



COUNTY OF HUMBOLDT

For the meeting of: March 13, 2018

Date: February 23, 2018

To: Board of Supervisors

From: Amy S. Nilsen, County Administrative Officer *AN*

Subject: Joint Exercise of Powers Agreement for California Cannabis Authority and Appointment of Representative

RECOMMENDATIONS:

That the Board of Supervisors:

1. Adopt the attached Resolution to join the California Cannabis Authority (CCA); and
2. Appoint a county representative to serve on the CCA Board of Directors, and one representative to serve as an alternate; and
3. Direct staff to take additional action, as needed.

SOURCE OF FUNDING:

General Fund

DISCUSSION: The CCA is a Joint Powers Authority (JPA) created by agreement between counties and sponsored by the California State Association of Counties (CSAC). The purpose of the organization is to develop and manage a statewide data platform that will gather, collect, and analyze information from a myriad of data sources into one resource, to help local governments ensure cannabis regulatory compliance and also provide necessary information to financial institutions that wish to work with the cannabis industry.

Prepared by Sean Quincey, Senior Administrative Analyst

CAO Approval

Kathy Hayes

REVIEW:

Auditor *MSW*

County Counsel *an*

Human Resources *KAB*

Other

TYPE OF ITEM:

Consent

Departmental

Public Hearing

Other

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor Seconded by Supervisor

Ayes
Nays
Abstain
Absent

SEE ACTION SUMMARY

PREVIOUS ACTION/REFERRAL:

Board Order

Meeting of:

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: _____

By: _____

Kathy Hayes, Clerk of the Board

The Need for Data

The data platform will aggregate data from multiple sources including cultivation sites, point of sale, taxation and socioeconomic data. By combining all of these data points, Humboldt County will be provided with targeted and defensible data, ensuring that what is being reported and what is occurring truly coincide.

The data platform can be used to ensure that adequate tax payments are being made; assist the Sheriff's Office and code enforcement officers with information updated in "real time" which will help the speed of compliance; provide public health officials with product information, including product origin and product flow; and inform community planning efforts by understanding locations, concentrations and potential past or future land use patterns. In addition, as more jurisdictions use this tool and the data platform is populated with data, CCA members will have a broader picture of cannabis activity throughout the state and access to information outside of their jurisdiction.

For Humboldt County, compiling this critical data into one location will not only make it easier to ensure public safety guidelines are being met, but it could serve as a critical link to Cannabis Related Businesses (CRBs) and help the long-term viability of an industry that is linked to Humboldt's future.

Linking Data and Financial Institutions

In addition to the cannabis and finance tracking aspects of the CCA, the CCA is also intended to help solve another industry problem: Banking. Because of the existing federally prohibited status of cannabis, most banking institutions (chartered at the federal level) are unable or unwilling to open accounts for operators in the cannabis industry, despite its legality in the State of California.

To work with CRBs, financial institutions must comply with the rigorous monitoring and reporting requirements needed to potentially utilize banking functions. Institutions must make sure CRBs are not violating state laws or engaging in activities that the federal government considers law enforcement priorities. For each cannabis customer, financial institutions must complete special money laundering and suspicious activities reports. These are onerous requirements that demand extensive staff time.

The CCA hopes to ease this burden by providing detailed information on each CRB to contracting financial institutions, formatted to fit the institution's regulatory reporting requirements. Providing financial institutions with comprehensive licensing and regulatory data on CRBs is the single most important step California can take to increase banking among CRBs.

The State Treasurer's Office has also worked with CSAC regarding these banking issues for CRBs, and the Humboldt County Treasurer-Tax Collector, John Bartholomew, has participated in the working group to help identify solutions to solve the cannabis cash banking problem that Humboldt County and other jurisdictions continue to face.

Governance

The data platform will be developed and managed by the JPA, which is a contract between two or more public agencies to exercise, jointly, all power(s) common to each of them, for the purpose of accomplishing specific shared goals. As set forth in the JPA agreement – as drafted and proposed by CSAC dated January 12, 2018 – member counties will comprise the governing body of the organization. Cities and other public entities will be allowed to participate in the JPA and access data, but will not be part of its governance structure. Financial institutions will have access to CCA data by contract. Non-member, public entity participants will be allowed to join CCA by contract as well.

Your Board must pass a resolution to join the JPA. It should be noted that jurisdictions desiring CCA data access must require cannabis businesses operating within their jurisdiction to provide specific information to the JPA. By agreeing to join the CCA, and pursuant to the terms of the JPA agreement, the county may need to adopt new ordinances and/or change or conform existing ordinances in order to implement the JPA agreement. For example, the CCA would like *all* CRBs within a jurisdiction to participate in sharing their data with the CCA, and Humboldt County may need to alter its current ordinances to ensure compliance from CRBs.

As of the date of this report to your Board, Monterey and San Luis Obispo counties have already adopted resolutions to have their respective counties execute the JPA agreement and join the CCA. The first meeting of the CCA Board of Directors is being planned for March 22, 2018.

It is recommended that Humboldt County pass a Resolution to join the CCA at this time, so that Humboldt County may benefit from being an “early adopter” by having a seat at the table as the JPA gets underway, particularly in discussion of financing parameters (*e.g.*, approving costs of operation and membership fees) and other issues typically taken up when an organization is first formed (*e.g.*, the development and approval of Bylaws).

Appointment

Each member county must have at least one individual designated to serve on the CCA Board of Directors. Monterey and San Luis Obispo counties recently passed resolutions to join the CCA and assigned their respective Treasurer-Tax Collectors to serve on the Board. Monterey County appointed two of its supervisors to serve as alternates. The Humboldt County Treasurer-Tax Collector has expressed his willingness to serve on this board. In addition, Second District Supervisor Estelle Fennell has worked with CSAC staff on several aspects of the CCA and has also expressed her willingness to serve on this board.

It is recommended that your Board designate an official, as well as an alternative, concurrent with your approval of the execution of the JPA Agreement so that the designated Humboldt County official may participate in the first meeting of the CCA Board of Directors, scheduled for March 22, 2018.

Funding

Start-up funding will be provided by CSAC, but the desired model recommended by CSAC for ongoing funding is fee-based. Currently, CSAC has recommended that membership fees be paid by each city or county, and will be dependent upon the total sales within the jurisdiction. The current recommendation by CSAC would have each member agency pay a fee equal to 0.35 percent of sales (or \$3,500 for every \$1 million in retail and cultivation sales) within their jurisdiction. Using the most recent available estimates, Humboldt County would pay \$13,577 in the first year. While this is the current proposed model, it should be noted that the CCA Board of Directors must eventually decide how it will fund itself and this revenue model could be rejected. In addition, please note that there may be changes to the amount of membership fees that will be paid by Humboldt County as the CCA becomes more established and as more members join the CCA. This item recommends the county’s membership fees be paid using revenues derived from Measure S, the cannabis excise tax measure passed by voters in 2016; however, your Board may also consider alternative funding sources to pay the CCA-associated membership fees, including potentially passing on costs to CRBs

FINANCIAL IMPACT:

The initial cost of membership in the CCA is estimated to be around \$13,500 and will be covered by the General Fund, with revenues provided by Measure S. Initial payment will be July 2018 or later for Fiscal Year 2018-19. There should be no financial impact to CRBs as there are no fees included in this item.

The recommended action supports your Board's Strategic Framework of creating opportunities for improved safety and building interjurisdictional and regional cooperation.

