

## **POSSESSORY COLLATERAL PLEDGE AGREEMENT (LIMITED OBLIGATIONS)**

This Possessory Collateral Pledge Agreement (Limited Obligations) (this “Agreement”) is made and entered into on \_\_\_\_\_, 2019, by SONOMA COUNTY AIRPORT, (the “Debtor”) in favor of U.S. Bank National Association (the “Bank”).

### **ARTICLE I. SECURITY INTEREST AND PLEDGE; DEFINITIONS**

**1.1 Grant of Security Interest/Collateral Pledge.** In consideration of certain financial accommodations granted by Bank to Debtor, and to secure the Obligations (defined below), Debtor hereby grants to Bank a security interest in and collaterally assigns to Bank the Collateral (defined below).

**1.2 “Collateral”** means Account No. \_\_\_\_\_ at Bank and all interest on such account, and all further funds in such account from time to time, whether now owned or hereafter acquired by Debtor; together with all proceeds. Bank may at any time and from time to time file financing and continuation statements and amendments thereto reflecting the same.

**1.3 “Obligations”** means (a) all of Debtor’s debts, liabilities, obligations, covenants, warranties and duties to Bank and/or any affiliate of Bank which arise out of any Letter of Credit Document; (b) principal, interest, fees, expenses and costs of collection (including attorneys’ fees) relating to any of the foregoing, and (c) all of Debtor’s obligations under this Agreement.

**1.4 “Letter of Credit Documents”** means together and individually any letter of credit, letter of credit reimbursement agreement, letter of credit application, security agreement, financing statement, banker’s acceptance and any other agreement, document or instrument previously, concurrently or hereafter executed or delivered by any party to or in favor of Bank evidencing, creating, securing, guaranteeing or otherwise related to the Obligations or the Collateral, even though not specifically enumerated.

**1.5 Other Definitions.** Unless otherwise defined, the terms set forth in this Agreement shall have the meanings set forth in the Uniform Commercial Code as adopted in the Letter of Credit Documents and as amended from time to time.

### **ARTICLE II. WARRANTIES AND COVENANTS**

In addition to all other warranties, representations and covenants of Debtor in any other Letter of Credit Document, while any part of the credit granted Debtor under the Letter of Credit Documents is available or any Obligations of Debtor to Bank are unpaid or outstanding, Debtor continuously warrants and agrees as follows:

**2.1 Debtor’s Name, Location; Notice of Location Changes.** Except as otherwise disclosed to Bank in writing, Debtor’s name and organizational structure have remained the same during the past five (5) years. Debtor will continue to use only the name set forth with Debtor’s signature unless Debtor gives Bank prior written notice of any change. Furthermore, Debtor shall not do business under another name nor use any trade name without giving ten (10) days prior written notice to Bank. Debtor will not change its status or organizational structure without the prior written consent of Bank. Debtor will not change its location or registration (if Debtor is a registered organization) to another state without prior written notice to Bank.

**2.2 Accuracy of Information; Verification.** All information, certificates and statements given to Bank pursuant to this Agreement will be accurate and complete when given. Also, Bank may verify Collateral in any manner and Debtor shall assist Bank in so doing.

**2.3 Organization and Authority.** The execution, delivery and performance of this Agreement and the other Letter of Credit Documents to which Debtor is a party: (a) are within Debtor’s power; (b) have been duly authorized by proper corporate, partnership or limited liability company action (if applicable); (c) do not

require the approval of any governmental agency, other entity or person; and (d) will not violate any law, agreement or restriction by which Debtor is bound. This Agreement is the legal, valid and binding obligation of Debtor, and is enforceable against Debtor in accordance with its terms.

**2.4 Status of Collateral.** All Collateral is genuine and validly existing. The Collateral which evidences or constitutes third party payment obligations to Debtor is fully enforceable in accordance with its terms, and not subject to dispute, setoff, adverse claims, defense, or adjustment by such third party (including any securities intermediary or issuer) except as permitted in writing by Bank. Debtor will promptly provide Bank with written notice of anything that would impair the ability of any third party obligor as to the Collateral from making payment to Debtor when due. The Collateral is not subject to any restrictions on transfer and/or disposition by Debtor or Bank. Debtor acknowledges that the Collateral constitutes "cash collateral" for purposes of 11 U.S.C. §363.

