foregoing, in the event the exclusion or suspension is due to the acts of one (1) particular individual, then so long

as: (i) such exclusion or suspension is temporary (and not a permanent or final exclusion), and (ii) Optionor removes and terminates such individual within twenty-four (24) hours of becoming aware of the event, then Optionor shall have thirty (30) days following the initial date of such temporary suspension or exclusion to cure such default; provided, however, that "cure" for purposes of this Section 9.8 shall require, at a minimum, (a) timely filing a written appeal, request for reconsideration, or request for reinstatement with the applicable governmental authority, (b) delivering written evidence of such filing to Optionee, and (iii) diligently pursuing such appeal or reinstatement in good faith. If at any time a curable temporary exclusion or suspension becomes permanent or final, Optionor shall not have any further cure rights under this Section 9.8.

10. **Rights to Cure Defaults and Protection of the Authority Assets**. After the occurrence and during the continuation of any Event of Default (a "**Protective Advance Event**"), Optionee may, but without any obligation to do so and without notice to or demand on Optionor and without releasing Optionor from any obligations under this Option Agreement, make any payment or do any other act required of Optionor under this Option Agreement or in any UCSD Loan Document or Credit Line Document, which payment or action on the part of Optionee will be in such manner and to such extent as Optionee, in its discretion, deems necessary to protect the Authority Assets. Optionee is authorized to enter upon the Facilities for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Authority Assets or to protect Optionee's rights under this Option or to collect repayment of any Advances, if applicable, and the cost and expense thereof (including reasonable attorneys' fees and expenses to the extent permitted by Law), with interest as provided in this Section, will be an Advance and will be due and payable to Optionee upon demand or applied to the Purchase Price as a Contribution Credit, as provided in this Section. All such costs and expenses incurred by Optionee in remedying any Protective Advance Event or in appearing in, defending, or bringing any such action or proceeding will bear interest at the Default Rate (as defined in the UCSD Loan Documents), for the period beginning on the first day that such cost or expense was incurred and continuing until the date of payment to Optionee or application to the Purchase Price as a Contribution Credit, as provided in this Section. All such costs and expenses incurred by Optionee, together with interest thereon calculated at the Default Rate, will constitute a portion of the Advances and be subject to the rights and protections of this Option Agreement and the other UCSD Loan Documents or Credit Line Documents. Optionee's exercise of any right under Sections 10 or 10.1 will not be construed as an assumption of Optionor's liabilities, obligations, or regulatory responsibilities, and Optionee will not be subject to any successor liability or responsible-party designation solely by reason of exercising these rights.

10.1 **Entry**. Upon the occurrence of a Protective Advance Event, Optionee may enter into or upon the Facilities, either personally or by its agents, nominees or attorneys and dispossess Optionor and its agents and Representatives therefrom, without liability for trespass, damages or otherwise and exclude Optionor and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Optionor agrees to surrender possession of the Authority Assets and of such books, records and accounts to Optionee upon demand, and thereupon Optionee may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Authority Assets and conduct the business thereat; (ii) complete any construction on the Authority Assets in such manner and form as Optionee deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Authority Assets; (iv) exercise all rights and powers of Optionor with respect to the Authority

Assets, whether in the name of Optionor or otherwise, including without limitation the right to make, cancel, enforce or modify Lease Agreements, obtain and evict tenants, and demand, sue for, collect and receive all rents of the Authority Assets and every part thereof; (v) require Optionor to pay monthly in advance to Optionee, or any receiver appointed to collect the rents, the fair and reasonable rental value for the use and occupation of such part of the Authority Assets as may be occupied by Optionor; (vi) require Optionor to vacate and surrender possession of the Authority Assets to Optionee or to such receiver and, in default thereof, Optionor may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Authority Assets to the payment of the Advances (if applicable), in such order, priority and proportions as Optionee deems appropriate in its sole discretion after deducting therefrom all expenses (including reasonable attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, other charges, insurance and other expenses in connection with the Authority Assets, as well as just and reasonable compensation for the services of Optionee, its counsel, agents, employees and other Representatives.

10.2 **Receiver**. Optionee, as a matter of right and, except as required by applicable Laws, apply for the appointment of a receiver, trustee, liquidator or conservator of the Authority Assets, without notice and without regard for the adequacy of the security for the Advances and without regard for the solvency of Optionor, any guarantor or any indemnitor with respect to the Advances or of any other Person liable for the payment of the Advances (if applicable). Optionor waives any right to any hearing or notice of hearing prior to the appointment of a receiver except for notices required by applicable Law. To the extent permitted under applicable Law, such receiver and its agents will be empowered to (i) take possession of the Authority Assets and perform all necessary or desirable acts with respect to management and operation of the Authority Assets, (ii) exclude Optionor and Optionor's agents, servants, and employees from the Authority Assets, (iii) collect the rents, issues, profits, and income therefrom, (iv) complete any construction which may be in progress, (v) do such maintenance and make such repairs and alterations as the receiver deems necessary, (vi) use all stores of materials, supplies, and maintenance equipment on the Authority Assets and replace such items at the expense of the receivership estate, (vii) pay all taxes and assessments against the Authority Assets, all premiums for insurance thereon, all utility and other operating expenses, and all sums due under any prior or subsequent encumbrance, (viii) generally do anything which Optionor could legally do if Optionor were in possession of the Authority Assets, and (ix) take any other action permitted by Law. To the extent permitted under applicable Law, all expenses incurred by the receiver, or his agents will constitute a part of the Advances. Subject to applicable Law, any revenues collected by the receiver will be applied first to the expenses of the receivership, including reasonable attorneys' fees incurred by the receiver and by Optionee, and the balance will be applied toward the Advances or in such other manner as the court may direct. To the extent provided by applicable Law, unless sooner terminated with the express consent of Optionee, any such receivership will continue until the Advances have been discharged in full.

11. **Default; Remedies**. If a default occurs, beyond notice and cure periods, then the non-defaulting Party will have all rights and remedies available under applicable Laws and in equity, including without limitation the remedy of specific performance, recovery of damages, and recovery of the non-defaulting party's costs, expenses and fees (including reasonable legal fees) incurred in connection with enforcing this Option Agreement, the UCSD Loan Documents, the

Credit Line Documents, the JPA Option Deed of Trust; the Purchase Agreement or the other Authority Documents.

12. **Remedies; Acceleration**. In addition to the other remedies provided in this Option Agreement, if an Event of Default occurs:

12.1 **Equity**. Nothing in this Option Agreement, the Purchase Agreement, the Master Indenture, the UCSD Loan Documents, or the Credit Line Documents will prevent or preclude Optionee from exercising or pursuing any and all rights or remedies generally available to Optionee at law or in equity.

12.2 **Third Party Payers**. Optionee does not, as a result of this Option Agreement or any UCSD Loan Documents or any Credit Line Documents or in any assignment or otherwise in connection therewith, assume any of Optionor's obligations related to, and Optionee will not be responsible in any manner for the performance by Optionor of any of, the terms and conditions of Optionor's contracts with licensed health care service plans, or other third-party payers.

12.3 **Liquidated Damages**. **IN THE EVENT THAT (I) AN OPTION TRIGGER EVENT OCCURS UNDER SECTION 1.3 OF THIS OPTION AGREEMENT AND OPTIONOR FAILS TO CURE SUCH OPTION TRIGGER EVENT WITHIN THE APPLICABLE CURE PERIOD, IF ANY, (II) OPTIONOR FAILS TO HONOR ITS OBLIGATIONS UNDER SECTIONS 1.4 OR 1.5 OF THIS OPTION AGREEMENT WITHIN TEN (10) DAYS WRITTEN NOTICE OF SUCH FAILURE FROM OPTIONEE, OR (III) OPTIONEE FORECLOSES ON THE DEED OF TRUST (WHETHER FOLLOWING AN EVENT OF DEFAULT BY OPTIONOR HEREUNDER OR OTHERWISE), THE PARTIES AGREE THAT, AS ITS SOLE MONETARY REMEDY, OPTIONEE SHALL BE ENTITLED TO LIQUIDATED DAMAGES IN THE SUM OF [SEVEN HUNDRED FIFTY MILLION DOLLARS ($750,000,000)]**[3] **(THE "LIQUIDATED DAMAGES CAP"), LESS: (A) ANY PORTION OF THE ONE HUNDRED SIXTY MILLION ($160,000,000) CAPITAL ADVANCES DUE FROM OPTIONEE TO OPTIONOR PURSUANT TO THE TERMS OF THE UCSD CONTRIBUTION AGREEMENT DATED JUNE 30, 2026 WHICH HAVE NOT BEEN DISBURSED TO OPTIONOR ON OR BEFORE THE DATE THE OPTION IS EXERCISED (THE "UNDISBURSED CAPITAL ADVANCES AMOUNT"); AND (B) THE TOTAL AMOUNT OF UNRESTRICTED PROPERTY TAX REVENUES THAT HAVE BEEN DELIVERED FROM PALOMAR TO OPTIONOR (THE "TAX CONTRIBUTIONS AMOUNT") PURSUANT TO THE TERMS OF THE TAX REVENUE CONTRIBUTION AGREEMENT BY AND BETWEEN PALOMAR AND OPTIONOR DATED JUNE 30, 2026 (SUCH LIQUIDATED DAMAGES CAP, LESS THE UNDISBURSED CAPITAL ADVANCES AMOUNT AND THE TAX CONTRIBUTIONS AMOUNT, THE "LIQUIDATED DAMAGES AMOUNT") AS LIQUIDATED DAMAGES AND NOT AS A PENALTY, IN FULL SATISFACTION OF CLAIMS AGAINST OPTIONOR**

[3] **Note to Draft**: The LD's will not be less than $750M. In addition, given the uncertainty surrounding the transactional expenses and lack of clarify on what costs the Authority is being asked to assume, this amount remains subject to review pending receipt of the necessary information relating to those additional costs. **HK Note to Draft:** To be discussed.

HEREUNDER, AND FURTHER PROVIDED THAT THE LIQUIDATED DAMAGES AMOUNT SHALL BE SATISFIED SOLELY AS: (A) A CONTRIBUTION CREDIT AGAINST THE PURCHASE PRICE FOR THE AUTHORITY ASSETS PURSUANT TO THE PURCHASE AGREEMENT; AND/OR (B) AS AN OFFSET OR CREDIT BID IN CONNECTION WITH ANY FORECLOSURE OR OTHER EXERCISE OF REMEDIES UNDER THE JPA OPTION DEED OF TRUST OR OTHER SECURITY INSTRUMENT SECURING THE SECURED OBLIGATIONS UNDER THIS OPTION AGREEMENT. IN NO EVENT SHALL THE LIQUIDATED DAMAGES AMOUNT BE UTILIZED, DIRECTLY OR INDIRECTLY, AS THE BASIS FOR OR TO OBTAIN A DEFICIENCY JUDGMENT AGAINST OPTIONOR (OR ANY OTHER PLEDGOR OR OBLIGOR) IN ANY JUDICIAL FORECLOSURE OR SIMILAR PROCEEDING. OPTIONEE AND OPTIONOR AGREE THAT OPTIONEE'S DAMAGES RESULTING FROM OPTIONOR'S DEFAULT ARE DIFFICULT, IF NOT IMPOSSIBLE, TO DETERMINE AND THE LIQUIDATED DAMAGES AMOUNT IS A FAIR ESTIMATE OF THOSE DAMAGES WHICH HAS BEEN AGREED TO IN AN EFFORT TO CAUSE THE AMOUNT OF SUCH DAMAGES TO BE CERTAIN. AN AWARD OF THE LIQUIDATED DAMAGES AMOUNT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO OPTIONEE PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE, AND SHALL NOT BE DEEMED TO CONSTITUTE A FORFEITURE OR PENALTY WITHIN THE MEANING OF SECTION 3275 OR SECTION 3369 OF THE CALIFORNIA CIVIL CODE OR ANY SIMILAR PROVISION. IN NO EVENT SHALL OPTIONOR BE LIABLE TO OPTIONEE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES.

_____ _____

Optionee's Initials **Optionor's Initials**

12.4 **Specific Enforcement**. If Optionee seeks by court process to specifically enforce any provisions of this Option Agreement or any UCSD Loan Document or any Credit Line Document, Optionor hereby irrevocably waives any bonds, surety or security relating thereto required by any statute, court rule or otherwise as an incident to such process and waives any demand for possession prior to the commencement of any proceeding. Suit or action.