OTHER AGENCY INVOLVEMENT:

CSAC and the CSAC Finance Corp.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose to not adopt the attached resolution regarding execution of a JPA agreement. However, this alternative is not recommended as there is currently no platform that aggregates the type of cannabis-related information described above, which will assist Humboldt County in managing its cannabis program in connection with its tax, regulatory, and enforcement efforts, as well as providing information to financial institutions to help incentivize those financial institutions to work with the cannabis industry. The CCA can help provide that critical data.

ATTACHMENTS:

1. Resolution No. 18-19 : Approving, Authorizing, and Directing Execution of the JPA agreement for membership in the CCA
2. CCA Joint Exercise of Powers Agreement, dated January 12, 2018

Attachment 1

Resolution to approve, authorize and direct
execution of the JPA agreement for
membership in the CCA

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT, STATE OF CALIFORNIA
Certified copy of portion of proceedings, Meeting of March 13, 2018

RESOLUTION NO. 18-19

**RESOLUTION OF THE HUMBOLDT COUNTY BOARD OF SUPERVISORS
APPROVING, AUTHORIZING, AND DIRECTING EXECUTION OF A JOINT
EXERCISE OF POWERS AGREEMENT RELATING TO THE CALIFORNIA
CANNABIS AUTHORITY**

WHEREAS, in November 2016, California voters approved Proposition 64, the Adult Use of Marijuana Act (AUMA). AUMA decriminalized the cultivation, possession, and use of cannabis for non-medical purposes for adults 21 years of age and older. Beginning on January 1, 2018, AUMA also decriminalized the sale and distribution of cannabis within a robust tax and regulatory scheme anchored by a "track and trace" system that cultivators, distributors, and dispensaries will be required to adhere to in order to participate in the cannabis market; and

WHEREAS, among California's 58 counties, a wide divergence of regulatory and taxing regimes have been enacted. Despite AUMA's general decriminalization of adult-use cannabis, the commerce of cannabis, including cultivation, distribution, and dispensing, is left to the initial approval of local governments; and

WHEREAS, Humboldt County shares with the state and other local governments a pressing need to coordinate an unprecedented growth of cash deposits in the short term, a need for comprehensive data regarding cannabis business activities and cannabis transactions in the short and long term, and a desire to effectively coordinate and implement robust regulatory oversight and tax regimes as well as reduce the burden on financial institutions to provide enhanced due diligence for cannabis customers; and

WHEREAS, there is currently no statewide database that consolidates local and state regulatory and taxation information, and enhanced due diligence information that includes analytics to provide targeted and defensible data; and

WHEREAS, a statewide Joint-Powers Authority entitled "California Cannabis Authority" (CCA) has been established pursuant to the Joint Exercise of Powers Act (California Government Code section 6500 et seq.) as a cooperative effort among counties to facilitate state and local regulatory and tax programs of cannabis activities; and

WHEREAS, Humboldt County is a public agency qualified to become a member of CCA by executing the CCA Joint Exercise of Powers Agreement (Agreement) and furnishing CCA with satisfactory evidence that such action has been taken; and

WHEREAS, Humboldt County has determined that management of the tax administration, cash collection, data collection, analysis and sharing, and other regulatory activities related to cannabis will be enhanced by joining the CCA and participating in the exchange of services, funding, and information as provided in the Agreement; and

WHEREAS, Humboldt County proposes to become a member of the CCA and participate in its activities and it is in the public interest and for the public benefit that the County do so; and

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT, STATE OF CALIFORNIA
Certified copy of portion of proceedings, Meeting of March 13, 2018

RESOLUTION NO. 18-19

WHEREAS, the Agreement is now before this Board of Supervisors, and the members of the Humboldt County Board of Supervisors, with the assistance of its staff, have reviewed said document; and

WHEREAS, by joining the CCA, a designated official of Humboldt County will serve as a member of the CCA Board of Directors and another official(s) will serve as an alternate(s); and

WHEREAS, as a member of the CCA, Humboldt County will be obligated to adopt or amend ordinances as may be necessary to implement CCA requirements; and

WHEREAS, as a member of the CCA, Humboldt County will be obligated to ensure timely and comprehensive operational, transactional, and financial data are provided to the CCA by those persons engaged in cannabis commerce as a condition of operating a cannabis business within Humboldt County; and

WHEREAS, as a member of the CCA, Humboldt County will also be obligated to contribute funds to the CCA as membership fees to defray its costs of operation in an amount to be established by the CCA Board of Directors; and

WHEREAS, those membership fees paid to the CCA shall be paid from the General Fund, until such time as the Board of Supervisors modifies, changes, or otherwise amends the funding structure utilized to pay the membership fees;

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The CCA Joint Exercise of Powers Agreement is hereby approved and the Chair of the Humboldt County Board of Supervisors is hereby authorized and directed to execute said document, and the Clerk of the Board or such Clerk's designee is hereby authorized and directed to affix Humboldt County's seal to said document and to attest thereto.
2. The Chair of the Humboldt County Board of Supervisors, the County Administrative Officer, the Clerk of the Board and all other proper officers and officials of the county are hereby authorized and directed to execute such other agreements, documents and certificates, and to perform such other acts and deeds, as may be necessary or convenient to effect the purposes of this Resolution and the transactions herein authorized.
3. The Clerk of the Board shall forward a certified copy of this Resolution and an originally executed Agreement to:

Cara Martinson
California Cannabis Authority
1100 K Street
Sacramento, California 95814

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT, STATE OF CALIFORNIA
Certified copy of portion of proceedings, Meeting of March 13, 2018

RESOLUTION NO. 18-19

4. This Resolution shall take effect immediately upon its passage.

Dated: March 13, 2018



Ryan Sundberg, Chair
Humboldt County Board of Supervisors


Adopted on motion by Supervisor Wilson, seconded by Supervisor Bass, and the following vote:

AYES:	Supervisors	Bass, Sundberg, Wilson
NAYS:	Supervisors	--
ABSENT:	Supervisors	Fennell, Bohn
ABSTAIN:	Supervisors	--

STATE OF CALIFORNIA)
County of Humboldt)

I, KATHY HAYES, Clerk of the Board of Supervisors, County of Humboldt, State of California, do hereby certify the foregoing to be an original made in the above-entitled matter by said Board of Supervisors at a meeting held in Eureka, California.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Seal of said Board of Supervisors.



By Ryan Sharp
Deputy Clerk of the Board of Supervisors of the
County of Humboldt, State of California

Attachment 2

CCA Joint Exercise of Powers Agreement

**JOINT EXERCISE OF POWERS AGREEMENT
DATED JANUARY 12, 2018**

**CREATING THE
CALIFORNIA CANNABIS AUTHORITY (“CCA”)**

**RELATING TO A COOPERATIVE EFFORT FOR THE SAFE, EFFICIENT, AND
COST-EFFECTIVE ADMINISTRATION AND TAXATION OF CANNABIS
ACTIVITIES IN CALIFORNIA**



A JOINT POWERS AUTHORITY

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JOINT EXERCISE OF POWERS AGREEMENT

This **JOINT EXERCISE OF POWERS AGREEMENT**, dated as of JANUARY 12, 2018 (this "Agreement"), is entered into by each Public Agency (as defined below) set forth on Schedule A hereto (the "Initial Members"). Terms used in this Agreement shall have the meanings given such terms in Article I, section 3 of this Agreement, unless otherwise defined.

RECITALS

WHEREAS, California voters first decriminalized the use of cannabis for medicinal purposes in 1996 with the passage of Proposition 215, leaving virtually all regulation to local governments.

