

Introduced by: Mayor
Date: 06/20/17
Hearings: 07/18/17 & 08/01/17
Action: Postponed as Amended
to 08/01/17
Date: 08/01/17
Action: Enacted
Vote: 7 Yes, 2 No, 0 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2017-14**

**AN ORDINANCE APPROVING AN OPERATING AGREEMENT WITH
CENTRAL PENINSULA GENERAL HOSPITAL, INC. FOR
CENTRAL PENINSULA HOSPITAL AND OTHER MEDICAL FACILITIES**

WHEREAS, Central Peninsula Hospital has been operated by Central Peninsula General Hospital, Inc., a private non-profit corporation (“CPGH, Inc.”) since 1993 pursuant to a series of Lease and Operating Agreements, the most recent of which is a ten-year agreement that expires December 31, 2017; and

WHEREAS, the borough administration has conducted extensive negotiations with representatives of CPGH, Inc. and has tentatively agreed with the CPGH, Inc. representatives upon an Operating Agreement which the parties believe addresses the borough’s and CPGH, Inc.’s concerns with the existing contract; and

WHEREAS, at its meeting of June 29, 2017, the CPGH, Inc. board of directors unanimously approved CPGH, Inc.’s Resolution 2017-36 ratifying the Executive Committee’s Approval of the Draft Operating Agreement with Kenai Peninsula Borough and CPGH, Inc. and the revised Memorandum of Agreement;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. The assembly finds that entering into the proposed Operating Agreement with CPGH, Inc., which includes leasing the hospital and other medical facilities to CPGH, Inc. for less than fair market value, is in the best interest of the borough because CPGH, Inc. has successfully operated the hospital and other medical facilities under the existing and previous contracts, demonstrating its capability to continue doing so. This maintains local control over these assets, and all assets generated through the agreement remain borough property under the proposed agreement.

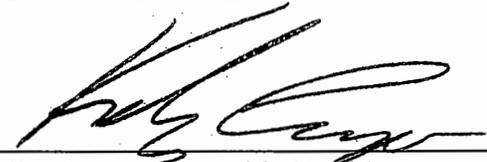
SECTION 2. The Operating Agreement draft, dated August 1, 2017, to be entered between Central Peninsula General Hospital, Inc., and the Kenai Peninsula Borough on behalf of the Central Kenai Peninsula Hospital Service Area, a copy of which is attached and

incorporated herein by reference, is approved. The mayor is authorized to execute an Operating Agreement that substantially complies with the terms of the approved draft and to take such actions as are necessary to implement its terms and conditions.

SECTION 3. The provisions of KPB 17.10.240, containing general terms and conditions for standard borough leases, shall not apply to leases associated with the attached agreement.

SECTION 4. This ordinance shall take effect immediately upon its enactment.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 1ST DAY OF AUGUST, 2017.

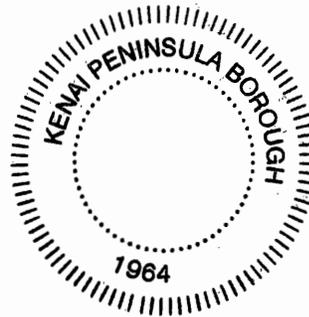


Kelly Cooper, Assembly President

ATTEST:



Johni Blankenship, MMC, Borough Clerk



Yes: Bagley, Carpenter, Dunne, Hibbert, Ogle, Schaefer, Cooper
No: Fisher, Welles
Absent: None

OPERATING
AGREEMENT
FOR
CENTRAL PENINSULA
HOSPITAL,
HERITAGE PLACE,
KENAI HEALTH CENTER,
AND OTHER HEALTH FACILITIES

Effective January 1, 2018

Approved by Kenai Peninsula Borough Assembly [~~XX~~, 2017]

Approved by Central Peninsula General Hospital, Inc. Board of Directors
[~~XX~~ 2017]

DRAFT DATED AUGUST 1, 2017

**CENTRAL PENINSULA GENERAL HOSPITAL, INC.
OPERATING AGREEMENT
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ATTACHMENTS

Exhibit A. Description of Medical Facilities

Exhibit B. Example of Operating Statistics

Exhibit C. Memorandum of Agreement dated _____

OPERATING AGREEMENT

THIS OPERATING AGREEMENT (“Agreement”) is made and entered into on this ___ day of _____, 2017, between the Kenai Peninsula Borough, an Alaska municipal corporation, hereinafter referred to as “Borough” or “KPB” or “Owner”, 144 N. Binkley Street, Soldotna, Alaska 99669, and Central Peninsula General Hospital, Inc., an Alaska nonprofit corporation, hereinafter referred to as “CPGH, Inc.” or “Operator” 250 Hospital Place, Soldotna, Alaska 99669.

WHEREAS, the Borough established the Central Kenai Peninsula Hospital Service Area, hereinafter referred to as the “Service Area,” to assure residents that hospital services would be provided within its boundaries; and

WHEREAS, the Borough, through tax levies and revenues generated within the Service Area, has constructed and acquired health care facilities located in the cities of Soldotna and Kenai, Alaska to meet the needs of the residents; and

WHEREAS, the Borough owns and provides for the operation of Central Peninsula Hospital, Heritage Place, the Kenai Health Center and other health facilities, hereinafter collectively referred to as the “Medical Facilities,” through the authority granted by the voters of the Service Area; and

WHEREAS, the Medical Facilities have been managed, on behalf of the Borough by CPGH, Inc. under a series of lease and operating agreements between the Borough and CPGH, Inc., beginning January 1, 1993; and

WHEREAS, the existing Lease and Operating agreement expires on December 31, 2017; and

WHEREAS, the Borough desires to enter into a new agreement with CPGH, Inc. for the management and operation of the Medical Facilities, on a nonprofit basis to ensure continued availability of health care services and facilities for Service Area residents and visitors as authorized by KPB Ordinance 2017-~~XX~~ (approving execution and delivery of this Agreement); and

WHEREAS, the parties agree that CPGH, Inc. shall endeavor to operate the Medical Facilities on a self-supporting basis; and

WHEREAS, the parties agree that the Borough shall retain all powers incident to ownership of the Medical Facilities;

NOW THEREFORE, in consideration of mutual covenants contained herein the parties agree as follows:

1. **PRIOR AGREEMENTS SUPERSEDED.** This Operating Agreement (“Agreement”) supersedes and replaces the existing Lease and Operating Agreement with an effective date of January 1, 2008 and all other prior agreements concerning the use of the real property and improvements thereon described in this Agreement or the operation and management of any or all of the Medical Facilities, except for the Sublease Agreements described in paragraph 2.b and the Agreement to Operate Specialty Medical Clinic Building between the Borough and CPGH, Inc. dated January 16, 2014, and all amendments to those Agreements. In addition to compliance with this Agreement, CPGH, Inc. covenants to continue to comply with those Agreements, which are integrated into this Agreement.

2. **AGREEMENT TO OPERATE AND MANAGE MEDICAL FACILITIES; AUTHORIZATION TO CONTINUE OTHER AGREEMENTS; LEASED FACILITIES**

a. **Agreement to Operate and Manage Medical Facilities.** The Borough hereby contracts with CPGH, Inc. to operate and manage the property described in attached Exhibit A, including all fixtures and appurtenances thereto (hereinafter referred to collectively as the “Medical Facilities”) for the term of this Agreement and any extension thereof for the Borough consistent with the terms and conditions of this Agreement.

b. **Authorization to Continue Agreements for Certain Facilities.** CPGH, Inc. is hereby authorized to continue subleasing, managing and operating facilities under other agreements as follows:

- i. The approximately 4,000 square feet of the Kenai Health Center retained by the Borough, and to continue operating the Kenai Health Center facility until termination of that Sublease Agreement or this Agreement. This shall be in accordance with, and pursuant to the Sublease Agreement dated February 21, 2003, between the Borough and CPGH, Inc. for the Kenai Health Center, and all amendments to that Agreement.
- ii. The approximately 4,570 square feet of the CPH campus for Providing Cancer Treatment located at 250 Hospital Place, Soldotna Alaska (“CPH campus”) until April 30, 2033. This shall be in accordance with, and pursuant to, the Sublease Agreement dated June 13, 2012, by and between CPGH, Inc., and RBS Evolution of Alaska, LLC, and all amendments to that Agreement.
- iii. The Specialty Medical Clinics Building in the CPH campus. This shall be in accordance with, and pursuant to, the Agreement to Operate Specialty Medical Clinic Building between the Borough and CPGH, Inc. dated January 16, 2014, and all amendments to that Agreement.

If the Operating Agreement between the Borough and CPGH, Inc. is not renewed or is otherwise terminated before the termination of those other agreements, then the Borough or the Borough's designee shall become the Lessor, Sublessor, or Operator as appropriate and assume management of those other agreements.

c. **Leased Facilities.** The Borough leases the property described in attached Exhibit A to CPGH, Inc. for the term of this Agreement and any extension thereof. CPGH, Inc. shall pay the Borough a lease payment in the sum of one dollar (\$1.00) per year to lease the property described in this Agreement. Such payment shall be due in full on or before the 1st day of January 2018 for the first 10-year period. If the contract is extended, the payment for the extended term shall be due and payable on January 1st of the first year of the new term.

The Borough warrants that it has good and marketable title to the Medical Facilities leased by the Borough pursuant to this Agreement, subject only to encumbrances of record prior to the effective date of this Agreement.