12.5 **Election of Remedies**. Optionee may, upon the occurrence and continuance of an Event of Default, elect one of the following remedies: (a) to exercise its Option to purchase the Authority Assets for the Purchase Price (with application of Contribution Credits as provided in this Option Agreement); or (b) to foreclose under the JPA Option Deed of Trust securing Optionor's obligations under this Option Agreement, solely for the purpose of enforcing monetary obligations (including, without limitation, liquidated damages expressly provided for in this Option Agreement, or any contractual obligation to pay money arising from failure of performance), but in no event for the purpose of obtaining direct transfer of title to the Real Property as an alternative to the procedures specified in this Option Agreement for purchase and sale. The exercise of any one remedy constitutes an irrevocable election and bars pursuit or enforcement of the other for the same Event of Default, provided that such remedy is consummated to satisfaction of the underlying obligation. Should the elected remedy fail to result in satisfaction of the obligation (for example, foreclosure sale fails to cover the debt or is determined to be unenforceable), Optionee may elect and pursue an alternative remedy, but only to the extent needed

to achieve satisfaction and not to create a double recovery. In no event will the JPA Option Deed of Trust operate to vest title in Optionee automatically upon default, nor shall foreclosure under the JPA Option Deed of Trust operate in substitution for, or as an alternative path to, exercise of the Option to purchase the Authority Assets under this Option Agreement outside the agreed contractual procedures. The equity of redemption of Optionor is expressly preserved, and any sale of the Authority Assets in foreclosure will be conducted strictly in accordance with applicable California law. This Option Agreement and the JPA Option Deed of Trust are intended to provide separate, non-cumulative remedies, each supported by independent consideration. No provision of this Option Agreement or any related security instrument shall effectuate an automatic conveyance or forfeiture of title. Any purchase price offset for an exercised Option is intended solely as a bona fide contributory adjustment in the context of an arm's-length transaction, and not as a deficiency judgment, debt recovery, or disguised foreclosure.

12.6 **Notice**. Optionor waives (i) notice of the acceptance of this Option Agreement (but for the avoidance of doubt, excluding the Option Exercise Notice); (ii) any right to require Optionee to proceed against any other person or entity or to exhaust any security that Optionee may now or hereafter have; (iii) any right to require Optionee to pursue any right or remedy in Optionee's power with respect any indebtedness of Optionor now or hereafter existing in favor of Optionee; (iv) all defenses arising by reason of any disability or other defense of Optionor or any other person or entity, or by reason of the cessation from any cause whatsoever of the liability of Optionor or any other person or entity; and (v) any right of subrogation and any right to enforce any remedy which Optionee now has or may hereafter have against any other person or entity under this Option Agreement or otherwise.

12.7 **Notice or Demand**. Unless otherwise expressly provided in this Option Agreement, Optionee will not be under any duty or obligation whatsoever to make or give any presentment, demand for performance, notice of non-performance, protest, notice of protest, notice of dishonor or any other demand or notice whatsoever, in connection with any of the Secured Obligations, the exercise of any remedies, or otherwise, and all of same are hereby waived by Optionor to the fullest extent permitted by law.

13. **Specific Performance**.

13.1 **Specific Performance**.

13.1.1 Notwithstanding any other remedy in this Option Agreement, the Parties agree that irreparable damage would occur in the event that any of the provisions of this Option Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each Party agrees that, in the event of any breach or threatened breach by any other Party of any covenant or obligation contained in this Option Agreement, the non-breaching Party will be entitled (in addition to any other equitable remedy that may be available to it and in addition to the right to liquidated damages pursuant to Section 12.3) to seek and obtain, without proof of actual damages, (i) a decree or other Order of specific performance to enforce the observance and performance of such covenant or obligation and (ii) an injunction restraining such breach or threatened breach.

13.1.2 Each Party acknowledges and agrees that (i) it will not oppose any equitable

relief or equitable remedy referred to in this Section 13.1.2 on the grounds that any other remedy is available at law or in equity, and (ii) no Party will be required to obtain, furnish or post any bond or similar instrument in connection with, or as a condition to, obtaining any equitable relief or equitable remedy referred to in this Section 13.1.2 (and it hereby irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument).

14. **General Provisions**.

14.1 **Choice of Law**. The Parties agree that all disagreements, disputes or claims arising out of or relating to this Option Agreement or the Contemplated Transactions is governed by and must be 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.

14.2 **Benefit; Assignment; Delegation**. Subject to provisions herein to the contrary, this Option 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.

14.3 **Legal Advice and Reliance**. Except as expressly provided in any Transaction Agreement, 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 Contemplated Transactions under applicable Law, including Tax-related Laws or under the Laws governing the Government Programs. Except for the representations and warranties made in any Transaction Agreement, 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.

14.4 **Cost of Transaction**. Except as otherwise provided in this Option Agreement, each Party will bear and pay its own costs and expenses relating to the preparation of the Transaction Agreements and to the transactions contemplated by, or the performance of or compliance with any condition or covenant set forth in, the Transaction Agreements, including the disbursements and fees of their respective attorneys, accountants, advisors, agents and other Representatives, incidental to the preparation and carrying out of the Transaction Agreements, whether or not the Contemplated Transactions are consummated. The Parties expressly agree that all sales, transfer, documentary transfer and similar taxes, fees, surcharges, and the like in connection with the sale of the Authority Assets will be borne by Optionee.

14.5 **Waiver of Breach**. The waiver by any Party of a breach or violation of any provision of this Option Agreement will not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

14.6 **Severability**. If any provision of this Option Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of Optionee or Optionor under this Option Agreement will not be materially and adversely affected

thereby, (a) such provision will be fully severable, (b) this Option 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 Option 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 Option Agreement and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Option Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

14.7 **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 Option Agreement; (b) this Option Agreement is the result of lengthy and extensive negotiations between the Parties and an equal amount of drafting by all Parties; (c) this Option 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 must be drawn from the fact that any portion of this Option Agreement has been drafted by or on behalf of such Party.

14.8 **Divisions and Headings of this Agreement**. The divisions of this Option 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 Option Agreement.

14.9 **No Third-Party Beneficiaries**. The terms and provisions of this Option Agreement are intended solely for the benefit of Optionee and Optionor, and such parties' respective permitted successors, assigns or delegates, and it is not the intention of the Parties to confer, and, this Option Agreement does not confer, third-party beneficiary rights upon any other Person.

14.10 **Entire Agreement; Amendment**. This Option Agreement, together with the Purchase Agreement, the JPA Agreement, the Initial Contribution Agreement, the Use Agreement, the Employee Lease Agreement, the Tax Revenue Contribution Agreement, the UCSD Contribution Agreement, the Retained Asset Contribution Agreement, the UCSD Loan Documents, the Credit Line Documents, and the other Authority Documents, represent the entire agreement between the Parties with respect to the subject matter of this Option Agreement and supersede 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 Option Agreement will be valid or enforceable unless and until made in writing and signed by all Parties.

14.11 **Multiple Counterparts**. This Option Agreement may be executed in any number of counterparts, each, and all of which will be deemed an original and all of which together constitute but one and the same instrument. The facsimile signature of any Party or other Person to this Option Agreement or any other Transaction Agreement or a PDF copy of the signature of any Party or other Person to this Option Agreement or any other Transaction Agreement 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.

14.12 **Press Releases and Public Announcements**. Except as and to the extent required by Law, without the prior written consent of the other Party, the Parties will not, and each will cause their 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 Contemplated Transactions. 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 Option Agreement and the Contemplated Transactions, and the method of the release for publication thereof, must be planned and coordinated by and among the Parties, and no Party may act unilaterally in this regard without the prior written approval of the other Party, which must 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 Closing of the Purchase Agreement.

14.13 **Other Owners of Authority Assets**. The Parties acknowledge that if it is determined that any Authority Assets are owned by one or more Optionor Affiliates rather than Optionor, then (a) for purposes of all representations, warranties, covenants and agreements contained herein, Optionor agrees that (i) its obligations with respect to any Authority Assets will be joint and several with any Optionor Affiliate which owns or controls such Authority Assets, (ii) the representations and warranties herein, to the extent applicable, will be deemed to have been made by, on behalf of and with respect to, such Optionor Affiliates in their ownership capacity, and (iii) Optionor has the legal capacity to cause, and it will cause, any Optionor Affiliate that owns or controls any Authority Assets to meet all of Optionor's obligations under this Option Agreement with respect to such Authority Assets, and (b) Optionor hereby waives any defense to a claim made by Optionee under this Option Agreement based on the failure of any Person who owns or controls the Authority Assets to be a Party.

14.14 **CPRA/Confidentiality**. Notwithstanding anything to the contrary in this Option Agreement, Optionor and Optionee each acknowledges and agrees that Optionee and Optionor are subject to the California Public Records Act (Cal. Govt. Code §7920 et. seq. (the "**CPRA**")), which provides generally that all records relating to a public agency's business are open to public inspection and copying unless exempted under the CPRA, and that if Optionee or Optionor is required to make disclosures thereunder (as reasonably determined by its respective legal counsel), it may do so without further obligations to the other party.

14.15 **Use of Name**. Optionor will not use the Optionee's name (including, for the avoidance of doubt, the names "UC", "UCSD", "UCSD Health", or "The Regents", abbreviation of the Optionee's name, trade names, and/or trademarks (i.e., logos and seals) or any derivation thereof (collectively, the "**Optionee's Name**")), in any form or manner in advertisements, reports, or other information released to the public without Optionee's prior written approval. Optionor agrees to comply at all times with California Education Code Section 92000. The foregoing shall in no way restrict Optionor from using its full name "the Palomar UCSD Health Authority".

14.16 **Condition Precedent**. This Option Agreement is binding upon and enforceable against the Parties as of the Effective Date; provided, however, that notwithstanding anything to the contrary in this Option Agreement, the grant of the Option by Optionor to Optionee hereunder is expressly conditioned upon the occurrence of either a court order, legislative action or a voter referendum, or alternatively, a judicial validation action or other form of declaratory relief, in each case authorizing Palomar to transfer the Retained Assets to the Authority (each, an "**Authorizing Event"**). Prior to the occurrence of an Authorizing Event, the Option shall not be deemed granted, and Optionee shall have no right to exercise the Option pursuant to this Option Agreement. Upon the occurrence of an Authorizing Event, the Option shall be deemed automatically and irrevocably granted by Optionor to Optionee and shall become exercisable in accordance with the terms of this Option Agreement, without any further action, approval, consent, or agreement of either Party. For the avoidance of doubt, this condition precedent applies solely to the grant of the Option by Optionor; all other terms, covenants, obligations, representations, warranties, and agreements of the Parties under this Option Agreement, including without limitation the covenants set forth in Section 4, the recording of the Memorandum of Agreement, and the payment of the Option Fee, are effective, binding, and enforceable as of the Effective Date and are not subject to or conditioned upon the occurrence of an Authorizing Event.

Remainder of page intentionally left blank.
Signatures on following page.

IN WITNESS WHEREOF, the parties hereto have caused this Option Agreement to be duly executed as of the Effective Date.

OPTIONOR

PALOMAR UCSD HEALTH AUTHORITY

By:_____
Name: Pauline Gourdie
Title: Chair, Board of Directors

OPTIONEE

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

By:_____
Name:_____
Title:_____

EXHIBIT A

Form of Purchase Agreement

[to be attached]

EXHIBIT B

Form of Memorandum of Agreement

EXHIBIT B

Memorandum of Option Agreement

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

The Regents of the University of California
1111 Franklin Street, 7th Floor
Oakland, CA 94607-5200
Attn: Real Estate Services and Strategies

APNs: _____ THIS SPACE ABOVE FOR RECORDER'S USE

MEMORANDUM OF OPTION AGREEMENT

THIS MEMORANDUM OF OPTION AGREEMENT (this "Memorandum"), dated [_____ __, 2026] ("Effective Date"), is by and among 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 ("Optionee"), and PALOMAR UCSD HEALTH AUTHORITY, a joint exercise of powers authority duly organized and validly existing under the laws of the State of California ("Optionor").

