



### Board Members

- John Friel (Chair)
- Dr. Katherine (Katie) Gabriel-Cox
- Dr. Joe Gallagher
- Jose A. (Tony) Nuñez
- Marcus Pimentel

### Special Meeting Agenda Wednesday, September 27, 2023 4:30 pm

Zoom: <https://zoom.us/j/93443061917>

Phone: +1 669 900 9128      WEBINAR ID: 934 4306 1917

Kathleen King Community Room - 85 Nielson Street Watsonville

#### TRANSLATION SERVICES/SERVICIOS DE TRADUCCIÓN

Spanish language translation is available on an as needed basis. Please make advance arrangements at least three business days before the meeting at by calling at (831) 763.6040 or by emailing at [info@pvhcd.org](mailto:info@pvhcd.org)

Las sesiones de la Mesa Directiva pueden ser traducidas del inglés al español y del español al inglés. Por favor llame por lo menos tres días hábiles antes de la junta al (831) 763.6040 o envíe un correo electrónico a [info@pvhcd.org](mailto:info@pvhcd.org) para solicitar interpretación.

#### ACCOMMODATIONS FOR PERSONS WITH DISABILITIES

The Pajaro Valley Health Care District Hospital Corporation does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs, or activities. If you are a person with a disability and wish to participate in the meeting and require special assistance in order to participate, please call (831)763-6040 or email [info@pvhcd.org](mailto:info@pvhcd.org) at least three business days in advance of the meeting to make arrangements. Persons with disabilities may request a copy of the agenda in an alternative format.

**Agenda documents** are available for review in person at Watsonville Community Hospital, 75 Nielson Street, Hospital Main Lobby-Visitors Desk; and electronically on the Pajaro Valley Healthcare District's website, at: PVHCD.ORG. To view online, visit the Board's website at: PVHCD.ORG and select the meeting date to view the agenda and supporting documents. Written comments on agenda items may also be submitted to the Board by email or US Mail. Comments received after 4 p.m. the day of the meeting and before the end of the meeting will be included with the minutes record.

**Email:** [info@pvhcd.org](mailto:info@pvhcd.org)

- Emailed documents may take up to 24 hours to be posted

- Please include the agenda item number

**U.S. Mail:**

PVHCD Board of Directors  
75 Nielson Street  
Watsonville, CA 95076

For additional information, call 831.763.6040 or email [info@pvhcd.org](mailto:info@pvhcd.org)

**Pajaro Valley Health Care District  
Special Meeting Agenda- Wednesday, September 27, 2023**

**Call to Order**

**Roll Call**

**Public Comment on Matters on the Agenda Only**

**Discussion**

**1. Pajaro Valley Health Care District Board Meeting 2023 Calendar**

**Recommendation:** Pass a **Motion** amending the PVHCD board meeting calendar adding November 29, 2023 and December 27, 2023 as regular meetings.

**Contact:** Matko Vranjes, Interim Chief Executive Officer

**2. 2024 Bond Measure Status**

**Recommendation:** 1) Pass a **Motion** ratifying the formation of the Bond Measure and Use (BMU) Ad Hoc Committee and appointment of Directors Nunez and Pimentel to the Committee; and 2) receive and file the BMU Ad Hoc Committees report.

**Contact:** Matko Vranjes, Interim Chief Executive Officer

**3. Santa Cruz County Bank Business Loan Agreement**

**Recommendation:** Pass a **Resolution** 1) authorizing the execution and delivery of a business loan agreement with Santa Cruz County Bank and approving related documents and actions; 2) authorizing the interim Chief Executive Officer, Matko Vranjes and Chief Financial Officer, Julie Peterson (or any interim) or either of their designees (each, an “Authorized Officer”) and directing them to execute and deliver the Loan Agreement, the related Security Agreement, and all other related documents on behalf of the District; and 3) consenting to the Pajaro Valley Health Care District Hospital Corporation entering into the Loan Agreement and related documents, including the Security Agreement, as co-borrower with the District.

**Contact:** Matko Vranjes, Interim Chief Executive Officer

**Adjournment**

This agenda was posted in accordance with the California Brown Act. Any materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet will be made available to the public in accordance with Government Section 54957.5.



## Board Report

**Meeting Date:** September 27, 2023

**Report Type:** Discussion

**Title:** Pajaro Valley Health Care District (PVHCD) Board Meeting 2023 Calendar

**Recommendation:** Pass a **Motion** amending the PVHCD board meeting calendar adding November 29, 2023 and December 27, 2023 as regular meetings.

**Contact:** Matko Vranjes, Interim Chief Executive Officer

### Analysis

The Pajaro Valley Health Care Districts previously approved calendar with regular meetings scheduled quarterly. Due to the possible requirement of timely PVHCD board approvals regarding a 2024 Bond Measure staff recommends revising the calendar to schedule regular meetings for November 2023 and December 2023.

**Financial Impact:** None

**Attachments:**



## Board Report

**Meeting Date: September 27, 2023**

**Report Type:** Discussion

**Title: 2024 Bond Measure Status**

**Recommendation:** 1) Pass a **Motion** ratifying the formation of the Bond Measure and Use (BMU) Ad Hoc Committee and appointing Directors Nunez and Pimentel to the Committee; and 2) receive and file the BMU Ad Hoc Committees report.

**Contact:** Matko Vranjes, Interim Chief Executive Officer

### **Analysis**

On September 7, 2023 Chair John Friel established an Ad Hoc Committee to In to include Directors Pimentel and Nuñez, tasked with review of a bond measure and use. Hospital leadership and Jon Isom will support this committee. Because time was of the essence, Mr. Friel requested staff proceed with scheduling the first meeting of this Committee swiftly.

In addition, to meet the Districts By Laws requirements, Mr. Friel requested that a Special District Board meeting be scheduled to precede our Hospital Corporation Meeting of September 27, 2023 and agendize the Boards' ratification of this Ad Hoc Committee.

**Financial Impact:** None



## Board Report

**Meeting Date: September 27, 2023**

**Report Type:** Discussion

**Title: Santa Cruz County Bank Business Loan Agreement**

**Recommendation:** Pass a **Resolution** 1) authorizing the execution and delivery of a business loan agreement with Santa Cruz County Bank and approving related documents and actions; 2) authorizing the interim Chief Executive Officer, Matko Vranjes and Chief Financial Officer, Julie Peterson (or any interim) or either of their designees (each, an "Authorized Officer") and directing them to execute and deliver the Loan Agreement, the related Security Agreement, and all other related documents on behalf of the District; and 3) consenting to the Pajaro Valley Health Care District Hospital Corporation entering into the Loan Agreement and related documents, including the Security Agreement, as co-borrower with the District.

Authorized Officers can designate staff to transact payments and disbursements on loan with approval by one officer. Designated staff will also have on-line and statement access to loan accounts for the purposes of record keeping and reconciliation.

**Contact:** Julie Peterson, Chief Financial Officer

### Analysis

The Pajaro Valley Health Care District Hospital Corporation desires a \$5,000,000

Commercial Revolving Line of Credit from Santa Cruz County Bank to provide short term working capital while the Hospital implements its various turnaround plan initiatives. Terms and conditions have been negotiated with Santa Cruz County Bank and Community partners who will guarantee the loan. The District and the Pajaro Valley Health Care District Hospital Corporation will be co-borrowers. The Line of Credit will be guaranteed by Salud Para la Gente, a California nonprofit public benefit corporation, Community Foundation Santa Cruz County, a California nonprofit public benefit corporation, and the County of Santa Cruz.

**Financial Impact:** The Line of Credit is expected to be \$5,000,000 in year one, \$4,000,000 in year two and \$3,000,000 in year three. The Line of Credit is expected to mature three years from the initiation date. Interest only payments will be due monthly at a variable rate of US Prime + 1.0% margin. The origination fee will be \$1,000.00 plus all 3<sup>rd</sup> party fees (legal fees, reports, etc.), currently at \$14,000.

**Attachments:**

A: Resolution

Business Loan Agreement

Promissory Note

Security Agreement

Commercial Guaranty for each Guarantor

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE PAJARO VALLEY  
HEALTH CARE DISTRICT AUTHORIZING EXECUTION AND DELIVERY OF A  
BUSINESS LOAN AGREEMENT WITH SANTA CRUZ COUNTY BANK AND  
APPROVING RELATED DOCUMENTS AND ACTIONS**

---

**WHEREAS**, the Pajaro Valley Health Care District (the “District”) desires to obtain a revolving line of credit with Santa Cruz County Bank (the “Bank”) with an initial maximum credit amount of \$5,000,000; and

**WHEREAS**, in order to obtain the line of credit with the Bank, the District has proposed to enter into that certain Business Loan Agreement and promissory note (together, the “Loan Agreement”) with the Bank, whereby the District and Pajaro Valley Health Care District Hospital Corporation (the “Corporation”) will act as co-borrowers on the line of credit; and

**WHEREAS**, Salud Para la Gente, a California nonprofit public benefit corporation, Community Foundation Santa Cruz County, a California nonprofit public benefit corporation, and the County of Santa Cruz have all agreed to act as guarantor for the line of credit; and

**WHEREAS**, pursuant to the Corporation’s Bylaws and operating documents, the written consent of the District is required for the Corporation to enter into and consummate the financing under the Loan Agreement; and

**WHEREAS**, it is consistent with the purposes of, and in the best interests of, the District for the District and the Corporation to enter into the Loan Agreement for the purposes described therein; and

**WHEREAS**, the Board of Directors of the District (the “Board”) has obtained from the private lender, Santa Cruz County Bank, good faith estimates of (a) the true interest cost of the financing authorized by this Resolution, (b) the sum of all fees and charges paid to third parties with respect to the financing, (c) the amount of proceeds of the financing expected to be received, where proceeds is based on the Maximum Credit Limit (as that term is defined in the Loan Agreement), net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the financing, and (d) the aggregate sum total of all payments (the “Payments”) made pursuant to the Loan Agreement calculated to the final term of the Loan Agreement, plus the fees and charges paid to third parties not paid with proceeds of the financing, and such estimates are disclosed and set forth in Exhibit A attached hereto; and

**WHEREAS**, the Board wishes at this time to authorize all proceedings relating to the financing as described herein and the execution and delivery of all agreements and documents relating thereto, including the Loan Agreement.

**NOW, THEREFORE**, it is hereby resolved by the Board of Directors of the Pajaro Valley Health Care District as follows:

**Section 1. Recitals.** The foregoing recitals are true and correct and the Board so finds and determines.

**Section 2. Authorized Officer.** The Chief Executive Officer and Chief Financial Officer (or any interim) or either of their designee (each, an “Authorized Officer”) are hereby each, acting alone, authorized and directed to execute and deliver the Loan Agreement, the related Security Agreement, and all other related documents on behalf of the District (subject to making such changes to the Loan Agreement or any related documents as they deem necessary or appropriate). The Authorized Officers are further authorized and directed to consummate the transaction described herein, execute any documents or supplementary agreements necessary to secure the line of credit, and to approve any amendments necessary to carry out the provisions of this authorizing Resolution.

**Section 3. Approval of Financing Plan and Documents.** The Board hereby approves the financing plan outlined herein. To that end, the Board hereby approves each of the following financing documents in substantially the respective forms as presented to the Board at this meeting, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of such approval.

- **Business Loan Agreement** between the District, Corporation, and the Bank, whereby the terms and provisions of the line of credit are prescribed.
- **Promissory Note** for the line of credit evidencing the District and Corporation’s promise to pay.
- **Security Agreement** between the Bank and the District whereby the District grants to the Bank a security interest in certain assets of the District to secure repayment of the line of credit.

An Authorized Officer is authorized and directed for and in the name and on behalf of the District to execute and attest the final form of each of the foregoing documents. The documents are hereby approved, subject to the adjustment by an Authorized Officer, but not excess of the initial maximum credit amount of \$5,000,000.

**Section 4. Approval for Corporation to Act as Co-Borrower.** The District hereby consents to the Corporation’s approval of and entering into the Loan Agreement and related documents, including a Security Agreement, as co-borrower with the District. This Resolution shall constitute written consent to and evidence of the Board’s approval.

**Section 5. Official Actions.** The Authorized Officers are each, acting alone, authorized and directed in the name and on behalf of the District to do any and all things and take any and all actions, including to make, execute, and deliver any and all amendments to the Loan Agreement and Security Agreement, assignments, certificates, requisitions, agreements, notices, consents,

*Pajaro Valley Healthcare District  
Resolution Approving Financing*



escrow agreements, and other instruments of conveyance, warrants, and other documents, which they might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution.

**Section 6. Effective Date.** This Resolution shall take effect from and immediately after the date of its passage and adoption.

**PASSED AND ADOPTED** by the Board of Directors of the Pajaro Valley Healthcare District this \_\_\_ day of \_\_\_\_\_, 2023, by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

\_\_\_\_\_  
John Friel  
Chair of the Board

ATTEST:

\_\_\_\_\_  
Dawn Bullwinkel  
Consultant Clerk of the Board

## EXHIBIT A

### GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the financing authorized by this Resolution. Such good faith estimates have been provided to the District, based on market interest rates prevailing at the time of preparation of the Estimated Principal Amount, by Santa Cruz County Bank, the private lender (the “Lender”).

**True Interest Cost.** The Lender has informed the District that its good faith estimate of the true interest cost of the financing, which means the rate necessary to discount the amounts payable on the respective payment dates to the principal components of said payments is \_\_\_\_%.

**Finance Charge.** The Lender has informed the District that its good faith estimate of the finance charge for the financing, which means the sum of all fees and charges paid to third parties (or costs associated with the financing) (the “Finance Charge”), is \$\_\_\_\_\_.

**Amount of Proceeds to be Received.** The Lender has informed the District that its good faith estimate of the amount of proceeds, where proceeds is based on the Maximum Credit Limit, expected to be received by the District in connection with the financing, less the Finance Charge as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the financing, is \$\_\_\_\_\_.

**Total Payment Amount.** The Lender has informed the District that its good faith estimate of the total payment amount, which means the sum total of all payments made pursuant to agreement (assuming District borrows the Maximum Credit Limit), plus the Finance Charge as described above not paid with the proceeds of the financing, calculated to the final term of the agreement, is \$\_\_\_\_\_.

The foregoing estimates constitute good faith estimates only. The actual aggregate sum of principal components of the payments, the true interest cost thereof, the Finance Charge, the amount of proceeds received from the financing, and the total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of financing being different from the date assumed for purposes of such estimates, (b) the actual aggregate sum of the principal components of the payments being different from the Estimated Principal Amount, (c) the actual amortization of the payments being different than the amortization assumed for the purposes of such estimates, (d) the actual market interest rates at the time of financing differ from those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the District’s financing plan, or a combination of such factors. The actual date of the financing and the actual aggregate sum of the principal components of the payments will be determined by the District based on market conditions and other factors. The actual interest rate may depend on market interest rates at the time of financing. The actual amortization of the payments may also depend, in part, on market interest rates at the time of financing. Market interest rates are affected by economic and other factors beyond the control of the District.

## BUSINESS LOAN AGREEMENT

**THIS BUSINESS LOAN AGREEMENT** (“Agreement”) is dated for reference purposes and entered into as of November 1, 2023 (“Effective Date”), between **SANTA CRUZ COUNTY BANK**, a California state-chartered bank (“Lender”), with an address at P.O. Box 8426, Santa Cruz, CA 95061 and **PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION**, a California nonprofit public benefit corporation (“PVHDHC”), with a chief executive office located at 75 Nielson Street, Watsonville, CA 95076, and **PAJARO VALLEY HEALTHCARE DISTRICT**, a California nonprofit public benefit corporation (“PVHD”), with a chief executive office located at 75 Nielson Street, Watsonville, CA 95076 (PVHDHC and PVHD are together referred to herein as “Borrower”), and with reference to the below recitals.

### ARTICLE I: RECITALS

**1.1** PVHDHC is primarily in the business of owning and operating a community hospital by the name of Watsonville Community Hospital (“Hospital”), and PVHD is primarily in the business of providing public oversight of the Hospital and to advocate for community led healthcare services.

**1.2** Borrower has requested that Lender extend credit to Borrower in the form of a revolving line of credit with an initial maximum credit limit of Five Million Dollars (\$5,000,000.00), to decrease to Four Million Dollars (\$4,000,000.00) beginning one (1) year after the date of the Note, and then to decrease to Three Million Dollars (\$3,000,000.00) beginning two (2) years after the date of this Note, for the purpose of operating the Hospital.

**1.3** Lender has agreed to extend credit to Borrower subject to and in accordance with the terms and conditions of this Agreement and the other “Loan Documents” (as that term is defined below).

**NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL BENEFITS ACCRUING TO THE PARTIES HERETO AND OTHER VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, AND IN ORDER TO INDUCE LENDER TO MAKE THE LOANS REFERRED TO ABOVE, THE PARTIES HERETO DECLARE, UNDERSTAND AND AGREE TO THE FOLLOWING TERMS:**

### ARTICLE II: DEFINITIONS AND CONSTRUCTION

**2.1 Definitions.** Capitalized terms in this Agreement that are not defined when first used shall have the meanings set forth below:

- (a) **Advances.** The term “Advances” shall mean all funds advanced to the Borrower under the terms of this Agreement, including without limitation all funds advanced as Lender Expenses.
- (b) **Agreement.** The term “Agreement” shall mean this Business Loan Agreement, any schedules hereto, any promissory notes, assignments and security agreements required hereunder (whether executed concurrently with or prior or subsequent to the date hereof), and any concurrent or subsequent amendments, modifications, supplements, chattel paper, extensions, or schedules to any of the foregoing.
- (c) **Authorized Officer.** The term “Authorized Officer” shall mean any officer of Borrower set forth on Exhibit A attached hereto, as the same may be amended from time to time upon written notice to Lender.
- (d) **Borrower’s Books.** The term “Borrower’s Books” shall mean: (a) all of Borrower’s books and records including ledgers, records indicating, summarizing, or evidencing Borrower’s assets or liabilities, or the Collateral; (b) all information relating to Borrower’s business operations or financial condition; and (c) all computer programs, disk or tape files, printouts, runs, or other computer prepared information, and the equipment containing such information.
- (e) **Borrower’s Performance Plan.** The term “Borrower’s Performance Plan” shall mean Borrower’s financial performance plan and operating budget provided to Lender (in a form acceptable to Lender) before the Effective Date covering each calendar year from 2023 to 2027, and which includes the following with regard to Borrower for each quarter of each calendar year (with totals provided for each calendar year): (i) forecasted Net Worth; (ii) forecasted Net Profits; (iii) forecasted revenue and income; (iv) forecasted expenses; and (v) any other items Lender in its sole discretion requires Borrower to include in the performance plan.
- (f) **Business Day.** The term “Business Day” shall mean any day which is not a Saturday, Sunday, or other day on which banks in the State of California are authorized or required to close.
- (g) **Collateral.** The term “Collateral” shall mean certain assets of Borrower in which Borrower has granted to Lender a security interest, which assets are more particularly described in the “Security Agreement(s).”

(h) **Event of Default.** The term “Event of Default” shall mean the occurrence of an event described in Section 7.1 below.

(i) **Financial Statement(s).** The term “Financial Statement(s)” shall mean all income statements, balance sheets, agings of collection accounts, statements of retained earnings or other related statements which reflect the financial worth of Borrower.

(j) **Guarantor(s).** The term “Guarantor(s)” shall mean the following parties: (i) Salud Para La Gente, a California nonprofit public benefit corporation; (ii) Community Foundation Santa Cruz County, a California nonprofit public benefit corporation; and (iii) County of Santa Cruz.

(k) **Lender Expenses.** The term “Lender Expenses” shall mean each and all of the following: (a) all costs or expenses (including taxes and insurance premiums) required to be paid by Borrower under any of the Loan Documents which are paid or advanced by Lender, including without limitation, filing, recording, publication, and search fees paid or incurred by Lender in connection with Lender’s transactions with Borrower; (b) all costs and expenses incurred by Lender to correct any default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the “Collateral,” or any portion thereof irrespective of whether a sale is consummated; (c) all costs and expenses of suit incurred by Lender in enforcing or defending the Loan Documents; and (d) all Lender’s reasonable attorneys’ fees and expenses incurred in advising, structuring, drafting, reviewing, administering, amending, terminating, enforcing, defending, or concerning the Loan Documents, irrespective of whether suit is brought.

(l) **Loan.** The term “Loan” shall mean the aggregate of all Advances made by Lender to Borrower hereunder.

(m) **Loan Documents.** The term “Loan Documents” shall mean, collectively, this Agreement, the Note, the Security Agreement(s), any other note or notes executed by Borrower to the order of Lender, and any other document, instrument and agreement executed by Borrower in connection with this Agreement.

(n) **Maximum Credit Limit.** The term “Maximum Credit Limit” has the meaning provided in Section 3.1 below.

(o) **Net Profit.** The term “Net Profits” shall mean Borrower’s consolidated net profit before payment of taxes.

(p) **Net Worth.** The term “Net Worth” shall mean an amount equal to Borrower’s net worth as shown on Borrower’s most recent consolidated balance sheet plus Borrower’s debt that is specifically subordinated to Lender less the aggregate book value of the following: Borrower’s patents, licenses, leasehold improvements, goodwill, subscription lists, organization expenses, monies due from affiliates (including officers, directors and shareholders), security deposits, and prepaid costs and expenses.

(q) **Note.** The term “Note” shall mean that certain promissory note of even date herewith in the original initial principal amount of Five Million Dollars (\$5,000,000.00), to decrease to Four Million Dollars (\$4,000,000.00) beginning one (1) year after the date of the Note, and then to decrease to Three Million Dollars (\$3,000,000.00) beginning two (2) years after the date of the Note, executed by Borrower to the order of Lender, which will evidence Advances made to Borrower hereunder.

(r) **Obligations.** The term “Obligations” shall mean all Advances together with interest thereon, Lender Expenses, and all other amounts payable by Borrower under the Loan Documents, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including any debt, liability, or obligation owing from Borrower to others which Lender may have obtained by assignment or otherwise, and further including all interest not paid when due and all Lender Expenses which Borrower is required to pay or reimburse by the Loan Documents, by law or otherwise.

(s) **Security Agreement(s).** The term “Security Agreement(s)” shall mean that certain security agreement(s) of even date herewith, executed by: (i) Borrower in favor of Lender, pursuant to which Borrower has granted to Lender a security interest in the Collateral to secure the Obligations; and (ii) Pajaro Valley Healthcare District, a California nonprofit public benefit corporation (“PVHD”) and Pajaro Valley Health Care District Hospital Corporation, a California nonprofit public benefit corporation (“PVHDHC”), in favor of Lender, pursuant to which PVHD and PVHDHC has granted to Lender a security interest in the Collateral to secure the Obligations.

(t) **UCC.** The term “UCC” shall mean the California Uniform Commercial Code.

**2.2 Construction.** Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, to the singular include the plural, to the part include the whole, and “including” is not limiting, and “or” has the inclusive meaning represented by the phrase “and/or.” The words “hereof,” “herein,” “hereby,” “hereunder” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, and exhibit references are to this Agreement unless otherwise specified.

**2.3 Accounting Terms.** All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles (“GAAP”) as in effect from time to time. When used herein, the term “financial statements” shall include the notes and schedules thereto.

**2.4 UCC Terms.** Any terms used in this Agreement which are defined in the UCC shall be construed and defined as set forth in the UCC unless otherwise defined herein.

### **ARTICLE III: ADVANCES AND TERMS OF PAYMENT.**

**3.1 Extension of Credit.** Subject to the full satisfaction of each and all of the conditions set forth in this Article III, and subject to the all other terms and conditions of this Agreement, Lender shall, upon the request of Borrower made from time to time during the term hereof, and so long as no Event of Default has occurred and is continuing, or so long as this Agreement has not been terminated, and subject to the full satisfaction of each and all of the conditions set forth in Section 3.4, make Advances to Borrower in an aggregate amount not to exceed, at any one time, the sum of the following (the “Maximum Credit Limit”): (i) Five Million Dollars (\$5,000,000.00) during the first year after the date of the Note; (ii) Four Million Dollars (\$4,000,000.00) beginning one (1) year after the date of the Note; and (iii) Three Million Dollars (\$3,000,000.00) beginning two (2) years after the date of the Note.