3. **PROVISION OF SERVICES.** CPGH, Inc. agrees to operate and manage for the benefit of the Borough the Medical Facilities described in this Agreement. CPGH, Inc. agrees that so long as this Agreement is in effect it will continuously operate and manage the Medical Facilities as a duly licensed hospital, skilled nursing facility, or health care facilities, as applicable, under Alaska licensing laws and in accordance with all applicable state and federal laws, regulations and rules governing hospitals, skilled nursing and other facilities as applicable, and in accordance with the terms and conditions of this Agreement. In addition, CPGH, Inc. may provide any other health service and operate any other health facility for the Service Area, to the extent that such services and/or operations of other health facilities are authorized or otherwise approved as provided in paragraph 24 of this Agreement.

All services provided by CPGH, Inc. under the terms of this Agreement, excepting other CPGH, Inc. business activities described in paragraph 24.d. of this Agreement, shall be limited in scope to the services that the Borough is legally authorized to provide through the Service Area.

If authorized, by the Borough and by law, these services may be provided either directly or by contract, and shall be provided in accordance with this Agreement and all applicable state and federal laws, regulations and rules governing such health services or health facilities. If CPGH, Inc. enters into an exclusive provider contract with an independent contractor to be the exclusive provider of any program or service, then the contractor shall be required to comply with all applicable terms and conditions of this Agreement.

4. **TERM.** This Agreement shall be in effect from January 1, 2018, to and including December 31, 2022~~7~~, unless terminated earlier in accordance with the provisions of this Agreement. ~~By mutual agreement of the parties this Agreement may be extended for an additional period, not to exceed five years. If no notice of~~

~~termination has been given or no agreement to extend has been signed before December 31, 2026, then a five-year extension of this term shall be deemed to have been agreed upon. The terms of the Agreement for the additional five-year extension period shall be the same as this Agreement, with all amendments, unless the parties negotiate new terms before the effective date of the extension, January 1, 2027, and document those new terms in writing.~~

5. NOTICES. All notices, reports or documents or other communications required or authorized to be given by one party to the other party to this Agreement, shall be in writing and delivered personally or by depositing the same in the United States mail, postage prepaid, certified, return-receipt requested, and addressed to the parties as hereinafter provided:

FOR THE BOROUGH:
Mayor
Kenai Peninsula Borough
144 N. Binkley Street
Soldotna, AK 99669

FOR CPGH, INC.
President, Board of Directors
CPGH, Inc.
250 Hospital Place
Soldotna, AK 99669

Notice shall be effective upon the date of personal delivery or, if mailed, upon the date of delivery as shown by certified receipt. The Borough Mayor shall be responsible for forwarding any such notice, report or document to the Borough Assembly or its designee, the Central Kenai Peninsula Hospital Service Area Board, if applicable, other interested Borough boards, Borough departments, or any other appropriate individual or agency for consideration or action. The President of CPGH, Inc. shall be responsible for forwarding any such notice, report or document to the CPGH, Inc. board members, chief executive officer, or any other appropriate individual or agency for consideration or action.

6. COMMUNICATIONS WITH BOROUGH. CPGH, Inc. shall provide the following information and reports to the Borough Contract Administrator and the Borough Finance Director:

(a) a written monthly financial report which shall include a balance sheet, a statement of cash flow, an income statement, and operating statistics substantially in the form attached hereto as Exhibit B;

(b) a written quarterly activity report, which shall include all the items as set forth in the monthly financial report, plus a statement of activities, issues and events, which shall in addition be orally presented by a representative of CPGH, Inc. to the Borough Assembly;

(c) An Annual List complying with reporting requirements set forth in paragraph 10 of this Agreement; and

(d) All other notifications in accordance with this Agreement.

In the event that CPGH, Inc. is no longer required by the IRS to complete a publicly available Form 990, CPGH, Inc. shall notify the borough in writing at the

time of the change. The borough may then require additional reporting of relevant information previously available on Form 990. CPGH, Inc. shall clearly identify all such information it considers to be proprietary or privileged or confidential. To the extent allowed by law, the borough shall treat such information as proprietary or privileged or confidential.

Unless otherwise provided herein, (i) monthly reports shall be delivered within 60 days after the end of the month; (ii) quarterly reports shall be delivered within 60 days after the end of the quarter; and (iii) annual lists shall be delivered on or before April 1st of each year. Additionally, CPGH, Inc.'s representatives shall meet monthly with the Borough Contract Administrator to discuss any concerns by either party, the current status of ongoing projects and upcoming plans for the Medical Facilities. The parties recognize that such meetings are subject to the protections for records and information of CPGH, Inc.'s business plans as provided in this Agreement.

7. **UTILITIES.** CPGH, Inc. shall be responsible for and ensure the payment of all the utilities necessary to operate the Medical Facilities, including, but not limited to: electricity, heat, water, sewer service, garbage collection, snow removal and sanding, and telephone service.

8. **TAXES; COOPERATION ON BOND FINANCING; TAX-EXEMPT STATUS; SAFE HARBOR COMPLIANCE.**

a. **Taxes.** CPGH, Inc. shall be responsible for and shall ensure payment before delinquency all governmental taxes, assessments, charges or liens assessed during the term of this Agreement against any leasehold interest or property of any kind or income or sales of any kind by CPGH, Inc. related to this Agreement.

b. **Cooperation on Bond Financing.** CPGH, Inc. acknowledges that the Borough has issued, and may issue bonds during the term of this Agreement (together, the "Municipal Bonds"), the proceeds of which have been, or may be, used to finance component parts of the Medical Facilities. The Borough has, and may in the future, determined to issue such Municipal Bonds on a tax-exempt basis pursuant to the Internal Revenue Code of 1986, as amended from time to time (the "Code"). As a means to ensure Municipal Bonds issued by the Borough on a tax-exempt basis remain tax exempt under the Code, CPGH, Inc. agrees to cooperate with the Borough to ensure compliance with all rules and regulations applicable to such Municipal Bonds, including the Code, Treasury Regulations, revenue procedures and or other written rulings of the Internal Revenue Service and relating to permitted management contracts, as the same may be modified, amplified, superseded, and interpreted by the courts and Internal Revenue Service. Such cooperation by CPGH, Inc. may include certifications and opinions related to the management and operation of bond-financed component parts of the Medical Facilities.

c. Tax-Exempt Status. CPGH, Inc. shall not take any action which would endanger its ability to obtain and maintain its status as an organization exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or any successor or similar provision. CPGH, Inc. covenants that it will not operate the Medical Facilities in any way or engage in any activity that might reasonably be expected to cause any of the Borough bonds to lose their tax-exempt status, both existing Municipal Bonds and Municipal Bonds that may later be issued during the term of this Agreement.

d. Safe Harbor Compliance. The parties intend this Agreement be construed as a management contract for federal income tax purposes generally, and specifically in relation to any Municipal Bonds issued on a tax-exempt basis under the Code. The parties intend that this Agreement comply, and that in its performance of this Agreement CPGH, Inc. comply, with all safe harbor conditions established by the Code, Treasury Regulations, revenue procedures or other written rulings of the Internal Revenue Service, as such conditions now exist or may hereafter be amended, under which an arrangement for services for management and operation of Medical Facilities owned by the Borough is characterized as a management contract for federal income tax purposes. The parties intend that this Agreement, and CPGH, Inc.'s performance under the terms of this Agreement, do not result in private business use of property financed with governmental tax-exempt bonds under § 141(b) of the Internal Revenue Code or cause the modified private business use test for property financed with qualified 501(c)(3) bonds under § 145(a)(2)(B) to be met. The parties agree that this Agreement shall be interpreted and construed in a manner consistent, and comply, with all safe harbor conditions relating to tax-exempt Municipal Bonds issued or to be issued, including Rev. Proc. 2017-13 (as applicable), as such conditions now exist or may hereafter be amended, and the parties agree to take such actions as are necessary to construe and administer this Agreement consistent with such compliance. In the event any federal court or the U.S. Department of the Treasury, Internal Revenue Service determines that any portion of this Agreement is not in compliance with such safe harbor condition or conditions, then the parties immediately agree to take any such actions as are necessary to ensure compliance with the applicable safe harbor condition or conditions. If the parties are unable to reach an agreement on the manner of compliance within thirty (30) days, then such compliance, and the manner of such compliance, shall be in the sole discretion of the Borough.

9. SUPPLIES, MATERIALS AND INVENTORY.

a. Use of Existing Supplies, Materials and Inventory. During the term of this Agreement, all supplies, materials, and inventory located in or on the Medical Facilities shall be subject to the control, consumption, disposition and replacement by CPGH, Inc. for use solely for services provided under this Agreement.

b. Repair or Replacement. Supplies, materials and inventory that need to be repaired or replaced will be repaired or replaced by CPGH, Inc. if necessary for the operation and management of the Medical Facilities. At the termination of this

Agreement, replacement supplies, materials, and inventory shall remain the sole property of the Borough or its successors or assigns, if any.

c. Purchasing Procedures. All purchases made by CPGH, Inc. shall be done in accordance with CPGH, Inc. corporate and operational policies related to purchasing. These policies shall establish and follow competitive procedures for purchases above a threshold set by the CPGH, Inc. board, and these policies shall be available to the public. CPGH, Inc. shall provide copies of updated policies annually, in accordance with reporting requirements set forth in paragraph 10 of this Agreement.

