

### **THIRD AMENDMENT TO THE OPERATING AGREEMENT FOR CENTRAL PENINSULA HOSPITAL, HERITAGE PLACE, KENAI HEALTH CENTER, AND OTHER HEALTH FACILITIES**

This amendment to the Operating Agreement ("Operating Agreement") is by and between Central Peninsula General Hospital, Inc., an Alaska nonprofit corporation, of 250 Hospital Place, Soldotna, Alaska 99669, (referred to as "CPGH, Inc." or "Operator") and the Kenai Peninsula Borough (hereinafter referred to as "KPB", "Borough" or "Owner"), an Alaska municipal corporation of 144 N. Binkley, Soldotna, Alaska 99669, on behalf of Central Kenai Peninsula Hospital Service Area ("Service Area"), collectively referred to as the Parties.

WHEREAS, effective January 1, 2018, the Parties entered into an Operating Agreement for CPGH, Inc. to operate and manage Central Peninsula Hospital, Heritage Place, Kenai Health Center and Other Health Facilities ("CPH"); and

WHEREAS, under the Operating Agreement, Section 14, Paragraph (b), the total cumulative annual cost of such leases shall not exceed \$850,000 without prior approval of by the Assembly by resolution of any increases above that limitation; and

WHEREAS, KPB Resolution 2023-063, adopted October 10, 2023, increased the total cumulative annual cost of real property leases by CPGH, Inc to \$850,000;

WHEREAS, CPH is seeking to lease space to relocate Rehabilitation Services from the Central Peninsula River Tower, which is anticipated to cost \$145,000 per year, which when combined with current leases of \$721,490 will exceed the annual lease limit of \$850,000; and

WHEREAS, CPH will continue to have space needs as it expands the Physician Clinic service lines and outpatient services over the next several years; and

WHEREAS, CPGH, Inc. board, at its March 28, 2024, meeting, approved the recommendation of CPGH, Inc. administration and requested that the Assembly, in the best interests of the Service Area and the residents that CPH serves, approve an increase of the total cumulative annual cost for real property leases in which CPGH, Inc. is the sole lessee under the Operating Agreement, Paragraph (b) with a cap of \$1,000,000; and

WHEREAS, at its regular meeting on April 2, 2024, the KPB Assembly \_\_\_\_\_ Resolution 2024-\_\_\_ approving the requested cumulative lease total increase to

\$1,000,000 and authorized this amendment to Paragraph 14(b) of the operating Agreement to account for the approved increase;

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

1. That Paragraph 14.b. of the Operating Agreement is hereby amended to read as follows:

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 costs of such leases shall not exceed \$1,000,000. This total annual cost ceiling for leases does not include leases entered into by CPGH, Inc. for the purposes of providing contract labor housing. Increases to the cumulative annual limitation must be approved by the Borough Assembly by resolution.

2. All remaining terms and conditions of the Operating Agreement shall remain in full force and effect.

KENAI PENINSULA BOROUGH

CENTRAL PENINSULA GENERAL  
HOSPITAL, INC.

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Peter A. Micciche  
Borough Mayor

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Shaun Keef  
Chief Executive Officer

ATTEST

APPROVED AS TO FORM  
AND LEGAL SUFFICIENCY

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Michele Turner, Borough Clerk

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Sean Kelley, Borough Attorney