1. **Option; Property**. Optionor and Optionee have entered into an unrecorded Option Agreement dated of even date herewith (the "Option Agreement"), whereby Optionor granted to Optionee, and Optionor hereby grants to Optionee, the option ("Option") to purchase from Optionor the real property and improvements commonly known and designated as [Palomar Poway Campus, 15611 Pomerado Rd., Poway, California][Palomar Medical Center Escondido, 2185 Citracado Pkwy., Escondido, California][120 Craven Road, San Marcos, California][211 13th Street, Ramona, California][4], as more particularly described on **Schedule 1**, attached hereto and made a part hereof (including certain appurtenant intangible property rights further described in the Option Agreement, the "Property").

2. **Term**. Optionee will have the right to exercise the Option at any time following: (i) October 31, 2032; or (ii) the occurrence of certain triggering events as more particularly described in the Option Agreement (either occurrence the "Initial Exercise Date"), and continuing for a period of three hundred and sixtieth (360th) full calendar months following such Initial Exercise Date (the "Option Term"), subject to earlier termination in accordance with the terms of

[4] ***Note to Draft: Separate Memo of Option for each of the 4 properties. The legal description in Schedule 1 to be taken from current title reports.***

the Option Agreement. The term of the Option Agreement commences upon the Effective Date and expires on the last day of the Option Term (the "Term").]

3. **Option to Purchase**. Optionee may, at Optionee's option in accordance with the terms of the Option Agreement, purchase the Property at any time during the Option Term, as more particularly set forth in the Option Agreement.

4. **Incorporation of Option Agreement**. This Memorandum is a memorandum of the Option Agreement. The purpose of this Memorandum is to give notice of the rights and obligations of the parties hereto under the Option Agreement, and all of the terms and conditions of the Option Agreement are incorporated herein by reference as if they were fully set forth herein. In the event of any inconsistency between the terms of this Memorandum and the terms of the Option Agreement, the terms of the Option Agreement will prevail.

5. **Binding on Property**. Subject to the terms of the Option Agreement, this Memorandum is binding upon and ensures the benefit of the respective successors in interest and assigns of the parties hereto. The rights granted to Optionor pursuant to the Option Agreement run with the land and are binding upon and burden Property during the Option Term.

Remainder of page intentionally left blank

Signatures on following page.

IN WITNESS WHEREOF, Optionor and Optionee have caused this Memorandum to be duly executed as of the date first above written.

OPTIONOR

PALOMAR UCSD HEALTH AUTHORITY

By:_____
Name: Pauline Gourdie
Its: Chair, Board of Directors

OPTIONEE

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

By:_____
Name:_____
Its:_____

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy or validity of that document.

State of California)

County of _____)

On _____, before me, _____,

(insert name of notary)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy or validity of that document.

State of California)

County of _____)

On _____, before me, _____,
(insert name of notary)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)

Schedule 1

Legal Description

Schedule 2.1

Material Option Consents

None.

Schedule 3.1(c)

Violations of Contracts

None.

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AMENDED AND RESTATED CLOSING AGREEMENT

THIS AMENDED AND RESTATED CLOSING AGREEMENT (this "**Closing Agreement**") is made and entered into effective as of June __, 2026 (the "**Effective Date**"), by and among Palomar Health, a California Health Care District organized pursuant to Division 23 of the California Health and Safety Code ("**Palomar**"), 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**"), and Palomar UCSD Health Authority, a joint exercise of powers authority formed by UCSD Health and Palomar pursuant to the Joint Exercise of Powers Act, California Government Code Section 6500, et seq. (the "**Authority**"). Palomar, UCSD Health, and the Authority are each sometimes referred to in this Closing Agreement as a "**Party**" and, collectively, as the "**Parties**." Capitalized terms used but not otherwise defined herein shall have the meanings set forth in that certain Joint Exercise of Powers Agreement dated as of October 31, 2025, by and between UCSD Health and Palomar, as amended on April 10, 2026, April 30, 2026, and May 28, 2026 (collectively, and as may be further amended from time to time, the "**Joint Powers Agreement**"). **Section 9** of this Closing Agreement also contains certain defined terms used herein.

RECITALS

A. **WHEREAS**, Palomar and UCSD Health previously entered into that certain Closing Agreement (the "**Original Agreement**") dated as of October 31, 2025 ("**Original Effective Date**");

B. **WHEREAS**, as of the Effective Date, the Parties wish to amend and restate the Original Agreement in its entirety and thereby fully supersede the Original Agreement in accordance with the procedures set forth in Section 8(k) of the Original Agreement;

C. **WHEREAS**, the Authority was formed pursuant to the Joint Powers Agreement on October 31, 2025, and the Bylaws of the Authority were adopted by the Authority Board on February 2, 2026;

D. **WHEREAS**, UCSD Health and Palomar each determined that it was in such entity's best interest and the best interest of the communities served by UCSD Health and Palomar and the two acute care hospitals known as Palomar Medical Center Escondido (the "**Escondido Hospital**") and Palomar Medical Center Poway (the "**Poway Hospital**" and together with the Escondido Hospital, the "**Hospitals**"), to enter into the Joint Powers Agreement, in order to, among other things, stabilize and strengthen the availability of community hospital services to all residents of San Diego County, California and surrounding areas regardless of payor or funding source, improve access to healthcare for the vulnerable populations served by Palomar and the Authority through the expansion of clinical infrastructure, and strengthen certain healthcare service lines for the benefit of the residents of San Diego County, California through an integrated health system;

E. **WHEREAS**, prior to the formation of the Authority, but in furtherance of the formation of and fulfillment of the Authority's purpose, UCSD Health advanced a total of Forty

Million Dollars ($40,000,000.00) (the "**Pre-Authority Advances**") to Palomar and PHMG (PHMG together with Palomar, the "**Borrower**") in three separate tranches: (i) an initial advance of Twenty Million Dollars ($20,000,000.00) pursuant to that certain Loan Agreement dated April 4, 2025, by and between UCSD Health and Borrower (the "**Initial UCSD Loan Agreement**" and together with the other Loan Documents (as such term is defined in the Initial UCSD Loan Agreement), collectively, the "**Initial UCSD Loan Documents**"); (ii) a second advance of Ten Million Dollars ($10,000,000.00) pursuant to that certain Loan Agreement dated July 24, 2025, by and between UCSD Health and Borrower (the "**Second UCSD Loan Agreement**" and together with the other Loan Documents (as such term is defined in the Second UCSD Loan Agreement), collectively, the "**Second UCSD Loan Documents**"); and (iii) a third advance of Ten Million Dollars ($10,000,000.00) pursuant to that certain Loan Agreement dated October 31, 2025, by and between UCSD Health and Borrower (the "**Third UCSD Loan Agreement**" and together with the other Loan Documents (as such term is defined in the Third UCSD Loan Agreement), collectively, the "**Third UCSD Loan Documents**" and, together with the Initial UCSD Loan Documents and the Second UCSD Loan Documents, the "**Pre-Authority Loan Documents**");

F. **WHEREAS**, prior to the formation of the Authority, but in furtherance of the formation of and fulfillment of the Authority's purpose, UCSD Health made available to Palomar a Fifty Million Dollar ($50,000,000.00) revolving credit line (the "**Credit Line**") pursuant to that certain Line of Credit Agreement dated as of October 31, 2025, by and between UCSD Health and Borrower (the "**Credit Agreement**" and together with the other Credit Line Documents (as such term is defined in the Credit Agreement), collectively, the "**Credit Line Documents**" and, together with the Pre-Authority Loan Documents, the "**UCSD Loan Documents**");

G. **WHEREAS**, as of the Original Effective Date, Palomar granted UCSD Health the exclusive option (the "**Pre-Operational Option**") to purchase certain assets, including the Poway Hospital and the land on which it is located, pursuant to that certain Option Agreement dated October 31, 2025 by and between Palomar and UCSD Health (the "**Pre-Operational Option Agreement**") pursuant to the terms of the form of Asset Purchase Agreement attached as Exhibit A to the Pre-Operational Option Agreement (the "**Pre-Operational Purchase Agreement**");

H. **WHEREAS**, as of the Original Effective Date, Palomar granted UCSD Health the following: (i) that certain First Deed of Trust With Fixture Filing, Assignment of Leases and Rents and Security Agreement dated October 31, 2025 and recorded November 3, 2025 in the Official Records of San Diego County (the "**Official Records**") with Instrument No. 2025-0308730 (the "**Pre-Operational Option Security Instrument**") to secure the prompt payment and performance of the Pre-Operational Option and the performance of the covenants and agreements of Palomar under the Pre-Operational Option Agreement; and (ii) that certain Second Deed of Trust With Fixture Filing, Assignment of Leases and Rents and Security Agreement dated October 31, 2025 and recorded November 3, 2025 in the Official Records with Instrument No. 2025-0308731 (the "**Pre-Operational Advances Security Instrument**") to secure the prompt payment and performance of Palomar under the UCSD Loan Documents;

I. **WHEREAS**, as of the Original Effective Date, Palomar granted the Master Trustee (as hereinafter defined) that certain Third Deed of Trust With Fixture Filing, Assignment of Leases and Rents, and Security Agreement dated October 31, 2025 and recorded November 3, 2025 in the

Official Records with Instrument No. 2025-0308732 (the "**Pre-Operational Master Trustee Security Instrument**" and together with the Pre-Operational Option Security Instrument and the Pre-Operational Advances Security Instrument, the "**Pre-Operational Security Instruments**") to secure the prompt payment and performance of Palomar under the Master Indenture;

J. **WHEREAS**, by this Closing Agreement, the Parties desire to set forth their respective understanding and agreement regarding: (i) the final form of all material agreements to be entered into to accomplish the transfer of the Contributed Assets to the Authority on the Operational Date ("**Phase I**"), (ii) the conditions precedent that must be satisfied by each of the Parties to consummate Phase I; (iii) the final form of all material agreements to be entered into to accomplish the transfer of the Retained Assets to the Authority ("**Phase II**"); (iv) the conditions precedent that must be satisfied by each of the Parties to consummate Phase II; and (v) the indemnification and termination provisions applicable to each of the Authority Documents, as applicable;

K. **WHEREAS**, as of the Original Effective Date, the Original Agreement included substantially final forms of the following documents as agreed to by Palomar and UCSD Health: (i) the Initial Contribution Agreement; (ii) the Use Agreement; (iii) the Employee Leasing Agreement; (iv) the Tax Revenue Contribution Agreement; (v) the UCSD Health Contribution Agreement; (vi) the Bylaws for the Authority; and (vii) the Tenant in Common Agreement;

L. **WHEREAS**, as of the Effective Date, the Parties have made revisions to certain of the documents and agreements described in the foregoing Recital K as necessary to accomplish the transactions contemplated hereby, consistent with the substantially final forms thereof as of the Original Effective Date, and the agreed-upon final forms of each of the following are attached hereto as follows: (i) the Initial Contribution Agreement, in the final form attached hereto as **Exhibit A**; (ii) the Use Agreement attached hereto as **Exhibit B**; (iii) the Employee Leasing Agreement, in the final form attached hereto as **Exhibit C**; (iv) the Tax Revenue Contribution Agreement, in the final form attached hereto as **Exhibit D**; (v) the UCSD Health Contribution Agreement, in the final form attached hereto as **Exhibit E**; and (vi) the Tenant in Common Agreement, in the final form attached hereto as **Exhibit F**;

M. **WHEREAS**, as of the Effective Date, the following document and agreement in the final forms attached hereto, having been drafted and agreed to by the Parties for their respective execution on or prior to the Effective Date, is agreed upon by the Parties: (i) the Post-Operational Option Agreement, including the Post-Operational Asset Purchase Agreement, substantially in the form attached hereto as **Exhibit G**; and

N. **WHEREAS**, the following documents and agreements in the final forms attached hereto (subject only to updates to the respective schedules thereto), as applicable, have been drafted and agreed by the Parties as of the Effective Date: (i) the Retained Asset Contribution Agreement, substantially in the form attached hereto as **Exhibit H**; and (ii) the JPA Option Agreement, including the JPA Option Asset Purchase Agreement, substantially in the form attached hereto as **Exhibit I**.