WHEREAS, in 2015, the California legislature enacted a comprehensive regulatory framework for the licensing and enforcement of cultivation, manufacturing, retail sale, transportation, storage, delivery and testing of medicinal cannabis with the passage of the Medical Cannabis Regulation and Safety Act (MCRSA) (Assembly Bill 243 (Wood, Chapter 688 of the Statutes of 2015); Assembly Bill 266 (Bonta, Chapter 689 of the Statutes of 2015); and Senate Bill 643 (McGuire, Chapter 719 of the Statutes of 2015).

WHEREAS, in November 2016, voters approved Proposition 64, the Adult Use of Marijuana Act (AUMA). AUMA decriminalized the cultivation, possession, and use of cannabis for non-medical purposes for adults 21 years of age and older. Beginning on January 1, 2018, AUMA also decriminalizes the sale and distribution of cannabis within a robust tax and regulatory scheme anchored by a "track and trace" system that cultivators, distributors and dispensaries will be required to adhere in order to participate in the cannabis market. California now joins Colorado, Oregon, Washington, Massachusetts, Nevada, Alaska, Maine, and the District of Columbia in legalizing recreational use of cannabis. In all, 29 states now authorize cannabis use, either for medicinal purposes, adult recreational use, or both.

WHEREAS, in June of 2017, the legislature approved, and the Governor signed, SB 94 (Committee on Budget and Fiscal Review) which conformed MCRSA and AUMA into a single system of state regulation and tax collection to improve consumer and public safety.

WHEREAS, although cannabis is cultivated in all 50 states, most domestically produced cannabis comes from California. In 2014, the United States Drug Enforcement Agency's Domestic Cannabis Eradication Suppression Program eradicated 4.3 million plants in the United States; 2.68 million of which were grown in California.

WHEREAS, notwithstanding the significant increase in state regulation and taxation, California Counties continue to be the first stop for cannabis commerce in terms of both regulation and public safety as well as the front-line of cannabis regulatory enforcement.

WHEREAS, among California's 58 Counties, a wide divergence of regulatory and taxing regimes has been enacted. Despite AUMA's general decriminalization of adult-use cannabis, the commerce of cannabis, including cultivation, distribution, and dispensing is left to the initial approval of local governments.

WHEREAS, notwithstanding California's decision to decriminalize the cultivation, distribution, and adult-use cannabis within robust regulatory and tax regimes, cannabis remains an illegal, Schedule 1 controlled substance under federal law. Consequently, banks and other financial institutions are hesitant to provide services to cannabis businesses, notwithstanding the number of states which have legalized some form of its use. Other non-cannabis related businesses also refuse to provide services to known cannabis businesses for fear of prosecution by the federal government.

WHEREAS, the cannabis industry is projected to grow to a \$25 billion industry in California by 2025, producing billions of dollars in state and local tax revenues, an expanded legal cannabis industry also increases demand for public resources to ensure the growth of legitimate business activities and minimize illegal ones.

WHEREAS, the lack of access to banks and other financial institutions means most cannabis commerce is conducted in cash. Cash businesses are notoriously more difficult to regulate and create significant public safety risks for state and local public safety officials, regulators, as well as those individuals and businesses engaged in commercial cannabis transactions. Moreover, the potential for tens of billions of dollars in commerce creates an irresistible allure for predatory business practices and increased opportunities for laundering and other illegal activities.

WHEREAS, so that state and local agencies can implement the voters' intent to legalize adult-use cannabis under a comprehensive state and local regulatory regime beginning January 1, 2018; and

WHEREAS, in order avoid duplicative costs and inevitable confusion among licensees, state and local regulatory agencies, and the public, and ensuring a regulatory structure that prevents access to minors, protects public safety, public health and the environment, as well as maintaining local control, it is necessary to provide for a single, statewide authority comprising county representatives to coordinate, and jointly administer where necessary, California's various state and local regulatory and taxing regimes in regard to cannabis; and

WHEREAS, in order to strictly control the cultivation, processing, manufacturing, distribution, testing, and sale of cannabis in a transparent manner that allows state and local governments to fully implement and enforce a robust regulatory system, licensing authorities must have access to current, comprehensive data that not only identifies those individuals and entities engaged in cannabis commerce, but their transacting of cannabis business as well; and

WHEREAS, in order to effectively implement state and local taxing regimes for cannabis related commerce, state and local officials must have access to current, comprehensive data that not only tracks and traces cannabis product through the chain of production to consumption, but also payments among commercial partners and to various state and local agencies, as well as sophisticated data analytics designed to support regulatory and tax compliance; and

WHEREAS, access by cannabis businesses to the banking system while vital, will require financial institutions be capable of ensuring cannabis customers neither engage in money laundering or inventory diversion, as well as ensure the cannabis business customer's overall compliance with state, local, and federal laws regarding virtually every aspect of the cannabis business; and

WHEREAS, access by cannabis businesses to the banking system will substantially reduce the difficulty of regulatory oversight and tax collection for federal, state, and local governments as well as substantially reduce the risk to public safety officials and the public at large. However, access to the banking system is predicated on substantial oversight by banks, which depends on transparent compliance by cannabis businesses with federal, state, and local laws; and

WHEREAS, state and local governments have a pressing need to coordinate an unprecedented growth of cash deposits in the short term, and a need for comprehensive data regarding cannabis business activities and cannabis transactions in the short and long term, and in order to effectively coordinate and implement robust regulatory oversight and tax regimes as well as reduce the burden on financial institutions to provide substantial oversight of cannabis customers, a statewide authority should be established as a cooperative effort among Counties to facilitate state and local regulatory and tax programs of cannabis activities.

WHEREAS, pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California (the "Joint Exercise of Powers Act" or the "Act"), two or more public agencies may by agreement jointly exercise any power common to the contracting parties; and

WHEREAS, each Member is a "Public Agency" as that term is defined in Section 6500 of the Act.

WHEREAS, the Act authorizes the Members to create a joint exercise of powers entity separate from the Members to exercise the common powers of the Members, as specified in this Agreement, and to act as administrator of this Agreement; and

WHEREAS, by this Agreement, each Member desires to create and establish the California Cannabis Authority ("CCA"), for the purposes set forth herein to exercise the powers provided herein and to act as administrator of this Agreement; and

WHEREAS, pursuant to this Agreement, CCA will coordinate, and to the extent authorized, administer, the Members' and Participants' duties and obligations in respect to laws pertaining to licensing, enforcement, and taxation of cultivation, manufacturing, retail sale, transportation, storage, delivery and testing of cannabis and cannabis related activities.

NOW, THEREFORE, the Members, for and in consideration of the mutual promises and agreements herein contained, do agree as follows:

ARTICLE I CREATION: PURPOSE, DEFINITIONS AND REPRESENTATIONS

Section 1 - Creation of CCA.

There is hereby created pursuant to the Act a public agency and entity to be known as the "California Cannabis Authority" (hereafter "CCA"). As provided in the Act, CCA shall be a public agency and entity separate and apart from the Members. The debts, liabilities, and obligations of CCA shall not constitute debts, liabilities, or obligations of the Members.

Section 2 - Purpose.

This Agreement is made pursuant to the Act to provide for the exercise by CCA of all those powers common to its Members and all additional powers authorized by the Act deemed necessary to fulfill the purposes of the Agreement. The purposes of the Agreement are:

- (a) to facilitate cash collection by Members and Participants from those engaged in cannabis businesses, for the payment of public taxes, fees, and charges imposed or required by CCA, Members, and/or Participants;
- (b) to provide regulatory and tax administration assistance regarding cannabis activities for any Member or Participant requesting such services;
- (c) to facilitate the collection, analysis, and exchange of data relating to cannabis business activities in order to support the regulatory and tax collection efforts of Members and Participants;
- (d) to coordinate regulatory and tax administrative practices for cannabis activities among Members and Participants;
- (e) to facilitate compliance by those subject to the regulatory and tax requirements of Members and Participants;

Section 3 - Definitions.

