

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



**ITEM: 3.39
(ID # 29845)**

MEETING DATE:
Tuesday, January 27, 2026

FROM : EXECUTIVE OFFICE

SUBJECT: EXECUTIVE OFFICE: Palo Verde Hospital Emergency Department Stabilization: 180-Day County-Led Strike Force Operations and Loan, District 4. [\$1,000,000, 100% County General Fund]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve implementation of a stakeholder “strike force” led by the Riverside University Health System to independently stabilize and manage only the Palo Verde Hospital Emergency Department for a period of approximately 180 days, beginning as soon as feasible, to maintain emergency medical services, assess current conditions, and develop recommendations for next steps;
2. Authorize the Executive Office, in consultation with County Counsel, and in coordination with the Riverside University Health System and the Emergency Management Department, to negotiate and execute all agreements and instruments necessary to implement the 180-day Emergency Department stabilization operations plan;
3. Direct that all agreements executed to implement this item shall be structured to confirm that the County is not assuming liability for Palo Verde Healthcare District, the Palo Verde Hospital (outside the defined scope of the County’s Emergency Department operations role), or their debt obligations; and
4. Ratify the agreement to provide a loan in the amount of \$1,000,000 from the County General Fund to support Emergency Department continuity of operations at Palo Verde Hospital during transition and stabilization.

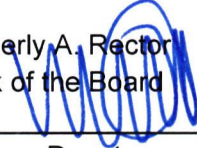
ACTION:Policy


Jeff Van Wageningen, County Executive Officer 1/23/2026

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Perez, seconded by Supervisor Spiegel and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Medina, Spiegel, Washington, Perez, and Gutierrez
Nays: None
Absent: None
Date: January 27, 2026
xc: EO

Kimberly A. Rector
Clerk of the Board
By: 
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 1,000,000	\$ 0	\$ 1,000,000	\$ 0
NET COUNTY COST	\$ 1,000,000	\$ 0	\$ 1,000,000	\$ 0
SOURCE OF FUNDS: 100% County General Fund			Budget Adjustment: No	
			For Fiscal Year: 25/26-31/32	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

Since September 2025, Supervisor V. Manuel Perez, his colleagues on the Board of Supervisors, and several departments from the County of Riverside (County) have actively collaborated with the Palo Verde Hospital (Hospital) to ensure the health safety net for the community is functioning and available to provide emergency medical care when needed. This collaboration has included several other entities, including the City of Blythe (City), the Governor’s Office, the California Department of Public Health, the California Department of Health Care Services (DHCS), American Medical Response, the Desert Healthcare District, Desert Care Network, Eisenhower Health, Inland Empire Health Plan, La Paz Regional Hospital, and others. During this timeframe, the various stakeholders have provided financial and operational support to keep the Hospital’s doors open, while noting significant governance, legal and fiscal challenges facing the Palo Verde Healthcare District (District), including the District’s pending Chapter 9 bankruptcy and pending dissolution consideration by the Local Agency Formation Commission (LAFCO).

Two weeks ago these challenges became more dire when DHCS did not allow for the District’s Voluntary Rate Range Intergovernmental Transfer, which resulted in a potential loss of \$9.9 million in revenue for the Hospital. The City provided a bridge loan of \$330,000 to cover the Hospital’s operating expenses for one week, contingent upon the District contracting with the County or a County-approved management team to assume the day-to-day management and operation of the Hospital.

With full consideration for the gravity of the situation facing the community, who are on the precipice of not having a functional hospital emergency department within 70 to 100 miles, the County has offered a solution for the immediate- and near-term to ensure residents have access to emergency medical services.

The County proposed to assemble a stakeholder “strike force” led by the County to independently stabilize and manage only the Hospital’s emergency department for approximately six months, assess current conditions and make recommendations for next steps. This would begin as soon as an agreement can be reached with the District.

In the meantime, the County realized the dire financial distress of the Hospital worsens by the day, with the threat of imminent closure. To avoid this detrimental impact to the community, the

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County has provided a loan of approximately \$1 million to the Hospital's emergency department while the County and the District reach agreement on the County-led independent strike force proposal.

The Loan Agreement (see Attachment A) key provisions include: the purpose and use of funds, loan terms (5 years with a stated interest rate of 3%), security and priority, conditions and covenants, bankruptcy and governance, and default and remedies. Additionally, as part of the Agreement, the District shall establish and maintain a segregated, restricted bank account ("Loan Account") into which all loan disbursement proceeds shall be deposited and from which only permitted uses may be withdrawn. Features include granting the County control over the Loan Account and the right to prevent withdrawals without County authorization.

Regardless of any potential County involvement, the County is not accepting liability for the District, the Hospital, nor the debt. Those matters must still proceed through the legal process.

Impact on Residents and Businesses

A functioning local emergency department supports timely treatment for life-threatening conditions (e.g., stroke, cardiac events, major trauma) where minutes matter, and reduces risks associated with extended transport times, and also helps preserve a viable destination for ambulance transport and coordination with emergency response partners, reducing strain on regional EMS and neighboring facilities.

Additional Fiscal Information

The 180-day period allows the RUHS-led strike force to stabilize Emergency Department operations, assess on-the-ground conditions, and develop actionable recommendations for longer-term solutions. In addition to the initial loan, there will likely be additional costs to support the management of the emergency department. The additional costs are in the process of being identified and will be brought to the Board for consideration regarding a proposed management agreement.

ATTACHMENT:

Attachment A. Loan Agreement


Don Kent, Chief Finance Officer

1/23/2026


Minh C. Tran, County Counsel

1/23/2026

LOAN AGREEMENT

by and between

RIVERSIDE COUNTY, a political subdivision of the State of California

and

THE PALO VERDE HEALTHCARE DISTRICT, a political subdivision of the State of California

RECITALS

WHEREAS, the Palo Verde Healthcare District ("District") encompasses 1,022 square miles in eastern Riverside County and owns and operates the Palo Verde Hospital (the "Hospital") in the City of Blythe;

WHEREAS, the District is currently in Chapter 9 bankruptcy (Case No. 6:25-bk-17084-SY in the United States Bankruptcy Court, Central District of California—Riverside Division) and faces severe financial distress and operational challenges;

WHEREAS, the Hospital is the only hospital serving the City of Blythe and the surrounding Riverside County region and is essential to the public health and safety of the community and, as of January 15, 2026, had approximately two days of available cash on hand;

WHEREAS, the District has requested, and County has agreed, to provide a loan to the District in the amount of \$1,000,000 (One-Million Dollars) (the "Loan") from the County's General Fund to assist in the continued operations of the Hospital's Emergency Department, Clinic, and auxiliary departments, and to support the District's emergence from Chapter 9 bankruptcy, and on January 16, 2026, in anticipation of the finalization of this Agreement, distributed the sum of \$1,000,000 to the District;

WHEREAS, the District has authorized the Loan in accordance with applicable law and has granted to the County certain security interests and covenants to secure repayment;

WHEREAS, County's provision of the Loan is expressly conditioned upon (a) the District timely filing and pursuing confirmation of a Chapter 9 Plan of Adjustment; (b) the District maintaining a qualified management team; (c) the District's compliance with financial and operational covenants; and (d) the District's granting of a first priority security interest in Hospital assets and revenues as set forth herein;

WHEREAS, the District has allocated sufficient funds to satisfy the entire prior Debtor-in-Possession financing provided by Alleon Capital Partners, LLC ("Alleon"). Pending final delivery of those funds, Alleon will be released from the Chapter 9 bankruptcy case, leaving the District with material borrowing capacity to support ongoing operations;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

JAN 27 2026

3.39

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WHEN DOCUMENT IS FULLY EXECUTED RETURN
CLERK'S COPY
to Riverside County Clerk of the Board, Stop 1010
Post Office Box 1147, Riverside, Ca 92502-1147
Thank you.

ARTICLE I: COUNTY FINANCIAL ASSISTANCE

1.1 Loan Amount and Effective Date

County has provided a loan to District in the principal amount of **One Million Dollars (\$1,000,000)** (the "Loan") upon the terms and conditions set forth in this Agreement. The obligations of District and County hereunder shall be effective as of January 16, 2026 (the "Effective Date").

1.2 Interest Rate and Accrual

Interest shall accrue on the unpaid principal balance at the rate of **three percent (3%) per annum**, calculated on a 365-day year. Interest shall commence accruing beginning October 1, 2026 and shall be calculated on the outstanding principal balance at all times.

