

SALE AND PURCHASE AGREEMENT

THIS SALE AND PURCHASE AGREEMENT is made on the _____ day of _____, 2010, by and between EARL MUNDELL and ALICE MUNDELL husband and wife, whose address is 35277 Kenai Spur Highway, Soldotna, Alaska 99669, ("SELLER") and KENAI PENINSULA BOROUGH, whose address is 144 N. Binkley Street, Soldotna, Alaska 99669, ("KPB" or the "borough").

WHEREAS, SELLER is the owner of that real property located in the Kenai Recording District, Third Judicial District, State of Alaska, and more particularly described in Paragraph 1(b) below; and

WHEREAS, the Borough owns and provides for the operation of Central Peninsula Hospital, hereinafter referred to as the "Hospital," and for other health services and facilities, through the Central Kenai Peninsula Hospital Service Area, hereinafter referred to as the "Service Area;" and

WHEREAS, the Borough has entered into a Lease and Operating Agreement with Central Peninsula General Hospital, Inc. ("CPGH, Inc."), for the lease and operation of the Hospital, the Kenai Health Center, Heritage Place, Serenity House, and other Health Facilities, to operate these Medical Facilities on a nonprofit basis in order to ensure the continued availability of the Medical Facilities to the Service Area residents and visitors; and

WHEREAS, CPGH, Inc. has been leasing space within the property described in Paragraph 1(b) below, and has determined that there is a demonstrable community need for the purchase of that property in order to meet the need for additional facilities to support hospital and other health care services in the Service Area; and

WHEREAS, KPB has offered to buy, and SELLER has agreed to sell to KPB, the property described in Paragraph 1(b) below, subject to this Agreement; and further subject to the approval of the Kenai Peninsula Borough Assembly and to the Borough's appropriation of funds for payment of the purchase price;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants, conditions, restrictions, and terms set forth herein, the parties agree as follows:

1. SALE AND PURCHASE.

SELLER agrees to sell to KPB and KPB agrees to purchase from SELLER, according to the terms and conditions stated in this Agreement, the following:

(a) The Office Buildings located on the real property, including all heating/air conditioning units, electrical and plumbing fixtures, fixed cabinetry, carpeting and other flooring,

electronic wiring and electronic fixtures, major appliances, storage sheds (if any), light and ceiling fixtures, and all improvements, but excluding any personal property owned by Lessees; and

(b) The real property described as:

LOT 2, PENINSULA MEDICAL CENTER SUBDIVISION, according to Plat No. 83-79, Kenai Recording District, Third Judicial District, State of Alaska.

Street Address: (Street Number Not Assigned) Vine Ave., Soldotna, Alaska 99669

Assessor Parcel No.: 05910054

AND

LOT 3, PENINSULA MEDICAL CENTER SUBDIVISION, according to Plat No. 83-79, Kenai Recording District, Third Judicial District, State of Alaska.

Street Address: 265 N. Binkley St., Soldotna, Alaska 99669

Assessor Parcel No.: 05910055

AND

LOT4-A, PENINSULA MEDICAL CENTER SUBDIVISION NO.2, according to Plat No. 84-103, Kenai Recording District, Third Judicial District, State of Alaska.

Street Address: 245 N. Binkley St., Soldotna, Alaska 99669

Assessor Parcel No.: 05919060

(c) All of the above-described property is hereinafter referred to as "the Property."

2. PURCHASE PRICE; APPRAISAL; AND PAYMENT.

(a) The purchase price for the Property is the fair market value as concluded through appraisal reports by Derry and Associates on April 10, 2010 and April 12, 2010 being a total of Two Million Three Hundred Thousand and Zero Cents (\$2,300,000). Said appraisal reports are hereby incorporated by reference.

(b) The purchase price shall be paid in full in cash by KPB at time of closing.

3. "AS IS" SALE; NO WARRANTIES AS TO CONDITION OF THE PROPERTY;
ASUMPTION OF RISK.

(a) Except for the SELLER's representations and warranties made in Paragraph 6 below, SELLER makes no warranties, express or implied, including but not limited to habitability, merchantability, and fitness for a particular purpose, regarding the condition of the Property, including the Property's suitability for KPB's purposes. KPB acknowledges that the Property is purchased, and that conveyance of all of the Property, including the buildings, structures, fixtures, appliances, and other items being purchased by KPB hereunder, is accepted in an "AS IS" condition and without any warranties by SELLER, express or implied, as to the condition of the Property or the Property's suitability for KPB's purposes, except for the SELLER's representations and warranties made in Paragraph 6 below.

(b) SELLER has no obligation to repair or correct any defects or deficiencies in the Property identified by KPB's Due Diligence, including without limitation any defects or deficiencies in buildings, structures, appurtenances, improvements, driveways, walkways, fixtures, furniture, equipment, appliances, heating and air-conditioning systems, plumbing and electrical wiring.