As used in this Agreement, the following terms shall have the following respective meanings unless the context otherwise requires:

“Act” shall mean Title 1, Division 7, Chapter 5 of the California Government Code (commencing with § 6500), the Joint Exercise of Powers Act, as it may be amended from time to time.

“Agreement” shall mean this Joint Exercise of Powers Agreement as it may from time to time be amended in accordance with the provisions hereof.

“Authority” or “CCA” shall mean the California Cannabis Authority created by and existing under the terms of this Agreement.

“Bad Faith” shall have the meaning set forth in Article V, section 3 hereof.

“Board of Directors” or “Board” shall mean the principal governing body of the CCA.

“CCA Data Server” means the comprehensive data and predictive analytics of cannabis activities in California collected, maintained, and produced by CCA in pursuit of the purposes of the Agreement.

“Disqualification” shall have the meaning set forth in Article II, section 6(b) hereof.

“Executive Committee” shall mean the Executive Committee of CCA’s Board of Directors.

“Initial Members” shall mean those Counties constituting the first signatories of the CCA identified by Schedule A attached hereto.

“Members” shall mean the Initial Members and each Public Agency that becomes a Member pursuant to the terms of Article I, section 4 hereof. Members shall only include counties, or a city and county, which are legal subdivisions of the State.

“Participant” means a Public Agency, including an agency of the State or a department or agency of a county, or city and county, whether or not the county, or city and county, is a Member, who duly executes and delivers to the CCA a Participant Agreement, either to administer their regulatory and/or tax compliance program(s) or for access to CCA’s Cannabis Data Server for purposes of regulating and/or taxing cannabis activities in their jurisdiction or for related law enforcement purposes within their jurisdiction. A Participant shall not be entitled to representation on the Board of Directors or to vote on any matter coming before the Board of Directors.

“Participant Agreement” is a contract between CCA and a Participant for the exchange of services, funding, and information, in the form and manner as provided in the Bylaws.

“Public Agency” shall have the meaning given to such term from time to time in Section 6500 (or any successor or amended provision) of the Act.

“Ralph M. Brown Act” shall mean Title 5, Division 2, Part 1, Chapter 9 of the California Government Code, as it may be amended from time to time.

Section 4 - Addition and Withdrawal of Public Agencies as Members.

(a) Addition of Members. A Public Agency qualified to become a Member may do so by taking appropriate action to authorize and approve the execution and delivery by such Member of this Agreement, signing a counterpart of this Agreement and furnishing CCA with satisfactory evidence that such actions have been taken, as well as by adopting conforming changes to their ordinances necessary to implement the Agreement.

(b) **Withdrawal.** A Member may withdraw from this Agreement upon written notice to the Secretary of the Board. The Secretary of the Board shall forward a copy of such written notice of withdrawal to the Treasurer and the remaining Board members. Any such withdrawal shall be effective only upon receipt of the written notice of withdrawal by the Secretary of the Board who shall acknowledge receipt of such notice of withdrawal in writing to such withdrawing Member and shall file such notice as an amendment to this Agreement effective upon such filing. The withdrawal of any Member from this Agreement shall not affect this Agreement or the Members' obligations hereunder.

(c) **List of Members.** Schedule B sets forth a list of all Members and shall be amended from time to time upon additional Public Agencies becoming Members and upon Public Agencies withdrawing as Members.

Section 5 - Representations, Warranties, Covenants and Agreements of the Members.

Each Member represents, warrants, covenants and agrees to and with CCA and the other Members, but only as to itself, as follows:

(a) **Organization as Public Agency.** The Member is duly organized and validly existing as a Public Agency with the common powers referred to in the recitals hereof, and each of the recitals hereof is true as it relates to such Member. The Member has full legal right, power, and authority to enter into this Agreement, to observe and perform its obligations hereunder and to become a Member hereunder. By all necessary official actions the Member has duly authorized and approved the execution hereof and the observance and performance of its obligations hereunder.

(b) **Binding and Enforceable.** This Agreement constitutes a legal, valid, and binding obligation of the Member enforceable against the Member in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws, or equitable principles relating to or limiting creditors rights generally, and by the application of equitable remedies in appropriate cases.

(c) **Exercise of Authority.** This Agreement represents an expression by the Members that the CCA shall exercise any power common to the contracting parties, including but, not limited to, requesting and receiving access to or information contained within the state track and trace database or other state cannabis related information depository pursuant to Health and Safety Code Section 26067(b)(7).

Section 6 - Member Responsibilities.

(a) Each Member Agency shall make timely contributions in the form of annual membership assessments and fees, if any, determined by the Board for the purpose of defraying the costs of providing the annual benefits accruing directly to each party from this Agreement.

(b) Each Member Agency shall provide the CCA with all requested information, access to records, and other assistance in order to fulfill the purposes of the CCA under this Agreement. [REDACTED]

(c) Each Member Agency shall in all ways cooperate with and assist the Authority in all matters relating to this Agreement and comply with the Bylaws and the policies, procedures and rules promulgated by the Authority.

(d) Adopt or amend ordinances to require persons engaged in commercial cannabis, as a condition of their license, permit, or other authorization to operate, to comply with any and

all requirements imposed by CCA on commercial cannabis operators or operations, including the payment of any levies, charges, or other exactions of any kind. [SEP]

ARTICLE II GOVERNING BOARD

Section 1 - Board of Directors.

The CCA shall be governed by a Board of Directors which shall be composed of representatives of those Member Agencies who have exercised their right to participate on the Board of Directors. Each Member Agency shall be entitled at any given time to appoint one member and one or more alternate member(s) of the Board of Directors, each of whom shall be an officer, director, or employee of the appointing Member Agency. At any meeting of the Board of Directors, each duly appointed member, or in the member's absence, one of the alternate members as determined by the Member Agency, shall have one vote on behalf of his or her Member Agency.

Section 2 - Powers of the Board of Directors.

(a) The Member Agencies, acting through the Board of Directors, shall retain overall responsibility for governance of the CCA, including the right to exercise all powers of the Authority not delegated to other persons or bodies of the CCA. [SEP]

(b) The Board of Directors shall have the following express powers, duties and responsibilities: [SEP]

- i. Election of certain CCA officers and the members of its Executive Committee, except that vacancies occurring in those offices during their term shall be filled pursuant to Article III, section 4.
- ii. Approval of the annual budget of CCA. [SEP]
- iii. Approval of amendments to this Agreement and the Bylaws. [SEP]
- iv. The exercise of powers of the CCA, including promulgation of policies, procedures and rules, with respect to all matters reserved to the Board of Directors by this Agreement, the Bylaws, or otherwise. [SEP]

Section 3 - Meetings of the Board of Directors.

- (a) The Bylaws of the CCA shall make provision for calling and holding meetings of the Board of Directors which shall include, in any event, at least one regular meeting annually. [SEP]
- (b) Meetings of the Board of Directors shall be conducted in accordance with this Section, the Bylaws and applicable provisions of law governing the meetings of legislative bodies and governing boards of local public entities of the State of California including the provisions of the Ralph M. Brown Act (California Government Code Section 54950 et seq.). [SEP]
- (c) The presence in person (or by telephone in the case of a noticed telephonic meeting) of a majority of the then duly appointed members (including one alternate in the case of

absence of the member) of the Board of Directors shall constitute a quorum for the conduct of business of the Board except as otherwise provided by this Agreement, the Bylaws or other applicable provisions of law. [§§]

- (d) In addition, the Secretary shall cause notice of each meeting of the Board to be sent to each Member. The Secretary shall also cause minutes of all meetings of the Board to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Member.