NOW, THEREFORE, in consideration of the mutual covenants, conditions, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Conditions to Phase I Closing**.

a. Conditions to Obligations of UCSD Health, Palomar, and the Authority. Notwithstanding anything to the contrary contained in any Authority Document, the obligations of UCSD Health, Palomar, and the Authority, respectively, to perform their respective obligations under the Authority Documents, including closing the transactions in accordance with the terms of the Phase I Transaction Documents, are expressly conditioned on the fulfillment of each of the conditions listed below:

i. The Authority and the Authority Board must have taken all actions 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; and

ii. All of the Material Governmental Consents (described in Schedule 1 of the Joint Powers Agreement) and all of the Material Non-Governmental Consents (described in Schedule 2 of the Joint Powers Agreement), must have been obtained.

b. Conditions Precedent to Obligations of Palomar and the Authority. The obligations of Palomar and the Authority to consummate the Phase I transaction are subject to the satisfaction on or before the Phase I Closing Date of each of the following conditions:

i. Each of the Phase I Transaction Documents to which UCSD Health is a party must have been duly authorized, executed, and delivered by UCSD Health, including, for the avoidance of doubt, the Post-Operational Option Agreement and the UCSD Health Contribution Agreement.

ii. The Phase II Transaction Documents to which UCSD Health is a party must have been duly authorized, executed, and delivered by UCSD Health (to be held by each Parties' respective counsel in escrow until the Phase II Closing Condition is met), including, for the avoidance of doubt, the JPA Option Agreement, subject only to updates to the respective schedules thereto, as applicable.

iii. UCSD Health must have delivered all of the closing deliverables that it is required to deliver under the UCSD Health Contribution Agreement to close the transactions contemplated by the UCSD Health Contribution Agreement.

iv. Each of the covenants and obligations that UCSD Health is required to perform or to comply with pursuant to the UCSD Health Contribution Agreement at or before the Closing must have been duly performed and complied with in all material respects.

v. UCSD Health, with Palomar, shall have taken such steps as necessary to cause the Authority to become an Obligated Group Member (as defined in the Master Indenture) under the Master Indenture.

vi. There is no uncured and ongoing event of default by UCSD Health under any applicable Authority Document.

c. Conditions Precedent to the Obligations of Palomar and UCSD Health. The obligations of Palomar and UCSD Health to consummate the Phase I transaction are subject to satisfaction on or before the Phase I Closing Date of each of the following conditions:

i. Each of the Phase I Transaction Documents to which the Authority is a party must have been duly authorized, executed, and delivered by the Authority.

ii. The Phase II Transaction Documents to which the Authority is a party must have been duly authorized, executed, and delivered by the Authority (to be held by each Parties' respective counsel in escrow until the Phase II Closing Condition is met), including, for the avoidance of doubt, the JPA Option Agreement and Retained Asset Contribution Agreement, subject only to the population of or updates to the respective schedules thereto, as applicable.

iii. The Authority must have delivered all of the closing deliverables that it is required to deliver under the Initial Contribution Agreement, the Use Agreement, the UCSD Health Contribution Agreement and the Post-Operational Option Agreement to close the transactions contemplated by the Initial Contribution Agreement, the Use Agreement, the UCSD Health Contribution Agreement and the Post-Operational Option Agreement.

iv. Each of the covenants and obligations that the Authority is required to perform or to comply with pursuant to the Initial Contribution Agreement, the Use Agreement and the UCSD Health Contribution Agreement at or prior to the Closing must have been duly performed and complied with in all material respects.

v. The Authority shall have delivered 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.

vi. The Authority must have authorized and expressly assumed the obligations of Palomar and PHMG as borrower under each of the Advance Documents and Credit Line Documents, with the Authority, Palomar, and PHMG as co-borrowers thereunder pursuant to a duly authorized, executed, and delivered Assignment and Assumption Agreement.

vii. The Authority must have taken such steps as necessary to become an Obligated Group Member under the Master Indenture and appointed Credit Group Representative.

viii. The Authority shall have executed and delivered the A&R Assured Forbearance Agreement to Palomar and UCSD Health.

ix. There is no uncured and ongoing event of default by the Authority under any applicable Authority Document.

d. Conditions Precedent to Obligations of the Authority and UCSD Health. The obligations of the Authority and UCSD Health to consummate the Phase I transaction are subject to satisfaction on or before the Phase I Closing Date of each of the following conditions:

i. Each of the Phase I Transaction Documents to which any Palomar Entity is a party must have been duly authorized, executed, and delivered by the Palomar Entities, as applicable.

ii. The Phase II Transaction Documents to which any Palomar Entity is a party must have been duly authorized, executed, and delivered by the Palomar Entities, as applicable (to be held by each Parties' respective counsel in escrow until the Phase II Closing Condition is met), including, for the avoidance of doubt, the Retained Asset Contribution Agreement, and shall be in final form, subject only to updates to the respective schedules thereto, as applicable.

iii. The Palomar Entities must have delivered all of the closing deliverables that are required to be delivered under the Initial Contribution Agreement, the Use Agreement, the Employee Leasing Agreement, and the Tax Revenue Contribution Agreement, to close the transactions contemplated by the Initial Contribution Agreement, the Use Agreement, the Employee Leasing Agreement, and the Tax Revenue Contribution Agreement.

iv. Each of the covenants and obligations that the Palomar Entities are required to perform or to comply with pursuant to the Initial Contribution Agreement, the Use Agreement, the Employee Leasing Agreement, and the Tax Revenue Contribution Agreement at or before the Closing must have been duly performed and complied with in all material respects, including obtaining all Material Consents, including, for the avoidance of doubt, those from debtholders and the JV Entities.

v. Palomar must have obtained duly executed consents from the applicable consenting party to all Material Consents for the transfer of the Contributed Assets and the granting of the rights under the Use Agreement.

vi. In addition to those consents that must have been obtained by Palomar on or prior to the Effective Date hereof, Palomar must have obtained the Material Non-Governmental Consents and the Material Governmental Consents within the time frames set forth in the Joint Powers Agreement.

vii. Palomar must have delivered duly acknowledged and notarized grant deeds for all real property constituting the Contributed Assets, and the same must have been delivered to Fidelity National Title Insurance Company for recording.

viii. Fidelity National Title Insurance Company must be irrevocably committed to delivering an ALTA Owner's Title Policy to the Authority with respect to all real property constituting the Contributed Assets and an ALTA Leasehold Title Policy to the Authority

with respect to all real property constituting the Licensed Items under the Use Agreement, each in form reasonably satisfactory to the Authority.

ix. Palomar must have provided all diligence items requested by the Authority for purposes of the Authority conducting due diligence activities, including in connection with any appraisal, environmental, structural, and mechanical reviews of the real properties, analysis of compliance by the Contributed Assets, Retained Assets, Facilities, and Business, as such terms are defined in the Initial Contribution Agreement.

x. Palomar and the applicable Palomar Entities must have obtained the Tail Policies described in the Initial Contribution Agreement.

xi. Palomar must have provided the CBA Notice.

xii. Palomar shall have taken such steps as necessary to cause the Authority to become an Obligated Group Member (as defined in the Master Indenture) under the Master Indenture.

xiii. There is no uncured and ongoing event of default by Palomar under any applicable Authority Document.

e. Waiver; Limitations. Notwithstanding anything else in this Closing Agreement or any other Authority Document, any Party may waive in writing any condition to its obligations under any Authority Document. A Party shall automatically be deemed to have waived any applicable condition to such Party's obligations specified in this **Section 1** if such Party's actions or omissions were the cause of, or resulted in, the failure to satisfy any such condition to such Party's obligations.

2. **Phase I Closing Process; Agreement of Authority to Assume the Obligation to Pay Certain Invoices for Palomar.** Not later than five (5) days prior to the Operational Date, each Party will deliver to the other Party duly authorized and executed copies of each Phase I Transaction Document, which has not previously been delivered and executed, to which such Party is a signatory (and any documents necessary for recording shall have been delivered to Fidelity National Title Insurance Company not later than two (2) business days prior to the Operational Date), subject to the receipt of the Material Governmental Consents and Material Non-Governmental Consents. Notwithstanding the foregoing, the Joint Powers Agreement, the Pre-Operational Option Agreement, the Post-Operational Option Agreement, the Pre-Operational Security Instruments, the Credit Agreement, and the Third UCSD Loan Agreement remain binding and enforceable between the Parties as of the Original Effective Date. [In conjunction with the Phase I Closing, the Authority will become co-obligated for the payment of the invoices listed on **Schedule A** hereto (the "**Scheduled Transactional Expenses**"). The Authority's obligation to pay for any Scheduled Transactional Expenses is subject to: (i) Palomar's provision of all documentation regarding these expenses, including documentation to verify the amounts stated therein; (ii) the Authority will have the sole discretion to determine the order, manner, amount and the timing of the payment of such expenses; (iii) Palomar must remain a co-obligator and is not released from Liability associated with the payment of any Scheduled Transactional Expenses; (iv) the Authority will have the sole right to discuss and negotiate with the vendors and other third

parties to whom such Liabilities are owed, including the right to dispute such expenses or negotiate the terms of any payment plans in connection with any of the Scheduled Transactional Expenses; (v) the Authority shall have the right to verify the underlying basis for any Scheduled Transactional Expenses, including confirming that the amounts stated therein are consistent with the documentation provided pursuant to clause (i), and Palomar shall cooperate fully with any such verification and shall promptly provide access to all books, records, contracts, invoices, correspondence, and other materials reasonably requested in connection therewith; (vi) the Scheduled Transactional Expenses on **Schedule A** shall not be modified, amended, or supplemented in any manner without the prior written consent of each of the Authority and UCSD Health; and (vii) the Authority's co-obligation with respect to the Scheduled Transactional Expenses shall be limited to the amounts expressly stated on **Schedule A** as of the Effective Date; provided, however, that (A) any late fees, penalties, interest, collection costs, or other charges that accrue with respect to any Scheduled Transactional Expense on or after the Effective Date as a result of the Authority's payment timing decisions pursuant to clause (ii) shall be the obligation of the Authority, and (B) any amounts disputed by a vendor or other third party in excess of the amounts stated on **Schedule A** shall remain the sole obligation of Palomar unless the Authority elects, in its sole discretion, to assume such disputed amounts.][1]

3. **Conditions to Phase II Closing**. Notwithstanding anything to the contrary contained in any Phase II Transaction Document, the obligations of UCSD Health, Palomar and the Authority, respectively, to perform their respective obligations under any of the Phase II Transaction Documents, including closing the Phase II transactions in accordance with the terms of the Phase II Transaction Documents, are expressly conditioned on the Retained Asset Contribution Approvals having been obtained (the "**Phase II Closing Condition**"). For the avoidance of doubt, prior to closing under the Phase II Transaction Documents, the final schedules to the Retained Asset Contribution Agreement have been delivered and agreed to and any Phase II Transaction Documents not delivered at the Phase I Closing Date, shall have been delivered. Notwithstanding anything else in this Closing Agreement or any other Authority Document, any Party may waive in writing any condition to its obligations under any Authority Document. A Party shall automatically be deemed to have waived any applicable condition to such Party's obligations specified in this **Section 2** if such Party's actions or omissions were the cause of, or resulted in, the failure to satisfy any such condition to such Party's obligations.

4. **Authority to Enter into this Closing Agreement and the Authority Documents**. The execution, delivery and performance by the Parties of this Closing Agreement and all Authority Documents: (i) have been duly and validly authorized and approved by all necessary 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 Closing Agreement absent the Material Governmental Consents; and (iv) 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,

[1] **Note to Draft**: Subject to receipt and approval of final Schedule A; also subject to reconciliation with terms in the ICA as to same.

cancellation, acceleration, loss of material benefit under or result in the creation of any Encumbrance upon, the Contributed Assets or the Retained Assets.

The Authority's representations and warranties in this Closing Agreement, all Authority Documents and all other documents executed in connection with the transaction will not be breached or constitute a misrepresentation, inaccuracy or default by reason of any matter that was expressly and specifically disclosed to Palomar or UCSD Health, including but not limited to (i) Palomar's power and authority to grant the Pre-Operational Security Instruments and their enforceability, (ii) the Authority's power and authority to grant the Post-Operational Advances Security Instrument, Post-Operational Master Trustee Security Instrument, and the Post-Operational Option Security Instrument and their enforceability, (iii) the enforceability of the Tax Revenue Contribution Agreement, (iv) the enforceability of the UCSD Loan Documents, and (v) restrictions and limitations regarding ad valorem tax revenues.