SELLER has no obligation to conform or repair or correct any noncompliance with applicable laws and regulations, including without limitation zoning laws, building codes, and the Americans With Disabilities Act, whether or not such defects, deficiencies, or conditions of the Property are disclosed or should have been disclosed by such Due Diligence.

(c) In consideration of the purchase price, on KPB's acceptance of the Property after Due Diligence on or before the Closing Date, or on KPB's waiver of the contingency of Due Diligence, KPB assumes the risk of the Property's condition, and KPB assumes the responsibility for all repair, correction, and maintenance of any and all defects and deficiencies in the Property.

4. DUE DILIGENCE.

(a) Although this is an "AS IS" sale, KPB's obligation to purchase the Property is expressly conditioned on KPB's approval, in its sole discretion, of the condition of the Property, including the physical and environmental condition of the Property. KPB shall have a period of 60 days from the date of its execution of this Agreement within which to conduct such inspections and investigations as KPB may choose, in order for KPB to determine, in its sole discretion, whether it is satisfied with the Property's condition ("Due Diligence").

(b) Access to Property; Indemnity. As part of its Due Diligence, KPB may investigate and conduct inspections, tests, and studies with respect to the physical and environmental condition of the Property. KPB and its consultants, agents, engineers, inspectors, contractors, and employees ("KPB's Representatives") shall be given reasonable access to the Property during appointment times scheduled with SELLER for the purpose of performing such Due Diligence. SELLER shall furnish KPB's Representatives with access to such blue prints, past inspection reports, plats and as-built surveys, books and records, as they may request, and

which SELLER possesses, during appointment times scheduled with SELLER for the purpose of performing such Due Diligence. KPB shall undertake the Due Diligence at KPB's sole cost and expense. If the transaction does not close, KPB will deliver all reports of all inspections, tests, and studies to SELLER, to the extent they are public records, within five (5) business days of SELLER's request for same. In addition, KPB shall indemnify, defend and hold SELLER harmless from all claims (including claims of lien for work performed or labor or materials furnished by KPB's Representatives), injuries, demands, liabilities, losses, damages, costs, fees and expenses, caused by, resulting from or arising out of the acts or omissions or activities of KPB or KPB's Representatives in, on, or about the Property during or arising in connection with KPB's or its Representatives' inspections of the Property or Due Diligence.

5. TITLE INSURANCE; TITLE AND DEED.

SELLER will cause to be delivered to KPB at SELLER's expense, a Commitment for Title Insurance and policy of title insurance. SELLER agrees to execute and deliver, at closing, a Statutory Warranty Deed to the real property described in Paragraph 1(b) above, conveying marketable and insurable title clear of liens and encumbrances, with title being subject only to exceptions for plat notes, reservations, easements, rights-of-way, covenants, conditions and restrictions of record. Any other defects or encumbrances that do affect marketability, if any, may be discharged at closing out of the purchase money.

6. SELLER'S REPRESENTATIONS AND WARRANTIES.

Seller represents and warrants as follows:

(a) SELLER has good and marketable title to all the Property being sold to KPB under this Agreement, subject only to exceptions for plat notes, reservations, easements, rights-of-way, covenants, conditions and restrictions of records.

(b) SELLER as of closing will have no indebtedness or other liabilities, including any tax liability to the municipal, state or federal governments, that is a lien upon the Property being sold to KPB, and SELLER will obtain a Deed of Reconveyance or other release document from the beneficiary of any deed of trust or other lien that must be paid or satisfied by SELLER, and reconveyed at closing, in order for SELLER to convey clear and marketable title to KPB.

(c) Neither any representation or warranty by SELLER in this Agreement, nor any statement or certificate furnished or to be furnished to KPB pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements contained therein not misleading.

(d) To the best of SELLER's knowledge, as the date of this Agreement, except as specifically identified in any document attached hereto and initialed or signed by SELLER, the Property is free of all contamination from petroleum products or any hazardous substance or

hazardous waste, as defined by applicable state or federal law, and there are no underground storage tanks or associated piping on the Property. SELLER agrees that no hazardous substances or wastes shall be located on or stored on the Property, or any adjacent property by SELLER, owner or contractors, nor shall any such substance be owned, stored, used, or disposed of on the Property or any adjacent property by SELLER, its agents, employees, contractors, or invitee's, prior to KPB's ownership, possession, or control of the Property.

7. OTHER CONDITIONS PRECEDENT.

(a) Purchase of the Property is subject to an as-built survey satisfactory to KPB. The as-built survey is at SELLER's sole cost and expense.

(b) Purchase of the Property is subject to the property being zoned to permit KPB's intended use of the property for hospital and health care business operations.

(c) Purchase of the Property is subject to the KPB's review of leases, if any, affecting property; and such leases being satisfactory to KPB.