**2.5 Ownership; Maintenance of Collateral; Restriction on Liens and Dispositions.** Debtor is the sole owner of the Collateral free of all liens, claims, other encumbrances and security interests except as permitted in writing by Bank. Debtor will: (a) maintain the Collateral, and not permit its value to be impaired; (b) not permit waste, removal or loss of identity of the Collateral; (c) keep the Collateral free from all liens, adverse claims, executions, attachments, claims, encumbrances and security interests (other than Bank's sole and paramount security interest and those interests permitted in writing by Bank); (d) defend the Collateral against all claims and legal proceedings by persons other than Bank; (e) pay and discharge when due all taxes, levies and other charges or fees which may be assessed against the Collateral (except for payment of taxes contested by Debtor in good faith by appropriate proceedings so long as no levy or lien has been imposed upon the Collateral); (f) not sell or transfer the Collateral to any party; (g) not permit the Collateral to be used or owned in violation of any applicable law, regulation or policy of insurance; (h) preserve Bank's rights and security interest in the Collateral against all other parties; and (i) not make any instructions or entitlement orders which are contrary to the terms of this Agreement. Debtor will promptly deliver to Bank a copy of any notices, statements or communications received by Debtor regarding the Collateral.

**2.6 Maintenance of Security Interest.** Debtor will take any action requested by Bank to preserve the Collateral and to perfect, establish the priority of, continue perfection and enforce Bank's interest in the Collateral and Bank's rights under this Agreement (including the delivery of any stock or bond powers and endorsements deemed necessary by Bank); and Debtor will pay all costs and expenses related thereto. Debtor shall also cooperate with Bank in obtaining control (for purposes of perfection under the Uniform Commercial Code) of Collateral consisting of deposit accounts, investment property, letter of credit rights, electronic chattel paper and any other collateral where Bank may obtain perfection through control. Debtor hereby authorizes Bank to take any and all actions described above and in place of Debtor with respect to the Collateral and hereby ratifies any such actions Bank has taken prior to the date of this Agreement and hereafter, which actions may include, without limitation, filing UCC financing statements and obtaining or attempting to obtain control agreements from holders of the Collateral.

**2.7 Delivery of Collateral; Proceeds.**

(a) Except as permitted in writing by Bank, all proceeds of, substitutions for and distributions regarding the Collateral received by Debtor will be held by Debtor in express trust for Bank, will not be commingled with any other funds or property of Debtor, and will be turned over to Bank in precisely the form received (but endorsed by Debtor, if necessary) not later than the business day following the day of their receipt by Debtor; and all proceeds of, substitutions for and distributions relating to the Collateral will be held by Bank as Collateral hereunder.

(b) Notwithstanding the provisions of 2.7(a) above and absent a default hereunder, Debtor may retain all regularly scheduled and/or announced cash dividends or distributions paid to Debtor regarding the Collateral.

(c) Debtor will immediately deliver in trust to Bank all original security certificates, safekeeping receipts and all other evidence of ownership and/or title to the Collateral (“Certificates”). Furthermore, Debtor agrees to direct, in writing, that all banks and entities holding or controlling any Certificates promptly and directly transmit all such Certificates to Bank.

**2.8 Possessory Agency Agreements; Control Agreements; Collateral in “Street Name”.** Upon the request of Bank, Debtor will promptly obtain from any entity holding or controlling any Collateral, including any Certificates, such documents as Bank deems necessary to evidence its security interest in and exclusive possession of such Collateral, including any Certificates, including, without limitation, an exclusive possessory agency agreement or control agreement satisfactory to Bank; or as to any securities account(s) or security entitlement(s), nominate Bank as sole entitlement holder with respect thereto. Debtor agrees that Bank has control over all investment property pledged by Debtor and directs any securities intermediary (including Bank) and/or issuer to comply with any instructions or entitlement orders of Bank as to the Collateral without further consent of Debtor. In the event Bank also acts in the capacity of a securities intermediary with respect to the Collateral, this Agreement shall give Bank “control” of the Collateral, as that term is defined in the Uniform Commercial Code. If any Collateral is not registered in Debtor’s legal name, Debtor will furnish Bank with satisfactory written proof of Debtor’s bona fide ownership of same. Upon request of Bank, Debtor will have any Collateral registered in Debtor’s legal name at Debtor’s expense.