1.3 Priority Status and First Lien Position

(a) **County's First Priority Status.** Upon execution of this Agreement and satisfaction of the conditions in Section 1.6, County shall have a first priority security interest in substantially all assets and revenues of the District, subject only to:

- Pre-petition liens specifically recognized and preserved by order of the bankruptcy court;
- Equipment leases where the District does not hold title (e.g., Siemens Financial Services equipment);
- Tax liens of the United States or State of California (if any);
- Liens created by law for employee wages or withholding taxes that cannot be subordinated.

(b) **No Additional Subordination.** District expressly covenants that it shall not seek, accept, or consent to any post-petition financing under 11 U.S.C. § 364 that would prime, dilute, or otherwise compromise County's first priority security interest and administrative claim status without County's prior written consent.

(c) **Superior to All Unsecured Claims.** County's Loan shall rank ahead of all general unsecured creditors and administrative expense claimants (except for those claims statutorily senior by operation of law, such as employee wage claims within statutory limits).

(d) **Treatment in Plan of Adjustment.** District covenants to propose, in its Chapter 9 Plan of Adjustment, that County's Loan be treated as either: (i) a **first priority allowed secured claim** to the extent of Collateral value, with any deficiency as an allowed administrative expense; or (ii) a **first priority allowed administrative claim** if full cash payment is contemplated in the Plan. District shall not propose any Plan treatment that subordinates County without County's express prior written consent.

1.4 Payment Schedule and Maturity Date

(a) **Payment Dates.** All payments of principal and interest on the Loan shall be made in accordance with the payment schedule set forth in Exhibit A attached hereto and incorporated herein by reference. Payments shall be made quarterly on the first Business Day of [January, April, July, October] of each year, commencing January 4, 2027.

(b) **Maturity Date.** The Loan shall be fully due and payable, with all outstanding principal and accrued interest, on October 1, 2031 (the "Maturity Date"), at 5:00 p.m. Pacific Time.

(c) **Payment Address.**

All payments shall be made electronically to:

County of Riverside Treasurer-Tax Collector
4080 Lemon St., 4th Flr., Riverside, CA 92501

U.S. Bank: ABA #122235821; Acct: #XXXXXXXX6419
Reference: PVHD Loan Agreement

Giovane Pizano, Assistant Treasurer, GPizano@rivco.org
Merry Gonzalez, Deputy Treasurer, MRGonzalez@rivco.org
CC: TTCDeposits@rivco.org

1.5 Permitted Use of Loan Proceeds

(a) **Exclusive Use Restriction.** The Loan proceeds shall be used exclusively for Hospital operational expenses for the Emergency Department and its auxiliary departments related thereto, and Hospital's Clinic, including but not limited to:

- Medical, clinical, and administrative salaries and contract labor expenses and benefits;
- Supply chain and pharmaceutical purchases;
- Utilities, facility maintenance, and equipment lease and maintenance payments;
- Insurance premiums (as required by Section 1.8(d));
- Accounts Receivable collection and revenue cycle management fees and expenses;
- Payments to support the District's Chapter 9 Plan of Adjustment preparation and confirmation, including the actual, reasonable, and necessary fees of legal and professional consultants and other legal and professional consultant expenses to support the exit from the Chapter 9 bankruptcy.

Loan proceeds shall not be used for: debt repayment to creditors other than ordinary course payables, executive bonuses, consulting fees unrelated to Hospital operations, capital projects, or any purpose outside Hospital continuity without County's prior written consent.

(b) **Prohibited Uses.** District expressly warrants that no Loan proceeds shall be diverted to:

- Payments on pre-petition debt or other post-petition obligations (unless expressly approved by County);
- Related-party transactions or transfers;

- Any use inconsistent with Hospital operations.
- Any use not identified in 1.5(a) without County approval.

1.6 Conditions to Disbursement of Loan Proceeds

County's obligation to disburse the Loan is conditioned upon satisfaction of all of the following:

(a) **Authorization Certificate.** District shall deliver to County a signed resolution or certificate from the District's Board of Directors indicating that the Board has authorized this transaction and that the persons executing this Agreement have been duly authorized.

(b) **Security Agreement Executed.** District shall execute a UCC-compliant Security Agreement granting County a first priority security interest in all Collateral (Section 1.8), and County shall have completed UCC searches confirming no intervening liens exist.

(c) **Requisition and Documentation.** Before each disbursement, District shall submit to County a written requisition specifying:

- The amount requested;
- The detailed use of requested funds (itemized by category);
- Supporting documentation (invoices, contracts, payroll certifications, insurance billings) showing the necessity and appropriateness of the requested expenses;
- Certification from District's CFO or Interim Manager that requested funds are for permitted uses.

(d) **Financial Certification.** District shall provide a current financial status certificate demonstrating:

- Current days of available cash reserves;
- No material misrepresentation in District's financial statements or covenants;
- District is in compliance, or has disclosed any non-compliance, with financial covenants in Article IV below.

(e) **No Event of Default.** No Event of Default (as defined in Article IV) shall have occurred and be continuing, or would result from the proposed disbursement.

(f) **Bankruptcy Status.** District shall provide evidence of current status in Chapter 9 proceedings, including notice of any material motions or orders affecting District's operating authority or collateral.

1.7 Prepayment

District may prepay the Loan at any time and from time to time, without penalty or premium, provided that:

(a) Any prepayment of principal must be accompanied by interest accrued but unpaid through the date of prepayment;

(b) Prepayments shall be applied first to accrued interest, then to outstanding principal;

(c) District shall provide five business days' written notice of intent to prepay to County, with notice to be provided by e-mail to the County's Chief Executive with a copy to County Counsel.

1.8 Security Interest and Collateral

(a) **Grant of Security Interest.** As security for repayment of the Loan and all Obligations hereunder, District hereby grants to County, and authorizes County to record and perfect, a security interest in and statutory lien upon all of the following property and assets of District ("Collateral"), whether now existing or hereafter acquired:

(i) All tangible personal property, equipment, furnishings, fixtures, and improvements located at or used in connection with the Hospital, except for any leased equipment;

(ii) All patient accounts receivable, third-party receivables, government program receivables (Medi-Cal, Medicare, subsidies), and other revenue streams of the Hospital;

(iii) All cash, deposits, and liquid assets held by District;

(iv) All revenues, income, grants, and subsidies received by the Hospital from any source;

(v) All insurance proceeds;

(vi) All plan-created rights, residual recoveries, or distribution rights under any confirmed Chapter 9 Plan of Adjustment;

(vii) All proceeds and products of any of the foregoing;

(viii) All accessions to and replacements of any Collateral.

(b) **Limitations on Collateral.** Notwithstanding subsection (a), Collateral shall **not** include:

- Equipment subject to equipment leases where District does not hold title (e.g., Siemens-leased equipment);
- Real property or improvements to real property;
- Assets or revenues explicitly reserved or exempted by a bankruptcy court order or confirmed Plan of Adjustment.

(c) **UCC Filings and Perfection.** District shall execute and deliver to County all documents necessary to perfect County's security interest, including:

- UCC-1 financing statements for filing with the California Secretary of State;
- Uniform Commercial Code fixture filings with the Riverside County Recorder;
- Any amendments or continuation statements as required;
- District shall reimburse County for all filing, recording, and search fees within 30 days of submission of invoices.

(d) **Insurance and Loss Payee Status.** District shall maintain, at its own cost:

- Comprehensive general liability insurance with minimum limits of **\$3,000,000** per occurrence;
- Property insurance on all Hospital equipment and fixtures adequate to cover replacement value (100% of fair market value or replacement cost, whichever is greater);
- Professional liability/malpractice insurance in amounts standard for hospitals of similar size;
- If allowed under such policy, all policies shall name County as loss payee and additional insured;
- District shall provide proof of insurance within 10 days of execution and annually thereafter, or upon County's request;
- Failure to maintain required insurance constitutes an Event of Default.

(e) **Collateral Maintenance and Restrictions.** District covenants that:

- Without County's prior written consent, District shall not sell, lease, transfer, encumber, mortgage, pledge, or otherwise dispose of any Collateral outside the ordinary course of business;
- District shall maintain Collateral in good working condition and repair;
- District shall notify County within 5 business days of any loss, damage, casualty, or threatened loss affecting Collateral valued in excess of \$50,000;
- District shall not grant liens, security interests, mortgages, or pledges on Collateral to third parties without County consent (except as required by a confirmed Plan of Adjustment explicitly approved by County);
- District shall use Collateral only for Hospital operations and shall not remove Collateral from the Hospital or Riverside County without County consent.