(d) Purchase of the Property by the KPB is subject to authorization by the Kenai Peninsula Borough Assembly and appropriation of funds. If the Kenai Peninsula Borough Assembly fails to enact an ordinance authorizing the purchase of the subject property and appropriation of funds, this agreement shall be terminated without penalty.

8. CLOSING; OTHER FEES AND COSTS.

(a) Unless otherwise agreed in writing, closing will occur within 90 days of execution of the Purchase Agreement by SELLER and KPB. Closing may be extended for an additional time period by a memorandum signed by SELLER and KPB. The sale shall be closed in the offices of the company providing the title insurance, which company shall act as closing agent. SELLER and KPB shall deposit with the closing agent, no later than the date of closing, all documents required to complete the Purchase Agreement and close.

(b) Real property taxes, assessments and utilities will be prorated to the date of closing.

(c) SELLER will pay SELLER's attorney's fees and costs outside of closing. KPB will pay its own attorney's fees and costs outside of closing.

(d) With respect to other costs and expenses not provided for elsewhere in this Agreement, SELLER and KPB shall each pay 50% of all other fees and costs charged or incurred by the closing agent under this Agreement to close this transaction, including, but not limited to, closing agent's transaction fees and recording fees.

(e) SELLER and KPB shall each deposit with the closing agent, no later than the date of closing, any additional money necessary to pay for the fees, costs, and expenses due to be paid by that party at closing but not yet paid.

9. POSSESSION.

At time of closing, possession shall be delivered to KPB subject to the existing leases.

10. ASSIGNMENT.

SELLER expressly reserves the right, prior to closing, to convey the Property, separately or individually, for purposes of estate or financial planning. Such conveyance shall be subject to this agreement and shall constitute assignment of this agreement to the Grantee of any such conveyance. The term "SELLER", as used herein, shall be deemed to apply equally to SELLERS' heirs and assigns.

11. ENTIRE AGREEMENT.

This Agreement and the documents referred to herein contain the entire agreement of the parties with respect to the subject matter hereof. Any changes, additions or deletions hereto must be made in writing and signed by both KPB and SELLER or their respective successors in interest. Provisions of this Agreement, unless inapplicable on their face, shall be covenants constituting terms and conditions of the sale and of the agreement to finance the sale, and shall continue in full force and effect until the purchase price is paid in full or this agreement is earlier terminated.

12. BREACH REMEDY.

Prior to closing of the sale, in the event that KPB or SELLER fails to make any payment required, or fails to submit or execute any and all documents and papers necessary for closing and transfer of title within the time period specified in this agreement, the SELLER or KPB may terminate this Agreement.

13. MISCELLANEOUS.

(a) Time. Time is of the essence in performance of this Agreement.

(b) Cancellation. This Agreement, while in good standing, may be canceled in whole or in part, at any time, upon mutual written agreement signed by SELLER and by KPB's Mayor. This Purchase Agreement is subject to cancellation in whole or in part if improperly issued through error in procedure or with respect to material facts.

(c) Notice. Any notice or demand, which under the terms of this Agreement or under any statute must be given or made by the parties thereto, shall be in writing, and be given or made by registered or certified mail, addressed to the other party at the address shown on the contract. However, either party may designate in writing such other address to which such notice of demand shall thereafter be so given, made or mailed. A notice given hereunder shall be deemed received when deposited in a U.S. general or branch post office by the addressor.

(d) Interpretation. This Agreement shall be deemed to have been jointly drafted by both parties. It shall be construed according to the fair intent of the language as a whole, not for or against any party. The interpretation and enforcement of this Agreement shall be governed by the laws of the State of Alaska. The titles of sections in this Agreement are not to be construed as limitations of definitions but are for identification purposes only.

(e) Forum and Venue. The forum and venue for any lawsuit between these parties arising out of this Agreement shall be in the Trial Courts for the State of Alaska in the Third Judicial District, Kenai Venue District.

(f) Multiple Originals. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

This Agreement has been executed by SELLER and KPB to be effective on the day and year first above written, subject to the conditions precedent to closing, including the approval of CPGH, Inc.'s Board of Directors, the approval of the Borough Assembly, and KPB's appropriation of funds to pay the purchase price.

KENAI PENINSULA BOROUGH

SELLER

By: David R. Carey, Mayor

Dated: _____

EARL MUNDELL

Dated: _____

ALICE MUNDELL

Dated: _____

ATTEST:

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY BY:

Borough Clerk

Holly B. Montague
Deputy Borough Attorney

ACKNOWLEDGMENTS

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this ____ day of _____, 2010, by David R. Carey, Mayor of the Kenai Peninsula Borough, an Alaska municipal corporation, for and on behalf of the corporation.

Notary Public for State of Alaska
My Commission Expires: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this ____ day of _____, 2010, by Earl Mundell.

Notary Public for State of Alaska
My Commission Expires: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this ____ day of _____, 2010, by Alice Mundell.

Notary Public for State of Alaska
My Commission Expires: _____