

[SENIOR SECURED SUPER PRIORITY] DEBTOR-IN-POSSESSION CREDIT
AGREEMENT

THIS [SENIOR SECURED SUPER PRIORITY] DEBTOR-IN-POSSESSION CREDIT AGREEMENT (this “Agreement”) is entered into as of August [], 2018¹ (the “Effective Date”), by and between TULARE LOCAL HEALTHCARE DISTRICT, a local healthcare district of the State of California (the “Borrower”), ADVENTIST HEALTH SYSTEM/WEST (“AH”), a California nonprofit religious corporation doing business as ADVENTIST HEALTH (together with its permitted successors and assigns, in such capacity, “Lender”) and solely with respect to Section 2.1(d)(ii)(a) hereof, the Tenant (as such term is defined in the Lease).

RECITALS²

On September 30, 2017 (the “Petition Date”) the Borrower commenced bankruptcy case no. 17-13797 (the “Chapter 9 Proceeding”) pending in the United States Bankruptcy Court for the Eastern District of California, Fresno Division (the “Bankruptcy Court”) as debtor under chapter 9 of title 11 of the United States Code (the “Bankruptcy Code”).

The Borrower is the owner of an acute care general hospital located in Tulare, California, heretofore known as Tulare Regional Medical Center (the “Hospital”). As of the Effective Date, the Borrower has voluntarily and temporarily surrendered the Hospital’s general acute care hospital license with the California Department of Public Health (“CDPH”) and the Hospital is non-operational.

It is proposed that the Hospital and the services licensed as part of the Borrower’s consolidated general acute care hospital license, including its outpatient services and rural health clinics become part of the Adventist Health Central Network, a group of nonprofit and proprietary entities comprising a health care delivery system formed by Lender, pursuant to the Purchase Agreement and the Lease (in each case, as defined below) (the “Transactions”).

On November 6, 2018, the Purchase Agreement and the Lease (collectively, the “Transaction Documents”) will be placed before the residents of the Borrower by a ballot initiative measure (the “Approval Election”). The voters of the Borrower’s district must approve the ballot initiative measure by the margin required by the California Local Health Care District Law (California Health and Safety Code Sections 32000 *et seq.*) for the parties to effect the terms of the Transaction Documents (the “Electorate Approval”).

In furtherance of the Transactions and its efforts to secure the Electorate Approval, the Borrower has requested that Lender make post-petition loans and provide other financial or credit accommodations to the Borrower (i) in order to support its efforts to reinstate the Borrower’s suspended general acute care hospital license and to reopen the Hospital and (ii) for other limited working capital purposes as defined herein, and Lender has agreed, subject to the

¹ Note to draft: date to be following Bankruptcy Court approval.

² Note to draft: recitals to be conformed generally to those in Purchase Agreement and Lease once finalized.

conditions set forth herein, to extend this revolving credit facility to the Borrower, in an aggregate principal amount not to exceed \$10,000,000 (the "Loan Commitment").

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and Lender hereby agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. DEFINED TERMS. As used herein, the terms below shall have the following meanings.

"Additional Loan Commitment" has the meaning ascribed to such term in Section 2.1(e)(i).

"Affiliates" shall have the meaning set forth in Section 5031 of the California Corporations Code, as amended.

"Agreement" has the meaning ascribed to such term in the Preamble.

"Amortization Payment" has the meaning ascribed to such term in Section 2.1(d)(ii)(b).

"Approval Election" has the meaning ascribed to such term in the Recitals.

"Approved Budget" means the most recent budget delivered to Lender by the Borrower, which updated budget shall become the Approved Budget upon the approval by Lender in its sole discretion; provided that the Borrower shall be permitted to (i) carry over any amounts not expended for a particular line item in any week to succeeding weeks, and (ii) expend up to [15]% more than the amounts set forth in a particular line item for a specific week in such week so long as the aggregate expenditures during the period covered by the Approved Budget do not exceed the total shown on the Approved Budget by more than [15].

"Asset Disposition" means the sale, lease, assignment or other transfer for value (each, a "Disposition") by the Borrower to any Person (other than Borrower) of any asset or right of the Borrower (including, the loss, destruction or damage of any thereof or any actual or threatened (in writing to the Borrower) condemnation, confiscation, requisition, seizure or taking thereof) other than (a) the sale or lease of inventory in the ordinary course of business, (b) a Disposition of any fixed asset which is to be replaced, and is in fact replaced, or subject to a binding contract to be replaced, within 180 days with another fixed asset useful in the Borrower's business (so long as the Lender has a [super priority] and perfected Lien on any newly-acquired asset, to the extent that the replaced asset constituted Collateral), (c) a Disposition of Collateral that is obsolete, unmerchantable or otherwise unsalable or unusable in the ordinary course of business, (d) the discount, write-down, sale or other Disposition in the ordinary course of business of trade or accounts receivable, (e) termination, surrender or sublease of real estate in the ordinary course of business, and (f) the granting of leases, licenses, subleases or sublicenses of real property or other assets (as lessor or licensor) in the ordinary course of business.

“Assets” means all right, title and interest of the Borrower in and to all the business, properties, assets and rights, whether tangible or intangible, real, personal or mixed, owned, leased or held by the Borrower, now owned or hereafter acquired.

“Availability” means, at any time of determination, an amount equal to (a) the aggregate Loan Commitment (plus any Additional Loan Commitment) *minus* (b) the Outstanding Loan Amount.

“Bankruptcy Code” has the meaning ascribed to such term in the Recitals.

“Bankruptcy Court” has the meaning ascribed to such term in the Recitals.

“Borrower” has the meaning ascribed to such term in the Preamble.

“Borrowing” means a borrowing consisting of Loans made by Lender pursuant to Section 2.1 hereof. A Borrowing is “advanced” on the Funding Date.

“Borrowing Notice” has the meaning ascribed to such term in Section 2.1(b).

“Business Day” means a day other than a Saturday, Sunday or other day on which banks located in Tulare, California are authorized or required by Law to close.

“Chapter 9 Proceeding” has the meaning ascribed to such term in the Recitals.

“Closing Certificate” means a certificate signed by a Responsible Officer of the Borrower, dated on the applicable Funding Date, stating that: (i) each of the representations and warranties herein and in each of the other Loan Documents are true and correct in all material respects on and as of the applicable Funding Date (except to the extent that such representations and warranties relate solely to an earlier date in which case such representations and warranties was true, correct and complete in all material respects on and as of such earlier date; provided, that, if a representation and warranty is qualified as to materiality, with respect to such representation and warranty the materiality qualifier set forth herein shall be disregarded), (ii) no event has occurred [and is continuing] which constitutes an Event of Default and (iii) the proceeds of the proposed Borrowing shall be used in a manner not prohibited by this Agreement, including by Section 6.1 hereof, or by any other Loan Document, unless otherwise agreed to by Lender in its sole discretion.

“Closing Date” has the meaning ascribed to such term in the Purchase Agreement.

“Collateral” has the meaning ascribed to such term in Section 2.3.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment Termination Date” means November 6, 2018.

“DIP Order” has the meaning ascribed to such term in Section 3.16.

“Effective Date” has the meaning ascribed to such term in the Recitals.

“Electorate Approval” has the meaning ascribed to such term in the Recitals.

“Encumbrances” means all liabilities, levies, claims, charges, assessments, mortgages, security interests, liens, pledges, conditional sales agreements, title retention contracts, leases, subleases, rights of first refusal, options to purchase, restrictions and other encumbrances, and agreements or commitments to create or suffer any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043(c) of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) the failure of any Plan to satisfy the “minimum funding standard” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan under Section 4041, Section 4042 or Section 4041A of ERISA or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any ERISA Affiliate of any liability with respect to the complete withdrawal or partial withdrawal (within the meaning of Sections 4203 or 4205 of ERISA, respectively) of the Borrower or any ERISA Affiliate from any Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice concerning (i) the imposition upon the Borrower or any ERISA Affiliate of Withdrawal Liability or (ii) a determination that a Multiemployer Plan is, or is reasonably expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

“Existing Bonds” means collectively, the General Obligation Bonds and the Revenue Bonds.

“Express Map” has the meaning ascribed to such term in the Purchase Agreement.

“Final Order” shall mean an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction as entered on the docket in the Chapter 9 Proceeding or the docket of any such court, the operation or effect of which has not been stayed, reversed, or amended and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to Borrower and Lender, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall

have been determined by the highest court to which such order was appealed, or certiorari, reargument, or rehearing shall have been denied or resulted in no modification of such order and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired.