(f) **Collateral Valuation Certificate.** District shall provide, monthly with financial reporting (Section 1.11(a)), a certification of Collateral value, including:

- Current inventory and condition of equipment and tangible assets;
- Gross and net accounts receivable balances;
- Estimated fair market value of all Collateral;
- The Collateral value shall maintain a minimum of **150%** of the outstanding Loan balance. If Collateral value falls below 125% of the outstanding Loan balance for two consecutive months, County may declare an Event of Default and accelerate the Loan.

(g) **Additional Collateral.** If at any time Collateral value falls below 125% of the outstanding Loan balance, District shall, within 15 days of County notice, either (i) make an additional principal payment to reduce the Loan balance, or (ii) pledge additional unencumbered assets as Collateral approved by County. Failure to do so constitutes an Event of Default.

1.9 [Reserved]

1.10 Loan Account and Cash Management

(a) **Restricted Loan Account.** District shall establish and maintain a segregated, restricted bank account ("Loan Account") within a reasonable period of time not to exceed 10 business days, into which all Loan disbursement proceeds shall be deposited and from which only permitted uses (Section 1.5(a)) may be withdrawn.

(b) **Deposit Account Control Agreement.** District shall execute a Deposit Account Control Agreement (UCC-8-104) in favor of County, granting County control over the Loan Account and the right to prevent withdrawals without County authorization.

(c) **Distribution Authority.** For all checks, transfers, or withdrawals from the Loan Account exceeding **\$25,000**, the District will provide the County with the weekly check warrant register for review and approval prior to disbursement using loan proceeds. The withdrawal shall not be processed without County's written pre-approval of the warrant register, which approval shall not be unreasonably withheld, but in any case should be given within three business days of the provision of the check warrant register. Monthly statements and transaction history shall be provided to County and shall be reviewed by RUHS.

(d) **Monthly Account Statements.** District shall provide County with:

- Complete bank statements for the Loan Account within 10 days of month-end;
- Detailed reconciliation of all deposits and withdrawals;
- Evidence that all funds withdrawn were used exclusively for permitted purposes per Section 1.5.

(e) **No Commingling.** Loan proceeds shall not be commingled with any other District funds or accounts; accounting and bank statements shall maintain full traceability and auditability of Loan proceeds.

(f) **Emergency Access.** If District fails to provide accurate monthly reporting or if County suspects misuse of Loan proceeds, County may require a lockbox arrangement whereby all Hospital revenues are deposited directly into the Loan Account with automatic sweep provisions to County, pending resolution.

1.11 Financial Reporting and Information Covenants

(a) **Monthly Financial Statements and Certifications.** No later than the 15th day of each month, District shall deliver to County:

(i) **Unaudited Financial Statements** showing:

- Income statement (revenues, operating expenses, operating gain/loss);
- Balance sheet (assets, liabilities, net position);
- Cash flow statement (operating, investing, financing activities);

(ii) **Accounts Receivable Aging Report** showing:

- Gross receivables by payor source (Medi-Cal/IGT, Medicare, private, workers' compensation, other);
- Aging buckets: current, 31-60 days, 61-90 days, 91+ days;

- Collections experience, write-offs, and allowance for doubtful accounts;
- Days Sales Outstanding (DSO) calculation.

(iii) **Cash Position and Days Cash Certificate** signed by District CFO or Interim Manager, certifying:

- Total unrestricted cash on hand and in all accounts;
- Calculation of "days cash on hand" (total unrestricted cash ÷ (monthly operating expenses ÷ 30));
- Identification of any restricted cash or reserves;
- Confirmation of compliance with Section 1.8(f) (minimum Collateral valuation ratio and cash thresholds).

(iv) **Loan Covenant Compliance Certificate** (Exhibit B), signed by CFO or Manager, certifying:

- Compliance with all financial covenants or identification of any breach;
- Days cash, working capital, patient volume, AR aging, debt service coverage ratio (if required by lenders), and Collateral valuation;
- If non-compliant, description of remediation plan with timeline.

(v) **Operational Metrics Report** including:

- Patient admissions, patient days, census, occupancy rate;
- Emergency department visits;
- Surgical procedures;
- Outpatient visits;
- Comparison to prior month and year-to-date trend.

(b) **Quarterly Comprehensive Reports.** Within 30 days after each calendar quarter-end, District shall deliver:

- Unaudited interim quarterly financial statements;
- Variance analysis comparing actual results to budget (if budget established);
- Management discussion and analysis (MD&A) explaining variances, trends, and operational challenges, variance analysis comparing actual results to budget (once budget is adopted);
- Status report on Plan of Adjustment proceedings, including notices of any material bankruptcy motions, orders, or developments;
- Hospital operational metrics and benchmarking data;
- Detailed Loan covenant compliance status for all covenants in Exhibit B.

(c) **Annual Audit.** District has engaged Baker Tilly (formerly Moss Adams LLP), a reputable independent CPA firm with extensive experience in health care and government auditing to conduct the audit of the District's financial statements as of each fiscal year-end in accordance with Generally Accepted Accounting Principles (GAAP). Cost of the annual audits shall be borne by District. The District shall reissue a Request for Proposal to solicit proposals for independent audit services. County shall have the right to participate in the proposal process, auditor selection, and attend audit fieldwork and exit meetings. Audit shall be delivered within 120 days of fiscal year-end.

(d) **Right to Additional Information.** County may request, upon reasonable notice (5 business days), additional financial data, schedules, explanations, or supporting documentation. District shall respond within 10 business days or explain reasons for delay and provide a response timeline.

(e) **Failure to Report.** Failure to deliver any required report by the due date shall constitute an Event of Default without cure period if not cured within 5 business days of notice.

(f) **Audit Rights.** County shall have the right to, upon reasonable notice:

- Conduct internal audits or compliance reviews of Hospital finances and Loan use;
- Engage third-party auditors or consultants at County's expense (or District's expense if audit reveals misuse exceeding 5% of Loan amount);
- Inspect books, records, bank statements, invoices, and supporting documentation;
- Interview District management and staff regarding Hospital operations and Loan use;
- Obtain copies of all bankruptcy filings, orders, and Plan documents.

1.12 No Obligation to Disburse Upon Breach

Notwithstanding any other provision, County shall have no obligation to disburse or authorize any portion of the Loan following:

(a) Any failure of District's representations and warranties (Article II) to be true and correct in all material respects;

(b) The termination of this Agreement by mutual written consent;

(c) The failure to satisfy conditions to disbursement (Section 1.6);

(d) The occurrence of an uncured Event of Default (Article IV);

(e) Any material order or development in the Chapter 9 bankruptcy that materially impairs the District's operational viability or that creates uncertainty regarding Hospital continuity.

ARTICLE II: REPRESENTATIONS AND WARRANTIES

2.1 District's Representations and Warranties

District represents and warrants, as of the Effective Date and continuously throughout the term of this Agreement, as follows:

(a) **Authority and Organization.** District is a special district duly organized and in good standing under the laws of the State of California (Government Code §§ 32000 et seq., Health and Safety Code §§ 32000 et seq.). District has the full right, power, and authority to undertake all obligations under this Agreement. Execution, performance, and delivery of this Agreement have been duly authorized by resolution of the District's Board of Directors. The persons executing this Agreement on behalf of District are duly authorized and have no conflicts of interest.

(b) **No Conflicts with Law or Contracts.** Execution, delivery, and performance of this Agreement do not and will not violate any law, regulation, court order, bond covenant, or bankruptcy court order binding District. This Agreement does not conflict with or constitute a

default under any material contract, indenture, loan agreement, lease, or instrument to which District is a party.

(c) **No Litigation or Proceedings Threatening Performance.** Except for the Chapter 9 case itself and those proceedings disclosed in Schedule “A” provided by the District, no litigation, administrative proceeding, regulatory action, or other action is pending, threatened, or known to District that would prevent, hinder, delay, or materially impair District’s ability to perform obligations hereunder or to continue operating the Hospital.

(d) **Full Disclosure of Debt and Liens.** District has disclosed to County all material indebtedness, liens, mortgages, security interests, judgments, bonds, and encumbrances affecting District or Hospital assets, including:

- (i) All pre-petition debt and liabilities listed in the bankruptcy schedules;
- (ii) Any remaining post-petition debt or financing arrangements;
- (iii) Equipment leases (including Siemens Financial Services);
- (iv) Any judgment liens, tax liens, or other encumbrances;
- (v) Complete disclosure that the Alleon DIP facility has been satisfied and released, and that no residual claims exist.