**3.2 Request for Advance.** The Loan extended hereunder is a revolving line of credit, which means Borrower may borrow, repay and re-borrow amounts hereunder. Advances, as well as directions for payment from Borrower’s deposit accounts maintained with Lender, may be requested orally or in writing on behalf of Borrower by any Authorized Officer as listed in Exhibit A. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (A) advanced in accordance with Borrower’s or Borrower’s authorized representative’s instructions, or (B) credited to any of Borrower’s accounts with Lender. The unpaid Advances owing hereunder, at any time, will be evidenced by Lender’s internal records, including daily computer printouts. All requests for Advances shall be received by Lender before 4:00 p.m. Pacific Time on the Business Day prior to the proposed date the requested Advance is to be made (referred to as the “cutoff” for purposes of this Section 3.2). If a request for an Advance is received after the cutoff, then the date the Advance will be made by Lender will be the Business Day immediately following the requested day of the Advance. Each request made to Lender for an Advance shall contain the following: (a) the aggregate principal amount of the Advance; and (b) the Business Day the Borrower is requesting Lender to make the Advance.

**3.3 Authorization to Make Advances.** Lender is hereby authorized to make Advances based on an oral or written request to Lender made by anyone purporting to be an Authorized Officer. Borrower hereby holds Lender harmless against any loss, claim, liability, cause of action, and damages arising out of Lender’s reliance on such request in making an Advance hereunder.

**3.4 Conditions to Each Advance.** Lender shall not be obligated to disburse all or any portion of the first Advance and each subsequent Advance, unless and until Borrower has fully satisfied each and all of the following conditions:

- (a) The outstanding principal balance owed on the Loan as evidenced by the Note does not at any time exceed the Maximum Credit Limit;
- (b) Borrower shall have executed and delivered to Lender an original counterpart of this Agreement;
- (c) Borrower shall have executed and delivered to Lender an original Note;
- (d) If repayment of the Loan is secured by a security interest in personal property collateral, then Borrower shall have executed and delivered to Lender an original Security Agreement(s);
- (e) If repayment of the Loan is secured by a security interest in personal property collateral, then Lender shall have received a certificate of (or, if no such certificate is available, the best evidence normally provided by) the Secretary of State of each state where a financing statement has been or is to be filed pursuant to this section showing all outstanding UCC filings against Borrower, together with copies of all filings referred to in any such certificate. If Lender so requests, Borrower shall have obtained and delivered to Lender any subordination agreements, termination statements and/or releases of interest from each secured party identified in any such filing who, in Lender’s opinion, may have a security interest in any Collateral which does or potentially could conflict with the security interest granted to Lender hereunder;
- (f) A duly executed corporate resolution to borrow authorizing the loan transactions contemplated hereby and the grant of the security interest provided for herein, and authorizing specific officers to act on behalf of the corporation in connection with this Agreement;
- (g) A certificate of good standing showing that Borrower is in good standing under the laws of the state of its incorporation and certificates indicating that Borrower is qualified to transact business and is in good standing in

any other state in which the conduct of its business or its ownership of property requires that it be so qualified, and a copy of Borrower's articles or certificates of incorporation and its bylaws;

(h) Borrower shall have delivered to Lender any guaranties of the Obligations required by Lender, duly executed by the Guarantors and in a form that is acceptable to Lender in its sole discretion;

(i) If repayment of the Loan is secured by a security interest in Collateral, then Borrower shall have provided Lender with evidence satisfactory to Lender that Borrower has obtained insurance policies or binders, with such insurers and in such amounts as may be acceptable to Lender, covering the property comprising the Collateral and naming Lender as a loss payee on a lender's loss payable endorsement or co-insured on all applicable general liability and casualty policies;

(j) Borrower shall maintain a deposit account relationship with Lender held in a deposit account(s) maintained at lender;

(k) Lender shall have received any and all additional documents, instruments and certificates required pursuant to this Agreement, or otherwise deemed necessary and requested by Lender; and

(l) If required by Lender, Borrower shall have paid or reimbursed Lender for all attorneys' fees, filing fees, recording fees, insurance premiums and other costs associated with the preparation of the final Loan Documents, closing of the Loan and perfecting any liens granted to Lender to secure the Loan.

**3.5 Repayment of Advances and not Exceeding the Maximum Credit Limit.** Borrower shall repay all Advances together with interest thereon in accordance with the terms of the Note. Borrower agrees that at no time shall the outstanding principal balance owed on the Loan, as evidenced by the Note, exceed the Maximum Credit Limit, and before the Maximum Credit Limit decreases as provided in Section 3.1 above Borrower shall pay down the outstanding principal balance owed on the Loan as needed to ensure the outstanding principal balance owed on the Loan is equal to or less than the decreased Maximum Credit Limit.

**3.6 Co-Borrowers.** All references in this Agreement to "Borrower" include all co-borrowers executing this Agreement (e.g., PVHDHC and PVHD), and each such Borrower is jointly and severally liable for: the repayment of the Loan, the Obligations, and the performance of all other obligations and responsibilities of Borrower under this Agreement and the Loan Documents.

#### ARTICLE IV: CONTINUING REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants to Lender as follows, each such representation and warranty to continue so long as any Obligations remain unpaid:

##### 4.1 Corporate Warranties.

(a) Borrower is a duly organized, validly existing corporation and in good standing under the laws of the State of California;

(b) Borrower is duly qualified and in good standing as a foreign corporation in each state where any of the Collateral is located, or the failure to so qualify will not have a material adverse effect upon the business or financial condition of Borrower, its rights or duties hereunder, or its ability to comply with or enforce any lease or finance contract; and

(c) Borrower has the corporate power and authority to execute and deliver this Agreement to Lender and to perform its Obligations in connection with this Agreement and such of the Loan Documents under which Borrower has Obligations.

##### 4.2 General Warranties.

(a) **Authority to Borrower.** The execution, delivery and performance of this Agreement by Borrower does not violate any agreement to which Borrower is a party or by which Borrower or Borrower's property is or may be bound, and no consent of, notice to, approval of or withholding of objection by any person or organization, including any governmental agency, is required in connection with such execution, delivery and performance.

(b) **Enforceability.** This Agreement constitutes a legally valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as limited by applicable bankruptcy, insolvency, or reorganization or similar laws affecting the enforcement of creditors' rights generally.

(c) **Relocation of Chief Executive Office.** The chief executive office of Borrower is at the address indicated in the first paragraph of this Agreement and Borrower covenants and agrees that it will not, without thirty (30) days prior written notification to Lender, relocate such chief executive office.

(d) **Due Authorization.** Borrower has the right and power and is duly authorized to enter into each of the Loan Documents to which it is a party.

(e) **Compliance with Governance Documents.** The execution by Borrower of each of the Loan Documents to which it is a party shall not constitute a breach of any provision contained in Borrower's articles of incorporation, bylaws, operating agreement, partnership agreement, and/or certificate filed with the California Secretary of State (as applicable), nor does it constitute an Event of Default under any material agreement to which Borrower is now or may hereafter become a party.

(f) **Litigation.** There are no actions or proceedings pending by or against Borrower or any Guarantor before any court or administrative agency and Borrower has no knowledge or belief of any pending, threatened, or imminent litigation, governmental investigations, or claims, complaints, actions, or prosecutions involving Borrower, except for ongoing collection matters in which Borrower is the plaintiff. If any of the foregoing arise during the term of this Agreement, Borrower shall promptly notify Lender in writing.

(g) **No Material Adverse Change in Financial Statements.** All Financial Statements which have been or may hereafter be delivered by Borrower to Lender are, in all material respects, accurate and correct, and have been prepared in accordance with GAAP and fairly present Borrower's financial condition as of the date thereof. There has been no material adverse change in the financial condition of Borrower since the date of the most recent Financial Statements submitted to Lender. No liabilities of Borrower, contingent or otherwise, exist which are not shown on the Financial Statements.

(h) **Solvency.** Borrower is now and shall be at all times hereafter solvent and able to pay its debts (including trade debts) as they mature.

(i) **Environmental Condition.** None of Borrower's properties or assets have ever been used by Borrower or, to the best of Borrower's knowledge, by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport any hazardous waste or hazardous substance or toxic substance as defined and regulated by federal and state laws. None of Borrower's properties or assets have ever been designated or identified in any manner pursuant to any environmental protection statute as a hazardous waste or hazardous substance disposal site, or a candidate for closure pursuant to any environmental protection statute. No lien arising under any environmental protection statute has attached to any revenues or to any real or personal property owned by Borrower. Borrower has not received a summons, citation, notice, or directive from the Environmental Protection Agency or any other federal or state governmental agency concerning any action or omission by Borrower resulting in the releasing, or otherwise disposing of, hazardous waste or hazardous substances into the environment.

(j) **Compliance with Business Laws.** If Borrower conducts business under a fictitious name or trade style, Borrower has complied with all applicable laws regulating the conduct of business affairs under a fictitious name or trade style, including, without limitation, any law requiring the filing of fictitious name statements.

(k) **Taxes.** Borrower is not delinquent (to the extent applicable) in the payment of any federal, state, or local taxes, including, without limitation, any sales, use or personal property taxes.

(l) **Securities.** None of the proceeds of any Advance will be used directly or indirectly for the purpose of purchasing or carrying, within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time, any "Margin Stock" as defined in said Regulation.

**4.3 Reliance by Lender; Cumulative.** Each warranty, representation, and agreement contained in this Agreement shall be automatically deemed repeated with each Advance and shall be conclusively presumed to have been relied on by Lender regardless of any investigation made or information possessed by Lender. The warranties, representations, and agreements set forth in this Agreement shall be cumulative and in addition to any and all other warranties, representations, and agreements which Borrower shall now or hereafter give, or cause to be given, to Lender.

## **ARTICLE V: AFFIRMATIVE COVENANTS.**

Borrower covenants and agrees that, so long as any credit hereunder shall be available and until payment in full of the Obligations, and unless Lender shall otherwise consent in writing, Borrower shall do all of the following:

**5.1 Preservation of Existence and Assets.** Borrower shall maintain and preserve its existence and assets and all rights, franchises and other authority necessary for the conduct of its business. Borrower shall not change its name, identity or business organization without prior written notice to Lender. Borrower shall maintain and preserve its properties, equipment and facilities in good order, condition and repair. Lender may, at reasonable times, visit and inspect any of the properties of Borrower.

**5.2 Taxes, Assessments and Other Charges.** Borrower shall duly and promptly pay and discharge, as the same become due and payable, all of the following (as applicable): taxes, assessments, and governmental and other charges, levies or claims levied or imposed, or which if unpaid might become a lien or charge, upon the properties, assets, earnings or business of Borrower, except such as are being diligently contested in good faith and by appropriate provisions approved by Lender have been established by Borrower to pay and discharge same upon resolution of any dispute. If Borrower fails to pay any such tax, assessment, charge, levy or claim, Lender may, in its sole and absolute discretion and without notice to Borrower, make payment of the same or any part thereof as Lender deems necessary to satisfy the liability therefor in which case Borrower agrees to immediately reimburse Lender in full for same. Lender may conclusively rely on the usual statements of the amount owing or other official statements issued by the appropriate governmental agency.

**5.3 Payment of Obligations.** Borrower shall pay all of its liabilities and obligations when due and prior to the date on which penalties attach thereto and will keep all existing debts current.

**5.4 Deposit Account Relationship.** Borrower shall maintain a deposit account relationship with Lender held in a deposit account(s) maintained at lender;

**5.5 Compliance With Laws.** Borrower shall comply with all federal and state laws, statutes and regulations affecting the ownership of its property and the conduct of its business.

**5.6 Accounting System.** Borrower at all times hereafter shall maintain a standard and modern system of accounting in accordance with GAAP, with ledger and account cards or computer tapes, disks, printouts, and records pertaining to the Collateral which contain information as may from time to time be requested by Lender.

**5.7 Records.** Borrower shall keep full and accurate accounts and records of its operations according to GAAP.

**5.8 Audit.** Borrower shall permit Lender, its employees or agents upon request to inspect and test Borrower's books and records for the purpose of verifying the accuracy of all information required under the terms of this Agreement or submitted pursuant to this Agreement. Pursuant to this Section, Borrower shall grant Lender complete access (including computer access) to all records in whatever form, including accounts, bank statements, agings, delinquency reports, collection reports and litigation reports, whether in hard form or on software.

**5.9 Insurance.** Borrower shall keep all its insurable property, including all Collateral, real, personal or mixed, insured against fire and such other risks as are customarily insured against with respect to like properties by companies conducting similar businesses, and Borrower shall maintain adequate workers' compensation insurance and adequate insurance against liability for damage to persons or property that shall not be materially modified or canceled without at least five days prior notice to Lender from the insurance carrier. All such insurance policies shall be in amounts and with carriers acceptable to Lender, and shall (except those of workers' compensation, public liability and property damage) name Lender as loss payee and additional insured, as appropriate. Borrower shall provide Lender with copies of all insurance policies obtained by Borrower.

**5.10 Notice of Certain Events.** Borrower shall give prompt written notice to Lender of the following: (i) all events of default under any of the terms or provisions of this Agreement or any other agreement entered into by Borrower; (ii) material changes in management of Borrower; (iii) litigation, arbitration, or filing of any judgment or lien with Borrower as a party; (iv) initiation of any bankruptcy proceeding with regard to Borrower; and (v) any other matter which has resulted in, or might reasonably be expected to result in, a material adverse change in Borrower's financial condition or operations.

**5.11 Execution of Other Documents.** Borrower shall promptly execute and deliver all supplements and amendments hereto, and all financing statements, fixture filings, continuation statements and such additional agreements, instruments and assurances in connection with this Agreement as Lender reasonably requests to effectuate the provisions hereof.

**5.12 Borrowings and Prepayments.** Borrower shall obtain Lender's prior written consent, which consent shall not be unreasonably withheld, to sell or discount any chattel paper, receivable or evidence of indebtedness, or to incur, whether directly or indirectly, any liability for borrowed money, or to prepay any indebtedness owed to any third party, including its executives, directors or officers. Nothing herein shall prohibit Borrower from being obligated to its vendors and suppliers under ordinary credit terms. If, at any time, Lender determines that it is necessary or advisable to obtain an intercreditor agreement from one or more third party creditors of Borrower, Borrower shall cooperate with Lender and use its best efforts to assist Lender in procuring such intercreditor agreement.

**5.13 Asset Forfeiture.** Borrower covenants and agrees that it has not committed and shall not commit any act or engage in any conduct which shall cause the Collateral or any assets of Borrower to be subject to any claim by the federal, state or local government, now or in the future, under the asset forfeiture laws or regulations promulgated thereunder and as may be amended from time to time.



**5.14 Environmental Due Diligence.** Borrower shall maintain all of its assets, including, without limitation, the Collateral in good operable condition free of any form of contamination by hazardous substances as defined by 42 USC 9601 et seq., the California Health and Safety Code, and other federal, state and municipal laws and regulations. Borrower shall maintain all real and personal property in its possession in compliance with federal and state law and the rules and regulations promulgated thereunder by federal, state and municipal regulatory agencies, and shall obtain all the required permits and audits required by any government agency which governs Borrower or Borrower's assets or business activities.

**5.15 Environmental Audit.** In the event that Borrower pledges personal property collateral or Borrower's business is engaged in the manufacture, transportation or storage of a hazardous substance as defined in federal, state or municipal regulation, Borrower shall provide Lender, at Borrower's expense, with a complete environmental audit by an environmental consulting company acceptable to Lender, based on criteria acceptable to Lender, which audit provides an unqualified opinion that the personal property or business which is subject to the audit is in compliance with all pertinent federal, state and municipal regulations.

**5.16 Financial Statement(s), Reports, Certificates.**

- (a) Within one hundred twenty (120) days after the close of each fiscal year of Borrower, a copy of Borrower's audited consolidated financial statements prepared by a Certified Public Accountant and consisting of, at a minimum, a balance sheet, statement of income and expenses, and a cash flow statement;
- (b) Within forty five (45) days after each quarter of each fiscal year of Borrower, Borrower shall deliver to Lender the following as prepared by Borrower and in a form acceptable to Lender in its sole discretion: (i) balance sheet; (ii) profit and loss statement; and (iii) comparison of Borrower's Performance Plan to actual performance during the quarter in question.
- (c) If Borrower or PVHD file a federal income tax return with the Internal Revenue Service (if applicable), then within one hundred twenty (120) days after the filing Borrower shall provide Lender with a copy of the signed tax return filed with the Internal Revenue Service as filed by Borrower or PVHD (as applicable).
- (d) As soon as available, but in any event no later than thirty (30) days after the end of each fiscal year of Borrower, a copy of Borrower's board-approved annual budget;
- (e) Borrower shall deliver to Lender other reports reasonably requested by Lender relating to the Collateral and the financial condition of Borrower.
- (f) Borrower shall deliver to Lender a certificate signed by the chief financial officer of Borrower or PVHD (as applicable) to the effect that all reports, statements, or computer-prepared information of any kind or nature delivered or caused to be delivered to Lender under this Agreement are accurate, true and fairly present the financial condition of Borrower or PVHD (as applicable) and that there exists, on the date of delivery of such certificate to Lender, no condition or event which constitutes an Event of Default.

**5.17 Guarantor Reports.** Borrower agrees to cause any Guarantor of any of Borrower's obligations hereunder to deliver its annual financial statements and copies of all federal income tax returns as soon as the same are available.

**5.18 Taxes.** All assessments and taxes (if applicable), whether real, personal, or otherwise, due or payable by, or imposed, levied, or assessed against Borrower or any of its property, shall be paid in full before delinquency or before the expiration of any extension period.

**5.19 Financial Covenants.** Borrower shall maintain a Net Income for each year that is no more than twenty percent (20%) less than the forecasted Net Income for the same year provided in Borrower's Performance Plan. The calculations for the foregoing shall be based on a rolling four (4) quarters beginning January 1, 2023, and Borrower shall satisfy this covenant each quarter of each calendar year.

**5.20 Lender Expense.** Borrower shall immediately and without demand reimburse Lender for all sums expended by Lender which constitute Lender Expenses, and Borrower hereby authorizes and approves all Advances and payments by Lender for items constituting Lender Expenses.

**5.21 Other Agreements.** Borrower agrees to comply with all terms and conditions of all other agreements in effect during the term of this Agreement and between Borrower and any other party, and to immediately notify Lender in writing of any default in connection with any other such agreements.

**5.22 Loan Proceeds.** Unless Lender consents in writing, Borrower agrees to use all Loan proceeds solely for Borrower's business operations.

**5.23 Operations.** Borrower agrees to: (i) maintain management personnel with substantially the same qualifications and experience as the management personnel of Borrower as of the date of this Agreement; (ii) upon any change in

management personnel immediately provide written notice to Lender identifying the management personnel and certifying that the new management personnel have the same qualifications and experience as described in clause (i) above; and (iii) conduct the business affairs in a reasonable and prudent manner.

#### ARTICLE VI: NEGATIVE COVENANTS.

Borrower covenants and agrees that, so long as any credit hereunder shall be available and until payment in full of the Obligations, Borrower will not do any of the following without Lender's prior consent:

- 6.1 Encumbrances and Liens.** Sell, lease, transfer, exchange or otherwise dispose of any of the Collateral, nor create, assume or suffer to exist any mortgage, pledge, security interest, charge, encumbrance or lien (other than for taxes not delinquent and for taxes and other items being contested in good faith) on any of the Collateral other than the sale of inventory in the ordinary and usual course of Borrower's business as presently conducted.
- 6.2 Liquidation and Reorganization.** Liquidate, dissolve or enter into any consolidation, merger or other combination in which its separate identity shall cease, nor convey, sell, lease, transfer or assign to any party all or any part of its assets or business, including, without limitation, any of its operating rights, licenses or franchises, except in the ordinary course of its business.
- 6.3 Dispose of Assets.** Sell, lease, or otherwise dispose of, move, relocate, or transfer, whether by sale or otherwise, any of Borrower's assets other than sales of inventory in the ordinary and usual course of Borrower's business as presently conducted.
- 6.4 Merge, Acquire.** Acquire, merge, or consolidate with or into any other business organization or change Borrower's business structure name or identity.
- 6.5 Extraordinary Transactions.** Make any guaranty or loans, borrow any money, transfer assets, incur any debts or enter into any transaction, except in the ordinary course of business.
- 6.6 Guaranty.** Guaranty or otherwise become in any way liable with respect to the obligations of any third party, except by endorsement of instruments or items of payment for deposit to the account of Borrower or which are transmitted or turned over to Lender.
- 6.7 Restructure.** Make any change in Borrower's financial structure or in any of its business operations.
- 6.8 Prepayments.** Prepay any existing indebtedness owing to any third party.
- 6.9 Change of Ownership.** Cause, permit, or suffer any change, direct or indirect, in Borrower's capital ownership in excess of ten percent (10%).
- 6.10 Capital Expenditures.** Make any plant or fixed capital expenditure, or any commitment therefor, or purchase or lease any real or personal property or replacement equipment subject to a purchase money security interest, deed of trust or lease, in any fiscal year, in excess of Borrower's annual allocation to depreciation reserves computed in accordance with GAAP.
- 6.11 Distributions.** Make any distribution or declare or pay any dividends (in cash or in stock) on, or purchase, acquire, redeem, or retire any of Borrower's capital stock, of any class, whether now or hereafter outstanding.
- 6.12 Accounting Methods.** Modify or change its method of accounting, storage and distribution of records. Borrower hereby waives the right to assert a confidential relationship, if any, it may have with any accounting firm or service bureau in connection with any information requested by Lender pursuant to or in accordance with this agreement, and agrees that Lender may contact directly any such accounting firm or service bureau in order to obtain such information.
- 6.13 Suspension.** Suspend or go out of business.
- 6.14 Marijuana-related Business and Other Illegal Activities.** Have ownership in, receive any funds from, be involved in the management of, be used for, and/or participate in: (i) any marijuana-related business or marijuana-related activities; or (ii) any other business or activities that are deemed illegal under federal or state laws or regulations.
- 6.15 Continuity of Operations.** (i) Engage in any business activities that differ substantially from those in which Borrower is engaged as of the date of this Agreement; (ii) cease operations, transfer, merge, liquidate, acquire or consolidate with any other entity; (iii) change its name; or (iv) dissolve, transfer or sell Collateral, unless in the ordinary course of Borrower's business.

#### ARTICLE VII: DEFAULT AND REMEDIES

**7.1 Events of Default.** Any one or more of the following events shall constitute an “Event of Default” by Borrower under this Agreement:

- (a) Borrower fails to pay when due and payable, or when declared due and payable, any amounts payable under the Note (whether of principal, interest, late payment charge, prepayment premium, or otherwise) or other Loan Documents and such amount is not paid within ten (10) days after such amount is due and payable;
- (b) Borrower fails or neglects to perform, or observe when due, any term, provision, condition, covenant, warranty or representation contained in this Agreement or in any Loan Documents, or in any other present or future agreement or arrangement between Borrower and Lender, and such default shall not have been cured within fifteen (15) business days after notice thereof is given to Borrower by Lender;
- (c) There is a material impairment of the prospective of repayment of any portion of the amounts owing to Lender under the Loan Documents or a material impairment of the value or priority of Lender’s security interests in any Collateral;
- (d) Any material portion of Borrower’s assets are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any judicial officer, or any lien is filed or recorded against the assets of the Borrower by a governmental agency, or any judgment against the Borrower becomes a lien against any of the Borrower’s assets;
- (e) A voluntary or involuntary petition in bankruptcy or for reorganization or for an arrangement or any composition, readjustment, liquidation, dissolution or similar relief pursuant to the federal bankruptcy law or under similar present or future federal or state bankruptcy or insolvency law, is filed by or against Borrower, and such petition is not dismissed within sixty (60) days thereafter;
- (f) A receiver, trustee or liquidator (or other similar official) is appointed for Borrower or for all or any substantial part of its assets, or of the Collateral or any portion thereof, and is not discharged within sixty (60) days thereafter;
- (g) Borrower makes an assignment of all or any portion of its assets for the benefit of creditors;
- (h) Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;
- (i) There is a default in any material agreement to which Borrower is a party with third parties resulting in a right by such third parties to accelerate the maturity of Borrower’s indebtedness;
- (j) Any Guarantor of Borrower’s obligations under the Loan Documents dies, terminates its guaranty, or becomes the subject of any insolvency proceeding;
- (k) Any government agency files a lien or commences an action or any third party files a claim or lawsuit against Borrower in connection with a violation of state or federal environmental statutes, which claim may result in a substantial fine or penalty or the payment of damages;
- (l) Any agency of the federal, state or local government commences any proceedings against Borrower or any Guarantor, or the assets of either, for the purpose of enforcing forfeiture rights as provided by federal or state law, or Borrower or any Guarantor is the subject of any investigation or any complaint or bill of indictment has been brought against any Borrower or any Guarantor in connection with conduct the penalty for which is forfeiture of all or any portion of Borrower’s or Guarantor’s assets;
- (m) Borrower suspends its business or ceases doing business as a going concern; and
- (n) Any of the foregoing events occur with respect to any Guarantor of Borrower’s obligations under the Loan Documents.