“Financial Statements” has the meaning ascribed to such term in Section 5.5.

“Funding Date” means the date on which a Borrowing occurs.

“GASB” shall mean Governmental Accounting Standards Board accounting principles consistently applied, as in effect from time to time.

“General Obligation Bonds” shall mean collectively, (i) the \$15,000,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series A (2007); (ii) the \$8,595,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-1 (2009)(Tax-Exempt); and (iii) the \$61,405,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-2 (2009) (Federally Taxable-Direct Payment Build America Bonds).

“Government Authorizations” means all Permits, no objection letters, variances, clearances and other authorizations, consents and approvals of any Government Entity that are required to own or operate the Hospital, including applicable change of ownership application(s) with CDPH.

“Government Entity” means any local, state or federal government, including each of their respective branches, departments, agencies, commissions, boards, bureaus, courts, instrumentalities or other subdivisions, including the CDPH, the Medicare and Medi-Cal programs, TRICARE and Medicare Administrative Contractors.

“Government Healthcare Programs” means Medicare, Medi-Cal and TRICARE, and any other federal health care program as defined in 42 U.S.C. § 1320a-7b(f) or any other state or local health care programs.

“Hazardous Materials” means any chemical, substance, object, material, waste, or controlled substance, in the air, ground or water which is or may be hazardous to human health or safety or to the environment, due to its radioactivity, ignitability, corrosiveness, explosivity, flammability, reactivity, toxicity, infectiousness, or other harmful or potentially harmful properties or effects, including, without limitation, petroleum or petroleum products, asbestos, polychlorinated biphenyls, and all other chemicals, substances, materials, or wastes that are now listed, defined, or regulated in any manner by any Government Entity, or under any Law.

“Healthcare Laws” shall mean the Laws applicable to the operations of the Hospital, including Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395lll (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended, 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396w-5 (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, as amended, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies

Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; the Exclusion Laws, 42 U.S.C. § 1320a-7; the Clinical Laboratory Improvement Amendments of 1988 (42 U.S.C. § 263a et seq.); HIPAA; any similar state and local Laws that address the subject matter of the foregoing; any state Law or precedent relating to the corporate practice of the learned or licensed healthcare professions; any state Law concerning the splitting of healthcare professional fees or kickbacks; any state Law concerning healthcare professional self-referrals; kickbacks or false claims; any state healthcare professional licensure Laws, qualifications or requirements for the practice of medicine or other learned healthcare profession; any applicable state requirements for business corporations or professional corporations or associations that provide medical services or practice medicine or related learned healthcare profession; workers compensation; any applicable state and federal controlled substance and drug diversion Laws, including, the Federal Controlled Substances Act (21 U.S.C. § 801, et seq.) and the regulations promulgated thereunder; and all applicable implementing regulations, rules, ordinances and Orders related to any of the foregoing.

“HIPAA” means the Administrative Simplification provisions of title II, subtitle F, of the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191) and all regulations promulgated thereunder, including the Privacy Standards (45 C.F.R. Parts 160 and 164, Subparts A and E), the Electronic Transactions Standards (45 C.F.R. Parts 160 and 162), and the Security Standards (45 C.F.R. Parts 160 and 164, Subparts A and C), the Enforcement Rule (45 C.F.R. Part 160, Subparts C-E), and the Breach Notification Rule (45 C.F.R. Part 164, Subpart D), as amended by the Health Information Technology for Economic and Clinical Health Act, Title XIII of division A and Title IV of division B of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), as amended, the final HIPAA/HITECH Omnibus Rules published by the U.S. Department of Health and Human Services on January 25, 2013, and as otherwise may be amended from time to time.

“Hospital Campus Real Property” means the Premises as defined in the Lease.

“Increase Effective Date” has the meaning ascribed to such term in Section 2.1(e)(ii).

“Initial Repayment Date” means: (i) in the event of Electorate Approval, the date on which the first payment of rent is due by Lessee to the Borrower, as lessor, under the Lease; or (ii) in the event of a failure to receive Electorate Approval, the day that is the last Business Day of the third full month following the Commitment Termination Date.

“Insurance Policies” has the meaning ascribed to such term in Section 3.13.

“Laws” means any applicable constitutional provision, statute, law, rule, regulation, code, ordinance, accreditation standard, resolution, Order, ruling, promulgation, policy, manual guidance, treaty directive, interpretation, or guideline adopted or issued by any Government Entity.

“Lease”³ means that certain Lease entered into as of the date hereof, and to be effective as of the Closing Date, by and between the Borrower and the Buyer, pursuant to which the Borrower shall (i) lease to the Buyer the Hospital Campus Real Property; (ii) grant to the Buyer an option to purchase at fair market value the Hospital Campus Real Property, and (iii) grant to the Buyer a right of first refusal with respect to the Borrower’s prospective sale of the Hospital Campus Real Property.

“Leased Real Property” means all leasehold or subleasehold estates and other rights held by the Borrower, as lessee, to use or occupy any land, improvements, or other interest in real property.

“Lender” has the meaning ascribed to such term in the Preamble.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan Commitment” has the meaning ascribed to such term in the Recitals.

“Loan Commitment Availability Period” means the period commencing on the Effective Date and ending on the Commitment Termination Date.

“Loans” has the meaning ascribed to such term in Section 2.1(a).

“Loan Documents” has the meaning ascribed to such term in Section 3.2.

“Management Services Agreement” means that certain Interim Management Services Agreement, to be entered by and between the Buyer (as defined below) and the Borrower.

“Material Adverse Effect” means (a) a material impairment of the ability of the Borrower to perform any of its obligations under any of the Loan Documents, (b) a material adverse effect upon the legality, validity, binding effect or enforceability of any provision of this Agreement or any other Loan Document, (c) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise), or prospects of the Borrower, or (d) a material adverse change in, a material adverse effect upon, or a material impairment of the priority of Lender’s security interest in any Collateral securing the Obligations or the rights, remedies and benefits available to or conferred upon Lender under any Loan Document, in each case, as determined by Lender in its sole discretion.

“Maturity Date” means: (i) in the event of a failure to receive Electorate Approval, the date that is the fifth anniversary of the Initial Repayment Date (or, if such date is not a Business

³ Note to draft: to be conformed to final lease provisions.

Day, the next succeeding Business Day); or (ii) in the event of receipt of Electorate Approval, the date which is the day of the final repayment of the Loans pursuant to Section 2.1(d)(ii)(a), which shall in no event be a date that is later than [●].

“Mortgage” means any mortgage, deed of trust or other agreement which conveys or evidences a Lien in favor of Lender on the Real Property Collateral of the Borrower, including any amendment, restatement, modification or supplement thereto.

“Multiemployer Plan” shall have the meaning set forth in Section 3(37) of ERISA or Section 4001(a)(3) of ERISA.

“Net Cash Proceeds” means, with respect to any Asset Disposition, the aggregate cash proceeds (including cash proceeds received pursuant to policies of insurance or by way of deferred payment of principal pursuant to a note, installment receivable or otherwise, but only as and when received) received by the Borrower pursuant to such Asset Disposition net of (i) the direct costs, fees and expenses relating to such sale, transfer or other disposition (including, but not limited to, sales commissions and legal, accounting and investment banking fees) and (ii) taxes paid or reasonably estimated by the Borrower to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements).

“Obligations” means all Loans to, and all debts, liabilities, obligations, covenants, indemnifications, and duties of, whether matured or unmatured, fixed or contingent, liquidated or unliquidated, the Borrower arising under any Loan Document or otherwise with respect to the Loans, in each case whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising.

“Opinion” means a favorable written opinion of counsel to the Borrower addressed to Lender, in form and substance satisfactory to Lender.

“Order” means any judgment, order, writ, injunction, decree, determination, or award of any Government Entity.

“Outstanding Loan Amount” means with respect to any Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Loans, occurring on such date.

“Owned Real Property” means the real property, including all rights, covenants, easements and appurtenances in connection therewith, and including all buildings, improvements, structures, fixtures and appurtenances (but excluding any and all leasehold estates that constitute real property leases), owned by the Borrower, including the Hospital Campus Real Property and the Real Property Collateral.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Permit” means any consent, ratification, registration, waiver, authorization, license, permit, grant, franchise, concession, exemption, order, notice, certificate or clearance issued,

granted, given, or otherwise made available by or under the authority of any Government Entity or pursuant to any Law.