**2.90 Minimum Collateral; Acceptable Collateral.** At all times, Debtor will maintain with Bank acceptable Collateral having a market value (as determined by Bank) equal to 105% of the then outstanding principal amount of the Obligations (the “Minimum Collateral Coverage”). In the event Debtor fails to maintain the Minimum Collateral Coverage, Debtor will deliver to Bank additional acceptable Collateral necessary to restore the Minimum Collateral Coverage upon five (5) business days prior written notice from Bank, or Bank may declare Debtor in default hereunder.

### **ARTICLE III. RIGHTS AND DUTIES OF BANK**

In addition to all other rights (including setoff) of Bank under the Letter of Credit Documents which are expressly incorporated herein as a part of this Agreement, the following provisions will also apply:

**3.1 Authority to Perform for Debtor/Entitlement Holder.** To facilitate Bank’s ability to preserve and dispose of the Collateral, Debtor unconditionally appoints any officer of Bank as Debtor’s attorney-in-fact (coupled with an interest and irrevocable while any Obligations remain unpaid) to do any of the following upon default by Debtor hereunder (notwithstanding any notice requirements or grace/cure periods under this or any other agreements between Debtor and Bank): (a) to file, endorse the name of Debtor on any Collateral, financing statements, checks, drafts, money orders and insurance claims or payments, and any documents needed to perfect, protect and/or realize upon Bank’s interest in the Collateral; (b) to nominate itself as entitlement holder as to any or all of the Collateral; and (c) to do all such other acts and things necessary to carry out Debtor’s obligations under this Agreement and the other Letter of Credit Documents. All acts taken by Bank pursuant to the above-described authority are hereby ratified and approved, and Bank will not be liable to Debtor for any acts of commission or omission, nor for any errors of judgment or mistakes in undertaking such actions except for Bank’s willful misconduct. For good and valuable consideration, Debtor agrees not to assert any claims against any third party (including any issuer or any securities intermediary) holding Collateral for complying with Bank’s requests hereunder, and Debtor waives any claims against such third parties for actions taken at the request of Bank.

**3.2 Collateral Preservation.** Bank will use reasonable care as to any Collateral in its physical possession but in determining such standard of reasonable care, Debtor expressly acknowledges that Bank has no duty to: (a) insure the Collateral against hazards; (b) protect the Collateral from seizure, levy, lien, claim or conversion by third parties, or acts of God; (c) give to Debtor any notices, account statements, proxies or communications received by Bank regarding the Collateral; (d) perfect or continue perfection of any security interest in the Collateral in favor of Debtor; (e) inform Debtor of any decline in the value of the Collateral or the existence of any option or elections with respect to the Collateral; (f) take any action to invest or manage the

Collateral; (g) exercise, preserve or notify Debtor with respect to any exchanges, puts, calls, redemptions, conversions, maturities, offers, tenders and other rights or requirements regarding the Collateral or Debtor's interest therein; or (h) sue or otherwise take action to preserve Debtor's or Bank's interest in the Collateral. Notwithstanding any failure by Bank to use reasonable care in preserving the Collateral, Debtor agrees that Bank will not be liable to Debtor for consequential or special damages arising from such failure. The foregoing also apply if Bank is deemed entitlement holder as to any Collateral.