CPGH, Inc. is specifically authorized to purchase supplies, materials, equipment and inventory from group purchasing organizations (“GPOs”) such as Intalere, or other GPOs, their successors or assigns, provided such purchases are otherwise authorized by this Agreement. It is understood and agreed that exclusive health care service providers hired or contracted with by CPGH, Inc. pursuant to this Agreement are not required to comply with this provision unless otherwise stated in the contract between CPGH, Inc. and the provider. Finally, CPGH, Inc., per the existing business practice, agrees to communicate and cooperate with the Borough Purchasing and Contracting Director on all purchases made that will require Borough Assembly approval.

d. Disposal. Disposal of any supplies, materials, inventory, and equipment that are owned by the Borough and that are surplus to the needs of the Medical Facilities shall be made in accordance with the Borough Code requirements for disposal of surplus property. Net proceeds from the sale of surplus property shall be used by CPGH, Inc. to pay for costs of operating and maintaining the Medical Facilities. Nothing in this provision shall be construed to confer ownership of such assets or funds upon CPGH, Inc. All disposals of hazardous substances shall be in accordance with applicable local, state, and federal laws and regulations. Proceeds from the sale of items funded with gifts or grants shall be distributed in accordance with the donor’s intent or grant requirements, as applicable. If the intent of a donor cannot be determined then proceeds shall be used by CPGH, Inc. for the operation and maintenance of the Medical Facilities

10. ANNUAL LIST REPORTING REQUIREMENTS.

a. Annual Report Deadline. On or before April 1 of each year, CPGH, Inc. shall provide an updated *Hospital Assets Schedule*, *Annual Projects List*, *Property Lease List*, and *Purchasing Policies List* to the Borough Contract Administrator and the Borough Purchasing and Contracting Director.

b. Hospital Assets Schedule. The updated *Hospital Assets Schedule* shall include reportable Capital Infrastructure Assets and reportable Major Moveable Equipment Assets as defined in sections 11.a.i and 12.a.i of this Agreement. At a minimum, the updated *Hospital Assets Schedule* shall list the reportable assets, and include the location, and remaining useful life of each asset.

c. Annual Project List. The *Annual Project List* shall include reportable proposed Maintenance Projects, Major Moveable Equipment Purchases, and Capital Improvements as defined in paragraphs 11.a.ii, 12.a.ii, and 13.a.i of this Agreement. At a minimum the *Annual Projects List* shall include a description of each project, the project schedule, and the estimated cost. All projects must be categorized by property and/or building location.

In the event that reportable projects that are not included in the *Annual Projects List* are identified and approved by CPGH, Inc.'s board of directors, CPGH, Inc. shall provide written notification to the Borough Contract Administrator and the Borough Purchasing and Contracting Director upon CPGH, Inc. board approval.

d. Property Lease List. The *Property Lease List* shall include a list of all real property leases, regardless of term length or cost, and of all other operating and capital leases with terms greater than one year. This shall apply to all leases entered into by CPGH, Inc. as lessee or lessor. At a minimum, the list must identify the leased property (including the address or legal property description), lessor/lessee, term, and cost. CPGH, Inc. shall provide copies of any leases related to the services provided under the terms of this Agreement upon request by the Borough Contract Administrator.

e. Purchasing Policies List. The *Purchasing Policies List* shall include a list of all corporate and operational policies related to purchasing, and shall include copies of all such updated policies.

11. **MAINTENANCE AND REPAIR.** CPGH, Inc. shall perform all work necessary within its authority, and shall advise the Borough Contract Administrator and the Borough Purchasing and Contracting Director as soon as reasonably possible of other projects it deems necessary, to maintain the Medical Facilities in reasonably safe condition and in good repair and operating condition throughout the term of this Agreement, in accordance with the requirements of this paragraph. CPGH, Inc. shall be responsible for all maintenance and repair of the Medical Facilities, including the upkeep and maintenance of the Medical Facilities and the walkways, roads and grounds of the Medical Facilities subject to the following terms and conditions in this Agreement. For the purposes of identifying and evaluating capital infrastructure assets covered under this Agreement, CPGH, Inc. shall use the guidelines in the American Hospital Association ("AHA"), Estimated Useful Lives of Depreciable Hospital Assets, Revised 2013 Edition ("AHA Estimated Useful Lives").

a. Minor and Major Maintenance Reporting and Communication

- i. For the purposes of this Agreement, reportable capital infrastructure assets are defined as all capital infrastructure assets located in the Medical Facilities that are included in Part 1 of the

AHA Estimated Useful Lives with a projected useful life in excess of eight (8) years. All such assets must be included on the annual *Hospital Assets Schedule*. The Borough Contract Administrator may choose to waive reporting requirements for any asset or allow identification of reportable components as a composite asset.

- ii. For the purposes of this Agreement, reportable maintenance projects are defined as Minor Maintenance Projects with a cost in excess of \$100,000 and all major maintenance projects.
- iii. Major maintenance is defined as the renovation or replacement of any capital infrastructure asset on the *Hospital Assets Schedule*. Minor Maintenance is defined as the renovation or replacement of assets listed under Part 1 of the AHA Estimated Useful Lives with a projected useful life of eight (8) years or less. Reportable maintenance projects must be included on the *Annual Projects List*.
- iv. CPGH, Inc. shall notify the Borough Contract Administrator and the Purchasing and Contracting Director in writing prior to commencing any work on any reportable maintenance project, as defined in paragraph 11.a.ii of this Agreement, which is managed by the CPGH, Inc.

b. Minor and Major Maintenance Approval and Management

- i. CPGH, Inc. must follow all reporting and notification requirements before commencing with a minor or major maintenance project. In the event that maintenance needs are identified and not included on the Annual Project List, any reportable projects as defined in paragraph 11.a.ii of this Agreement must be reported to the Borough Contract Administrator, and CPGH, Inc. may not commence Major Maintenance Project work unless authorized to do so in writing by the Contract Administrator. The Borough will provide a response to CPGH, Inc.'s requests for approval of Major Maintenance Projects within 14 calendar days of submittal of the Annual Project List or submittal of projects that are identified after the submittal of such list.
- ii. The Borough may in its sole discretion manage any Major Maintenance Projects or may give written authorization to CPGH, Inc. to do so. The Borough reserves the right to require CPGH, Inc. to provide written submittals for approval by the Borough Purchasing and Contracting Department on components, equipment, and material to be used in any Major Maintenance Project. Reportable Minor Maintenance Projects included in the Maintenance Projects List do not require Borough approval.

- iii. The Borough may require, within one year of notification to CPGH, Inc. to undertake major maintenance as it deems necessary and appropriate to maintain the Medical Facilities in good condition, subject to the availability and, if necessary, appropriation of funds to finance such major maintenance.

12. MAJOR MOVABLE EQUIPMENT PURCHASES

a. Major Movable Equipment Reporting and Communication

- i. For the purpose of this Agreement reportable Major Movable Equipment Assets include all equipment identified in the AHA Estimated Useful Lives, under Table 8, Diagnostic and Treatment Departments, and exceeding \$250,000 in value. All such assets shall be included on the annual *Hospital Assets Schedule*.
- ii. For the purpose of this Agreement, reportable Major Movable Equipment Purchases include purchases of all equipment identified in the AHA Estimated Useful Lives, under Table 8, Diagnostic and Treatment Departments, and exceed \$250,000 in value. All such purchases, and associated capital improvement requirements, shall be included on the *Annual Projects List*.
- iii. CPGH, Inc. shall promptly notify the Borough Contract Administrator and Borough Purchasing and Contracting Director in writing when any reportable Major Movable Equipment is purchased.

b. Major Movable Equipment Approval and Management

All Major Movable Equipment purchases including associated capital improvement requirements expected to cost in excess of \$2,000,000 or requiring an Alaska Certificate of Need (CON) must be approved by the Borough Assembly by ordinance. Major Movable Equipment purchases that do not require appropriation and costing less than or equal to \$2,000,000 do not require Borough Assembly approval. Purchases requiring Borough Assembly approval may be approved during the annual Borough budgeting process or on an individual basis. The Borough Assembly or Borough Contract Administrator may decline to consider any project during the budgeting process and instead may review it separately as an individual approval.

13. CAPITAL IMPROVEMENT PROJECTS. To the extent approved by the Borough Assembly and the appropriation and availability of funds, the Borough may

finance capital improvements for the Medical Facilities as necessary for the provision of services and functions to meet the needs of the residents of the Service Area.

a. Capital Improvement Projects Reporting, Planning, and Communication

- i. DEFINITIONS. For the purposes of this Agreement, Capital Improvement Projects include all projects not identified in this Agreement as Minor or Major Maintenance (Paragraph 11), Major Movable Equipment (Paragraph 12), or Real Property Acquisitions (Paragraph 14).

All projects expected to cost over \$250,000, or requiring a permit through any Authority Having Jurisdiction (“AHJ”) as defined in the International Building Code, such as the 2006 IBC Section 105.2., impacting Life Safety Requirements, and/or decommissioning any asset or part of assets identified on the *Hospital Assets Schedule*, shall be included on the *Annual Projects List*.

- ii. PLANNING. For all Capital Improvement Projects expected to cost in excess of \$1,000,000 or expected to require authorization under paragraph 13.b.ii, whether or not included on the *Annual Projects List*, CPGH, Inc. will notify the Borough Contract Administrator and Borough Purchasing and Contracting Director in writing prior to any design, engineering or procurement efforts or grant application submission. Included with this notification shall be a description of the project concept and the specific needs that justify the project. To the extent allowed by law, the notice, including the description and other information contained in or submitted with the notice, is confidential and privileged information regarding CPGH, Inc.’s business plans that is protected as provided in this Agreement. Prior written notice is not required for preliminary conceptual designs, diagrams, or schematics, costing less than \$25,000.