“Permitted Encumbrances” means the Permitted Personal Property Encumbrances and Permitted Real Property Encumbrances.

[“Permitted Personal Property Encumbrances” means (i) all liens for taxes and assessments not yet due and payable; (ii) liens for taxes, assessments and other charges, if any, the validity of which is being contested in good faith by appropriate action, and with respect to the Borrower, adequate reserves (as determined in accordance with GASB) have been established on the Borrower’s books with respect thereto; (iii) liens listed on Schedule 3.9 attached hereto; and (iv) any other liens disclosed to Lender and deemed in writing by Lender to be a Permitted Personal Property Encumbrances.]⁴

“Permitted Real Property Encumbrances” shall mean (i) all liens for taxes and assessments not yet due and payable and (ii) liens for taxes, assessments and other charges, if any, the validity of which is being contested in good faith by appropriate action, and with respect to the Borrower, for which adequate reserves (as determined in accordance with GASB) have been established on Borrower’s books with respect thereto, (iii) normal easements, covenants and conditions of record and disclosed on the preliminary title report(s) obtained by Lender, (iv) those encumbrances listed on Schedule 3.9 attached hereto; and (v) any other matter disclosed to Lender and deemed in writing by Lender to be a Permitted Real Property Encumbrance.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Government Entity or other entity.

“Petition Date” has the meaning ascribed to such term in the Recitals.

“Plan” means each pension plan as defined in Section 3(2) of ERISA, other than a Multiemployer Plan, that is, or within the prior six years was, maintained or contributed to by the Borrower or any ERISA Affiliate or with respect to which the Borrower or any ERISA Affiliate had or has any liability.

“Prime Rate” means the prime rate as published in the Money Rates Section of The Wall Street Journal; however, if such rate is, at any time during the term of this Agreement, no longer so published, the term Prime Rate shall mean the average of the prime interest rates which are announced, from time to time, by the three (3) largest banks (by assets) headquartered in the United States which publish a prime, base or reference rate, in any case not to exceed the maximum rate permitted by law.

“Purchase Agreement” means that certain Agreement for Purchase and Sale of Assets of even date herewith by and among the Borrower, as seller, the buyer named therein (the “Buyer”), and Lender, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

⁴ Note to draft: to be conformed once collateral package is finalized.

“Real Property” means Owned Real Property and Leased Real Property.

[“Real Property Collateral” means all Owned Real Property not subject to the Lease upon which a Lien is granted by the Borrower in favor of Lender under the Mortgage.]⁵

“Rent Amount” has the meaning ascribed to such term in Section 2.1(d)(ii)(a).

“Repayment Date” means: (i) in the event of Electorate Approval, those dates on which repayment of the Loans is required to be made pursuant to Section 2.1(d)(ii)(a); or (ii) in the event of a failure to receive Electorate Approval, those dates on which the repayment of the Loan is required to be made pursuant to Section 2.1(d)(ii)(b).

“Repayment Period” means (i) in the event of Electorate Approval, the period of time required to repay all Outstanding Loan Amounts plus all accrued interest thereon through the date of repayment pursuant to Section 2.1(d)(ii)(a) hereof, which period shall begin on the Commitment Termination Date and end on a date that is no later than [●]; or (ii) in the event of a failure to receive Electorate Approval, that period beginning on the Commitment Termination Date and ending on a date that is no later than the five year anniversary of the Commitment Termination Date in accordance with the terms of Section 2.1(d)(ii)(b).

“Responsible Officer” of a Person means its chief restructuring officer, its chief executive officer, its chief financial officer, its treasurer or its senior vice president (whether or not the Person performing such duties is so designated) or any authorized designee thereof.

“Revenue Bonds” means, collectively, the \$17,850,000 Tulare Local Health Care District (Tulare County, California) Refunding Revenue Bonds, Series 2007.

“Security Agreement” means that certain Security Agreement and Mortgage of Chattel of even date herewith by and between the Borrower, as grantor and Lender, as secured party, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Title Report” has the meaning ascribed to such term in the Purchase Agreement.

“Transactions” has the meaning ascribed to such term in the Recitals.

“Transaction Documents” has the meaning ascribed to such term in the Recitals.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

⁵ Note to draft: to be conformed once collateral package is finalized. We understand that this shall only be Evolution Building and the Cottage properties

ARTICLE II
CREDIT TERMS

SECTION 2.1. REVOLVING LOANS.

(a) Loan Commitment. Subject to the terms and conditions of this Agreement, including without limitation each of the conditions in Section 4.2, Lender hereby agrees to make loans ("Loans") to the Borrower, from time to time on any Business Day during the Loan Commitment Availability Period, in aggregate principal amount at any time outstanding not exceeding the Loan Commitment; provided, however, that after giving effect to any Borrowing, Availability must be greater than zero. The proceeds of the Loans shall be used to finance costs incurred by the Borrower in connection with its efforts to seek reinstatement of Hospital's suspended general acute care hospital license with the CDPH and to reopen the Hospital; for limited general working capital for the Hospital in preparation for the Approval Election; and for other purposes approved by Lender and permitted pursuant to Section [●] hereof. The Outstanding Loan Amount together with interest accrued and unpaid thereon, shall constitute Obligations and shall be due and payable upon the commencement of the Repayment Period.

(b) Borrowing Procedure. Each Borrowing shall be made by a written, electronic or telephonic request by a Responsible Officer (such request, a "Borrowing Notice") and received by Lender no later than 10:00 a.m. California time on the Business Day that is one (1) Business Day prior to the requested Funding Date, specifying (A) the amount of such Borrowing; (B) the requested Funding Date (which shall be a Business Day); and (C) the anticipated uses of the Borrower (which in all cases shall be uses permitted pursuant to this Agreement or otherwise approved by Lender hereunder); provided, that Lender may, in its sole discretion, elect to accept as timely requests that are received later than 10:00 a.m. California time on the applicable Business Day. The Borrower agrees that Lender may rely on any such telecopy or other telecommunication notice given by any person Lender in good faith believes is a Responsible Officer without the necessity of independent investigation. Not later than [●]p.m. on the date that is at least one (1) day after a properly and timely delivered Borrowing Notice pursuant to this Section 2.1(b), Lender shall make available such Borrowing to the Borrower, by wire transfer of such funds in accordance with instructions provided to (and reasonably acceptable to) the Lender by the Borrower; provided, however, that Lender shall have the right, in its sole discretion, to deny any request for a Borrowing pursuant to a Borrowing Notice if the anticipated uses of the proceeds of any Borrowing are not permitted pursuant to the terms of this Agreement.

(c) Optional Prepayment. The Borrower, may, upon notice to Lender, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(d) Payment Obligations.

(i) Promise to Repay. The Borrower hereby unconditionally, irrevocably and absolutely agrees to make prompt and full payment of all payment obligations owed to the Lender hereunder and to pay any other Obligations owing to Lender whether now

existing or hereafter arising, irrespective of their nature, whether direct or indirect, absolute or contingent, with interest thereon at the rate or rates provided herein and under such Obligations.

(ii) Loan Repayment.

(a) Electorate Approval. In the event that the Electorate Approval is received, then, commencing with the Initial Repayment Date, and on each subsequent rent payment due date thereafter, the Lender shall cause the then due rent payment amount owing to the Borrower, as lessor under the Lease (as such amount may be adjusted in accordance with and under the terms of the Lease, the “Rent Amount”) or a portion thereof, to be applied to and offset against the Outstanding Loan Amount plus interest accrued and unpaid through such Repayment Date (the “Rent Offset”); provided, that the Rent Amount shall first be applied to offset all interest accrued and unpaid, and then any remaining amount shall then be applied to the offset all or a portion of the Outstanding Loan Amount; provided further that the Rent Offset on the Initial Repayment Date shall be 100% of the Rent Amount, and the Rent Offset on each Repayment Date thereafter shall be 50% of the Rent Amount. Any Outstanding Loan Amount or accrued and unpaid interest that is offset by the Rent Amount shall be considered repaid by the Borrower. It is the intention of the parties hereto that the Tenant be a third-party beneficiary of this Agreement.

(b) Failure to Receive Electorate Approval. In the event for any reason the Electorate Approval is not received, then, commencing with the Initial Repayment Date, and on the last Business Day of each month thereafter through the Maturity Date, the Borrower shall cause the Outstanding Loan Amount to be repaid in installments payable on each such Repayment Date (each such payment, an “Amortization Payment”), with the final installment in an amount equal to the entire Outstanding Loan Amount to be repaid on the Maturity Date. Each Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Amortization Payments over the Repayment Period plus interest accrued and unpaid through such Repayment Date.