Section 4 - Committees.

The Board may create one or more committees and appoint Members or others to serve on such committees. Each committee shall consist of at least two Members. All committee members shall serve at the pleasure of the Board. The creation of a committee and appointment of Members to it shall be approved by a majority of the Board when the action is taken. The provisions of this Agreement which govern meetings, notice and waiver of notice, and quorum and voting requirements of the Board shall apply to committees of the Board as well.

Section 6 - Resignation and Removal.

(a) **Resignation.** Any member of the Board may resign by an instrument in writing signed by such Board member and delivered to the Secretary and such resignation shall be effective upon such delivery, or at a later date according to the terms of the instrument.

(b) **Disqualification.** A member of the Board will cease to be qualified to serve as a member of the Board, and consequently as a member of the Executive Committee, in the event, and as of the date, such Board member dies, is judged incompetent, or is no longer a member of the governing body, officer, or personnel of a Member, or becomes incapable of performing the duties of the office of a member of the Board, a guardian or conservator is appointed for such Board member, or such Board member is otherwise disqualified from acting as a member of the Board by reason of applicable law (each, a "Disqualification").

(c) **Removal of Board Members.** Any member of the Board may be removed, with or without cause, by the action of two-thirds (2/3) of the Board of Directors.

(d) **Removal by Court.** The Superior Court of the County of Sacramento, California, may at the suit of any Member remove from office any Board or Executive Board member in case of fraudulent or dishonest acts or abuse of authority or discretion with reference to CCA and may bar from reelection as an Executive Committee member of CCA any Executive Committee member so removed for a period determined by the Court.

Section 7 - Manner of Acting.

Subject to the Ralph M. Brown Act and except as otherwise provided herein, any action required or permitted to be taken by the Board may be taken by a majority vote at a meeting of the Board (a quorum being present), or by a teleconference during which at least a quorum of the members of the Board Member participate from locations within California and which meets all other requirements of Section 54953 of the California Government Code.

Section 8 - Fees and Compensation.

Members may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by the Board. This Article II, Section 8 shall not be

construed to preclude any Member from serving CCA in any other capacity as an officer, agent, employee, or otherwise and receiving compensation for those services.

Section 9 - Conflicts of Interest.

The Board shall adopt and, thereafter, maintain a conflict of interest code in compliance with applicable provisions of the Political Reform Act (Gov. Code § 87300, et. seq.) and regulations adopted by the Fair Political Practices Commission (See generally, Cal. Code Regs., tit. 2, § 1870 et. seq.)

ARTICLE III OFFICERS AND THE EXECUTIVE COMMITTEE

Section 1 - Officers of the CCA.

The officers of CCA shall be the President, Secretary, and Treasurer (as defined below) and such other officers as the Board may determine whose duties shall be as set forth in this Agreement, the Bylaws or as prescribed by applicable provisions of law. Any number of offices may be held by the same person.

The President and Secretary shall be elected by the Board of Directors and shall serve two-year terms. None of the officers shall serve for more than two complete consecutive terms in his or her respective office. The terms of each office will ordinarily commence immediately following the first Board of Directors meeting of each odd-numbered calendar year except that if an election has not been conducted by that date, the terms shall commence as soon as the election has been held. [REDACTED]

The Board shall elect one or more of the Members or employees to serve as treasurer, auditor, and controller of CCA (the "Treasurer") pursuant to Section 6505.6 of the Act. Except as may otherwise be specified by resolution of the Board, the Treasurer of CCA shall be responsible for safekeeping and disbursement of CCA assets, and, as such, shall have the powers, duties and responsibilities specified in Sections 6505, 6505.5 and 6509.5 of the Act.

Section 2 - Removal of Officers.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by the Board of Directors by majority vote.

Section 3 - Resignation of Officers.

Any officer may resign at any time by giving written notice to the Board. Any resignation shall take effect as of the date of the receipt of that notice or at any later time specified in that notice, and unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of CCA under any contract to which the officer is a party.

Section 4 - Vacancies in Offices.

A vacancy in any office because of death, resignation, removal or any other cause shall be filled in the manner prescribed herein for regular appointment to that office. The President may make temporary appointments to a vacant office pending action by the Board of Directors.

Section 5 - Fees and Compensation.

Officers may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by the Board.

Section 6 - The Executive Committee.

(a) The day-to-day business of the CCA will be conducted, directed, and supervised by an Executive Committee consisting of five members of the Board of Directors. Until such time as the number of Members exceeds five, all members of the Board of Directors shall act as members of the Executive Committee.

(b) The Executive Committee shall have the powers, duties, and obligations granted to it by this Agreement, the Bylaws, and as delegated by the Board of Directors. [SEP]

(c) The President Secretary, and Treasurer of the CCA shall serve as members of the Executive Committee. Two "at large" members of the Executive Committee shall be elected by a majority vote of the Board of Directors and shall serve terms of office as provided in the Bylaws.

(d) The President may create one or more committees and appoint members of the Board to serve on such committees. Each committee shall consist of at least two Members. All committee members shall serve at the pleasure of the President. The provisions of this Agreement which govern meetings, notice and waiver of notice, and quorum and voting requirements of the Board shall apply to committees of the Executive Committee as well.

(e) The Executive Committee shall hold regular meetings no less often than each month. The date upon which, and the hour and place at which, each such regular meeting shall be held shall be fixed by the Executive Committee. The Secretary of CCA shall cause minutes of all meetings of the Executive Committee to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Member who requests such copy in writing.

Section 7 - Manner of Acting.

Subject to the Ralph M. Brown Act and except as otherwise provided herein, any action required or permitted to be taken by the Executive Committee may be taken by a majority vote at a meeting of the Executive Committee (a quorum being present), or by a teleconference during which at least a quorum of the members of the Executive Committee Member participate from locations within California and which meets all other requirements of Section 54953 of the California Government Code.

Section 8 - Executive Director and Other Staff.

(a) The Board of Directors shall appoint an Executive Director who shall be responsible for the general administration of the business and activities of the CCA as directed by the Executive Committee. The Executive Director shall coordinate the activities of all consultants and staff of the CCA; shall be responsible for required filings by the CCA with the State of California; shall prepare all meeting notices, minutes and required correspondence of the CCA and shall maintain the records of the CCA; and shall perform such other duties as are assigned by the Board and Executive Committee.

(b) The Board of Directors shall appoint an attorney at law who shall serve as general Legal Counsel to the CCA. [SEP]

(c) Subject to the direction of the Executive Committee, the Executive Director shall provide for the appointment of such other staff of the CCA as may be necessary for the administration of the Authority. [§]

(d) As determined by the Executive Committee, staff functions may be performed by employees of the CCA, by officers, directors and employees of Member Agencies and by agents, advisors and consultants retained under contract by CCA. [§]

(e) The Executive Director and other staff of the Authority shall have such powers, duties and obligations as are established by this Agreement, the Bylaws, the policies, procedures and rules promulgated by the CCA and any contractual arrangements which may exist between the Authority and the respective person. [§]

(f) Subject to any applicable contractual arrangements which may take precedence, the Executive Director and Legal Counsel shall serve at the will and pleasure of the Board of Directors and all other staff shall serve at the will and pleasure of the Executive Director.