**7.2 Lender’s Rights And Remedies.** Upon the occurrence of an Event of Default (or any Guarantor’s default under the terms of the Guarantor’s guaranty), Lender may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Borrower:

- (a) Terminate Lender’s obligation to make Advances to Borrower hereunder;
- (b) Declare all of Borrower’s obligations to Lender immediately due and payable, whether evidenced by the Note, by any of the other (collectively “Loan Documents”) or otherwise; and
- (c) Exercise all other rights and remedies available to Lender under the Loan Documents, at law or in equity.

**7.3 Remedies Cumulative.** Lender's rights and remedies under this Note, the Loan Documents, and all other agreements shall be cumulative. Lender shall have all other rights and remedies not inconsistent herewith as provided under the UCC, by law, or in equity. No exercise by Lender of one right or remedy shall be deemed an election, and no waiver by Lender of any Event of Default on Borrower's part shall be deemed a continuing waiver. No delay by Lender shall constitute a waiver, election, or acquiescence by it.

## ARTICLE VIII: GENERAL PROVISIONS

**8.1 Time of the Essence.** Time is hereby declared to be of the essence of this Agreement and of every part hereof.

**8.2 Notices.** Except as otherwise provided herein, any notice or other communication required to be given in writing shall be personally served by messenger, or sent by a commercial overnight delivery service (such as Federal Express), or by certified mail, return receipt requested, and shall be deemed given on the date actually received if served by messenger, or on the next business day after deposit with an overnight delivery service, or on the date of receipt as shown on the return receipt if sent by certified mail. The addresses of the parties to which notices and other communications shall be sent (until notice of a change thereof is served as provided herein) are set forth on the first page of this Agreement. Any party to this Agreement may change its address for giving notices or demands hereunder by written notice of such change to the other party in accordance with the provisions hereof. Borrower shall promptly notify Lender of any change of its principal place of business or mailing address in the manner prescribed by this paragraph.

**8.3 Entire Agreement; Amendment.** This Agreement and any agreements, instruments or documents referred to herein constitute the entire agreement among the parties hereto regarding the subject matter hereof, and all prior and/or contemporaneous communications, verbal or written, between or among the parties hereto regarding the subject matter hereof shall be of no further effect or evidentiary value. This Agreement can be amended only by a written agreement executed by duly authorized representatives of the parties hereto.

**8.4 Construction of Agreement.** Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

**8.5 Waivers.**

(a) **Demand; Protest, etc.** Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any commercial paper, accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which Borrower may in any way be liable.

(b) **Jury Trial.** Unless prohibited under the laws that govern an action or proceeding relating to this Agreement or related agreements entered into in connection herewith, Borrower and Lender each waive any right to trial by jury in any action or proceeding relating to this Agreement or any of the agreements entered into in connection herewith.

**8.6 Choice of Law and Venue.** The validity of this Agreement, its construction, interpretation, and enforcement, and the rights of the parties hereunder and concerning the Collateral, shall be determined under, governed by, and construed in accordance with the laws of the State of California. The parties agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated only in the state and federal courts located in Santa Cruz County, State of California. Borrower waives any right it may have to assert the doctrine of *forum non conveniens* or to object to such venue and hereby consents to any court ordered relief.

**8.7 Destruction of Borrower's Documents.** Any documents, schedules, invoices, aging, or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender four (4) months after they are delivered to or received by Lender, unless Borrower does request, in writing, the return of the said documents, schedules, invoices or other papers and makes arrangements, at Borrower's expense, for their return.

**8.8 Rights and Remedies Cumulative.** Lender's rights, powers and remedies under this Agreement, and all other related agreements and instruments, shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to Lender under the UCC, other applicable law and in equity.

**8.9 No Third Party Beneficiaries.** Neither this Agreement nor any agreement or instrument required in connection herewith is intended, or shall be deemed, to create or grant any rights in favor of any third party. Nor may such third party claim any benefit of or from any warranty, representation, covenant, agreement, right, power or remedy made or granted hereunder, which benefits are reserved solely for the parties hereto.

**8.10 Non-Waiver.** Any forbearance or failure or delay by Lender in exercising any right, power or remedy hereunder shall not be deemed a waiver thereof, and any single or partial exercise of any right, power or remedy shall not preclude the further exercise thereof. No exercise by Lender of one right, power or remedy shall be deemed an election, and no waiver by Lender of any default on Borrower's part shall be deemed a continuing waiver.

**8.11 Exhibits.** All of the exhibits attached to this Agreement shall be deemed incorporated herein by reference.

**8.12 Severability.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

**8.13 Headings.** All section headings and section numbers have been set forth herein for convenience of reference only, and shall not limit or affect the meaning or interpretation of any section hereof.

**8.14 Successors and Assigns.** This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties.

**8.15 Counterpart Execution.** This Agreement may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same Agreement.

**8.16 Attorneys' Fees.** In the event any party to this Agreement shall be required to commence any action or proceeding against any other party by reason of any breach or claimed breach of any provision of this Agreement, to commence any action in any way connected with this Agreement, or to seek a judicial declaration of rights under this Agreement, the party prevailing in such action or proceeding shall be entitled to recover from the other party, or parties, the prevailing party's reasonable attorneys' fees and costs including, without limitation, all witness fees and associated expenses, including matters on appeal whether or not the proceeding or action proceeds to judgment.

**8.17 Consent to Loan Participations.** Borrower agrees and consents to, with or without notice from Lender, Lender selling or transferring (at any time) the whole Loan or one or more participation interests in the Loan to one or more other party, whether such party is related or unrelated to Lender ("Purchaser"). Borrower agrees that Lender may provide, without any limitation, any Purchaser and those considering whether to become a Purchaser any information or documents Lender may have with regard to Borrower, Borrower's business, the Collateral and the Loan (including, without limitation, information about Borrower's performance of obligations under the Loan Documents). Additionally, Borrower agrees that Purchasers shall have absolute ownership interest in the participation interests acquired by Purchaser. Borrower waives all rights of offset or counterclaim that it may now or later enforce against Lender or any Purchaser and agrees unconditionally that either Lender or Purchaser (as applicable) may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any interest in the Loan and that the Purchaser may enforce its interest irrespective of any personal claims or defenses that Borrower may have against Lender.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, this Agreement is executed on behalf of each party by its duly authorized representative(s) on the date(s) indicated below and effective as of the date set forth above.

<p><b>DATE: November 1, 2023</b></p>	<p><b>DATE: November 1, 2023</b></p>
<p><b>BORROWER:</b></p> <p><b>PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION</b>, a California nonprofit public benefit corporation</p> <p>By _____  Name _____  Title _____</p> <p><b>PAJARO VALLEY HEALTHCARE DISTRICT</b>, a California nonprofit public benefit corporation</p> <p>By _____  Name _____  Title _____</p>	<p><b>LENDER:</b></p> <p><b>SANTA CRUZ COUNTY BANK</b>, a California state-chartered Bank</p> <p>By _____  Name _____  Title _____</p>

**EXHIBIT A**

**LIST OF AUTHORIZED OFFICERS**

**Santa Cruz County Bank**

PO Box 8426  
Santa Cruz, CA 95061  
Attn: Note Department

Re: Loan No. 900550560

To Santa Cruz County Bank:

Any \_\_\_\_\_ (\_\_\_\_\_) of the following persons are hereby authorized by PAJARO VALLEY HEALTHCARE DISTRICT HOSPITAL CORPORATION, a California corporation (“Borrower”) to execute requests for disbursements of funds (*i.e.*, Advances as described in the Business Loan Agreement) under the above-described loan:

**AUTHORIZED OFFICER:**

Signature \_\_\_\_\_  
Print Name \_\_\_\_\_  
Title \_\_\_\_\_

**AUTHORIZED OFFICER:**

Signature \_\_\_\_\_  
Print Name \_\_\_\_\_  
Title \_\_\_\_\_

**AUTHORIZED OFFICER:**

Signature \_\_\_\_\_  
Print Name \_\_\_\_\_  
Title \_\_\_\_\_

**AUTHORIZED OFFICER:**

Signature \_\_\_\_\_  
Print Name \_\_\_\_\_  
Title \_\_\_\_\_

Date: November 1, 2023

**BORROWER:**

**PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION**, a California nonprofit public benefit corporation

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**PAJARO VALLEY HEALTHCARE DISTRICT**, a California nonprofit public benefit corporation

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**PROMISSORY NOTE**  
**(Revolving Line of Credit)**

U.S. \$5,000,000.00

November 1, 2023  
Loan No.: 900550560

1. **BORROWER'S PROMISE TO PAY.** For value received, the undersigned **PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION**, a California nonprofit public benefit corporation ("PVHDHC"), with a chief executive office located at 75 Nielson Street, Watsonville, CA 95076, and **PAJARO VALLEY HEALTHCARE DISTRICT**, a California nonprofit public benefit corporation ("PVHD"), with a chief executive office located at 75 Nielson Street, Watsonville, CA 95076 (PVHDHC and PVHD are together referred to herein as "Borrower"), promises to pay to the order of **SANTA CRUZ COUNTY BANK**, a California state-chartered bank ("Lender") with an address at P.O. Box 8426, Santa Cruz, CA 95061, or such other place as Lender from time to time may designate, in accordance with the terms of this Note the initial maximum principal sum of **FIVE MILLION DOLLARS (\$5,000,000.00)** (which shall decrease over time as provided below) or so much thereof as may be borrowed or re-borrowed from time to time, together with interest on unpaid principal from the disbursement date at the "Interest Rate" (as defined below), with principal and interest payable as provided below in lawful money of the United States.
2. **MAXIMUM CREDIT LIMIT.** The maximum credit limit (*i.e.*, the maximum principal balance that may be outstanding at any time) for the loan evidenced by this Note shall be as follows (the "Maximum Credit Limit"): (i) Five Million Dollars (\$5,000,000.00) during the first year after the date of this Note; (ii) Four Million Dollars (\$4,000,000.00) beginning one (1) year after the date of this Note; and (iii) Three Million Dollars (\$3,000,000.00) beginning two (2) years after the date of this Note. At no time shall the outstanding principal balance owed on the loan evidenced by this Note exceed the Maximum Credit Limit, and before the Maximum Credit Limit decreases as provided above Borrower shall pay down the outstanding principal balance owed on the loan as needed to ensure the outstanding principal balance owed on the loan is equal to or less than the decreased Maximum Credit Limit.
3. **CO-BORROWERS.** All references in this Note to "Borrower" include all co-borrowers executing this Note (*e.g.*, PVHDHC and PVHD), and each such Borrower is jointly and severally liable for: the repayment of the loan evidenced by this Note, all amounts owed under this Note and all other related loan documents, and the performance of all other obligations and responsibilities of Borrower under this Note and the other related loan documents.
4. **PAYMENT OF PRINCIPAL AND INTEREST.** Principal and interest shall be payable in accordance with the following provisions:
  - 4.1 **Monthly Payment of Interest.** Beginning on December 5, 2023, and on the fifth day of each calendar month thereafter during the term of the loan evidenced by this Note, Borrower shall pay to Lender all accrued but unpaid interest on the outstanding principal balance due under this Note with the interest calculated at the Interest Rate.
  - 4.2 **Calculation of Interest.** The interest rate used to calculate interest payable hereunder ("Interest Rate") shall equal one percent (1%) (the "Margin") plus the rate from time to time published in the "Money Rates" section of the Wall Street Journal and referred to therein as the "Prime Rate" ("Index"). In no event shall the Interest Rate exceed the maximum lawful rate enforceable in the jurisdiction where the loan evidenced by this Note is consummated. In the event collection from Borrower of interest at the Interest Rate would be contrary to applicable law, then the Interest Rate in effect on any day shall be the highest rate which may be collected from Borrower under applicable law. In



the event that changes in the Index are announced, from time to time hereafter, adjustment in the Interest Rate shall be made as of the date of any such change in the Index, provided that changes in the Interest Rate shall not occur more often than once each calendar day. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method. If Lender at any time determines in its sole discretion that for any reason the applicable index (including, without limitation, the "Prime Rate" referenced above) cannot be adequately ascertained or is otherwise unavailable or unreliable, or if Lender can no longer offer the Index for legal reasons, then Lender may replace such index with another index or benchmark selected by Lender in its sole discretion ("Replacement Index"), and the Lender may also adjust the Margin to an amount selected by Lender in its sole discretion ("Adjusted Margin") so that the Replacement Index when added to the Adjusted Margin will perform more similarly to the corresponding index being replaced when added to the original Margin provided in this Section.

**4.3 Payment at Maturity.** Any unpaid principal payable under this Note, together with all accrued but unpaid interest under this Note shall be due and payable on the earliest of (i) the acceleration of the principal amount of this Loan pursuant to the terms of this Note, that certain Business Loan Agreement of even date herewith and executed by Borrower and Lender ("Loan Agreement"); or (ii) November 5, 2026 (the earlier of such dates being the "Maturity Date"). BORROWER ACKNOWLEDGES THAT LENDER IS UNDER NO OBLIGATION TO REFINANCE THE LOAN EVIDENCED BY THIS NOTE AT MATURITY.

**4.4 Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender from Borrower under this Note, whether by wire transfer of funds, check, or other item of payment shall be applied in such manner and order of priority as Lender shall determine in Lender's sole discretion. Until otherwise agreed, or if required by applicable law, payments received by Lender under this Note will be applied and credited first to pay any accrued but unpaid interest due under this Note, second to reduce any outstanding principal balance due under this Note, and third to any late payment charges or fees due under the this Note.

**4.5 Prepayment.** This Note may be prepaid in whole or in part at any time. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to Lender at its address provided in Section 1 of this Note (unless Lender provided Borrower another address to use for such purposes in which case such address should be used).

**5. REVOLVING LINE OF CREDIT.** This Note evidences a revolving line of credit. Advances under this Note, as well as directions for payment from Borrower's accounts, may be requested orally or in writing by Borrower or any person authorized in writing to do so by Borrower. Lender may, but need not, require that all oral requests be confirmed in writing. Borrower agrees to be liable for all sums either: (A) advanced in accordance with Borrower's or Borrower's authorized representative's instructions; or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time will be evidenced by Lender's internal records.

6. **DEFAULT.** If any sum payable by Borrower under this Note is not paid within ten (10) days after the date on which the payment is due (irrespective of whether Borrower has received any notice of such nonpayment) or if Borrower fails to perform fully and when due any other covenant or obligation of Borrower under this Note or the Loan Agreement and if Borrower fails to cure such default within the time frame for cure set forth in the Loan Agreement, then Borrower shall be in default hereunder and Lender may elect, without any further notice or demand to Borrower, to declare all principal and accrued but unpaid interest under this Note immediately due and payable. Any failure of Lender to make such election following a default or defaults shall not constitute a waiver of Lender's right to make the election in the event of any subsequent default.
7. **DEFAULT INTEREST.** Notwithstanding any provision in this Note to the contrary, upon the maturity of this Note, whether the scheduled maturity date or due to this loan being accelerated by Lender because of a default under this Note, the interest rate on this Note shall immediately increase by five percentage points ("Default Rate Margin"). However, in no event will the interest rate applied under this paragraph exceed the maximum interest rate permitted under applicable law. The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no default.
8. **LATE PAYMENT CHARGE.** If any payment under this Note (whether of principal or interest or both and including the payment due on the Maturity Date or upon any acceleration of this Note) is not paid within ten (10) days after the date on which the payment is due, Borrower shall pay to Lender, in addition to the delinquent payment and without any requirement of notice or demand by Lender, a late payment charge equal to at the rate which is the sum of 5% of the amount of the regularly scheduled payment or \$5.00, whichever is greater. Borrower expressly acknowledges and agrees that the foregoing late payment charge provision is reasonable under the circumstances existing on the date of this Note, that it would be extremely difficult and impractical to fix Lender's actual damages arising out of any late payment and that the foregoing late payment charge shall be presumed to be the actual amount of such damages incurred by Lender. No provision in this Note (including without limitation the provisions for a late payment charge and for interest on any amounts remaining unpaid after the Maturity Date) shall be construed as in any way excusing Borrower from its obligation to make each payment under this Note promptly when due.
9. **COSTS OF COLLECTION.** If either Lender or Borrower commences any legal action to enforce or interpret this Note or any provision hereof, the prevailing party shall be entitled to recover its attorneys' and experts' fees in addition to all other relief awarded by the court. Subject to the preceding sentence, Borrower and all endorsers jointly and severally promise to pay (a) all costs and expenses of collection, including without limitation attorneys' fees, in the event this Note or any portion of this Note is placed in the hands of attorneys for collection and such collection is effected without suit; (b) attorneys' fees, as determined by the court, and all other costs, expenses and fees incurred by Lender in the event suit is instituted to collect this Note or any portion of this Note; and (c) all costs and expenses, including without limitation attorneys' fees, incurred by Lender in connection with any bankruptcy, insolvency or reorganization proceeding or receivership involving Borrower or any affiliate of Borrower, including without limitation attorneys' fees incurred in making any appearances in any such proceeding or in seeking relief from any stay or injunction issued in or arising out of any such proceeding.
10. **OFFSETS.** No indebtedness evidenced by this Note shall be deemed to have been offset or shall be offset or compensated by all or part of any claim, cause of action, counterclaim or cross-claim, whether liquidated or unliquidated, which Borrower now or hereafter may have or may claim to have against Lender. Furthermore, in respect to the present indebtedness of, or any future indebtedness incurred by, Borrower to Lender, Borrower waives, to the fullest extent permitted by law, the benefits of any applicable law, regulation, or procedure which substantially provides that, where cross-demands for money have existed between persons at any point in time when neither demand was barred by the applicable statute of limitations, and an action is thereafter commenced by one such person, the other may assert in his answer the defense of payment in that the two demands are compensated so far as they equal each other, notwithstanding that an independent action asserting the claim would at the time of filing the answer be

barred by the applicable statute of limitations.

11. **CERTAIN WAIVERS.** Borrower and all endorsers jointly and severally waive diligence, grace, demand, presentment for payment, exhibition of this Note, protest, notice of protest, notice of dishonor, notice of demand, notice of nonpayment, and any and all exemption rights against the indebtedness evidenced by this Note, and agree to any and all extensions or renewals from time to time without notice and to any partial payments of this Note made before or after maturity and that no such extension, renewal or partial payment shall release any one or all of them from the obligation of payment of this Note or any installment of this Note, and consent to offsets of any sums owed to any one or all of them by Lender at any time.
12. **LOSS, THEFT, DESTRUCTION OR MUTILATION OF NOTE.** In the event of the loss, theft or destruction of this Note, upon Borrower's receipt of a reasonably satisfactory indemnification agreement executed in favor of Borrower by the party who held this Note immediately prior to its loss, theft or destruction, or in the event of the mutilation of this Note, upon Lender's surrender to the Borrower of the mutilated Note, Borrower shall execute and deliver to such party or Lender, as the case may be, a new promissory note in form and content identical to this Note in lieu of the lost, stolen, destroyed or mutilated Note.
13. **OBLIGATIONS JOINT AND SEVERAL.** If Borrower consists of more than one person or entity, each shall be jointly and severally liable for the performance of each of the obligations of Borrower to Lender hereunder.
14. **EFFECTIVE DATE.** Notwithstanding the date on which this Note is actually signed by Borrower, the terms and conditions of this Note shall be applied, with full force and effect, as of the date of this Note provided above.
15. **CONSTRUCTION OF NOTE.** Captions in this Note are included solely for convenience and are not to be referred to in construing or interpreting this Note. Each reference in this Note to a particular paragraph is a reference to a paragraph of this Note unless otherwise expressly indicated. The terms "include," "includes" and "including" are not used in any limiting sense, but rather by way of example or illustration. If any portion of this Note is declared invalid, illegal or unenforceable by any court of competent jurisdiction, such portion shall be deemed severed from this Note and the remaining portions shall continue in full force and effect. Time is strictly of the essence of each and every provision of this Note. This Note shall be governed by and interpreted and enforced according to the laws of the State of Illinois.

*[Remainder of Page Intentionally Left Blank]*

**PRIOR TO EXECUTING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL OF THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THIS NOTE, AND ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS NOTE.**

<p><b>DATE: November 1, 2023</b></p> <p><b>BORROWER:</b></p> <p><b>PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION</b>, a California nonprofit public benefit corporation By _____ Name _____ Title _____</p> <p><b>PAJARO VALLEY HEALTHCARE DISTRICT</b>, a California nonprofit public benefit corporation By _____ Name _____ Title _____</p>
--

**COMMERCIAL GUARANTY**  
**(Limited)**

This Commercial Guaranty ("Guaranty") is entered into by and between **SANTA CRUZ COUNTY BANK**, a California state-chartered bank ("Lender"), and **COMMUNITY FOUNDATION SANTA CRUZ COUNTY**, a California nonprofit public benefit corporation ("Guarantor"), and is effective November 1, 2023 ("Effective Date").

In order to induce Lender to extend and/or to continue to extend financial accommodations to **PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION**, a California nonprofit public benefit corporation ("PVHDHC"), and **PAJARO VALLEY HEALTHCARE DISTRICT PROJECT**, a California nonprofit public benefit corporation ("PVHD") (PVHDHC and PVHD are together referred to herein as "Borrower"), pursuant to any present or future promissory note, or other present or future agreement between Lender and Borrower including any modifications, extensions, revisions or substitutions thereof including all other agreements entered into in connection with and for the purpose of executing any of the loan documents referenced herein, (collectively, "Loan Documents"), and in consideration thereof, and in consideration of any loans, advances, or financial accommodations granted by Lender to or for the account of Borrower pursuant to the Loan Documents, Guarantor hereby guarantees, promises and undertakes as follows:

### 1. OBLIGATION

Guarantor unconditionally, absolutely and irrevocably guarantees and promises to pay to Lender, or order, on demand, in lawful money of the United States, any and all present or future indebtedness and/or obligations of Borrower owing to Lender (including, but not limited to, the repayment to Lender of all sums which may be presently due and owing and of all sums which shall in the future become due and owing from Borrower) arising under the Loan Documents or other agreements, except as may be limited by Section 3 below and as otherwise provided herein. The terms "indebtedness" and "obligations" (hereinafter collectively referred to as the "Obligations") are used herein in their most comprehensive sense and include each of the following: (i) any and all advances, debts, obligations, and liabilities of Borrower arising under that certain promissory note dated November 1, 2023 and in the initial original principal amount of **FIVE MILLION DOLLARS** (\$5,000,000.00) (the "Promissory Note") which principal amount decreases over time as provided in the Promissory Note, together with any amendments, extensions, modifications, renewals, replacement or substitutions thereto; (ii) the Loan Documents executed in connection with the Promissory Note, together with any amendments, extensions, modifications, renewals, replacement or substitutions to the Loan Documents; and (iii) further including, without limitation, any and all premiums, charges, and/or interest owed by Borrower to Lender, under the Promissory Note or other Loan Documents, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, whether Borrower may be liable individually or jointly with others, whether recovery upon such indebtedness may be or hereafter becomes barred by any statute of limitations or whether such indebtedness may be or hereafter becomes otherwise unenforceable, and includes Borrower's prompt, full and faithful performance, observance and discharge of each and every term, condition, agreement, representation, warranty, undertaking and provision to be performed by Borrower under the Loan Documents, and including any and all attorneys' fees and costs incurred by Lender directly or indirectly in connection with the collection of any amount owned by Borrower under the Loan Documents and/or incurred by Lender directly or indirectly in connection with enforcement of this Guaranty.