(iii) Final Repayment of Loans. In addition to any payment to be made on the Maturity Date pursuant to this Section 2.1(d), the Borrower shall also repay all other amounts due and owing under this Agreement, including, but not limited to any outstanding interest due under Section 2.2 hereof.

(e) Mandatory Prepayment.

(i) Net Cash Proceeds from the Purchase Agreement. Promptly after, and in no event more than one (1) Business Day after, the closing of the Purchase Agreement, the Borrower shall make, or direct the Buyer to make on the Borrower’s behalf, a prepayment of the Loans in an amount equal to 100% of such Net Cash Proceeds thereunder; provided, that such Net Cash Proceeds shall first be applied to prepay all

interest accrued and unpaid as of the date of such prepayment, and then any remaining amount shall then be applied to the prepay all or a portion of the Outstanding Loan Amount.

(ii) Termination or Expiration of the Lease. In the event that the Electorate Approval is received and the Lease is terminated or expires prior to the Maturity Date for any reason whatsoever, Lender may by written notice to the Borrower, declare that the entire Outstanding Loan Amount plus accrued and unpaid interest to the date of acceleration are immediately due and payable, in which case such amounts shall become immediately due and payable.

(f) Increase in Loan Commitments.

(i) Borrower Request. During the Loan Commitment Availability Period, the Borrower may by written notice to Lender request one additional increase in the Loan Commitment (such increase, the "Additional Loan Commitment"), in an aggregate amount not to exceed \$1,500,000; provided that Lender is not required to commit to any such increase. Any Loans drawn under the Additional Loan Commitment shall in all respects be subject to the terms of this Agreement as if they were part of and drawn under the original Loan Commitment.

(ii) Conditions. The Additional Loan Commitment shall become effective upon (a) Lender's acceptance of the Borrower's request and (b) satisfaction of the following conditions (the date of such acceptance and satisfaction of the following conditions, the "Increase Effective Date"):

A. No Event of Default shall have occurred and be continuing.

B. Each of the representations and warranties herein and in each of the other Loan Documents shall be true and correct in all material respects on and as of the Increase Effective Date (except to the extent that such representations and warranties relate solely to an earlier date in which case such representations and warranties shall have been true, correct and complete in all material respects on and as of such earlier date; provided, that, if a representation and warranty is qualified as to materiality, with respect to such representation and warranty the materiality qualifier set forth above in this clause (B) shall be disregarded).

C. The proceeds of the Additional Loan Commitment shall be used in a manner not prohibited by this Agreement, including by Section 6.1 hereof, or by any other Loan Document, unless otherwise agreed to by Lender in its sole discretion.

D. Lender shall have received a certificate from a Responsible Officer of the Borrower to effect of clauses (A) through (C) above.

SECTION 2.2. INTEREST/FEES.

(a) Interest. The Borrower agrees to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until such Loan is paid in full at a rate per annum equal to the Prime Rate minus 50 basis points, compounding annually; provided that at any time an Event of Default exists, if Lender so requests, the interest rate applicable to each Loan shall be increased by 2 percentage points.

(b) Computation and Payment. Interest shall be computed on the basis of a 365/366-day year, actual days elapsed. The applicable interest rate for each Loan shall change simultaneously with each change in the Prime Rate. Interest shall accrue for each Loan on the applicable Funding Date of each Loan, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, *provided* that any Loan that is repaid on the same day on which it is made shall bear interest for one day. Each determination by Lender of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error. Accrued interest on each Loan shall be payable on each Repayment Date, for interest accrued during since the immediately preceding Repayment Date; provided that the accrued interest payable on the Initial Repayment Date shall be interest accrued since the Effective Date.

SECTION 2.3. COLLATERAL.⁶ As security for the Obligations of the Borrower to Lender subject hereto, the Borrower shall grant to Lender security interests of [super priority] in the Real Property Collateral and certain of the District's personal property as further described in the Security Agreement (collectively, the "Collateral"), and in each case, evidenced by and subject to the terms of the Mortgage or the Security Agreement, as applicable.

SECTION 2.4. SUBORDINATION OF DEBT. [All indebtedness and other Obligations of the Borrower pursuant to the [Revenue Bonds][Existing Bonds] shall be subordinated in right of repayment to all obligations hereunder, and evidenced by and subject to the terms of a subordination agreement in form and substance satisfactory to Lender (as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Subordination Agreement").]⁷

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Borrower makes the following representations and warranties to Lender, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect at all times while Lender remains committed to extend Loans to the Borrower hereunder and until the full and final payment, and satisfaction and discharge, of all Obligations of the Borrower to Lender subject to this Agreement.

⁶ Note to draft: to be revised to reflect final collateral package and potential lien on amounts due and owing to District under the APA on closing. Also to be adjusted to reflect potential second lien position on certain of the real property pending resolution of dispute with prior manager.

⁷ See footnote 6.

SECTION 3.1. LEGAL STATUS. The Borrower is a political subdivision of the State of California, organized, existing and acting under and pursuant to the Local Health Care District Law of the State of California, constituting Division 23 of the California Health and Safety Code. The Borrower possesses all requisite power and authority necessary to own and operate the Assets and carry on its business as the same is now being conducted.

SECTION 3.2. AUTHORIZATION, VALIDITY AND BINDING EFFECT. This Agreement and each contract, instrument and other document required hereby or at any time hereafter delivered to Lender in connection herewith (collectively, including this Agreement, the Security Agreement, the Mortgage[and the Subordination Agreement], the “Loan Documents”) and the performance of the transactions contemplated hereby, including the grant by the Borrower of the security interests in the Collateral as contemplated hereby are within the Borrower’s powers and have been duly authorized by the board of directors of the Borrower. Subject to any restrictions arising on account of the Borrower’s status a “debtor” under the Bankruptcy Code, any required approvals of the Bankruptcy Court and receipt of other consents which the parties hereto contemplate will be obtained prior to the Effective Date, (i) the Borrower has all requisite power and authority to enter into, consummate and perform this Agreement and carry out all of the terms and provisions of this Agreement and (ii) upon their execution and delivery in accordance with the provisions hereof, the Loan Documents will constitute legal, valid and binding agreements and Obligations of the Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 3.3. NO VIOLATION. The execution, delivery and performance by the Borrower of the Loan Documents, including the grant by the Borrower of the security interests in the Collateral contemplated hereby and in the other Loan Documents:

(a) do not violate or conflict with:

(i) any provision of the governing documents of the Borrower; or

(ii) any order of any governmental or regulatory authority, any judgment, decree, order or award of any court, arbitrator, administrative agency or governmental authority or, to the knowledge of the Borrower, any material Government Authorization, or any material Law, except for any restrictions arising on account of the Borrower’s status a “debtor” under the Bankruptcy Code, any required approvals of the Bankruptcy Court and receipt of other consents which the parties hereto contemplate will be obtained prior to the Effective Date; or

(b) do not result in any conflict, breach of or default under any contract, obligation, indenture or other instrument to which the Borrower is a party or by which the Borrower may be bound (other than with respect to the Borrower, conflicts, breaches or defaults the enforcement of which [will be][have been] stayed by virtue of the filing of the Chapter 9 Proceeding).

SECTION 3.4. CONSENTS. Except for the consents as set forth on Schedule 3.4(a) which the parties hereto contemplate will be obtained prior to the Effective Date, no consent, approval, authorization of or filing or registration with any Government Entity or any

other Person is required to be obtained or made by the Borrower in order for the Borrower to consummate the transactions contemplated by the Loan Documents.

SECTION 3.5. LITIGATION, CLAIMS AND PROCEEDINGS. The Borrower has not been served with any summons, complaint or written notice to arbitrate, and no suit, litigation, claim (equitable or legal), administrative arbitration, investigation or other proceeding is pending or threatened against the Borrower or affecting the Assets, or the business of the Borrower by or before any court, governmental department, commission, board, bureau, agency, mediator, arbitrator or other person or instrumentality, except: (a) the malpractice or negligence actions, claims, suits or proceedings set forth in Schedule 3.5(a); (b) the contract or general liability actions, claims, suits, or proceedings set forth in Schedule 3.5(b); and (c) the Borrower's pending Chapter 9 Proceeding and the claims, objections and proceedings therein. None of the actions, claims, suits, proceedings and matters set forth in Schedules 3.5(a) and 3.5(b) materially affects the value of the Assets or materially impairs the ability of the Borrower to perform the Borrower's Obligations.