Section 9 - Responsibilities for Funds and Property.

(a) The Treasurer shall have custody of and disburse CCA funds. He or she may delegate disbursing authority to such persons as may be authorized by the Executive Committee to perform that function, subject to the requirements of (b) below. [§]

(b) Pursuant to Government Code Section 6505.5, the Treasurer shall:

- i. Receive and acknowledge receipt for all funds of CCA and place them in the treasury of the Treasurer to the credit of CCA. [§]
- ii. Be responsible upon his or her official bond for the safekeeping and disbursement of all CCA funds so held by him or her. [§]
- iii. Pay any sums due from CCA, as approved for payment by the Executive Committee or by any body or person to whom the Board has delegated approval authority, making such payments from Authority funds upon warrants drawn by the Treasurer. All warrants of CCA shall be signed by two persons as designated by the Board; provided, however, that the Board may, by resolution, authorize imprest accounts for expenditures of funds in limited amounts for which only one authorized signatory shall be required on the instrument. [§]
- iv. Verify and report in writing to the Board and to Member Agencies, as of the first day of each quarter of the fiscal year, the amount of money then held for CCA, the amount of receipts since the last report, and the amount paid out since the last report.

(c) Pursuant to Government Code Section 6505.1, the Executive Director, the Treasurer and such other persons as the Board of Directors may designate shall have charge of, handle and have access to the property of CCA. [§]

Section 10 - Insurance Coverage. [§]

CCA shall secure and pay for a fidelity bond or bonds, in an amount or amounts and in form specified by the Board of Directors, covering the Treasurer and all other officers and staff of the

CCA who are authorized to hold or disburse funds of the Authority, and all other officers and staff who are authorized to have charge of, handle, and have access to property of CCA.

CCA shall maintain such other insurance coverage on its activities as determined by the Executive Committee to be necessary and adequate.

ARTICLE IV POWERS

Section 1 - Powers of CCA.

CCA shall have the power, in its own name, to exercise the common powers of the Members referred to in the recitals hereof and to exercise all additional powers given to a joint powers entity under the Act and any other applicable law for any purpose authorized under this Agreement. Pursuant to Section 6508 of the Act, CCA shall have the power, in its own name, to do any or all of the following:

- i. to employ or contract with such persons as CCA may deem desirable for the transaction of the affairs of CCA, including such agents or employees as CCA considers appropriate;
- ii. to the extent permitted by applicable law, enter into joint ventures, partnerships and any other combinations or associations;
- iii. to incur debts, liabilities, and obligations and to encumber real or personal property;
- iv. to receive, acquire, hold, or dispose of real or personal property, contributions and donations of real, personal or intangible property, funds, services, and other forms of assistance from persons, firms, corporations, and government entities;
- v. to use any and all financing mechanisms available to CCA, as permitted by law;
- vi. to levy and collect payments, fees, or other non-tax exactions of any kind, as permitted by law;
- vii. to sue and be sued in its own name, and to settle any claim against it. CCA shall have the power to engage in and to prosecute, defend, compromise, abandon, or adjust, by arbitration or otherwise, any actions, suits, proceedings, disputes, claims, and demands relating to CCA or CCA property, and, out of CCA property, to pay or to satisfy any debts, claims or expenses incurred in connection therewith, including those of litigation, and such power shall include without limitation the power of CCA, in the exercise of its good faith business judgment, consenting to dismiss any action, suit, proceeding, dispute, claim, or demand, derivative or otherwise, brought by any person, including a Member, whether or not CCA or officer or employee be named individually therein or the subject matter arises by reason of business for or on behalf of CCA;
- viii. to receive and use contributions and advances from Members as provided in Government Code Section 6504, including contributions or advances of personnel, equipment or property;
- ix. to apply for, accept, and receive all licenses, permits, grants, loans or other assistance from any federal, state, or local public agency;

- x. to invest any money in its treasury that is not required for its immediate necessities, pursuant to Government Code Section 6509.5, or held in trust for a Member or Participant;
- xi. to purchase, and pay for out of CCA property, insurance policies insuring the officers, employees, agents, Members, Participants, investment advisers, distributors, or independent contractors of CCA against all claims arising by reason of holding any such position or by reason of any action taken or omitted by any such person in such capacity, whether or not constituting negligence, or whether or not CCA would have the power to indemnify such person against such liability;
- xii. to the extent permitted by applicable law, indemnify any person with whom CCA has dealings to such extent as CCA shall determine, including, without limitation, any administrator of CCA;
- xiii. to acquire, construct, manage, maintain or operate title to real or personal property or rights or any interest therein;
- xiv. to receive, collect, and disburse moneys. Moneys, if collected on behalf of, or as agent of, a Member or Participant, shall be segregated from the funds of the CCA and held in trust and dispersed to the Member or Participant as soon as is reasonably practicable, net of any CCA charges, as determined by the policy of the Board of Directors;
- xv. to incur and pay any reasonable expenses that in the opinion of CCA are necessary or incidental to carry out any of the purposes of this Agreement;
- xvi. to finance the acquisition, construction or installation of real or personal property for the benefit of one or more Member Agencies through the sale of its revenue bonds, certificates of participation or other obligations and to enter into any agreement or instrument in connection with the execution, issuance, sale or delivery of such bonds, certificates of participation or other obligations;
- xvii. to collect all property due to CCA; to pay all claims, including taxes, against CCA property; to prosecute, defend, compromise or abandon any claims relating to CCA property; to foreclose any security interest securing any obligation by virtue of which any property is owed to CCA; and to enter into releases, agreements and other instruments;
- xviii. to lease, sell, convey or otherwise transfer title or rights to or an interest in real or personal property, including, but not limited to, property financed by the CCA for the benefit of its Members or other Public Agencies, and to enter into any agreement or instrument in connection with any such lease, sale, conveyance or transfer;
- xix. to exercise all powers of entities, such as the CCA, created under the Act including, but not limited to, those powers enumerated under the Marks-Roos Local Bond Pooling Act of 1985, as amended;
- xx. to determine and change the fiscal year of CCA and the method by which its accounts shall be kept;
- xxi. to adopt rules, regulations, policies, bylaws and procedures governing the operation of the CCA;
- xxii. to request from state licensing authorities access to or information contained within any state cannabis related database pursuant to Health & Safety Code Section 26067(b)(7).

- xxiii. to exercise other reasonable and necessary powers in furtherance or support of any purpose of the CCA or power granted by the Act, this Agreement or the Bylaws of the CCA;

Legal title to all CCA property shall be vested in CCA, except that CCA shall have power to cause legal title to any CCA property to be held in the name of any other person as nominee, on such terms as CCA may determine, provided, however, that the interest of CCA therein is appropriately protected.

CCA shall have power to delegate from time to time to officers, employees or agents of CCA the doing of such things and the execution of such instruments in the name of CCA or otherwise as CCA may deem expedient, to the same extent as such delegation is permitted by applicable law.

Section 2 - Approval Powers of Members.

The following matters alone shall require the approval of all or a certain percentage of the Members as provided herein:

- (a) termination of CCA as provided in Article VI.
- (b) merger, consolidation or sale of assets of CCA as provided in Article VI, section 4, and
- (c) such additional matters relating to CCA as may be required by this Agreement or as CCA may consider necessary or desirable. In addition, if a certain percentage approval is not specified herein, approval of at least a majority of the Members shall be required.

ARTICLE V LIMITATIONS OF LIABILITY OF MEMBERS, PARTICIPANTS, AND OTHERS

Section 1 - No Personal Liability of Members, Participants, and Others.