### 2. CONSIDERATION

This Guaranty is given for the purpose of guaranteeing the continued obligations of Borrower under the terms of the Loan Documents. Guarantor represents and warrants to Lender that Guarantor has a material interest and will benefit, directly or indirectly from, the loan made to Borrower and evidenced by the Promissory Note and Loan Documents (the "Loan"). If this Guaranty is not executed contemporaneously with the Loan Documents, then Guarantor has executed and delivered this Guaranty to Lender in consideration of the Loan.

### 3. GUARANTY LIMITS AND TERMINATION

The Obligations of Borrower are also guaranteed by: (i) County of Santa Cruz (the "County Guarantor"); and (ii) Salud Para La Gente, a California nonprofit public benefit corporation (the "Salud Guarantor"). Together the County Guarantor and Salud Guarantor are referred to herein as the "Other Guarantors" and each individually referred to as "Other Guarantor."

Guarantor's guarantee of the Obligations shall not exceed Three Million Dollars (\$3 million) of the Obligations, and is further limited to the following amounts (the following amounts, which are not to exceed \$3 million, are referred to herein as the "Guaranty Amount"): (i) sixty percent (60%) of all dollar amounts owed by

Borrower under the Loan Documents that were incurred during the first year following the date of the Promissory Note; (ii) fifty percent (50%) of all dollar amounts owed by Borrower under the Loan Documents that were incurred during the period beginning one (1) year after the date of the Promissory Note; and (iii) thirty three and 1/3 percent (33.333%) of all dollar amounts owed by Borrower under the Loan Documents that were incurred beginning two (2) years after the date of the Promissory Note. Notwithstanding the foregoing, if any Other Guarantor fails to pay a portion or all of the amounts that such Other Guarantor is required to pay under the guaranty executed by the Other Guarantor, then such occurrence shall not reduce the amounts Guarantor is required to pay to Lender under this Guaranty. Additionally, Guarantor acknowledges, understands and agrees that, except as provided above, Lender's recourse against Guarantor, and Lender's rights and remedies under this Guaranty, are not limited (or otherwise affected) by the guaranties provided by the Other Guarantors.

Any termination of this Guaranty shall be applicable only to transactions having their inception after the effective date of termination and shall not affect any rights or Obligations arising out of transactions having their inception prior to such date even if subsequent to such termination the Obligations are modified, renewed, compromised, extended, or otherwise amended (including, but not limited to, an increase in the interest rate applicable to the Obligations). Any termination of this Guaranty shall only be effective upon actual receipt by Lender of a written notice of termination signed by Guarantor and shall be effective five (5) business days after the actual receipt by Lender of such notice of termination.

#### **4. INDEPENDENT OBLIGATION**

Guarantor agrees (i) that Guarantor is directly and primarily liable to Lender; (ii) that the obligations of Guarantor hereunder are separate and independent of the Obligations of Borrower, or of any other guarantor of Borrower's Obligations; and (iii) that Lender may file a separate action or actions at law against the Guarantor to enforce this Guaranty and may exercise any rights or remedies that Lender may have against collateral securing performance under the terms of this Guaranty.

#### **5. INSOLVENCY OF GUARANTOR OR BORROWER**

In the event that any bankruptcy, insolvency, receivership or similar proceeding is instituted by or against Guarantor and/or the Borrower or in the event that either the Guarantor or Borrower becomes insolvent, makes an assignment for the benefit of creditors, or attempts to effect a composition with creditors, at Lender's election, without notice or demand, the obligations of Guarantor created hereunder shall become due, payable and enforceable against Guarantor whether or not the Obligations are then due and payable.

#### **6. WAIVERS**

In consideration of the extension by Lender to Borrower of existing and future loans, credit facilities and other financial accommodations, Guarantor hereby knowingly and irrevocably waives each and all of the following:

**6.1** The right to require Lender to prosecute or seek to enforce any remedies against Borrower or any other party liable to Lender on account of the Obligations and/or to require Lender to seek to enforce or resort to any remedies with respect to any security interests, liens or encumbrances granted to Lender to secure the Obligations before making demand under and/or seeking to enforce this Guaranty.

**6.2** Any defense to the enforcement of this Guaranty arising out of or in any way related to (i) any modification, amendment, supplement, extension, accord and satisfaction, settlement or termination of the Loan Documents or other contract or agreement to which Lender and Borrower may hereafter agree, (ii) any modification, amendment, supplement, alteration, extension, accord and satisfaction or termination of the Obligations or any collateral at any time securing the Obligations (collectively, the "Collateral"), or (iii) any agreements or arrangements whatsoever between Lender and Borrower or with anyone else.

**6.3** Any rights to assert against Lender any defense (legal or equitable), set-off, counterclaim, and/or claim which Guarantor now, or at any time hereafter, may have against Borrower and/or any other party liable to Lender in any way or manner.

**6.4** Any and all defenses, counterclaims and offsets of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity and/or enforceability of the Loan Documents or this Guaranty including acts or omissions which may discharge Borrower due to the unenforceability of the Loan Documents or other guarantees. Guarantor further waives: Section 1111(b)(2) of the U. S. Bankruptcy Code (the "Code"); any extension of credit or grant of lien under Section 364 of the Code; any use of cash collateral under Section 363 of the Code; any agreement or stipulation as to the provision of adequate protection in any bankruptcy proceeding; the avoidance of any lien in favor of Lender for any reason; or any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt, liquidation or dissolution proceeding commenced by or against Borrower, the undersigned or any other guarantor, maker or endorser, including

without limitation, any discharge of, or bar or stay against collecting, all or any of the indebtedness (or any interest thereon), in or as a result of any such proceeding; any indebtedness exceeding the Guarantor's liability hereunder. Guarantor further waives any rights or defenses it may have with regard to: any election by Lender under Section 9604 of the California Uniform Commercial Code as to any Collateral or any collateral securing any other guarantee of the Obligations; or any action taken by Lender that is authorized by this Guaranty.

**6.5** All rights to assert any defense to the enforcement of this Guaranty on the grounds that (i) Lender has released voluntarily or involuntarily the Borrower or any other guarantor, (ii) Lender has modified the Loan Documents or any other contract between Borrower and Lender, or (iii) Lender has released or agreed to accept a substitution of all or any part of the Collateral without the consent of Guarantor. Guarantor further agrees that any releases which may be given by Lender to Borrower or any other guarantor or endorser shall not release any obligation of performance by Guarantor under the terms of this Guaranty. Guarantor further agrees that the Lender may proceed against the Guarantor and any collateral securing Guarantor's obligations under this Guaranty at any time and in any order that it chooses without regard to other guarantors, the Borrower or other available collateral and the Guarantor waives all rights to require the Lender to marshal the Collateral.

**6.6** Any and all rights and defenses that Guarantor may have because any Obligation is secured by a lien on real property. This means, among other things: (i) Lender may collect from Guarantor without first foreclosing on any real or personal property that is included in the Collateral; (ii) if Lender forecloses on any real property Collateral: (a) the amount of the Obligation may be reduced only by the price for which that Collateral is sold at the foreclosure sale, even if the real estate Collateral is worth more than the sale price, (b) the Lender may collect from Guarantor even if Lender, by foreclosing on any real property that may be included in the Collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have with regard to the Obligations. These rights and defenses include, but are not limited to, any rights and defenses based on Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure. As an illustration, without limiting the foregoing, Guarantor waives and relinquishes all rights, remedies and defenses that Guarantor may have: (1) under any law which may limit the amount of a deficiency judgment based on any obligation secured hereby; (2) under any bar to deficiency judgments; (3) any requirement of law that Lender exhaust any security for the Obligations guaranteed hereby before proceeding against Guarantor; (4) under any law which may prohibit Lender from enforcing its rights and remedies against Guarantor by both a private trustee's sale and an action in court; (5) under any law which requires that a court action to enforce Lender's rights by an action to foreclose any deed of trust; and (6) by reason of an election of remedies by Lender, including but not limited to the exercise of nonjudicial or judicial remedies against Borrower or any guarantor, Borrower's or any guarantor's real and/or personal property, or any other security for the Obligation guaranteed hereby in whatever order of manner Lender may determine, which may, in any manner, impair, affect, reduce, release, destroy, and/or extinguish Guarantor's subrogation rights, rights to proceed against Borrower for reimbursement, and/or other rights of Guarantor to proceed against Borrower, any guarantor, or against any other person or security including, without limitation, any loss of rights that Guarantor may suffer in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging indebtedness of or remedies against Borrower or any other person. Guarantor agrees that if all, or a portion, of the Obligation guaranteed hereby are at any time secured by any deed of trust or other interest in real property, Lender, in its sole discretion and without notice or demand and without affecting the security of any deed of trust, may exercise all its rights and remedies against Borrower or any guarantor, Borrower's or any guarantor's real and personal property, and any other security for the Obligation guaranteed hereby in whatever order or manner Lender may determine, including without limitation, nonjudicial foreclosure of any real property security. Without limiting the generality of the foregoing or any other provision hereof, Guarantor hereby expressly waives any and all benefits that might otherwise be available to Guarantor under California Civil Code Sections 2787 to 2855, 2899 and 3433 (as such sections may be amended or recodified from time to time), and California Code of Civil Procedure Sections 580a, 580b, 580d and 726 (as such sections may be amended or recodified from time to time). Guarantor hereby acknowledges and understands that Lender may obtain a judgment against Guarantor for the entire Obligation or any deficiency balance thereof following foreclosure of real or person property without regard to the fair market value of the property, the method of foreclosure or that fact that the Obligation arises from a purchase money transaction.

**6.7** Any and all presentments, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor, notices of default, notice of acceptance of this Guaranty, and notices of the existence, creation, or incurring of new or additional indebtedness, and all other notices or formalities to which Guarantor may be entitled.

**6.8** To the extent permitted by law, any and all rights to a jury trial in any action hereunder or arising out of Lender's transactions with Borrower.

## **7. INDEMNITY**

Guarantor agrees to indemnify Lender and hold Lender harmless against all obligations, demands, claims and liabilities claimed or asserted by any other party and against all losses in any way suffered, incurred, or paid by Lender as a result of or in any way arising out of, following, or consequential to this Guaranty or to transactions with Borrower whether under the Loan Documents, or otherwise.

## **8. SCOPE OF LENDER'S AUTHORITY**

Guarantor hereby irrevocably authorizes Lender, without notice or demand and without affecting its liability hereunder, from time to time to:

**8.1** Renew, compromise, extend, accelerate, or otherwise change the time for payment or the terms of any of the Obligations, or any part thereof, including, without limitation, increasing or decreasing the rate of interest thereof;

**8.2** Take and hold security for the payment of the Obligations guaranteed hereby, and exchange, enforce, waive, and release any such security without obtaining consent of Guarantors;

**8.3** Apply such security and direct the order or manner of sale thereof as Lender in its discretion may determine;

**8.4** Release or substitute any one or more endorser(s) or guarantor(s); and

**8.5** Assign, without notice, this Guaranty in whole or in part and/or Lender's rights hereunder to anyone at any time.

Guarantor agrees that Lender may do any or all of the foregoing in such manner, upon such terms, and at such times as Lender, in its discretion, deems advisable, without, in any way or respect, impairing, affecting, reducing or releasing Guarantor. Guarantor hereby consents to each and all of the foregoing acts, events and/or occurrences.

## **9. SUBORDINATION OF OTHER DEBTS**

Guarantor hereby subordinates and postpones any and all present and future debts and obligations of Borrower to Guarantor to the full payment and performance of all present and future debts and obligations of Borrower to Lender. All monies or other property of Guarantor at any time in Lender's possession may be held by Lender as security for any and all obligations of Guarantor to Lender no matter how or when arising, whether absolute or contingent, whether due or to become due, and whether under this Guaranty or otherwise. Guarantor also agrees that Lender's books and records showing the account between Lender and Borrower shall be admissible in any action or proceeding and shall be binding upon Guarantor for the purpose of establishing the terms set forth therein and shall constitute prima facie proof thereof. At the request of Lender, Borrower shall pay to Lender all or any part of such subordinated indebtedness and any amount so paid to Lender at its request shall be applied to payment of the indebtedness. Each payment on the indebtedness of Borrower to Guarantor received in violation of any of the provisions hereof shall be deemed to have been received by the Guarantor as trustee for Lender and shall be paid over to Lender immediately on account of the indebtedness, but without otherwise affecting in any manner Guarantor's liability under any of the provisions of this Guaranty. Guarantor agrees to file all claims against Borrower in any bankruptcy or other proceeding in which the filing of claims is required by law in respect of any indebtedness of Borrower to Guarantor, and Lender shall be entitled to all of Guarantor's rights thereunder. If, for any reason, Guarantor fails to file such claim at least 30 days prior to the last date on which such claim should be filed, Lender, as Guarantor's attorney in fact, is hereby authorized to do so in Guarantor's name or, in Lender's discretion, to assign such claim to and cause proof of claim to be filed in the name of Lender's nominee. In all cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to Lender the full amount payable on the claim in the proceeding, and to the full extent necessary for that purpose, Guarantor hereby assigns Lender all Guarantor's rights to any payments or distributions to which Guarantor otherwise would be entitled.



## **10. GUARANTOR'S DUTY TO INVESTIGATE**

Guarantor is presently informed of the financial condition of the Borrower and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Guarantor hereby covenants that Guarantor will continue to keep itself informed of Borrower's financial condition, the status of other guarantors, if any, and of all other circumstances which bear upon the risk of nonpayment. Absent a written request for such information by Guarantor to Lender and written consent to the release of such information by Borrower, Guarantor hereby waives Guarantor's rights, if any, to require Lender to disclose to it any information which Lender may now or hereafter acquire concerning such condition or circumstances including, but not limited to, the release of or revocation by any other guarantor, the substitution of collateral securing the primary obligation or any guaranty, or any act, event or condition which may constitute an event of default of any guaranty or the Loan Documents.

## **11. REVIVAL OF GUARANTY**

If any payments of money or transfers of property made to Lender by Borrower, or other guarantor, any maker or any endorser should for any reason subsequently be declared to be, or in Lender's counsel's good faith opinion be determined to be, fraudulent (within the meaning of any state or federal law relating to fraudulent conveyances), preferential or otherwise voidable or recoverable in whole or in part for any reason (hereinafter collectively called "voidable transfer"), the amount repaid or restored and all costs and expenses (including attorney's fees) of Lender related thereto, Guarantor's liability hereunder shall automatically be revived, reinstated and restored and shall exist as though such voidable transfer had never been made to Lender. In the event Lender shall have returned this Guaranty to Guarantor and subsequently be required or advised by counsel to restore or repay any such voidable transfer, the amount thereof, or any portion thereof, Guarantor shall remain liable as provided herein to the same extent as if this Guaranty had not been returned to Guarantor.

## **12. TERM OF OBLIGATIONS**

This Guaranty shall continue in full force and effect until Borrower's Obligations are fully paid, performed and discharged and Lender give the Guarantor written notice of that fact. Borrower's Obligations shall not be considered fully paid, performed and discharged unless and until all payments by Borrower to Lender are no longer subject to any right on the part of any person whomsoever, including but not limited to Borrower, Borrower as a debtor in possession, and/or any trustee in bankruptcy, to set aside such payments or seek to recoup the amount of such payments, or any part thereof. The foregoing shall include, by way of example and not by way of limitation, all rights to recover preferences voidable under Title 11 of the United States Code. In the event that any such payments by Borrower to Lender are set aside after the making thereof, in whole or in part, or settled without litigation, to the extent of such settlement, all of which is within Lender's discretion, Guarantor shall be liable for the full amount Lender is required to repay plus costs, interest, attorneys' fees and all expenses which Lender paid or incurred in connection therewith.

## **13. FINANCIAL STATEMENTS AND TAX RETURNS**

### **13.1 Financial Statements.**

(a) Within one hundred twenty (120) days after the close of each fiscal year of Guarantor, Guarantor shall deliver to Lender audited financial statement(s) of Guarantor prepared by an independent certified public accountant acceptable to Lender. All financial statements delivered to Lender shall include a balance sheet and profit and loss statement, and an independent certified public accountant's letter to management regarding the preparation of the financial statements.

(b) Guarantor shall deliver to Lender a certificate signed by the chief financial officer of Guarantor to the effect that all reports, statements, or computer-prepared information of any kind or nature delivered or caused to be delivered to Lender under this Guaranty are accurate, true and fairly present the financial condition of Guarantor.

**13.2 Tax Returns.** If Guarantor files a federal income tax return with the Internal Revenue Service, then within one hundred twenty (120) days after the filing Guarantor shall provide Lender with a copy of the signed tax return filed with the Internal Revenue Service as filed by Guarantor.

**13.3 Other Reports.** Guarantor shall deliver to Lender other reports reasonably requested by Lender relating to the financial condition of Guarantor.

## **14. WAIVER OF RIGHT OF SUBROGATION**

Guarantor expressly waives and releases any and all rights of subrogation, reimbursement, indemnity or contribution which it may now or hereafter have against: (1) Borrower, any other guarantor or any person who now or hereafter has direct or contingent liability (whether by contract, at law or in equity) for all or any portion of the Obligations guaranteed hereby; or (2) against any property which now or hereafter serves as collateral security for the obligations guaranteed hereby. If and to the extent such waiver and release is unenforceable, Guarantor hereby agrees that all such rights of subrogation, reimbursement, indemnity and contribution shall be junior and subordinate to the right of Lender to obtain payment and performance of the Obligations guaranteed hereby and to all rights of Lender in and to any property which now or hereafter serves as collateral security for such Obligations.

## **15. SURVIVAL**

This Guaranty shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of Lender's successors and assigns, including all receivers, trustees, administrators and other successors in interest of Guarantor. The death of Guarantor and the incapacity, lack of authority, death, disability or revocation hereof by any other guarantor shall not terminate or otherwise impair this Guaranty. All Obligations hereunder shall survive the foregoing events and shall be fully satisfied before Guarantor may proceed with action to obtain subrogation, contribution or reimbursement against Borrower.

## **16. MODIFICATIONS**

No modification of this Guaranty shall be effective for any purpose unless it is in writing and executed by an officer of Lender authorized to do so. This Guaranty merges all negotiations, stipulations and provisions relating to the subject matter of this Guaranty which proceed or may accompany the execution of this Guaranty.

## **17. EXCLUSIVE AGREEMENT**

Guarantor acknowledges and agrees that this Guaranty represents the sole and exclusive and final expression of the agreement between the Lender and the Guarantor and that it supersedes and extinguishes all prior negotiations, oral and written representations, covenants or conditions including other agreements between the Guarantor and the Lender but explicitly does not supersede prior guaranties which are intended to guaranty other obligations of the same Borrower or other borrowers. In the event that there is a prior guaranty of the Obligation this Guaranty does not supersede such prior guaranties between Guarantor and Lender but is intended to be a separate and additional guaranty of the obligation. Guarantor declares that he/she/it has not relied on any warranty, representation, covenant or condition made by Lender which may qualify this Guaranty or contains any different terms than provided for herein. Further, Guarantor has not signed any other agreement or document in connection with guaranteeing the obligations hereunder which in any way modifies or restricts Guarantor's obligation to perform under the terms of this Guaranty. Guarantor waives any right to have any term or condition of this Guaranty modified or changed by the introduction of prior discussions or negotiations of the parties whether written or oral. Guarantor understands and acknowledges all of the waivers contained in this Guaranty and has consulted legal counsel or other sources to understand the nature and extent of the waivers and acknowledges that the waivers are enforceable. If any such waivers are determined to be against public policy, the waiver shall be enforced to the extent appropriate under law.

## **18. TERMS OF THE GUARANTY**

Guarantor acknowledges and agrees that he/she/it has read the guaranty and fully understands all of the terms thereof. The Guarantor further agrees that the guaranty is the complete and accurate expression of the Guarantor's understanding of the agreement between the Guarantor and the Lender and that Guarantor has not relied on any other agreement or representations in executing this Guaranty.

## **19. ATTORNEY FEES**

Guarantor agrees to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Lender in the enforcement of this Guaranty or in any way arising out of, following, or consequential to the enforcement of Borrower's Obligations, whether under this Guaranty, the Agreement, or otherwise.

## **20. GOVERNING LAW AND VENUE**

**20.1 Demand; Protest, etc.** Guarantor waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any commercial paper, accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which Guarantor may in any way be liable.

**20.2 Jury Trial.** Unless prohibited under the laws that govern an action or proceeding relating to this Guaranty or related agreements entered into in connection herewith, Guarantor waives any right to trial by jury in any action or proceeding relating to this Guaranty or any of the agreements entered into in connection herewith.

**20.3 Choice of Law and Venue.** The validity of this Guaranty, its construction, interpretation, and enforcement, and the rights of the parties hereunder and concerning the Collateral, shall be determined under, governed by, and construed in accordance with the laws of the State of California. The parties agree that all actions or proceedings arising in connection with this Guaranty shall be tried and litigated only in the state and federal courts located in the County of Santa Cruz. Guarantor waives any right it may have to assert the doctrine of *forum non conveniens* or to object to such venue and hereby consents to any court ordered relief.

## 21. COUNTERPART EXECUTION

This Guaranty may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same Guaranty.

## 22. NOTICES

Except as otherwise provided herein, any notice or other communication required or permitted to be given under this Guaranty shall be in writing and shall be personally served by messenger, or sent by a commercial overnight delivery service (such as Federal Express), or by certified mail, return receipt requested, and shall be deemed given on the date actually received if served by messenger, or on the next business day after deposit with an overnight delivery service, or on the date of receipt as shown on the return receipt if sent by certified mail. The addresses of the parties to which notices and other communications shall be sent (until notice of a change thereof is served as provided herein) are set forth below. Any party to this Guaranty may change its address for giving notices or demands hereunder by written notice of such change to the other party in accordance with the provisions hereof. Guarantor shall promptly notify Lender of any change of its mailing address in the manner prescribed by this paragraph.

**GUARANTOR:**

Name: COMMUNITY FOUNDATION SANTA CRUZ COUNTY  
Address: COMMUNITY FOUNDATION SANTA CRUZ COUNTY  
Attn: Susan True  
7807 Soquel Drive  
Aptos, CA 95003

**LENDER:**

Name: SANTA CRUZ COUNTY BANK  
Address: SANTA CRUZ COUNTY BANK  
Attn: Note Department  
P.O. Box 8426  
Santa Cruz, CA 95061

## 23. PLURAL

If more than one Guarantor executes this Guaranty, all references to Guarantor shall be changed to mean all Guarantors and all Guarantors shall be jointly and severally liable for all Obligations hereunder unless expressly provided otherwise by this Guaranty.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, this Guaranty is executed on behalf of the Guarantor on the date provided below.

**Date:** November 1, 2023

**GUARANTOR:**

COMMUNITY FOUNDATION SANTA CRUZ COUNTY, a  
California nonprofit public benefit corporation

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

**Name:** Susan True

**Title:** CEO

**COMMERCIAL GUARANTY  
(Limited)**

This Commercial Guaranty ("Guaranty") is entered into by and between **SANTA CRUZ COUNTY BANK**, a California state-chartered bank ("Lender"), and **COUNTY OF SANTA CRUZ**, a county within the state of California ("Guarantor"), and is effective November 1, 2023 ("Effective Date").