**3.3 Setoff.** As additional security for the payment of the Obligations, Debtor hereby grants to Bank a security interest in, a lien on and an express contractual right to set off against all depository account balances, cash and any other property of Debtor now or hereafter in the possession of Bank, excluding any account for which Bank is holding such account as trustee, and the right to refuse to allow withdrawals from any account (collectively "**Setoff**"). Bank may, at any time upon the occurrence of a default hereunder (notwithstanding any notice requirements or grace/cure periods under this or other agreements between Debtor and Bank), Setoff against the Obligations whether or not the Obligations (including future installments) are then due or have been accelerated, all without any advance or contemporaneous notice or demand of any kind to Debtor, such notice and demand being expressly waived.

#### **ARTICLE IV. DEFAULTS AND REMEDIES**

**4.1 Defaults.** Bank may enforce its rights and remedies under this Agreement upon default. A default shall occur hereunder if Debtor fails to comply with the terms of this Agreement or any other Letter of Credit Document to which Debtor is a party. In addition, a default under any Letter of Credit Document (including this Agreement) or under any Obligation, a demand for payment by Bank under any demand loan secured by this Agreement or a failure by any obligor to pay or perform any obligations for which Debtor has given Bank a guaranty or pledge, shall each constitute a default under this Agreement.

**4.2 Cumulative Remedies; Notice; Waiver.** In addition to the remedies for default set forth in the Letter of Credit Documents, Bank upon default shall have all other rights and remedies for default provided by the Uniform Commercial Code, as well as any other applicable law and this Agreement, INCLUDING, WITHOUT LIMITATION, THE RIGHT TO REPOSSESS AND DISPOSE OF THE COLLATERAL WITHOUT JUDICIAL PROCESS. The rights and remedies specified herein are cumulative and are not exclusive of any rights or remedies which Bank would otherwise have. With respect to such rights and remedies:

(a) **Remedies.** After maturity of any of the Obligations, or a default hereunder or under any of the other Letter of Credit Documents, and without notice or demand of any kind, Bank may: (i) transfer any of the Collateral into its name or that of its nominee, or deem itself to be entitlement holder as to any Collateral without notice to or consent of Debtor; (ii) in Debtor's name or otherwise dispose of and/or collect any Collateral by suit or otherwise; or surrender or exchange all or any part of the Collateral; or compromise, extend, renew or modify any obligation evidenced by the Collateral; (iii) exercise all of Debtor's rights as an entitlement holder and/or owner of the Collateral; (iv) dispose of the Collateral as provided for herein and at law; and (v) notify any issuer, transfer agent or securities intermediary, or holder of any Collateral, including Certificates, of this pledge of the Collateral, and direct such issuer, transfer agent or securities intermediary to comply with all instructions and entitlement orders originated by Bank without further consent of Debtor, and/or deliver directly in trust to Bank any Collateral, including Certificates, and subsequent shares of stock, dividend payments or other distributions pertaining to the Collateral or arising from Debtor's ownership of the Collateral; and in each case Debtor hereby unconditionally directs such parties to comply with Bank's requests in all respects. In addition to Bank's other rights, Debtor irrevocably appoints Bank as attorney-in-fact, with full power of substitution and revocation, to exercise Debtor's rights to take any action respecting the Collateral or with regard to any issuer or transfer agent of the Collateral thereof as fully as Debtor might do. This proxy remains effective so long as any of the Obligations are unpaid.

(b) **Notice of Disposition.** Written notice, when required by law, sent to any address of Debtor in this Agreement or to any other address provided to Bank by Debtor, at least five (5) calendar

days (counting the day of sending) before the date of a proposed disposition of the Collateral will be deemed reasonable notice but less notice may be reasonable under the circumstances. Notification to account debtors by Bank shall not be deemed a disposition of the Collateral.