Except in the case of fraud or willful misconduct, no Member, Participant, no officer, employee or agent of CCA, acting in its capacity as a Member, Participant, officer, employee or agent of CCA, as applicable, shall be subject to any personal liability whatsoever to any person in connection with property or the acts, obligations or affairs of CCA, and all such persons shall look solely to CCA property for satisfaction of claims of any nature arising in connection with the affairs of CCA. Except in the case of fraud or willful misconduct, no Member, Participant, officer, employee, or agent, as such, of CCA who is made a party to any suit or proceeding to enforce any such liability, shall be held to any personal liability. The debts, liabilities and obligations of CCA shall not be the debts, liabilities and obligations of any Member, Participant, officer, employee or agent of CCA, unless otherwise provided in this Agreement; provided, however, that in such case, such debts, liabilities and obligations shall be limited to the value of CCA's assets.

Section 3 - Bad Faith.

No Member, Participant, officer, or employee of CCA shall be liable to CCA, or to any Member, Participant, officer, employee or agent thereof for any action or failure to act, except for his or her own bad faith, willful misfeasance, gross negligence, or reckless disregard of duty (collectively, "Bad Faith").

Section 4 - Indemnification from Third-Party Actions.

CCA shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of CCA) by reason of the fact that such

person is or was a representative of a Member or Participant, an officer or employee of CCA, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if it is determined that such person acted in good faith and reasonably believed: (i) in the case of conduct in his or her official capacity as a representative of a Member or Participant of CCA, or officer or employee of CCA, that his or her conduct was in CCA's best interests, (ii) in all other cases, that his or her conduct was at least not opposed to CCA's best interests, and (iii) in the case of a criminal proceeding, that he or she had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person did not act in good faith and in a manner that such person reasonably believed to be in the best interests of CCA or that such person had reasonable cause to believe such person's conduct was unlawful.

Section 5 - Indemnification for Successful Defense.

To the extent that representative of a Member or Participant, an officer or employee of CCA has been successful on the merits in defense of any proceeding referred to in Article V, section 4 or in defense of any claim, issue or matter therein, before the court or other body before which the proceeding was brought, such person shall be indemnified against expenses actually and reasonably incurred in connection therewith.

Section 6 - Advance of Expenses.

Expenses incurred in defending any proceeding may be advanced by CCA before the final disposition of the proceeding upon a written undertaking by or on behalf of the representative of a Member or Participant, an officer or employee of CCA, to repay the amount of the advance if it is ultimately determined that he or she is not entitled to indemnification, together with at least one of the following as a condition to the advance: (i) security for the undertaking; or (ii) the existence of insurance protecting CCA against losses arising by reason of any lawful advances; or (iii) a determination by the Executive Committee, or by independent legal counsel in a written opinion, based on a review of readily available facts, that there is reason to believe that such person ultimately will be found entitled to indemnification.

Section 7 - Exclusions and Limitations of Indemnification.

Notwithstanding the foregoing, no indemnification or advance shall be made under Article V, sections 4 to 6, for:

(a) **Bad Faith.** For any liability arising by reason of Bad Faith of a representative of a Member or Participant, or an officer or employee of CCA.

(b) **Improper Personal Benefit.** In respect of any claim, issue, or matter as to which a representative of a Member or Participant, an officer or employee of CCA, shall have been adjudged to be liable on the basis that personal benefit was improperly received by him or her, whether or not the benefit resulted from an action taken in such person's official capacity.

(c) **Otherwise Prohibited.** In any circumstances where it appears that it would be inconsistent with any condition expressly imposed by a court, any provision of this Agreement, or any agreement in effect at the time of accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid which prohibits or otherwise limits indemnification or advance.

(d) **Limited to CCA's Assets.** In any amount, individually or in the aggregate, that exceeds the value of CCA's assets. If there are concurrent indemnifications of multiple Participants under

this Article V, such indemnifications shall be made on a pro rata basis up to the value of CCA's assets.

Section 8 - Obligations under Law.

Notwithstanding anything herein to the contrary, nothing herein is intended to relieve any Member or Participant of any obligation it has under State or Federal law to monitor, review, evaluate or provide oversight with respect to participation in CCA.

Section 9 - Required Approval.

No indemnification or advance shall be made under Article V, sections 4 to 6 unless and until it is determined, by a majority of the Executive Committee, or by independent legal counsel in a written opinion, based on a review of readily available facts, that indemnification of the representative of a Member or Participant, an officer or employee of CCA is proper under the circumstances because such person has met the applicable standard of conduct set forth in Article V, sections 4 to 6, as applicable, and such indemnification is not excluded by reason of Article V, section 7.

Section 10 - Insurance.

CCA shall purchase and maintain insurance on behalf of each representative of a Member or Participant, an officer, or agent of CCA against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, but only to the extent that CCA would have the power to indemnify such person against that liability hereunder, unless CCA determines that such insurance is not cost effective for CCA or is otherwise impracticable.

Section 11 - No Duty of Investigation and Notice in CCA Instruments.

No purchaser, lender, transfer agent, record keeper or other person dealing with any officer, employee or agent of CCA shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by such officer, employee or agent or be liable for the application of money or property paid, loaned, or delivered to or on the order of such officer, employee or agent. Every obligation, contract, instrument, certificate, or other security of CCA and undertaking, and every other document executed in connection with CCA, shall be conclusively presumed to have been executed or done by the executors thereof only in their capacity as officers, employees or agents of CCA. Every written obligation, contract, instrument, certificate, or other security or undertaking of CCA shall recite that it is executed by such officer, employee, or agent, not individually, but in the capacity as officer, employee, or agent of the CCA under this Agreement, and that the obligations of any such instruments are not binding upon any of the officers, employees, agents, Members or Participants individually, but bind only CCA property. However, the omission of such recital shall not operate to bind the officers, employees, agents, Members or Participants individually.

Section 12 - Reliance on Experts.

Each representative of a Member or Participant, an officer, employee, or agent of CCA, shall, in the performance of his or her duties, be fully protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of CCA, upon an opinion of counsel, or upon reports made to CCA by any of its officers or employees or other experts or consultants selected with reasonable care by the Board of Directors, Executive Committee, officers, employees or agents of CCA.

Section 13 - Immunity from Liability.

All of the privileges and immunities from liability, all exemptions from laws, ordinances and rules, and all pension, relief, disability, workmen's compensation, and other benefits which apply to the activity of the representative of a Member or Participant, an officer, employee or agent of CCA, when performing their functions within the territorial limits of their respective Public Agencies, shall apply to them to the same degree and extent while engaged in the performance of any of their functions and duties associated with CCA.

Section 14 - Further Restriction of Duties and Liabilities.

Without limiting the foregoing provisions of this Article V, the officers, employees, agents, Members and Participants of CCA shall in no event have any greater duties or liabilities than those imposed by applicable law as shall be in effect from time to time.

Section 15 - Prohibition Against Assignment.

Except as may be authorized by Article VI, section 2, no Member may assign any right, claim or interest it may have under this Agreement, and no creditor, assignee or third-party beneficiary of any Member shall have any right, claim or title to any part, share, interest, fund or asset of the CCA.

ARTICLE VI DURATION, TERMINATION AND AMENDMENT

Section 1 - Duration.

CCA shall continue without limitation of time but subject to the provisions of this Article VI.

Section 2 - Termination of CCA.

(a) By Vote. CCA may be terminated by a vote of not less than two-thirds (2/3) of the Members.