In order to induce Lender to extend and/or to continue to extend financial accommodations to **PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION**, a California nonprofit public benefit corporation ("PVHDHC") and **PAJARO VALLEY HEALTHCARE DISTRICT PROJECT**, a California nonprofit public benefit corporation ("PVHD") (PVHDHC and PVHD are together referred to herein as "Borrower"), pursuant to any present or future promissory note, or other present or future agreement between Lender and Borrower including any modifications, extensions, revisions or substitutions thereof including all other agreements entered into in connection with and for the purpose of executing any of the loan documents referenced herein, (collectively, "Loan Documents"), and in consideration thereof, and in consideration of any loans, advances, or financial accommodations granted by Lender to or for the account of Borrower pursuant to the Loan Documents, Guarantor hereby guarantees, promises and undertakes as follows:

**1. OBLIGATION**

Guarantor unconditionally, absolutely and irrevocably guarantees and promises to pay to Lender, or order, on demand, in lawful money of the United States, any and all present or future indebtedness and/or obligations of Borrower owing to Lender (including, but not limited to, the repayment to Lender of all sums which may be presently due and owing and of all sums which shall in the future become due and owing from Borrower) arising under the Loan Documents or other agreements, except as may be limited by Section 3 below and as otherwise provided herein. The terms "indebtedness" and "obligations" (hereinafter collectively referred to as the "Obligations") are used herein in their most comprehensive sense and include each of the following: (i) any and all advances, debts, obligations, and liabilities of Borrower arising under that certain promissory note dated November 1, 2023 and in the initial original principal amount of **FIVE MILLION DOLLARS** (\$5,000,000.00) (the "Promissory Note") which principal amount decreases over time as provided in the Promissory Note, together with any amendments, extensions, modifications, renewals, replacement or substitutions thereto; (ii) the Loan Documents executed in connection with the Promissory Note, together with any amendments, extensions, modifications, renewals, replacement or substitutions to the Loan Documents; and (iii) further including, without limitation, any and all premiums, charges, and/or interest owed by Borrower to Lender, under the Promissory Note or other Loan Documents, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, whether Borrower may be liable individually or jointly with others, whether recovery upon such indebtedness may be or hereafter becomes barred by any statute of limitations or whether such indebtedness may be or hereafter becomes otherwise unenforceable, and includes Borrower's prompt, full and faithful performance, observance and discharge of each and every term, condition, agreement, representation, warranty, undertaking and provision to be performed by Borrower under the Loan Documents, and including any and all attorneys' fees and costs incurred by Lender directly or indirectly in connection with the collection of any amount owned by Borrower under the Loan Documents and/or incurred by Lender directly or indirectly in connection with enforcement of this Guaranty.

**2. CONSIDERATION**

This Guaranty is given for the purpose of guaranteeing the continued obligations of Borrower under the terms of the Loan Documents. Guarantor represents and warrants to Lender that Guarantor has a material interest and will benefit, directly or indirectly from, the loan made to Borrower and evidenced by the Promissory Note and Loan Documents (the "Loan"). If this Guaranty is not executed contemporaneously with the Loan Documents, then Guarantor has executed and delivered this Guaranty to Lender in consideration of the Loan.

**3. GUARANTY LIMITS AND TERMINATION**

The Obligations of Borrower are also guaranteed by: (i) Community Foundation Santa Cruz County, a California nonprofit public benefit corporation (the "Community Foundation Guarantor"); and (ii) Salud Para La Gente, a California nonprofit public benefit corporation (the "Salud Guarantor"). Together the Community Fund Guarantor and Salud Guarantor are referred to herein as the "Other Guarantors" and each individually referred to as "Other Guarantor."

Guarantor's guarantee of the Obligations shall not exceed One Million Dollars (\$1 million) of the Obligations, and is further limited to the following amounts (the following amounts, which are not to exceed \$1 million, are

referred to herein as the “Guaranty Amount”): (i) twenty percent (20%) of all dollar amounts owed by Borrower under the Loan Documents that were incurred during the first year following the date of the Promissory Note; (ii) twenty-five percent (25%) of all dollar amounts owed by Borrower under the Loan Documents that were incurred during the period beginning one (1) year after the date of the Promissory Note; and (iii) thirty three and 1/3 percent (33.333%) of all dollar amounts owed by Borrower under the Loan Documents that were incurred beginning two (2) years after the date of the Promissory Note. Notwithstanding the foregoing, if any Other Guarantor fails to pay a portion or all of the amounts that such Other Guarantor is required to pay under the guaranty executed by the Other Guarantor, then such occurrence shall not reduce the amounts Guarantor is required to pay to Lender under this Guaranty. Additionally, Guarantor acknowledges, understands and agrees that, except as provided above, Lender’s recourse against Guarantor, and Lender’s rights and remedies under this Guaranty, are not limited (or otherwise affected) by the guaranties provided by the Other Guarantors.

Any termination of this Guaranty shall be applicable only to transactions having their inception after the effective date of termination and shall not affect any rights or Obligations arising out of transactions having their inception prior to such date even if subsequent to such termination the Obligations are modified, renewed, compromised, extended, or otherwise amended (including, but not limited to, an increase in the interest rate applicable to the Obligations). Any termination of this Guaranty shall only be effective upon actual receipt by Lender of a written notice of termination signed by Guarantor and shall be effective five (5) business days after the actual receipt by Lender of such notice of termination.

#### **4. INDEPENDENT OBLIGATION**

Guarantor agrees (i) that Guarantor is directly and primarily liable to Lender; (ii) that the obligations of Guarantor hereunder are separate and independent of the Obligations of Borrower, or of any other guarantor of Borrower’s Obligations; and (iii) that Lender may file a separate action or actions at law against the Guarantor to enforce this Guaranty and may exercise any rights or remedies that Lender may have against collateral securing performance under the terms of this Guaranty.

#### **5. INSOLVENCY OF GUARANTOR OR BORROWER**

In the event that any bankruptcy, insolvency, receivership or similar proceeding is instituted by or against Guarantor and/or the Borrower or in the event that either the Guarantor or Borrower becomes insolvent, makes an assignment for the benefit of creditors, or attempts to effect a composition with creditors, at Lender’s election, without notice or demand, the obligations of Guarantor created hereunder shall become due, payable and enforceable against Guarantor whether or not the Obligations are then due and payable.

#### **6. WAIVERS**

In consideration of the extension by Lender to Borrower of existing and future loans, credit facilities and other financial accommodations, Guarantor hereby knowingly and irrevocably waives each and all of the following:

**6.1** The right to require Lender to prosecute or seek to enforce any remedies against Borrower or any other party liable to Lender on account of the Obligations and/or to require Lender to seek to enforce or resort to any remedies with respect to any security interests, liens or encumbrances granted to Lender to secure the Obligations before making demand under and/or seeking to enforce this Guaranty.

**6.2** Any defense to the enforcement of this Guaranty arising out of or in any way related to (i) any modification, amendment, supplement, extension, accord and satisfaction, settlement or termination of the Loan Documents or other contract or agreement to which Lender and Borrower may hereafter agree, (ii) any modification, amendment, supplement, alteration, extension, accord and satisfaction or termination of the Obligations or any collateral at any time securing the Obligations (collectively, the “Collateral”), or (iii) any agreements or arrangements whatsoever between Lender and Borrower or with anyone else.

**6.3** Any rights to assert against Lender any defense (legal or equitable), set-off, counterclaim, and/or claim which Guarantor now, or at any time hereafter, may have against Borrower and/or any other party liable to Lender in any way or manner.

**6.4** Any and all defenses, counterclaims and offsets of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity and/or enforceability of the Loan Documents or this Guaranty including acts or omissions which may discharge Borrower due to the unenforceability of the Loan Documents or other guarantees. Guarantor further waives: Section 1111(b)(2) of the U. S. Bankruptcy Code (the “Code”); any extension of credit or grant of lien under Section 364 of the Code; any use of cash collateral under Section 363 of the Code; any agreement or stipulation as to the provision of adequate protection in any bankruptcy proceeding; the avoidance of any lien in favor of Lender for any reason; or any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt, liquidation or dissolution proceeding

commenced by or against Borrower, the undersigned or any other guarantor, maker or endorser, including without limitation, any discharge of, or bar or stay against collecting, all or any of the indebtedness (or any interest thereon), in or as a result of any such proceeding; any indebtedness exceeding the Guarantor's liability hereunder. Guarantor further waives any rights or defenses it may have with regard to: any election by Lender under Section 9604 of the California Uniform Commercial Code as to any Collateral or any collateral securing any other guarantee of the Obligations; or any action taken by Lender that is authorized by this Guaranty.

**6.5** All rights to assert any defense to the enforcement of this Guaranty on the grounds that (i) Lender has released voluntarily or involuntarily the Borrower or any other guarantor, (ii) Lender has modified the Loan Documents or any other contract between Borrower and Lender, or (iii) Lender has released or agreed to accept a substitution of all or any part of the Collateral without the consent of Guarantor. Guarantor further agrees that any releases which may be given by Lender to Borrower or any other guarantor or endorser shall not release any obligation of performance by Guarantor under the terms of this Guaranty. Guarantor further agrees that the Lender may proceed against the Guarantor and any collateral securing Guarantor's obligations under this Guaranty at any time and in any order that it chooses without regard to other guarantors, the Borrower or other available collateral and the Guarantor waives all rights to require the Lender to marshal the Collateral.

**6.6** Any and all rights and defenses that Guarantor may have because any Obligation is secured by a lien on real property. This means, among other things: (i) Lender may collect from Guarantor without first foreclosing on any real or personal property that is included in the Collateral; (ii) if Lender forecloses on any real property Collateral: (a) the amount of the Obligation may be reduced only by the price for which that Collateral is sold at the foreclosure sale, even if the real estate Collateral is worth more than the sale price, (b) the Lender may collect from Guarantor even if Lender, by foreclosing on any real property that may be included in the Collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have with regard to the Obligations. These rights and defenses include, but are not limited to, any rights and defenses based on Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure. As an illustration, without limiting the foregoing, Guarantor waives and relinquishes all rights, remedies and defenses that Guarantor may have: (1) under any law which may limit the amount of a deficiency judgment based on any obligation secured hereby; (2) under any bar to deficiency judgments; (3) any requirement of law that Lender exhaust any security for the Obligations guaranteed hereby before proceeding against Guarantor; (4) under any law which may prohibit Lender from enforcing its rights and remedies against Guarantor by both a private trustee's sale and an action in court; (5) under any law which requires that a court action to enforce Lender's rights by an action to foreclose any deed of trust; and (6) by reason of an election of remedies by Lender, including but not limited to the exercise of nonjudicial or judicial remedies against Borrower or any guarantor, Borrower's or any guarantor's real and/or personal property, or any other security for the Obligation guaranteed hereby in whatever order of manner Lender may determine, which may, in any manner, impair, affect, reduce, release, destroy, and/or extinguish Guarantor's subrogation rights, rights to proceed against Borrower for reimbursement, and/or other rights of Guarantor to proceed against Borrower, any guarantor, or against any other person or security including, without limitation, any loss of rights that Guarantor may suffer in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging indebtedness of or remedies against Borrower or any other person. Guarantor agrees that if all, or a portion, of the Obligation guaranteed hereby are at any time secured by any deed of trust or other interest in real property, Lender, in its sole discretion and without notice or demand and without affecting the security of any deed of trust, may exercise all its rights and remedies against Borrower or any guarantor, Borrower's or any guarantor's real and personal property, and any other security for the Obligation guaranteed hereby in whatever order or manner Lender may determine, including without limitation, nonjudicial foreclosure of any real property security. Without limiting the generality of the foregoing or any other provision hereof, Guarantor hereby expressly waives any and all benefits that might otherwise be available to Guarantor under California Civil Code Sections 2787 to 2855, 2899 and 3433 (as such sections may be amended or recodified from time to time), and California Code of Civil Procedure Sections 580a, 580b, 580d and 726 (as such sections may be amended or recodified from time to time). Guarantor hereby acknowledges and understands that Lender may obtain a judgment against Guarantor for the entire Obligation or any deficiency balance thereof following foreclosure of real or person property without regard to the fair market value of the property, the method of foreclosure or that fact that the Obligation arises from a purchase money transaction.

**6.7** Any and all presentments, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor, notices of default, notice of acceptance of this Guaranty, and notices of the existence,

creation, or incurring of new or additional indebtedness, and all other notices or formalities to which Guarantor may be entitled.

**6.8** To the extent permitted by law, any and all rights to a jury trial in any action hereunder or arising out of Lender's transactions with Borrower.

## **7. INDEMNITY**

Guarantor agrees to indemnify Lender and hold Lender harmless against all obligations, demands, claims and liabilities claimed or asserted by any other party and against all losses in any way suffered, incurred, or paid by Lender as a result of or in any way arising out of, following, or consequential to this Guaranty or to transactions with Borrower whether under the Loan Documents, or otherwise.

## **8. SCOPE OF LENDER'S AUTHORITY**

Guarantor hereby irrevocably authorizes Lender, without notice or demand and without affecting its liability hereunder, from time to time to:

**8.1** Renew, compromise, extend, accelerate, or otherwise change the time for payment or the terms of any of the Obligations, or any part thereof, including, without limitation, increasing or decreasing the rate of interest thereof;

**8.2** Take and hold security for the payment of the Obligations guaranteed hereby, and exchange, enforce, waive, and release any such security without obtaining consent of Guarantors;

**8.3** Apply such security and direct the order or manner of sale thereof as Lender in its discretion may determine;

**8.4** Release or substitute any one or more endorser(s) or guarantor(s); and

**8.5** Assign, without notice, this Guaranty in whole or in part and/or Lender's rights hereunder to anyone at any time.

Guarantor agrees that Lender may do any or all of the foregoing in such manner, upon such terms, and at such times as Lender, in its discretion, deems advisable, without, in any way or respect, impairing, affecting, reducing or releasing Guarantor. Guarantor hereby consents to each and all of the foregoing acts, events and/or occurrences.

## **9. SUBORDINATION OF OTHER DEBTS**

Guarantor hereby subordinates and postpones any and all present and future debts and obligations of Borrower to Guarantor to the full payment and performance of all present and future debts and obligations of Borrower to Lender. All monies or other property of Guarantor at any time in Lender's possession may be held by Lender as security for any and all obligations of Guarantor to Lender no matter how or when arising, whether absolute or contingent, whether due or to become due, and whether under this Guaranty or otherwise. Guarantor also agrees that Lender's books and records showing the account between Lender and Borrower shall be admissible in any action or proceeding and shall be binding upon Guarantor for the purpose of establishing the terms set forth therein and shall constitute prima facie proof thereof. At the request of Lender, Borrower shall pay to Lender all or any part of such subordinated indebtedness and any amount so paid to Lender at its request shall be applied to payment of the indebtedness. Each payment on the indebtedness of Borrower to Guarantor received in violation of any of the provisions hereof shall be deemed to have been received by the Guarantor as trustee for Lender and shall be paid over to Lender immediately on account of the indebtedness, but without otherwise affecting in any manner Guarantor's liability under any of the provisions of this Guaranty. Guarantor agrees to file all claims against Borrower in any bankruptcy or other proceeding in which the filing of claims is required by law in respect of any indebtedness of Borrower to Guarantor, and Lender shall be entitled to all of Guarantor's rights thereunder. If, for any reason, Guarantor fails to file such claim at least 30 days prior to the last date on which such claim should be filed, Lender, as Guarantor's attorney in fact, is hereby authorized to do so in Guarantor's name or, in Lender's discretion, to assign such claim to and cause proof of claim to be filed in the name of Lender's nominee. In all cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to Lender the full amount payable on the claim in the proceeding, and to the full extent necessary for that purpose, Guarantor hereby assigns Lender all Guarantor's rights to any payments or distributions to which Guarantor otherwise would be entitled.



## 10. GUARANTOR'S DUTY TO INVESTIGATE

Guarantor is presently informed of the financial condition of the Borrower and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Guarantor hereby covenants that Guarantor will continue to keep itself informed of Borrower's financial condition, the status of other guarantors, if any, and of all other circumstances which bear upon the risk of nonpayment. Absent a written request for such information by Guarantor to Lender and written consent to the release of such information by Borrower, Guarantor hereby waives Guarantor's rights, if any, to require Lender to disclose to it any information which Lender may now or hereafter acquire concerning such condition or circumstances including, but not limited to, the release of or revocation by any other guarantor, the substitution of collateral securing the primary obligation or any guaranty, or any act, event or condition which may constitute an event of default of any guaranty or the Loan Documents.

## 11. REVIVAL OF GUARANTY

If any payments of money or transfers of property made to Lender by Borrower, or other guarantor, any maker or any endorser should for any reason subsequently be declared to be, or in Lender's counsel's good faith opinion be determined to be, fraudulent (within the meaning of any state or federal law relating to fraudulent conveyances), preferential or otherwise voidable or recoverable in whole or in part for any reason (hereinafter collectively called "voidable transfer"), the amount repaid or restored and all costs and expenses (including attorney's fees) of Lender related thereto, Guarantor's liability hereunder shall automatically be revived, reinstated and restored and shall exist as though such voidable transfer had never been made to Lender. In the event Lender shall have returned this Guaranty to Guarantor and subsequently be required or advised by counsel to restore or repay any such voidable transfer, the amount thereof, or any portion thereof, Guarantor shall remain liable as provided herein to the same extent as if this Guaranty had not been returned to Guarantor.

## 12. TERM OF OBLIGATIONS

This Guaranty shall continue in full force and effect until Borrower's Obligations are fully paid, performed and discharged and Lender give the Guarantor written notice of that fact. Borrower's Obligations shall not be considered fully paid, performed and discharged unless and until all payments by Borrower to Lender are no longer subject to any right on the part of any person whomsoever, including but not limited to Borrower, Borrower as a debtor in possession, and/or any trustee in bankruptcy, to set aside such payments or seek to recoup the amount of such payments, or any part thereof. The foregoing shall include, by way of example and not by way of limitation, all rights to recover preferences voidable under Title 11 of the United States Code. In the event that any such payments by Borrower to Lender are set aside after the making thereof, in whole or in part, or settled without litigation, to the extent of such settlement, all of which is within Lender's discretion, Guarantor shall be liable for the full amount Lender is required to repay plus costs, interest, attorneys' fees and all expenses which Lender paid or incurred in connection therewith.

## 13. FINANCIAL STATEMENTS AND TAX RETURNS

### 13.1 Financial Statements.

(a) Within one hundred twenty (120) days after the close of each fiscal year of Guarantor, Guarantor shall deliver to Lender audited financial statement(s) of Guarantor prepared by an independent certified public accountant acceptable to Lender. All financial statements delivered to Lender shall include a balance sheet and profit and loss statement, and an independent certified public accountant's letter to management regarding the preparation of the financial statements.

(b) Guarantor shall deliver to Lender a certificate signed by the chief financial officer of Guarantor to the effect that all reports, statements, or computer-prepared information of any kind or nature delivered or caused to be delivered to Lender under this Guaranty are accurate, true and fairly present the financial condition of Guarantor.

13.2 Tax Returns. If Guarantor files a federal income tax return with the Internal Revenue Service, then within one hundred twenty (120) days after the filing Guarantor shall provide Lender with a copy of the signed tax return filed with the Internal Revenue Service as filed by Guarantor.

13.3 Other Reports. Guarantor shall deliver to Lender other reports reasonably requested by Lender relating to the financial condition of Guarantor.

## 14. WAIVER OF RIGHT OF SUBROGATION

Guarantor expressly waives and releases any and all rights of subrogation, reimbursement, indemnity or contribution which it may now or hereafter have against: (1) Borrower, any other guarantor or any person who now or hereafter has direct or contingent liability (whether by contract, at law or in equity) for all or any portion of the Obligations guaranteed hereby; or (2) against any property which now or hereafter serves as collateral security for the obligations guaranteed hereby. If and to the extent such waiver and release is unenforceable, Guarantor hereby agrees that all such rights of subrogation, reimbursement, indemnity and contribution shall be junior and subordinate to the right of Lender to obtain payment and performance of the Obligations guaranteed hereby and to all rights of Lender in and to any property which now or hereafter serves as collateral security for such Obligations.

## **15. SURVIVAL**

This Guaranty shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of Lender's successors and assigns, including all receivers, trustees, administrators and other successors in interest of Guarantor. The death of Guarantor and the incapacity, lack of authority, death, disability or revocation hereof by any other guarantor shall not terminate or otherwise impair this Guaranty. All Obligations hereunder shall survive the foregoing events and shall be fully satisfied before Guarantor may proceed with action to obtain subrogation, contribution or reimbursement against Borrower.

## **16. MODIFICATIONS**

No modification of this Guaranty shall be effective for any purpose unless it is in writing and executed by an officer of Lender authorized to do so. This Guaranty merges all negotiations, stipulations and provisions relating to the subject matter of this Guaranty which proceed or may accompany the execution of this Guaranty.

## **17. EXCLUSIVE AGREEMENT**

Guarantor acknowledges and agrees that this Guaranty represents the sole and exclusive and final expression of the agreement between the Lender and the Guarantor and that it supersedes and extinguishes all prior negotiations, oral and written representations, covenants or conditions including other agreements between the Guarantor and the Lender but explicitly does not supersede prior guaranties which are intended to guaranty other obligations of the same Borrower or other borrowers. In the event that there is a prior guaranty of the Obligation this Guaranty does not supersede such prior guaranties between Guarantor and Lender but is intended to be a separate and additional guaranty of the obligation. Guarantor declares that he/she/it has not relied on any warranty, representation, covenant or condition made by Lender which may qualify this Guaranty or contains any different terms than provided for herein. Further, Guarantor has not signed any other agreement or document in connection with guaranteeing the obligations hereunder which in any way modifies or restricts Guarantor's obligation to perform under the terms of this Guaranty. Guarantor waives any right to have any term or condition of this Guaranty modified or changed by the introduction of prior discussions or negotiations of the parties whether written or oral. Guarantor understands and acknowledges all of the waivers contained in this Guaranty and has consulted legal counsel or other sources to understand the nature and extent of the waivers and acknowledges that the waivers are enforceable. If any such waivers are determined to be against public policy, the waiver shall be enforced to the extent appropriate under law.

## **18. TERMS OF THE GUARANTY**

Guarantor acknowledges and agrees that he/she/it has read the guaranty and fully understands all of the terms thereof. The Guarantor further agrees that the guaranty is the complete and accurate expression of the Guarantor's understanding of the agreement between the Guarantor and the Lender and that Guarantor has not relied on any other agreement or representations in executing this Guaranty.

## **19. ATTORNEY FEES**

Guarantor agrees to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Lender in the enforcement of this Guaranty or in any way arising out of, following, or consequential to the enforcement of Borrower's Obligations, whether under this Guaranty, the Agreement, or otherwise.

## **20. GOVERNING LAW AND VENUE**

**20.1 Demand; Protest, etc.** Guarantor waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any commercial paper, accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which Guarantor may in any way be liable.

**20.2 Jury Trial.** Unless prohibited under the laws that govern an action or proceeding relating to this Guaranty or related agreements entered into in connection herewith, Guarantor waives any right to trial by jury in any action or proceeding relating to this Guaranty or any of the agreements entered into in connection herewith.

**20.3 Choice of Law and Venue.** The validity of this Guaranty, its construction, interpretation, and enforcement, and the rights of the parties hereunder and concerning the Collateral, shall be determined under, governed by, and construed in accordance with the laws of the State of California. The parties agree that all actions or proceedings arising in connection with this Guaranty shall be tried and litigated only in the state and federal courts located in the County of Santa Cruz. Guarantor waives any right it may have to assert the doctrine of *forum non conveniens* or to object to such venue and hereby consents to any court ordered relief.

## 21. COUNTERPART EXECUTION

This Guaranty may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same Guaranty.

## 22. NOTICES

Except as otherwise provided herein, any notice or other communication required or permitted to be given under this Guaranty shall be in writing and shall be personally served by messenger, or sent by a commercial overnight delivery service (such as Federal Express), or by certified mail, return receipt requested, and shall be deemed given on the date actually received if served by messenger, or on the next business day after deposit with an overnight delivery service, or on the date of receipt as shown on the return receipt if sent by certified mail. The addresses of the parties to which notices and other communications shall be sent (until notice of a change thereof is served as provided herein) are set forth below. Any party to this Guaranty may change its address for giving notices or demands hereunder by written notice of such change to the other party in accordance with the provisions hereof. Guarantor shall promptly notify Lender of any change of its mailing address in the manner prescribed by this paragraph.

**GUARANTOR:**

Name: COUNTY OF SANTA CRUZ  
Address: COUNTY OF SANTA CRUZ  
Attn: Director of Finance  
809 Center Street  
Santa Cruz, CA 95060

**LENDER:**

Name: SANTA CRUZ COUNTY BANK  
Address: SANTA CRUZ COUNTY BANK  
Attn: Note Department  
P.O. Box 8426  
Santa Cruz, CA 95061

## 23. PLURAL

If more than one Guarantor executes this Guaranty, all references to Guarantor shall be changed to mean all Guarantors and all Guarantors shall be jointly and severally liable for all Obligations hereunder unless expressly provided otherwise by this Guaranty.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, this Guaranty is executed on behalf of the Guarantor on the date provided below.