The Borough Purchasing and Contracting Department shall be involved in all aspects of the analysis and planning of these projects, unless the Borough notifies CPGH, Inc. in writing that it will not be involved. Such notice will not preclude the Borough from requiring involvement in the planning process at a later point. The Borough Contract Administrator will notify CPGH, Inc.’s Contract Administrator in writing of the Borough’s change of the Borough’s decision on involvement. In the case that the Borough is not involved in the planning of a project, CPGH, Inc. shall immediately notify in writing the Borough Contract Administrator and Purchasing and Contracting Director if a

change during planning increases the estimated total project cost by \$100,000 or more.

- ii. **PROJECT START AND ONGOING REPORTING.** CPGH, Inc. shall maintain clear and consistent communication with the Borough Contract Administrator and the Borough Purchasing and Contracting Director regarding ongoing and potential capital projects.

CPGH, Inc. shall notify the Borough Contract Administrator and Borough Purchasing and Contracting Director in writing at the start of any Capital Improvement Project managed by CPGH, Inc.

During the project period, the Borough Contract Administrator or Borough Purchasing and Contracting Director may require periodic project reports from CPGH, Inc., which shall provide all requested information as soon as reasonably possible.

Upon the completion of any project managed by CPGH, Inc., CPGH, Inc. shall provide to the Borough Contract Administrator and the Borough Purchasing and Contracting Director a final project report providing details of the final project scope, expenses incurred, as-builts, site surveys, project plans, occupancy permits, AHJ inspection reports, conditional-use permits, utility service agreements, and any further information required by the Borough.

b. **Capital Improvement Projects Approval and Management**

- i. All Capital Improvement Projects expected to cost in excess of \$1,000,000 must be approved by the Borough Assembly by ordinance. Unless requiring appropriation or Borough approval under paragraphs 13.b.ii or 13.b.iii of this Agreement, Capital Improvement Projects costing less than or equal to \$1,000,000 do not require Borough Assembly approval. Projects requiring Borough Assembly approval may be approved during the annual Borough budgeting process or on an individual basis. The Borough Assembly or Borough Contract Administrator may decline to consider any project during the budgeting process and instead may review it separately as an individual approval.
- ii. Regardless of estimated cost, any Capital Improvement Project requiring a permit through any AHJ as defined in the International Building Code, such as the 2006 IBC Section 105.2., impacting Life Safety Requirements, and/or decommissioning any asset or part of assets identified on the *Hospital Assets Schedule*, must receive Authorization to Proceed from the Borough Contract

- Administrator prior to the procurement of any equipment, materials, or services. The Borough will provide a response to CPGH, Inc. within 14 calendar days of receiving the request.
- iii. Any leasehold improvements on properties not owned by the Borough and costing in excess of \$100,000 require prior approval by the Borough Contract Administrator.
 - iv. The Borough may require CPGH, Inc. to provide submittals for approval on components, equipment, and material to be used in any Capital Improvement Project.
 - v. The Borough may in its sole discretion manage any Capital Improvement Project. The Borough shall manage all Capital Improvement Projects in excess of \$1,000,000 unless the Borough Contract Administrator provides written authorization to CPGH, Inc. to manage the project.

14. REAL PROPERTY ACQUISITIONS AND LEASES.

a. Real Property Acquisitions. For the purposes of this Agreement, a real property acquisition is defined as acquiring any interest in real property that may obligate the Borough in any way. The acquisition of any interest in real property may not occur without Borough Assembly approval. All such acquisitions shall be conducted by the Borough unless CPGH, Inc. is given written authorization to do so by the Borough Contract Administrator.

Requests for acquisition of any real property interest shall be conveyed to the Borough Contract Administrator and the Borough Planning Director. CPGH, Inc. is authorized to conduct operational assessments of a property's ability to meet operational needs, and this assessment may include acquisition of a competent property appraisal. However, CPGH, Inc. may not initiate negotiations for the acquisition of any such interest unless it has been given written authorization to do so by the Borough Contract Administrator. In any event, all acquisitions of any interest in real property shall only be in furtherance of the purposes of this Agreement and within the authorized powers of the Service Area.

b. Leases in which CPGH, Inc. is the Lessee. Leases in the name of CPGH, Inc. in which CPGH, Inc. is the Lessee and no obligation whatsoever is imposed upon the borough, either express or implied, are not subject to the requirements in subparagraph 14.a. of this agreement. Under no circumstances shall such leases obligate the borough in any way whatsoever without advance Borough Assembly approval. All such leases shall contain a clause stating: "In the event that the Operating Agreement between CPGH, Inc. and the Kenai Peninsula Borough is terminated and not renewed or extended, and the Kenai Peninsula Borough either assumes operation of the Medical Facilities or contracts with another entity to continue such operation, the continuation of this lease with the borough or a subsequent operator is subject to Borough Assembly approval and the availability and appropriation of funds." In any event, written approval by the Borough Contract Administrator is required for all such leases costing \$100,000 or more annually. Total cumulative annual cost of such leases

shall not exceed \$400,000. Increases to the cumulative annual limitation must be approved by the Borough Assembly by resolution.

15. **SUBLEASES OF MEDICAL FACILITIES TO THIRD PARTIES.** CPGH, Inc. is hereby authorized to negotiate the sublease of those Medical Facilities leased to CPGH, Inc. by the Borough under the following conditions:

(a) Such subleases shall be for fair market value and on such terms and conditions that are commercially reasonable in the medical industry; and

(b) Such subleases shall be in furtherance of the purposes of this Agreement, in compliance with all applicable laws, within the authorized powers of the Service Area, and comply with all requirements associated with tax-exempt bond financing when applicable; and

(c) CPGH, Inc.'s written notices to the Borough Contract Administrator and Borough Finance Director shall include the location leased or proposed to be leased, sublessee name, lease terms, and purpose; and

(d) The Borough Contract Administrator and Borough Finance Director shall be provided prior written notice of intent to execute each sublease agreement valued at less than \$250,000 per year at least seven (7) business days before execution of the lease; and

(e) All such sublease agreements valued at \$250,000 or more per year must be approved by the Contract Administrator on behalf of the Borough. The Borough Contract Administrator and Borough Finance Director shall be provided written notice of CPGH, Inc.'s intent to enter into such sublease agreement twenty-one (21) days prior to executing the lease. The Contract Administrator shall not unreasonably withhold his or her approval. If the Contract Administrator does not respond to CPGH, Inc. within twenty-one (21) days of CPGH, Inc.'s written notice of intent to enter into such sublease, then the sublease agreement is deemed to be approved by the Contract Administrator.

16. **FINANCES.**

a. **Operating Revenue.** During the term of this Agreement, all revenue and cash collections from patients, third-party payers, including, but not limited to, Medicaid and Medicare, and rents billed and collected by CPGH, Inc., and arising out of or related to services rendered pursuant to this Agreement, or any renewal or extensions thereto, shall be received and managed by CPGH, Inc. for the Borough consistent with the terms and conditions of this Agreement. These funds shall first be used by CPGH, Inc. to pay the usual, customary, and reasonable expenses of operating the Medical Facilities and programs operated by CPGH, Inc. for the Service Area pursuant to this Agreement, and the reasonable expenses of compliance with the terms and conditions of this Agreement. CPGH, Inc. shall maintain an operating reserve ("Operating Reserve") of not more than ninety (90) days cash on hand ("the operating reserve amount"). For purposes of the operating reserve amount, "cash on hand" is calculated based on the "days cash on hand ratio" used in the health care industry. On a quarterly basis, CPGH, Inc. shall transfer all cash on hand in excess of the operating reserve amount to the Borough for deposit into the Central Peninsula Hospital Plant

Replacement and Expansion Fund (“PREF”), described below in paragraph 16.b. If the cash on hand is less than ninety (90) days at any time, then CPGH, Inc. may request that the Borough authorize the transfer of an amount from the PREF to its operating reserve to maintain the operating reserve amount, by CPGH, Inc. Board action.

The PREF shall be invested with other Borough funds although the interest earned on that fund will be credited to the PREF. All Borough held funds, including amounts deposited into the PREF, must be appropriated by the Borough Assembly prior to obligation.

b. Plant Replacement and Expansion Fund. The PREF is a fund designated as a source of funding for major repairs and replacement of Medical Facilities; improvements, fixtures, and equipment for Medical Facilities; acquisition of property, improvements, fixtures and equipment related to operation of the Medical Facilities; and to replenish the operating reserves, as provided in paragraph 16.a. above. Amounts held in the PREF are funds of the Borough Service Area. Neither the Borough nor CPGH, Inc. shall obligate or attempt to spend or transfer funds from the PREF without approval and appropriation by the Borough Assembly. Any transfer in or out of this fund shall first be considered by the CPGH, Inc. board and its recommendation shall be forwarded to the Assembly.

c. Capital Grants or Gifts. With the assistance of CPGH, Inc., the Borough may apply to the State of Alaska, U.S government, nonprofit foundations, or other entities for financial aid or grants to municipalities for hospitals, skilled nursing facilities, other health care facilities, or capital acquisitions for health care programs. Funds received through such application will be spent only for those purposes set forth in the application or a donor-written directive. CPGH, Inc. agrees to comply with all terms and conditions required by the granting agency or donor directive. All applications for financial assistance or grants shall be subject to review and comment by CPGH, Inc. before the submission thereof to a government, governmental agency, or other entity.