SECTION 3.6. CORRECTNESS OF FINANCIAL STATEMENT. The Borrower has delivered to Lender copies of the Financial Statements as attached hereto as Schedule 3.6. Except as set forth in Schedule 3.6, the Financial Statements fairly present in all material respects the financial condition and results of operations of the Borrower's operations as of the respective dates thereof and for the period therein referred to, subject to normal recurring year-end adjustments and the absence of notes; and the Financial Statements reflect the consistent application of GASB throughout the periods involved.

SECTION 3.7. MATERIAL ADVERSE EFFECT. Except for the Chapter 9 Proceeding and the facts disclosed in the filings made in connection therewith, since the Petition Date, no event or condition has resulted in, or could be reasonably expected to cause, either individually or in the aggregate, a Material Adverse Effect.

SECTION 3.8. NO SUBORDINATION. [Except for the [Existing Bonds], there is no agreement, indenture, contract or instrument to which the Borrower is a party or by which the Borrower may be bound that requires the subordination in right of payment of the Borrower's Obligations subject to this Agreement to any other obligation of such Borrower.]⁸

SECTION 3.9. TITLE TO ASSETS. Except as specifically set forth in this Agreement or the Purchase Agreement, [to the Borrower's knowledge,] the Borrower has, and will have on the Closing Date, title to all of the Assets, free and clear of all liens, judgments, pledges, title defects, Encumbrances, leases, security interests (UCC or otherwise, including without limitation, any and all active liens on the Assets included in the list set forth on Schedule 3.9 hereto, security agreements, chattel mortgages, conditional sale contracts, collateral security agreements, leases and other title or interest retention arrangements), actions, claims, charges, conditions or restrictions of any nature whatsoever. Except for the Permitted Encumbrances and merchandise and other property sold or used in the ordinary course of business, [to the Borrower's knowledge,] the Borrower has not entered into any contract, commitment or arrangement that would cause any of the Assets to be subject to any security interest, claim,

⁸ Note to draft: to be revised based on final collateral package.

equity, pledge, mortgage, lien (including, without limitation, mechanics' and materialmen's liens) or Encumbrances whatsoever which will exist or come into existence after the Effective Date.

SECTION 3.10. REAL PROPERTY.

(a) Owned Real Property. As of the Effective Date: (i) the Owned Real Property is subject only to the Permitted Real Property Encumbrances listed on Schedule 3.10(a); and (ii) except as disclosed on Schedule 3.10(a) and other than the Real Estate Leases, [to the Borrower's knowledge,] there are no purchase contracts, options, rights of first refusal, rights of first offer or first negotiation, restrictive covenants or other agreements of any kind, oral or written, formal or informal, choate or inchoate, recorded or unrecorded, whereby any person or entity will have acquired or will have any basis to assert any right, title or interest in the Owned Real Property. No officers, directors or employees of the Borrower, or relative of any of such officer, director or employee, has any direct or indirect interest in any of the Owned Real Property.

(b) Leased Real Property. The Borrower has the right to use and occupy all of the Leased Real Property (as lessee) pursuant to valid, binding, and enforceable leases, and has provided Lender with a copy of such leases. Except as set forth in Schedule 3.10(b): (i) the leases have not been modified, amended, or assigned, are legally valid, binding and enforceable in accordance with their respective terms, and are in full force and effect; and (ii) to the Borrower's knowledge, there are no material defaults (or matters that upon written notice or lapse of time would constitute material defaults) by the Borrower or by any other party to the leases.

(c) Real Estate Leases. All leases, subleases, licenses, concessions, options, and other agreements relating to the occupancy of the Owned Real Property, including the right to all security deposits and other amounts and instruments deposited thereunder, are listed on Schedule 3.10(c) (collectively, the "Real Estate Leases"), and Seller has provided the Lender with a copy of such Real Estate Leases. Except as set forth in Schedule 3.10(c), (i) the Real Estate Leases have not been modified, amended, or assigned, are legally valid, binding and enforceable in accordance with their respective terms, and are in full force and effect; and (ii) to the Borrower's knowledge, there are no material defaults (or matters that upon written notice or lapse of time would constitute material defaults) by the Borrower or by any other party to the Real Estate Leases

(d) Zoning. To Borrower's knowledge, the Real Property is zoned to permit the uses for which such Real Property is presently used and/or intended to be used, without variances or conditional use permits.

(e) Easements and Encroachments. The Borrower has all easements and rights of way, including without limitation, easements for all utilities, services, roadways and other means of ingress and egress, necessary for access to the Owned Real Property. Except as disclosed in the Express Map and/or the Title Report, none of such improvements encroach onto adjacent property, violate set-back, building, or sideline requirements, or encroach onto any easements located on the Owned Real Property.

SECTION 3.11. ENVIRONMENTAL MATTERS.

(a) Use of Real Property and Condition. The Hospital Campus Real Property has been operated by the Borrower as an acute care hospital from the date of first licensure as such to the present, which use included the handling of certain substances normally used in such hospitals some of which may be Hazardous Materials; the Borrower has no knowledge of any uses or operations of the Hospital Campus Real Property prior to such first acute care hospital licensure. The Borrower has no knowledge of any release or threatened release of any Hazardous Materials, at, under or about the Hospital Campus Real Property, which may give rise to any cost, penalty, expense, claim, demand, order, or liability, including, but not limited to, remediation or response action costs being imposed against the Borrower by any third party. The Borrower hereby represents and warrants to Lender that the Borrower is not aware of, nor has the Borrower received notification of any information which reasonably should have alerted the Borrower to become aware of, any environmental claim with respect to the Real Property, actual material violations of any statutes, regulations or laws relating to maintenance, disposition, release or handling of any Hazardous Materials at the Hospital, or with respect to the Real Property.

(b) Permits. The Borrower has all environmental, health and safety Permits for any and all operations, activities, alterations, or improvements on the Real Property. The Borrower is in full compliance with the terms and conditions of such permits and all such Permits are presently in full force and effect.

(c) Violations. Except as set forth on Schedule 3.11, the Borrower has not: (a) entered into or been subject to any consent decree, compliance order, or administrative order with respect to the Real Property or operations thereon; (b) received notice under the citizen provision of any environmental Law in connection with the Real Property or operations thereon; (c) received any request for information, notice, demand letter, administrative inquiry, or complaint or claim with respect to any environmental condition relating to the Real Property or operations thereon; or (d) been subject to or threatened with any governmental or citizen enforcement action with respect to the Real Property or operations thereon; and the Borrower has no reason to believe that any of the above will be forthcoming.

SECTION 3.12. ERISA. Except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, (i) no ERISA Event has occurred or is reasonably expected to occur and (ii) the present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan. As of the date hereof (a) the Borrower is not an “employee benefit plan,” as defined in Section 3(3) of ERISA, subject to Title I of ERISA, (b) the Borrower is not a “governmental plan” within the meaning of Section 3(32) of ERISA, and (c) to the Borrower’s knowledge, transactions by or with the Borrower are not subject to any state statute, regulation or ruling regulating investments of, or fiduciary obligations with respect to, governmental plans, and (d) none of the assets of the Borrower constitutes “plan assets” of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA. As of the date hereof, neither the

Borrower nor any ERISA Affiliate maintains, sponsors or contributes to a Plan or a Multiemployer Plan.

SECTION 3.13. INSURANCE. Schedule 3.13 describes all insurance arrangements, including self-insurance, in place for the benefit of the Assets (collectively, the “Insurance Policies”). All Insurance Policies are in full force and effect and are issued by insurers of recognized responsibility. The insurance coverage provided by the Insurance Policies (a) is on such terms, (b) covers such categories of risk, (c) contains such deductibles and retentions, and (d) is in such amounts as, with respect to each of the criteria set forth in the foregoing clauses (a) through (d), as adequate and suitable for the Assets. With respect to each Insurance Policy, (i) there are no claims pending as to which coverage has been questioned, denied or disputed by the underwriter(s) of such Insurance Policy, (ii) all premiums due have been paid, (iii) no notice of cancellation or termination has been given and (iv) the Borrower has complied in all material respects with the terms and provisions of such Insurance Policy.

SECTION 3.14. GOVERNMENT HEALTHCARE PROGRAMS. The Hospital is qualified for participation in Government Healthcare Programs. The Borrower receives payment under the Government Healthcare Programs for services rendered to qualified beneficiaries. To the Borrower’s knowledge, no member of the medical staff of the Hospital has been excluded from participation in any Government Healthcare Program.