**Date:** November 1, 2023

**GUARANTOR:**

COUNTY OF SANTA CRUZ, a county within the state of California

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

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

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

**COMMERCIAL GUARANTY**  
**(Limited)**

This Commercial Guaranty ("Guaranty") is entered into by and between **SANTA CRUZ COUNTY BANK**, a California state-chartered bank ("Lender"), and **SALUD PARA LA GENTE**, a California nonprofit public benefit corporation ("Guarantor"), and is effective November 1, 2023 ("Effective Date").

In order to induce Lender to extend and/or to continue to extend financial accommodations to **PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION**, a California nonprofit public benefit corporation ("PVHDHC") and **PAJARO VALLEY HEALTHCARE DISTRICT PROJECT**, a California nonprofit public benefit corporation ("PVHD") (PVHDHC and PVHD are together referred to herein as "Borrower"), pursuant to any present or future promissory note, or other present or future agreement between Lender and Borrower including any modifications, extensions, revisions or substitutions thereof including all other agreements entered into in connection with and for the purpose of executing any of the loan documents referenced herein, (collectively, "Loan Documents"), and in consideration thereof, and in consideration of any loans, advances, or financial accommodations granted by Lender to or for the account of Borrower pursuant to the Loan Documents, Guarantor hereby guarantees, promises and undertakes as follows:

### **1. OBLIGATION**

Guarantor unconditionally, absolutely and irrevocably guarantees and promises to pay to Lender, or order, on demand, in lawful money of the United States, any and all present or future indebtedness and/or obligations of Borrower owing to Lender (including, but not limited to, the repayment to Lender of all sums which may be presently due and owing and of all sums which shall in the future become due and owing from Borrower) arising under the Loan Documents or other agreements, except as may be limited by Section 3 below and as otherwise provided herein. The terms "indebtedness" and "obligations" (hereinafter collectively referred to as the "Obligations") are used herein in their most comprehensive sense and include each of the following: (i) any and all advances, debts, obligations, and liabilities of Borrower arising under that certain promissory note dated November 1, 2023 and in the initial original principal amount of **FIVE MILLION DOLLARS** (\$5,000,000.00) (the "Promissory Note") which principal amount decreases over time as provided in the Promissory Note, together with any amendments, extensions, modifications, renewals, replacement or substitutions thereto; (ii) the Loan Documents executed in connection with the Promissory Note, together with any amendments, extensions, modifications, renewals, replacement or substitutions to the Loan Documents; and (iii) further including, without limitation, any and all premiums, charges, and/or interest owed by Borrower to Lender, under the Promissory Note or other Loan Documents, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, whether Borrower may be liable individually or jointly with others, whether recovery upon such indebtedness may be or hereafter becomes barred by any statute of limitations or whether such indebtedness may be or hereafter becomes otherwise unenforceable, and includes Borrower's prompt, full and faithful performance, observance and discharge of each and every term, condition, agreement, representation, warranty, undertaking and provision to be performed by Borrower under the Loan Documents, and including any and all attorneys' fees and costs incurred by Lender directly or indirectly in connection with the collection of any amount owned by Borrower under the Loan Documents and/or incurred by Lender directly or indirectly in connection with enforcement of this Guaranty.

### **2. CONSIDERATION**

This Guaranty is given for the purpose of guaranteeing the continued obligations of Borrower under the terms of the Loan Documents. Guarantor represents and warrants to Lender that Guarantor has a material interest and will benefit, directly or indirectly from, the loan made to Borrower and evidenced by the Promissory Note and Loan Documents (the "Loan"). If this Guaranty is not executed contemporaneously with the Loan Documents, then Guarantor has executed and delivered this Guaranty to Lender in consideration of the Loan.

### **3. GUARANTY LIMITS AND TERMINATION**

The Obligations of Borrower are also guaranteed by: (i) County of Santa Cruz (the "County Guarantor"); and (ii) Community Foundation Santa Cruz County, a California nonprofit public benefit corporation (the "Community Foundation Guarantor"). Together the County Guarantor and Community Foundation Guarantor are referred to herein as the "Other Guarantors" and each individually referred to as "Other Guarantor."

Guarantor's guarantee of the Obligations shall not exceed One Million Dollars (\$1 million) of the Obligations, and is further limited to the following amounts (the following amounts, which are not to exceed \$1 million, are referred to herein as the "Guaranty Amount"): (i) twenty percent (20%) of all dollar amounts owed by Borrower

under the Loan Documents that were incurred during the first year following the date of the Promissory Note; (ii) twenty-five percent (25%) of all dollar amounts owed by Borrower under the Loan Documents that were incurred during the period beginning one (1) year after the date of the Promissory Note; and (iii) thirty three and 1/3 percent (33.333%) of all dollar amounts owed by Borrower under the Loan Documents that were incurred beginning two (2) years after the date of the Promissory Note. Notwithstanding the foregoing, if any Other Guarantor fails to pay a portion or all of the amounts that such Other Guarantor is required to pay under the guaranty executed by the Other Guarantor, then such occurrence shall not reduce the amounts Guarantor is required to pay to Lender under this Guaranty. Additionally, Guarantor acknowledges, understands and agrees that, except as provided above, Lender's recourse against Guarantor, and Lender's rights and remedies under this Guaranty, are not limited (or otherwise affected) by the guaranties provided by the Other Guarantors.

Any termination of this Guaranty shall be applicable only to transactions having their inception after the effective date of termination and shall not affect any rights or Obligations arising out of transactions having their inception prior to such date even if subsequent to such termination the Obligations are modified, renewed, compromised, extended, or otherwise amended (including, but not limited to, an increase in the interest rate applicable to the Obligations). Any termination of this Guaranty shall only be effective upon actual receipt by Lender of a written notice of termination signed by Guarantor and shall be effective five (5) business days after the actual receipt by Lender of such notice of termination.

#### **4. INDEPENDENT OBLIGATION**

Guarantor agrees (i) that Guarantor is directly and primarily liable to Lender; (ii) that the obligations of Guarantor hereunder are separate and independent of the Obligations of Borrower, or of any other guarantor of Borrower's Obligations; and (iii) that Lender may file a separate action or actions at law against the Guarantor to enforce this Guaranty and may exercise any rights or remedies that Lender may have against collateral securing performance under the terms of this Guaranty.

#### **5. INSOLVENCY OF GUARANTOR OR BORROWER**

In the event that any bankruptcy, insolvency, receivership or similar proceeding is instituted by or against Guarantor and/or the Borrower or in the event that either the Guarantor or Borrower becomes insolvent, makes an assignment for the benefit of creditors, or attempts to effect a composition with creditors, at Lender's election, without notice or demand, the obligations of Guarantor created hereunder shall become due, payable and enforceable against Guarantor whether or not the Obligations are then due and payable.

#### **6. WAIVERS**

In consideration of the extension by Lender to Borrower of existing and future loans, credit facilities and other financial accommodations, Guarantor hereby knowingly and irrevocably waives each and all of the following:

**6.1** The right to require Lender to prosecute or seek to enforce any remedies against Borrower or any other party liable to Lender on account of the Obligations and/or to require Lender to seek to enforce or resort to any remedies with respect to any security interests, liens or encumbrances granted to Lender to secure the Obligations before making demand under and/or seeking to enforce this Guaranty.

**6.2** Any defense to the enforcement of this Guaranty arising out of or in any way related to (i) any modification, amendment, supplement, extension, accord and satisfaction, settlement or termination of the Loan Documents or other contract or agreement to which Lender and Borrower may hereafter agree, (ii) any modification, amendment, supplement, alteration, extension, accord and satisfaction or termination of the Obligations or any collateral at any time securing the Obligations (collectively, the "Collateral"), or (iii) any agreements or arrangements whatsoever between Lender and Borrower or with anyone else.

**6.3** Any rights to assert against Lender any defense (legal or equitable), set-off, counterclaim, and/or claim which Guarantor now, or at any time hereafter, may have against Borrower and/or any other party liable to Lender in any way or manner.

**6.4** Any and all defenses, counterclaims and offsets of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity and/or enforceability of the Loan Documents or this Guaranty including acts or omissions which may discharge Borrower due to the unenforceability of the Loan Documents or other guarantees. Guarantor further waives: Section 1111(b)(2) of the U. S. Bankruptcy Code (the "Code"); any extension of credit or grant of lien under Section 364 of the Code; any use of cash collateral under Section 363 of the Code; any agreement or stipulation as to the provision of adequate protection in any bankruptcy proceeding; the avoidance of any lien in favor of Lender for any reason; or any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt, liquidation or dissolution proceeding commenced by or against Borrower, the undersigned or any other guarantor, maker or endorser, including

without limitation, any discharge of, or bar or stay against collecting, all or any of the indebtedness (or any interest thereon), in or as a result of any such proceeding; any indebtedness exceeding the Guarantor's liability hereunder. Guarantor further waives any rights or defenses it may have with regard to: any election by Lender under Section 9604 of the California Uniform Commercial Code as to any Collateral or any collateral securing any other guarantee of the Obligations; or any action taken by Lender that is authorized by this Guaranty.

**6.5** All rights to assert any defense to the enforcement of this Guaranty on the grounds that (i) Lender has released voluntarily or involuntarily the Borrower or any other guarantor, (ii) Lender has modified the Loan Documents or any other contract between Borrower and Lender, or (iii) Lender has released or agreed to accept a substitution of all or any part of the Collateral without the consent of Guarantor. Guarantor further agrees that any releases which may be given by Lender to Borrower or any other guarantor or endorser shall not release any obligation of performance by Guarantor under the terms of this Guaranty. Guarantor further agrees that the Lender may proceed against the Guarantor and any collateral securing Guarantor's obligations under this Guaranty at any time and in any order that it chooses without regard to other guarantors, the Borrower or other available collateral and the Guarantor waives all rights to require the Lender to marshal the Collateral.

**6.6** Any and all rights and defenses that Guarantor may have because any Obligation is secured by a lien on real property. This means, among other things: (i) Lender may collect from Guarantor without first foreclosing on any real or personal property that is included in the Collateral; (ii) if Lender forecloses on any real property Collateral: (a) the amount of the Obligation may be reduced only by the price for which that Collateral is sold at the foreclosure sale, even if the real estate Collateral is worth more than the sale price, (b) the Lender may collect from Guarantor even if Lender, by foreclosing on any real property that may be included in the Collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have with regard to the Obligations. These rights and defenses include, but are not limited to, any rights and defenses based on Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure. As an illustration, without limiting the foregoing, Guarantor waives and relinquishes all rights, remedies and defenses that Guarantor may have: (1) under any law which may limit the amount of a deficiency judgment based on any obligation secured hereby; (2) under any bar to deficiency judgments; (3) any requirement of law that Lender exhaust any security for the Obligations guaranteed hereby before proceeding against Guarantor; (4) under any law which may prohibit Lender from enforcing its rights and remedies against Guarantor by both a private trustee's sale and an action in court; (5) under any law which requires that a court action to enforce Lender's rights by an action to foreclose any deed of trust; and (6) by reason of an election of remedies by Lender, including but not limited to the exercise of nonjudicial or judicial remedies against Borrower or any guarantor, Borrower's or any guarantor's real and/or personal property, or any other security for the Obligation guaranteed hereby in whatever order of manner Lender may determine, which may, in any manner, impair, affect, reduce, release, destroy, and/or extinguish Guarantor's subrogation rights, rights to proceed against Borrower for reimbursement, and/or other rights of Guarantor to proceed against Borrower, any guarantor, or against any other person or security including, without limitation, any loss of rights that Guarantor may suffer in connection with any anti-deficiency laws or any other laws limiting, qualifying or discharging indebtedness of or remedies against Borrower or any other person. Guarantor agrees that if all, or a portion, of the Obligation guaranteed hereby are at any time secured by any deed of trust or other interest in real property, Lender, in its sole discretion and without notice or demand and without affecting the security of any deed of trust, may exercise all its rights and remedies against Borrower or any guarantor, Borrower's or any guarantor's real and personal property, and any other security for the Obligation guaranteed hereby in whatever order or manner Lender may determine, including without limitation, nonjudicial foreclosure of any real property security. Without limiting the generality of the foregoing or any other provision hereof, Guarantor hereby expressly waives any and all benefits that might otherwise be available to Guarantor under California Civil Code Sections 2787 to 2855, 2899 and 3433 (as such sections may be amended or recodified from time to time), and California Code of Civil Procedure Sections 580a, 580b, 580d and 726 (as such sections may be amended or recodified from time to time). Guarantor hereby acknowledges and understands that Lender may obtain a judgment against Guarantor for the entire Obligation or any deficiency balance thereof following foreclosure of real or person property without regard to the fair market value of the property, the method of foreclosure or that fact that the Obligation arises from a purchase money transaction.

**6.7** Any and all presentments, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor, notices of default, notice of acceptance of this Guaranty, and notices of the existence, creation, or incurring of new or additional indebtedness, and all other notices or formalities to which Guarantor may be entitled.

**6.8** To the extent permitted by law, any and all rights to a jury trial in any action hereunder or arising out of Lender's transactions with Borrower.

## **7. INDEMNITY**

Guarantor agrees to indemnify Lender and hold Lender harmless against all obligations, demands, claims and liabilities claimed or asserted by any other party and against all losses in any way suffered, incurred, or paid by Lender as a result of or in any way arising out of, following, or consequential to this Guaranty or to transactions with Borrower whether under the Loan Documents, or otherwise.

## **8. SCOPE OF LENDER'S AUTHORITY**

Guarantor hereby irrevocably authorizes Lender, without notice or demand and without affecting its liability hereunder, from time to time to:

**8.1** Renew, compromise, extend, accelerate, or otherwise change the time for payment or the terms of any of the Obligations, or any part thereof, including, without limitation, increasing or decreasing the rate of interest thereof;

**8.2** Take and hold security for the payment of the Obligations guaranteed hereby, and exchange, enforce, waive, and release any such security without obtaining consent of Guarantors;

**8.3** Apply such security and direct the order or manner of sale thereof as Lender in its discretion may determine;

**8.4** Release or substitute any one or more endorser(s) or guarantor(s); and

**8.5** Assign, without notice, this Guaranty in whole or in part and/or Lender's rights hereunder to anyone at any time.

Guarantor agrees that Lender may do any or all of the foregoing in such manner, upon such terms, and at such times as Lender, in its discretion, deems advisable, without, in any way or respect, impairing, affecting, reducing or releasing Guarantor. Guarantor hereby consents to each and all of the foregoing acts, events and/or occurrences.

## **9. SUBORDINATION OF OTHER DEBTS**

Guarantor hereby subordinates and postpones any and all present and future debts and obligations of Borrower to Guarantor to the full payment and performance of all present and future debts and obligations of Borrower to Lender. All monies or other property of Guarantor at any time in Lender's possession may be held by Lender as security for any and all obligations of Guarantor to Lender no matter how or when arising, whether absolute or contingent, whether due or to become due, and whether under this Guaranty or otherwise. Guarantor also agrees that Lender's books and records showing the account between Lender and Borrower shall be admissible in any action or proceeding and shall be binding upon Guarantor for the purpose of establishing the terms set forth therein and shall constitute prima facie proof thereof. At the request of Lender, Borrower shall pay to Lender all or any part of such subordinated indebtedness and any amount so paid to Lender at its request shall be applied to payment of the indebtedness. Each payment on the indebtedness of Borrower to Guarantor received in violation of any of the provisions hereof shall be deemed to have been received by the Guarantor as trustee for Lender and shall be paid over to Lender immediately on account of the indebtedness, but without otherwise affecting in any manner Guarantor's liability under any of the provisions of this Guaranty. Guarantor agrees to file all claims against Borrower in any bankruptcy or other proceeding in which the filing of claims is required by law in respect of any indebtedness of Borrower to Guarantor, and Lender shall be entitled to all of Guarantor's rights thereunder. If, for any reason, Guarantor fails to file such claim at least 30 days prior to the last date on which such claim should be filed, Lender, as Guarantor's attorney in fact, is hereby authorized to do so in Guarantor's name or, in Lender's discretion, to assign such claim to and cause proof of claim to be filed in the name of Lender's nominee. In all cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to Lender the full amount payable on the claim in the proceeding, and to the full extent necessary for that purpose, Guarantor hereby assigns Lender all Guarantor's rights to any payments or distributions to which Guarantor otherwise would be entitled.



## 10. GUARANTOR'S DUTY TO INVESTIGATE

Guarantor is presently informed of the financial condition of the Borrower and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Guarantor hereby covenants that Guarantor will continue to keep itself informed of Borrower's financial condition, the status of other guarantors, if any, and of all other circumstances which bear upon the risk of nonpayment. Absent a written request for such information by Guarantor to Lender and written consent to the release of such information by Borrower, Guarantor hereby waives Guarantor's rights, if any, to require Lender to disclose to it any information which Lender may now or hereafter acquire concerning such condition or circumstances including, but not limited to, the release of or revocation by any other guarantor, the substitution of collateral securing the primary obligation or any guaranty, or any act, event or condition which may constitute an event of default of any guaranty or the Loan Documents.

## 11. REVIVAL OF GUARANTY

If any payments of money or transfers of property made to Lender by Borrower, or other guarantor, any maker or any endorser should for any reason subsequently be declared to be, or in Lender's counsel's good faith opinion be determined to be, fraudulent (within the meaning of any state or federal law relating to fraudulent conveyances), preferential or otherwise voidable or recoverable in whole or in part for any reason (hereinafter collectively called "voidable transfer"), the amount repaid or restored and all costs and expenses (including attorney's fees) of Lender related thereto, Guarantor's liability hereunder shall automatically be revived, reinstated and restored and shall exist as though such voidable transfer had never been made to Lender. In the event Lender shall have returned this Guaranty to Guarantor and subsequently be required or advised by counsel to restore or repay any such voidable transfer, the amount thereof, or any portion thereof, Guarantor shall remain liable as provided herein to the same extent as if this Guaranty had not been returned to Guarantor.

## 12. TERM OF OBLIGATIONS

This Guaranty shall continue in full force and effect until Borrower's Obligations are fully paid, performed and discharged and Lender give the Guarantor written notice of that fact. Borrower's Obligations shall not be considered fully paid, performed and discharged unless and until all payments by Borrower to Lender are no longer subject to any right on the part of any person whomsoever, including but not limited to Borrower, Borrower as a debtor in possession, and/or any trustee in bankruptcy, to set aside such payments or seek to recoup the amount of such payments, or any part thereof. The foregoing shall include, by way of example and not by way of limitation, all rights to recover preferences voidable under Title 11 of the United States Code. In the event that any such payments by Borrower to Lender are set aside after the making thereof, in whole or in part, or settled without litigation, to the extent of such settlement, all of which is within Lender's discretion, Guarantor shall be liable for the full amount Lender is required to repay plus costs, interest, attorneys' fees and all expenses which Lender paid or incurred in connection therewith.

## 13. FINANCIAL STATEMENTS AND TAX RETURNS

### 13.1 Financial Statements.

(a) Within one hundred twenty (120) days after the close of each fiscal year of Guarantor, Guarantor shall deliver to Lender audited financial statement(s) of Guarantor prepared by an independent certified public accountant acceptable to Lender. All financial statements delivered to Lender shall include a balance sheet and profit and loss statement, and an independent certified public accountant's letter to management regarding the preparation of the financial statements.

(b) Guarantor shall deliver to Lender a certificate signed by the chief financial officer of Guarantor to the effect that all reports, statements, or computer-prepared information of any kind or nature delivered or caused to be delivered to Lender under this Guaranty are accurate, true and fairly present the financial condition of Guarantor.

13.2 Tax Returns. If Guarantor files a federal income tax return with the Internal Revenue Service, then within one hundred twenty (120) days after the filing Guarantor shall provide Lender with a copy of the signed tax return filed with the Internal Revenue Service as filed by Guarantor.

13.3 Other Reports. Guarantor shall deliver to Lender other reports reasonably requested by Lender relating to the financial condition of Guarantor.

## 14. WAIVER OF RIGHT OF SUBROGATION

Guarantor expressly waives and releases any and all rights of subrogation, reimbursement, indemnity or contribution which it may now or hereafter have against: (1) Borrower, any other guarantor or any person who now or hereafter has direct or contingent liability (whether by contract, at law or in equity) for all or any portion of the Obligations guaranteed hereby; or (2) against any property which now or hereafter serves as collateral security for the obligations guaranteed hereby. If and to the extent such waiver and release is unenforceable, Guarantor hereby agrees that all such rights of subrogation, reimbursement, indemnity and contribution shall be junior and subordinate to the right of Lender to obtain payment and performance of the Obligations guaranteed hereby and to all rights of Lender in and to any property which now or hereafter serves as collateral security for such Obligations.

## **15. SURVIVAL**

This Guaranty shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of Lender's successors and assigns, including all receivers, trustees, administrators and other successors in interest of Guarantor. The death of Guarantor and the incapacity, lack of authority, death, disability or revocation hereof by any other guarantor shall not terminate or otherwise impair this Guaranty. All Obligations hereunder shall survive the foregoing events and shall be fully satisfied before Guarantor may proceed with action to obtain subrogation, contribution or reimbursement against Borrower.

## **16. MODIFICATIONS**

No modification of this Guaranty shall be effective for any purpose unless it is in writing and executed by an officer of Lender authorized to do so. This Guaranty merges all negotiations, stipulations and provisions relating to the subject matter of this Guaranty which proceed or may accompany the execution of this Guaranty.

## **17. EXCLUSIVE AGREEMENT**

Guarantor acknowledges and agrees that this Guaranty represents the sole and exclusive and final expression of the agreement between the Lender and the Guarantor and that it supersedes and extinguishes all prior negotiations, oral and written representations, covenants or conditions including other agreements between the Guarantor and the Lender but explicitly does not supersede prior guaranties which are intended to guaranty other obligations of the same Borrower or other borrowers. In the event that there is a prior guaranty of the Obligation this Guaranty does not supersede such prior guaranties between Guarantor and Lender but is intended to be a separate and additional guaranty of the obligation. Guarantor declares that he/she/it has not relied on any warranty, representation, covenant or condition made by Lender which may qualify this Guaranty or contains any different terms than provided for herein. Further, Guarantor has not signed any other agreement or document in connection with guaranteeing the obligations hereunder which in any way modifies or restricts Guarantor's obligation to perform under the terms of this Guaranty. Guarantor waives any right to have any term or condition of this Guaranty modified or changed by the introduction of prior discussions or negotiations of the parties whether written or oral. Guarantor understands and acknowledges all of the waivers contained in this Guaranty and has consulted legal counsel or other sources to understand the nature and extent of the waivers and acknowledges that the waivers are enforceable. If any such waivers are determined to be against public policy, the waiver shall be enforced to the extent appropriate under law.

## **18. TERMS OF THE GUARANTY**

Guarantor acknowledges and agrees that he/she/it has read the guaranty and fully understands all of the terms thereof. The Guarantor further agrees that the guaranty is the complete and accurate expression of the Guarantor's understanding of the agreement between the Guarantor and the Lender and that Guarantor has not relied on any other agreement or representations in executing this Guaranty.

## **19. ATTORNEY FEES**

Guarantor agrees to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Lender in the enforcement of this Guaranty or in any way arising out of, following, or consequential to the enforcement of Borrower's Obligations, whether under this Guaranty, the Agreement, or otherwise.

## **20. GOVERNING LAW AND VENUE**

**20.1 Demand; Protest, etc.** Guarantor waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any commercial paper, accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which Guarantor may in any way be liable.

**20.2 Jury Trial.** Unless prohibited under the laws that govern an action or proceeding relating to this Guaranty or related agreements entered into in connection herewith, Guarantor waives any right to trial by jury in any action or proceeding relating to this Guaranty or any of the agreements entered into in connection herewith.

**20.3 Choice of Law and Venue.** The validity of this Guaranty, its construction, interpretation, and enforcement, and the rights of the parties hereunder and concerning the Collateral, shall be determined under, governed by, and construed in accordance with the laws of the State of California. The parties agree that all actions or proceedings arising in connection with this Guaranty shall be tried and litigated only in the state and federal courts located in the County of Santa Cruz. Guarantor waives any right it may have to assert the doctrine of *forum non conveniens* or to object to such venue and hereby consents to any court ordered relief.