d. Service Area Revenues. Service Area Revenues shall be used to support operations of the Service Area, including operational and capital support of the Medical Facilities and programs operated by CPGH, Inc. for the Service Area, and other services and projects approved by the Borough Assembly, subject to the appropriation and availability of funds.

e. Medical Service Operating Grants, Gifts and Donations. On behalf of the Service Area, CPGH, Inc. may apply to the State of Alaska, U.S government, nonprofit foundations, or other entities for financial aid or grants to support the operation of the Medical Facilities and/or the provision of services or programs pursuant to this agreement. In the event that gifts or donations of money or other property are made to CPGH, Inc. for the Medical Facilities or the provision of services or programs pursuant to this Agreement, CPGH, Inc. may accept such gifts, on behalf of the Borough, only if their use is compatible with the operations of the Medical

Facilities or the provision of services or programs pursuant to this Agreement. CPGH, Inc. may accept, on behalf of the Service Area, donations of interest in real property only upon written borough approval, subject to the provisions of Borough Code. The expenditure of funds from such gifts or donations shall be subject to the same restrictions as apply to the expenditure of operating revenues in this Agreement. All gifts or charitable contributions received from Central Peninsula Health Foundation are subject to this provision.

f. No Debt Authority. CPGH, Inc. may not incur debt to finance the acquisition or expansion of the Medical Facilities, equipment, or major or minor maintenance projects without approval by the Borough Assembly.

g. Bonds. All requests for the issuance of bonds to finance the acquisition, expansion, or major or minor maintenance of the Medical Facilities, or the purchase of equipment must be approved by the Borough Assembly.

h. Cash Management. All cash reserves in excess of the ninety (90) days cash on hand described in paragraph 16.a. of this Agreement shall be deposited into the Borough's central investment pool and managed pursuant to the parties' Memorandum of Agreement dated _____, 2017, or successor Agreement, a copy of which is attached hereto and incorporated herein by reference.

17. SERVICE AREA BUDGET.

a. CPGH, Inc. Budget Proposal. CPGH, Inc. shall prepare and submit a proposal to the Service Area Board or the Borough Assembly, as applicable, containing anticipated funding needs from Service Area funds for the operations and maintenance of the Medical Facilities and programs operated by CPGH, Inc. for the Service Area.

The Borough Contract Administrator will notify CPGH, Inc. in advance of the dates when the CPGH, Inc. budget must be submitted to the Service Area Board or the Borough Assembly, as applicable.

b. Service Area Budget Proposal. The Service Area Board or Borough Assembly, as applicable, shall prepare and submit a proposal to the Borough administration for the annual Service Area budget, which may include debt service payment for outstanding bonds, property insurance, audit fees, and operating and maintenance expenses of the Medical Facilities. CPGH, Inc. shall provide assistance in the process, or written documentation, at the request of the Service Area Board or the Borough Assembly, as applicable. The Service Area budget shall give preference to anticipated funding needs for the Medical Facilities and programs operated by CPGH, Inc. for the Service Area pursuant to this Agreement. This may include repairs, renovations or additions to those facilities. It is recognized by the parties that the Service Area budget proposal may not necessarily include all items recommended by CPGH, Inc.

c. Service Area Final Budget. The Borough Administration shall review the Service Area operating and capital budget proposals and submit the administration's proposed Service Area budget to the Borough Assembly, designating revenues available to fund Service Area capital expenditures and operations and the mill rate necessary to fund the Service Area's portion of the budget. CPGH, Inc. shall assist, as requested by the Borough Contract Administrator, in presenting the budget to the Borough Assembly. Subject to assembly approval and the availability of funds, funding shall be provided by appropriation with preference for the operational and capital requirements of the Medical Facilities.

18. ACCOUNTING/AUDIT/REPORTING.

a. Accounting. CPGH, Inc. shall account for all financial transactions involving Service Area funds and all other funds received from the operation of, or to operate, the Medical Facilities and programs operated by CPGH, Inc. for the Service Area. Both parties shall maintain accounting records involving Service Area operations in a manner that complies with generally accepted accounting principles.

b. Investment of Funds. All cash held and investments of funds by CPGH, Inc. must meet the requirements established by KPBA 5.10, "Investment of Moneys," or other comparable requirements approved by the Borough's Finance Director, and any related policies of the Borough.

c. Audit. The Borough shall be responsible for compliance with any single-audit requirements of the Medical Facilities, or portions thereof. The independent auditing firm selected by the Borough to comply with any such audit requirements shall submit written annual audit reports and shall make verbal presentations to both CPGH, Inc.'s board of directors and the Borough Assembly.

d. Chief Executive Officer or Management Contract. CPGH, Inc. shall hire, for reasonable compensation, a chief executive officer, or shall enter into a contract for the management of the Medical Facilities; provided, however, in no event shall reasonable compensation be based on a share of net revenues from the operation of the Medical Facilities or take into account, or be contingent upon, either a share of net profits of the Medical Facilities or share of both revenues and expenses of the Medical Facilities for any fiscal period. The term of any such employment or management contract shall not exceed the term of this Agreement, unless the contract contains a clause which terminates the contract if this Agreement is terminated and not extended or renewed. A copy of the Management Contract or Employment Contract and copies of all contract renewals or amendments shall be provided to the Borough Contract Administrator immediately upon execution.

e. Hospital Executive Incentive Plan. CPGH, Inc. agrees that no employee incentive plan shall take into account, or be contingent upon, either share of net profits

of the Medical Facilities or share of both revenues and expenses of the Medical Facilities for any fiscal period. Incentive compensation plans implemented by CPGH, Inc. may be based on performance in meeting one or more standards that measure quality of service, performance or productivity, and that are reasonable for services rendered. CPGH, Inc. agrees to provide, upon request, the Borough with any and all incentive plan agreements of any employees fitting the IRS definition of key employees, as defined in IRS Form 990 reporting requirements. To the extent allowed by law, such information shall be treated as privileged and confidential. It may be required for bond financing purposes and therefore may be disclosed to professionals associated with approving the issuance of such financing who require such disclosure.

19. **RATES.** CPGH, Inc., shall have the exclusive right to establish rates, fees and charges for services provided at the Medical Facilities CPGH, Inc., operating as a nonprofit organization, will use its best efforts to ensure that the rates, fees and charges it has established are reasonable and will cover the operating and maintenance expenses of the Medical Facilities and CPGH, Inc.'s other obligations under this Agreement.

20. **INSURANCE.**

a. **CPGH, Inc.'s Insurance.** During the term of this Agreement CPGH, Inc., at all times, shall maintain industry-specific insurance coverage for the requested types and total limits approved by the Borough Contract Administrator, including but not limited to the following insurance coverage:

- i. Workers' compensation insurance coverage as required by Alaska law;
- ii. Comprehensive general liability insurance for the Medical Facilities and operations provided by CPGH, Inc. pursuant to this Agreement;
- iii. Cyber liability coverage;
- iv. Auto liability coverage;
- v. Medical malpractice or errors and omissions by CPGH, Inc. and its employees; and
- vi. Directors and officers liability coverage, with employment liability.

CPGH, Inc. may purchase additional insurance coverage that it deems to be necessary and appropriate to insure the management and operation of the Medical Facilities and other services provided by CPGH, Inc., after receiving written approval from the Borough Contract Administrator, which approval shall not be unreasonably withheld.

Unless otherwise agreed or prohibited, the Borough shall be named as an additional insured on all policies. All coverages shall be written on a primary and non-contributory basis and must contain a waiver of subrogation in favor of the Borough,

unless a waiver of subrogation is not available in the market for the type of the required industry-specific insurance coverage.

b. Verification of Coverage. CPGH, Inc. shall furnish the Borough Administrator with approved certificates of insurance and with certified copies of all endorsements affecting coverage upon request from the Borough Contract Administrator or when policies are amended or renewed. The certificates and endorsements for each insurance policy are to be on forms which meet industry standard. The Borough reserves the right to require complete, certified copies of all required insurance policies at any time.

In the event of subcontractors contracted with CPGH, Inc., CPGH, Inc. shall ensure that separate certificates and endorsements are received for each subcontractor, including workers' compensation, to the extent required by state law, and other insurance CPGH, Inc. deems appropriate.

c. Borough Insurance. During the term of this Agreement the Borough shall, at all times, maintain and provide fire and property damage insurance in amounts sufficient to replace the Medical Facilities, including personal property. It is the intent of the Borough to use proceeds received as a result of insurance claims to address the losses of covered facilities and property.

CPGH, Inc. must provide an updated schedule of all Borough property and contents located in or on the Medical Facilities, upon request by the Borough.

d. Notice of Claims. Each party shall immediately notify the other party to this Agreement of any lawsuits or claims asserted against CPGH, Inc., any of the Medical Facilities or the Borough related to operations of CPGH, Inc. under this Agreement, or of any potential claims that may be asserted.

e. Extended Reporting Period or Tail Coverage. Except as otherwise provided below, CPGH, Inc. shall obtain, carry and maintain tail or extended reporting period coverage for all types of insurance coverage obtained pursuant to paragraph 20.a of this Agreement, effective as of the date of termination of this Agreement, in the same amounts as or more than existing coverage at the time of termination for the named insureds. CPGH, Inc. is not required to obtain such tail or extended reporting period coverage for workers' compensation insurance or for other coverage obtained on a per-occurrence basis. CPGH, Inc. and all of its directors who served as directors during the term of this Agreement shall be named insureds.