SECTION 3.15. COMPLIANCE WITH LAWS. To the knowledge of the Borrower, except as provided in Schedule 3.15, the Borrower is not in violation of any Laws, including Healthcare Laws, applicable to the Borrower, the operation of the Hospital which would result in a Material Adverse Effect.

SECTION 3.16. REORGANIZATIONAL MATTERS.

(a) The Chapter 9 Proceeding was commenced on the Petition Date in accordance in all material respects with applicable Law and proper notice thereof was provided by the Borrower and proper notice of (x) the motion seeking approval of the Loan Documents and entry of a Final Order authorizing the Borrower’s entry into the Loan Documents (the “DIP Order”) and (y) any hearing thereon will be given; provided, that the Borrower shall give, on a timely basis as specified in the DIP Order, all notices required to be given to all parties specified in the DIP Order.

(b) After the entry of the DIP Order (and subject to the terms therein), and pursuant to and to the extent provided in the DIP Order, the Obligations [will be secured by a valid and perfected super priority Lien on all of the Collateral]⁹.

(c) Once entered, the DIP Order shall remain in full force and effect and shall not be reversed, stayed, modified or amended in an adverse manner without Lender’s consent.

(d) The Approved Budget and all projected balance sheets, income statements and cash flow statements of the Borrower delivered to Lender were prepared in good faith on the

⁹ Note to draft: to be revised once collateral package is final.

basis of the assumptions stated therein, which assumptions were believed in good faith by the Borrower to be fair in light of the conditions existing at the time of delivery of such report or projection.

(e) The Borrower's plan of adjustment in the Chapter 9 Proceeding shall not contradict or supersede any provision of this Agreement or any of the Loan Documents.

SECTION 3.17. OTHER OBLIGATIONS. Except as set forth on Schedule 3.17, the Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 3.18. EVENT OF DEFAULT. No Event of Default has occurred and is continuing, or would result after effect to the borrowing of any Loan.

SECTION 3.19. DEBT. The Borrower has not incurred any Debt, other than Debt permitted under Section 6.3 of this Agreement.

SECTION 3.20. ORDERS, DECREES AND RULINGS. Except for the Chapter 9 Proceeding and any court orders, decrees or rulings thereunder, the Borrower is not a party to any order, decree or ruling of any court or administrative agency, federal, state or local, nor has the Borrower any contracts, formal or informal, with any such agency that could materially and adversely affect the ability of the Borrower to perform its obligations hereunder or conduct its business.

SECTION 3.21. ACCURACY OF REPRESENTATIONS AND WARRANTIES. To the knowledge of the Borrower, no representation or warranty of the Borrower contained in this Agreement, or any statement, document or certificate furnished or to be furnished to Lender, or in connection with the transactions contemplated hereby, is incomplete, inaccurate, or contains any untrue statement of any material fact known to the Borrower, or intentionally omits to state any material fact known to the Borrower necessary to make the statements contained therein not misleading.

ARTICLE IV CONDITIONS

SECTION 4.1. CONDITIONS OF INITIAL EXTENSION OF LOANS. The obligation of Lender to extend any Loans contemplated by this Agreement is subject to the fulfillment to Borrower's satisfaction of all of the following conditions:

(a) Approval of Lender Counsel. All legal matters incidental to the extension of the Loans by the Lender shall be satisfactory to Lender's counsel.

(b) Documentation. Lender shall have received, in form and substance satisfactory to Lender, each of the following, duly executed:

- (i) This Agreement.
- (ii) Certificate of Incumbency of the Borrower.

- (iii) Resolutions of the Board of the Directors of the Borrower approving and authorizing the Borrower's execution, delivery and performance of the Loan Documents.
- (iv) Charter (or similar formation document) of the Borrower.
- (v) Bylaws (or similar governing document) of the Borrower.
- (vi) [Certificate of good standing of the Borrower.]¹⁰
- (vii) Security Agreement.
- (viii) Borrowing Notice.
- (ix) UCC-1 financing statement naming the Borrower as debtor and the Lender as secured party, to be filed with the Secretary of State of the State of California and all other agreements, notices, filings listed on Schedule II to the Security Agreement.
- (x) Opinion.
- (xi) Mortgage.
- (xii) [Subordination Agreement.]
- (xiii) A certified copy of the DIP Order.
- (xiv) Closing Certificate.
- (xv) Such other documents as Lender may require under any other section of this Agreement.

(c) Representations and Warranties. Each of the representations and warranties herein and in each of the other Loan Documents shall be true and correct in all material respects on and as of the initial Funding Date (except to the extent that such representations and warranties relate solely to an earlier date in which case such representations and warranties shall have been true, correct and complete in all material respects on and as of such earlier date; provided, that, if a representation and warranty is qualified as to materiality, with respect to such representation and warranty the materiality qualifier set forth above in this clause (c) shall be disregarded).

(d) No Event of Default. No event shall have occurred [and be continuing] which constitutes an Event of Default.

(e) Approved Budget. Lender shall have received the Approved Budget. The Borrower shall have complied with such Approved Budget, and the aggregate amount of Loans,

¹⁰ If applicable.

after giving effect to such disbursement, shall not exceed the amount set forth in the Approved Budget without giving effect to any variance permitted by the proviso of the definition of “Approved Budget.”

(f) Financial Condition. Since the Petition Date, no event or condition shall have occurred or resulted in, or could be reasonably expected to cause, either individually or in the aggregate, a Material Adverse Effect.

(g) Insurance. The Borrower shall have delivered to Lender evidence of insurance coverage on the Assets, in form, substance, amounts, covering risks and issued by companies satisfactory to Lender, and where required by Lender, with loss payable endorsements in favor of Lender.

(h) DIP Order. The Bankruptcy Court shall have entered the DIP Order approving this Agreement and the other Loan Documents, in form and substance satisfactory to Lender. The DIP Order shall be in full force and effect and shall not have been reversed, modified, amended or stayed (other than with prior written consent of Lender, which consent may be withheld in Lender’s sole discretion).

SECTION 4.2. CONDITIONS OF EACH SUBSEQUENT EXTENSION OF LOANS. The obligation of Lender to make each extension of Loans requested by the Borrower hereunder shall be subject to the fulfillment to Lender’s satisfaction of each of the following conditions:

(a) Compliance. Each of the representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on each Funding Date (except to the extent that such representations and warranties relate solely to an earlier date in which case such representations and warranties shall have been true, correct and complete in all material respects on and as of such earlier date; provided, that, if a representation and warranty is qualified as to materiality, with respect to such representation and warranty the materiality qualifier set forth above in this clause (a) shall be disregarded), and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Availability. After giving effect to any Borrowing, Availability shall not be less than zero.

(c) Funding Date. The applicable Funding Date shall not occur outside of the Loan Commitment Availability Period.

(d) Documentation. Lender shall have received a Borrowing Notice, Closing Certificate and all additional documents which it may require in connection with such extension of Loans.

ARTICLE V
AFFIRMATIVE COVENANTS

The Borrower covenants that so long as Lender remains committed to extend Loans to the Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of the Borrower to Lender under any of the Loan Documents remain outstanding, and until payment in full of all Obligations of the Borrower subject hereto, the Borrower shall, unless Lender otherwise consents in writing:

SECTION 5.1. MAINTENANCE OF EXISTENCE AND PROPERTIES. The Borrower shall preserve and maintain its existence. The Borrower shall preserve and keep in force and effect all licenses, Permits, franchises, approvals, patents, trademarks, trade names, trade styles, copyrights, and other proprietary rights necessary to the proper conduct of its operations where the failure to do so could reasonably be expected to have a Material Adverse Effect. The Borrower shall maintain, preserve, and keep its property, plant, and equipment in good repair, working order and condition (ordinary wear and tear excepted), and shall from time to time make all needful and proper repairs, renewals, replacements, additions, and betterments thereto so that at all times the efficiency thereof shall be fully preserved and maintained, except (a) to the extent that, in the reasonable business judgment of such Person, any such property is no longer necessary for the proper conduct of the business of such Person, or (b) to the extent that any failure to maintain, preserve and keep its property, plant, and equipment in good repair, working order and condition or any failure to make needful and proper repairs, renewals, replacements, additions, and betterments thereto could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.2. PUNCTUAL PAYMENTS. [Except as restricted or prevented by the Bankruptcy Code, the filing of the Chapter 9 Proceeding, an order of the Bankruptcy Court [and the Subordination Agreement]], punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Lender, the amount by which the Outstanding Loan Amount subject hereto at any time exceeds the Loan Commitment.