## 21. COUNTERPART EXECUTION

This Guaranty may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same Guaranty.

## 22. NOTICES

Except as otherwise provided herein, any notice or other communication required or permitted to be given under this Guaranty shall be in writing and shall be personally served by messenger, or sent by a commercial overnight delivery service (such as Federal Express), or by certified mail, return receipt requested, and shall be deemed given on the date actually received if served by messenger, or on the next business day after deposit with an overnight delivery service, or on the date of receipt as shown on the return receipt if sent by certified mail. The addresses of the parties to which notices and other communications shall be sent (until notice of a change thereof is served as provided herein) are set forth below. Any party to this Guaranty may change its address for giving notices or demands hereunder by written notice of such change to the other party in accordance with the provisions hereof. Guarantor shall promptly notify Lender of any change of its mailing address in the manner prescribed by this paragraph.

**GUARANTOR:**

Name: SALUD PARA LA GENTE  
Address: SALUD PARA LA GENTE  
Attn: Doris Rose  
195 Aviation Way, Suite 200  
Watsonville, CA 95076

**LENDER:**

Name: SANTA CRUZ COUNTY BANK  
Address: SANTA CRUZ COUNTY BANK  
Attn: Note Department  
P.O. Box 8426  
Santa Cruz, CA 95061

## 23. PLURAL

If more than one Guarantor executes this Guaranty, all references to Guarantor shall be changed to mean all Guarantors and all Guarantors shall be jointly and severally liable for all Obligations hereunder unless expressly provided otherwise by this Guaranty.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, this Guaranty is executed on behalf of the Guarantor on the date provided below.

**Date:** November 1, 2023

**GUARANTOR:**

SALUD PARA LA GENTE, a California nonprofit public  
benefit corporation

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

**Name:** Donna Young

**Title:** CEO

## SECURITY AGREEMENT

**THIS SECURITY AGREEMENT** ("Agreement") is dated for reference purpose November 1, 2023 ("Effective Date"), by PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION, a California nonprofit public benefit corporation ("Debtor") in favor of SANTA CRUZ COUNTY BANK, a California state-chartered bank ("Lender"), with references to the following recitals:

### ARTICLE I: RECITALS

**1.1** Lender has agreed to provide a revolving line of credit to Debtor and to PAJARO VALLEY HEALTHCARE DISTRICT, a California nonprofit public benefit corporation ("PVHD") in the initial original principal amount of FIVE MILLION DOLLARS (\$5,000,000.00) (the "Loan"), to be evidenced by a promissory note in the original principal amount of the Loan and executed by Debtor and PVHD as co-borrowers to the order of Lender ("Note"). The credit limit on the Loan is to decrease as provided in the Note.

**1.2** As a condition to making the Loan to Debtor, Lender has required that Debtor grant to Lender a security interest in certain personal property assets of Debtor (more particularly described in the definition of the term "Collateral" set forth below) to secure repayment of the Loan, all amounts payable by Debtor under this Agreement, the Note and any other agreement, document or instrument executed by Debtor (and/or PVHD) in connection with the Loan (collectively, the "Loan Documents") and to secure performance by Debtor of all other "Obligations" (as that term is defined below).

**NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL BENEFITS ACCRUING TO THE PARTIES HERETO AND OTHER VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO DECLARE, UNDERSTAND AND AGREE TO THE FOLLOWING TERMS:**

### ARTICLE II: DEFINITIONS

Capitalized terms in this Agreement that are not defined when first used shall have the meanings set forth below.

**2.1 Accounts.** The term "Accounts" shall mean all presently existing and hereafter arising accounts, as such term is defined in the "UCC," including, without limitation, accounts receivable, contract receivables, receivables of any kind, deposit accounts, and all other forms of obligations owing to Debtor arising out of the sale or lease of goods or the rendition of services by Debtor, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, and Debtor's Books relating to any of the foregoing.

**2.2 Cash Collateral.** The term "Cash Collateral" shall mean all deposit accounts, monies, instruments, certificates of deposit, and related collateral.

**2.3 Chattel Paper.** The term "Chattel Paper" shall mean all chattel paper, as such term is defined in the UCC, now existing or hereinafter acquired, including, without limitation, leases, contracts, contracts now or hereinafter assigned to Debtor, and any other writing or writings which evidence a monetary obligation and a security interest in goods, and Debtor's Books relating to any of the foregoing.

**2.4 Equipment.** The term "Equipment" shall mean all of Debtor's present and hereafter acquired equipment, as such term is defined in the "UCC," including, without limitation, all machinery, machine tools, motors, furniture, furnishings, fixtures, tools, parts, dies, jigs, and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located.

**2.5 Event of Default.** The term "Event of Default" shall mean the occurrence of one or more of the events described in Section 6 of this Agreement.

**2.6 General Intangibles.** The term "General Intangibles" shall mean all of Debtor's present and future general intangibles, as such term is defined in the UCC, including, without limitation, documents, documents of title, contract rights, leases, deposit accounts, insurance policies, guaranties, releases, any monies due from a factor, claims, choses or things in action, goodwill, patents, trade names, trademarks, service marks, rights arising under patent, copyright and trademark law, blueprints, drawings, purchase orders, customer lists,

monies due or recoverable from pension funds, route lists, infringement claims, computer programs, computer disks, computer tapes, literature, reports, catalogs, tax refunds and tax refund claims, and Debtor's books relating to any of the foregoing.

**2.7 Instruments.** The term "Instruments" shall mean all instruments, as such term is defined in the UCC, whether now existing or hereinafter acquired, including, without limitation, negotiable instruments, letters of credit, notes, drafts, documents of title, certificated and uncertificated securities, and any other writing which evidences a right to the payment of money, and Debtor's Books relating to any of the foregoing.

**2.8 Inventory.** The term "Inventory" shall mean all inventory, as such term is defined in the UCC, whether now existing or hereinafter acquired, including, without limitation, all used cars held by Debtor for sale or lease, all goods, machinery and equipment held by Debtor for sale or lease or to be furnished under a contract of service, all raw materials, work in progress, finished goods, packing and shipping materials, all goods returned or reclaimed relating to the foregoing, and all documents of title representing any of the foregoing, and Debtor's Books relating to any of the foregoing.

**2.9 Obligations.** The term "Obligations" shall mean: (i) all amounts owed by Debtor to Lender in connection with the Loan and under the Loan Documents, with interest thereon, and all other amounts payable by Debtor under the Loan Documents, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including any debt, liability, or obligation owing from Debtor to others which Lender may have obtained by assignment or otherwise, and further including all interest not paid when due which Debtor is required to pay or reimburse under the Loan Documents, by law or otherwise; and (ii) all non-monetary obligations of Debtor under the Loan Documents.

**2.10 UCC.** The term "UCC" shall mean the Uniform Commercial Code as enacted in the state whose law applies with respect to the creation, perfection and enforcement of Lender's rights as to the Collateral.

### ARTICLE III: SECURITY INTEREST

**3.1 Grant.** As security for the due and timely performance of all Obligations, and the due and timely performance of all obligations of Debtor hereunder, Debtor hereby transfers, conveys, grants and assigns to Lender a security interest in the "Collateral" (as defined below).

The term "Collateral" shall include all of Debtor's rights, title and interests in each of the following: Accounts, Cash Collateral, Chattel Paper, Equipment, General Intangibles, Instruments, Inventory, all deposit accounts, all monies, all lock box accounts, and all other assets of Debtor which hereafter come into the possession, custody or control of Lender, and all proceeds whether tangible or intangible, of each and all of the foregoing including, without limitation, all rights under any insurance policies, and the proceeds thereof, insuring against loss, damage or destruction of the any of the foregoing.

**3.2 Perfection of Security Interest.** Debtor agrees to and shall take all actions that may be necessary or appropriate or that Lender may at any time or from time to time request as necessary in the opinion of Lender to perfect and maintain the perfection of Lender's security interest in the Collateral as a first priority lien, subject to no other liens or encumbrances. Specifically, but without limiting the generality of the foregoing, Debtor hereby irrevocably constitutes and appoints Lender the attorney-in-fact of Debtor to execute, deliver and, if appropriate, to file and/or record with the appropriate filing officer or office such security agreements, financing statements, notices, continuation statements and other instruments as Lender may request or require in order to impose, perfect or continue the perfection of Lender's security interest in the Collateral.

### ARTICLE IV: DEBTOR'S REPRESENTATIONS AND WARRANTIES

**4.1 Authority.** Debtor has all requisite power and authority to enter into this Agreement and to grant to Lender a security interest in the Collateral.

**4.2 No Violation of Any Agreement.** The execution, delivery and performance of this Agreement by Debtor does not violate any agreement to which Debtor is a party or by which Debtor or Debtor's property is or may be bound, and no consent of, notice to, approval of or withholding of objection by any person or organization, including any governmental agency, is required in connection with such execution, delivery and performance.

**4.3 Binding Obligation.** This Agreement constitutes a legally valid and binding obligation of Debtor, enforceable against Debtor in accordance with its terms, except as limited by applicable bankruptcy, insolvency, or reorganization or similar laws affecting the enforcement of creditors' rights generally.

**4.4 No Other Assignment.** Debtor has not executed any other document or agreement assigning or otherwise transferring any interest in and to the Collateral or Debtor's rights therein, except pursuant to this Agreement.

**4.5 No Action or Proceeding.** There is no action or proceeding pending by or against Debtor before any court or administrative agency, and Debtor has no knowledge of any pending, threatened or imminent litigation, governmental investigation or claim, complaint, action or prosecution involving Debtor, except with regard to (i) ongoing collection matters in which Debtor is the plaintiff, and (ii) other matters heretofore disclosed, in writing, to Lender. If any of the foregoing arise during the term of this Agreement, Debtor shall immediately notify Lender in writing.

#### ARTICLE V: AFFIRMATIVE COVENANTS OF DEBTOR

Until all Obligations have been fully satisfied, unless Lender waives compliance in writing, Debtor agrees and covenants as follows:

**5.1 Compliance with Terms of Loan Documents.** Debtor shall comply with each and all of the terms and conditions contained in the Loan Documents.

**5.2 Taxes, Assessments and Other Charges.** Debtor shall duly and promptly pay and discharge, as the same become due and payable, all taxes, assessments, and governmental and other charges, levies or claims levied or imposed, or which if unpaid might become a lien or charge, upon the properties, assets, earnings or business of Debtor, except for such taxes, assessment, charges, levies or claims that are being diligently contested in good faith by Debtor and Debtor has made appropriate provisions, approved by Lender, to pay and discharge same upon resolution of any dispute. If Debtor fails to pay any such tax, assessment, charge, levy or claim, Lender may, in its sole and absolute discretion and without notice to Debtor, make payment of the same or any part thereof as Lender deems necessary to satisfy the liability therefor. Lender may conclusively rely on the usual statements of the amount owing or other official statements issued by the appropriate governmental agency.

**5.3 Payment of Obligations.** Debtor shall pay all of its liabilities and obligations when due and prior to the date on which penalties attach thereto and will keep all existing debts current.

**5.4 Laws.** Debtor shall comply with all applicable statutes and regulations affecting the ownership of its property and the conduct of its business.

**5.5 Notice of Certain Events.** Debtor shall give prompt written notice to Lender of: (i) all events of default under any of the terms or provisions of this Agreement or any other agreement entered into by Debtor; (ii) material changes in management of Debtor; (iii) litigation, arbitration, or filing of any judgment or lien with Debtor as a party; (iv) initiation of any bankruptcy proceeding with regard to Debtor; and (v) any other matter which has resulted in, or might reasonably be expected to result in, a material adverse change in Debtor's financial condition or operations.

**5.6 Execution of Other Documents.** Debtor shall promptly execute and deliver all supplements and amendments hereto, and all financing statements, fixture filings, continuation statements and such additional agreements, instruments and assurances in connection with this Agreement as Lender reasonably requests to effectuate the provisions hereof.

**5.7 Asset Forfeiture.** Debtor covenants and agrees that it has not committed and shall not commit any act or engage in any conduct which shall cause the Collateral or any assets of Debtor to be subject to any claim by the federal, state or local government, now or in the future, under the asset forfeiture laws or regulations promulgated thereunder and as may be amended from time to time.

**5.8 Insurance.** Debtor shall maintain insurance covering the Collateral and in accordance with the insurance requirements provided in the Loan Documents.

**5.9 No Other Assignment.** Debtor shall not execute any other document or agreement assigning or otherwise transferring any interest in and to the Collateral or Debtor's rights therein, except pursuant to this Agreement or upon Lender's express written consent.

**5.10 Other Information.** Debtor shall promptly supply Lender with such other information concerning its business and general financial condition as Lender may reasonably request from time to time.

## **ARTICLE VI: DEFAULT AND REMEDIES**

**6.1 Events of Default.** Any one or more of the following shall constitute an “Event of Default” for purposes of this Agreement (references below to “Borrower” has the meaning provided in the Note):

- (a) Debtor fails or neglects to perform, or observe when due, any term, provision, condition, covenant, warranty or representation contained in this Agreement;
- (b) Borrower fails to pay within ten (10) days after the date due and payable, or after the date when declared due and payable, any amounts payable under the Note (whether of principal, interest, late payment charge, prepayment premium, or otherwise) and other Loan Documents;
- (c) Any Borrower fails or neglects to perform, or observe when due, any term, provision, condition, covenant, warranty or representation contained in any Loan Documents, or in any other present or future agreement or arrangement between any Borrower and Lender, and such default shall not have been cured within the timeframe for curing such default as provided in the Loan Documents;
- (d) There is a material impairment of the prospective of repayment of any portion of the amounts owing to Lender under the Note or other Loan Documents;
- (e) There is a material impairment of the value or priority of Lender's security interests in any Collateral;
- (f) Any material portion of any Borrower’s assets are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any judicial officer, or any lien is filed or recorded against the assets of than any Borrower by a governmental agency, or any judgment against the Borrower becomes a lien against any of any Borrower’s assets;
- (g) A voluntary or involuntary petition in bankruptcy or for reorganization or for an arrangement or any composition, readjustment, liquidation, dissolution or similar relief pursuant to the federal bankruptcy law or under similar present or future federal or state bankruptcy or insolvency law, is filed by or against any Borrower, and such petition is not dismissed within sixty (60) days thereafter;
- (h) A receiver, trustee or liquidator (or other similar official) is appointed for any Borrower or for all or any substantial part of its assets and is not discharged within sixty (60) days thereafter;
- (i) Any Borrower makes an assignment of all or any portion of its assets for the benefit of creditors;
- (j) Any Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;
- (k) There is a default in any material agreement to which Borrower is a party with third parties resulting in a right by such third parties to accelerate the maturity of Borrower’s indebtedness;
- (l) Any guarantor of any of the Obligations dies, ceases to exist as going concern, terminates its guaranty, or becomes the subject of any insolvency proceeding;
- (m) Any government agency files a lien or commences an action or any third party files a claim or lawsuit against Borrower in connection with a violation of state or federal environmental statutes, which claim may result in a substantial fine or penalty or the payment of damages;
- (n) Any agency of the federal, state or local government commences any proceedings against Borrower or any guarantor, or the assets of either, for the purpose of enforcing forfeiture rights as provided by federal or state law, or Borrower or any guarantor is the subject of any investigation or any complaint or bill of indictment has been brought against Borrower or any guarantor in connection with conduct the penalty for which is forfeiture of all or any portion of Borrower’s or guarantor's assets;
- (o) Any Borrower suspends its business or ceases doing business as a going concern;
- (p) Any other default occurs under the Loan Documents, and such default is not cured within the time period to cure (if applicable) as provided in the Loan Documents; and/or
- (q) Any of the foregoing events occur with respect to any guarantor of any of the Obligations.



**6.2 Remedies upon Default.** Upon the occurrence of an Event of Default under this Agreement, Lender may, at its election, without notice and without demand, do any one or more of the following, all of which are authorized by Debtor (references below to “Borrower” has the meaning provided in the Note):

- (a) Exercise any of Lender’s rights and remedies under the Loan Documents.
- (b) Without notice to or demand upon Debtor, make such payments and do such acts as Lender considers necessary or reasonable to protect its security interest in the Collateral, including without limitation to pay, purchase, contest or compromise any lien, encumbrance, interest or charge which, in the opinion of Lender, appears to be prior or superior to its security interest and to pay, on Debtor's behalf, all expenses incurred in connection therewith.
- (c) Declare all amounts owed to Lender under the Loan Documents immediately due and payable;
- (d) Cease extending credit to or for the benefit of any Borrower under the Loan Documents or under any other agreement between any Borrower and Lender.
- (e) Without notice to or demand upon Debtor or any guarantor, make such payments and do such acts as Lender considers necessary or reasonable to protect its security interest in the Collateral as permitted by the UCC, at law or in equity, and Debtor agrees to immediately reimburse Lender in good and collectible funds for the full amount of such payments.
- (f) Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of Lender, but without affecting Lender's rights and security interest in the Collateral and without affecting any amounts owing by any Borrower to Lender under the Loan Documents.
- (g) Have and exercise all the rights and remedies provided to a secured party by the UCC with respect to all parts of the Collateral or from Debtor.
- (h) Institute proceedings for the collection of all amounts owed to Lender under the Loan Documents, and whether by declaration or otherwise, enforce any judgment obtained and collect monies adjudged due from the Collateral or from Debtor.
- (i) Take any other appropriate action to protect and enforce the rights and remedies of Lender hereunder.

**6.3 Sale of Collateral.** If Lender so elects, Lender may sell or dispose of, or cause the sale or disposal of, the Collateral at one or more public or private sales, or both, by way of one or more finance contracts or transactions, for cash or on terms, in such manner and at such places as is commercially reasonable in the opinion of Lender. It is not necessary that the Collateral be present at any such sale.

- (a) Lender shall give notice of the sale or disposition of all or any part of Collateral as provided in the UCC, in effect on the date such notice is given.
- (b) Lender may bid for and acquire any portion of the Collateral at any public sale, and may pay all or part of the purchase price of such Collateral by crediting against amounts owing on monetary Obligations to the Lender all or part of the net proceeds of such sale after deducting expenses incurred by Lender in connection with such sale. The evidence of the Loan to be so credited need not be produced in order to complete any such sale or in order to cause there to be credited thereon its share of such net proceeds.
- (c) If requested by Lender, Debtor shall use its best efforts to obtain qualified purchasers for the Collateral in connection with any sale. Lender will consider any bids for the Collateral submitted by Debtor prior to any private sale, but Lender shall have no obligation to accept any such bid.

**6.4 Application of Proceeds.** All monies received upon sale or disposition of the Collateral or any part thereof pursuant to this section shall be applied from time to time by Lender in accordance with the UCC. Lender shall be entitled to include within the expenses described in said section, all reasonable attorneys' fees and legal expenses of Lender, its agents and counsel incurred in connection with its enforcement of this section or the maintenance, preparation for sale, lease or other disposition of the Collateral. All monies, earnings, revenues, proceeds, rents, issues, profits and income derived pursuant to the exercise of Lender's rights and remedies under this section (after deducting Lender's expenses and other proper charges), and all other money or property received or recovered by Lender pursuant to this Agreement, shall be applied from time to time by Lender to the monetary Obligations.

**6.5 Remedies Cumulative.** Lender's rights and remedies under this Agreement, any other Loan Documents, and all other agreements or instruments executed by Debtor (and/or PVHD) shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to Lender under the UCC, other applicable law and in equity. No exercise by Lender of one right or remedy shall be deemed an election, and no waiver by Lender of any Event of Default shall be deemed a continuing waiver. No delay by Lender shall constitute a waiver, election, or acquiescence by it.

**6.6 Deficiency Balance.** Unless prohibited by law, any deficiency which exists after the sale or disposition of the Collateral as provided above will be paid immediately by Debtor. Any excess will be returned, without interest and subject to the rights of third parties, to Debtor.

## ARTICLE VII: MISCELLANEOUS PROVISIONS

**7.1 Power of Attorney.** Debtor hereby irrevocably appoints Lender as Debtor's attorney-in-fact and proxy, with full authority in the place and stead of Debtor and in the name of Debtor or otherwise, in such Lender's discretion, at any time upon the occurrence and during the continuance of an Event of Default, to take any action and to execute any instrument which such Lender may deem necessary or advisable to accomplish the purposes of this Agreement, including (without limitation): (i) to obtain and adjust insurance required to be paid to Lender under the Loan Documents; (ii) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral; (iii) to receive, endorse and collect any drafts or other instruments, documents and Chattel Paper in connection with clause (i) or clause (ii) above; (iv) to file any claims or take any action or institute any proceedings that such Lender may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Lender with respect to any of the Collateral; (v) to execute and file one or more financing or continuation statements, and amendments thereto, relating to the Collateral; and (vi) execute any documents needed for purposes of carrying out Lender's remedies in the Event of Default as described in Section 6.2 above. Lender shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, and options expressly or implicitly granted to Lender in this Agreement, and shall not be responsible for any failure to do so or any delay in doing so. Lender shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in their individual capacity or in their capacity as attorney-in-fact except acts or omissions resulting from such Lender's willful misconduct or gross negligence. This power of attorney is conferred on Lender solely to protect, preserve and realize upon the security interests in the Collateral and to take actions with regard to Lender's exercising its remedies in an Event of Default. Lender shall not be responsible for any decline in the value of the Collateral and shall not be required to take any steps to preserve rights against prior parties or to protect, preserve or maintain any security interest or lien given to secure the Collateral. The powers granted herein are coupled with an interest and shall be irrevocable from the date hereof and so long as any amounts owed the Lender under the Loan Documents are outstanding.

**7.2 Relationship to Other Security Agreements.** This Agreement is in addition to any other security or pledge agreements executed by Debtor or another party in connection with the Loan to grant Lender a security interest in property, and this Agreement does not replace or negate any other such security or pledge agreement.

**7.3 Time of the Essence.** Time is hereby declared to be of the essence of this Agreement and of every part hereof.

**7.4 Effective Date.** Notwithstanding the date on which this Agreement is actually signed by Debtor and Lender, the terms and conditions of this Agreement shall be applied, with full force and effect, as of the Effective Date.

**7.5 Entire Agreement; Amendment.** This Agreement and any agreements, instruments or documents referred to herein constitute the entire agreement among the parties hereto regarding the subject matter hereof, and all prior and/or contemporaneous communications, verbal or written, between or among the parties hereto regarding the subject matter hereof shall be of no further effect or evidentiary value. No course of prior dealing between the parties, no usage of trade, and no parole or extrinsic evidence of any nature shall be used

to supplement or modify any term of this Agreement This Agreement can be amended only by a written agreement executed by duly authorized representatives of the parties hereto.

**7.6 Construction of Agreement.** This Agreement shall be construed as though drafted by both parties and shall not be construed against or in favor of any one party. On the contrary, this Agreement has been reviewed by all parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, and references to the part include the whole. The use of the word "including" shall be construed as providing examples only and shall not limit the generality of any provision in which it is used. The use of the word "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder" and similar terms used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, and exhibit references are to this Agreement unless otherwise specified.

**7.7 Severability.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

**7.8 Waivers.**

(a) **Demand; Protest, etc.** Debtor waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any commercial paper, accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which Debtor may in any way be liable.

(b) **Jury Trial.** Unless prohibited under the laws that govern an action or proceeding relating to this Agreement or related agreements entered into in connection herewith, Debtor and Lender each waive any right to trial by jury in any action or proceeding relating to this Agreement or any of the agreements entered into in connection herewith.

**7.9 Governing Law.** The validity of this Agreement, its construction, interpretation, and enforcement, and the rights of the parties hereunder and concerning the Collateral, shall be determined under, governed by, and construed in accordance with the laws of the State of California. The parties agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated only in the state and federal courts located in Santa Cruz County, State of California. Debtor waives any right it may have to assert the doctrine of *forum non conveniens* or to object to such venue and hereby consents to any court ordered relief.