21. **DEFENSE AND INDEMNIFICATION.** Except as otherwise provided in this paragraph, CPGH, Inc. shall indemnify, defend, save and hold the Borough, its elected and appointed officers, board members and employees harmless for any and all losses, claims, damages, demands, suits or liability of any nature, kind or character including costs, expenses and attorney's fees resulting from, arising out of, or in any way connected with, CPGH, Inc.'s performance or failure to perform under the terms

of this Agreement in any way whatsoever. If there is a claim of, or liability for, a joint negligent act or failure to act of CPGH, Inc., including its officers, board members and employees, and the borough, including its elected and appointed officers, board members, and employees, the indemnification, defense and hold harmless obligation of this provision shall be apportioned on a comparative-fault basis between the borough and CPGH, Inc., provided the borough's obligation is subject to the appropriation and availability of funds. Neither party shall be responsible for any claims arising from the sole negligence or willful misconduct of the other party for damage or loss that has been found to be attributed to an independent contractor directly responsible to the other party under separate written contract.

The defense and indemnification provisions in this paragraph shall only survive the termination of this Agreement to the extent that coverage is available for any claims made under applicable insurance policies.

Nothing in this Agreement may be construed to modify (1) the sovereign immunity afforded the borough in AS 09.65.070 as now enacted or may be hereinafter amended, or as otherwise provided by law, or (2) the limitations of liability for certain directors and officers provided in AS 09.65.170 as now enacted or may be hereinafter amended, or as otherwise provided by law.

22. **RISK MANAGEMENT.** CPGH, Inc. shall establish and maintain a program of training and loss prevention designed to maintain high-quality medical care in the Medical Facilities and to prevent unnecessary expense from liability.

23. **EMERGENCY REPAIRS.** In the event of damage to, or destruction of, part of the Medical Facilities in which immediate repairs are necessary to keep the Medical Facilities or portions thereof, including equipment, operational, CPGH, Inc. may perform such needed repairs and replace equipment to the extent necessary to keep the Medical Facilities or portions thereof, including equipment, operational. In such event, CPGH, Inc. shall have authority to suspend or reduce services it determines cannot be provided until such time, if any, building, repair or replacement of the Medical Facilities, or portions thereof, including equipment, has been completed. CPGH, Inc. must notify the Borough as soon as reasonably possible of the entire situation and its response thereto including providing any contracts for reconstruction, equipment or replacement in excess of \$250,000 and information regarding any suspension or reduction in services.

24. **LEVEL OF SERVICES AND OTHER BUSINESS ACTIVITIES.**

a. Existing Level of Services. CPGH, Inc. represents that that the existing scope and level of services at the Medical Facilities as of the effective date of this Agreement are within its charitable purpose under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended and are authorized under the terms of this Agreement.

b. Expansion of Services/New Services. The parties agree that CPGH, Inc. may provide for expanded or new health services pursuant to this Agreement, subject to the provisions of this section and in accordance with powers authorized for the Service Area pursuant to the Borough's Code of Ordinances as now enacted or as may be amended, including but not limited to joint ventures or ownership participation or management participation in other health care services, and other business arrangements with other health care providers and businesses. All joint ventures or ownership participation or management participation in other health care services require prior approval by the Borough Assembly by ordinance. Prior notice of expansion of services or new services shall be provided in writing to the Borough Contract Administrator. To the extent allowed by law, such notice may be considered privileged or confidential information as defined in this Agreement. Borough Assembly approval shall be required to the extent it would otherwise be required in this Agreement, and for new services that have an expected total capital cost in excess of \$250,000.

Expansion of services or new services do not include changes in the method of delivering existing services or the use of new technology or techniques to provide those services even if this may involve additional personnel or training or enhancement of current capabilities to meet standards for proper patient care, or changes required to meet basic accreditation standards and licensing for the hospital.

c. Elimination of Services. CPGH, Inc. may eliminate services or levels of care being provided at the Medical Facilities or otherwise pursuant to this Agreement, but only after 90 days prior written notice to the Borough Assembly and Borough Contract Administrator. Within that 90-day notice period, the Borough may then direct that CPGH, Inc. continue to provide such services or level of care, if deemed in the best interest of the residents of the Service Area, even when not economically feasible. However, if the Borough decides to continue an economically unfeasible service or level of care, it shall consider providing an operating subsidy to CPGH, Inc. equivalent to at least the loss associated with providing such service or level of care. If the Borough decides not to provide any such operating subsidy, then CPGH, Inc. is not obligated to provide such services or level of care.

d. Disclosure of Other CPGH, Inc. Business. In the event that CPGH, Inc. engages in other business activities unrelated to the activities required or authorized by this Agreement, CPGH, Inc. shall notify the Borough Contract Administrator of the nature and extent of such other business activities, including upon request a disclosure of financial reports reflecting revenues and expenses, so that the Borough Contract Administrator may determine that such activities do not conflict with this Agreement or otherwise impair either parties' rights or obligations under this Agreement. To the extent allowed by law, the parties agree that records of such other business activities are not public records. Disclosure to the Contract Administrator of records under this provision shall not be deemed to convert such records to public records, to the extent allowed by law. In no case will the assets generated or provided through this

Agreement be used to capitalize or otherwise fund any activities of CPGH, Inc. conducted outside the scope of this Agreement.

25. **APPOINTMENTS TO THE MEDICAL STAFF.** CPGH, Inc. shall establish written policies for privilege to practice in the Medical Facilities in which application for privilege to practice is required. These written policies must prohibit discrimination against applicants on the basis of race, religion, color, national origin, age, sex, sexual orientation, gender identity, physical or mental disability, marital status, changes in marital status, pregnancy, or parenthood, or any other classification prohibited by law. The language in this paragraph does not prohibit CPGH, Inc. from entering into an exclusive contract for the professional services of a specialist, or to require health care providers to be CPGH, Inc. employees rather than independent contractors, if CPGH, Inc. deems there to be business justification for the exclusive contract or employment model or relationship.

26. **NONDISCRIMINATION IN ADMISSIONS.** All persons in need of medical care shall be admitted to the appropriate Medical Facilities without regard to race, religion, color, national origin, age, sex, sexual orientation, gender identity, physical or mental disability, marital status, changes in marital status, pregnancy, parenthood, or the financial ability to pay for such medical care to the extent required by law.

27. **MEDICAL RECORDS.** During the term of this Agreement, CPGH, Inc. shall have the full use and control of all medical records, and shall be responsible for complying with all applicable federal and state laws regarding the maintenance, security and privacy thereof. Medical records shall remain under the supervision and control of CPGH, Inc. so long as provided for in this Agreement; provided, however, that CPGH, Inc. may make arrangements for electronic storage and back-up of electronic records. If CPGH, Inc. ceases at any time to be the Operator as provided for herein, the Borough shall reacquire the full use and control of such medical records, and shall be required to ensure they are preserved the same for such period of time as is required by Alaska or Federal laws, but, in any event, a minimum of five (5) years following the date on which CPGH, Inc. ceases to be the Operator. After CPGH, Inc. ceases to be the Operator and so long as such medical records are preserved by the Borough or its contractor as required above, to the extent allowed by law and for such purposes as are consistent with its prior duties and responsibilities as the Operator and in connection with any investigation or litigation in which CPGH, Inc. may be involved or may become involved, CPGH, Inc. shall at all times be provided free and complete access to such medical records and may copy all or any part of the same, and may maintain electronic records

28. **OTHER GOVERNMENTAL ACCESS TO BOOKS AND RECORDS.** In order to ensure that any expense which might be incurred by or on behalf of the Medical Facilities or other authorized Service Area activity administered by CPGH, Inc. pursuant to this Agreement is included to the extent appropriate in determining the

reasonable costs reimbursed by Medicare and Medicaid programs, or other similar government programs, CPGH, Inc. shall retain all records which are necessary to audit and certify the nature and extent of the services provided and the cost thereof, for at least the minimum period of time required by applicable state and federal law after the furnishing of such services as are described in this Agreement, and make available all such records upon request by the duly authorized representatives of a federal or state government agency with jurisdiction thereof. CPGH, Inc. also agrees that if it subcontracts for any of the duties under this Agreement, to the extent required by federal or Alaska law, the subcontract shall contain a clause requiring that the subcontractor organization must also satisfy all applicable record retention and disclosure requirements which are necessary to an audit and certification of the nature and extent of the services provided and the cost thereof.

29. **PUBLIC ACCESS.** Recognizing that CPGH, Inc. is operating publicly owned facilities under this Agreement, CPGH, Inc. shall make all meetings of its board of directors open to the public, and copies of non-confidential board materials shall be made available to the public at or before the meeting, unless the subject matter under discussion involves privileged or confidential information as defined in this Agreement. Nothing in this section shall be construed as affecting the status of CPGH, Inc. as a §501(c)(3) nonprofit, private corporation or bringing CPGH, Inc. within the scope of the Alaska Open Meetings Act, AS 44.62.310-.312.

a. **Privileged or Confidential Information.** As used herein, the term “privileged or confidential information” means the following records or information in the possession of CPGH, Inc.:

- i. Medical records, patient information and patient billing files, except patient information that may be disclosed without violating patient privacy rights;
- ii. Medical review organization information and records prepared and retained pursuant to AS 18.23.010 – 18.23.070;
- iii. Employee records and information including but not limited to background and reference checks, substance abuse tests, employee credit checks, employee grievances, employee disciplinary actions and workplace investigations;
- iv. Physician and other health-care provider records and information including but not limited to credentials and disciplinary files;
- v. Director records and information except the name, mailing address of each director, and term of office of each director;

- vi. Records and information regarding pending or threatened litigation by or against CPGH, Inc. or the Borough, the disclosure of which could adversely affect the finances or litigation strategy of CPGH, Inc., the Borough, or the Medical Facilities operated pursuant to this Agreement;
- vii. Records and information regarding the business plans of CPGH, Inc., the disclosure of which could be used by competitors or others to the detriment of CPGH, Inc., the Borough, or the Medical Facilities;
- viii. Information and records that pertain exclusively to CPGH, Inc. and not to activities performed pursuant to this Agreement; and
- ix. All other records and information that CPGH, Inc. is required or permitted by applicable federal, state or local law to keep confidential.