SECTION 5.3. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Lender, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of the Borrower.

SECTION 5.4. INSPECTION. The Borrower shall permit the Lender and its duly authorized representatives and agents to visit and inspect any of its property, books, and financial records, to examine and make copies of its books of accounts and other financial records, and to discuss its affairs, finances, and accounts with, and to be advised as to the same by, its officers and independent public accountants (and by this provision the Borrower hereby authorizes such accountants to discuss with Lender and such representatives the finances and affairs of the Borrower) at such reasonable times during business hours and intervals as Lender may designate and, so long as no Event of Default exists, with reasonable prior notice to the Borrower; provided that this right is subject to all applicable federal and state laws and regulations; and provided,

further that the Borrower reserves the right to restrict access to its property or any portion thereof in accordance with reasonably adopted procedures relating to safety, privacy and security.

SECTION 5.5. FINANCIAL STATEMENTS. Provide to Lender with all of the following, in form and detail satisfactory to Lender (the documents referred to in clauses (a) and (b) below are referred to collectively as the “Financial Statements”):

(a) not later than 180 days after and as of the end of each fiscal year of the Borrower, audited [consolidated]¹¹ financial statements of the Borrower, prepared by a certified public accountant reasonably acceptable to Lender, to include balance sheets, income statements and statements of cash flows;

(b) not later than 30 days after and as of the end of each calendar month, [consolidated] financial statements of the Borrower, prepared by the Borrower, to include balance sheets, income statements and statements of cash flows;

(c) not later than 60th day of each fiscal year and covering such fiscal year, financial projections for the Borrower prepared by Borrower, as approved by the board of directors of the Borrower, together with any certification of approval as Lender may require;

(d) not later than 60 days after and as of the end of each fiscal quarter, an update to the annual financial projections most recently provided pursuant to clause (c) above;

(e) contemporaneously with each annual and monthly financial statement of the Borrower required hereby, a certificate of the president or chief financial officer (or comparable officer) of the Borrower that said financial statements are, in all material respects, complete and correct and present fairly the consolidated financial condition of the Borrower and that there exists no Event of Default or any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(f) from time to time such other information as Lender may reasonably request.

SECTION 5.6. COMPLIANCE. Preserve and maintain all licenses, Permits, governmental approvals, rights, privileges and franchises necessary for the conduct of the Borrower’s operations; and comply with the provisions of all documents pursuant to which the Borrower is organized and/or which govern the Borrower’s continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to the Borrower and/or its operations.

SECTION 5.7. INSURANCE. Maintain and keep in force, insurance of the types and in amounts customarily carried in similar types of operations, including but not limited to fire, extended coverage, public liability, flood, property damage and workers’ compensation, with all such insurance carried with companies and in amounts satisfactory to Lender, and

¹¹ To confirm if relevant.

deliver to Lender from time to time at Lender's request schedules setting forth all insurance then in effect.]¹²

SECTION 5.8. FACILITIES. [Keep all properties useful or necessary to the Borrower's operations in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.]¹³

SECTION 5.9. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes of the Borrower, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as the Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which the Borrower has made provision, to Lender's satisfaction, for eventual payment thereof in the event the Borrower is obligated to make such payment.

SECTION 5.10. LITIGATION. Promptly give notice in writing to Lender of any litigation pending or threatened against the Borrower.

SECTION 5.11. NOTICE TO LENDER. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Lender in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of the Borrower; (c) any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which the Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the Borrower's property.

SECTION 5.12. [COMPLIANCE WITH ENVIRONMENTAL LAWS].

(a) Comply with all Environmental Laws, except such non-compliance as could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Obtain, maintain in full force and effect and comply with all Permits necessary to the ownership and operation of its properties and assets or to the conduct of its business, except to the extent that a failure to do so could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Comply in a timely manner with all Environmental Laws including those relating to the release of Hazardous Materials, together with any other applicable legal requirements for conducting, on a timely basis, periodic tests, monitoring and remediation of contamination of the Environment, and diligently comply with the regulations of the United States Environmental

¹² Note to draft: to be conformed based on insurance to be maintained by District from effective date to closing and thereafter during the term of this Agreement.

¹³ Note to draft: to confirm whether this rep should be subject to the Lease.

Protection Agency and any other applicable Government Entity, except where the failure to do so could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.]¹⁴

SECTION 5.13. ERISA. Deliver to Lender such certifications or other evidence from time to time throughout the term of the Loan, as may be reasonably requested by Lender in its sole discretion, that (a) the Borrower is not an “employee benefit plan” as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a “governmental plan” within the meaning of Section 3(32) of ERISA; (b) to the Borrower’s knowledge, the Borrower is not subject to any state statute, regulation or ruling regulating investments of, or fiduciary obligations with respect to, governmental plans; and (c) one or more of the following circumstances is true:

(i) Equity interests in the Borrower are publicly offered securities, within the meaning of 29 C.F.R. §2510.3-101(b)(2);

(ii) Less than twenty-five percent (25%) of each outstanding class of equity interests in the Borrower is held by “benefit plan investors” within the meaning of 29 C.F.R. §2510.3-101(f)(2), as modified by ERISA Section 3(42), disregarding the value of any equity interests in the Borrower held by (I) a person (other than a benefit plan investor) who has discretionary authority or control with respect to the assets of the Borrower, (II) any person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Borrower, or (III) any affiliate of a person described in the immediately preceding clause (I) or (II); or

(iii) The Borrower qualifies as an “operating company” or a “real estate operating company” within the meaning of 29 C.F.R. §2510.3-101(c) or (e).

ARTICLE VI NEGATIVE COVENANTS

The Borrower further covenants that so long as Lender remains committed to extend credit to the Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of the Borrower to Lender under any of the Loan Documents remain outstanding, and until payment in full of all Obligations of the Borrower subject hereto, the Borrower will not, without Lender’s prior written consent:

SECTION 6.1. USE OF PROCEEDS. Use any of the proceeds of any Loan extended hereunder except for: (a) fees, costs and expenses in connection with the Transactions, (b) supporting the Borrower’s efforts to reinstate its suspended general acute care hospital license and to reopen the Hospital, and (c) other working capital purposes or other uses of the Borrower approved by the Lender in its sole discretion.

SECTION 6.2. CAPITAL EXPENDITURES. Except as otherwise required by the Master Lease or the Purchase Agreement, make any additional investment in fixed assets in any fiscal year other than in the ordinary course of the Borrower’s operations.

¹⁴ Note to draft: to confirm whether environmental rep shall be subject to the terms of the Lease.

SECTION 6.3. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of the Borrower to Lender, (b) any other liabilities of such Borrower existing as of, and disclosed to Lender in writing prior to, the Effective Date, and [(c) equipment purchase money debt owed to a lender other than Lender and secured by the purchased equipment, provided the amount of such debt incurred in any fiscal year does not exceed in the aggregate (taking into the account all such debt of the Borrower incurred during such fiscal year) \$[●]].

SECTION 6.4. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of the Borrower's operations as conducted as of the Effective Date; acquire all or substantially all of the assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of the Borrower's assets except in the ordinary course of its business or in connection with the Transactions.

SECTION 6.5. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of the Borrower as security for, any liabilities or obligations of any other Person, except any of the foregoing in favor of Lender.

SECTION 6.6. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any Person, except any of the foregoing existing as of, and disclosed to Lender prior to, the Effective Date, and additional loans or advances made in the ordinary course of the Borrower's operations.

SECTION 6.7. ENCUMBRANCES. Except as otherwise expressly permitted pursuant to this Agreement and other Loan Documents, mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of the Borrower's Assets now owned or hereafter acquired, except any of the foregoing in favor of Lender or which is existing as of, and disclosed to Lender in writing prior to, the Effective Date.

SECTION 6.8. CERTAIN AGREEMENTS. Agree with any Person other than Lender that the Borrower will not mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of the Borrower's assets now owned or hereafter acquired.

SECTION 6.9. COMMUNICATIONS WITH THE BANKRUPTCY COURT. Fail to provide to Lender prior notice and copies of any material motions or other material documents to be filed with the Bankruptcy Court in the Chapter 9 Proceeding.

SECTION 6.10. ERISA. (a) Engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Lender of any of its rights under this Agreement or the Loan Documents) to be a non-exempt (under a statutory or administrative exemption) prohibited transaction under Section 406 ERISA or Section 4975 of the Code or constitute a violation of any state statute, regulation or ruling impacting a

governmental plan, or (b) permit the assets of the Borrower to become “plan assets”, within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA.