(e) **No Conflict—Debt.** To District’s actual knowledge, execution and delivery of this Agreement and incurrence of Loan obligations do not constitute a breach or default under any bond, note, indebtedness, or agreement to which District is a party, nor do they violate any order of any court or agency.

(f) **Bankruptcy Schedules Accurate.** A Chapter 9 debtor is not required under the Bankruptcy Code to file bankruptcy schedules and the District has not filed any schedules. The list of creditors filed by the District on October 17, 2025, is accurate to the best of the District’s ability and may be subject to further revision and clarification.

(g) **Compliance with Laws.** Except as disclosed in writing to the County, District is in material compliance with all applicable federal, state, and local laws and regulations, including healthcare licensing laws, California environmental laws, labor laws, wage and hour laws, OSHA regulations, and County ordinances. The Hospital maintains a current, valid license from the State Department of Health Care Access and Information, with no material licensing violations.

(h) **No Material Adverse Change.** There has been no material adverse change in the Hospital’s operations, patient volumes, financial condition, or regulatory status since the date of the bankruptcy filing, except as disclosed in writing to County.

(i) **Authority to Grant Security Interest.** Subject to approval from the bankruptcy court, District has full power and authority to grant the security interests in Collateral described in Section 1.8, and such security interests are not subject to any prior liens, encumbrances, or third-party rights that would impair County’s perfected security interest.

2.2 County’s Representations and Warranties

County represents and warrants as follows:

(a) **Authority and Organization.** County is a political subdivision of the State of California, duly organized and validly existing. County has the full right, power, and authority to enter into this Agreement. Execution and performance have been duly authorized by appropriate County action (Board of Supervisors resolution or County Counsel approval, as required by County law).

(b) **Valid and Binding Obligation.** This Agreement constitutes a valid and binding obligation of County, enforceable according to its terms, and is not subject to any internal procedural requirement that has not been satisfied.

(c) **No Conflicts.** County's execution and performance do not violate any law, regulation, order, or other agreement binding County, nor do they conflict with County's other obligations or budget constraints.

(d) **Financial Capacity.** County has appropriated or will appropriate funds from its General Fund (or designated fund) to fulfill its obligation to disburse the Loan in accordance with Section 1.6 and the payment schedule in Exhibit A.

2.3 Continuous Representation Obligation

District covenants that, upon learning of any fact or condition that would cause any representation or warranty herein to be untrue, misleading, or materially inaccurate, District shall immediately (and in no event later than 3 business days) provide written notice to County, detailing:

- The fact or condition;
- The effect on the Hospital, Loan repayment, or Collateral;
- District's proposed remedial action and timeline.

County's receipt of such notice does not waive any remedies for the underlying breach.

ARTICLE III: MANAGEMENT CONTROL AND GOVERNANCE

3.1 Qualified Management Team Requirement

(a) **Requirement to Contract.** Within **21 days** of the Effective Date, or as soon thereafter as reasonably practical, considering the availability of a management agreement which conforms with the County's requirements, and the requirement for approval at a regularly scheduled public meeting of the District Board, the District shall execute a binding management agreement with Riverside County or a Riverside County-approved, independent Hospital Management Company meeting the criteria in subsection (b) below, to assume full day-to-day operational management of the Hospital.

(b) **Management Company Qualifications.** If the contract is not with the County, the management company shall:

- (i) Have a minimum of **10 years** of experience managing hospital operations in California or comparable states;

- (ii) Have current experience managing hospitals of similar size (25-51 beds), case-mix complexity, and rural/safety-net characteristics;
- (iii) Have no material adverse history of regulatory violations, healthcare fraud allegations, malpractice judgments, or operational failures;
- (iv) Maintain professional liability insurance and management liability insurance of at least **\$5 million** per occurrence;
- (v) Be pre-approved in writing by County before execution of the management agreement;
- (vi) Have no conflicts of interest with County, District, or other major Hospital stakeholders.

(c) **Management Agreement Terms.** The terms of a management agreement shall be subject to joint approval by the County and the District. The County's approval of the terms of the management agreement shall not be unreasonably withheld. The District shall not enter into any such management agreement without the express approval of the County.

3.2 Board Governance and Vacant Positions

(a) **Fill Vacant Board Positions.** District shall make best efforts to fill any vacant positions on the District Board of Directors within **30 days** of the Effective Date. District shall provide County with notice of nominees, their qualifications, professional background, and conflicts of interest before appointment or election.

(b) **County Board Consultation.** Before appointing or electing any new Board member, District shall:

- Provide County reasonable opportunity to review qualifications;
- Consider County input regarding candidates' ability to support Hospital stabilization and Plan confirmation;
- Ensure no candidate has material conflicts of interest with County or the Hospital;
- Provide written documentation of Board deliberation and final selection.

(c) **Board Quorum and Meetings.** The Board shall maintain quorum, meet regularly (at least monthly), and maintain public records of all meetings and decisions.

(d) **Board Training and Governance.** Board members shall complete training on healthcare governance, fiduciary duties, Chapter 9 bankruptcy law and other training required by law within 90 days of appointment. The District shall adopt Board governance policies addressing conflicts of interest, confidentiality, and fiduciary standards.

3.3 Restrictions on Assignment; Consent Required

(a) **No Assignment Without Consent.** No assignment, transfer, delegation, or other disposition of District's obligations or rights under this Agreement shall be valid without County's prior written consent, which shall not be unreasonably withheld, conditioned, or delayed.

(b) **When Consent is Reasonable to Withhold.** County may, in its reasonable discretion, withhold consent to any proposed assignment if:

- (i) The proposed assignee or its affiliates are in material default under any agreement with County or have pending litigation with County;
- (ii) The proposed assignee lacks adequate financial capacity, operational expertise, or regulatory standing to comply with obligations hereunder;
- (iii) The proposed assignee or affiliates have filed bankruptcy, made assignments for benefit of creditors, had receivers appointed, or admitted inability to pay debts as they come due;
- (iv) Assignment would impair Hospital operations, patient care, or Loan repayment capacity.
- (c) **Consent Approval Timeline.** County shall approve or deny a written assignment request within **20 business days**, provided the request includes:
- (i) Identity of proposed assignee and detailed background information;
- (ii) Current audited or reviewed financial statements evidencing financial strength;
- (iii) References from prior lenders or transaction counterparts;
- (iv) Proof that proposed assignee is not subject to disqualifying factors;
- (v) Management and operational plans for continuing Hospital operations.

ARTICLE IV: DEFAULTS, REMEDIES, AND TERMINATION

4.1 Events of District Default

The following constitute Events of District Default:

- (a) **Payment Default.** District fails to pay any principal or interest payment when due and fails to cure within **10 days** after written notice from County.
- (b) **Representation Breach.** Any representation or warranty in Article II or in any financial statement, certificate, or report provided to County proves materially false or misleading when made or discovered, and the falsity has a material adverse effect on the District's ability to repay or operate the Hospital.
- (c) **General Covenant Breach.** District breaches any material term, covenant, or provision of this Agreement (other than a Financial Covenant Default under subsection (e)) and fails to cure within:
- **10 days** for monetary breaches;
 - **30 days** for non-monetary breaches;

- **90 days** for breaches requiring extended cure time (e.g., obtaining management contract, Board appointments, or Bankruptcy Plan filing), provided District commences cure within 30 days and prosecutes diligently to completion.

(d) **Repeated Covenant Breach.** District commits the same non-monetary breach for a **second time within 12 months**, even if previously cured. No cure period applies to repeated breaches.

(e) **Financial and Operational Covenant Defaults.** District breaches any financial or operational covenant in Article I, Sections 1.8(f) (Collateral valuation), 1.11 (Financial reporting), or Exhibit B (Financial Covenants), specifically:

- (i) **Minimum Cash on Hand** falls below **20 days** of operating expenses for **2 consecutive months** without timely cure plan;
- (ii) **Working Capital** (current assets minus current liabilities) falls below **\$500,000** for **2 consecutive months**;
- (iii) **Patient Volume** declines to less than **80% of 3-month baseline** for **2 consecutive months**;
- (iv) **Accounts Receivable Aging: >90 day AR** exceeds **40% of gross AR** for **2 consecutive months**;
- (v) **Debt Service Coverage Ratio** (net cash flow ÷ quarterly loan payment) falls below **1.25x** for **2 consecutive quarters**;
- (vi) **Collateral Value** falls below **125% of outstanding Loan balance** for **2 consecutive months**;
- (vii) **Working Capital Depletion:** Unrestricted cash plus accounts receivable minus current liabilities falls below **30 days of operating expenses**;
- (viii) [reserved]
- (ix) [reserved]
- (x) **Insurance Lapse:** District fails to maintain required insurance (Section 1.8(d)) or provide proof of insurance by deadline. **No cure period.**
- (xi) **Information Default:** District fails to timely deliver financial statements, compliance certificates, or other reports required by Section 1.11 for more than **5 days after due date.**

Financial Covenant Defaults have a **30-day cure period** unless repeated (same covenant breached twice within 12 months), in which case **no cure applies.**

(f) **Bankruptcy-Specific Defaults.** Any of the following constitutes immediate default with **no cure period:**

- (i) District seeks dismissal of the Chapter 9 bankruptcy case;
- (ii) District solicits or consents to any new post-petition financing under 11 U.S.C. § 364 that materially impairs County's security interest or claim priority without County express written consent;

(iii) The bankruptcy court enters an order **denying confirmation** of the Plan of Adjustment, or **dismissing** the Chapter 9 case;

(iv) District materially violates the terms of any confirmed Plan of Adjustment in a manner that materially affects Hospital operations, revenues, or Loan repayment capacity;

(v) District obtains relief under the Bankruptcy Code without consent of County and without adequate protection of County's secured position.