Privileged or confidential information and records may be discussed by the CPGH, Inc. board of directors privately, in executive session. Nothing herein shall be deemed as precluding the CPGH, Inc. board of directors from holding private work sessions, training sessions and informational meetings at which no board action is taken.

b. Board of Director Meetings. It is agreed and understood that prior to final board action on any matter referred to a board committee, the board will fully disclose the substance of committee consideration of the matter, except for any of the above-referenced confidential matters. Disclosure may occur either verbally or in the text of a resolution, at the discretion of the board. The parties further agree that the board's executive committee has authority to take action on behalf of CPGH, Inc. in between regular board meetings to the extent allowed by law and CPGH, Inc.'s Bylaws. All such final actions that are not required or permitted to be kept confidential shall be disclosed to the board in a public meeting of the board.

c. Public Comment. Members of the public who wish to comment upon policies or proposed actions of the CPGH, Inc. board of directors shall be given a reasonable opportunity to do so during the "Public Comment" section of the regular Board meeting open to the public, before final action is taken and after applicable information concerning the matter, if any, has been made available to the public.

d. Notice of Meetings and Agenda. The proposed agenda of all regular and special meetings of the CPGH, Inc. board of directors, including the date, time, place and proposed agenda of the meeting, shall be posted online and on the public bulletin board of the Central Peninsula Hospital, Heritage Place and the Kenai Health Center and a copy made available for posting by the Borough Clerk at least forty-eight

(48) hours prior to the time set for the meeting. Should an emergency or other bona fide issue requiring immediate attention arise, a special meeting may be held with notice posted for less than the forty-eight (48) hours otherwise required by this section.

e. Meetings Unrelated to This Agreement. Nothing in this provision shall be construed to require meetings of the CPGH, Inc. Board of Directors to be open to the public or to the Borough Contract Administrator when the subject matter discussed is not related to this Agreement.

f. Records. It is further agreed and understood that records of the Medical Facilities managed and operated by CPGH, Inc. pursuant to this Agreement are subject to the Public Records Act, AS 40.25.100 – 40.25.220 and to KPB 2.54.010 –2.54.070, including all requirements and exceptions contained therein or listed above, because of its status as an independent contractor of the Borough. Nothing in this section shall be construed to compel public disclosure of internal CPGH, Inc. documents not related to the management and operation of the Medical Facilities, nor shall CPGH, Inc. be deemed a public entity or quasi-public corporation unless required by law.

30. **EMPLOYEES AND CONTRACTORS.** CPGH, Inc. is an independent business and is not an employee or agent of the Borough, either by virtue of this Agreement or otherwise. CPGH, Inc.'s activities conducted under this Agreement are the activities of CPGH, Inc. as an independent contractor, and not that of the Borough or the Service Area. CPGH, Inc. has the exclusive authority to hire and fire employees of the Medical Facilities administered by CPGH, Inc., and such employees are the employees of CPGH, Inc. and not the Borough or Service Area. CPGH, Inc. shall in no transaction or endeavor make any representation that it has authority to act for the Borough in any capacity or that it has authority to bind the Borough in any manner through its actions. CPGH, Inc. shall not advertise or hold out its activities under this Agreement as being an operation of the Borough. The decisions and actions permitted and authorized under this Agreement are those of CPGH, Inc. acting in its capacity as an operator on behalf of the Borough or Service Area and not those of the Borough or the Service Area. The restrictions in this Agreement on CPGH, Inc.'s activities are imposed for the protection of the public funds and assets that the Borough authorized CPGH, Inc. to utilize as provided in this Agreement.

31. **INSPECTION.** The Borough reserves the right to enter and inspect the books and records of the Medical Facilities and any other authorized Service Area activity or facility operated by CPGH, Inc. at any reasonable time during normal business hours for administrative personnel, for the purpose of ensuring compliance with this Agreement and determining the adequacy of the operations, maintenance, upkeep and repair of the Borough's property, and any other matters relating to this Agreement. This does not authorize the Borough to inspect medical, personnel or other records legally considered confidential without other authorization.

32. **ASSIGNMENT.** CPGH, Inc. shall not have any power to assign its rights or interests under this Agreement without the prior approval of the Borough Assembly.

33. **AMENDMENT.** The parties may amend any term in this Agreement by written agreement signed by both parties subject to approval by the Borough Assembly by resolution.

34. **GOOD FAITH AND FAIR DEALING.** The respective contract administrators for the parties will interpret the provisions of this Agreement in good faith. The parties will act in accordance with good faith and fair dealing in carrying out their obligations under this Agreement.

35. **BREACH AND REMEDIES.**

a. By Borough. If the Borough breaches this Agreement by failing to comply with any of the terms and conditions herein and has not cured the breach within sixty (60) days of receipt of written notice thereof from CPGH, Inc., CPGH, Inc. may terminate this Agreement.

b. By CPGH, Inc. If CPGH, Inc. breaches this Agreement by failing to comply with any of the terms and conditions herein, and has not cured the breach within sixty (60) days of receipt of written notice thereof from the Borough, the Borough may terminate this Agreement.

c. Cooperation in transition. CPGH, Inc. and Borough agree that if this Agreement is terminated, the parties will cooperate and assist in a smooth transition to another operator of the Medical Facilities.

36. **TERMINATION.** Either of the parties hereto may for the reasons hereinafter set forth in this paragraph terminate this Agreement by giving the other party ninety (90) days' prior notice in writing, sent by certified mail, return receipt requested, or personally delivered. Grounds for such termination are:

a. A breach of any of the terms and conditions herein contained when such breach is not remedied as herein provided; or

b. When and if either party, because of conditions beyond its control, is unable to obtain or retain medical doctors to adequately staff the Medical Facilities managed and operated by CPGH, Inc. either directly or through a contract; or

c. When either party requests a modification of the terms hereof necessary to relieve it from financial loss in the proper conduct, operation and management of the Medical Facilities, and is unable to obtain the consent of the other party to a reasonable change or modification sufficient to alleviate such condition; or

d. If the Borough has received or makes application for and receives financial assistance or grants of operating and capital funds from any government agency, nonprofit foundation, or other entity for Service Area activities administered by CPGH, Inc., and CPGH, Inc. materially breaches the terms of such grant Agreement, the Borough in its sole discretion may determine such breach to be a material breach of this Agreement; or

e. If the Borough Contract Administrator becomes dissatisfied with the performance or results of CPGH, Inc.'s operation and maintenance of any of the Medical Facilities or services provided pursuant to this contract, the Borough Contract Administrator may issue a written notice describing the problem and requesting it be remedied. If the Borough Contract Administrator determines that CPGH, Inc. has failed to take reasonable action to remedy the problem within sixty (60) days of the written notice, this failure constitutes cause and the Borough may terminate this Agreement. Borough Assembly approval by ordinance shall be required to terminate this Agreement.

37. SURRENDER ON TERMINATION. CPGH, Inc. , upon termination of this Agreement pursuant to the provisions hereof, or any extension thereof, and in the event there is no successor agreement between the parties, shall work cooperatively with the borough and subsequent operator to facilitate a smooth transition of the operation and management of the Medical Facilities. CPGH, Inc. shall promptly quit, surrender and reconvey to the Borough and shall surrender its possession and control of all tangible and intangible assets including without limitation all real and personal property covered by this Agreement in as good a state and condition that such property was in on the effective date of this Agreement, normal wear excepted. That property includes, but is not limited to, all rental and leasehold interests of CPGH, Inc. in all the Medical Facilities, all improvements, capital improvements, fixtures, equipment, materials, supplies, inventory, medical records, business records, revenues, cash, cash equivalents, accounts receivable, trust accounts and other property necessary for or associated with the operation of the Medical Facilities.

Notwithstanding the foregoing, CPGH, Inc. shall not be required to convey to the Borough such cash, income or other assets, if any, as are received by CPGH, Inc. from sources independent of and unrelated to this Agreement.

CPGH, Inc. shall give to the Borough, or such other person identified by the Borough, all records required for continued operations of the Medical Facilities.

The parties shall cooperate so that all licenses and permits incident to operation of the Medical Facilities can be transferred or changed to either the Borough or an operator identified by the Borough. CPGH, Inc. shall file a final cost report with the Borough within 45 days after termination.

38. **FINAL ACCOUNTING.** Upon termination of this Agreement for any reason there shall be complete accounting and final payment and settlement of accounts within ninety (90) days following the submission of the accounting report covering the period of time from the end of the last fiscal year audit through the end of operation by CPGH, Inc.

39. **SEVERABILITY.** No provision of this operating Agreement shall be effective which is in violation of any state or federal law or regulation or agreement heretofore entered into between the Borough and any state or federal agency, relating to the use or operation of the Medical Facilities administered by CPGH, Inc.; provided, however, if one or more provisions of this Agreement are hereinafter determined to be invalid and unenforceable, this shall not operate to defeat or invalidate the remainder of this Agreement unless the lack of enforceability or invalidity has the effect of substantially changing the terms and conditions of this Agreement or operates in such a manner as to invalidate or defeat the primary purpose or objectives of this Agreement.