(b) Winding Up Activities. Upon the termination of CCA:

(i) CCA shall carry on no activities except for the purpose of winding up its affairs;

(ii) The Board shall proceed to wind up the affairs of CCA and all of the powers of CCA and the Board under this Agreement shall continue until the affairs of CCA shall have been wound up, including the power to fulfill or discharge the contracts of CCA, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of CCA property to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate its business; provided, however, that any sale, conveyance, assignment, exchange, transfer or other disposition of all or substantially all CCA property shall require approval in accordance with Article VI, section 4; and

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Board may distribute the remaining CCA property, in cash or in kind or partly in cash and partly in kind, among the Participants according to their respective beneficial interests.

(c) Effect of Termination. After termination of CCA and distribution to the Participants as herein provided, the Board shall approve the execution of and lodge among the records of CCA an instrument in writing setting forth the fact of such termination.

Section 3 - Amendment Procedure.

This Agreement may be amended at any time by a two-thirds vote of the entire Board of Directors, provided, however, that:

(a) Any meeting at which an amendment is to be acted upon shall require thirty (30) days' prior notice of the proposal, with the specifics of the proposed amendment to be set forth in the notice; and [§]

(b) No amendment which increases the liability or financial obligation of a Member Agency shall be approved without: [§]

i. That Member Agency's consent; or

ii. That Member Agency being given the specific option to withdraw from the Authority.

(c) Certificate of Amendment. A certificate signed by the Secretary of CCA setting forth an amendment and reciting that it was duly approved by the Board and/or the Participants shall be conclusive evidence of such amendment when lodged among the records of CCA.

Section 4 - Merger, Consolidation and Sale of Assets.

To the extent permitted by law, CCA may merge into or consolidate with any other corporation, association, trust or other organization or may sell, lease or exchange all or substantially all of CCA's property, including its goodwill, upon such terms and conditions and for such consideration when and as authorized by a two-thirds vote of the entire Board of Directors.

ARTICLE VII RECORDS AND REPORTS

Section 1 - Maintenance and Inspection of Records.

The accounting books and records of CCA and the minutes of proceedings of the Board and the Participants shall be kept at such place or places designated by the Board or in the absence of such designation, at the principal executive office of CCA. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any Member or Participant at any reasonable time during usual business hours for a purpose reasonably related to the Member or Participant's interests as a Member or Participant, as applicable. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts.

Annual Budget. The Executive Committee shall cause to be prepared, shall review and approve and shall recommend a proposed annual budget to the Board of Directors for its consideration and approval. In the event a proposed budget is not approved by the Board, the CCA shall continue to operate using the budget figures from the previous fiscal year. [§]

Funds and Accounts. As directed by the Executive Committee, the Treasurer of CCA shall establish and maintain such funds and accounts as may be required by law and good accounting

practices. All funds of CCA shall be held in separate accounts in the name of CCA and not comingled with funds of any Member or Participant or any other person or entity. Separate accounts may be established and maintained from time to time as necessary or proper to manage the activities of CCA on behalf of its Members and Participant agencies.

Section 2 - Inspection by Members.

Every Member shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of CCA. This inspection by a Member may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 3 - Financial Statements and Audits.

Quarterly Report: A quarterly unaudited financial statement will be produced and distributed to all Member Agencies. CCA shall adhere to the standard of strict accountability for funds set forth in Government Code Section 6505.

Annual Treasurer's Report: The Treasurer-Auditor, within one hundred and twenty (120) days after the close of each fiscal year, shall give a complete written report of all financial activities for such fiscal year to the Board.

Annual Audit: Pursuant to Government Code Section 6505, the Authority shall contract with an independent certified public accountant to make an annual fiscal year audit of all accounts and financial statements of the Authority, conforming in all respects with the requirements of that section. A report of the audit shall be filed as a public record with the County Auditor of each Member Agency within six months of the end of the fiscal year under examination. Costs of the audit shall be considered a general expense of the Authority.

ARTICLE VIII - GENERAL MATTERS

Section 1 - Checks, Drafts, Evidence of Indebtedness.

All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to CCA shall be signed or endorsed in such manner and by such person or persons as shall be designated from time to time by resolution of the Executive Committee.

Section 2 - Contributions and Advances.

Contributions, collections, or advances of public funds and of the use of personnel, equipment, or property may be made to the CCA by the parties hereto for any of the purposes of this Agreement. Payment of public funds may be made to defray the cost of any such contribution. Any such advance may be made subject to repayment, and in such case, shall be repaid, in the manner agreed upon by the CCA and the party making such advance at the time of such advance.

Section 3 - Execution of Instruments.

The Executive Committee, except as otherwise provided herein, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of CCA and this authority may be general or confined to specific instances; and unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent, or

employee shall have any power or authority to bind CCA by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 4 - Fiscal Year.

The fiscal year of CCA shall be fixed and refixed or changed from time to time by resolution of the Board. The fiscal year of CCA shall initially end on June 30 of each year.

Section 5 - Principal Office.

The Board shall fix and, from time to time, may change the location of the principal executive office of CCA at any place within the State of California.

Section 6 - Accountability.

Pursuant to Section 6505 of the Act, CCA shall establish and maintain such funds and accounts as may be required by good accounting practice, and there shall be strict accountability of all funds and reports of all receipts and disbursements.

**ARTICLE IX
MISCELLANEOUS**

Section 1 - Governing Law.

This Agreement is executed and delivered in the State of California and with reference to the laws thereof, and the rights of all parties and the validity and construction of every provision hereof shall be subject to and construed according to the laws of the State of California.

Section 2 - Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed to be original, and such counterparts, together, shall constitute one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

Section 3 - The Complete Agreement.

This Agreement is the complete and exclusive statement of the agreement among the parties hereto, which supersedes and merges all prior proposals, understandings, and other agreements, including, without limitation, any agreement, whether oral, written, or implied in conduct, between and among the parties relating to the subject matter of this Agreement.

Section 4 - Provisions in Conflict with Law or Regulations.

The provisions of this Agreement are severable, and if the Board shall determine, with the advice of counsel, that any of such provisions is in conflict with applicable laws and regulations, including, without limitation, the Act, the Law or the Ralph M. Brown Act, the conflicting provisions shall be deemed superseded by such laws or regulations to the extent necessary to eliminate such conflict; provided, however, that such determination shall not affect or render invalid any of the remaining provisions of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall pertain only to such provision in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction or any other provision of this Agreement in any jurisdiction.

Section 5 - Notices.

Any and all notices and communications to which a Member or Participant may be entitled shall be deemed duly given or made if delivered by e-mail or facsimile or other electronic means providing a record of delivery, or, if so requested by such Member or Participant, in person or mailed, postage prepaid, addressed to the Member or Participant of record at its address as recorded in the account records for CCA. In addition to any other notice or communication to which a Member or Participant may be entitled, each Member and Participant shall be entitled to notice of any amendment to this Agreement or of any matter which is approved by the Participants (whether by negative consent or otherwise).

Section 6 - Index and Headings for Reference Only.

The index and headings preceding the text, articles and sections hereof have been inserted for convenience and reference only and shall not be construed to affect the meaning, construction or effect of this Agreement.

Section 7 - Successors in Interest.

This Agreement shall be binding upon and inure to the benefit of the Members and their successors and assigns. Participants shall be third-party beneficiaries of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

Dated: 3/13/18

THE COUNTY OF HUMBOLDT



Ryan Sundberg, Chair

Humboldt County Board of Supervisors

SCHEDULE A - LIST OF INITIAL MEMBERS

1. County of Monterey
2. San Luis Obispo County