5. **Underlying Valuation Materials**. Palomar represents, warrants and affirms to UCSD Health and the Authority that Palomar was the sole source of all of the underlying documents, data, information (whether written, oral, electronic, or otherwise communicated), records, reports, financial statements, projections, forecasts, budgets, assumptions, models, analyses, correspondence, communications, and all other materials of any kind or nature (collectively, the "**Underlying Valuation Materials**") provided to, relied upon by, or otherwise made available to Deloitte Transactions and Business Analytics LLP ("**Deloitte**") in connection with Deloitte's preparation of the valuation report dated [November 5, 2025 and amended on June __, 2026][2] (the "**Valuation Report**"). Palomar represents and warrants that the Underlying Valuation Materials were, as of the date provided to Deloitte and as of the date of the Valuation Report, true, correct, complete, and accurate in all respects. Palomar acknowledges and agrees that it is and shall remain solely and exclusively responsible for any and all inaccuracies, errors, omissions, incompleteness, or any other failure of the Underlying Valuation Materials to be wholly accurate, complete, and not misleading in any respect, and for any and all Losses arising therefrom or attributable thereto. Without limiting any other rights or remedies available to any UCSD Health Indemnified Party under this Closing Agreement or any other Authority Document, any liabilities relating to any inaccuracy, error, omission, incompleteness, or other deficiency in the Underlying Valuation Materials provided, prepared, or communicated by Palomar shall constitute a breach for purposes of Section 6.a.i.A and shall give rise to indemnification obligations of Palomar in accordance with Section 6.

6. **Tenant in Common Interest Adjustment**. The Parties acknowledge and agree that, during the period from the Operational Date to the closing under the Retained Asset Contribution Agreement (the "**Phase I Period**"), the Contributed Assets transferred to the Authority pursuant to the Initial Contribution Agreement are intended to constitute approximately forty-nine percent (49%) of the total assets of Palomar as determined immediately prior to the Operational Date; provided, however, that in no event shall the Contributed Assets transferred pursuant to the Initial Contribution Agreement constitute in excess of forty-nine percent (49%) of the total assets of Palomar as determined immediately prior to the Operational Date. The Parties further acknowledge that, on or about the Operational Date, Palomar is transferring a nineteen and one-half percent (19.5%) tenant in common interest in the Escondido Land to the Authority as part

[2] Note: To confirm. Is there a new report or an amendment to the existing report being finalized?

of the Contributed Assets pursuant to the Initial Contribution Agreement. In the event that any third party (including, without limitation, voters or other interested parties not affiliated with any of the Parties) raises or asserts any bona fide challenge, dispute, claim, or assertion (a "**Valid Transfer Challenge**") that the transfer of the Contributed Assets during the Phase I Period violates, conflicts with, or is otherwise inconsistent with any applicable Law or any contract, agreement, or other obligation by which any of the Parties are bound, and such Valid Transfer Challenge can be addressed, mitigated, or resolved, in whole or in part, through an adjustment of the tenant in common interest ownership percentages as between Palomar and the Authority, the Parties must first consider and prioritize an adjustment of the tenant in common interest ownership percentages as between Palomar and the Authority as the mechanism for addressing, mitigating, or resolving such Valid Transfer Challenge; provided, however, that (i) UCSD Health shall have the sole and exclusive right to determine, in its reasonable discretion, whether an adjustment of the tenant in common interest ownership percentages is the appropriate remedy for addressing, mitigating, or resolving such Valid Transfer Challenge, and (ii) no adjustment to the tenant in common interest ownership percentages as between Palomar and the Authority shall be made or become effective without the prior written consent of UCSD Health, which consent must not be unreasonably withheld, conditioned, or delayed. Upon any Party becoming aware of any challenge, dispute, claim, or assertion that may constitute a Valid Transfer Challenge, such Party shall promptly, and in any event within ten (10) business days of becoming aware thereof, deliver written notice to each other Party describing in reasonable detail the nature of such challenge, the identity of the third party asserting such challenge (to the extent known), and the factual and legal basis therefor. For the avoidance of doubt, no Valid Transfer Challenge shall be deemed bona fide, and no adjustment of the tenant in common interest ownership percentages shall be required or permitted pursuant to this Section, if such Valid Transfer Challenge was directly or indirectly instigated, encouraged, solicited, supported, funded, or facilitated by Palomar or any Palomar Entity, UCSD Health, or by any person or entity acting at the direction, request, or suggestion of, or in concert or coordination with, Palomar or any Palomar Entity or UCSD Health. Nothing in this Section shall prevent, restrict, or otherwise limit the ability of any of the Parties to defend, respond to, or otherwise contest any action, proceeding, claim, or challenge (including any Valid Transfer Challenge) in such manner as such Party determines, in its sole discretion, to be in the best interests of its respective organization, and no provision of this Section shall be construed to require any Party to refrain from asserting any defense, argument, or position, or from taking any action, that such Party deems necessary or appropriate to protect its legal rights, financial interests, or operational integrity.

7. **Termination**.

a. Termination Prior to Phase I Closing. Prior to the Phase I Closing Date, this Closing Agreement will, subject to **Section 7.c**, terminate upon the following:

i. The date this Closing Agreement or the Joint Powers Agreement is terminated by mutual agreement of the Parties.

ii. The occurrence of an uncured Event of Default unless the non-defaulting Party agrees to waive such Event of Default.

iii. The exercise of an applicable UCSD Option by UCSD Health unless UCSD Health waives its right to require dissolution of the Authority.

b. 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 Closing Agreement:

i. If an "Event of Default" (solely for purposes of this **Section 7.b.i**, as such term is defined in Section 4.13 of the Master Indenture) occurs under the provisions of the Master Indenture, which "Event of Default" is substantially caused by Palomar or PHMG.

ii. If a Party fails to perform or observe when and as required, or breaches or defaults under any material covenant, condition, or agreement contained in this Closing Agreement or another Authority Document, subject to any applicable notice and cure periods expressly provided for in such agreements, documents, or instruments.

iii. 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, instruments, or documents.

iv. 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, instruments, or documents.

v. 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 IKS, or any Affiliate of Mesa Rock.

vi. If any warranty, representation, or other statement by or on behalf of a Party contained in this Closing 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.

vii. 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.

viii. If Palomar: (1) files or threatens to file a petition seeking relief under the U.S. Bankruptcy Code; (2) 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; (3) 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 (4) 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.

ix. If: (1) 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 (2) 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; (3) 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 (4) 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.

x. If Palomar: (1) makes a general assignment for the benefit of its creditors; (2) 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 (3) admits its insolvency or inability to pay its debts generally as such debts become due.

xi. 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.

xii. 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.

xiii. 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.

c. 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 Closing Agreement or any other Authority Document 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 Closing 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 **Section 7** to the contrary, the Parties will have all rights and remedies available under the Authority Documents 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 Closing Agreement and the other Authority Documents.

d. Termination Prior to Phase II Closing. Following the closing of the Phase I transactions and prior to the closing of the Phase II transactions, UCSD Health shall have the right to terminate, upon delivery of written notice to the other Parties, this Closing Agreement and any other Authority Document of the following:

i. After Palomar's failure to complete or cause the completion of the Retained Asset contributions by December 31, 2028.

ii. After any material breach by Palomar of a material covenant or condition in the Post-Operational Option Agreement, or any other Authority Document that remains uncured for a period of ten (10) days following written notice thereof from UCSD Health or that otherwise constitutes an Event of Default.

iii. If any representation or warranty made by Palomar under the Post-Operational Option Agreement or any other Authority Document is materially untrue or inaccurate.

e. Termination After Phase II Closing. Following the closing of the Phase II transactions, UCSD Health shall have the right to terminate, upon delivery of written notice to the other Parties, this Closing Agreement and any other Authority Document as follows:

i. Any time after the seventh (7th) anniversary of the entry into the Joint Powers Agreement.

ii. After any material breach by Palomar of a covenant or condition in the JPA Option Agreement, any other Phase II Transaction Document, or any other Authority Document that remains uncured for a period of ten (10) days following written notice thereof from UCSD Health or that otherwise constitutes an Event of Default.

iii. If any representation or warranty made by Palomar under the JPA Option Agreement, any other Phase II Authority Document, or any other Authority Document is materially untrue or inaccurate.

8. **Indemnification**.

a. Indemnification by Palomar.

i. Subject to the limitations and process outlined herein, from and after the Effective Date, Palomar will defend, indemnify, protect, and hold harmless UCSD Health, the Authority, and each of their respective successors, permitted assigns, directors, managers, trustees, officers, employees, agents, contractors, and Representatives (each, a "**UCSD Health Indemnified Party**" and collectively the "**UCSD Health Indemnified Parties**"), from and against any Losses incurred or suffered by any UCSD Health Indemnified Party, directly or indirectly, including any Losses incurred or suffered by the Authority, as a result of, arising from, or related to:

A. any breach, inaccuracy, misrepresentation, or omission in any of the representations or warranties made by Palomar or a Palomar Entity in this Closing Agreement or any other Authority Document;

B. any breach of any covenant, agreement, or other obligation of Palomar or a Palomar Entity as set forth in this Closing Agreement or any other Authority Document;

C. the use and provision of the Retained Assets, except to the extent expressly assumed by the Authority through the Use Agreement; provided, however, that the action, omission, event, or other occurrence giving rise to such Loss(es) occurred before the contribution of the Retained Asset to the Authority;

D. the Excluded Liabilities;

E. any uncured Event of Default by Palomar (as such term is defined in the Joint Powers Agreement); and

F. any fraud, misrepresentation, or other willful or criminal misconduct of Palomar or a Palomar Entity.

ii. *Sole Mechanism for Payment of an Indemnification Claim by Palomar*. The sole monetary remedy for Palomar's indemnification obligations hereunder is to apply, upon UCSD Health's exercise of a UCSD Health Option, the amount of any Claim or related Loss (including the full amount of any undisputed Claim or Loss, as well as any disputed Claims that were resolved) as an offset against the purchase price payable pursuant to any UCSD Health Option (each an "**Offset Credit**" and collectively, the "**Offset Credits**") under the terms of, and subject to the limitations provided in, this **Section 8**. Notwithstanding the foregoing, Losses with respect to any disputed Claim will continuously accumulate until the underlying Claim is fully resolved. Nothing contained in the foregoing shall in any way limit Palomar's liability to UCSD Health under Section 13.3 of the Pre-Operational Option Agreement, to UCSD Health under Section 4.2(a) of the Joint Powers Agreement, to the Authority under Section 10.2 of the Initial Contribution Agreement in respect of liquidated damages payable in the event of a breach by Palomar as described in such agreements.

iii. Other Limitations on Indemnification by Palomar.

A. *UCSD Health Claims Threshold; De Minimis Amount*. No Claims for indemnification pursuant to **Section 8** will be made, and no offset pursuant to this **Section** will be available to a UCSD Health Indemnified Party, unless and until the aggregate amount of all Losses for all Claims exceeds Ten Million Dollars ($10,000,000) (the "**UCSD Health Claims Threshold**"), in which case Palomar will indemnify, defend, and hold harmless the applicable UCSD Health Indemnified Party for the aggregate amount of all Losses incurred by a UCSD Health Indemnified Party. In addition, with respect to any Claim for which any UCSD Health Indemnified Party may be entitled to indemnification under this **Section 8**, Palomar will not be liable for any individual or series of related Losses which do not exceed Two Hundred Thousand Dollars ($200,000) (the "**De Minimis Amount**"); provided, however, that each such Loss will be counted toward the UCSD Health Claims Threshold.

B. *Indemnification Cap*. The aggregate liability of Palomar in respect of Claims for indemnification made pursuant to **Section 8** will not exceed the full unreduced valuation established for the assets being acquired pursuant to the exercise of any UCSD Health Option by UCSD Health (the "**Asset Valuation**"); provided, however, that, if the Offset Credits are in the aggregate greater than the actual purchase price in respect of any UCSD Health Option at the time such option is exercised by UCSD Health (such excess amount, an "**Offset Excess**"), then the Offset Credits shall survive the exercise of such UCSD Health Option and the Offset Excess shall be available for further use by UCSD Health in connection with the exercise of a subsequent UCSD Health Option. For the avoidance of doubt, the Asset Valuation in respect of any UCSD Health Option will not take into account the Offset Credits.

iv. Deferred Claims Process.

A. No UCSD Health Indemnified Party will bring any legal action to recover monies on any indemnification Claim, whether by arbitration or litigation, against Palomar under this **Section 8** until the earlier of the dissolution of the Authority or the notice of exercise by UCSD Health of a UCSD Health Option; provided, however, a UCSD Health Indemnified Party may bring a Claim Notice (as defined herein) and the Parties may engage in the Claims resolution process set forth herein during such time period.

B. If a UCSD Health Indemnified Party wishes to assert any Claim or demand, including Claims or demands arising from the actions of a Palomar Entity, for which Palomar would be liable for Losses, which, for the avoidance of doubt includes: (i) Claims brought against the Authority; (ii) Third Party Claims; and (iii) all other Claims arising under this **Section 8** (each a "**Claim**" and collectively, "**Claims**"), such UCSD Health Indemnified Party will deliver a notice in writing to Palomar (a "**Claim Notice**"). The Claim Notice may be delivered to Palomar at any time during the Survival Period, together with a copy of all papers served, if any, and specifying the nature of and alleged basis for the Loss and, to the extent then feasible, the alleged amount or the estimated amount of the Losses.

C. Notwithstanding anything to the contrary contained in any Authority Document, with respect to any Claim brought by or against the Authority, the UCSD Health Representatives will control all decisions made on behalf of the Authority related to such Claims, including the settlement or resolution of the Claim. Each of the Authority and Palomar irrevocably constitutes and appoints UCSD Health, and any assignee of UCSD Health, as the true

and lawful attorney-in-fact of each of the Authority and Palomar for the purpose of effectuating the control of all Claims brought against the Authority consistent with this **Section 8**, including the settlement or resolution of all such Claims. This power of attorney granted by each of the Authority and Palomar to the UCSD Health (i) is coupled with an interest; (ii) shall survive and not be affected by the subsequent dissolution, termination or bankruptcy, as applicable, of the Authority or Palomar; and (iii) shall be binding upon the successors, assigns, heirs, executors, administrators, legal representatives and beneficiaries, as applicable, of the Authority and Palomar.

D. For a Claim that does not involve a Third-Party Claim (the "**Non-Third Party Claim**"), Palomar will notify the UCSD Health Indemnified Party and the Authority in writing within forty-five (45) days of the date of the Claim Notice (the "**Non-Third Party Claim Notice Period**") whether Palomar disputes the amount outlined in the Claim Notice ("**Palomar Dispute Notice**").

E. If Palomar timely disputes such Liability with respect to the Non-Third Party Claim, Palomar and the UCSD Health Indemnified Party will proceed promptly and in good faith to negotiate a resolution of such dispute within thirty (30) days following receipt of the Palomar Dispute Notice and, if such dispute is not resolved through negotiations during such thirty (30) day period, it will be resolved through binding mediation conducted in San Diego County, California, and administered by the American Health Law Association. 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 dispute 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. If the Claim is determined to be valid in accordance with the procedures set forth in this **Section 8.a.iv.E**, then the UCSD Health Indemnified Party will be entitled to the Losses so determined and also be entitled to the equivalent Offset Credit.

F. If Palomar fails to respond to a Claim Notice for a Non-Third Party Claim within the Non-Third Party Claim Notice Period, Palomar will be deemed to have agreed to the Losses set forth in the Claim Notice, along with all other documented Losses associated with the Claim.

G. A UCSD Health Indemnified Party will have the right to defend, on behalf of itself and/or the Authority, all Claims that constitute Third Party Claims. Such rights include: (i) making all decisions involving the appropriate Proceedings; (ii) diligently prosecuting such Proceedings to a conclusion or settlement; and (iii) having full control of the defense of such Proceedings on behalf of the Authority and/or UCSD Health Indemnified Party.

H. Palomar may participate in, but not control, any defense or settlement of any Claim assumed by the UCSD Health Indemnified Party on behalf of itself or the Authority pursuant to this **Section 8.a.iv**, and Palomar will bear its own costs and expenses with respect to such participation. The UCSD Health Indemnified Party, on behalf of the Authority, will give reasonable prior notice to Palomar of the initiation of any discussions relating to the settlement of a Claim to allow Palomar to participate therein; provided, however, that the decision to settle

such Claim on behalf of the Authority or UCSD Health Indemnified Party will be at the sole discretion of the UCSD Health Indemnified Party.

I. Any estimated amount of a Claim given in a Claim Notice will not be conclusive of the final amount of such Claim, and the giving of a Claim Notice when properly due will not impair a UCSD Health Indemnified Party's rights hereunder except to the extent that Palomar demonstrates that it has been irreparably prejudiced thereby.

J. Upon UCSD Health's consummation of the purchase of the assets pursuant to the terms of the exercise of a UCSD Health Option, UCSD Health will apply as an offset against the Asset Valuation, the Offset Credits or Excess Credits, as applicable. Notwithstanding the foregoing, the Losses with respect to any disputed Claim will continuously accumulate, as applicable, until resolved.

v. *Remedies of UCSD Health Indemnified Parties for Indemnification Claims*. Upon the occurrence of a High-Impact Claim, and notwithstanding anything to the contrary contained in any Authority Document or any agreement documenting a UCSD Health Option, the UCSD Health Indemnified Parties will have the right to immediately exercise any UCSD Health Option.

vi. *UCSD Health Reliance Upon Palomar Commitments Including Representations and Warranties*. Palomar acknowledges and agrees that, in making significant monetary and non-monetary contributions to the Authority, the Business and Facilities, UCSD Health is relying on the representations, warranties, covenants, and obligations made by the Palomar Entities in this Closing Agreement and the other Authority Documents, and that UCSD Health will be damaged in the same manner and to the same extent, on a dollar-for-dollar basis, as the Authority, should Palomar or a Palomar Entity breach any such representations, warranties, covenants, or obligations.

b. Indemnification by the Authority of Palomar and UCSD Health.

i. *Indemnification of Palomar*. From and after the Operational Date, except as otherwise provided in this **Section 8**, the Authority will indemnify, defend, protect, and hold harmless Palomar and their successors, permitted assigns, shareholders, members, directors, managers, trustees, officers, employees, agents, contractors, and Representatives (each, a "**Palomar Indemnified Party**" and collectively the "**Palomar Indemnified Parties**"), from and against any Losses incurred or suffered by the Palomar Indemnified Parties, directly or indirectly, as a result of, arising from or related to:

A. any breach, inaccuracy, misrepresentation, or omission in any of the representations or warranties made by the Authority in this Closing Agreement or any other Authority Document;

B. any breach of any material covenant, agreement, or other obligation of the Authority set forth in this Closing Agreement or any other Authority Document;

C. the Assumed Liabilities; and

D. any fraud, intentional misrepresentation, or willful or criminal misconduct of the Authority or any representatives of the Authority.

ii. Limitations on Indemnification by the Authority.

A. *Palomar Claims Threshold; De Minimis Amount*. No Claims for indemnification pursuant to **Section 8.b** will be made, and no payments pursuant to **Section 8.b.iii** will be available to Palomar, unless and until the aggregate amount of all such Losses exceeds Five Hundred Thousand Dollars ($500,000) (the "**Palomar Claims Threshold**"), in which case the Authority will indemnify, defend, and hold harmless the applicable Palomar Indemnified Party for the aggregate amount of all Losses incurred by a Palomar Indemnified Party. With respect to any Claim for which a Palomar Indemnified Party may be entitled to indemnification under this **Section 8.b**, the Authority will also not be liable for any individual or series of related Losses which do not exceed the De Minimis Amount; provided, however, that each such Loss will be counted toward the Palomar Claims Threshold.

B. Cap. The aggregate liability of the Authority in respect to the indemnification of Palomar for Losses made pursuant to this **Section 8.b** will not exceed Twenty Million Dollars ($20,000,000).

iii. Any undisputed indemnification payment required to be made pursuant to this **Section 8** by the Authority to any Palomar Indemnified Parties with regard to indemnification under **Section 8.b** will be effected by wire transfer of immediately available funds to an account designated by the applicable Palomar Indemnified Party within ten (10) business days after the determination of the amount thereof, whether pursuant to a final judgment, settlement, or agreement among the Parties.

c. Mutual Limitations on Indemnification.

i. Insurance Recovery. The amount of any Losses subject to indemnification pursuant to this **Section 8** will be reduced or reimbursed, as the case may be, by any amount actually received by the UCSD Health Indemnified Party or Palomar Indemnified Party (each an "**Indemnified Party**"), with respect thereto under any insurance coverage provided by any third party that is not an Affiliate of such Indemnified Party, or from any other party alleged to be responsible therefor (net of any deductible or co-payment paid by such Indemnified Party and all out of pocket costs of such Indemnified Party related to such recovery), or other similar payment received by such Indemnified Party in respect of any such Claim. Each Indemnified Party will use good faith efforts to collect any amounts available under such insurance coverage or from such other party alleged to have responsibility therefor. If an Indemnified Party receives and is entitled to retain an amount under insurance coverage or from such other party with respect to Losses at any time subsequent to any indemnification provided by the applicable party providing indemnification (each an "**Indemnifying Party**") pursuant to this **Section 8**, then such Indemnified Party will promptly reimburse such Indemnifying Party for any payment made by such Person in connection with providing such indemnification up to the amount received (net of any deductible or co-payment paid by such Indemnified Party and all out of pocket costs of such Indemnified Party related to such recovery) by the Indemnified Party; provided, however, that in no event will any Indemnified Party have any obligation hereunder to remit to any Indemnifying

Party any portion of such insurance or other recoveries in excess of the indemnification payment or payments actually received from such Indemnifying Party with respect to such Losses.

ii. Survival.

A. Except as otherwise explicitly provided herein, the representations and warranties of the Parties contained in the Authority Documents will continue to be fully effective and enforceable following the Applicable Date for the greater of: (i) three (3) years; or (ii) such longer time period set forth in the applicable Authority Document (each a "**Survival Period**"); provided, however, that if there is an outstanding notice of a Claim at the end of the Survival Period, the Survival Period shall not end in respect of such Claim until such Claim is finally determined or otherwise resolved by the Parties under this Closing Agreement or by an arbitrator or a court of competent jurisdiction. Notwithstanding, solely for the representations and warranties found in the Post-Operational Option, the Survival Period shall be the lesser of three (3) years or nine (9) months after the Retained Assets are contributed to the Authority, unless a longer Survival Period is set forth in the Post-Operational Option Agreement.

B. For the avoidance of doubt: (i) each covenant, agreement, and obligation set forth in this Closing Agreement or in any other Authority Document, including those covenants, agreements, and obligations pertaining to the Excluded Liabilities and the Assumed Liabilities, will survive in accordance with the applicable Survival Period set forth in Section 6.c.ii.A unless a different time period is explicitly specified therein and such obligation has been fully performed or observed in accordance with its terms; provided, however, that the following covenants, agreements, and obligations shall survive for an indefinite time period until fully performed or observed in accordance with their respective terms: (A) the indemnification obligations of Palomar set forth in Section 6.a and the indemnification obligations of the Authority set forth in Section 6.b; (B) covenants, agreements, and obligations pertaining to the Excluded Liabilities and the Assumed Liabilities; (C) the Offset Credits, as further provided in Section 6.c.ii.C; (D) the equitable relief provisions set forth in Section 6.f; (E) the Authority's co-obligation with respect to the Scheduled Transactional Expenses as set forth in Section 2; and (F) any confidentiality or non-disclosure obligations set forth in any Authority Document; and (ii) this **Section 8.c.ii.B** will not affect any rights to bring Claims based on (x) any covenant or agreement of the Parties which contemplates performance after the Closing, (y) the obligations of Palomar under **Sections 8.a.i.A-8.a.i.F**, or (z) the obligations of the Authority under **Sections 8.b.i.A-8.b.i.D**.

C. For the avoidance of doubt, each Offset Credit is not subject to expiration and survives until UCSD Health's consummation of the transactions contemplated by the Asset Purchase Agreement attached to the applicable UCSD Health Option.

iii. Exclusive Remedy. Except for equitable relief specifically outlined herein and recovery under any applicable insurance policies, a UCSD Health Indemnified Party and Palomar Indemnified Party may not pursue any other remedy other than the indemnification provided in **Section 8**.

d. Limited Mutually Available Remedies. Any Party may, at any time, without regard to any limitations under this **Section 8**, pursue the following: (i) recovery under any applicable

insurance policies; and (ii) equitable relief (including specific performance, injunctive relief, and any other equitable relief available to such Party, in addition to any other remedy available to such Party under this Closing Agreement, any other Authority Document, or at Law). The amount of any recovery for a Claim under any insurance policy shall reduce the amount of any Claim.

e. Liquidated Damages. Notwithstanding the foregoing, nothing in this Agreement, including the provisions of this **Section 8**, shall conflict with UCSD Health's or the Authority's right to receive liquidated damages pursuant to the provisions of the applicable Authority Document, and in the event of a conflict, the liquidated damages provisions set forth in such Authority Document shall prevail; provided, however, neither UCSD Health nor the Authority shall be entitled to exercise the indemnification rights hereunder or in any Authority Document in addition to obtaining the liquidated damages set forth in any Authority Document in any manner that results in recovery by such Party twice for the same harm.[3]

f. Equitable Relief.

i. The Parties agree that irreparable damage would occur if any of the provisions of this Closing Agreement or any other Authority Document were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each Party agrees that, in the event of any breach or threatened breach by Palomar or the Authority of any covenant or obligation contained in this Closing Agreement or any other Authority Document, the non-breaching Party will be entitled (in addition to any other equitable remedy that may be available to it and in addition to the right to seek indemnification pursuant to this **Section 8**) to seek and obtain, without proof of actual damages: (i) a decree or other Order of specific performance to enforce the observance and performance of such covenant or obligation; and (ii) an injunction restraining such breach or threatened breach.

ii. Each Party acknowledges and agrees that (i) it will not oppose any equitable relief or equitable remedy referred to in this **Section 8.f** on the grounds that any other remedy is available at Law or in equity, and (ii) no Party will be required to obtain, furnish, or post any bond or similar instrument in connection with, or as a condition to, obtaining any equitable relief or equitable remedy referred to in this **Section 8.f** (and it hereby irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument). Notwithstanding the foregoing, Palomar shall not be required to consent to any equitable relief which requires Palomar to expend funds or which restricts the right to carry on its operations, except as may be modified by Palomar's non-compete obligations under an Authority Document.

g. Members, Representatives and Officers of the Authority; Indemnification. For the avoidance of doubt, in the event of a conflict between the provisions set forth in this Closing Agreement and the provisions set forth in Section 10 of the Joint Powers Agreement, the provisions set forth in Section 10 of the Joint Powers Agreement will prevail.

h. UCSD Health Due Diligence; Knowledge. The rights of any UCSD Health Indemnified Party to indemnification or any other remedy under this Closing Agreement will not

[3] Note: As drafted, this was an overreach. There could be two different events, with two categories of loss entitling recovery under each. We expect the intent was not to allow double recovery for the same harm. In addition, the Authority and UCSD Health are separate entities and their recovery should not limited by any recovery of the other.

be impacted or limited by any knowledge that any UCSD Health Indemnified Party may have acquired, or could have acquired, whether before or after the Operational Date, or by any investigation or diligence by any UCSD Health Indemnified Party. Palomar and the Authority hereby acknowledge that, regardless of any investigation made (or not made) by or on behalf of any UCSD Health Indemnified Party, and regardless of the results of any such investigation, UCSD Health has entered into the Contemplated Transactions in express reliance upon the representation and warranties of Palomar made in this Closing Agreement and in the other Authority Documents.

9. **Definitions**. As used in this Closing Agreement, unless the context otherwise requires, the following capitalized terms shall have the meaning assigned below. Certain terms may be defined elsewhere in this Closing Agreement but not identified here.

a. "**A&R Assured Forbearance Agreement**" will mean the Amended and Restated Assured Forbearance Agreement duly executed and delivered by the Authority, Palomar, and UCSD Health concurrently with this Closing Agreement.

b. "**Applicable Date**" will mean the later of the Effective Date, the Operational Date, or the Closing Date (as such term is defined in the applicable Authority Document), under the Authority Document, the breach of which gives rise to a Claim.

c. "**Assumed Liabilities**" will mean the Liabilities that are expressly assumed by the Authority under the applicable Authority Document.

d. "**Asset Valuation**" has the meaning set forth in Section 6.a.iii.B.

e. "**Authority**" has the meaning set forth in the preamble to this Closing Agreement.

f. "**Authority Document**" or "**Authority Documents**" will mean this Closing Agreement, as amended, the Joint Powers Agreement, the Pre-Operational Option Agreement and the Pre-Operational Purchase Agreement, the JPA Option Agreement and the JPA Option Asset Purchase Agreement, the Post-Operational Option Agreement and the Post-Operational Asset Purchase Agreement, the Use Agreement, the Employee Leasing Agreement, the Initial Contribution Agreement, the Retained Asset Contribution Agreement, the UCSD Health Contribution Agreement, the UCSD Loan Documents, the A&R Assured Forbearance Agreement, the Tax Revenue Contribution Agreement, the Tenant in Common Agreement and the other certificates, instruments, and documents prepared, executed, and delivered pursuant to any Authority Document; provided, however, that "Authority Documents" shall not include the Asset Purchase Agreement attached to the applicable UCSD Health Options unless and until such UCSD Health Option is exercised and the transactions contemplated by the associated Asset Purchase Agreement have closed.

g. "**Borrower**" has the meaning set forth in the recitals to this Closing Agreement.

h. "**Business**" will mean the business of delivering healthcare services to the public through the ownership, leasing, and operation of the Facilities, the ownership of certain

interests in related entities offering healthcare services (including the JV Entities), and the provision of outpatient and other healthcare businesses through the applicable Palomar Entities, as well as any and all other businesses owned, managed, acquired, developed, operated or conducted by Palomar, PHMG, PHD, and SDEMA.

i. "**Claim**" or "**Claims**" have the meaning set forth in **Section 8.a.iv.B**.

j. "**Closing Agreement**" has the meaning set forth in the preamble to this Closing Agreement.

k. "**Closing Date**" will mean, with respect to any Authority Document, the date on which the closing of the transactions contemplated by such Authority Document occurs.

l. "**Contributed Assets**" has the meaning set forth in Section 2.1 of the Initial Contribution Agreement, which generally includes the Poway Hospital, the real property owned by Palomar in Poway, California, San Marcos, California and Ramona, California and the 19.5% tenant-in-common interest in the Escondido Hospital, including the related buildings and improvements thereon and the assets associated with the operations of the Hospital, all as further described in the Initial Contribution Agreement.

m. "**Credit Agreement**" has the meaning set forth in the recitals to this Closing Agreement.

n. "**Credit Line**" has the meaning set forth in the recitals to this Closing Agreement.

o. "**Credit Line Documents**" has the meaning set forth in the recitals to this Closing Agreement.

p. "**Effective Date**" has the meaning set forth in the preamble to this Closing Agreement.

q. "**Escondido Hospital**" has the meaning set forth in the recitals to this Closing Agreement.

r. "**Event of Default**" has the meaning set forth in **Section 7.b**.

s. "**Excluded Liabilities**" will mean all Liabilities of Palomar or a Palomar Entity that do not constitute Assumed Liabilities.

t. "**Excluded UCSD Health Affiliates**" has the meaning set forth in **Section 10.o.i**.

u. "**Facilities**" will mean the Hospitals and all other healthcare facilities, clinics, offices, and other locations owned, leased, or operated by Palomar or any Palomar Entity in connection with the Business.

v. "**GASB**" has the meaning set forth in **Section 10.d.i**.

w. "**Governmental Authority**" 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; for the avoidance of doubt, Governmental Authority will include the California Fair Political Practices Commission.

x. "**High-Impact Claim**" will mean a Claim that so greatly impacts UCSD Health's financial and other assumptions in entering into the Transaction Documents that it fundamentally alters the viability of the proposed transaction. High-Impact Claims would include Claims resulting from breaches of the representations, warranties, or covenants in a Transaction Document that: (i) individually or combined with other Claims, exceeds Fifty Million Dollars ($50,000,000) in the aggregate; (ii) materially and permanently impacts the Authority's or Palomar's ability to finance or operate the Facilities (including without limitation the loss of a Medicare provider number); or (iii) constitutes fraud, intentional misrepresentation, or willful or criminal misconduct that so greatly impacts UCSD Health's financial and other assumptions that it fundamentally alters the viability of the proposed transaction.

y. "**Hospitals**" has the meaning set forth in the recitals to this Closing Agreement.

z. "**Indemnified Party**" has the meaning set forth in **Section 8.c.i**.

aa. "**Indemnifying Party**" has the meaning set forth in **Section 8.c.i**.

bb. "**Initial UCSD Loan Agreement**" has the meaning set forth in the recitals to this Closing Agreement.

cc. "**Initial UCSD Loan Documents**" has the meaning set forth in the recitals to this Closing Agreement.

dd. "**Joint Powers Agreement**" has the meaning set forth in the preamble to this Closing Agreement.

ee. "**JPA Option Agreement**" has the meaning set forth in the recitals to this Closing Agreement.

ff. "**JPA Option Asset Purchase Agreement**" means the form of Asset Purchase Agreement attached to the JPA Option Agreement in substantially final form.

gg. "**JV Entities**" will mean North County Radiology Escondido, LLC (f/k/a San Diego Imaging), PDP Ramona LLC, Palomar Health Rehabilitation Institute, LLC, Palomar-AmSurg Poway Ventures, LLC, The Escondido CA Endoscopy ASC, L.P., and PHKH LLC, SCA-Palomar Holdings, LLC.

hh. "**Liability**" will mean any liability, indebtedness, obligation, recoupment, interest, tax, penalty, fine, claim, demand, judgment, or other Losses (including loss of benefit or relief), cost or expense of any kind or nature whatsoever, whether known or unknown, asserted or

unasserted, absolute, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, recorded or unrecorded, due or to become due or otherwise, and regardless of when asserted.

ii. "**Licensed Items**" has the meaning set forth in the Use Agreement.

jj. "**Loss**" or "**Losses**" will mean any losses, Liabilities, causes of action, costs, damages or expenses, whether or not arising from or in connection with any Third Party Claims, including interest, penalties, reasonable attorneys,' consultants', mediators and experts' fees, disbursements and expenses and all amounts paid in investigation, defense or settlement of any of the foregoing; provided, however, solely for non-Third Party Claims, Losses shall not include punitive or exemplary damages, incidental damages, consequential damages, special damages, indirect damages, or other unforeseen damages, including diminution of value, loss of business reputation, goodwill or opportunity or any losses based on any type of multiple or lost profits.

kk. "**Master Indenture**" will mean the Master Trust Indenture, dated as of December 1, 2006 (as supplemented and amended from time to time pursuant to its terms) by and between Palomar and U.S. Bank Trust Company, National Association, a national banking association, as Master Trustee (in such capacity, "**Master Trustee**").

ll. "**Material Consents**" has the meaning set forth in the Initial Contribution Agreement.

mm. "**Non-Third Party Claim**" has the meaning set forth in **Section 8.a.iv.D**.

nn. "**Non-Third Party Claim Notice Period**" has the meaning set forth in **Section 8.a.iv.D**.

oo. "**Offset Credit**" or "**Offset Credits**" have the meaning set forth in **Section 6.a.ii**.

pp. "**Offset Excess**" has the meaning set forth in **Section 8.a.iii.B**.

qq. "**Option Valuation**" will mean the aggregate valuation made in connection with the purchase of assets to be acquired by UCSD Health pursuant to the terms of the applicable UCSD Health Option Agreement entered into between UCSD Health and the Authority.

rr. "**Order**" will mean any judgment, order, writ, injunction, decree, determination, or award, including an arbitration award of any Governmental Authority or arbitrator.

ss. "**Original Agreement**" has the meaning set forth in the Recitals to this Closing Agreement.

tt. "**Original Effective Date**" has the meaning set forth in the Recitals to this Closing Agreement.

uu. "**PAC**" means Pacific Accountable Care, LLC.

vv. "**Palomar**" has the meaning set forth in the preamble to this Closing Agreement.

ww. "**Palomar Claims Threshold**" has the meaning set forth in **Section 8.b.ii.A**.

xx. "**Palomar Dispute Notice**" has the meaning set forth in **Section 8.a.iv.D**.

yy. "**Palomar Entity**" will mean Palomar, PHMG, PHD, PAC, and SDEMA.