**7.10 Counterpart Execution.** This Agreement may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same Agreement.

**7.11 Attorneys' Fees.** In the event any party to this Agreement shall be required to commence any action or proceeding against any other party by reason of any breach or claimed breach of any provision of this Agreement, to commence any action in any way connected with this Agreement, or to seek a judicial declaration of rights under this Agreement, the party prevailing in such action or proceeding shall be entitled to recover from the other party, or parties, the prevailing party's reasonable attorneys' fees and costs including, without limitation, all witness fees and associated expenses, including matters on appeal whether or not the proceeding or action proceeds to judgment.

**IN WITNESS WHEREOF**, this Agreement is executed by or on behalf of each party by its duly authorized representative(s) on the date(s) indicated below and effective as of the date set forth above.

<b>DATE: November 1, 2023</b>	<b>DATE: November 1, 2023</b>
<b>DEBTOR:</b> <b>PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION</b> , a California nonprofit public benefit corporation	<b>LENDER:</b> <b>SANTA CRUZ COUNTY BANK</b> , a California state-chartered Bank
By _____ Name _____ Title _____	By _____ Name _____ Title _____

## SECURITY AGREEMENT

**THIS SECURITY AGREEMENT** ("Agreement") is dated for reference purpose November 1, 2023 ("Effective Date"), by PAJARO VALLEY HEALTHCARE DISTRICT, a California nonprofit public benefit corporation ("Debtor") in favor of SANTA CRUZ COUNTY BANK, a California state-chartered bank ("Lender"), with references to the following recitals:

### ARTICLE I: RECITALS

**1.1** Lender has agreed to provide a revolving line of credit to Debtor and to PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION, a California nonprofit public benefit corporation ("PVHDHC") in the initial original principal amount of FIVE MILLION DOLLARS (\$5,000,000.00) (the "Loan"), to be evidenced by a promissory note in the original principal amount of the Loan and executed by Debtor and PVHDHC as co-borrowers to the order of Lender ("Note"). The credit limit on the Loan is to decrease as provided in the Note.

**1.2** As a condition to making the Loan to Debtor, Lender has required that Debtor grant to Lender a security interest in certain personal property assets of Debtor (more particularly described in the definition of the term "Collateral" set forth below) to secure repayment of the Loan, all amounts payable by Debtor under this Agreement, the Note and any other agreement, document or instrument executed by Debtor (and/or PVHDHC) in connection with the Loan (collectively, the "Loan Documents") and to secure performance by Debtor of all other "Obligations" (as that term is defined below).

**NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL BENEFITS ACCRUING TO THE PARTIES HERETO AND OTHER VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO DECLARE, UNDERSTAND AND AGREE TO THE FOLLOWING TERMS:**

### ARTICLE II: DEFINITIONS

Capitalized terms in this Agreement that are not defined when first used shall have the meanings set forth below.

**2.1 Accounts.** The term "Accounts" shall mean all presently existing and hereafter arising accounts, as such term is defined in the "UCC," including, without limitation, accounts receivable, contract receivables, receivables of any kind, deposit accounts, and all other forms of obligations owing to Debtor arising out of the sale or lease of goods or the rendition of services by Debtor, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, and Debtor's Books relating to any of the foregoing.

**2.2 Cash Collateral.** The term "Cash Collateral" shall mean all deposit accounts, monies, instruments, certificates of deposit, and related collateral.

**2.3 Chattel Paper.** The term "Chattel Paper" shall mean all chattel paper, as such term is defined in the UCC, now existing or hereinafter acquired, including, without limitation, leases, contracts, contracts now or hereinafter assigned to Debtor, and any other writing or writings which evidence a monetary obligation and a security interest in goods, and Debtor's Books relating to any of the foregoing.

**2.4 Equipment.** The term "Equipment" shall mean all of Debtor's present and hereafter acquired equipment, as such term is defined in the "UCC," including, without limitation, all machinery, machine tools, motors, furniture, furnishings, fixtures, tools, parts, dies, jigs, and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located.

**2.5 Event of Default.** The term "Event of Default" shall mean the occurrence of one or more of the events described in Section 6 of this Agreement.

**2.6 General Intangibles.** The term "General Intangibles" shall mean all of Debtor's present and future general intangibles, as such term is defined in the UCC, including, without limitation, documents, documents of title, contract rights, leases, deposit accounts, insurance policies, guaranties, releases, any monies due from a factor, claims, choses or things in action, goodwill, patents, trade names, trademarks, service marks, rights arising under patent, copyright and trademark law, blueprints, drawings, purchase orders, customer lists,

monies due or recoverable from pension funds, route lists, infringement claims, computer programs, computer disks, computer tapes, literature, reports, catalogs, tax refunds and tax refund claims, and Debtor's books relating to any of the foregoing.

**2.7 Instruments.** The term "Instruments" shall mean all instruments, as such term is defined in the UCC, whether now existing or hereinafter acquired, including, without limitation, negotiable instruments, letters of credit, notes, drafts, documents of title, certificated and uncertificated securities, and any other writing which evidences a right to the payment of money, and Debtor's Books relating to any of the foregoing.

**2.8 Inventory.** The term "Inventory" shall mean all inventory, as such term is defined in the UCC, whether now existing or hereinafter acquired, including, without limitation, all used cars held by Debtor for sale or lease, all goods, machinery and equipment held by Debtor for sale or lease or to be furnished under a contract of service, all raw materials, work in progress, finished goods, packing and shipping materials, all goods returned or reclaimed relating to the foregoing, and all documents of title representing any of the foregoing, and Debtor's Books relating to any of the foregoing.

**2.9 Obligations.** The term "Obligations" shall mean: (i) all amounts owed by Debtor to Lender in connection with the Loan and under the Loan Documents, with interest thereon, and all other amounts payable by Debtor under the Loan Documents, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including any debt, liability, or obligation owing from Debtor to others which Lender may have obtained by assignment or otherwise, and further including all interest not paid when due which Debtor is required to pay or reimburse under the Loan Documents, by law or otherwise; and (ii) all non-monetary obligations of Debtor under the Loan Documents.

**2.10 UCC.** The term "UCC" shall mean the Uniform Commercial Code as enacted in the state whose law applies with respect to the creation, perfection and enforcement of Lender's rights as to the Collateral.

### ARTICLE III: SECURITY INTEREST

**3.1 Grant.** As security for the due and timely performance of all Obligations, and the due and timely performance of all obligations of Debtor hereunder, Debtor hereby transfers, conveys, grants and assigns to Lender a security interest in the "Collateral" (as defined below).

The term "Collateral" shall include all of Debtor's rights, title and interests in each of the following: Accounts, Cash Collateral, Chattel Paper, Equipment, General Intangibles, Instruments, Inventory, all deposit accounts, all monies, all lock box accounts, and all other assets of Debtor which hereafter come into the possession, custody or control of Lender, and all proceeds whether tangible or intangible, of each and all of the foregoing including, without limitation, all rights under any insurance policies, and the proceeds thereof, insuring against loss, damage or destruction of the any of the foregoing.

**3.2 Perfection of Security Interest.** Debtor agrees to and shall take all actions that may be necessary or appropriate or that Lender may at any time or from time to time request as necessary in the opinion of Lender to perfect and maintain the perfection of Lender's security interest in the Collateral as a first priority lien, subject to no other liens or encumbrances. Specifically, but without limiting the generality of the foregoing, Debtor hereby irrevocably constitutes and appoints Lender the attorney-in-fact of Debtor to execute, deliver and, if appropriate, to file and/or record with the appropriate filing officer or office such security agreements, financing statements, notices, continuation statements and other instruments as Lender may request or require in order to impose, perfect or continue the perfection of Lender's security interest in the Collateral.

### ARTICLE IV: DEBTOR'S REPRESENTATIONS AND WARRANTIES

**4.1 Authority.** Debtor has all requisite power and authority to enter into this Agreement and to grant to Lender a security interest in the Collateral.

**4.2 No Violation of Any Agreement.** The execution, delivery and performance of this Agreement by Debtor does not violate any agreement to which Debtor is a party or by which Debtor or Debtor's property is or may be bound, and no consent of, notice to, approval of or withholding of objection by any person or organization, including any governmental agency, is required in connection with such execution, delivery and performance.

**4.3 Binding Obligation.** This Agreement constitutes a legally valid and binding obligation of Debtor, enforceable against Debtor in accordance with its terms, except as limited by applicable bankruptcy, insolvency, or reorganization or similar laws affecting the enforcement of creditors' rights generally.

**4.4 No Other Assignment.** Debtor has not executed any other document or agreement assigning or otherwise transferring any interest in and to the Collateral or Debtor's rights therein, except pursuant to this Agreement.

**4.5 No Action or Proceeding.** There is no action or proceeding pending by or against Debtor before any court or administrative agency, and Debtor has no knowledge of any pending, threatened or imminent litigation, governmental investigation or claim, complaint, action or prosecution involving Debtor, except with regard to (i) ongoing collection matters in which Debtor is the plaintiff, and (ii) other matters heretofore disclosed, in writing, to Lender. If any of the foregoing arise during the term of this Agreement, Debtor shall immediately notify Lender in writing.

#### ARTICLE V: AFFIRMATIVE COVENANTS OF DEBTOR

Until all Obligations have been fully satisfied, unless Lender waives compliance in writing, Debtor agrees and covenants as follows:

**5.1 Compliance with Terms of Loan Documents.** Debtor shall comply with each and all of the terms and conditions contained in the Loan Documents.

**5.2 Taxes, Assessments and Other Charges.** Debtor shall duly and promptly pay and discharge, as the same become due and payable, all taxes, assessments, and governmental and other charges, levies or claims levied or imposed, or which if unpaid might become a lien or charge, upon the properties, assets, earnings or business of Debtor, except for such taxes, assessment, charges, levies or claims that are being diligently contested in good faith by Debtor and Debtor has made appropriate provisions, approved by Lender, to pay and discharge same upon resolution of any dispute. If Debtor fails to pay any such tax, assessment, charge, levy or claim, Lender may, in its sole and absolute discretion and without notice to Debtor, make payment of the same or any part thereof as Lender deems necessary to satisfy the liability therefor. Lender may conclusively rely on the usual statements of the amount owing or other official statements issued by the appropriate governmental agency.

**5.3 Payment of Obligations.** Debtor shall pay all of its liabilities and obligations when due and prior to the date on which penalties attach thereto and will keep all existing debts current.

**5.4 Laws.** Debtor shall comply with all applicable statutes and regulations affecting the ownership of its property and the conduct of its business.

**5.5 Notice of Certain Events.** Debtor shall give prompt written notice to Lender of: (i) all events of default under any of the terms or provisions of this Agreement or any other agreement entered into by Debtor; (ii) material changes in management of Debtor; (iii) litigation, arbitration, or filing of any judgment or lien with Debtor as a party; (iv) initiation of any bankruptcy proceeding with regard to Debtor; and (v) any other matter which has resulted in, or might reasonably be expected to result in, a material adverse change in Debtor's financial condition or operations.

**5.6 Execution of Other Documents.** Debtor shall promptly execute and deliver all supplements and amendments hereto, and all financing statements, fixture filings, continuation statements and such additional agreements, instruments and assurances in connection with this Agreement as Lender reasonably requests to effectuate the provisions hereof.

**5.7 Asset Forfeiture.** Debtor covenants and agrees that it has not committed and shall not commit any act or engage in any conduct which shall cause the Collateral or any assets of Debtor to be subject to any claim by the federal, state or local government, now or in the future, under the asset forfeiture laws or regulations promulgated thereunder and as may be amended from time to time.

**5.8 Insurance.** Debtor shall maintain insurance covering the Collateral and in accordance with the insurance requirements provided in the Loan Documents.

**5.9 No Other Assignment.** Debtor shall not execute any other document or agreement assigning or otherwise transferring any interest in and to the Collateral or Debtor's rights therein, except pursuant to this Agreement or upon Lender's express written consent.

**5.10 Other Information.** Debtor shall promptly supply Lender with such other information concerning its business and general financial condition as Lender may reasonably request from time to time.

## ARTICLE VI: DEFAULT AND REMEDIES

**6.1 Events of Default.** Any one or more of the following shall constitute an “Event of Default” for purposes of this Agreement (references below to “Borrower” has the meaning provided in the Note):

- (a) Debtor fails or neglects to perform, or observe when due, any term, provision, condition, covenant, warranty or representation contained in this Agreement;
- (b) Borrower fails to pay within ten (10) days after the date due and payable, or after the date when declared due and payable, any amounts payable under the Note (whether of principal, interest, late payment charge, prepayment premium, or otherwise) and other Loan Documents;
- (c) Any Borrower fails or neglects to perform, or observe when due, any term, provision, condition, covenant, warranty or representation contained in any Loan Documents, or in any other present or future agreement or arrangement between any Borrower and Lender, and such default shall not have been cured within the timeframe for curing such default as provided in the Loan Documents;
- (d) There is a material impairment of the prospective of repayment of any portion of the amounts owing to Lender under the Note or other Loan Documents;
- (e) There is a material impairment of the value or priority of Lender's security interests in any Collateral;
- (f) Any material portion of any Borrower’s assets are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any judicial officer, or any lien is filed or recorded against the assets of than any Borrower by a governmental agency, or any judgment against the Borrower becomes a lien against any of any Borrower’s assets;
- (g) A voluntary or involuntary petition in bankruptcy or for reorganization or for an arrangement or any composition, readjustment, liquidation, dissolution or similar relief pursuant to the federal bankruptcy law or under similar present or future federal or state bankruptcy or insolvency law, is filed by or against any Borrower, and such petition is not dismissed within sixty (60) days thereafter;
- (h) A receiver, trustee or liquidator (or other similar official) is appointed for any Borrower or for all or any substantial part of its assets and is not discharged within sixty (60) days thereafter;
- (i) Any Borrower makes an assignment of all or any portion of its assets for the benefit of creditors;
- (j) Any Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;
- (k) There is a default in any material agreement to which Borrower is a party with third parties resulting in a right by such third parties to accelerate the maturity of Borrower’s indebtedness;
- (l) Any guarantor of any of the Obligations dies, ceases to exist as going concern, terminates its guaranty, or becomes the subject of any insolvency proceeding;
- (m) Any government agency files a lien or commences an action or any third party files a claim or lawsuit against Borrower in connection with a violation of state or federal environmental statutes, which claim may result in a substantial fine or penalty or the payment of damages;
- (n) Any agency of the federal, state or local government commences any proceedings against Borrower or any guarantor, or the assets of either, for the purpose of enforcing forfeiture rights as provided by federal or state law, or Borrower or any guarantor is the subject of any investigation or any complaint or bill of indictment has been brought against Borrower or any guarantor in connection with conduct the penalty for which is forfeiture of all or any portion of Borrower’s or guarantor's assets;
- (o) Any Borrower suspends its business or ceases doing business as a going concern;
- (p) Any other default occurs under the Loan Documents, and such default is not cured within the time period to cure (if applicable) as provided in the Loan Documents; and/or
- (q) Any of the foregoing events occur with respect to any guarantor of any of the Obligations.

**6.2 Remedies upon Default.** Upon the occurrence of an Event of Default under this Agreement, Lender may, at its election, without notice and without demand, do any one or more of the following, all of which are authorized by Debtor (references below to “Borrower” has the meaning provided in the Note):

- (a) Exercise any of Lender’s rights and remedies under the Loan Documents.
- (b) Without notice to or demand upon Debtor, make such payments and do such acts as Lender considers necessary or reasonable to protect its security interest in the Collateral, including without limitation to pay, purchase, contest or compromise any lien, encumbrance, interest or charge which, in the opinion of Lender, appears to be prior or superior to its security interest and to pay, on Debtor's behalf, all expenses incurred in connection therewith.
- (c) Declare all amounts owed to Lender under the Loan Documents immediately due and payable;
- (d) Cease extending credit to or for the benefit of any Borrower under the Loan Documents or under any other agreement between any Borrower and Lender.
- (e) Without notice to or demand upon Debtor or any guarantor, make such payments and do such acts as Lender considers necessary or reasonable to protect its security interest in the Collateral as permitted by the UCC, at law or in equity, and Debtor agrees to immediately reimburse Lender in good and collectible funds for the full amount of such payments.
- (f) Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of Lender, but without affecting Lender's rights and security interest in the Collateral and without affecting any amounts owing by any Borrower to Lender under the Loan Documents.
- (g) Have and exercise all the rights and remedies provided to a secured party by the UCC with respect to all parts of the Collateral or from Debtor.
- (h) Institute proceedings for the collection of all amounts owed to Lender under the Loan Documents, and whether by declaration or otherwise, enforce any judgment obtained and collect monies adjudged due from the Collateral or from Debtor.
- (i) Take any other appropriate action to protect and enforce the rights and remedies of Lender hereunder.

**6.3 Sale of Collateral.** If Lender so elects, Lender may sell or dispose of, or cause the sale or disposal of, the Collateral at one or more public or private sales, or both, by way of one or more finance contracts or transactions, for cash or on terms, in such manner and at such places as is commercially reasonable in the opinion of Lender. It is not necessary that the Collateral be present at any such sale.

- (a) Lender shall give notice of the sale or disposition of all or any part of Collateral as provided in the UCC, in effect on the date such notice is given.
- (b) Lender may bid for and acquire any portion of the Collateral at any public sale, and may pay all or part of the purchase price of such Collateral by crediting against amounts owing on monetary Obligations to the Lender all or part of the net proceeds of such sale after deducting expenses incurred by Lender in connection with such sale. The evidence of the Loan to be so credited need not be produced in order to complete any such sale or in order to cause there to be credited thereon its share of such net proceeds.
- (c) If requested by Lender, Debtor shall use its best efforts to obtain qualified purchasers for the Collateral in connection with any sale. Lender will consider any bids for the Collateral submitted by Debtor prior to any private sale, but Lender shall have no obligation to accept any such bid.

**6.4 Application of Proceeds.** All monies received upon sale or disposition of the Collateral or any part thereof pursuant to this section shall be applied from time to time by Lender in accordance with the UCC. Lender shall be entitled to include within the expenses described in said section, all reasonable attorneys' fees and legal expenses of Lender, its agents and counsel incurred in connection with its enforcement of this section or the maintenance, preparation for sale, lease or other disposition of the Collateral. All monies, earnings, revenues, proceeds, rents, issues, profits and income derived pursuant to the exercise of Lender's rights and remedies under this section (after deducting Lender's expenses and other proper charges), and all other money or property received or recovered by Lender pursuant to this Agreement, shall be applied from time to time by Lender to the monetary Obligations.



**6.5 Remedies Cumulative.** Lender's rights and remedies under this Agreement, any other Loan Documents, and all other agreements or instruments executed by Debtor (and/or PVHDHC) shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to Lender under the UCC, other applicable law and in equity. No exercise by Lender of one right or remedy shall be deemed an election, and no waiver by Lender of any Event of Default shall be deemed a continuing waiver. No delay by Lender shall constitute a waiver, election, or acquiescence by it.

**6.6 Deficiency Balance.** Unless prohibited by law, any deficiency which exists after the sale or disposition of the Collateral as provided above will be paid immediately by Debtor. Any excess will be returned, without interest and subject to the rights of third parties, to Debtor.

## ARTICLE VII: MISCELLANEOUS PROVISIONS

**7.1 Power of Attorney.** Debtor hereby irrevocably appoints Lender as Debtor's attorney-in-fact and proxy, with full authority in the place and stead of Debtor and in the name of Debtor or otherwise, in such Lender's discretion, at any time upon the occurrence and during the continuance of an Event of Default, to take any action and to execute any instrument which such Lender may deem necessary or advisable to accomplish the purposes of this Agreement, including (without limitation): (i) to obtain and adjust insurance required to be paid to Lender under the Loan Documents; (ii) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral; (iii) to receive, endorse and collect any drafts or other instruments, documents and Chattel Paper in connection with clause (i) or clause (ii) above; (iv) to file any claims or take any action or institute any proceedings that such Lender may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Lender with respect to any of the Collateral; (v) to execute and file one or more financing or continuation statements, and amendments thereto, relating to the Collateral; and (vi) execute any documents needed for purposes of carrying out Lender's remedies in the Event of Default as described in Section 6.2 above. Lender shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, and options expressly or implicitly granted to Lender in this Agreement, and shall not be responsible for any failure to do so or any delay in doing so. Lender shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in their individual capacity or in their capacity as attorney-in-fact except acts or omissions resulting from such Lender's willful misconduct or gross negligence. This power of attorney is conferred on Lender solely to protect, preserve and realize upon the security interests in the Collateral and to take actions with regard to Lender's exercising its remedies in an Event of Default. Lender shall not be responsible for any decline in the value of the Collateral and shall not be required to take any steps to preserve rights against prior parties or to protect, preserve or maintain any security interest or lien given to secure the Collateral. The powers granted herein are coupled with an interest and shall be irrevocable from the date hereof and so long as any amounts owed the Lender under the Loan Documents are outstanding.

**7.2 Relationship to Other Security Agreements.** This Agreement is in addition to any other security or pledge agreements executed by Debtor or another party in connection with the Loan to grant Lender a security interest in property, and this Agreement does not replace or negate any other such security or pledge agreement.

**7.3 Time of the Essence.** Time is hereby declared to be of the essence of this Agreement and of every part hereof.

**7.4 Effective Date.** Notwithstanding the date on which this Agreement is actually signed by Debtor and Lender, the terms and conditions of this Agreement shall be applied, with full force and effect, as of the Effective Date.

**7.5 Entire Agreement; Amendment.** This Agreement and any agreements, instruments or documents referred to herein constitute the entire agreement among the parties hereto regarding the subject matter hereof, and all prior and/or contemporaneous communications, verbal or written, between or among the parties hereto regarding the subject matter hereof shall be of no further effect or evidentiary value. No course of prior dealing between the parties, no usage of trade, and no parole or extrinsic evidence of any nature shall be used to supplement or modify any term of this Agreement. This Agreement can be amended only by a written agreement executed by duly authorized representatives of the parties hereto.

**7.6 Construction of Agreement.** This Agreement shall be construed as though drafted by both parties and shall not be construed against or in favor of any one party. On the contrary, this Agreement has been reviewed by all parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, and references to the part include the whole. The use of the word "including" shall be construed as providing examples only and shall not limit the generality of any provision in which it is used. The use of the word "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder" and similar terms used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, and exhibit references are to this Agreement unless otherwise specified.

**7.7 Severability.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

**7.8 Waivers.**

(a) **Demand; Protest, etc.** Debtor waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any commercial paper, accounts, documents, instruments, chattel paper, and guarantees at any time held by Lender on which Debtor may in any way be liable.

(b) **Jury Trial.** Unless prohibited under the laws that govern an action or proceeding relating to this Agreement or related agreements entered into in connection herewith, Debtor and Lender each waive any right to trial by jury in any action or proceeding relating to this Agreement or any of the agreements entered into in connection herewith.

**7.9 Governing Law.** The validity of this Agreement, its construction, interpretation, and enforcement, and the rights of the parties hereunder and concerning the Collateral, shall be determined under, governed by, and construed in accordance with the laws of the State of California. The parties agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated only in the state and federal courts located in Santa Cruz County, State of California. Debtor waives any right it may have to assert the doctrine of *forum non conveniens* or to object to such venue and hereby consents to any court ordered relief.

**7.10 Counterpart Execution.** This Agreement may be executed in several counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same Agreement.

**7.11 Attorneys' Fees.** In the event any party to this Agreement shall be required to commence any action or proceeding against any other party by reason of any breach or claimed breach of any provision of this Agreement, to commence any action in any way connected with this Agreement, or to seek a judicial declaration of rights under this Agreement, the party prevailing in such action or proceeding shall be entitled to recover from the other party, or parties, the prevailing party's reasonable attorneys' fees and costs including, without limitation, all witness fees and associated expenses, including matters on appeal whether or not the proceeding or action proceeds to judgment.

**IN WITNESS WHEREOF**, this Agreement is executed by or on behalf of each party by its duly authorized representative(s) on the date(s) indicated below and effective as of the date set forth above.

<b>DATE: November 1, 2023</b>	<b>DATE: November 1, 2023</b>
<b>DEBTOR:</b> <b>PAJARO VALLEY HEALTHCARE DISTRICT, a</b> California nonprofit public benefit corporation	<b>LENDER:</b> <b>SANTA CRUZ COUNTY BANK, a California state-</b> chartered Bank
By _____ Name _____ Title _____	By _____ Name _____ Title _____