(c) **Possession of Collateral/Commercial Reasonableness.** Bank shall not, at any time, be obligated to either take or retain possession or control of the Collateral. With respect to Collateral in the possession or control of Bank, Debtor and Bank agree that as a standard for determining commercial reasonableness Bank need not liquidate, collect, sell or otherwise dispose of any of the Collateral if Bank believes, in good faith, that disposition of the Collateral would not be commercially reasonable, would subject Bank to third party claims or liability, would cause Bank to violate federal or state securities laws, that other potential purchasers could be attracted or that a better price could be obtained if Bank held the Collateral for up to 2 years. Bank may sell Collateral without giving any warranties and may specifically disclaim any warranties of title or the like. Furthermore, Bank may sell the Collateral on credit (and reduce the Obligations only when payment is received from the buyer), at wholesale and/or with or without an agent or broker; Bank need not register any securities collateral under state or federal law; and Bank need not complete, process, or otherwise prepare the Collateral prior to disposition. If the purchaser fails to pay for the Collateral, Bank may resell the Collateral and Debtor shall be credited with the cash proceeds of the sale. Bank may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

(d) **Waiver by Debtor.** Bank has no obligation, and Debtor waives any obligation of Bank, to attempt to satisfy the Obligations by collecting the Obligations from any third parties, and Bank may release, modify or waive any collateral provided by any third party to secure any of the Obligations, all without affecting Bank's rights against Debtor. Debtor further waives any obligation on the part of Bank to marshal any assets in favor of Debtor or in payment of the Obligations. The waivers in this section shall be effective except to the extent expressly prohibited by law.

(e) **Waiver by Bank.** Bank may permit Debtor to attempt to remedy any default without waiving its rights and remedies hereunder, and Bank may waive any default without waiving any other subsequent or prior default by Debtor. Furthermore, delay on the part of Bank in exercising any right, power or privilege hereunder or at law will not operate as a waiver thereof, nor will any single or partial exercise of such right, power or privilege preclude other exercise thereof or the exercise of any other right, power or privilege. No waiver or suspension will be deemed to have occurred unless Bank has expressly agreed in writing to such waiver or suspension.

## ARTICLE V. MISCELLANEOUS

All provisions in the Letter of Credit Documents are expressly incorporated herein by reference, except to the extent such provisions are inconsistent with the following provisions:

**5.1 Prior Agreements.** Unless and except to the extent that (a) this Agreement specifically provides that it amends and restates an earlier security agreement or (b) Bank shall hereafter expressly agree in writing to limit the effectiveness of this Agreement, the effect of any earlier or later security agreement by Debtor shall be cumulative with this Agreement, and all security agreements by Debtor shall be construed to provide Bank with the broadest possible scope and amount of secured obligations.

**5.2 Copies; Entire Agreement; Modification.** Debtor hereby acknowledges the receipt of a copy of this Agreement. This Agreement and all of the Letter of Credit Documents (excluding any letter of credit) are each a "transferable record" as defined in applicable law relating to electronic transactions. Therefore, the holder of this Agreement may, on behalf of Debtor, create a microfilm or optical disk or other electronic image of this Agreement and any or all of the Letter of Credit Documents, excluding any letter of credit, that is an authoritative copy as defined in such law. The holder of this Agreement may store the authoritative copy of such Agreement and any or all of the Letter of Credit Documents, excluding the letter of credit, in its electronic form and then

destroy the paper original as part of the holder's normal business practices. The holder, on its own behalf, may control and transfer such authoritative copy as permitted by such law.

**5.3** IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING AND SIGNED BY THE PARTIES ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS WRITTEN CONTRACT MAY BE LEGALLY ENFORCED. THE TERMS OF THIS AGREEMENT MAY ONLY BE CHANGED BY ANOTHER WRITTEN AGREEMENT. THIS NOTICE SHALL ALSO BE EFFECTIVE WITH RESPECT TO ALL OTHER LETTER OF CREDIT DOCUMENTS NOW IN EFFECT BETWEEN DEBTOR AND BANK. A MODIFICATION OF ANY LETTER OF CREDIT DOCUMENT NOW IN EFFECT BETWEEN DEBTOR AND BANK, WHICH OCCURS AFTER RECEIPT BY DEBTOR OF THIS NOTICE, MAY BE MADE ONLY BY ANOTHER WRITTEN INSTRUMENT. ORAL OR IMPLIED MODIFICATIONS TO SUCH LETTER OF CREDIT DOCUMENTS ARE NOT ENFORCEABLE AND SHOULD NOT BE RELIED UPON.

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first written above.

**Debtor:**

**Sonoma County Airport**

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