(g) **Litigation or Judgment.** A judgment, lien, or other legal claim exceeding **\$100,000** is entered against District or Hospital assets and is not discharged, stayed, bonded, or otherwise resolved within **60 days**, and such claim materially affects Hospital operations or Collateral value.

(h) **Change of Control or Management Breach.** District terminates or materially breaches its management agreement without County consent, or District's management company resigns or is terminated and District fails to execute a new agreement with a County-approved manager within **15 days**.

(i) **Misuse of Loan Proceeds.** District uses Loan proceeds for purposes other than those expressly permitted in Section 1.5, or County discovers that \$50,000 or more of Loan proceeds have been diverted, misused, or commingled in violation of Section 1.10.

(j) **Collateral Impairment.** District acts or fails to act in a manner that materially impairs Collateral value or County's security interest, including failure to maintain insurance, failure to prevent levy or attachment by third parties, or unlawful disposal of equipment.

(k) **Loss of License or Regulatory Violation.** Hospital loses its license from the State Department of Health Care Access and Information or receives notice of material regulatory violations that threaten continued operation, and such violations are not cured or remedied within **30 days**.

4.2 County's Remedies Upon Event of District Default

Upon the occurrence of any uncured Event of District Default and the expiration of any applicable cure period, County shall have all remedies available under law, including but not limited to:

(a) **Acceleration.** County may declare all outstanding principal, accrued interest, and all other Obligations immediately due and payable;

(b) **Suspension of Disbursements.** County shall immediately suspend any further disbursements of Loan proceeds;

(c) **Enforcement of Security Interest.** County may exercise all rights of a secured creditor under the UCC and applicable law, including:

- Taking possession of Collateral;
- Conducting a public or private sale of Collateral;
- Applying proceeds to outstanding Obligations;

- Foreclosure on equipment, receivables, or other tangible Collateral;

(d) **Remedies in Bankruptcy.** County may:

- File proofs of claim in the Chapter 9 case;
- Appear and object to any Plan of Adjustment or Plan modifications;
- Seek adequate protection or remedies through the bankruptcy court;
- Request conversion or dismissal of the bankruptcy case;

(e) **Specific Performance.** County may seek equitable relief, including:

- Specific performance of covenants;
- Injunctive relief to prevent violation or waste of Collateral;
- Other equitable remedies;

(f) **Management Rights.** Upon material Event of Default, County may:

- Assume direct management of Hospital operations;
- Appoint a replacement manager or administrator;
- Direct all Hospital revenues to a County-controlled account pending resolution;

(g) **Attorneys' Fees and Costs.** County may recover all reasonable attorneys' fees, litigation costs, expert witness fees, and collection costs incurred in enforcing this Agreement or exercising remedies (see Section 6.2);

(h) **Cumulative Remedies.** All remedies are cumulative and may be exercised concurrently or sequentially without waiving any other remedy.

4.3 District's Remedies Upon Event of County Default

An Event of County Default occurs if County fails to perform any material covenant, duty, or obligation under this Agreement and such failure continues for **30 days** after written notice from District, or if the default cannot reasonably be cured within 30 days, County fails to commence cure within 30 days and thereafter fails to prosecute cure with diligence and good faith.

Upon an Event of County Default, District may:

- (a) Bring an action for equitable relief, seeking specific performance of County's obligations to disburse or comply;
- (b) Seek an order requiring County to disburse approved Loan proceeds;
- (c) Recover actual damages (but **not consequential damages**) resulting from County's breach;
- (d) Pursue other remedies available at law or equity.

4.4 Financial Covenant Default Response Protocol

Upon written notice of a Financial Covenant Default (Section 4.1(e)), the parties shall follow this cure and escalation process:

(a) **Initial Notice and Response.** County shall provide written notice identifying:

- The specific covenant breached;
- The metric threshold and actual results;
- Required cure date and cure period (typically 30 days).

District shall respond within **5 business days** with explanation and, if needed, detailed corrective action plan with timeline.

(b) **Cure Period.** District shall have **30 days** from notice to bring the covenant into compliance. During the cure period, County may require:

- Additional weekly or bi-weekly reporting;
- Operational improvements or remediation steps;
- Management consultation calls.

(c) **If Not Cured in 30 Days.** If the covenant remains in breach at end of 30-day period:

(i) County may suspend further Loan disbursements;

(ii) County and District shall meet (within 5 days) to discuss root causes and remediation strategy;

(iii) District may propose a **modified compliance schedule** with clear milestones, subject to County's reasonable approval;

(iv) If no agreed modification is reached or covenant remains breached at day 60, County may declare **full default** and accelerate the Loan.

(d) **Repeated Breaches.** If District breaches the same financial covenant a **second time within 12 months, no cure period applies**, and County may **immediately accelerate** the Loan.

(e) **Escalation Triggers.** If District fails to cure any covenant three times in a 12-month period, County may:

- Assume management of Hospital operations;
- Restrict further Loan disbursements until operations stabilize;
- Exercise all remedies under Section 4.2.

4.5 Remedies Cumulative; No Waiver

(a) **Cumulative Remedies.** All rights and remedies are cumulative and may be exercised singularly or in combination.

(b) **Failure to Assert Rights Not a Waiver.** No failure or delay in asserting rights or remedies shall constitute a waiver of such rights or remedies or of any default, nor shall it prevent subsequent assertion.

(c) **No Waiver Except in Writing.** No waiver of any breach or covenant shall be valid unless in writing and signed by the waiving party. An extension of time to cure is not a waiver of the default.

(d) **Actual Damages Only.** Notwithstanding the foregoing, damages recoverable for breach shall be limited to actual, direct damages, and shall exclude consequential, special, or punitive damages, except as required by law.

ARTICLE V: INDEMNIFICATION

5.1 District Indemnification

To the extent permitted by law, District shall indemnify and hold harmless County and its elected and appointed officials, officers, employees, agents, and representatives ("County Indemnitees") from and against any claim, demand, damage, loss, liability, expense, or cost (including reasonable attorneys' fees) arising out of or in connection with:

- (a) District's ownership, operation, maintenance, or management of the Hospital;
- (b) District's breach or non-performance of any obligation under this Agreement;
- (c) Any injury, death, property damage, or environmental liability caused by District's negligence, recklessness, or willful misconduct or that of District's agents, employees, or contractors;
- (d) Any violation of law, regulation, or licensing requirement by District or the Hospital.

District shall not be obligated to indemnify County for claims arising solely from **County's gross negligence or willful misconduct**, as limited by Government Code § 895.4.

5.2 County Indemnification

To the extent permitted by law, County shall indemnify and hold harmless District and its elected and appointed officials, officers, employees, agents, and representatives ("District Indemnitees") from and against any claim, demand, damage, loss, liability, or expense (including reasonable attorneys' fees) arising out of **County's breach or non-performance** of this Agreement or the **negligent acts of County's agents or employees** in administering the Loan.

County shall not be obligated to indemnify District for claims arising from **District's gross negligence or willful misconduct**, as limited by Government Code § 895.4.

5.3 Proportionate Responsibility

In the event of concurrent fault, each party shall bear responsibility in proportion to its respective degree of fault, consistent with Government Code § 895.2.

5.4 No Waiver of Immunities

Nothing in this Agreement waives, limits, or modifies any immunity, defense, or limitation on liability available to either party under the California Tort Claims Act (Government Code §§ 810 et seq.) or other applicable California law.