40. **SUCCESSORS AND ASSIGNS BOUND.** The covenants and conditions herein contained shall apply to bind the successors and assigns of the parties hereto.

41. **TIME OF THE ESSENCE.** Time is declared to be of the essence in this Agreement and each and every term and provision hereof.

42. **FORCE MAJEURE.** Neither party to this Agreement shall be liable for delays in performance or for non-performance directly occasioned or caused by Force Majeure. Force Majeure means any event beyond the reasonable control of the party claiming to be affected thereby including without limitation acts of God, storms, war, fire, strikes of general application, acts of the public enemy, insurrections, riots, or rules or regulations of any governmental Authority asserting jurisdiction or control, compliance with which makes continuance of operations impossible. Strikes, lockouts or differences with workers which are limited to CPGH's personnel or those of CPGH's Subcontractors and inability of either party to secure funds shall not be regarded as Force Majeure. Upon the occurrence of Force Majeure, the party affected shall give prompt notice thereof to the other party and shall do all things reasonably necessary to remove or mitigate its effects.

43. **WAIVER.** The waiver by a party hereto of any term covenant or condition herein contained shall not be deemed to be a waiver of such term, condition, covenant, or any subsequent breach of the same or any other term, covenant, or condition herein contained.

44. **VENUE.** Any suit regarding enforcement or application of this Agreement shall be filed and prosecuted in Kenai venue district, Third Judicial District, State of Alaska.

45. **NO RIGHTS CONFERRED.** Nothing in this Agreement shall be construed to confer any right or cause of action or suit, either at law or in equity, upon any person, group of persons, firm, corporation or public officer, other than the parties signing this contract, and CPGH, Inc. shall have no authority to bind the Borough or create any liability on the Borough's part, unless expressly authorized in this Agreement.

46. **NON-COMPETITION.** The parties understand and agree that, except as authorized by the Borough Assembly, CPGH, Inc. shall not engage in any activities that compete with hospital service area activities within the boundaries of the Service Area during the term of this Agreement, any extension thereof, and for a period of two years from the date this Agreement is terminated. Borough Assembly authorization of such activities may be in the form of a resolution unless an ordinance is otherwise required by law, and may be considered granted if the Borough Assembly appropriates funds for such an activity.

Nothing herein shall be deemed as precluding any person who serves or served as an officer or director of CPGH, Inc. from engaging in the practice of medicine or other health care-related endeavors. However, no such person may use any "privileged or confidential information" whatsoever gained from their involvement with CPGH, Inc. as an officer or director, to compete with CPGH, Inc. or Service Area activities while serving as an officer or director, or for a period of two years, unless a longer period is required by law, from the date the person ends their service as an officer or director of CPGH, Inc., within the boundaries of the Service Area. "Privileged or confidential information" has the meaning defined in paragraph 29.a above. Any information in the public domain or that becomes part of the public domain as a public record, pursuant to paragraph 29.f, above, is not "privileged or confidential information."

47. **CONTRACT ADMINISTRATION.** The Borough Mayor is the Borough Contract Administrator under this Agreement. The President of CPGH, Inc. is the administrator of this Agreement on behalf of CPGH, Inc.

48. **INTEGRATION.** This Agreement, the Agreements described in paragraph 2.b above, and all amendments to those Agreements, which are integrated herein, constitute the entire agreement between the parties. This Agreement supersedes all previous communications, memoranda, correspondence, proposals, understandings, agreements and contracts, both verbal and written, between these parties. Both parties specifically acknowledge that, in entering into and executing this Agreement, they rely solely upon the representations and agreements contained in this Agreement and no others. No oral statements or prior written material not specifically incorporated herein shall be recognized by either party or bind either party unless incorporated herein by amendment, such amendment to become effective on the date stipulated in such amendment. Further, this Agreement may not be enlarged,

modified, amended, supplemented, or altered except by amendment pursuant to this Agreement.

49. RECITALS. The Recitals to this Agreement are hereby incorporated into this Agreement as if fully set forth herein.

KENAI PENINSULA BOROUGH

CENTRAL PENINSULA GENERAL HOSPITAL, INC.

By: _____
Honorable Mike Navarre
Its: Mayor

By: _____
Trena Richardson
Its: President, Board of Directors

Approved by KPB Ord.
Date:

Approved by Board Res.
Date:

ATTEST:

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY

By: _____
Borough Clerk
APPROVED AS TO FORM AND
LEGAL SUFFICIENCY

By: _____

By: _____
Borough Attorney

ACKNOWLEDGMENTS

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Mike Navarre, 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 _____, 2017, by Trena Richardson, the President of Central Peninsula General Hospital, Inc., a non-profit corporation, for and on behalf of the corporation.

Notary Public for State of Alaska
My Commission Expires: _____

EXHIBIT A
DESCRIPTION OF MEDICAL FACILITIES

The Borough leases the following described property to CPGH, Inc. (hereinafter the "Medical Facilities") for the term of this Agreement and any extension thereof:

a. The Central Peninsula Hospital and its grounds, located at 250 Hospital Place, Soldotna, Alaska, more particularly described as:

Lot 1, Central Peninsula General Hospital Subdivision, filed under Plat No. 2005-52, in the Kenai Recording District, Third Judicial District, State of Alaska.

Lot One (1), Block Two (2), ASPEN FLATS SUBDIVISION, ADDITION NO. 5, according to Plat K-1643, Kenai Recording District, Third Judicial District, State of Alaska.

Lot Two (2), Block Two (2), ASPEN FLATS SUBDIVISION, ADDITION NO. 5, according to Plat K-1643, Kenai Recording District, Third Judicial District, State of Alaska.

Lot Six (6), Block Two (2), ASPEN FLATS SUBDIVISION, ADDITION NO. 5, according to Plat K-1643, Kenai Recording District, Third Judicial District, State of Alaska.

and

Lot Six (6), Block One (1), ASPEN FLATS SUBDIVISION ADDITION NO. 5, according to Plat No. K-1643, Kenai Recording District, Third Judicial District, State of Alaska.

b. The Kenai Health Center and its grounds, located at 630 Barnacle Way, Kenai, Alaska, more particularly described as:

Lot 2, Block 1, according to the Amended Plat of Block One First Addition Etolin Subdivision, filed under Plat No. 73-14, in the Kenai Recording District, Third Judicial District, State of Alaska.

c. The Heritage Place and its grounds, located at 232 Rockwell Avenue, Soldotna, Alaska, more particularly described as:

Lot 2, DAVIDHIZAR SUBDIVISION, according to the official plat thereof, filed under Plat Number 83-162, Records of the Kenai Recording District, Third Judicial District, State of Alaska.

d. The Serenity House and its grounds, located at 47480 Kristina Way, Kenai, Alaska, more particularly described as:

SW 1/4 SE 1/4 Section 23, Township 5 North, Range 11 West, Seward Meridian, Alaska, Kenai Peninsula Borough, Kenai Recording District, Third Judicial District, State of Alaska.

e. A two story medical office building commonly known as the Mundell Building and its grounds, located at 245 North Binkley Street, Soldotna, Alaska, more particularly described as:

Lot 4-A PENINSULA MEDICAL CENTER SUBDIVISION NO. 2, according to Plat No. 84-103, Kenai Recording District, Third Judicial District, State of Alaska.

f. A single story medical office building commonly known as the Clinic and its grounds, located at 265 North Binkley Street, Soldotna, Alaska, more particularly described as:

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

g. A vacant lot located at Lot 2 PENINSULA MEDICAL CENTER SUBDIVISION, according to Plat No. 83-79, Kenai Recording District, Third Judicial District, State of Alaska.

h. A single story medical office building and its grounds, located at 108 East Corral Street, Soldotna, Alaska, more particularly described as:

Lot 51A BINKLEY STREET/SHADY LANE ROW DEDICATION AND REPLAT (Plat No. KN 88-40), Kenai Recording District, Third Judicial District, State of Alaska.

i. A single story medical office building and its grounds commonly known as Frontier Physical Therapy, located at 260 Caviar Street Kenai, Alaska, more particularly described as:

Lot 7 ALEYESKA SUBDIVISION PART 1 (Plat No. K-1442), Kenai Recording District, Third Judicial District, State of Alaska.

j. A single story medical office building and its grounds commonly known as Kenai Peninsula Urology Clinic, located at 262 N. Binkley Street Soldotna, Alaska, more particularly described as:

Lot Forty-five (45) ASPEN FLATS SUBDIVISION, ADDITIONAL NO. 3, according to Plat No. K-653, Kenai Recording District, Third Judicial District, State of Alaska

k. A single story medical office building and its grounds, located at 254 N. Binkley Street Soldotna, Alaska, more particularly described as:

Lot Forty-six (46) ASPEN FLATS SUBDIVISION, ADDITION NO. 3, according to Plat No. K-653, Kenai Recording District, Third Judicial District, State of Alaska

l. A two story building and its grounds, located at 362 Tyee Street Soldotna, Alaska, more particularly described as:

Lots One (1) and Nineteen (19), Block 2, IRIS HEIGHTS SUBDIVISION, according to Plat No. 77-40, Kenai Recording District, Third Judicial District, State of Alaska

m. Such other Borough facilities and real property, if any, as determined and authorized by the Borough.