zz. "**Palomar Indemnified Party**" or "**Palomar Indemnified Parties**" have the meaning set forth in **Section 8.b.i**.

aaa. "**Party**" or "**Parties**" have the meaning set forth in the preamble to this Closing Agreement.

bbb. "**Phase I**" has the meaning set forth in the recitals to this Closing Agreement.

ccc. "**Phase I Closing Date**" means June 30, 2026.

ddd. "**Phase I Security Instruments**" means the Post-Operational Option Security Instrument, the Post-Operational Advances Security Instrument, and the Post-Operational Master Trustee Security Instrument.

eee. "**Phase I Transaction Document**" or "**Phase I Transaction Documents**" will mean this Closing Agreement, the Initial Contribution Agreement, the Use Agreement, the Employee Leasing Agreement, the Tax Revenue Contribution Agreement, the UCSD Health Contribution Agreement, the Tenant in Common Agreement, the Post-Operational Option Agreement and the Post-Operational Asset Purchase Agreement, the Phase I Security Instruments, the A&R Assured Forbearance Agreement, and the other certificates, instruments, and documents prepared, executed, and delivered pursuant to any Phase I Transaction Document; provided, however, that the "Phase I Transaction Documents" shall not include the Post-Operational Asset Purchase Agreement unless and until such UCSD Health Option is exercised and the parties thereto have entered into the Post-Operational Asset Purchase Agreement.

fff. "**Phase II**" has the meaning set forth in the recitals to this Closing Agreement.

ggg. "**Phase II Security Instruments**" will mean the Phase I Security Instruments as amended or replaced to increase the collateral to include the real property interests contained in the Retained Assets and to otherwise adjust the security for the Post-Operational Option Security Instrument to account for the replacement of the Post-Operational Option Agreement with the JPA Option Agreement at the closing of Phase II.

hhh. "**Phase II Transaction Document**" or "**Phase II Transaction Documents**" will mean the Retained Asset Contribution Agreement, the JPA Option Agreement, and the JPA Option Asset Purchase Agreement, the Phase II Security Instruments, and the other certificates, instruments, and documents prepared, executed, and delivered pursuant to any Phase II Transaction Document; provided, however, that the "Phase II Transaction Documents" shall not

include the JPA Option Asset Purchase Agreement unless and until such UCSD Health Option is exercised and the parties thereto have entered into the associated JPA Option Asset Purchase Agreement.

iii. "**PHD**" means Palomar Health Development, Inc.

jjj. "**PHMG**" means Arch Health Partners, Inc.

kkk. "**Post-Operational Option Agreement**" has the meaning set forth in the recitals to this Closing Agreement.

lll. "**Post-Operational Asset Purchase Agreement**" means the form of Asset Purchase Agreement attached to the Post-Operational Option Agreement in substantially final form.

mmm. "**Post-Operational Advances Security Instrument**" means a second priority deed of trust in substantially the same form as the Pre-Operational Advances Security Instrument made by the Authority, as trustor, to UCSD Health, as beneficiary, secured by all of the real property comprising the Contributed Assets to secure the prompt payment and performance under the UCSD Loan Documents.

nnn. "**Post-Operational Master Trustee Security Instrument**" means a third priority deed of trust in substantially the same form as the Pre-Operational Master Trustee Security Instrument made by the Authority, as trustor, to Master Trustee, as beneficiary, secured by all of the real property comprising the Contributed Assets to secure the prompt payment and performance under the Master Indenture.

ooo. "**Post-Operational Option Security Instrument**" means a first priority deed of trust in substantially the same form as the Pre-Operational Option Security Instrument made by the Authority, as trustor, to UCSD Health, as beneficiary, secured by all of the real property comprising the Contributed Assets to secure the prompt payment and performance of the Post-Operational Option and the performance of the covenants and agreements of Palomar under the Post-Operational Option Agreement.

ppp. "**Poway Hospital**" has the meaning set forth in the recitals to this Closing Agreement.

qqq. "**Pre-Authority Advances**" has the meaning set forth in the recitals to this Closing Agreement.

rrr. "**Pre-Authority Loan Documents**" has the meaning set forth in the recitals to this Closing Agreement.

sss. "**Pre-Operational Advances Security Instrument**" has the meaning set forth in the recitals to this Closing Agreement.

ttt. "**Pre-Operational Master Trustee Security Instrument**" has the meaning set forth in the recitals to this Closing Agreement.

uuu. "**Pre-Operational Option**" has the meaning set forth in the recitals to this Closing Agreement.

vvv. "**Pre-Operational Option Agreement**" has the meaning set forth in the recitals to this Closing Agreement.

www. "**Pre-Operational Option Security Instrument**" has the meaning set forth in the recitals to this Closing Agreement.

xxx. "**Pre-Operational Purchase Agreement**" has the meaning set forth in the recitals to this Closing Agreement.

yyy. "**Pre-Operational Security Instruments**" has the meaning set forth in the recitals to this Closing Agreement.

zzz. "**Proceeding**" will mean any action, arbitration, audit, hearing, investigation or suit (whether civil, criminal, administrative, judicial, or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any (a) Governmental Authority; (b) Medicare fiscal intermediary or administrative contractor, recovery audit contractor, zone program integrity contractor, unified program integrity contractor or similar government program contractor; or (c) arbitrator, whether at Law or in equity.

aaaa. "**Retained Assets**" will mean the Retained Facilities, the Retained Land, and all other assets owned by Palomar which were not contributed to the Authority under the terms of the Initial Contribution Agreement, other than the General Obligation Bonds.

bbbb. "**SDEMA**" will mean San Diego Emergency Medical Associates, Inc.

cccc. "**Second UCSD Loan Agreement**" has the meaning set forth in the recitals to this Closing Agreement.

dddd. "**Second UCSD Loan Documents**" has the meaning set forth in the recitals to this Closing Agreement.

eeee. "**Survival Period**" has the meaning set forth in **Section 8.c.ii.A**.

ffff. "**Tenant in Common Agreement**" will mean the agreement duly executed by Palomar to govern the undivided tenant in common interests of Palomar and the Authority in and to the Escondido Property (as such term is defined in the Initial Contribution Agreement).

gggg. "**Third Party Claim**" will mean a claim or demand that is alleged or asserted by a Person other than a UCSD Health Indemnified Party for which Palomar would be liable to payment of such Losses to the Authority or a UCSD Health Indemnified Party.

hhhh. "**Third UCSD Loan Agreement**" has the meaning set forth in the recitals to this Closing Agreement.

iiii. "**Third UCSD Loan Documents**" has the meaning set forth in the recitals to this Closing Agreement.

jjjj. "**UCSD Health**" has the meaning set forth in the Preamble.

kkkk. "**UCSD Health Claims Threshold**" has the meaning set forth in **Section 8.a.iii.A**.

llll. "**UCSD Health Indemnified Party**" or "**UCSD Health Indemnified Parties**" have the meaning set forth in **Section 8.a.i**.

mmmm. "**UCSD Health Option**" will mean one, more, or all of the Post-Operational Option, or the JPA Option, as applicable.

nnnn. "**UCSD Loan Documents**" has the meaning set forth in the recitals to this Closing Agreement.

10. **General Provisions**.

a. Notices. 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 120 Craven Road, Suite 106 San Marcos, CA 92078 Attention: Legal Department
With a copy to:	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 92093 Attention: Chief Health Counsel 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., Tim Reimers, Esq. Email: enewsom@sheppard.com, treimers@sheppard.com
If to the Authority:	Palomar UCSD Health Authority 2125 Citracado Parkway, Suite 300 Escondido, CA 92029 Attn: Chief Legal Officer
With a copy to:	Best Best & Krieger LLP 1333 N. California Blvd., Suite 220 Walnut Creek, CA 94596 Attn: Noël Caughman, Esq. Email: noel.caughman@bbklaw.com>

or at such other address as one Party may designate by notice hereunder to the other Parties.

b. 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.

c. Further Assurances**.** Each Party agrees to do such things, perform such acts, and make, execute, acknowledge, and deliver such documents as may be reasonably necessary and customary to complete the transactions contemplated by this Closing Agreement.

d. Interpretation and Construction**.** As used in this Closing Agreement, and unless the context requires otherwise:

i. Accounting terms not defined in this Closing 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**").

ii. The word "herein" and words of similar import when used in this Closing Agreement refer to this Closing Agreement as a whole and not to any particular provision of this Closing Agreement, and section, subsection, schedule, and exhibit references are to this Closing Agreement unless otherwise specified.

iii. The word "including" and words of similar import when used in this Closing Agreement, means including without limitation, unless otherwise specified in this Closing Agreement.

iv. 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.

v. 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.

vi. Unless otherwise indicated, references to time are references to Pacific Time.

vii. The Exhibits and Schedules hereto are incorporated and made a part of this Closing Agreement and are an integral part hereof.

e. Cost of Transaction. Except as otherwise expressly provided in this Closing Agreement, or as otherwise expressly provided in any of the Phase I Transaction Documents where certain transaction costs of Palomar are being assumed by the Authority, each Party will bear and pay its own costs and expenses relating to the preparation of this Closing 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.

f. Waiver of Breach**.** The waiver by any Party of a breach or violation of any provision of this Closing Agreement will not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

g. Severability. If any provision of this Closing 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 Closing Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Closing 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 Closing 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 Closing Agreement and (d) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Closing Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

h. 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 Closing Agreement; (b) this Closing Agreement is the result of lengthy and extensive negotiations between the Parties and an equal amount of drafting by all Parties; (c) this Closing 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 Closing Agreement has been drafted by or on behalf of such Party.

i. Divisions and Headings of this Closing Agreement. The divisions of this Closing 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 Closing Agreement.

j. Incorporation of Recitals. The recitals set forth at the beginning of this Closing Agreement are hereby incorporated into and made an integral part of this Closing Agreement as if fully set forth herein.

k. Entire Agreement; Amendment. This Closing Agreement, including, for the avoidance of doubt, all obligations arising under the Original Agreement, as amended, 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 Closing 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 Closing Agreement will be valid or enforceable unless and until made in writing and signed by all Parties.

l. Multiple Counterparts. This Closing 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 Closing Agreement or any other Authority Document or a PDF copy of the signature of any Party or other Person to this Closing 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.

m. 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 Closing 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 Closing 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 Closing Agreement.

n. Survival. No provisions of this Closing Agreement or any other Authority Document shall survive the termination of this Closing Agreement or such other Authority Document unless the survival of such provision is explicitly provided for in such Authority Document. Notwithstanding any other provision of this Closing Agreement, Article II Section B (Exclusivity), of that certain Letter of Intent dated July 24, 2025, by and between Palomar and UCSD Health, and any other provisions of such Letter of Intent necessary to the survival of such Section, shall survive the termination of this Closing Agreement.

o. The Regents of the University of California. Palomar and the Authority each acknowledges that The Regents of the University of California have entered into this Closing 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 Closing 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 and the Authority each further acknowledges and agrees that, notwithstanding any other provision contained in any Authority Document:

i. All obligations of UCSD Health under this Closing 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;

ii. None of the Excluded UCSD Health Affiliates will constitute or be deemed to constitute an "Affiliate" of UCSD Health for any purpose under this Closing 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

iii. 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.

IN WITNESS WHEREOF, the Parties have duly executed this Closing Agreement to be effective as of the Effective Date.

Palomar: **PALOMAR HEALTH**

By:_____
Name:_____
Title:_____

UCSD Health: **THE REGENTS OF THE UNIVERSITY OF CALIFORNIA ON BEHALF OF UC SAN DIEGO HEALTH**

By:_____
Name:_____
Title:_____

Authority: **Palomar UCSD Health Authority**

By:_____
Name:_____
Title:_____

Exhibit A

Initial Contribution Agreement

[to be attached]

Exhibit B

Use Agreement

[to be attached]

Exhibit C

Employee Leasing Agreement

[to be attached]

Exhibit D

Tax Revenue Contribution Agreement

[to be attached]

Exhibit E

UCSD Health Contribution Agreement

[to be attached]

Exhibit F

Tenant in Common Agreement

[to be attached]

Exhibit G

Post-Operational Option Agreement
[attached]

Exhibit H

Retained Asset Contribution Agreement
[attached]

Exhibit I

JPA Option Agreement
[attached]

Schedule A

Palomar invoices to be assumed by the Authority at the Phase I Closing

[attached]