ARTICLE VI: MISCELLANEOUS PROVISIONS

6.1 Notices

All notices, requests, demands, and other communications under this Agreement shall be in writing and delivered by:

- (a) Personal delivery;
- (b) Certified or registered mail, return receipt requested;
- (c) Nationally recognized overnight courier (charges prepaid);
- (d) Email with read receipt (if recipient has consented to email notice).

Notices shall be effective upon delivery and addressed as follows:

To County:

County of Riverside Executive Office 4080 Lemon St. Riverside, CA 92501	County Counsel 3960 Orange St., Ste. 500 Riverside, CA 92501 MiTran@rivco.org
Riverside University Health System 26520 Cactus Ave. Moreno Valley, CA 92555-3927 j.cruikshank@ruhealth.org	

To District:

Palo Verde Healthcare District
250 N. 1st Street
Blythe, CA 92225
Attention: Chief Executive Officer / General Counsel
Email:

Either party may change its notice address by written notice to the other party.

6.2 Attorneys' Fees

In any action, suit, proceeding, or negotiation to enforce, interpret, or reform this Agreement, or in connection with any dispute or alleged breach hereunder, **the prevailing party shall be entitled to recover reasonable costs and expenses, including litigation costs, expert witness fees, and reasonable attorneys' fees and costs** (including appeals, arbitrations, and bankruptcy proceedings).

"Attorneys' fees" includes fees and expenses of counsel to the parties (including in-house counsel), fees of paralegals and law clerks, and all reasonable printing, duplicating, transcript, and research costs.

6.3 Waivers and Amendments

(a) **Waivers.** No waiver of any breach or covenant shall be deemed a waiver of any other provision, and no waiver is valid unless in writing and executed by the waiving party.

(b) **Amendments.** This Agreement may be amended or modified only by written instrument executed by both parties.

(c) **Extensions.** Any extension of time for performance shall be in writing and shall not extend the time for performance of any other obligation.

6.4 Binding Effect and Successors

This Agreement shall bind and inure to the benefit of the parties and their respective permitted successors and assigns. Any reference to a party shall apply to that party's permitted successors and assigns.

6.5 Construction

(a) The Section headings are for convenience only and do not affect interpretation.

(b) The parties acknowledge that both have participated in negotiating and drafting this Agreement and it shall not be construed as prepared by one party.

(c) This Agreement shall be construed fairly according to its terms and not strictly for or against either party.

6.6 County Executive Officer Authority

Except as specifically provided otherwise or as required by County ordinance or law, the County Executive Officer (or designee) may approve actions or matters required under this Agreement unless the County Executive Officer determines that referral to the County Board of Supervisors is necessary.

6.7 Entire Agreement

This Agreement, together with all exhibits, constitutes the entire agreement between the parties regarding the Loan and supersedes all prior negotiations, understandings, representations, or statements, whether oral or written.

6.8 Counterparts and Electronic Signatures

This Agreement may be executed in one or more counterparts, each an original, all constituting one instrument. Delivery of an executed counterpart by PDF or email shall be as effective as manual delivery. Each party waives the right to challenge authenticity based solely on the absence of an original signature.

6.9 Severability

If any provision is held invalid or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall remain in effect unless an essential purpose is defeated by such invalidity.

6.10 No Third-Party Beneficiaries

This Agreement is solely for the benefit of the parties and their successors and assigns. No third party has any rights hereunder.

6.11 Time of the Essence

Time is of the essence for all conditions, obligations, and provisions of this Agreement.

6.12 Governing Law and Venue

This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to conflict-of-laws principles.

Exclusive Venue: Any action or proceeding to enforce or interpret this Agreement shall be brought exclusively in the United States Bankruptcy Court for the Central District of California. Each party consents to exclusive jurisdiction and venue in these courts.

6.13 Bankruptcy Court Recognition

The parties acknowledge that this Agreement is entered into in the context of District's Chapter 9 bankruptcy case (Case No. 6:25-bk-17084-SY). The parties may seek approval or recognition of this Loan and its terms in the bankruptcy court as a post-petition facility or as a claim treatment. The District shall prepare and file a motion seeking bankruptcy court approval of this Loan as a post-petition financing with defined priorities and claim treatment.

6.14 Financial and Governmental Capacities

County's role in this Agreement is limited to a **lender in financial capacity**. Nothing herein waives, supersedes, or conditions County's rights to take action in its **governmental capacity**, including but not limited to:

- (a) Enacting laws and regulations affecting District or Hospital;
- (b) Inspecting, permitting, licensing, and enforcing health and safety codes;
- (c) Taking administrative or enforcement action regarding District or Hospital compliance;

(d) All legislative, administrative, and enforcement functions under federal, state, or local law.

This Agreement does not waive any discretionary or regulatory approvals required by County law.

6.15 Enforced Delay; Force Majeure

Performance by either party shall not be deemed in default due to delays caused by war, insurrection, strikes, floods, earthquakes, epidemics, acts of God, governmental action (except acts/omissions of County in its governmental capacity), litigation delays, acts of the other party, or causes beyond the party's reasonable control.

An extension of time for such cause shall:

(a) Commence when the affected party notifies the other party within **30 days** of the cause's commencement;

(b) Continue for the duration of the delay;

(c) Not be effective if rejected in writing by the other party within **10 days** of notice (rejection not to be unreasonably withheld).

The parties may also extend performance dates by mutual written agreement.

ARTICLE VII: EXHIBITS

The following exhibits are attached and incorporated by reference:

- **Exhibit A:** Schedule of Loan Payments
- **Exhibit B:** Financial Covenants and Compliance Certificate
- **Exhibit C:** Form of Security Agreement (UCC Secured Transaction)
- **Exhibit D:** Form of Deposit Account Control Agreement
- **Exhibit E:** Form of Management Agreement (proposed outline/requirements)
- **Schedule A:** litigation disclosed by The District.

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties have executed this Loan Agreement as of the Effective Date.

RIVERSIDE COUNTY, a political subdivision of the State of California

By: Karen S. Spiegel
Name: Karen Spiegel
Title: Chairperson - Board of Supervisors
Date: JAN 27 2026

ATTEST:
KIMBERLY A. RECTOR, Clerk

By 
DEPUTY

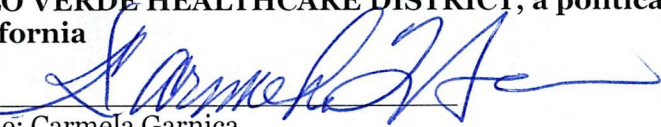
JAN 27 2026

3.39

APPROVED AS TO FORM:

By:  _____
County Counsel

PALO VERDE HEALTHCARE DISTRICT, a political subdivision of the State of California

By:  _____
Name: Carmela Garnica
Title: Board President
Date:

APPROVED AS TO FORM:

By:  _____
[District Counsel]

EXHIBIT A: SCHEDULE OF LOAN PAYMENTS

Schedule of Loan Payments

Payment No.	Payment Date	Beginning Balance	Quarterly Payment	Principal	Interest	Ending Balance
1	1/4/2027	\$1,000,000.00	\$54,032.50	\$46,224.28	\$7,808.22	\$953,775.72
2	4/1/2027	953,775.72	54,032.50	47,212.35	6,820.15	906,563.37
3	7/1/2027	906,563.37	54,032.50	47,251.90	6,780.60	859,311.47
4	10/1/2027	859,311.47	54,032.50	47,534.69	6,497.81	811,776.78
5	1/3/2028	811,776.78	54,032.50	47,894.13	6,138.37	763,882.65
6	4/3/2028	763,882.65	54,032.50	48,319.08	5,713.42	715,563.57
7	7/3/2028	715,563.57	54,032.50	48,680.48	5,352.02	666,883.09
8	10/2/2028	666,883.09	54,032.50	49,044.58	4,987.92	617,838.51
9	1/2/2029	617,838.51	54,032.50	49,360.63	4,671.87	568,477.88
10	4/2/2029	568,477.88	54,032.50	49,827.32	4,205.18	518,650.56
11	7/2/2029	518,650.56	54,032.50	50,110.65	3,921.85	468,539.91
12	10/1/2029	468,539.91	54,032.50	50,528.08	3,504.42	418,011.83
13	1/2/2030	418,011.83	54,032.50	50,837.29	3,195.21	367,174.54
14	4/1/2030	367,174.54	54,032.50	51,346.59	2,685.91	315,827.95
15	7/1/2030	315,827.95	54,032.50	51,670.28	2,362.22	264,157.67
16	10/1/2030	264,157.67	54,032.50	52,035.03	1,997.47	212,122.64
17	1/2/2031	212,122.64	54,032.50	52,411.07	1,621.43	159,711.57
18	4/1/2031	159,711.57	54,032.50	52,864.20	1,168.30	106,847.37
19	7/1/2031	106,847.37	54,032.50	53,233.34	799.16	53,614.03
20	10/1/2031	\$53,614.03	\$54,019.44	\$53,614.03	\$405.41	0.00
		Total	\$1,080,636.94	\$1,000,000.00	\$80,636.94	

EXHIBIT B: FINANCIAL COVENANTS AND COMPLIANCE CERTIFICATE

FINANCIAL COVENANTS

District shall maintain compliance with the following financial metrics, tested monthly (with reporting due by the 15th of each month per Section 1.11(a)):

1. MINIMUM CASH ON HAND

Covenant: District shall maintain unrestricted cash on hand of at least **20 days of operating expenses**.

Calculation: Total unrestricted cash ÷ (Total monthly operating expenses ÷ 30 days) ≥ 20 days

Reporting: Monthly cash position certificate (Section 1.11(a)(iii)).

Default Trigger: Falls below 20 days for 2 consecutive months without cure plan; falls below 10 days for any single month.

2. WORKING CAPITAL

Covenant: District shall maintain positive working capital (current assets minus current liabilities) of at least **\$500,000**.

Calculation: Current Assets – Current Liabilities ≥ \$500,000

Reporting: Quarterly balance sheet (Section 1.11(b)).

Default Trigger: Falls below \$500,000 for 2 consecutive months; or becomes negative at any month-end.

3. PATIENT VOLUME / CENSUS

Covenant: Hospital patient days or admissions shall not decline below **80% of the 3-month baseline average** established as of the Effective Date.

Baseline Average (to be established at Loan execution):

- Monthly Patient Days: [_____] (calculated as average of 3 months pre-Effective Date), OR
- Monthly Admissions: [_____]

Reporting: Monthly operational metrics report per Section 1.11(a)(v).

Default Trigger: Falls below 80% of baseline for 2 consecutive months; or falls below 70% for any single month.

4. ACCOUNTS RECEIVABLE AGING

Covenant: Accounts receivable outstanding more than 90 days shall not exceed **40% of total gross AR** (excluding provisions/allowances).

Calculation: $(AR > 90 \text{ days} \div \text{Total Gross AR before allowance}) \leq 40\%$

Reporting: Monthly AR aging report per Section 1.11(a)(ii).

Default Trigger: Exceeds 40% for 2 consecutive months; or exceeds 50% for any single month.

5. DEBT SERVICE COVERAGE RATIO (DSCR)

Covenant: Net cash flow from Hospital operations (before loan payment, operating cash flow per cash flow statement) divided by the quarterly Loan payment (principal + interest) shall be at least **1.25x**.

Calculation: $\text{Quarterly Net Operating Cash Flow} \div \text{Quarterly Loan Payment} \geq 1.25$

Reporting: Quarterly cash flow statement and DSCR calculation (Section 1.11(b)).

Default Trigger: DSCR falls below 1.25x for 2 consecutive quarters; or falls below 1.0x for any single quarter.

MONTHLY COMPLIANCE CERTIFICATE

District's CFO or Interim Manager shall complete and sign the following certificate and deliver to County by the 15th of each month:

FINANCIAL COVENANT COMPLIANCE CERTIFICATE

For the Month Ended: _____

**Palo Verde Healthcare District
County Loan - Financial Covenant Attestation**

I, [Name, Title], certify as of [date] that:

1. Minimum Cash on Hand:

- Current Month: [] days Compliant / Non-Compliant
Calculation: $[\text{cash}] \div ([\text{monthly ops}] \div 30) = [] \text{ days}$
Threshold: 20 days minimum

2. Working Capital:

- Current Month: **[\$amount]** ✓ Compliant / ✗ Non-Compliant
Calculation: Current Assets \$[] - **Current Liabilities** \$[] = \$[]
Threshold: \$500,000 minimum

3. Patient Volume:

- Current Month: [] **patient days** ✓ Compliant / ✗ Non-Compliant
% of Baseline: []% of [baseline] days (**80% threshold** = [] days)
Baseline: [] patient days/month

4. Accounts Receivable Aging:

- AR >90 days: []% ✓ Compliant / ✗ Non-Compliant
Calculation: \$[AR >90d] ÷ \$[Total Gross AR] = []%
Threshold: 40% maximum

5. DSCR (Quarterly, if applicable):

- Current Quarter: []x ✓ Compliant / ✗ Non-Compliant
Calculation: \$[quarterly operating cash flow] ÷ \$[quarterly loan payment] = []x
Threshold: 1.25x minimum

6. Collateral Valuation (Monthly):

- Total Collateral Value: **[\$amount]** ✓ Compliant / ✗ Non-Compliant
% of Loan Balance: []% of \$[Loan balance]
Threshold: 150% of Loan balance minimum

Outstanding Non-Compliance from Prior Month(s):

- [] None
- [] Previous Month: [Describe]
- [] Remediation Status: [Describe actions taken]

New Non-Compliance This Month (if any):

- [Identify covenant and breach details]

Remediation Plan (for any current or prior non-compliance):

- [Describe specific steps, responsible parties, and expected resolution date]
- Expected Cure Date: []

Hospital Operations Notes:

- Current patient census: []
 - Staffing status: []
 - Major operational challenges or achievements: []
 - Regulatory compliance status: []
-

I certify under penalty of perjury that the foregoing information is true and correct to the best of my knowledge and that I have reviewed supporting documentation.

Signed: _____

Name/Title: _____

Date: _____

CURE PROTOCOL FOR FINANCIAL COVENANT DEFAULTS

If District is non-compliant on any covenant:

1. **County Notice:** County provides written notice within 5 business days of identifying the breach, specifying the covenant, the breach detail, and required cure date.
 2. **Initial Cure Period:** District has 30 days to cure (exceptions: Plan filing breaches have no cure period; repeated breaches have no cure period).
 3. **Remediation Plan:** District submits detailed remediation plan and weekly progress reports during cure period.
 4. **Escalation if Not Cured:** If not cured by day 30, parties meet within 5 days to discuss root causes; County may suspend disbursements and/or demand accelerated cure schedule.
 5. **Extended Negotiation:** District may propose alternative compliance schedule with specific milestones; County may approve if reasonable.
 6. **Final Default:** If not cured by day 60 or alternative schedule not approved, County may declare full default and accelerate the Loan.
 7. **Repeated Breaches:** If District breaches the same covenant twice in 12 months, no cure period applies; County may immediately accelerate.
-

EXHIBIT C: FORM OF SECURITY AGREEMENT

[To be completed and executed at Loan closing. The Security Agreement shall include:]

1. **Grant of Security Interest** – District grants County first priority security interest in all Collateral as defined in Section 1.8(a) above.
 2. **UCC-1 Financing Statements** – District authorizes County to file UCC-1 financing statements with the California Secretary of State and Riverside County Recorder to perfect the security interest.
 3. **Representations and Warranties** – District represents that it owns Collateral free and clear (except for permitted liens), that no third parties have rights in Collateral, and that the security interest does not violate any law or prior agreement.
 4. **Covenants** – District covenants to maintain Collateral, provide insurance, and refrain from encumbering or disposing of Collateral.
 5. **Default and Remedies** – Upon default, County may take possession, sell Collateral, and apply proceeds to the Loan.
 6. **Continuation Statements** – District shall cooperate with County in filing continuation statements as needed to maintain perfection.
-

EXHIBIT D: FORM OF DEPOSIT ACCOUNT CONTROL AGREEMENT

[To be completed and executed upon creation of the Loan Account pursuant to Paragraph 1.10(a). The Deposit Account Control Agreement shall:

1. **Establish** the Loan Account as a segregated, restricted deposit account for exclusive use of Loan proceeds.
 2. **Grant to County "control"** (as defined in UCC § 8-104) over the Loan Account, allowing County to prevent unauthorized withdrawals.
 3. **Require Bank Consent** that the bank will not allow withdrawals without written authorization from County for any withdrawal exceeding \$25,000.
 4. **Establish Lockbox** procedures if requested by County, whereby all Hospital revenue is initially deposited in a County-controlled lockbox and then swept into the Loan Account, with authorized withdrawals processed with County approval.
 5. **Provide County** with direct access to account information, monthly statements, and transaction history.
 6. **Survive** default or termination of the Loan Agreement until the Loan is fully repaid.
-

EXHIBIT E: MANAGEMENT AGREEMENT REQUIREMENTS (OUTLINE)

An executed Management Services Agreement shall be appended to this Loan Agreement when completed.

END OF AGREEMENT

Schedule A: litigation disclosed by The District

Cecil Brown v. PVHD

JAMS
Arbitration Demand
Ref. No.
5230000743
Breach of Contract
Seeking damages in the amount of
\$171,000.00 Stayed by Chapter 9
bankruptcy

Heathcare IT Leaders, LLC v. PVHD

Riverside County Superior
Court No. CVPS
2507167/filed 9/25/25
Breach of Contract
Stayed by Chapter 9 bankruptcy

Felicia Thomas v. PVHD

Riverside County Superior Court No. CVRI 2502787 /
filed 5/23/25 Cyber breach
Stayed by Chapter 9
bankruptcy

Susan Nimetn v. PVHD

U.S. District Court – Central District of
California 5:25-OV-1110-585 (DTBX)
Filed 5/12/25 Cyber attack
Stayed by Chapter 9 bankruptcy

Cecil Brown Claim

6/18/25
Employment Matter
Stayed by Chapter 9 bankruptcy

Maxwell Moyer Claim

5/13/25
Employment Matter
Stayed by Chapter 9 bankruptcy

Vincent Casarez Claim

12/8/25
Employment Matter
Stayed by Chapter 9 bankruptcy

Frank Arko, M.D. Claim

12/24/25
Contract Physician Matter
Stayed by Chapter 9 bankruptcy

Yesenia Garcia v. PVHD

Riverside County Superior

Court No. CVR12502687

Filed 5/8/25

Cyber Breach

Stayed by Chapter 9 bankruptcy

Tony Gonzalez v. PVHD Riverside County
Superior Court No. CVR 12502320
Filed 5/5/25
Non-personal injury, property damage, wrongful
death
Stayed in chapter 9 bankruptcy



January 27, 2026

Hand Delivery

Riverside County Board of Supervisors

4080 Lemon St. 1st Floor, Board Chambers
Riverside, CA 92501

Re: Statement for the Riverside County Board of Supervisors from Palo Verde
Healthcare District

Dear Board of Supervisors:

My name is Joanna Gonzalez, the Clerk of the Board of Palo Verde Healthcare District. I am here on behalf of the District's Board of Directors to express our sincere gratitude for the County's continued engagement and the recent loan that is helping keep Palo Verde Hospital's emergency services open during an extraordinarily difficult time.

Over the past year, and especially in recent months, the District has faced severe and compounding challenges. Throughout this period, Riverside County has remained present, responsive, and committed to the people of the Palo Verde Valley. The County's willingness to step in with financial support, technical expertise, and ongoing collaboration has provided critical stability at times when the hospital and community faced the prospect of imminent service disruptions and the possibility of full final closure.

We are especially grateful to County Executive Officer Jeff Van Wagenen, his staff, and the teams at Riverside University Health System for the time, care, and professionalism they have brought to this effort. Your staff has worked under tight timelines, complex constraints, and intense public scrutiny, always with a focus on protecting access to emergency care and essential health services for a rural community that depends on them.

This loan does not solve every challenge the hospital faces, but it does provide breathing room. It gives more time for the District, the County, and other partners to continue exploring sustainable long-term solutions. That time matters greatly to our patients, our employees, and the residents we serve.

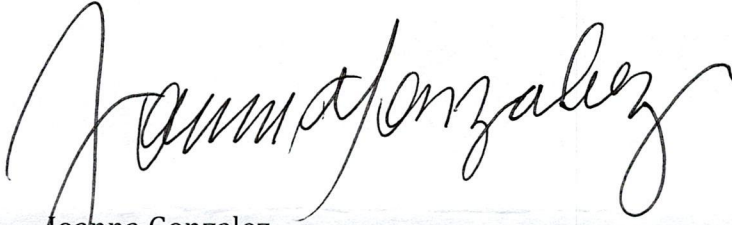
Amidst a lot of uncertainty and deep concern in the Palo Verde Valley community about the hospital's situation, one thing has been clear all along. Supervisor Perez, you and your fellow supervisors, along with county staff, have done everything you could to save the hospital, and our community will always remember that. We also extend our gratitude to

1/27/26
3.39

250 N. First Street
Blythe, CA 92225
760-922-4115 Ext: 5908

our U.S. and State Representatives, the City of Blythe, and our valued partners as we continue our efforts to provide healthcare services to the residents of the Palo Verde Valley.

Sincerely,



Joanna Gonzalez
Board Clerk

Riverside County Board of Supervisors
Request to Speak

Submit request to the Clerk of the Board (right of podium), Speakers are permitted to three (3) minutes, subject to Board Rules listed on the reverse side of this form. The Board may limit the public input on any item, based on the number of people requesting to speak and the business of the Board.

SPEAKER'S NAME: Joanna Gonzalez

Address: 2405 Fairway Dr.

City: Blythe Zip: 92225

Phone #: (562) 852-2724

Date: 1/27/2020 Agenda # 3.39

PLEASE STATE YOUR POSITION BELOW:

Position on "Regular" (non-appealed) Agenda Item:

Support Oppose Neutral

Note: If you are here for an agenda item that is filed for "Appeal", please state separately your position on the appeal below:

Support Oppose Neutral

I give my 3 minutes to: _____

Do you need a Spanish translator? Yes _____ No

Parking validations available for speakers only – see Clerk of the Board.

(Revised: 1/13/2026)

I would only like to speak if the item is pulled from the consent agenda. If the item is not pulled, I kindly request my letter be provided to the Board of Supervisors.

Thank you!

BOARD RULES

Requests to Address Board on "Agenda" Items:

You may request to be heard on a published agenda item. Requests to be heard must be submitted to the Clerk of the Board before the scheduled meeting time.

Requests to Address Board on items that are "NOT" on the Agenda:

Notwithstanding any other provisions of these rules, member of the public shall have the right to address the Board during the mid-morning "Oral Communications" segment of the published agenda. Said purpose for address must pertain to issues which are under the direct jurisdiction of the Board of Supervisors. YOUR TIME WILL BE LIMITED TO THREE (3) MINUTES. The Board may limit the public input on any item, based on the number of people requesting to speak and the business of the Board.

Power Point Presentations/Printed Material:

Speakers who intend to conduct a formalized Power Point presentation or provide printed material must notify the Clerk of the Board's Office by 12 noon on the Monday preceding the Tuesday Board meeting, ensuring that the Clerk's Office has sufficient copies of all printed materials and at least one (1) copy of the Power Point CD. Copies of printed material given to the Clerk (by Monday noon deadline) will be provided to each Supervisor. If you have the need to use the overhead "Elmo" projector at the Board meeting, please ensure your material is clear and with proper contrast, notifying the Clerk well ahead of the meeting, of your intent to use the Elmo. Speakers are prohibited from bringing signs, placards, or posters into the hearing room.

Individual Speaker Limits:

Individual speakers are limited to a maximum of three (3) minutes. The Board may limit the public input on any item, based on the number of people requesting to speak and the business of the Board. Please step up to the podium when the Chair calls your name and begin speaking immediately. Pull the microphone to your mouth so that the Board, audience, and audio recording system hear you clearly. Once you start speaking, the "green" podium light will light. The "yellow" light will come on when you have one (1) minute remaining. When you have 30 seconds remaining, the "yellow" light will begin flash, indicating you must quickly wrap up your comments. Your time is up when the "red" light flashes. The Chair adheres to a strict three (3) minutes per speaker. ***Note: If you intend to give your time to a "Group/Organized Presentation", please state so clearly at the very bottom of the reverse side of this form.***

Group/Organized Presentations:

Group/organized presentations with more than one (1) speaker will be limited to nine (9) minutes at the Chair's discretion. The organizer of the presentation will automatically receive the first three (3) minutes, with the remaining six (6) minutes relinquished by other speakers, as requested by them on a completed "Request to Speak" form, and clearly indicated at the front bottom of the form.

Addressing the Board & Acknowledgement by Chair:

The Chair will determine what order the speakers will address the Board and will call on all speakers in pairs. The first speaker should immediately step to the podium and begin addressing the Board. The second speaker should take up a position in one of the chamber aisles to quickly step up to the podium after the preceding speaker. This is to afford an efficient and timely Board meeting, giving all attendees the opportunity to make their case. Speakers are prohibited from making personal attacks, and/or using coarse, crude, profane or vulgar language while speaking to the Board members, staff, the public and/or meeting participants. Such behavior, at the discretion of the Board Chair may result in removal from the Board Chambers by Sheriff Deputies.