ARTICLE VII
EVENTS OF DEFAULT

SECTION 7.1. The occurrence of any of the following shall constitute an “Event of Default” under this Agreement:

(a) The Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Lender in connection with, or any representation or warranty made by the Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default by the Borrower in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an “Event of Default” in this Section 7.1), and with respect to any such default that by its nature can be cured, such default shall continue for a period of twenty (20) days from its occurrence.

(d) Any default or event of default by the Borrower shall have occurred under the Purchase Agreement, the Lease or the other Loan Documents.

(e) Except as set forth on Schedule 7.1(e), or to the extent resulting from the filing of the Chapter 9 Proceeding and where the applicable creditors are not actively pursuing any remedies against the Borrower or are prohibited by applicable Law from doing so, any default in the payment or performance of any obligation, or any defined event of default, that continues beyond any applicable cure period, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which the Borrower has incurred any debt or other liability to any Person, including Lender.

(f) The Borrower shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; or, other than the Chapter 9 Proceeding, the Borrower shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Code, or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or the Borrower shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or, other than in connection with the Chapter 9 Proceeding, the Borrower shall be adjudicated a bankrupt, or an order for relief shall be entered against the Borrower by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against the Borrower

and such involuntary petition or proceeding remains undismissed for a period of sixty (60) days after it is filed or commenced.

(g) The filing of a notice of judgment lien against the Borrower; or the recording of any abstract of judgment against the Borrower in any county in which the Borrower has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of the Borrower; or the entry of a judgment against the Borrower.

(h) There shall exist or occur any event or condition that Lender in good faith believes impairs, or is substantially likely to impair, the prospect of payment or performance by the Borrower of its obligations under any of the Loan Documents.

(i) The occurrence of an ERISA Event which has resulted or could reasonably be expected to result in liability of the Borrower in an aggregate amount exceeding \$50,000.

(j) Other Bankruptcy Related Events of Default.

(i) The Chapter 9 Proceeding is dismissed or the Borrower shall file a motion or other pleading or support a motion or other pleading filed by any other Person seeking the dismissal of the Chapter 9 Proceeding under the Bankruptcy Code or otherwise; a trustee, a Responsible Officer or an examiner with enlarged powers relating to the operation of the business shall be appointed in the Chapter 9 Proceeding or the Borrower shall file a motion or other pleading or shall consent to a motion or other pleading filed by any other Person seeking any of the foregoing; or

(ii) an order of the Bankruptcy Court shall be entered granting any other super priority claim or any Lien which is pari passu with or senior to the claims of the Lender against the Borrower hereunder, or there shall arise or be granted any such pari passu or senior super priority claim or the Borrower shall file a motion or other pleading or support a motion or other pleading filed by any other Person requesting any of the foregoing; or

(iii) the Bankruptcy Court shall enter an order or orders granting relief from the automatic stay applicable under section 362 of the Bankruptcy Code (i) to the holder or holders of any security interest to proceed against, including foreclosure (or the granting of a deed in lieu of foreclosure or the like) on, any assets of the Borrower that have a value in excess of \$50,000 in the aggregate or (ii) to state or local environmental or regulatory agency or authority to proceed against, including foreclose (or the granting of a deed in lieu of foreclosure or the like) on, any assets of the Borrower that have a value in excess of \$50,000; or

(iv) an order of the Bankruptcy Court (or any other court of competent jurisdiction) shall be entered, whether on appeal or otherwise, (A) without the written consent of Lender, reversing, staying or vacating the DIP Order, (B) without the written consent of Lender, amending, supplementing or modifying the DIP Order or (C) denying or terminating the use of cash collateral by the

Borrower; or the Borrower shall file a motion or other pleading or shall support a motion or other pleading filed by any other Person seeking any of the foregoing; or

(v) default shall be made by the Borrower in the due observance or performance of any term, condition or obligation contained in the DIP Order beyond any grace period for such specific default set forth therein or herein; or

(vi) subject to entry of the DIP Order, the Bankruptcy Court shall enter an order imposing, surcharging or assessing against Lender's interest in the Collateral, any costs of expenses, or the Borrower shall file a motion or other pleading or support a motion or other pleading filed by any other Person requesting the foregoing; or

(vii) the Borrower, or any Person claiming by or through the Borrower, shall obtain court authorization to commence, or shall commence, join in, assist or otherwise participate as an adverse party in any suit or other proceeding against Lender; or

(viii) the Borrower contests the validity or enforceability of any provision of any Loan Document or the validity, extent, perfection or priority of a Lien in favor of Lender on the Collateral or shall support or consent to any other Person contesting the foregoing; or

(ix) the filing by the Borrower of any plan of adjustment that contradicts the DIP Order, including the payment terms provided by the DIP Order, or any of the other Transaction Documents, other than as agreed to by Lender, or the Borrower shall file a motion or other pleading or support a motion or other pleading filed by any other Person requesting approval of any such plan.

SECTION 7.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of the Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Lender's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by the Borrower; (b) the obligation, if any, of Lender to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Lender shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. Lender shall have the right to apply proceeds of any Collateral to the payment of Obligations in such order as Lender elects. All rights, powers and remedies of Lender may be exercised at any time by Lender and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.1. NO WAIVER. No delay, failure or discontinuance of Lender in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Lender of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 8.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: Tulare Local Healthcare District
1255 N. Cherry #536
Attention: Kevin Northcraft, President
Michael Jamaica, Vice President

With a copy to: McCormick Barstow, LLP
7647 North Fresno Street P.O. Box 28912
Fresno, California 93729
Attention: Todd Wynkoop, Esq.

LENDER: Adventist Health
2100 Douglas Boulevard
Roseville, California 95661
Attention: President

With a copy to: Latham & Watkins LLP
355 South Grand Avenue, Suite 100
Los Angeles, California 90071-1560
Attention: Daniel K. Settlemayer, Esq.

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 8.3. COSTS, EXPENSES AND ATTORNEYS' FEES. The Borrower shall pay to Lender immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Lender's in-house counsel), expended or incurred by Lender in connection with Lender's continued administration of this Agreement and the other Loan

Documents, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Lender's rights and/or the collection of any amounts which become due to Lender under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Lender or any other Person) relating to the Borrower or any other Person. All such amounts due and owing pursuant to this Section shall be Obligations under this Agreement and secured by the Collateral.

SECTION 8.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that the Borrower may not assign or transfer its interests or rights hereunder without Lender's prior written consent. Lender reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Lender's rights and benefits under each of the Loan Documents. In connection therewith, Lender may disclose all documents and information which Lender now has or may hereafter acquire relating to any Loans subject hereto, the Borrower or the operations of the Borrower, or any collateral required hereunder.

SECTION 8.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement, the other Loan Documents and, to the extent applicable and when effective, the Transaction Documents constitute the entire agreement between the Borrower and Lender with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 8.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and except as set forth in Section 2.1(d)(ii)(a) with respect to the Tenant, no other Person shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 8.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 8.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 8.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 8.10. DISCLOSURE. Except insofar as data and information may be required by Law to be disclosed or is available to the public, each of the Borrower and Lender agrees at all times to hold in strict confidence and not use to the detriment of the other party all data and information obtained in connection with this transaction and Agreement which relates to the business or operations of the other party. Neither the Borrower nor Lender, nor any of their Affiliates, shall issue or cause the publication of any press release or other announcement regarding the transactions contemplated by this Agreement without the consent of the other Parties, which consent shall not be unreasonably withheld, or withheld for any reason where such press release or announcement is required by applicable Law.

SECTION 8.11. GOVERNING LAW. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the internal Laws (not the choice of law) of the State of California and the Bankruptcy Code, as applicable. Each of Borrower and Lender agrees to submit to the jurisdiction of the Bankruptcy Court and the courts of the State of California. Any action or proceeding to enforce or interpret any provision of this Agreement shall be brought, commenced or prosecuted in the County of Fresno, California.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

BORROWER:

TULARE LOCAL HEALTHCARE DISTRICT,
a local health care district of the State of California

By: _____
Name:
Title:

LENDER:

ADVENTIST HEALTH SYSTEM/WEST,
a California nonprofit religious corporation
d/b/a ADVENTIST HEALTH

By: _____
Name:
Title:

Agreed to an accepted by:

TENANT:

[]

By: _____
Name:
Title: