

ASSET PURCHASE AGREEMENT
BY AND BETWEEN
SOUTHEAST ALASKA REGIONAL HEALTH CONSORTIUM
AND
THE CITY AND BOROUGH OF SITKA, ALASKA

[_____], 2019

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the “**Agreement**”), is made and entered into as of [_____], 2019 (the “**Execution Date**”), by and between the City and Borough of Sitka, Alaska, a home rule municipality organized under the laws of the State of Alaska (the “**City**”), and the SouthEast Alaska Regional Health Consortium, a nonprofit corporation organized under the laws of the State of Alaska, and a tribal organization comprised of federally-recognized Alaska Native tribes, and qualified under Code § 501(c)(3) (“**SEARHC**”). The City and SEARHC are individually referred to herein as a “**Party**” and collectively as the “**Parties**.”

RECITALS

A. The City directly owns and operates the Sitka Community Hospital, a 12-bed licensed hospital facility with swing beds and related health care facilities (the “**CAH Hospital**”), a hospital-based skilled nursing facility with 15 nursing home beds (the “**SNF**”), and a hospital based home health agency (the “**HHA**”) (collectively the “**Hospital**”), all of which are located at or near 209 Moller Avenue, Sitka, Alaska, 99835 (the “**SCH Hospital Facility**”), and the City has the authority to obligate the Hospital to the terms of this Agreement.

B. The City provides a full range of healthcare services through (i) the operation of the CAH Hospital as an Alaska-licensed hospital that provides services that include, but are not limited to, inpatient and outpatient services, emergency care services, rehabilitation services, specialty clinic services, and diagnostic imaging services, and (ii) the provision of HHA and SNF services (the provision of all such services is referred to herein as the “**Business**”).

C. SEARHC is a consortium of federally-recognized Indian tribes, governed by a board of directors comprised of representatives from each of its constituent tribal governments. SEARHC provides healthcare and related services under the authority of § 325 of P.L. 105-83 and Title V of the Indian Self-Determination and Education Assistance Act (“**ISDEAA**”) and pursuant to a self-governance compact and funding agreement with the United States Department of Health and Human Services Indian Health Service.

D. The City desires to convey to SEARHC and SEARHC desires to receive title to certain assets owned and used by the City to conduct the Business, as more fully set forth herein.

E. The City desires to lease to SEARHC and SEARHC desires to lease from the City the SCH Hospital Facility, as more fully set forth herein.

F. After acquisition of the Business, SEARHC intends to relocate certain of the Business operations from the SCH Hospital Facility to MEH and to continue to provide SNF services at the SCH Hospital Facility during an Interim Operating Period.

G. The Parties desire to enter into this Agreement for the purpose of setting forth their mutual rights and obligations with respect to the foregoing.

H. Capitalized terms used but not otherwise defined herein shall have the respective meanings contained in Exhibit A, which is incorporated into this Agreement and attached hereto.

NOW, THEREFORE, for and in consideration of the premises and the agreements, covenants, representations, and warranties hereinafter set forth, and other good and valuable consideration, the adequacy of which is acknowledged, the Parties agree as follows:

ARTICLE 1

ASSETS

1.1 Sale of Assets. Subject to the terms and conditions of this Agreement, the City and the Hospital shall sell, transfer, convey, assign, and deliver to SEARHC, and SEARHC shall acquire from the City and the Hospital, free and clear of any and all Encumbrances (other than Permitted Encumbrances), by appropriate instruments of conveyance reasonably satisfactory to SEARHC, the assets, rights, titles, and interests of every kind or nature, whether real, personal or mixed, tangible or intangible, owned, leased, licensed or otherwise held or used by the City and the Hospital exclusively in the Business (other than the Excluded Assets) (collectively, the “**Acquired Assets**”), including the following items:

(a) All tangible personal property, including all equipment, furniture, fixtures, machinery, vehicles, office furnishings, instruments, leasehold improvements, spare parts, including any of the foregoing that are or may become fixtures to the SCH Hospital Facility, and, to the extent assignable or transferable, all rights in all warranties of any manufacturer or vendor with respect thereto, that are held or used by the City or the Hospital exclusively in the Business (collectively, the “**Personal Property**”), including the Personal Property described on Schedule 1.1(a);

(b) All leases to which the City or the Hospital is a party (whether as lessor, lessee, sublessor or sublessee) and all leasehold interests or other contractual rights relating to the Personal Property that are held by the City or the Hospital exclusively for use in the Business (the “**Personal Property Leases**”), including the Personal Property Leases described on Schedule 1.1(b);

(c) All real property leases to which the City or the Hospital is a party (whether as lessor, lessee, sublessor or sublessee) and all leasehold interests or other contractual rights, interests, easements, and appurtenances, including all rights in and to any security deposits delivered in connection therewith, that are held by the City or the Hospital exclusively for use in the Business (the “**Real Property Leases**”), including the Real Property Leases described on Schedule 1.1(c);

(d) Subject to Section 6.2(b), all Contracts and contract rights of the City or the Hospital relating to the Acquired Assets or the Business (other than Excluded Contracts), including each Contract set forth on Schedule 1.1(d) (collectively, the “**Assumed Contracts**”);

(e) To the extent transferable or assignable and subject to any applicable consent requirements, rights to all Licenses which are held or used by the City or the Hospital and relate to the Acquired Assets or the Business, including the Licenses described on Schedule 1.1(e), and all pending Licenses or License applications which relate to the Acquired Assets or the Business;

(f) All computer hardware, software, and data processing equipment held or used by the City or the Hospital exclusively in the Business or the operation of the Acquired Assets which, in the case of software other than “shrink-wrapped” or “click-wrapped” software, is listed on Schedule 1.1(f), and, to the extent assignable or transferable, all rights in all warranties of any manufacturer or vendor with respect thereto; for the avoidance of doubt, the Cerner System and the other items listed on Schedule 1.2(b) are not Acquired Assets;¹

(g) All inventories of usable goods, supplies and other items held or used by the City or the Hospital exclusively in the Business, including pharmaceuticals and medications, food, janitorial supplies, office supplies, forms, consumables, disposables, linens, and medical supplies, existing and wherever located (collectively, the “**Purchased Inventory**”);

(h) To the extent transferable or assignable and subject to any applicable consent requirements, all documents, books, records, operating and policy manuals, and files owned by the City or the Hospital, pertaining to or used in connection with the Business or the Acquired Assets, whether in hard copy or other form, including all patient records, medical records, medical staff records, clinical records, financial records, equipment records and medical and administrative libraries, employee-specific personnel files for the Transferred Employees, general staffing data and other operational records that do not contain personal information regarding any current or former employees of the City who are not Transferred Employees, and purchase and vendor records, existing and wherever located (collectively, the “**Transferred Records**”);

(i) All Intellectual Property held or used by the City or the Hospital exclusively in the Business or the operation of the Hospital or the ownership of the Acquired Assets, including the name “Sitka Community Hospital,” any other names, logos, and symbols used by the City or the Hospital in connection with the Business or the Acquired Assets, and the items set forth in Schedule 1.1(i); and all goodwill associated with the Business;

(j) All right, title, and interest in the domain names set forth on Schedule 1.1(j), and all telephone and facsimile numbers, e-mail accounts, websites, and social media accounts as currently used by the City or the Hospital primarily in support of the Business;

(k) All provider numbers (including CCN and NPI numbers) related to any Government Reimbursement Program associated with the Business;

¹ Note to Draft: SEARHC will identify all assets that will not be transferred assets.

(l) Any insurance proceeds and insurance proceeds receivable (including applicable deductibles, co-payments or self-insured requirements) arising from the Acquired Assets;

(m) All Claims of the City or the Hospital (whether choate or inchoate, known or unknown, contingent or otherwise) against third parties relating to the Business or the Acquired Assets; and

(n) The insurance policies described on Schedule 1.1(n).

1.2 Excluded Assets. Notwithstanding anything to the contrary set forth herein, neither the City nor the Hospital are transferring, conveying or assigning to SEARHC, and SEARHC is not acquiring from the City or the Hospital, the following assets, which shall remain the property of the City after the Closing (the “**Excluded Assets**”):

(a) All cash and cash equivalents (including, except as otherwise provided herein, Prepaid Expenses), including investments in marketable securities and certificates of deposit, and the accounts in which those assets are deposited;

(b) All Contracts and contract rights identified on Schedule 1.2(b) (collectively, the “**Excluded Contracts**”);

(c) All Accounts Receivable;

(d) All Agency Settlements;

(e) All Employee Benefit Plans of any nature whatsoever applicable to the City’s or the Hospital’s employees who have provided services associated with the Business;

(f) The deposits, escrows, prepaid expenses or other advance payments, claims for refunds and rights to offset in respect thereof, of the City or the Hospital relating to the Business and set forth on Schedule 1.2(f) (collectively, the “**Prepaid Expenses**”);

(g) The corporate record books, minute books, corporate seals, and tax records of the City or the Hospital; provided, however that on or prior to the Effective Time, the City will provide SEARHC with copies of the foregoing;

(h) All personnel records and other books and records of any kind that the City is required by applicable Law to retain in its own possession; provided, however, that copies of such books and records shall be provided to SEARHC at the Closing, to the extent included among the Transferred Records, unless prohibited by applicable Law;

(i) All Claims of the City or the Hospital (whether choate or inchoate, known or unknown, contingent or otherwise) against third parties relating to the Excluded Assets;

(j) All claims for refunds of Taxes, if any, and other governmental charges of whatever nature;

- (k) All Real Property of the City, other than the Real Property Leases;
- (l) The property and assets specifically described on Schedule 1.2(l);
- (m) All rights of the City or the Hospital under this Agreement or any agreement contemplated hereby;
- (n) All insurance policies other than those described on Schedule 1.1(n); and
- (o) All assets and rights of the City or the Hospital unrelated to the Business.

1.3 Assumption of Liabilities. As of the Effective Time, SEARHC shall assume and agree to pay, discharge, and perform according to their terms, the following Liabilities of the City (collectively, the “**Assumed Liabilities**”):

(a) All Liabilities arising under any Assumed Contracts and the Real Property Leases from and after the Effective Time, to the extent such Liabilities relate solely to SEARHC’s use or ownership of the Assumed Contracts and the Real Property Leases and operation of the Business after the Effective Time;

(b) All Liabilities arising under any Licenses from and after the Effective Time, to the extent such Liabilities relate solely to SEARHC’s use or ownership of the Acquired Assets and operation of the Business; and

(c) Notwithstanding Section 1.4(e) and Section 1.4(f) to the contrary, Liabilities of the City as of the Effective Time for any accrued unused paid time off as provided for and described in the Hospital’s general Paid Time Off Policy and/or individual employee agreements (thus excluding any other forms of paid leave, including without limitation for sick leave, holidays, attendance at continuing medical education programs, or otherwise, whether provided for by Law, policy and contract to pay) that are attributable to the Transferred Employees, subject to a maximum of 80 hours for each such Transferred Employee (collectively, the “**Accrued PTO**”) to the extent the City deposits the amount payable to the Transferred Employees for such Accrued PTO on the Closing Date in an account of SEARHC (the “**PTO Funding**”); provided, that the City shall remain responsible for any Liability arising under Law, policy or contract to pay (i) any Transferred Employee the value of any such accrued unused paid time off such employee may have in excess of 80 hours as of the Effective Time, as well as any other forms of paid leave as discussed above (the “**Excess PTO Liability**”), or (ii) any other employee of the City or the Hospital for any form of accrued unused paid time off.

1.4 Excluded Liabilities. Except for the Assumed Liabilities, SEARHC shall not assume or become liable for or obligated in any way with respect to, and the City shall retain and remain solely liable for any obligation to pay, perform, and discharge, all Liabilities of the City, regardless of when asserted (collectively, the “**Excluded Liabilities**”), including:

(a) Any Liabilities of the City or the Hospital arising under (i) the Assumed Contracts (to the extent arising on or before the Effective Time) and (ii) the Excluded Contracts;

for the avoidance of doubt, all Liabilities associated with the Cerner System are Excluded Liabilities;

(b) Any Liabilities of the City or the Hospital arising from or relating to the Real Property, other than the Real Property Leases;

(c) Any Liabilities of the City or the Hospital by reason of any failure to comply with the rules and regulations of any Government Reimbursement Program which is attributable to any period of time ending prior to the Effective Time;

(d) Any Liabilities of the City or the Hospital arising out of or relating to any violation of applicable Law prior to the Effective Time;

(e) any Liabilities of the City or the Hospital arising out of or relating to any Employee Benefit Plan of any nature whatsoever maintained or contributed to by the City or the Hospital or each of their respective Affiliates for the benefit of its or their employees (including under the PERS Plans);

(f) any Liabilities of the City or the Hospital for any present (i.e. on the Execution Date or the Closing Date) or former employees, retirees, independent contractors or consultants of the City or the Hospital, including any Liabilities associated with any claims for wages, compensation or other benefits, bonuses, commissions, paid time off, workers' compensation, severance, retention, termination, damages, statutory penalties, attorneys' fees and costs, or any other payments, to the extent arising out of or relating to the employment, retention or termination of employment or services of such Persons (including any Liabilities associated with the City's or the Hospital's use, or provision of, contract labor) or any other facts, circumstances or conditions existing on or prior to the Effective Time;

(g) Liabilities for Taxes, including (i) any Taxes arising as a result of the operation of the Business or the ownership of the Acquired Assets or the Hospital prior to the Effective Time; (ii) any Taxes that may arise as a result of the transfer and conveyance of the Acquired Assets pursuant to this Agreement; and (iii) any deferred Taxes of any nature;

(h) Both (i) Agency Settlements, and (ii) Liabilities to Government Reimbursement Programs for overpayments and other financial obligations arising from adjustments or reductions in reimbursement attributable to events, transactions, circumstances or conditions occurring or existing prior to the Effective Time ("**Settlement Payments**"). For the avoidance of doubt, the Parties acknowledge that SEARHC does not assume any Liabilities associated with Settlement Payments or Agency Settlements;

(i) Any accounts payable with respect to the Business or the Hospital, whether or not reflected on the City's or the Hospital's books, as of the Closing Date or arising thereafter from the operation of the Business or the Hospital prior to the Effective Time ("**Accounts Payable**");

(j) With respect to any retrospective settlement of any cost report for an amount less than such original cost report relating to a period ending prior to the Effective Time, all obligations of the City or the Hospital now existing or which may hereafter exist with respect to any payment or reimbursement owed by the City or the Hospital to any Government Reimbursement Program or other payor which is attributable to any period of time ending on or prior to the Effective Time;

(k) The aggregate Excess PTO Liability;

(l) The City's or the Hospital's expenses relating to this Agreement; and

(m) All professional liability claims or other claims for acts or omissions of the City, the Hospital, its employees or contractors.

1.5 Closing; Effective Time.

(a) Unless this Agreement shall have been terminated pursuant to Article 7, and subject to the satisfaction or, when permissible, waiver of the conditions set forth in Article 4 and Article 5, the closing of the transactions contemplated hereby (the "**Closing**") will take place by electronic exchange of the City's Closing Documents and SEARHC's Closing Documents within five (5) Business Days after the earlier of the satisfaction or waiver of the conditions to Closing set out in Articles 4 and 5 (the "**Closing Date**"). The Closing shall be effective as of 12:01 am Sitka, Alaska time on the Closing Date (the "**Effective Time**");

(b) At the Closing, the City shall deliver the City's Closing Documents to SEARHC; and

(c) At the Closing, SEARHC shall deliver SEARHC's Closing Documents to the City.

1.6 Consideration. The consideration by SEARHC for the sale, transfer, conveyance, and assignment of the Acquired Assets from the City or the Hospital pursuant to and in accordance with this Agreement shall be the following:

(a) SEARHC's assumption of the Assumed Liabilities;

(b) SEARHC's covenants and agreements set forth herein and in SEARHC's Closing Documents (including the entry into the Facility Lease); and

(c) One of the following, as elected by the City through Notice delivered to SEARHC prior to the Closing Date:

(i) A one-time cash payment of Eight Million Three Hundred Thousand and No/100 Dollars (\$8,300,000) payable by SEARHC to the City, which will be deposited by SEARHC with the Escrow Agent on the Closing Date for further deposit into the Purchase Price Escrow Account under Section 1.7; provided, however, that if the City elects the option provided in this subsection (i), the Facility Lease will provide for the lease of the SCH Hospital Facility at

a rate of \$11,666.66/month (\$140,000/year) during the term of the Facility Lease, subject however to the specific terms and conditions set forth in the Facility Lease; provided further, that all rent payable under the Facility Lease prior to the Payment Date shall be deposited with the Escrow Agent at the time such rent is payable to the City for further deposit into the Purchase Price Escrow Account under Section 1.7.

(ii) Total cash payments of up to Sixteen Million Forty Six Thousand and No/100 Dollars (\$16,046,000), payable as follows:

(A) One Million Three Hundred Forty Six Thousand and No/100 Dollars (\$1,346,000), which will be deposited by SEARHC with the Escrow Agent on the Closing Date for further deposit into the Purchase Price Escrow Account under Section 1.7 (such payment represents (x) the City's and the Hospital's accrued liability of Six Hundred Forty Six Thousand and No/100 Dollars (\$646,000) under the State of Alaska Public Employees' Retirement System Defined Benefit and Defined Contribution Retirement Plans (the "**PERS Plans**") with respect to the operations of the Hospital as of February 1, 2018 and (y) an initial installment payment of Seven Hundred Thousand and No/100 Dollars (\$700,000)); *plus*

(B) On each of the first twenty-one annual anniversaries of the Closing Date, SEARHC will make equal installment payments of Seven Hundred Thousand and No/100 Dollars (\$700,000) to the City; provided, however, that if any payment is to be made under this subsection (ii)(B) prior to the Payment Date, then such amount will instead be deposited by SEARHC with the Escrow Agent for further deposit in the Purchase Price Escrow Account under Section 1.7; provided further, however, that if the City's Liabilities with respect to the Hospital's participation in the PERS Plans end or are settled at any time prior to the full payment or deposit of the amounts described in this subsection (ii)(B), then the City will provide prompt Notice to SEARHC of such event and SEARHC will have no further payment obligations to the City under this subsection (ii)(B), *except that* if total amounts paid and deposited by SEARHC under subsections (ii)(A) and (ii)(B) prior to receipt of such Notice are less than Nine Million Six Hundred Thousand Forty-Six and No/100 Dollars (\$9,646,000) (the "**Floor Amount**"), then within ten (10) Business Days after receipt of such Notice SEARHC will (x) make one final payment to the City or (y) if the Notice is sent prior to the Payment Date, make one final deposit to the Purchase Price Escrow Account, in either case in an amount equal to (1) the Floor Amount *minus* (2) the total payments paid by SEARHC to the City and the Escrow Agent under subsections (ii)(A) and (ii)(B) prior to receipt of such Notice. For the avoidance of doubt, if the City's Liabilities with respect to the Hospital's participation in the PERS Plans end or are settled after SEARHC has already paid the City (or paid into the Purchase Price Escrow Account) amounts greater than the Floor Amount, the City will not have an obligation to repay SEARHC such excess amounts (other than as it may otherwise be obligated under the terms of this Agreement, including without limitation as provided in Section 1.7 or in satisfaction of its obligations under Article 8);

(C) If the City elects the option provided in this subsection (ii), the Facility Lease will provide for lease of the SCH Hospital Facility for a total fixed fee rent for the entire term of the Facility Lease of One and No/100 Dollar (\$1.00), subject however to the specific terms and conditions set forth in the Facility Lease; or

(iii) A one-time cash payment of Nine Million and No/100 Dollars (\$9,000,000), which will be deposited by SEARHC with the Escrow Agent on the Closing Date for further

deposit into the Purchase Price Escrow Account under Section 1.7; provided, however, that if the City elects the option provided in this subsection (iii) or this option is chosen by default under this Section 1.6(c), the Facility Lease will provide for lease of the SCH Hospital Facility for a total fixed fee rent for the entire term of the Facility Lease of One and No/100 Dollar (\$1.00), subject however to the specific terms and conditions set forth in the Facility Lease.

If the City does not deliver an election with respect to the consideration options set forth in Sections 1.6(c)(i) through (iii) above then the City will be deemed to have elected the consideration option set forth in Section 1.6(c)(iii) above, and the City will have no right to elect the other options. SEARHC shall have the right to offset against any payment due the City hereunder (including any payment to be deposited in the Purchase Price Escrow Account under Section 1.7), by an amount sufficient to reasonably satisfy any Claims by SEARHC for indemnification under Article 8.

1.7 Escrow Accounts.

(a) On the Closing Date and thereafter, SEARHC will deposit with the Escrow Agent for further deposit into the Purchase Price Escrow Account the lease and Purchase Price payment amounts described in Section 1.6(c)(i), Section 1.6(c)(ii), Section 1.6(c)(iii), and Section 6.21, as applicable (such amounts, the “**Purchase Price Escrow Amount**”). The Purchase Price Escrow Amount, together with the City Funded Escrow Amount, will be held in escrow as trust funds and shall not be subject to any Encumbrance, attachment, trustee process, or other judicial process of any creditor of any Person, other than SEARHC, and shall be held and disbursed solely for the purposes and in accordance with the terms of this Agreement and the Escrow Agreement. The release of the amounts in the Purchase Price Escrow Account shall occur as described in this Agreement and the Escrow Agreement. In the event of any conflict between this Agreement and the Escrow Agreement, the terms of this Agreement will control. No later than the third Business Day following the later of (i) the Payment Date and (ii) the date that is the three year anniversary of the Closing Date (the “**Three Year Anniversary**”) and pursuant to the terms of this Agreement and the Escrow Agreement, SEARHC and the City will provide written instructions to the Escrow Agent to distribute, by wire transfer of immediately available funds to the City, the funds then remaining in the Purchase Price Escrow Account that are not then subject to any pending indemnification Claims made by SEARHC in accordance with Article 8; provided, however, if the Payment Date occurs prior to the Three Year Anniversary, then an amount equal to the amount then remaining in the Purchase Price Escrow Amount *less* Nine Hundred Thousand and No/100 Dollars (\$900,000) will be released to the City. Prior to the Payment Date, the City and SEARHC will cooperate to allow for the distribution of funds from the Purchase Price Escrow Account to Governmental Authorities to be applied to Settlement Payments if (A) the total amount of all claims with respect to such Settlement Payments have been agreed to by the City and the Governmental Authorities, and (B) all funds in the City Funded Escrow Amount have been first paid to such Governmental Authorities in partial satisfaction of any such Settlement Payments; provided, however, that it is the intention of the Parties that no amounts held in the Purchase Price Escrow Account will be released in payment of any portion of a Settlement Payment unless the amount released fully settles any Liability or Claim that could be asserted against SEARHC and following such release of funds Nine Hundred Thousand and No/100 Dollars (\$900,000) will remain in the Purchase Price Escrow Account. Promptly following the final resolution of, and full

payment or credit in connection with, any indemnification Claims pending after the final release date, any remaining funds in the Escrow Account shall be paid by the Escrow Agent to the City.

(b) On the Closing Date, the City will deposit [\$_____] with the Escrow Agent for further deposit into the City Funded Escrow Account (such amount, the “**Initial City Escrow Amount**”). Furthermore, the City shall also deposit all Accounts Receivable collected by it following the Closing Date and prior to the Payment Date with the Escrow Agent by the third Business Day after collection for further deposit by the Escrow Agent into the City Funded Escrow Account (such amounts, together with the Initial City Escrow Amount, the “**City Funded Escrow Amount**”). The City Funded Escrow Amount, together with the Purchase Price Escrow Amount, will be held in escrow as trust funds and shall not be subject to any Encumbrance, attachment, trustee process, or other judicial process of any creditor of any Person, other than SEARHC, and shall be held and disbursed solely for the purposes and in accordance with the terms of this Agreement and the Escrow Agreement. The release of the amounts in the City Funded Escrow Account shall occur as described in this Agreement and the Escrow Agreement. In the event of any conflict between this Agreement and the Escrow Agreement, the terms of this Agreement will control. Prior to the Payment Date, the City and SEARHC will cooperate to allow for the distribution of funds from the City Funded Escrow Account to Governmental Authorities to be applied to Settlement Payments if (i) the total amount of all claims with respect to such Settlement Payments have been agreed to by the City and the Governmental Authorities, and (ii) the City has implemented a plan that reasonably assures SEARHC that the City can fully resolve all Claims with respect to such Settlement Payments. No later than the third Business Day following the Payment Date and pursuant to the terms of this Agreement and the Escrow Agreement, SEARHC and the City will provide written instructions to the Escrow Agent to distribute, by wire transfer of immediately available funds to the City, the funds then remaining in the City Funded Escrow Account that are not then subject to any pending indemnification Claims made by SEARHC in accordance with Article 8.

(c) If the Payment Date has not occurred on or before the tenth anniversary of the Closing Date, then (i) no later than the third Business Day thereafter and pursuant to the terms of this Agreement and the Escrow Agreement, SEARHC and the City will provide written instructions to the Escrow Agent to distribute to SEARHC, by wire transfer of immediately available funds, the funds then remaining in the Purchase Price Escrow Account and the City Funded Escrow Account (the “**Forfeited Amount**”), and (ii) SEARHC will have no obligation to the City to make any further lease payments under Section 1.6(c)(i) and the Facility Lease or further installments of Purchase Price under Section 1.6(c)(ii)(B) (including as may be accelerated under Section 6.21), as applicable.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF THE CITY

As a material inducement to SEARHC to enter into this Agreement and consummate the transactions contemplated hereby, the City represents and warrants to SEARHC that the statements

contained in this Article 2 are correct and complete, except as may be set forth in the Schedules to this Agreement.

2.1 Organization; Power and Authority.

(a) The City is a home rule municipality validly formed under the laws of the State of Alaska. The City has the power and authority to own, lease, and operate and hold its properties and to carry on the Business as now conducted.

(b) The City has full power and authority to execute, deliver, and perform its obligations and covenants contained in this Agreement and the City's Closing Documents and to consummate the transactions contemplated hereby and thereby and to obligate the Hospital to the terms hereof.

(c) The execution and delivery of this Agreement and the City's Closing Documents by the City and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the City.

(d) This Agreement constitutes the legal, valid, and binding obligation of the City, enforceable in accordance with its terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, usury laws or by general equitable principles. Each of the City's Closing Documents, when duly executed and delivered by the City and the other parties thereto, will constitute the legal, valid, and binding obligation of the City enforceable in accordance with its respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, usury laws or by general equitable principles.

2.2 No Breach. Neither (a) the execution nor delivery of this Agreement and the City's Closing Documents by the City, or (bi) the City's consummation or performance of the transactions contemplated hereby or thereby:

(i) will, directly or indirectly (with or without notice, lapse of time or both), conflict with or result in any violation of or constitute a breach or default under any term of (A) the Borough Charter, (B) any Contract, License or other instrument to which the City is a party, or by which the City is bound or to which the Business or any of the Acquired Assets is subject, (C) any Order which the City, the Business or any of the Acquired Assets is bound or subject or (D) applicable Law;

(ii) will result in the creation of any Encumbrance upon the Business or any Acquired Asset; and

(iii) except as set forth in Schedule 2.2(c), requires any notice to or any permit, authorization, consent or approval of any Governmental Authority or of any other Person.

2.3 Assets.

(a) Except as set forth in Schedules 1.1(b) and 1.1(c), the City is the sole and exclusive legal and equitable owner of all right, title and interest in, has good and marketable title in fee simple absolute to, and is in possession of, all Acquired Assets. No Affiliate of the City or any other Person has any direct or indirect ownership, leasehold or other interest in the Acquired Assets. As of the Closing Date, all of the Acquired Assets will be free and clear of any Encumbrances, except for Permitted Encumbrances.

(b) The Personal Property is in good working order, normal wear and tear accepted, and is adequate for the operations of the Hospital in the Ordinary Course of Business. Except as set forth on Schedule 2.3(b), all tangible Acquired Assets are located at the SCH Hospital Facility.

2.4 Inventory. The items included in the Purchased Inventory (a) are of a quality useable or saleable in the Ordinary Course of Business of the Hospital, (b) are at reasonable inventory levels consistent with the Ordinary Course of Business, and (c) are carried at amounts which reflect valuations pursuant to the City's normal inventory valuation policy and in accordance with GAAP, and (d) do not include any obsolete or defective materials or any inventory items which should be written off or written down for which there is not an adequate reserve calculated in accordance with GAAP and such reserve is no more than that existing as of June 30, 2018.

2.5 No Outstanding Rights.

To the City's Knowledge, there are no outstanding rights (including any right of first refusal), interests, options or Contracts giving any Person any current or future right to require the City or, from and after the Effective Time, SEARHC, to sell or transfer to such Person or to any third party any interest in any of the Acquired Assets.

2.6 Personal Property Leases.

(a) Schedule 1.1(b) sets forth an accurate and complete list of all Personal Property Leases. The City does not have any Liability with respect to any of the Personal Property Leases except as expressly set forth therein.

(b) Schedule 2.6(b) is an accurate and complete list of all equipment leased or subleased by the City, the Hospital or any of their Affiliates that are held or used by the City or the Hospital in the Business (the listed equipment being collectively called the "**Leased Equipment**"), including identification of the lease or sublease affecting such Leased Equipment or any interest therein to which the City, the Hospital or any of its Affiliates now are a party or by which any of such Person's interests in the Leased Equipment is or will be bound. None of the City, the Hospital or any of their Affiliates have entered into a Contract and made a commitment to lease equipment other than as disclosed in Schedule 2.6(b). The City, the Hospital and/or their Affiliates are in possession of the Leased Equipment and have exclusive use of the Leased Equipment. Except as set forth on Schedule 2.6(b), none of the Leased Equipment is subject to any licenses, use restrictions, exceptions, reservations, limitations or other impediments which

adversely affect the value to the Business of the leasehold interest therein or which interfere with or impair the present and continued use thereof in the Ordinary Course of Business.

2.7 Real Property.

(a) Schedule 1.1(c) sets forth an accurate and complete list of all Real Property Leases, including identification of the lease or sublease to which the City, the Hospital, or any of their Affiliates is a party or by which any of such Person's interests in the Hospital or the Business is bound affecting such real estate or any interest therein, excluding the Hospital Lease. Except as described on Schedule 1.1(c), none of the City, the Hospital or any of their Affiliates leases any real property used in conjunction with the Business. The City and the Hospital have made available to SEARHC accurate, correct, and complete copies of all Real Property Leases and all amendments thereto. None of the City, the Hospital or any of their Affiliates have (i) any material Liability with respect to any Real Property Leases except as expressly set forth therein, or (ii) received any notice from any other party to any Real Property Leases of any uncured defaults. The City, the Hospital and/or one of their Affiliates is in possession of the real property subject to the Real Property Leases.

(b) Neither (i) the whole or any portion of the SCH Hospital Facility or any other real property used in the Business, nor (ii) the property which is the subject of a Real Property Lease (collectively (i) and (ii) are referred to as the "**Real Property**") has been condemned, requisitioned or otherwise taken by any public authority, no notice of any such condemnation, requisition or taking has been given or received by the City, and no such condemnation, requisition or taking of the Real Property has been threatened in writing.

(c) The Real Property and its operation and use are now in compliance with all applicable municipal, county, state and federal law, regulation, statute, ordinance, standard, order and all administrative rulings, and with all municipal, health, building, land use and zoning laws and regulations, including, but not limited to the fire and life safety codes.

(d) There are no outstanding deficiencies or work orders required by any authority having jurisdiction over the Real Property requiring conformity to any applicable statute, regulation, ordinance or license.

(e) Neither the City nor the Hospital is aware of any claim, requirement or demand of any licensing or certifying agency supervising or having authority over the Real Property or otherwise to rework or redesign it or to provide additional furniture, fixtures, equipment or inventory so as to conform to or comply with any existing law, code or standard.

(f) Neither the City nor the Hospital has delivered or received any notice with respect to any claim of a violation of any building, zoning, environmental or other laws or ordinances that has not been cured.

(g) To the City's Knowledge, the Real Property is in good condition and repair, and there are no defects in the Real Property that adversely affect the use or operation thereof. There exists no material deferred maintenance with respect to the Real Property or any

building systems. All building systems, including heating, ventilation and air conditioning systems, are functional and have been maintained substantially in accordance with manufacturer specifications and, where applicable, the recommendations of the City's and the Hospital's maintenance contractors.

(h) Within the twelve (12) months immediately preceding the Execution Date, neither the City nor the Hospital has given or received from any other Governmental Authority any written notice that the Real Property is not in compliance with all applicable Laws, and neither the City nor the Hospital has given or received from any other Governmental Authority any written notice that the buildings, structures, other improvements and fixtures on such Real Property, to the extent that any exist, and the operations of the Business conducted at the Real Property, do not conform to all applicable Laws.

(i) To the City's Knowledge, the City and the Hospital have all easements and rights reasonably necessary or appropriate to conduct the Business.

(j) None of the utility providers serving the Real Property have threatened the City in writing with any reduction in service.

(k) Neither the Hospital nor the City pays Taxes on the Real Property or makes payments in-lieu of such Taxes.

2.8 Condition of SCH Hospital Facility. Schedule 2.8 contains a list of reports and notices regarding the condition of the physical plant of the Real Property issued at any time between June 30, 2017 and the Execution Date, true and correct copies of which have been delivered or made available to SEARHC.

2.9 Government Reimbursement Participation; Health Care Law Compliance.

(a) The City or the Hospital is eligible to receive payment without restriction under Title XVIII of the Social Security Act ("Medicare") and is a "provider" (as such term is defined in Medicare), with valid and current provider agreements with the following provider numbers with Government Reimbursement Programs through fiscal intermediaries: (i) NPI 1770581084 and CCN 02-1303 (related to that portion of the Business which operates as the CAH) and NPI 1104825835 with respect to the associated swing beds), (ii) NPI 1104825835 and CCN 02-5032 (related to that portion of the Business which operates as a hospital-based 15-bed SNF), and (iii) NPI 1891793048 and CCN 02-7007 (related to that portion of the Business which operates as the hospital-based HHA). To the City's Knowledge, the City and the Hospital are in compliance with the conditions of participation for the Government Reimbursement Programs in all material respects. Except as described on Schedule 2.9(a), to the City's Knowledge there are no pending or threatened Proceedings under the Government Reimbursement Programs involving the City. The cost reports for the Hospital, as applicable, for the Government Reimbursement Programs referred to above, and for payment and reimbursement of any other cost report settlements, required to be filed with respect to any period ending on or prior to the Effective Time, have been or will be properly and timely filed and are or will be complete and, to the City's Knowledge, correct in all material respects. To the City's Knowledge, the cost reports required to be filed with

respect to the Hospital do not claim, and neither the City nor the Hospital has received any payment or reimbursement in excess of, the amount provided by law or any applicable agreement, except where excess reimbursement was noted on the cost report. Except as described on Schedule 2.9(a), there are no claims, actions or appeals pending before any commission, board or agency, including any fiscal intermediary or carrier, Governmental Authority or the Administrator of the Centers for Medicare and Medicaid Services, with respect to any Government Reimbursement Program cost reports or claims filed with respect to the Hospital referred to above or any disallowances by any commission, board or agency in connection with any such cost reports.

(b) To the City's Knowledge, neither the City, nor any official, director, officer, contractor or employee of the City or the Hospital, nor any agent acting on behalf of or for the benefit of any of the foregoing, has directly or indirectly in connection with the business or operations of the Hospital or the Acquired Assets, in violation of any applicable Laws: (i) offered, paid or received any remuneration, in cash or in kind, to, or made any financial arrangements with, any past, present or potential customers, past or present suppliers, patients, medical staff members, contractors or third party payers of the City or the Hospital; (ii) given or agreed to give, or is aware that there has been made or that there is any agreement to make, any gift or gratuitous payment of any kind, nature or description (whether in money, property or services) to any customer or potential customer, supplier or potential supplier, contractor, third party payor or any other Person; (iii) made or agreed to make, or is aware that there has been made or that there is any agreement to make, any contribution, payment or gift of funds or property to, or for the private use of, any governmental official, employee or agent where either the contribution, payment or gift or the purpose of such contribution, payment or gift is or was illegal under applicable Laws; (iv) established or maintained any unrecorded fund or asset for any purpose or made any misleading, false or artificial entries on any of its books or records for any reason; (v) made, or agreed to make, or is aware that there has been made or that there is any agreement to make, any payment to any Person with the intention or understanding that any part of such payment would be used for any purpose other than that described on the documents supporting such payment; or (vi) submitted claims to any Government Reimbursement Program.

(c) To the City's Knowledge, neither the City, the Hospital, nor any official, member, director, officer or employee of the City or the Hospital is a party to any Contract (including any joint venture or consulting agreement) related to the Hospital, the Business or the Acquired Assets with any physician, health care facility, hospital, nursing facility, home health agency or other Person who is in a position to make or influence referrals to or otherwise generate business for the City with respect to the Hospital or the Acquired Assets, to provide services, lease space, lease equipment or engage in any other venture or activity, to the extent that any of the foregoing is prohibited by applicable Laws.

(d) Except as set forth in Schedule 2.9(d), within the twelve (12) months immediately preceding the Execution Date, the Hospital has continuously met the survey requirements for participation in the Medicare program.

(e) To the City's Knowledge, the City is in compliance with the Medicare Fraud and Abuse Amendments of 1977, as amended by the Medicare Patient and Program Protection Act of 1987, federal prohibitions on physician "**self-referrals**" (as such term is defined in the Stark

Law), the Health Insurance Portability and Accountability Act of 1996, the civil monetary penalties law, 42 B.S.C. § 1320a-7a(b), Federal False Claims Act, 42 U.S.C. §§ 3729 – 3733, and Orders.

2.10 No Violation of Law; Licenses.

(a) Except as set forth in Schedule 2.10(a), the operations of the Hospital (i) are not in material violation of any applicable Laws and (ii) has not received any current written notice of any alleged violation or non-compliance with any applicable Laws, in each case with respect to the ownership and operation of the Hospital, the Acquired Assets, and the Business.

(b) Set forth on Schedule 2.10(b) is a true and complete description of all Licenses currently issued or granted by a Governmental Authority and owned or held by or issued to the City or the Hospital in connection with the Acquired Assets and the Business.

(c) To the City's Knowledge, the Hospital is in compliance in all material respects with all Licenses listed in Schedule 2.10(b). There is not now pending nor, to the City's Knowledge, threatened in writing any action by or before any Governmental Authority to revoke, cancel, rescind, modify or refuse to renew any of the Licenses, and all of the Licenses are and shall be in good standing now and as of the Closing.

2.11 Legal Proceedings. There are no Proceedings instituted or pending or, to the City's Knowledge, threatened against the City that challenge, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, the transactions contemplated hereby, and there are no Orders outstanding or threatened against the City that challenge, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the transactions contemplated hereby. Except as described on Schedule 2.11, neither the Hospital nor the City is a party to any Proceedings relating to the Hospital or the Business, and none of the City, the Hospital or the Acquired Assets is subject to any Orders. Neither the Hospital nor the City has received notice of any pending Proceeding by or before any Governmental Authority concerning the Business or to which the Acquired Assets are subject, and, to the City's Knowledge, there is no basis for any such action. There is no Proceeding that is currently being threatened in writing against the City, the Hospital or against any employee of either in relation to or otherwise involving the Business, the Hospital or the Acquired Assets.

2.12 Material Contracts. Schedule 2.12 lists all Material Contracts. Except as described on Schedule 2.12, each Material Contract (a) has been entered into by the City or the Hospital in the Ordinary Course of Business and (b) is in full force and effect, and has not been amended or modified except as described on Schedule 2.12. Neither the City nor the Hospital is, to the City's Knowledge, currently in breach or default in any material respect, nor has either received any written notice that it is in breach or default, with respect to any Material Contract, and to the City's Knowledge no other party to any Material Contract is currently in breach or default in any material respect or has any defense, counterclaim or offset right. Neither the City nor the Hospital has assigned or encumbered any Material Contract in any manner.

2.13 Insurance. Schedule 2.13 sets forth a true and complete list of all insurance policies or self-insurance funds maintained by the City or the Hospital covering the ownership and operation of the Business, the SCH Hospital Facility and the Acquired Assets, indicating the types of insurance, policy numbers, terms, identity of insurers and amounts and coverages (including applicable deductibles). All of such policies are now and will be until the Closing in full force and effect on an occurrence or claims made basis with no premium arrearages.

2.14 Environmental Matters. To the City's Knowledge, the City and the Hospital are in compliance with all terms and conditions of all Licenses, and is in compliance with all other applicable Laws relating to the emission, discharge, release or threatened release of any Hazardous Materials into air, surface water, groundwater or lands on the Real Property, including all Environmental Laws ("**Environmental Requirements**"). To the City's Knowledge, no discharge or release of any Hazardous Material caused by the City has occurred on the Real Property that violates Environmental Requirements.

2.15 Absence of Certain Changes or Events. Since June 30, 2018, (i) there has not been a Material Adverse Change and (ii) the Business of the Hospital has only been conducted in the Ordinary Course of Business and, without limitation, neither the City nor the Hospital has taken the following actions with respect to the Business:

(a) created or suffered to exist any Encumbrances with respect to any of the Acquired Assets, except for Permitted Encumbrances;

(b) sold, leased to others, licensed to others, disposed of or otherwise transferred any of the material assets or properties of the Business, except for (i) use or sale of inventory in the Ordinary Course of Business, (ii) sales of old or obsolete equipment that has been replaced with equipment that is functionally equivalent, and (iii) sales of other obsolete equipment;

(c) (i) increased the rate or terms of compensation (including termination and severance pay), commission, bonus or other direct or indirect remuneration (or the rate thereof) payable or to become payable to any of the Hospital's employees, officers, directors or persons otherwise serving in such capacities that are involved in the operations of the Business, other than regularly scheduled increases in base salary in the Ordinary Course of Business in all material respects; or (ii) except to the extent required under applicable Law, adopted, amended or terminated any Employee Benefit Plan, or entered into any employment, consulting, severance or termination agreement;

(d) waived any rights relating to the Business or arising under or in connection with any of the Acquired Assets, individually or in the aggregate in excess of \$50,000;

(e) except as set forth in Schedule 2.15(e), acquired any assets or properties individually or in the aggregate in excess of \$50,000, other than in the Ordinary Course of Business;

(f) entered into any merger, consolidation, recapitalization or other business combination or reorganization;

(g) except as set forth in Schedule 2.15(g), made any loans, advances or capital contributions to or investments in any Person;

(h) delayed payment of payables, changed credit practices or done anything to materially and adversely affect the relationship of the Business with any patients or suppliers that is material to the Business;

(i) failed to replenish inventories and supplies in the Ordinary Course of Business, or made any purchase commitment materially in excess of the usual requirements of the Business or at any price materially in excess of the then-current market price or upon terms and conditions more onerous than those usual and customary in the industry or made any material change in its selling, pricing, advertising or personnel practices inconsistent with its prior practice;

(j) except as set forth in Schedule 2.15(j), made any change in its general pricing practices or policies or any change in its credit or allowance practices or policies other than in the Ordinary Course of Business;

(k) received written notice from any supplier representing during the last fiscal year purchases of \$50,000 or more that such supplier has ceased, may cease or will cease to do business with it;

(l) except as set forth in Schedule 2.15(l), entered into any transaction, agreement, contract or understanding with any Person (other than SEARHC) affecting the Business or altered the terms of any transaction, agreement, contract or understanding with any Person (other than SEARHC) affecting the Business that involves expenditure in excess of \$50,000;

(m) except as disclosed in the schedules related to this Section 2.15, entered into any material transaction resulting in a Liability or expenditure in excess of \$50,000, other than in the Ordinary Course of Business;

(n) entered into any material amendment, modification, termination (partial or complete) or granted any material waiver under or given any material consent with respect to any Contract that is required to be disclosed in the Schedules to this Agreement;

(o) made any change in any method of accounting or accounting practice of the Business;

(p) except as disclosed in the schedules related to this Section 2.15, made or deferred any capital expenditure in each case in excess of \$50,000 individually and \$100,000 in the aggregate; and

(q) except for this Agreement, entered into any oral or written agreement, contract, commitment, arrangement or understanding with respect to any of the matters described in this Section 2.15.

2.16 Employee Benefits Plans. All Employee Benefit Plans maintained by the City or the Hospital, or to which the City or the Hospital is obligated to contribute or otherwise has an obligation, all of which relate to the Business, are listed on Schedule 2.16 hereto. True and complete copies of all documents relating to such Employee Benefit Plans have been made available to SEARHC and/or its agents or, if no Employee Benefit Plan document exists, a description of all material terms of such Employee Benefit Plan is set forth on Schedule 2.16. With respect to the Employee Benefit Plans:

(a) to the City's Knowledge, with the exception of the PERS Plans, all such Employee Benefit Plans have been maintained, funded and administered in compliance in all material respects with all applicable Laws;

(b) no Employee Benefit Plan is or has within the last three years been subject to the minimum funding requirements of Section 412 or 430 of the Code;

(c) the City does not have any obligation to contribute, has not partially or completely withdrawn from, and does not have any Liability with respect to any "**multiemployer plan**" within the meaning of Sections 3(37) or 4001(a)(3) of ERISA;

(d) each Employee Benefit Plan intended to qualify under Section 401(a) of the Code is a "**governmental plan**" under Section 414(d) of the Code that is tax-qualified under Section 401(a) of the Code, the related trust is exempt from tax under Section 501(a) of the Code, and to the City's Knowledge, no facts or circumstances exist that would be reasonably likely to jeopardize the qualification of such Employee Benefit Plan;

(e) with respect to the Employee Benefit Plans, all required contributions have been made or properly accrued on the City's financial statements; and

(f) the transactions contemplated by this Agreement shall not result in SEARHC having any liability with respect to any Employee Benefit Plan.

2.17 Employees.

(a) Schedule 2.17(a) lists the employees of the City or the Hospital who provide services in connection with the Business and sets forth for each such individual the following: (i) name; (ii) title or position (including whether full or part time); (iii) current rate of compensation; (iv) any commission, bonus or other incentive-based compensation; (v) date of hire; (vi) status (i.e., exempt or non-exempt from state and federal minimum wage and overtime pay requirements); (vii) a statement of the amount and type(s) of accrued unused paid time off available; (viii) eligibility for, and participation in, Employee Benefit Plans; and (ix) for each Employee on leave of absence, the date upon which leave commenced, and, if known, anticipated return to work date.

(b) Except as described on Schedule 2.17(b), and with respect to employees of the City or the Hospital who provide services in connection with the Business: (i) there are no (and for the last three years have been no) collective agreements or bargaining relationships or other contracts or understandings with any labor organization with respect to such employees, (ii) to the City's Knowledge there is no organizational effort presently being made or threatened by or on behalf of any labor union with respect to such employees, and to the City's Knowledge no such efforts have occurred within the last three years, (iii) there is no worker's compensation liability, experience or matter outside the Ordinary Course of Business, (iv) there are no strikes, slowdowns, work stoppages, material grievances, material unfair labor practices claims or other material employee or labor disputes currently pending or threatened against or involving the City and none has occurred within the last three years, (v) to the City's Knowledge, neither the City nor the Hospital has engaged in any unfair labor practices within the meaning of the National Labor Relations Act at any time in the last three years, (vi) during the three year period immediately preceding the Execution Date and the Closing Date, with respect to the Business, neither the Hospital nor the City has separately or in the aggregate, implemented any layoffs of employees that resulted in twenty-five (25) or more employees being laid off within any 90-day period, (vii) there are (and for the last three years there have been) no pending or threatened in writing complaints or charges before any Governmental Authority regarding employment discrimination, safety or other employment-related charges or complaints, wage and hour claims, unemployment compensation claims, worker's compensation claims or the like involving any current or former employee of the City or the Hospital who provide services in connection with the Business, (viii) the City and the Hospital are (and for the last three years have been), in material compliance with all applicable Laws and Contracts respecting employment and employment practices, labor relations, terms and conditions of employment and wages and hours with respect to the operation of the Business, and (ix) none of SEARHC, the City or the Hospital will be subject to any claim or liability for severance pay as a result of the consummation of the transactions contemplated by this Agreement.

2.18 Financial Information.

(a) Schedule 2.18 hereto contains the following financial statements and financial information (collectively, along with any financial statements provided under Section 6.20, the "**Financial Statements**"): (i) audited statements of net position, revenues, expenses, changes in net position, and cash flows of the Hospital and the City relating to the Business as of and for the twelve-month periods ended June 30, 2017, and June 30, 2018; and (ii) the unaudited statements of net position, revenues, expenses, and changes in net position, and cash flows of the City and the Hospital relating to the Business as of and for the [_____] months ended [_____] , [_____] ² (the "**Interim Financial Statements**").

(b) The Financial Statements are correct and complete in all material respects, have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods indicated (provided that the Interim Financial Statements lack footnotes) and fairly present the

² Note to draft: This date should be for the last fiscal month ended for the Business prior to the Execution Date for which unaudited financial statements have been prepared.

financial condition and results of operations and cash flows of the City and the Hospital relating to the Business as of the respective dates thereof and for the periods referred to therein, all in accordance with GAAP.

(c) The books and records of the City and the Hospital relating to the Business are and have been prepared and maintained in form and substance in accordance with GAAP, applied consistently with the principles, practices, methodologies and policies used in the preparation of the Financial Statements, to fairly and accurately reflect in all material respects all of the assets and Liabilities of the City and the Hospital relating to the Business and all Contracts and transactions to which the City or the Hospital is or was a party (with respect to the Business) or by which the City, the Hospital, or the Business are or were affected.

(d) Except for (i) Liabilities that are disclosed in this Agreement, (ii) Liabilities set forth on the Financial Statements, (iii) Liabilities arising from this Agreement and the City's Closing Documents, (iv) Liabilities which do not meet the applicable thresholds set forth in Section 2.15 for certain changes or events since June 30, 2018, and (v) Liabilities that have arisen since the date of the Interim Financial Statements in the Ordinary Course of Business (none of which relates to a breach of Contract, breach of warranty, tort, or violation of Law), to the City's Knowledge there are no Liabilities of any nature of the City or the Hospital relating to the Business or the Acquired Assets.

2.19 Intellectual Property.

(a) To the City's Knowledge, there is no unauthorized use, disclosure, infringement or misappropriation of any intellectual property rights of the City or the Hospital, any trade secret of the City or the Hospital, or any intellectual property right of any third party to the extent licensed by or through the City or the Hospital, including any employee or former employee of the City or the Hospital, relating in any way to any of the Acquired Assets or the Business. To the City's Knowledge, there are no royalties, fees or other payments payable by the City or the Hospital to any Person by reason of the ownership, use, sale or disposition of intellectual property related to any of the Acquired Assets except as set forth in the Contracts.

(b) Neither the City nor the Hospital has any patents, registered trademarks, registered service marks or registered copyrights related to any of the Acquired Assets or the Business, and to the City's Knowledge, neither the City nor the Hospital is infringing upon any patents, trademarks, service marks, copyrights or in violation of any trade secret or other proprietary right of any third party related to any of the Acquired Assets or the Business. Neither the City nor the Hospital has brought any Proceeding against any third party for infringement of intellectual property or breach of any license or Contract involving intellectual property related to any of the Acquired Assets or the Business.

2.20 Fees and Commissions. Neither the City nor the Hospital has any Liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF SEARHC

SEARHC represents and warrants to the City that the statements contained in this Article 3 are correct and complete.

3.1 Organization, Corporate Power and Authority.

(a) SEARHC is a nonprofit corporation organized under the laws of the State of Alaska, and a tribal organization comprised of federally-recognized Alaska Native tribes, duly organized, validly existing, and in good standing under the laws of the State of Alaska.

(b) (i) SEARHC has full power and authority to execute, deliver, and perform the obligations and covenants contained in this Agreement and SEARHC's Closing Documents and to carry out the transactions contemplated hereby and thereby.

(ii) The execution and delivery of this Agreement and SEARHC's Closing Documents by SEARHC and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of SEARHC. No other action by SEARHC is required.

(iii) This Agreement constitutes the legal, valid, and binding obligation of SEARHC, enforceable in accordance with its terms, except to the extent limited by bankruptcy, insolvency, reorganization (meaning a process similar to that defined in Title 11 of the of U.S. Code), moratorium or similar laws affecting creditors' rights generally, usury laws or by general equitable principles. Each of SEARHC's Closing Documents, when duly executed and delivered by SEARHC and the other parties thereto, will constitute the legal, valid and binding obligation of SEARHC enforceable in accordance with its respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, usury laws or by general equitable principles.

3.2 No Breach. Neither the execution and delivery of this Agreement or SEARHC's Closing Documents by SEARHC nor the consummation or performance of the transactions contemplated hereby or thereby will, directly or indirectly (with or without notice, lapse of time, or both), conflict with or result in any violation of or constitute a breach or default under any term of (i) the governance documents of SEARHC, (ii) any Order to which SEARHC is subject or (iii) applicable Law.

3.3 Independent Investigation. Except as provided herein, SEARHC has conducted its own independent investigation, review and analysis of the Acquired Assets, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of the Hospital for such purpose. SEARHC acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, SEARHC has relied solely upon its own investigation and the express representations and warranties of the City and the Hospital set forth in Article 2 of this

Agreement (including related portions of the Disclosure Schedules); and (b) none of the City, the Hospital, or any other Person has made any representation or warranty as to the Hospital, the Acquired Assets or this Agreement, except as expressly set forth in Article 2 of this Agreement (including the related portions of the Disclosure Schedules). This Section 3.3 shall not apply to fraudulent, willful and/or gross misrepresentations or warranties of the City, the Hospital, or any other Person who has made any such fraudulent, willful and/or gross misrepresentations or warranty as to the City, the Hospital, the Acquired Assets or this Agreement either in this Agreement or in other statements made to SEARHC or its representatives.

3.4 Legal Proceedings. There are no Proceedings instituted, pending or threatened against SEARHC that challenge, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, the transactions contemplated hereby, and there are no Orders outstanding or threatened against SEARHC that challenge, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the transactions contemplated hereby.

ARTICLE 4

CONDITIONS TO THE OBLIGATIONS OF SEARHC

The obligations of SEARHC to consummate the purchase of the Acquired Assets and the other transactions contemplated by this Agreement are subject to the satisfaction, or SEARHC's waiver, on or before the Closing Date, of the following conditions:

4.1 Representations and Warranties. The representations and warranties set forth in Article 2 that are not qualified by materiality shall be true and correct in all material respects at and as of the Closing Date, and the representations and warranties set forth in Article 2 that are qualified by materiality shall be true and correct in all respects at and as of the Closing Date.

4.2 Covenants. The City shall have performed and complied with all of its covenants (other than those to be performed or complied with after the Closing) in all material respects hereunder through the Closing Date.

4.3 No Action or Proceeding. No Order restraining, enjoining or otherwise preventing or delaying the consummation of the transactions contemplated by this Agreement shall be outstanding, and no Proceedings by or before, or otherwise involving, any Governmental Authority shall be threatened or pending against the City or SEARHC that seeks to enjoin or prevent the consummation of, or that seeks damages in connection with, the transactions contemplated under this Agreement.

4.4 Licenses. SEARHC shall have been issued or received approval or assurance of approval of the transfer of, the Licenses necessary to enable SEARHC to own, occupy and lease (as applicable) the Acquired Assets and operate the Business set forth on Schedule 4.4.

4.5 Third Party Consents. All consents to assignment required to transfer, convey, and assign the Acquired Assets listed on Schedule 4.5 have been obtained, and the Parties agree

to work cooperatively to obtain any additional consents to assignment for other Acquired Assets that are not listed on Schedule 4.5.

4.6 City's Closing Deliverables. SEARHC shall have received executed copies of the following documents (the "**City's Closing Documents**"):

(a) Bill of Sale and Assignment – Personal Property and Intangible Assets. A bill of sale and assignment, substantially in the form attached hereto as Exhibit B, executed by the City conveying to SEARHC good and marketable title to the Personal Property that is part of the Acquired Assets and good and marketable title to all intangible assets that are a part of the Acquired Assets, free and clear of all Encumbrances (other than Permitted Encumbrances).

(b) Assignment and Assumption Agreements. An assignment and assumption agreement substantially in the form attached hereto as Exhibit C (the "**Assignment and Assumption Agreement**") executed and acknowledged by the City: (i) conveying to SEARHC all of the City's right, title, and interest in, to and under the Assumed Contracts and, by one or more separate instruments, the Real Property Leases and Licenses, and (ii) pursuant to which SEARHC shall assume the future payment and performance of the Assumed Liabilities.

(c) Certificate of Compliance. A certificate executed by the City and dated as of the Closing Date and reasonably satisfactory in form and substance to SEARHC certifying as to the satisfaction of the conditions set forth in Sections 4.1 – 4.3 and Section 4.5.

(d) City's Certificate. A certificate of the City signed by the Mayor dated as of the Closing Date and certifying: (i) that attached thereto is a true and complete copy of all ordinances and/or resolutions adopted by the City authorizing the execution, delivery, and performance of this Agreement and all transactions contemplated by this Agreement and that all such ordinances and/or resolutions are in full force and effect and are all the ordinances and/or resolutions adopted in connection with the transactions contemplated by this Agreement and the Facility Lease and relating to the enforcement of this Agreement and the Facility Lease by SEARHC and the SEARHC Indemnified Parties against the City; and (ii) to the incumbency and specimen signature of the City Administrator executing this Agreement or the other documents to be delivered by the City pursuant to this Agreement, and a certification by the City as to the incumbency and signature of the Mayor signing the certificate referred to in this Section 4.7(d).

(e) Lease. A lease agreement, substantially in the form attached hereto as Exhibit D, duly executed by the City, relating to the SCH Hospital Facility (the "**Facility Lease**"), together with the license referenced in Section 1.3 of the Facility Lease, to the extent applicable.

(f) Accrued PTO for Transferred Employees. A schedule listing the number of hours of Accrued PTO, paid time off accrual rates, and the rates of payment of Accrued PTO, for each Transferred Employee as of the Closing Date.

(g) Escrow Agreement. The escrow agreement, substantially in the form attached hereto as Exhibit E ("**Escrow Agreement**"), duly executed by the City.

(h) Other Documents. Such other instruments and documents as SEARHC reasonably deems necessary to effect the transactions contemplated hereby.

4.7 Agency Settlements Disclosure Documents. The City shall have filed disclosure documents in form and substance acceptable to SEARHC, with the Government Reimbursement Programs, and shall have provided an advanced copy of such disclosure documents to SEARHC.

4.8 No Waiver. Notwithstanding anything to the contrary set forth herein, if any of the conditions set forth in Article 4 have not been satisfied, SEARHC shall have the right to proceed with the transactions contemplated hereby without waiving any of its rights hereunder.

ARTICLE 5

CONDITIONS TO THE OBLIGATIONS OF THE CITY

The obligations of the City to consummate the sale of the Acquired Assets and the other transactions contemplated by this Agreement are subject to the satisfaction, or the City's waiver, on or before the Closing Date, of the following conditions:

5.1 Representations and Warranties. The representations and warranties set forth in Article 3 that are not qualified by materiality shall be true and correct in all material respects at and as of the Closing Date, and the representations and warranties set forth in Article 3 that are qualified by materiality shall be true and correct in all respects at and as of the Closing Date.

5.2 Covenants. SEARHC shall have performed and complied with all of its covenants (other than those to be performed or complied with after the Closing) in all material respects hereunder through the Closing Date.

5.3 No Action or Proceeding. No Order restraining, enjoining or otherwise preventing or delaying the consummation of the transactions contemplated by this Agreement shall be outstanding, and no Proceeding by or before, or otherwise involving, any Governmental Authority shall be threatened or pending against the City or SEARHC that seeks to enjoin or prevent the consummation of the transactions contemplated under, or which seek material damages in connection with, the transactions contemplated under this Agreement.

5.4 SEARHC's Closing Deliverables. The City shall have received executed copies of the following documents ("**SEARHC's Closing Documents**"):

(a) Assignment and Assumption Agreement. The Assignment and Assumption Agreement executed by SEARHC, pursuant to which SEARHC shall assume the future payment and performance of the Assumed Liabilities.

(b) Certificates. A certificate executed by SEARHC, dated as of the Closing Date and reasonably satisfactory in form and substance to the City certifying as to the satisfaction of the conditions set forth in Sections 5.1 – 5.3.

(c) Board Resolution. A resolution from SEARHC's Board of Directors authorizing the execution, delivery, and performance of this Agreement and all transactions contemplated by this Agreement and in the Facility Lease, on the terms set forth in the Agreement and in the Facility Lease and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by this Agreement.

(d) Secretary's Certificate. A certificate of the Secretary of SEARHC dated as of the Closing Date and certifying: (i) that attached thereto is a true and complete copy of all resolutions referenced in Section 5.4(c); and (ii) to the incumbency and specimen signature of each officer of SEARHC executing this Agreement or the other documents to be delivered by SEARHC pursuant to this Agreement, and a certification by another officer of SEARHC as to the incumbency and signature of the officer signing the certificate referred to in this Section 5.4(d).

(e) Lease. The Facility Lease, duly executed by SEARHC.

(f) Escrow Agreement. The Escrow Agreement, duly executed by SEARHC and the Escrow Agent.

5.5 Waiver. Notwithstanding anything to the contrary set forth herein, if any of the conditions set forth in Article 5 have not been satisfied, the City shall have the right to proceed with the transactions contemplated hereby without waiving any of its rights hereunder.

ARTICLE 6

COVENANTS AND AGREEMENTS

6.1 Conduct of the City. Between the Execution Date and the Effective Time, the City agrees that, except as expressly contemplated by this Agreement, as required by any applicable Laws or to the extent that SEARHC shall otherwise consent in writing, which consent shall not be unreasonably withheld, conditioned or delayed:

(a) the City and the Hospital shall carry on the Business in the Ordinary Course of Business in all material respects, in substantially the same manner as heretofore conducted;

(b) other than as may be required by or in conformance with applicable Laws in order to permit or facilitate the consummation of the transactions contemplated hereby, neither the City nor the Hospital shall sell, encumber or otherwise dispose of, or agree to sell, encumber or otherwise dispose of, any of its material assets used solely in connection with the Business other than in the Ordinary Course of Business;

(c) other than as required by an existing Contract as in effect on the date hereof and other than in the Ordinary Course of Business, neither the City nor the Hospital shall (i) increase the amount of cash compensation or severance pay of any officer performing services related to the Business, (ii) make any material increase in, or commitment to increase materially, any employee benefits for employees performing services related to the Business, (iii) adopt or make any commitment to adopt any material new Employee Benefit Plan or make any material

contribution, other than regularly scheduled contributions, to any Employee Benefit Plan, or (iv) with respect to any employee performing services related to the Business, enter into or amend any employment agreement, increase the number of employees, replace open employee positions, or change the compensation or benefits of any current employee providing services with respect to the Business;

(d) the City and the Hospital shall continue in full force and effect the existing insurance policies and coverage related to the Acquired Assets and the SCH Hospital Facility;

(e) the City and the Hospital shall preserve and maintain all Licenses required to operate the Hospital or to own and use the assets related to the operation of the Business;

(f) the City and the Hospital shall pay the Indebtedness, Taxes and other obligations of the Business when due;

(g) neither the City nor the Hospital shall make or commit to make any unbudgeted capital expenditures in respect of the Business or the Hospital; and

(h) without limiting the foregoing subsections (a) through (g), the City and the Hospital shall consult with SEARHC regarding all significant developments, transactions, and proposals related to the Hospital, the Business and the assets, employees and operations related thereto.

6.2 Access to Acquired Assets; Contracts.

(a) Between the Execution Date and the Effective Time, the City and the Hospital shall afford to the authorized representatives and agents of SEARHC reasonable access to and the right to inspect the plants, properties, books, and records of the City relating to the Business and the Acquired Assets, and will furnish SEARHC with such additional financial and operating data and other information as to the Business and the Acquired Assets as SEARHC may from time to time reasonably request. SEARHC's right of access and inspection shall be made in such a manner as not to interfere unreasonably with the operation of the Business or the City's or the Hospital's use of the Acquired Assets. SEARHC may not conduct any borings, drilling or other non-destructive testing without first requesting and obtaining the City's prior written consent, which shall not be unreasonably withheld. SEARHC will defend, indemnify and hold the City harmless from any and all Liability for property damage and/or personal injuries arising out of or related in any way to the activities of SEARHC or its representatives and agents in their conduct of any such inspections and tests.

(b) This Agreement shall not constitute an agreement to assign any Acquired Asset or assume any Assumed Liability if the attempted assignment or assumption thereof, without consent of a third party thereto, would constitute a breach or default under any Contract, lease or commitment or would in any way adversely affect the rights, or increase the obligations, of SEARHC or the City or the Hospital with respect thereto. Except as otherwise agreed to by the Parties, SEARHC and the City shall cooperate in good faith (but without the requirement of any payment of money by the City or SEARHC) to obtain any consent of a third party necessary for

the assignment of any Acquired Asset to SEARHC or the assumption by SEARHC of any Assumed Liability. Neither the City nor the Hospital shall be obligated to pay any consideration therefor to any third party from whom consent or approval is requested. Notwithstanding the foregoing, if the City fails to obtain the consent necessary for the assignment of any Acquired Asset prior to Closing, then the City and SEARHC will cooperate in an arrangement, any cost of which shall be borne equally by the Parties, under which SEARHC would obtain the benefits and assume the obligations thereunder in accordance with this Agreement (including sublease, agency, pass through, indemnity or payment arrangement) as reasonably necessary to provide SEARHC with the benefits of such Acquired Asset. With respect to any Assumed Liability for which consent to assignment is not obtained, SEARHC agrees to cooperate with the City to the extent reasonably necessary to relieve the City from the obligations of such Assumed Liability.

6.3 No Shop. From the Execution Date through the earlier of the Effective Time or the termination of this Agreement, neither Party shall, and shall not permit any Affiliate, employee, agent, the Hospital or representative of such Party or Person to, directly or indirectly, (i) solicit, respond to any inquiry or negotiate any potential merger, acquisition, consolidation, affiliation, sale, lease arrangement, partnership or other relationship with any other entity that would constitute a Competitive Transaction, (ii) hold discussions or negotiate with, or provide information to, any Person (other than the other Party to this Agreement) with a view towards a Competitive Transaction, or (iii) enter into any Contract with any such Person relating to a Competitive Transaction.

6.4 Employees.

(a) Except in the event of a Catastrophic Material Casualty or Material Condemnation that materially affects the operation of the Business or MEH before the Effective Time, SEARHC shall offer employment in Sitka, Alaska (conditioned upon and effective as of the Effective Time) to all employees of the Hospital listed on Schedule 6.4(a) who are employed in good standing by the Hospital as of the Effective Time (and provided that the individual is still employed by the Hospital at the time the offer is to be made). For the purposes of this Agreement, no Person shall be deemed in good standing with the Hospital as of the Effective Time if on information and belief SEARHC determines that: (i) such Person's engagement by the Hospital may not have fully complied with the applicable Stark Exceptions or the Anti-Kickback Safe Harbors, or (ii) such Person is a member of the Knowledge Group, and he/she may have had Knowledge that the Hospital engaged an employee or contractor under terms which did not comply with applicable exception to the Stark Law and/or the Anti-Kickback Safe Harbors, and upon first obtaining such Knowledge, such Person failed to take corrective action to assure the City's compliance with applicable Laws. Hospital employees in good standing on the Closing Date will be offered an employment position similar in nature to his or her current position and with compensation and benefits commensurate to those provided to current SEARHC employees in similar positions in Sitka, Alaska. Such employment shall be offered to such employees in good standing with the Hospital immediately preceding the Effective Time, including any such employees who are on leave as of the Effective Time, provided that the approximate leave end-date is known and does not extend more than 12 weeks beyond the Effective Time except as otherwise required by Law. The employment offered to any such Hospital employee in good standing will be contingent upon verification of the employee's eligibility to work in the United

States and the employee's satisfaction of SEARHC's pre-employment drug testing and abuse screening required by the Indian Child Protection and Family Violence Act and any other reasonable requirements and criteria for the employment position offered to the employee consistent with SEARHC's standard hiring practices. The employment offered will also be contingent upon the employee's consent to the transfer of the employee's personnel records from the City and/or the Hospital to SEARHC and to the transfer of up to eighty (80) hours of the employee's Accrued PTO and the associated PTO Funding from the City and/or the Hospital to SEARHC for use pursuant and subject to SEARHC's paid time off policy, with any Excess PTO Liability paid to each such Transferred Employee (to the extent the employee is entitled to such payment by Law, policy, or contract to pay) by or on behalf of City or the Hospital on or within three business days after the Effective Time, and the employee's waiver of any claim to notice, or severance pay, or benefits, from the City, the Hospital, or SEARHC, in connection with the termination of employee's employment with the City or the Hospital and acceptance of employment with SEARHC. The base compensation offered to any such Transferred Employee will be at a level similar to that of current SEARHC employees in similar positions, and such base compensation rates (for those who accept employment) will not be reduced for at least one (1) year following the Effective Time. The only employees of the Hospital who perform services related to the Business and that are on leave as of the Execution Date are identified on Schedule 2.17(a). For purposes of this Agreement, employees of the Hospital (including members of the Hospital medical staff who are described in Section 6.4(c)) who are offered, accept, satisfy SEARHC's requirements for, and commence, employment with SEARHC shall be referred to herein as the "**Transferred Employees**". SEARHC will continue to employ each Transferred Employee (who does not resign from employment with SEARHC) for at least one (1) year following the Effective Time and thereafter for any period during which the Transferred Employee's performance is satisfactory and SEARHC's need for such Transferred Employee's skills or services continues to exist in Sitka, Alaska; provided that SEARHC, in its sole discretion, may terminate any such employee's employment at any time (i) for any reason related to the employee's performance, conduct or qualifications, consistent with applicable Law; or (ii) due to a Catastrophic Material Casualty Material Condemnation or a Force Majeure event that materially affects the operation of the Business or MEH (or any operating component thereof).

(b) From and after the Effective Time, SEARHC shall provide (or cause to be provided) all Transferred Employees with employee benefits and employee benefit plans and programs similar to the benefits and employee benefit plans and programs provided to similarly situated employees of MEH. For purposes of eligibility to participate in and vesting of benefits under all such employee benefit plans and programs (and for purposes of the rate of accrual of paid time off (the "**PTO Accrual Rate**"), pursuant to the applicable policies of SEARHC), each Transferred Employee shall be credited with his or her most recent uninterrupted period of service with the Hospital. SEARHC agrees that if the PTO Accrual Rate for any Transferred Employee is, as of the Effective Time, (i) greater under the City's or Hospital's paid time off policy than under SEARHC's paid time off policy, the higher PTO Accrual Rate will apply to the Transferred Employee until the Transferred Employee's PTO Accrual Rate under SEARHC's paid time off policy (with credit for years of service with the Hospital prior to the Effective Time) exceeds the PTO Accrual Rate under the City's or Hospital's policy as of the Effective Time; and (ii) less under the City's or Hospital's paid time off policy than under SEARHC's paid time off policy, the

higher PTO Accrual Rate will apply to the Transferred Employee and, during the one (1) year period after the Effective Time, shall not be reduced for any such Transferred Employee who continues to be employed by SEARHC; provided, that if SEARHC reduces the PTO Accrual Rate for all similarly situated employees of MEH to a rate that is less than the PTO Accrual Rate for such Transferred Employees, then the Transferred Employees shall become subject to that modified PTO Accrual Rate. Notwithstanding the foregoing provisions addressing PTO Accrual Rates, nothing in this Section 6.4(b) or elsewhere in this Agreement requires SEARHC to adopt any other aspects of the City's or the Hospital's paid time off policies (including any requirement to carry-over or cash out any unused accrued paid time off from year-to-year or upon termination of employment) or otherwise limits SEARHC in the adoption or modification of its paid time off policies as applied to the Transferred Employees. Notwithstanding any other provision of this Agreement, SEARHC will not seek indemnification from the City for any claim by any Transferred Employee that the paid time off benefits provided under this subsection are in any way insufficient, provided that the claim is not attributable in whole or in part to the City's or the Hospital's failure to provide accurate and complete information to SEARHC with regard to any Transferred Employee's PTO Accrual Rate as of the Effective Time.

(c) For the avoidance of doubt, Section 6.4(a) shall be applicable to all members of the Hospital medical staff currently employed by the Hospital and listed on Schedule 6.4(a), provided such individuals meet the qualifications, standards and requirements set forth in the SEARHC Medical Staff Bylaws. The terms of employment shall include employee benefits and employee benefit plans and programs similar to the benefits and employee benefit plans and programs provided to similarly situated practitioners employed by SEARHC in Sitka, Alaska. However, the employment offered to any such practitioners will be contingent upon verification of the individual's eligibility to work in the United States and the individual's satisfaction of SEARHC's pre-employment drug testing and abuse screening required by the Indian Child Protection and Family Violence Act, and any other reasonable requirements and criteria for the employment position offered to the individual, consistent with SEARHC's standard hiring practices, and will also be contingent upon the individual's admission to the medical staff of MEH, which admission will be subject to approval by SEARHC's accreditation governing body, provided however that SEARHC's approval with respect to any practitioner recommended by SEARHC's medical staff shall not be unreasonably withheld or delayed by SEARHC, in the event that such practitioner meets all qualifications of membership as set forth in SEARHC's Medical Staff Bylaws.

(d) Except for annual scheduled merit or bonus increases for those management employees identified on Schedule 6.4(d), neither the City nor the Hospital shall increase the compensation or benefits of any management employees listed on Schedule 6.4(d) from the Execution Date through the Effective Time. Notwithstanding any other provision of this Agreement to the contrary, (i) the City, the Hospital or an Affiliate of either shall retain sponsorship of each Employee Benefit Plan, program, or arrangement sponsored by the City, the Hospital or any Affiliate of either, (ii) SEARHC shall not be entitled to any asset of (or associated with), or assume or be liable for any obligation of, any Employee Benefit Plan (or associated contract) or other such Employee Benefit Plan, program, or arrangement sponsored by the City, the Hospital or an Affiliate of either, and (iii) no Employee Benefit Plan (or associated contract)

or other such Employee Benefit Plan, program, or arrangement, nor any Social Security Act Section 218 Agreement, sponsored by the City, the Hospital or any Affiliate of either shall be considered to be an “Acquired Asset,” an “Assumed Contract” or an “Assumed Liability” for purposes of this Agreement.

(e) The Hospital, the City or any Affiliate of either, shall provide continuation coverage, to the extent the Hospital, the City or an Affiliate is required to do so under COBRA, to all former employees of the City or the Hospital (and their Affiliates) who incur COBRA “**qualifying events**” (as such term is defined in COBRA) prior to the Effective Time (and their covered dependents). SEARHC shall be responsible and liable for (and the City shall not be so responsible or liable for) providing COBRA coverage to all Transferred Employees and their dependents who experience a qualifying event with respect to their coverage under a health plan sponsored by SEARHC after the Effective Time.

(f) At the Closing, the City shall deliver to SEARHC copies of all personnel records of the Transferred Employees. The City and the Hospital shall coordinate with SEARHC promptly after the Execution Date to provide SEARHC reasonable access to employees of the Hospital and shall provide to SEARHC employee data and information in each case to complete the documentation necessary to enroll Transferred Employees in the employee benefit plans to be provided to Transferred Employees by SEARHC and its Affiliates from and after the Effective Time and to determine and generate the employment offers contemplated by Section 6.4(a).

6.5 Disclosure; Cooperation.

(a) At any time from the date of this Agreement to the Effective Time, each Party shall give prompt Notice to the other of (i) the occurrence, or failure to occur, of any event that has caused any representation or warranty of such Party contained in this Agreement to be untrue in any material respect and (ii) any failure of such Party to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement. Such Notice shall provide a reasonably detailed description of the relevant circumstances.

(b) The Parties shall reasonably cooperate with each other and with their respective representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (i) furnish upon written request to each other such further information, (ii) execute and deliver to each other such other documents, (iii) take all reasonable steps to assist SEARHC to obtain, as promptly as practicable, all Licenses and approvals of any Governmental Authorities required to consummate the transactions contemplated by this Agreement, including permits, approvals and licenses necessary in connection with the development and construction of a new or expanded hospital campus on the MEH Campus and the relocation of the Business, or any component part thereof, from the SCH Hospital Facility to the MEH Campus, (iv) cooperate and provide reasonable assistance during any payroll transition, and (iv) do such other acts and things, all as the other Party may reasonably

request, for the purpose of carrying out the intent of this Agreement and the contemplated transactions.

(c) SEARHC, upon reasonable Notice from the City, during normal business hours, will cooperate with the City in regard to the preparation, filing, handling, and appeals of all cost reports relating to the Business for relevant periods or required as a result of the transactions described herein, including those relating to the Medicare and Medicaid programs. Each Party will, upon reasonable Notice to the other, during normal business hours, and subject to applicable Laws regarding privilege or confidentiality of patient records, provide reasonable access to the other Party to all records of the Business and will allow the other Party to copy any documents reasonably relating to such cost reports and appeals thereof. Each Party agrees to forward to the other copies of all correspondence relating to such cost reports received from Government Reimbursement Programs or any other third-party payor within ten Business Days of receipt. Each Party also agrees to inform the other of all audits or other proceedings with respect to such cost reports within ten Business Days of notification. Additionally, each Party agrees to use its reasonable best efforts to ensure the other's right of access for at least three years from the Closing Date in the event of any subsequent sale of the Business.

6.6 Cooperation on Tax Matters. Following the Closing, the Parties shall reasonably cooperate with each other and shall make available to the other, as reasonably requested and at the expense of the requesting Party (but including only out-of-pocket expenses to third parties, photocopying and delivery costs and not the costs incurred by any Party for the wages or other benefits paid to its officers, directors or employees), to any Tax Authority, all information, records or documents relating to Tax liabilities or potential Tax liabilities, if any, of the City for all periods on or prior to the Closing and any information which is relevant to determining the amount payable under this Agreement, and shall preserve all such information, records and documents (to the extent a part of the Acquired Assets delivered to SEARHC at Closing) until the expiration of any applicable statute of limitations or extensions thereof. The City shall make available to SEARHC the records of individual wages of all employees, as well as copies of state unemployment Tax Returns, to the extent reasonably necessary for SEARHC to verify future unemployment Tax rates and to calculate the correct taxable payroll for the remainder of the calendar year in which the transaction occurs. The City shall file terminating Forms W-2 and Forms 1099 with respect to all periods ending prior to the Closing Date, as appropriate.

6.7 Third Party Litigation Cooperation. The City, on the one hand, and SEARHC, on the other hand, shall cooperate with the other, at the requesting Party's expense (but including only direct out-of-pocket expenses to third parties, photocopying and delivery costs, and not the indirect costs incurred by any Party, such as the wages or other benefits paid to its officers, directors or employees), in furnishing reasonably available information, testimony and other assistance in connection with any Tax or cost report audits, Proceedings, arrangements or disputes involving any of the Parties hereto (other than in connection with disputes between the Parties hereto) and relating to the Acquired Assets, Excluded Assets, Excluded Liabilities or Assumed Liabilities or the transactions contemplated hereby, including arranging discussions with, and the calling as witnesses of, officers, directors, employees, agents and representatives of any Party.

6.8 Confidentiality.

(a) Subject to Section 6.8(b), the City and the Hospital shall, and shall cause their Affiliates to, and shall use their reasonable efforts to cause its and their respective agents and representatives to, treat and hold as confidential all of the Confidential Information, and refrain from disclosing any of the Confidential Information, except to its duly authorized officials, employees, representatives, and agents.

(b) Notwithstanding Section 6.8(a), the City and the Hospital may disclose Confidential Information (i) as required by the Alaska Public Records Act, AS 40.25.100 - 40.25.295 or any other applicable Law (hereafter “**Public Records Disclosure Laws**”); (ii) to Governmental Authorities to the extent reasonably necessary to obtain the Licenses or any other Governmental Authority approvals as may be required to consummate the transactions contemplated hereby; (iii) in connection with a Proceeding as described in Section 9.11 or Section 9.12 brought by the City to enforce its rights or exercise its remedies hereunder; or (iv) as otherwise required by Law or an Order.

(c) If the City or the Hospital is requested to disclose any Confidential Information other than as required by Public Records Disclosure Laws, in connection with a Proceeding as described in Section 9.11 or Section 9.12, or as otherwise required by Law or an Order, the City or the Hospital, as the case may be, will notify SEARHC promptly of the request so that SEARHC may seek an appropriate protective order or waive compliance with the provisions of Section 6.8(a). Not later than ten calendar days after receiving the request, SEARHC shall notify the City in writing whether SEARHC objects to release of the Confidential Information, setting out the facts and legal authority supporting nondisclosure. If the City thereafter determines that nondisclosure is warranted and so informs the Person making the request, the City will notify SEARHC if judicial relief is sought regarding the City’s determination not to release the information. In the absence of a protective order or waiver as provided for in the first sentence of this subsection, the City, on the advice of counsel, may disclose Confidential Information without liability to SEARHC under this Agreement or otherwise, and SEARHC agrees not to seek any remedy, damages, injunctive or other relief against the City. For the avoidance of doubt, the City shall address all issues related to Confidential Information under this section on its own behalf and on behalf of the Hospital and their Affiliates.

(d) At the request and option of SEARHC, and except to the extent prohibited by the Public Records Disclosure Laws, Laws or an Order, all Confidential Information in the City’s, the Hospital’s or their Affiliates’ possession shall be returned to SEARHC or destroyed, and none of such information shall be used by the City, the Hospital or their Affiliates, or its or their employees, agents or representatives, for any purpose; provided, however, that the City, the Hospital, their Affiliates and their representatives will be entitled to retain, and shall not be obligated to destroy, any legal, financial, or other analyses and similar work product even if based upon Confidential Information, which retained analyses and work product shall be subject to the confidentiality and non-disclosure provisions of this Section 6.8.

(e) The Parties’ and the Hospital’s obligations under this Section 6.8 shall survive for two (2) years after the earlier of the termination of this Agreement or the Closing, and shall be subject to all applicable Laws.

6.9 Transfer Taxes. The Parties shall equally share responsibility for the cost of any and all state, borough, local, and municipal transfer and/or excise stamps or Taxes, if any, however denominated, required to be paid as a result of the transfer of the Acquired Assets hereunder to SEARHC.

6.10 Medicare and Medicaid Cost Reports. The City shall timely file all Medicare and Medicaid cost reports for all cost reporting periods with respect to the Hospital prior to the Effective Time for which the deadline for filing will arise after the Closing Date in accordance with all applicable Laws. The City shall be liable for any Medicare or Medicaid overpayments or any other financial obligations arising from any adjustments or reductions in Medicare or Medicaid reimbursement for the period of time prior to the Effective Time or for any other obligations imposed by either the Medicare or Medicaid program for the period of time prior to the Effective Time.

6.11 Billing for Transition Patients and Use of the City's Provider Numbers. The Parties hereby agree that they will notify the Centers for Medicare and Medicaid Services that the consummation of the transactions contemplated by this agreement is a change of ownership for Medicare purposes (as specified in 42 CFR § 489.18) with respect to the provider agreements between the City and Government Reimbursement Programs, and the Parties intend that the existing Medicare provider agreements will automatically be assigned to SEARHC. For the avoidance of doubt, the Parties acknowledge the agreements set out in Section 1.4(h) and further agree that the Hospital and the City hereby agree to hold SEARHC harmless from any Claim with respect to any such Government Reimbursement Programs, whether such Claims are advanced by a Government Agency or third party, including (but not limited to) Claims with respect to Settlement Payments and Agency Settlements. To assist in determining the payments to SEARHC and the City from payors for services provided to patients admitted to the Hospital prior to the Effective Time and discharged after the Effective Time ("**Transition Patients**"), the Parties shall take the following actions:

(a) If the Hospital is reimbursed under the Medicare program on a periodic interim payment basis ("**PIP Payment**"), and if SEARHC receives any PIP Payments from the Medicare program or other payor associated with the operations of the Business relating solely to periods prior to the Effective Time, the City shall be entitled to retain such PIP Payments. If SEARHC or the City receives any PIP Payments from the Medicare program or other payor associated with the operations of the Business relating to periods prior to the Effective Time, or where cut-off billings cannot be done as of the Effective Time, the Parties agree to value such amounts applicable to the period prior to the Effective Time on the one hand, and value such amounts applicable to the period after the Effective Time on the other hand, based on the actual date services, procedures, supplies, and devices were rendered to the Transition Patient as determined by a review of patient records. The amount of PIP Payments valued and owed to SEARHC as described in the prior sentence shall promptly be paid to SEARHC by the City if the City receives the PIP Payment from the payor, and the amount valued and owed to the City as described in the prior sentence ("**City PIP Payments**") shall promptly be paid to the City if SEARHC receives the PIP Payment.

(b) With respect to Medicare, Medicaid, TRICARE and other patients admitted to the SCH Hospital Facility prior to the Effective Time and discharged after the Effective Time who are enrolled in health insurance programs that reimburse for services and items on a cost- or case-based methodology (e.g., daily rate payments or payments based on ICD Codes) (“**Straddle Patients**”), the City shall work with SEARHC to determine the amount that should be credited to the City for the services of the Business prior to the Effective Time, pro-rated to the date of discharge of each Straddle Patient. SEARHC shall be entitled to retain such payments.

(c) The Parties acknowledge that SEARHC may not be able to bill and collect monies from Government Reimbursement Program(s) for services provided after the Effective Time until (i) SEARHC and/or the City have submitted change in ownership or other notice(s) and (ii) the Government Reimbursement Program(s) have issued tie-in notices or other notices and have taken such additional steps as may be required to allow SEARHC to bill and collect for such services under new provider identifiers and provider numbers (including, but not limited to, CCN and NPI numbers), if any, issued to SEARHC. Therefore, the City acknowledges and agrees that, in its sole discretion, SEARHC may use the provider identifiers and provider numbers (including CCN and NPI numbers) used by the City or the Hospital in the operation of the Business prior to the Effective Time for services rendered to patients admitted or presenting after the Effective Time to the extent such use is consistent with the terms of the Government Reimbursement Program at issue.

6.12 Retention and Access to Records. After the Closing Date, SEARHC shall retain the Transferred Records for a period consistent with SEARHC’s record retention policies and practices, but in any event for at least the minimum period for which such Transferred Records are required to be retained under applicable Laws. SEARHC also shall provide the City and its representatives’ reasonable access thereto, during normal business hours and on reasonable prior Notice, to enable them to prepare financial statements, Tax Returns, respond to tax audits or any other reasonable business purpose. The City shall retain copies of all records that may pertain to any Excluded Liabilities or Excluded Assets. After the Closing Date, the City shall provide SEARHC and its representatives reasonable access to records related to Excluded Assets and Excluded Liabilities during normal business hours and on reasonable prior Notice, for any reasonable business purpose.

6.13 Misdirected Payments. The City shall promptly remit to SEARHC any monies received by the City after Closing constituting or in respect of the Acquired Assets or Assumed Liabilities or SEARHC’s operation of the Business on or following the Effective Time. SEARHC shall promptly remit to the City any monies received by SEARHC after Closing constituting or in respect of the Excluded Assets or Excluded Liabilities.

6.14 [Intentionally Left Blank].

6.15 SEARHC’s Service and Capital Commitment; SEARHC’s Post-Closing Operation of the Business.

(a) SEARHC covenants that during the Interim Operating Period SEARHC will begin transferring some or all of the Business to MEH on a schedule including, at least, the

specific list of services to be transferred and the dates applicable to each transfer, such schedule to be mutually developed by the Parties prior to the Closing Date and attached to this Agreement as Schedule 6.15(a). Furthermore, after the Effective Time SEARHC will commence the processes necessary to promptly redevelop the MEH Campus (in accordance with this Agreement and all applicable Laws) into the Expanded Hospital Facility, whose characteristics, including size, available services, and the other material aspects, are set forth in Exhibit G; provided, however, that reference to Exhibit G shall in no way limit SEARHC in its construction and development of the Expanded Hospital Facility provided that such construction and development is generally consistent with the characteristics described therein. SEARHC expects to commence the construction of the MEH Campus between three (3) and five (5) years after the Closing Date, and will commence construction no later than five (5) years after the Closing Date. The foregoing deadline for commencement of construction of the MEH Campus shall be tolled (i) to the extent that the City or any other Governmental Authority unreasonably delays or denies any Licenses necessary to enable SEARHC to perform, or imposes any conditions or otherwise acts or fails to act in a manner that unreasonably hinders SEARHC from performing, its obligations under this Section 6.15; or (ii) upon the occurrence of a Force Majeure event. In either situation described in the preceding sentence, the Parties agree to establish a new reasonable timeframe for SEARHC's commencement of the construction of the Expanded Hospital Facility. The covenants set forth in this Section 6.15(a) shall terminate thirty (30) days following the date on which SEARHC delivers Notice to the City that SEARHC has met the covenants provided for in this Section 6.15(a) at the MEH Campus.

(b) Except as provided in this Section 6.15(b), during the Interim Operating Period, SEARHC will provide (i) acute care services at MEH (offering acute medical/surgical care, obstetric services, and ancillary and support services, including radiology, laboratory, respiratory therapy, etc.), and (ii) hospital rehabilitation services, long-term care services, and the outpatient services available at the SCH Hospital Facility prior to the Effective Date that are not otherwise available in Sitka, Alaska (all such services referred to in sections (i) and (ii) shall be listed on Schedule 6.15(b) attached hereto) (“**Continuing Interim Services**”); provided, that the foregoing obligation to provide the Continuing Interim Services shall terminate if during the Interim Operating Period a Force Majeure, Catastrophic Material Casualty, or Material Condemnation event occurs that renders continued use and occupancy of the SCH Hospital Facility or MEH impossible, unsafe, or unlawful as determined by appropriate governmental authorities or qualified professional consultants retained by SEARHC in its sole discretion.

(c) In furtherance of the covenants set forth in Sections 6.15(a) and 6.15(b) above, SEARHC agrees that following the Closing Date it will:

(i) fund all necessary daily maintenance and capital expenditures in support of delivering Continuing Interim Services at the SCH Campus during SEARHC's use of the facilities located there in accordance with Section 11.1 of the Hospital Facility Lease, which is executed concurrently with this Agreement and effective at the Effective Time and the form of which is attached to this Agreement as Exhibit D. For the avoidance of doubt, the duty to fund daily maintenance and capital expenditures is limited to such funding as is required to comply with state licensure requirements;

(ii) provide equal access to health care services at MEH and at the SCH Hospital Facility to all members of the Sitka community and ensure equal access to all services and programs;

(iii) continue to provide the Sitka community with access at either the SCH Hospital Facility or MEH to the services provided by the Hospital on the Closing Date for a minimum of two (2) years after the Closing Date;

(iv) integrate the acute care services of the Hospital into the MEH Campus in the short and long term;

(v) continue to provide long-term care services at the SCH Hospital Facility until a new long-term care facility is constructed and becomes operational;

(vi) provide for appropriate input and participation from the City through the governance structure set forth in Section 6.16 below;

(vii) provide employment to the Transferred Employees in accordance with Section 6.4;

(viii) develop in the City and Borough of Sitka, Alaska enhanced and expanded medical expertise, specialties, and complementary resources for improved quality, patient outcomes and better patient care experiences; a list of such services proposed by the City and Borough is attached as Exhibit H. For the avoidance of doubt, Exhibit H is a non-binding suggestion;

(ix) endeavor to create a financially thriving enterprise with operational efficiencies that facilitate the expansion of services with the intent of optimizing patient care and enhancing the quality of patient care while also expanding access to capital;

(x) develop the Expanded Hospital Facility in accordance with Section 6.15(a);

(xi) facilitate the use of an information technology platform that will maximize efficiency, patient safety, and quality of care while meeting the challenges of, and opportunities provided by, health care reform;

(xii) engage in a collaborative transition process with representatives of the City to ensure the best outcomes for the implementation of the post-Closing covenants set forth in this Agreement;

(xiii) provide services tailored to meet the needs of patients in Sitka, Alaska;

(xiv) provide high-quality, culturally appropriate care on an equitable basis to all who require such care, regardless of race, creed, color, sex, gender identity, or other categories of individuals protected by Title VII of the Civil Rights Act of 1964;

- (xv) ensure equitable employment opportunities; and
- (xvi) achieve the following goals:
 - A. improve access to primary and specialty services in Sitka, Alaska;
 - B. attract and retain high-quality providers and staff;
 - C. create a financially thriving enterprise that enables the expansion of services in the Sitka community; and
 - D. enhance and expand patient care, quality, experiences, and clinical outcomes related to the health care services provided in Sitka, Alaska.

(d) Every six (6) months during the first two (2) years following the Closing Date (or such longer period as the Parties shall agree) the CEO of SEARHC (or his/her designee, which designee shall be a high level SEARHC executive) shall meet with the City and Borough of Sitka Assembly Hospital Subcommittee to advise the Subcommittee on SEARHC's delivery of health care to the citizens of Sitka, Alaska. Over the course of each such year, the CEO (or designee) shall discuss (i) the outcomes of each of the key performance indicators set forth on Schedule 6.15(d), and (ii) such other health care issues as the Parties mutually deem to be in the best interest of the citizens of Sitka, Alaska. The Parties acknowledge their mutual commitment to supporting SEARHC's success in addressing the health care needs of Sitka, Alaska, recognizing that health care delivery is a dynamic and changing enterprise. The Parties intend that the specific topics referenced in subsection (ii) will be selected based upon the changing needs of the community. The key performance indicators will be used to assess SEARHC's fulfillment of the terms of Sections 6.15(b) and 6.15(c). For the avoidance of doubt, the Parties agree that not every key performance indicator will be reported on at each such meeting.

(e) If, during a continuous period of twelve (12) months occurring during the Interim Operating Period, (i) SEARHC does not meet a target key performance indicator set forth on Schedule 6.15(d), and (ii) the Assembly by unanimous vote of all Assembly members determines that SEARHC has not implemented a plan of correction to achieve the target key performance indicator (to the extent that such is reasonably capable of being met) the City may pursue its remedies under Section 9.12.

6.16 Community Health Council. Following the Closing Date, SEARHC shall (i) establish a Community Health Council (the "**Community Health Council**") named the "Sitka Community Health Council" or some other name mutually agreeable to SEARHC and the City, for the purposes of providing: (i) feedback and information concerning the clinical and healthcare needs of the community to ensure these needs can be raised as part of the planning process for SEARHC activities in Sitka, Alaska; (ii) input relative to program and services, quality of care and quality improvement and patient satisfaction at the SCH Hospital Facility during the Interim Operating Period and at the Expanded Hospital Facility thereafter; and (iii) input to ensure that

access to care, hiring practices and core services remain the same after the Closing Date. The Community Health Council shall operate according to the “Sitka Community Health Council Charter,” which is attached as Exhibit I.

6.17 Catastrophic Material Casualty. The covenants set forth in this Section 6.17 apply only prior to the Effective Time. In the event of a Catastrophic Material Casualty prior to the Effective Time, the City shall within fifteen (15) Business Days after such Catastrophic Material Casualty provide Notice thereof to SEARHC. Such Notice shall include copies of all insurance policies then in force covering the Acquired Assets or the SCH Hospital Facility, as the case may be, affected by such Catastrophic Material Casualty and the City’s initial good faith estimate of the cost to repair such damage or destruction. If any part of the Acquired Assets or the SCH Hospital Facility is damaged or destroyed prior to the Effective Time, this Agreement shall not be affected and the Parties shall not be excused from performance hereunder; provided, that as of the Effective Time, at SEARHC’s request, the City shall assign to SEARHC all of its right, title, and interest in and to the proceeds of insurance insuring against the Loss and the City’s interest in sums payable thereunder; and provided, further, that SEARHC’s obligation to provide the Continuing Interim Services at the SCH Hospital Facility as contemplated in Section 6.15(b) during the Interim Operating Period shall terminate if a Catastrophic Material Casualty occurs that renders continued use and occupancy of the SCH Hospital Facility impossible, unsafe or unlawful, and in which event, SEARHC shall take reasonable steps to assure that during such period of limited service, every patient or resident who experiences an injury or illness but is unable to obtain immediate transport to another hospital (either an acute care or critical access hospital) or long term care facility shall be offered available basic acute care and emergency or observation services at either MEH or another facility in the City and Borough of Sitka, Alaska, until the patient can be transferred to another hospital or facility, or is no longer in need of transport.

6.18 Material Condemnation. The covenants set forth in the second and third sentences of this Section 6.18 apply only prior to the Effective Time. In the event of a Material Condemnation involving the SCH Hospital Facility (including the real property on which it is located) prior to the Effective Time, the City shall within fifteen (15) Business Days after such Material Condemnation provide Notice thereof to SEARHC. Such Notice shall include copies of all material correspondence related to the condemnation. If, notwithstanding such Material Condemnation, the Closing occurs, then SEARHC’s obligation to provide the Continuing Interim Services at the SCH Hospital Facility as contemplated in Section 6.15(b) during the Interim Operating Period shall terminate if the Material Condemnation renders use and occupancy of the SCH Hospital Facility impossible, unsafe or unlawful.

6.19 Current Health Care Facilities; Right of First Offer. For a period of five (5) years following the Closing Date, in the event the City determines an additional health care service would benefit the community (including services such as, but not limited to, acute care, hospital services, critical access hospital services, surgical care services, emergency care services, ambulatory surgical centers, physician practices, rehabilitation services, specialty clinic services, diagnostic imaging services, assisted living, nursing home, and/or long term care services), the City will discuss the need with SEARHC and provide SEARHC with ninety (90) days in which to determine whether SEARHC desires to provide the service, and if SEARHC declines to offer any such service, the City shall be permitted to offer such declined service or solicit another party to

provide such service. If within such ninety (90) day period SEARHC agrees to provide the additional health care service, then SEARHC shall have a period of five (5) years, unless another time period is mutually agreed by the Parties, in which to commence providing such service at the Expanded Hospital Facility or at another facility in the City and Borough of Sitka, Alaska. If SEARHC fails to commence providing such service before the expiration of the five (5) year period (or such shorter period as the Parties shall agree), then the City may offer such service or engage another party to provide such service.

6.20 Post Execution Date Financial Statements. If any fiscal quarter or fiscal year with respect to the Business (each, an “**Audit Period**”) closes between the Execution Date and the Effective Time, the City and the Hospital shall provide SEARHC with (a) audited Financial Statements for each fiscal year so ended as soon as possible, and in any event within six (6) months following the close of such Audit Period, and (b) unaudited Financial Statements for each fiscal quarter so ended as soon as possible, and in any event within one (1) month following the close of such Audit Period, or such other extended deadlines as the Parties shall reasonably agree. For the avoidance of doubt, in the event any Financial Statements are provided by the City to SEARHC under this Section 6.20, such Financial Statements will be subject to the representations and warranties made by the City under Section 2.18.

6.21 Discontinuance of Operations.

(a) Partial Discontinuance. In the event that SEARHC determines that continuing to provide all or substantially all of the inpatient, long-term care, or ambulatory health care services it then provides in Sitka, Alaska, is not feasible or desirable for any reason, including but not limited to a decision to sell or otherwise dispose of SEARHC’s interest in all or substantially all of the inpatient, long-term care, or ambulatory health care services it provides in Sitka, Alaska, SEARHC shall provide notice to the City of SEARHC’s intent to discontinue such services, and shall afford the City the right to acquire such health care services upon terms to be negotiated between the Parties. If within ninety (90) days following the notice from SEARHC the City and SEARHC do not enter into a letter of intent with binding provisions related to (i) the method for establishing the financial aspects of the transaction and (ii) the structure of and closing date of the transaction pursuant to which the City will acquire such health care services from SEARHC, then SEARHC’s obligations under this Section 6.21 shall expire.

(b) Complete Discontinuance. In the event that SEARHC determines that continuing to provide all or substantially all of the health care services it then provides in Sitka, Alaska (the “**Sitka Health Care Operations**”) is not feasible or desirable for any reason, including but not limited to a decision to sell or otherwise dispose of SEARHC’s interest in the Sitka Health Care Operations, SEARHC shall provide notice to the City of SEARHC’s intent to discontinue such services, and shall afford the City the opportunity to bid for the acquisition of the Sitka Health Care Operations. If within ninety (90) days following the notice from SEARHC, the City and SEARHC do not enter into a letter of intent with binding provisions related to (i) the financial aspects of the transaction and (ii) the structure of and closing date of the transaction pursuant to which the City will acquire the Sitka Health Care Operations from SEARHC, then the City’s right to bid to acquire the Sitka Health Care Operations under this Section 6.21(b) shall expire. On the

date that SEARHC ceases to provide the Sitka Health Care Operations (the “**Date Operations Are Discontinued**”), SEARHC shall promptly pay the City, or the Escrow Agent, as provided herein, the discounted present value of any installment payments then remaining unpaid under Section 1.6(c)(ii)(B) calculated as follows: the value of such installment payments discounted from the date such payments would otherwise be payable by SEARHC in accordance with the terms of this Agreement back to the Date Operations Are Discontinued at a discount rate of 6.10% per annum (the “**Discounted Present Value of Installment Payments**”). If the Date Operations Are Discontinued occurs prior to the Payment Date, then the Discounted Present Value of Installment Payment shall be paid by SEARHC to the Escrow Agent for further deposit into the Purchase Price Escrow Account in accordance with Section 1.7. If the Date Operations Are Discontinued occurs after the Payment Date, and before the tenth anniversary of the Closing Date, then the amount payable under this Section 6.21(b) shall be paid by SEARHC to the City. In accordance with the forfeiture provisions of Section 1.7(c), notwithstanding anything herein to the contrary, no amount shall be paid to the City or deposited in the Escrow Account if the Payment Date has not occurred by the tenth anniversary of the Closing Date.

6.22 Post Closing Support By SEARHC. SEARHC acknowledges that in order for the Hospital to complete cost reports and financial audits and wind up the activities of the Hospital’s operation of the Business for pre-Closing time periods (the “**Wind Up Activities**”), the services of certain Transferred Employees will be required. Accordingly, SEARHC agrees to allow certain Transferred Employees who are identified by the Hospital, with the consent of SEARHC (not to be unreasonably withheld), to provide such Wind Up Activities on behalf of the Hospital according to a schedule established to reasonably accommodate the needs of the City, up to an aggregate of _____ (_____) hours for a period of nine (9) months following the Effective Time, and until _____, 2020 the Parties will work together on a mutually agreeable solution to address remaining Wind Up Activities such as audits and other matters that may arise related to the Hospital’s operation of the Business prior to the Effective Time and that during such period the City may store records related to the operations of the Business at the Hospital Facility. The City shall reimburse SEARHC for its cost of employees (including wages and benefits) providing such Wind Up Activities.

ARTICLE 7

TERMINATION

7.1 Termination. This Agreement may be terminated at any time prior to the Closing:

- (a) by the mutual written consent of SEARHC and the City;
- (b) by the City, if there has been a material breach by SEARHC of any covenant, representation or other agreement or term contained herein which has prevented the satisfaction of any condition to the obligations of the City at the Closing and such breach has not been waived by the City or cured by SEARHC within ten (10) Business Days after SEARHC’s receipt of Notice thereof from the City;

(c) by SEARHC, if there has been a material breach by the City or the Hospital of any covenant, representation or other agreement or term contained herein which has prevented the satisfaction of any condition to the obligations of SEARHC at the Closing and such breach has not been waived by SEARHC or cured by the City within ten (10) Business Days after the receipt of Notice thereof from SEARHC;

(d) by the City, if the transactions contemplated hereby have not been consummated on or before the Termination Date; provided that the City shall not be entitled to terminate this Agreement pursuant to this Section 7.1(d) if the City's willful breach of this Agreement has prevented the consummation of the transactions contemplated hereby; and

(e) by SEARHC, if the transactions contemplated hereby have not been consummated on or before the Termination Date; provided that SEARHC shall not be entitled to terminate this Agreement pursuant to this Section 7.1(e) if SEARHC's willful breach of this Agreement has prevented the consummation of the transactions contemplated hereby.

7.2 Effect of Termination. In the event of any valid termination of this Agreement pursuant to Section 7.1, all rights and obligations of the Parties hereunder shall terminate without any Liability on the part of any Party or its Affiliates in respect thereof, except (a) that the obligations of the Parties under Section 6.8 (Confidentiality), this Article 7, and Article 9 shall remain in full force and effect, (b) that such termination shall not relieve a Party of any Liability for its fraud or breach of any material covenant contained in this Agreement prior to such termination, and (c) as provided in Section 7.3 (Break-up Fees).

7.3 Break-up Fees.

(a) If this Agreement is terminated by the City pursuant to Section 7.1(b), then SEARHC will pay the City, within thirty (30) days following the City's delivery of Notice to SEARHC of such termination, an amount equal to Five Hundred Thousand and No/100 Dollars (\$500,000) (the "**City Break-up Fee**").

(b) If this Agreement is terminated by SEARHC pursuant to Section 7.1(c) or by the City pursuant to Section 7.1(d), then the City will pay SEARHC, within thirty (30) days following the applicable Party's delivery of Notice to the other Party of such termination, an amount equal to Five Hundred Thousand and No/100 Dollars (\$500,000) (the "**SEARHC Break-up Fee**" and, together with the City Break-up Fee, the "**Break-up Fees**").

The Break-up Fees are intended by the Parties to constitute liquidated damages, and not a penalty. The Parties acknowledge that it would be difficult to ascertain the specific damages suffered by the applicable Party under the circumstances described under Section 7.3(a) or Section 7.3(b), as applicable. The Break-up Fees represent the Parties' reasonable estimation of such damages, taking into account (i) the lost opportunity costs associated with a contract to deal exclusively with each other; (ii) the expenses incurred in negotiating the transactions contemplated by this Agreement, and (iii) the size of termination fees in other transactions.

ARTICLE 8

INDEMNIFICATION

8.1 Survival.

(a) The representations and warranties of the Parties contained in this Agreement, any City Closing Document, and any SEARHC Closing Document shall survive the Closing and will expire on the twelve (12) month anniversary of the Closing Date; provided, that (i) the Fundamental Representations shall survive the Closing until twenty-four (24) months from the Closing Date, and (ii) any claim with respect to fraud or any liability with respect to Agency Settlements shall survive the Closing indefinitely (in each case and in the case of Section 8.1(b), the “**Survival Period**”); provided further, that to the extent any claims for indemnification under Section 8.2(a)(i) or Section 8.2(b)(i) is made in accordance with Section 8.3 on or before the date on which the applicable Survival Period expires, then such representation or warranty shall survive until the resolution of such claim or claims.

(b) The covenants and agreements of the City and SEARHC made in or pursuant to this Agreement which by their terms are to be performed by either Party at or following the Closing (the “**Surviving Covenants**”) shall survive the Closing until fully performed or observed in accordance with their respective terms.

(c) It is the express intent of the Parties that, (i) if an applicable Survival Period as contemplated by this Section 8.1 is shorter than the statute of limitations that would otherwise have been applicable, then, by contract, the applicable statute of limitations shall be reduced to the shortened Survival Period contemplated hereby, and (ii) if an applicable Survival Period as contemplated by this Section 8.1 is longer than the statute of limitations that would otherwise have been applicable, then, by contract, the applicable statute of limitations shall be increased to the longer Survival Period contemplated hereby. The Parties further acknowledge that the time periods set forth in this Section 8.1 for the assertion of claims under this Agreement are the result of arms'-length negotiation between the Parties and that they intend for the time periods to be enforced as agreed by the Parties. The obligations of the City to indemnify and defend the SEARHC Indemnified Parties, and of SEARHC to indemnify and defend the City Indemnified Parties, pursuant to this Article 8 shall terminate upon the expiration of the applicable Survival Periods set forth in this Section 8.1; provided, that any obligations under Section 8.2(a) or Section 8.2(b) shall not terminate with respect to any Losses as to which the Person to be indemnified has provided Notice (stating in reasonable detail the basis of the claim for indemnification) to the Indemnifying Party in accordance with Section 8.3 before the termination of the applicable Survival Period or, if applicable, the Survival Period contemplated by Section 8.1(b).

8.2 Indemnification - General.

(a) The City shall defend, indemnify, and hold harmless SEARHC and its directors, officers, employees (but solely to the extent acting within the scope of their employment or engagement by SEARHC in connection with the negotiation of this Agreement and the consummation of the transactions contemplated hereunder), and Affiliates (the “**SEARHC**

Indemnified Parties”) from and against any and all Losses suffered or incurred by them after the date hereof as a result of or arising out of:

(i) any breach or inaccuracy of any representation or warranty of the City contained in Article 2 or in any of the City’s Closing Documents;

(ii) any breach or non-performance by the City of any covenant of the City; and

(iii) any Liability or Claim relating to the (A) Excluded Liabilities or (B) the ownership or operation of the Business or the Acquired Assets prior to the Effective Time except to the extent specifically constituting Assumed Liabilities.

(b) Subject to the other provisions of this Article 8, SEARHC shall defend, indemnify and hold harmless the City, its officers, elected and unelected officials, employees (but solely to the extent that any such person acted within the scope of his or her employment by the City or engagement by the City in connection with the negotiation of this Agreement and the consummation of the transactions contemplated hereunder) (the “**City Indemnified Parties**”), from and against any and all Losses suffered or incurred by them after the date hereof as a result of or arising out of:

(i) any breach or inaccuracy of any representation or warranty of SEARHC contained in Article 3 or in any of SEARHC’s Closing Documents; and

(ii) any Liability or Claim relating to (A) the Assumed Liabilities or (B) the ownership or operation of the Business or the Acquired Assets from and after the Effective Time except to the extent specifically constituting Excluded Liabilities.

(c) All Losses for which the SEARHC Indemnified Parties are entitled to seek indemnification under this Agreement are referred to herein as “**SEARHC Indemnifiable Losses**.” All Losses for which the City Indemnified Parties are entitled to seek indemnification under this Agreement are referred to herein as “**City Indemnifiable Losses**.”

Indemnification for SEARHC Indemnifiable Losses will be first satisfied by SEARHC from the City Funded Escrow Account and then from the Purchase Price Escrow Account, if available.

(d) Notwithstanding anything to the contrary in this Agreement, the City’s sole and exclusive remedy for SEARHC’s breach of any covenant included in Article 6 of this Agreement will be its rights to specific performance and injunctive relief under Section 9.11 of this Agreement. For avoidance of doubt, the City will have no right to indemnification for Losses related to any such breach.

8.3 Method of Asserting Claims. All claims for indemnification by any Indemnified Party under this Article 8 shall be asserted and resolved as follows:

(a) Direct Claims.

(i) Within a reasonable period of time, but in no event greater than thirty (30) days, after the incurrence of any Loss by any Person entitled to indemnification pursuant to Section 8.2 (an “**Indemnified Party**”), including, any Claim by a third party described in Section 8.3(b), which could be reasonably expected to give rise to indemnification hereunder, the Indemnified Party shall deliver to the party from which indemnification is sought (the “**Indemnifying Party**”) a certificate (the “**Indemnification Certificate**”), which Indemnification Certificate shall (A) state that the Indemnified Party has paid or properly accrued a Loss or reasonably anticipates that it will incur a Loss for which such Indemnified Party is entitled to indemnification pursuant to this Agreement; (B) specify in reasonable detail each individual item of the Loss, the amount to which the Indemnified Party alleges it is entitled, or the fact that the Indemnified Party is not yet able to quantify the amount to which it is allegedly entitled, the date such item was paid or properly accrued, the basis for any anticipated liability and the nature of the misrepresentation, breach of warranty, breach of covenant or claim to which each such item is related; and (C) be delivered to the Indemnifying Party.

(ii) In the event that the Indemnifying Party objects to the indemnification of an Indemnified Party in respect of any claim or claims specified in any Indemnification Certificate, the Indemnifying Party shall, within twenty (20) days after receipt by the Indemnifying Party of such Indemnification Certificate, deliver to the Indemnified Party Notice to such effect and the Indemnifying Party and the Indemnified Party shall, within the thirty (30) day period beginning on the date of receipt by the Indemnified Party of such objection, attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims to which the Indemnifying Party shall have so objected. If the Indemnified Party and the Indemnifying Party shall succeed in reaching agreement on their respective rights with respect to any of such claims, the Indemnified Party and the Indemnifying Party shall promptly prepare and sign a memorandum setting forth such agreement (a “**Memorandum of Agreement**”). If the Indemnified Party and the Indemnifying Party are unable to agree as to any particular item or items or amount or amounts, then the items and amount of indemnification to which an Indemnified Party may be entitled under this Article 8 shall be determined by the dispute resolution procedures provided for in Section 9.12.

(iii) Claims for Losses specified in any Indemnification Certificate to which an Indemnifying Party shall not object in writing within twenty (20) days of receipt of such Indemnification Certificate, claims for Losses covered by a Memorandum of Agreement, claims for Losses the validity and amount of which have been otherwise determined as described in Section 8.3(a)(ii), and claims for Losses the validity and amount of which shall have been settled with the consent of the Indemnifying Party, as described in Section 8.3(b), are hereinafter referred to collectively, as “**Agreed Claims**.” Within ten (10) days of the determination of the amount of any Agreed Claims, the Indemnifying Party shall pay to the Indemnified Party an amount equal to the Agreed Claim by wire transfer in immediately available funds to the bank account or accounts designated by the Indemnified Party in a Notice to the Indemnifying Party delivered not less than two (2) days prior to such payment.

(b) Third Party Claims.

(i) If any Person who is not a Party (or an Affiliate thereof) notifies any Indemnified Party with respect to any matter (a “**Third Party Claim**”) that could be reasonably expected to give rise to a claim by such Indemnified Party for indemnification against any Indemnifying Party under this Agreement, then the Indemnified Party shall promptly notify the Indemnifying Party by delivering an Indemnification Certificate thereto; provided, however, that the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder except to the extent such failure shall have materially prejudiced the Indemnifying Party (except that the Indemnifying Party will not be liable for any expenses incurred by the Indemnified Party during the period in which the Indemnified Party failed to give such Notice), it being understood and agreed that the failure of the Indemnified Party to so notify the Indemnifying Party prior to settling a Third Party Claim (whether by paying a claim or executing a binding settlement agreement with respect thereto) or the entry of a judgment or issuance of an award with respect to a Third Party Claim shall constitute actual prejudice to the Indemnifying Party’s ability to defend against such Third Party Claim. Thereafter, the Indemnified Party will deliver to the Indemnifying Party, promptly after the Indemnified Party’s receipt thereof, copies of all notices and documents (including court papers) received or transmitted by the Indemnified Party relating to the Third Party Claim.

(ii) The Indemnifying Party will have the right to participate in or assume the defense of any Third Party Claim with counsel of the Indemnifying Party’s choice, reasonably satisfactory to the Indemnified Party, so long as (A) the Indemnifying Party notifies the Indemnified Party, within ten (10) days after the Indemnified Party has given Notice of the Third Party Claim to the Indemnifying Party (or by such earlier date as may be necessary under applicable procedural rules in order to file a timely appearance and response) that the Indemnifying Party is assuming the defense of such Third Party Claim and will indemnify the Indemnified Party against such Third Party Claim in accordance with this Article 8, (B) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party has and will at all times continue to have the financial resources to defend the Third Party Claim (including any increased losses caused by such defense) and fulfill its indemnification obligations hereunder with respect thereto, (C) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently and at its own costs and expense, and (D) the Third Party Claim does not involve injunctive relief, specific performance or other similar equitable relief, any Claim in respect of Taxes, any Governmental Authority or any potential damage to the goodwill or reputation of SEARHC, the goodwill or reputation of the City, or the Business.

(iii) So long as the conditions set forth in Section 8.3(b)(ii) are and remain satisfied, then (A) the Indemnifying Party may conduct the defense of the Third Party Claim in accordance with Section 8.3(b)(ii), (B) the Indemnified Party may retain separate co-counsel at its sole cost and expense to participate in the defense of the Third Party Claim, it being understood that the Indemnifying Party will control such defense subject to the limitations set out in this Section 8.3(b), (C) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (not to be unreasonably withheld, conditioned or delayed), (D) the Indemnifying Party will not consent to the entry of any judgment with respect to the Third Party

Claim, or enter into any settlement, which either imposes an injunction or other equitable relief upon the Indemnified Party or does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all Liability with respect thereto, and (E) the Indemnified Party shall, at the Indemnifying Party's request and at the Indemnifying Party's expense, cooperate in the defense of the matter.

(c) In the case of indemnification claims against the City for which SEARHC intends to pursue recovery against the Escrow Accounts, SEARHC will also deliver a copy of any Notice or Indemnification Certificate provided under this Section 8.3 to the Escrow Agent.

(d) In no event shall an Indemnifying Party be liable to an Indemnified Party for any special or punitive damages, except with respect to any special or punitive damages arising from a Third Party Claim that such Indemnified Party is required to pay to any Person who is not a Party (or an Affiliate thereof).

(e) For purposes of determining the amount of any Losses that are the subject matter of a Claim for indemnification hereunder, each representation, warranty, and covenant in this Agreement and the Closing Documents, and each certificate or document delivered pursuant hereto, shall be read without regard and without giving effect to the term(s) "material" or "Material Adverse Change" or similar qualifiers as if such words and surrounding related words (e.g. "reasonably be expected to," "could have" and similar restrictions and qualifiers) were deleted from such representation, warranty or covenant; provided, however, that the foregoing clause shall not apply to the Fundamental Representations or the term "Material Contracts."

(f) With respect to any claim under this Article 8, after (i) any final decision, judgment, or award shall have been rendered by a Governmental Authority of competent jurisdiction and the expiration of the time in which to appeal therefrom, (ii) a settlement shall have been consummated with respect to a Third Party Claim, (iii) SEARHC and the City have arrived at a mutually binding Memorandum of Agreement, or (iv) an Indemnifying Party fails to object within the time period provided: (A) if the Indemnified Party is the City, the City will forward to SEARHC notice of any sums due and owing by it in accordance with this Agreement with respect to such matter and SEARHC will pay all of such remaining sums so due and owing to the City in accordance with this Article 8 and (B) if the Indemnified Party is SEARHC, SEARHC will forward to the City notice of any sums due and owing by it in accordance with this Agreement with respect to the matter and (w) if applicable, SEARHC and the City shall jointly instruct the Escrow Agent to pay such remaining sums so due and owing (to the extent that funds remain in the Escrow Accounts), (x) if applicable, SEARHC will have the right to offset amounts otherwise owing to the City under Section 1.6(c)(ii) in satisfaction of such SEARHC Indemnifiable Amounts, (y) the City will pay all of such remaining sums so due and owing to SEARHC in accordance with this Article 8, or (z) the SEARHC Indemnifiable Amounts may be satisfied through a combination of the methods described in subsections (w) through (y).

(g) Following the Closing, the sole and exclusive remedy for any and all Claims arising under, out of, or related to this Agreement, or the sale and purchase of the Acquired Assets and the assumption of the Assumed Liabilities, shall be the rights of indemnification set forth in this Article 8 and the Escrow Agreement and rights to seek and obtain specific performance or

injunctive relief under Section 9.11 for breach of any covenant under this Agreement, and no Person will have any other entitlement, remedy or recourse, whether in contract, tort or otherwise, it being agreed that all of such other remedies, entitlements and recourse are expressly waived and released by the Parties hereto to the fullest extent permitted by law; provided, that nothing in this Section 8.4(g) shall limit a Party's rights in the case of fraud or willful misconduct.

ARTICLE 9

MISCELLANEOUS

9.1 Amendments. This Agreement may not be amended, modified or supplemented without the written consent of the Parties hereto.

9.2 Waiver. No waiver by any Party of such Party's rights, powers or privileges hereunder, will be binding against any other Party. No such waiver by a Party will be enforceable against such Party unless such waiver was given in a written instrument signed by such Party. The waiver by any Party of any of such Party's rights, powers or privileges hereunder arising because of any breach, default or misrepresentation under or with respect to a provision hereof, whether intentional or not, will not thereby extend (and will not be deemed to thereby extend) to any prior or subsequent breach, default or misrepresentation, respectively, by such Party or by another Party and will not affect in any way any rights, powers or privileges arising by virtue of any such prior or subsequent occurrence. No failure or delay by any Party in exercising any of such Party's rights, powers or privileges hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or otherwise.

9.3 Notice. Any notice, request, demand, waiver, consent, approval or other communication (any of the foregoing, a "**Notice**") that must or may be given pursuant hereto must be in writing and will be deemed given only as follows: (1) on the date established by the sender as having been delivered personally; (2) on the date delivered by a commercial overnight courier as established by the sender by evidence obtained from the courier; (3) if sent by email, then upon confirmation of transmission thereof; or (4) on the third (3rd) Business Day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid; and be addressed (depending upon the method of Notice) as follows:

If to the City:

Keith Brady
Municipal Administrator
City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835
Email: keith.brady@cityofsitka.org

With a copy to:

Schwabe, Williamson and Wyatt
1420 5th Avenue, Suite 3400
Seattle, WA 98101
Attention: Sandra T. Johnson
Email: sjohnson@schwabe.com

If to SEARHC:

SouthEast Alaska Regional
Health Consortium
3100 Channel Drive
Suite 300
Juneau, Alaska 99801-7837
Attention: General Counsel
Email: mdouglas@searhc.org

With a copy to:

K&L Gates LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98101
Attention: Carla DewBerry
Email: carla.dewberry@klgates.com

Notwithstanding the foregoing contact information set forth in this Section 9.3, a Party is permitted to validly deliver a Notice pursuant hereto to such other address or to the attention of such Person or Persons as the recipient Party has specified by prior Notice (in accordance with this Section 9.3) to the sending Party (or, in the case of counsel, to such other readily ascertainable business address as such counsel might hereafter maintain). If more than one method for sending Notice as set forth above is used, then the earliest Notice date established as set forth in this Section 9.3 will control for purposes of determining when such Notice is deemed to have been given.

9.4 Counterparts. This Agreement may be executed in any number of counterparts (including by means of signature pages sent electronically by facsimile or in a .pdf format), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.5 Severability. In the event any provision of this Agreement or portion thereof is found to be wholly or partially invalid, illegal or unenforceable in any Proceeding, such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed severed from this Agreement, as the case may require, and the balance of this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified or restricted or as if such provision had not been originally contained herein, as the case may be.

9.6 Governing Law. This Agreement shall be construed in accordance with the laws of the State of Alaska, without regard to conflicts of laws principles.

9.7 Assignment. This Agreement shall be binding upon, and shall inure to the benefit of, the Parties named herein and their respective successors and permitted assigns. Each Party shall not, and shall not purport, to assign any of such Party's rights hereunder or to delegate any

of such Party's obligations hereunder without the prior written consent of SEARHC, in the case of an attempted assignment or delegation by the City, or the Assembly, in the case of an attempted assignment or delegation by SEARHC, and any such purported assignment or delegation without obtaining such written consent will be void *ab initio*; provided, that either party may, without obtaining the other Party's written consent: (a) assign any of its rights hereunder to one or more of its Affiliates that has agreed to be bound by the terms hereof; (b) designate one or more of its Affiliates to perform its obligations hereunder, provided that such delegation shall not relieve the delegating Party of any of its Liabilities hereunder; or (c) upon the delivery of Notice to the City, SEARHC may assign any of its rights hereunder to any Person solely in order to secure financing for the transactions contemplated in this Agreement in order to provide security for SEARHC's financing obligations related to the transactions contemplated in this Agreement.

9.8 Expenses. Except as otherwise expressly provided herein, each Party shall bear such Party's costs and expenses and the costs and expenses of such Party's Affiliates in connection with the negotiation, preparation, execution, and delivery of this Agreement and of the Party's Closing documents, including all legal, accounting, financial advisory, consulting, and all other fees and expenses of third parties, whether or not the transactions contemplated by this Agreement and the Closing documents are consummated.

9.9 Third Parties; Hospital Obligations. Except as expressly provided in Section 8.2(a) and 8.2(b), this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns. Without limiting the generality of the foregoing, no Transferred Employee shall be deemed a third party beneficiary of this Agreement. The City will cause the Hospital to take all actions and undertake all obligations, as applicable (a) to the extent the Hospital is assigned any actions or obligations under this Agreement, and (b) with respect to, any requirements of the City under this Agreement which relate to actions or obligations, which in accordance with Law, must or should be taken by the Hospital.

9.10 Entire Agreement. This Agreement, the Facility Lease Agreement, the City's Closing Documents, and SEARHC's Closing Documents, including their respective schedules, exhibits, appendices, annexes, indices, and other attachments, if any, (a) are a final, complete, and exclusive statement of the agreement and understanding of the Parties with respect to the subject matter hereof and thereof and the transactions contemplated hereby and thereby, (b) collectively constitute the entire agreement of the Parties with respect to the subject matter hereof and thereof and the transactions contemplated hereby and thereby, and (c) supersede and merge herein and therein any prior or contemporaneous negotiations, discussions, representations, understandings, and agreements between or among any of the Parties, whether oral or written, with respect to the subject matter hereof and thereof and the transactions contemplated hereby and thereby, including the Letter of Intent between the Parties dated September 27, 2018.

9.11 Specific Performance; Injunctive Relief. The Parties agree that irreparable damage would occur in the event any of the provisions of this Agreement and the Facility Lease were not performed in accordance with their specific terms or were otherwise breached or threatened to be breached and that an award of money damages would be inadequate in such event. Accordingly, it is acknowledged that the Parties, without proof of actual damages, may obtain

relief, including an injunction or injunctions or Orders for specific performance to prevent breaches of the provisions of this Agreement and the Facility Lease, and to enforce specifically the terms and provisions of this Agreement and the Facility Lease, in addition to any other remedy to which they are entitled at law or in equity as a remedy for any such breach or threatened breach. Each Party further agrees that neither Party nor any other Person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 9.11, and each Party (a) irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument and (b) agrees to cooperate fully in any attempt by the other Party in obtaining such equitable relief.

9.12 Dispute Resolution.

(a) In the event of any dispute or disagreement between the Parties following the Closing as to the interpretation of any provision of this Agreement and the Facility Lease or the performance of any obligations thereunder, the matter, upon the written request of any Party, shall be referred to representatives designated by each respective Party for resolution binding on the Parties. Such representatives shall promptly meet in a good faith effort to resolve the dispute.

(b) If the representatives do not agree upon a resolution within thirty (30) calendar days after reference of the matter to them, the Parties shall consider whether mediation may be useful in resolving all or any portion of the dispute or disagreement. If the Parties elect to engage in mediation, the mediation shall be administered by the American Arbitration Association under its Commercial Mediation Procedures with the mediator being selected using the process described in Section 9.12(b) below as applied to mediators, rather than to arbitrators, or such other process as the Parties shall then agree, and the mediation shall take place as soon as possible. Each Party shall bear all of its own expenses. The mediators' fees and expenses shall be shared equally by the Parties. Any resolution resulting from the mediation shall be reduced to writing as a settlement agreement, and shall be binding upon the Parties. The requirements of filing a notice of claim with respect to the dispute submitted to mediation shall be suspended until the conclusion or abandonment of the mediation process, in which case each Party shall be free to exercise the remedies available to it under Section 9.12(b).

(c) If any controversy, dispute or claim arising out of or relating in any way to this Agreement, the Facility Lease or the transactions contemplated hereunder or thereunder is not resolved by negotiation pursuant to Section 9.12(a), then either Party involved in such controversy, dispute or claim may demand that the controversy, dispute or claim be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect by three arbitrators selected in accordance with such rules unless the parties shall agree on a single arbitrator. Each such arbitrator shall have at least ten years of experience in the healthcare field. The arbitration proceedings shall be held in Anchorage, Alaska, or another mutually acceptable neutral venue. Each Party shall bear all of its own expenses and the arbitrators' fees and expenses shall be shared equally by the parties to the arbitration; provided, however, that at the conclusion of the arbitration, the arbitrator shall award costs and expenses (including the costs of the arbitration previously advanced and the fees and expenses of attorneys, accountants and other experts) to the prevailing Party or Parties. The decision of the arbitrators shall (i) be rendered in writing, and concurred in by a majority of the arbitrators, if more than one,

and (ii) be final, binding and conclusive and entitled to be enforced to the fullest extent permitted by law and entered in any court of competent jurisdiction. To the extent practical, the decision of the arbitrators shall be rendered no more than thirty (30) days following commencement of proceedings with respect thereto. The arbitrators shall have the power to grant equitable relief. The arbitrators shall cause their written decision to be delivered to the Parties. The Parties consent to the jurisdiction of the foregoing arbitrator or arbitrators and further consent to the jurisdiction of any state or federal court located in the State of Alaska for the purpose of enforcing the agreement to arbitrate set forth in this Section 9.12 and any decision or award of the arbitrators. The Parties agree that service of process may be made on any such Party by any means specified for Notice in Section 9.3 (other than subsection (3)). The submission to the jurisdiction of the courts referred to above for the purpose of enforcing the agreement to arbitrate set forth in this Section 9.12 and the decision or award of the arbitrators shall not (and shall not be construed so as to) limit the right of any Party to file or commence a proceeding against the other in any other court of competent jurisdiction for the purpose of enforcing the decision or award of the arbitrators if and to the extent permitted by applicable law. In the event any suit or other legal proceeding is brought for the enforcement of the agreement to arbitrate set forth in this Section 9.12 or any decision or award of the arbitrators, the Parties agree that the prevailing Party or Parties shall be entitled to recover from the other Party or Parties upon final judgment on the merits reasonable attorneys' fees, including attorneys' fees for any appeal and costs incurred in bringing such suit or proceeding. Notwithstanding anything to the contrary provided in this Section 9.12(b), and without prejudice to the above procedures, any Party may apply to any court of competent jurisdiction for temporary injunctive or other provisional judicial relief if such action is necessary to avoid irreparable damage or to preserve the status quo until such time as the arbitrator is selected and available to hear such Party's request for temporary relief.

(d) The City understands and agrees that SEARHC possesses sovereign immunity from suit as a tribal organization, recognized under the terms of the ISDEAA and acting on behalf of its constituent tribal governments. SEARHC hereby provides a limited waiver of sovereign immunity as follows: only to the limited extent necessary to pursue arbitration as described in this Section 9.12 or to seek judicial review to enforce the agreement to arbitrate set forth in this Section 9.12 and any binding decision or award issued in accordance with such dispute resolution mechanism. Sovereign immunity is not waived as to any employee, board member, constituent tribe or agent of SEARHC. This limited waiver of sovereign immunity shall be deemed consent to jurisdiction only in the following fora: arbitration as described in this Section 9.12 and the jurisdiction of any state or federal court located in the State of Alaska First Judicial District for the purpose of enforcing the agreement to arbitrate set forth in this Section 9.12 and the decision or award of the arbitrators. This limited waiver of sovereign immunity authorizes the following form and only the following form of relief: an order directing of the payment of monies due and owing under this Agreement, and specific performance and injunctive relief as contemplated in Section 9.11. Except as expressly stated herein, SEARHC does not intend to waive, and hereby expressly reserves, the sovereign immunity of its constituent Tribes. Nothing contained in this Agreement shall be construed as a waiver any of its constituent Tribes' sovereign immunity.

9.13 Construction. The Parties have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this

Agreement shall be construed as if drafted jointly by the Parties and no presumptions or burdens of proof shall arise favoring any Party by virtue of the authorship of any of the provisions of this Agreement. As used in this Agreement, the word “including” means without limitation, the word “or” is not exclusive and the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. Each defined term used in this Agreement shall have a comparable meaning when used in its plural or singular form. Unless the context otherwise requires, references herein: (a) to Articles, Sections, Exhibits and Schedules mean the Articles and Sections of and the Exhibits and Schedules attached to this Agreement, (b) to an agreement, instrument or document means such agreement, instrument or document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and not prohibited by this Agreement and (c) to a Law means such Law as amended from time to time and includes any successor legislation thereto. The headings and captions used in this Agreement, in any Schedule or Exhibit hereto, in the table of contents or in any index hereto are for convenience of reference only and do not constitute a part of this Agreement and shall not be deemed to limit, characterize or in any way affect any provision of this Agreement or any Schedule or Exhibit hereto, and all provisions of this Agreement and the Schedules and Exhibits hereto shall be enforced and construed as if no caption or heading had been used herein or therein. Any capitalized terms used in any Schedule or Exhibit attached hereto and not otherwise defined therein shall have the meanings set forth in this Agreement (or, in the absence of any ascribed meaning, the meaning customarily ascribed to any such term in the healthcare industry or in general commercial usage). All amounts payable hereunder and set forth in this Agreement are expressed in U.S. dollars, and all references to dollars (or the symbol “\$”) contained herein shall be deemed to refer to United States dollars.

9.14 Incorporation of Exhibits and Schedules. Notwithstanding any provision of this Agreement to the contrary, SEARHC and the City acknowledge and agree that, with respect to any exhibit and/or schedule referenced in this Agreement but not completed and attached hereto as of the Execution Date, SEARHC and the City shall, subject to the terms of Section 6.2 hereof, in good faith negotiate the contents of such exhibit and/or schedule prior to the Closing Date. Subject to the foregoing, the exhibits, and schedules identified in this Agreement are incorporated herein by reference and made a part hereof. Any matter contained in any one section or schedule shall be deemed to be included in any other section or schedule to the extent it is reasonably apparent on its face to a reasonable Person familiar with the healthcare industry that such information is relevant to another section or schedule.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement effective as of the ____ day of _____, 2019.

CITY

By: _____

Name: _____

Title: _____

SEARHC

By: _____

Name: _____

Title: _____

Exhibit A Defined Terms

For purposes of this Agreement, the following terms and variations thereof have the meanings specified or referred to in this Exhibit A:

“**Accounts Payable**” has the meaning set forth in Section 1.4(i).

“**Accounts Receivable**” means all accounts receivable of the City, as of the Effective Time, and all rights to payment, whether billed or unbilled, recorded or unrecorded, accrued and existing, whether or not written off, with respect to the Business, including rights to payment for all goods and services that the City has provided at or through the SCH Hospital Facility to its patients prior to the Effective Time.

“**Accrued PTO**” has the meaning set forth in Section 1.3(c).

“**Acquired Assets**” has the meaning set forth in Section 1.1.

“**Affiliate**” means, with respect to any particular Person, any other Person controlling, controlled by or under common control with such Person. For purposes of this definition, the term “control” (including its correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and with respect to the City includes the power to form (or approve the formation of) any other Person.

“**Agency Settlements**” means, with respect to the Business, all rights to or liabilities for settlement, overpayments, fines, cost, fees and retroactive adjustments, if any, for (i) open cost reporting periods ending on or prior to the Closing Date (whether open or closed) arising from or against any Government Reimbursement Program or other payor, as well as (ii) such rights and potential liabilities of others related to the Medicare and Medicaid Statute, the civil False Claims Act (31 U.S.C. §3729, et seq.), the Anti-Kickback Statute (42 U.S.C. §1320a-7b(b), the Limitation on Physician Self-Referral Statute, known as the Stark Law (42 U.S.C. §1395nn), the anti-kickback provisions of the SUPPORT for Patients and Communities Act (18 U.S.C. § 220), the Civil Monetary Penalties Statute (42 U.S.C. §1320a-7a), or any other federal or state law, to the extent that the matters referenced in subsections (i) and (ii) above are attributable to services provided, agreements effective, or actions taken or actions not taken, during any period of time prior to the Effective Time.

“**Agreed Claims**” has the meaning set forth in Section 8.3(a)(iii).

“**Agreement**” has the meaning set forth in the introductory paragraph.

“**Assembly**” means the Assembly of the City and Borough of Sitka, Alaska.

“**Assignment and Assumption Agreement**” has the meaning set forth in Section 4.6(b).

“**Assumed Contracts**” has the meaning set forth in Section 1.1(d).

“**Assumed Liabilities**” has the meaning set forth in Section 1.3.

“**Audit Period**” has the meaning set forth in Section 6.20.

“**Borough Charter**” means the Home Rule Charter of the City and Borough of Sitka, Alaska.

“**Break-up Fees**” has the meaning set forth in Section 7.3(b).

“**Business**” has the meaning set forth in Recital B.

“**Business Day**” means any day that is not a Saturday, a Sunday or other day on which government offices are required or authorized by Law to be closed in Sitka, Alaska.

“**CAH Hospital**” has the meaning set forth in Recital A.

“**Catastrophic Material Casualty**” means damage or destruction to an essential or significant portion of the physical structure of the SCH Hospital Facility or MEH, as the case may be, by fire or the elements or by any other catastrophic cause and (i) the cost to repair such damage is reasonably likely to exceed the proceeds of both Parties’ insurance and sums payable thereunder for such damage or destruction by \$250,000 or (ii) continued operation of the Hospital or MEH has become impossible, unsafe, or unlawful.

“**Cerner System**” means that certain electronic medical records and health information system(s) offered by the Cerner Corporation and/or its Affiliates.

“**City**” has the meaning set forth in the introductory paragraph.

“**City Administrator**” means the administrator of the City and Borough of Sitka, Alaska.

“**City Break-up Fee**” has the meaning set forth in Section 7.3(a).

“**City’s Closing Documents**” has the meaning set forth in Section 4.6.

“**City Funded Escrow Account**” means an account established with the Escrow Agent pursuant to the Escrow Agreement into which the city Funded Escrow Amount is deposited to serve as a partial mechanism to satisfy the obligations of the City under Article 8.

“**City Funded Escrow Amount**” has the meaning set forth in Section 1.7(b).

“**City Indemnifiable Losses**” has the meaning set forth in Section 8.2(c).

“**City Indemnified Parties**” has the meaning set forth in Section 8.2(b).

“**City PIP Payments**” has the meaning set forth in Section 6.11(a).

“**Claims**” means all charges, complaints, actions, suits, proceedings, hearings, investigations, claims, and demands.

“**Closing**” has the meaning set forth in Section 1.5(a).

“**Closing Date**” has the meaning set forth in Section 1.5(a).

“**Closing Documents**” means the City’s Closing Documents and SEARHC’s Closing Documents.

“**COBRA**” means Section 4980B of the Code and Sections 601 through 608, inclusive, of ERISA.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Community Health Council**” has the meaning set forth in Section 6.16.

“**Competitive Transaction**” means a transaction that would be in competition with or in lieu of the transactions contemplated by this Agreement; provided, however, that the following shall not be considered “Competitive Transactions”: (i) any transactions conducted in the Ordinary Course of Business or (ii) in the case of SEARHC, (A) any health care delivery provided or arranged by SEARHC outside of the City and Borough of Sitka, Alaska, or (B) any Competitive Transaction related to health care matters outside of the City and Borough of Sitka, Alaska.

“**Confidential Information**” means any proprietary financial, economic, and business information relating to SEARHC’s practice, operations, policies, procedures, and methodologies.

“**Continuing Interim Services**” has the meaning set forth in Section 6.15(b).

“**Contract**” means any contract, agreement, license, sublicense, franchise, mortgage, purchase order, indenture, loan agreement or instrument or any binding commitment to enter into any of the foregoing (in each case, whether written or oral) to which the City or the Hospital is a party or by which any of the assets used in the Business are bound, but excluding Licenses.

“**Date Operations are Discontinued**” has the meaning set forth in Section 6.21(b).

“**Discounted Present Value of Installment Payments**” has the meaning set forth in Section 6.21(b).

“**Effective Time**” has the meaning set forth in Section 1.5(a).

“**Employee Benefit Plan**” means, with respect to the employees of the City or the Hospital who provide services in connection with the Business: (i) the PERS Plans and each other “employee benefit plan,” as such term is defined in Section 3(3) of ERISA, regardless of whether subject to the requirements of ERISA; and (ii) all other pension, retirement, profit sharing, welfare, wellness, disability, group insurance, retention, change-in-control, sale bonus, severance pay, deferred compensation, flexible benefit, excess or supplemental benefit, vacation, stock-related, stock option, phantom stock, fringe benefits and incentive plans, and all employment agreements, termination, severance or other Contracts, whether formal or informal, whether or not set forth in writing, whether covering one Person or more than one Person, and whether or not subject to any of the provisions of ERISA, which pertain to any employee, former employee, or official, of the

City, the Hospital, or an Affiliate of either (a) to which the City, the Hospital or any Affiliate of either is or has been a party or by which any of them is or has been bound as of any time up to and including the Effective Time or (b) to which the City, Hospital or any Affiliate of either may otherwise have any liability (including any such plan or arrangement formerly maintained by the City, the Hospital or any such Affiliate of the either).

“**Encumbrance**” means any charge, claim, equitable interest, lien, encumbrance, option, pledge, security interest, mortgage, easement, license, encroachment, rights of way, obligation to offer or transfer, right of first refusal or first option on transfer, conditional sale or other title retention agreement, or restriction of any kind.

“**Environmental Laws**” means shall mean all federal, state, local and foreign statutes, regulations, and ordinances concerning public health and safety, worker health and safety, and pollution or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any Hazardous Materials, as such requirements are enacted and in effect on or prior to the Closing Date.

“**Environmental Requirements**” has the meaning set forth in Section 2.14.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, and the regulations and rules issued pursuant thereto.

“**Escrow Accounts**” means the City Funded Escrow Account and Purchase Price Escrow Account.

“**Escrow Agent**” means [_____].

“**Escrow Agreement**” has the meaning set forth in Section 4.6(g).

“**Excluded Assets**” has the meaning set forth in Section 1.2.

“**Excluded Contracts**” has the meaning set forth in Section 1.2(b).

“**Excluded Liabilities**” has the meaning set forth in Section 1.4.

“**Execution Date**” has the meaning set forth in the introductory paragraph.

“**Expanded Hospital Facility**” means (i) a critical access hospital with four (4) operating rooms and with facilities to replace all acute care services provided by the Hospital as of the Closing Date, (ii) a new medical office building housing primary and specialty clinics with up to fifty (50) treatment rooms as well as a laboratory and radiology services, and (iii) a long term care facility.

“**Excess PTO Liability**” has the meaning set forth in Section 1.3(c).

“**Facility Lease**” has the meaning set forth in Section 4.6(e).

“**Financial Statements**” has the meaning set forth in Section 2.18(a).

“**Floor Amount**” has the meaning set forth in Section 1.6(c)(ii)(B).

“**Force Majeure**” means (i) acts of God; (ii) a catastrophic natural disaster; (iii) war, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (iv) national or regional emergency; or (v) other events beyond the reasonable control of SEARHC.

“**Forfeited Amount**” has the meaning set forth in Section 1.7(c).

“**Fundamental Representations**” means the representations and warranties set forth in Sections 2.1 (Organization; Power and Authority), 2.3(a) (Assets), 2.9 (Government Reimbursement Participation; Health Care Law Compliance), and 2.14 (Environmental Matters).

“**GAAP**” means United States generally accepted accounting principles as in effect from time to time.

“**Government Reimbursement Programs**” means Medicare, Medicaid, the TRICARE program, and all other similar federal, state or local reimbursement or governmental programs for which the Business is eligible.

“**Governmental Authority**” means (i) the United States of America, (ii) the State of Alaska, (iii) the City and Borough of Sitka, Alaska, and (iv) any agency, authority or instrumentality of any of the foregoing, including any court or other tribunal.

“**Hazardous Materials**” means any substance by character or concentration defined in or regulated under any Environmental Law to be a pollutant, hazardous substance, radioactive substance, toxic substance, hazardous waste, medical waste, radioactive waste, special waste, petroleum or petroleum-derived substance or waste, asbestos, polychlorinated biphenyls, or any hazardous or toxic constituent thereof and includes, but is not limited to, any substance defined in or regulated under any Environmental Law.

“**HHA**” has the meaning set forth in Recital A.

“**Hospital**” has the meaning set forth in Recital A.

“**Indebtedness**” of any Person means, as of a particular time, without duplication, (i) all obligations of such Person for borrowed money or which have been incurred in connection with the acquisition of property or assets; (ii) obligations secured by any Encumbrance upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations; (iii) obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, notwithstanding the fact that the rights and remedies of the City, lender or lessor under such agreement in the event of default are limited to repossession or sale of the property; (iv) capitalized lease obligations; (v) obligations with respect to interest rate or currency swaps, collars, caps and similar hedging obligations; (vi) all guaranties, surety or indemnity obligations by such Person; and (vii) all obligations of such Person in regard to guaranties or sureties by others of such Person’s obligations, regardless of whether by payment or performance, or whether such guaranties are in the form of

letters of credit, deposits, bonds, insurance or other forms of security, indemnity, surety or guaranty.

“**Indemnification Certificate**” has the meaning set forth in Section 8.3(a)(i).

“**Indemnified Party**” has the meaning set forth in Section 8.3(a)(i).

“**Indemnifying Party**” has the meaning set forth in Section 8.3(a)(i).

“**Initial City Escrow Amount**” has the meaning set forth in Section 1.7(b).

“**Intellectual Property**” means any and all of the following (including all copies and embodiments thereof, in electronic, written or other media, all rights to seek and recover damages and/or settlements for any Claims whatsoever related thereto, and all improvements thereto) in the United States and outside of the United States: (i) all registered and unregistered trademarks, trade dress, industrial designs, service marks, logos, trade names, corporate names, social media designations, other indicia of source of origin, all applications to register the same, and all goodwill related thereto; (ii) all issued United States and foreign patents and pending patent applications, patent disclosures and improvements thereto, all renewals, extensions, divisions, continuations, continuations-in-part thereof, and all rights related thereto; (iii) all registered and unregistered copyrights and all applications to register the same, all copyrightable works, and all derivative works thereof; (iv) all computer software and databases (excluding software and databases that are licensed under standard, off-the-shelf, non-exclusive software licenses granted to end-user customers by third parties in the ordinary course of such third parties’ business with annual fees or other payments of less than \$5,000 per license); (v) all trade secrets, know-how, inventions (whether or not patentable and whether or not reduced to practice), recipes, formulas, product methods, processes, procedures, drawings, specifications, designs, plans, proposals, technical data, financial, marketing, and business data (including customer relationship management data), pricing and cost information, business and marketing plans, customer leads, customer and supplier lists and information and other confidential and proprietary information; and (vii) all Internet domain names, websites and website materials, and all registrations.

“**Interim Financial Statements**” has the meaning set forth in Section 2.18(a).

“**Interim Operating Period**” means the period from the Closing Date until the start of the operations of the Expanded Hospital Facility.

“**ISDEAA**” has the meaning set forth in Recital C.

“**Knowledge**” means that a particular fact or other matter will be imputed to the City, if (i) a member of the Knowledge Group was aware of the fact or matter, in each case assuming the exercise of reasonable inquiry and investigation by such person, or (ii) a reasonably prudent individual who is a member of the Knowledge Group could be expected to discover or otherwise become aware of, or take notice of, that fact or matter in the course of conducting his or her responsibilities in the conduct of his or her duties for the City or the Hospital, as applicable.

“Knowledge Group” means the Chief Executive Officer of the Hospital, the Chief Financial Officer of the Hospital, the Risk Manager/Compliance Officer of the Hospital, the Human Resources Coordinator of the Hospital, and the Chief Financial Officer of the City.

“Law” means any law, statute, the Sitka Municipal Code or the Borough Charter, ordinance, regulation, rule, Order, stipulation, common law doctrine, federal statute, federal regulation, federal policy preempting state law, rule of interpretation or other legal requirement of any Governmental Authority including but not limited to the Americans with Disabilities Act of 1990 (ADA), 42 U.S.C. 12101, et seq., the Civil Rights Act of 1964, 42 U.S.C. 2000d, et seq., the Fair Labor Standards Act, 29 U.S.C. 201, et seq., and all federal and state laws that apply to development, construction and operation of a hospital.

“Leased Equipment” has the meaning set forth in Section 2.6(b).

“Liabilities” mean any liability (whether known or unknown, fixed or contingent, liquidated or unliquidated, and due or to become due), obligation or Indebtedness, including any liability for Taxes.

“Licenses” means any license or permit required to be issued by any Governmental Authority, and any approval, authorization, consent, notice, qualification, registration, certificates of need, certificates of exemption, franchises, accreditations, and all applications therefor and waivers of any requirements pertaining thereto, or any extension, modification, amendment or waiver of any of the foregoing, of or from, or any notice, statement, filing or other communication to be filed with or delivered to, any Governmental Authority.

“Loss or Losses” mean any and all Liabilities, damages, fines, costs, fees, penalties, deficiencies, losses, amounts paid in settlement and expenses (including interest, court costs, reasonable fees of attorneys, accountants and other experts or other expenses of litigation or other proceedings) of a Party related to any Claim, default or assessment described in, arising under or otherwise relating to the Agreement or the transactions contemplated herein.

“Material Adverse Change” means any event, change or occurrence that, individually or together with any one or more other events, changes or occurrences, would be reasonably likely to materially and adversely affect the Business, the assets or liabilities of the City or the Hospital with respect to the Business, the results of operations or financial condition of the Hospital, or the ability of either Party to consummate the transactions contemplated hereby; provided, however, that none of the following, and no events, changes or occurrences, individually or in the aggregate, to the extent arising out of, resulting from or attributable to any of the following shall constitute or be taken into account in determining whether a Material Adverse Change has occurred or may, would or could occur.³

(a) (i) changes generally affecting the economy, credit, capital or financial markets or political conditions in the United States, including changes in interest and exchange rates, (ii) changes that are the result of acts of war (whether or not declared), armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war (whether or not declared), armed

³ Note to draft: Discussion deferred until contracts have been reviewed.

hostilities, sabotage or terrorism or (iii) epidemics, pandemics, earthquakes, hurricanes, tornados or other natural disasters;

(b) changes that are the result of factors generally affecting the healthcare industry; or

(c) changes or prospective changes in any Law or GAAP or interpretation or enforcement thereof after the date hereof;

provided further, however, that any event, change, or occurrence referred to in clause (a), (b) or (c) may constitute and shall be taken into account in determining whether or not a Material Adverse Change has occurred, or would be reasonably expected to occur, to the extent such event, change or occurrence has a materially disproportionate adverse impact on the City or the Hospital as compared to other participants in the healthcare industry (in which case the incremental disproportionate impact or impacts shall be taken into account in determining whether or not a Material Adverse Change has occurred).

“Material Condemnation” means (i) any taking of any portion of the Real Property or the MEH Campus or (ii) conveyance of any portion of the Real Property or the MEH Campus after receipt of written notice of an offer to purchase under a threat of condemnation by power of eminent domain, if the result of such taking or conveyance would render the remainder of (A) the Real Property unsuitable for the operation of a rehabilitation center, a long-term care facility, and a site for the offering of rehabilitative services (including physical therapy, occupational therapy and speech therapy programs), or (B) the MEH Campus unsuitable for the operation of a hospital, a medical office building, primary care clinics and a long term care facility.

“Material Contract” means each Contract that the City, the Hospital or any Affiliate of either is a party to and which is material to the Business and the operation of the SCH Hospital Facility, including all provider network agreements, clinical affiliation agreements, medical director agreements, consulting agreements, management services agreements, professional services agreements, transfer agreements, recruitment agreements, employment agreements, real estate lease agreements, personal property lease agreements, supply agreements, software agreements, agreements with managed care, health maintenance, preferred provider, and other third party private payor organizations, and agreements with any Government Reimbursement Program.

“Mayor” means the mayor of Sitka, Alaska.

“Medicare” has the meaning set forth in Section 2.9(a).

“MEH” means the Mt. Edgecumbe Hospital located in the City and Borough of Sitka, Alaska.

“MEH Campus” means the area depicted on Exhibit F.

“Memorandum of Agreement” has the meaning set forth in Section 8.3(a)(ii).

“Notice” has the meaning set forth in Section 9.3.

“**Order**” means any order, injunction, judgment, determination, decree, award, ruling or assessment of any Governmental Authority, or of an arbitration panel provided for in Section 9.12 of this Agreement.

“**Ordinary Course of Business**” means with respect to any Person the ordinary and usual course of normal day-to-day operations of such Person consistent with past custom and practice in all material respects (including with respect to quantity and frequency) of such Person.

“**Party**” or “**Parties**” has the meaning set forth in the introductory paragraph.

“**Payment Date**” means the date on which SEARHC reasonably agrees that (i) the Hospital has entered into such final settlement agreement(s) (or equivalent documents) pursuant to which any and all Claims of all relevant Governmental Authorities related to Agency Settlements have been finally resolved with all such Governmental Authorities and any Liabilities with respect thereto have been paid in full by the City or (ii) the Hospital has no Liabilities to Governmental Authorities related to Agency Settlements.

“**Permitted Encumbrances**” means, with respect to the Acquired Assets, any (i) Encumbrances in respect of property or assets imposed by Laws such as mechanic’s, materialmen’s, warehousemen’s, landlord’s, laborer’s, workmen’s, repairmen’s, carrier’s, supplier’s and similar Encumbrances, including all statutory Encumbrances, arising or incurred in connection with capital expenditures or otherwise in the Ordinary Course of Business for amounts not yet due and payable with respect to the operations of the Hospital, (ii) Encumbrances for Taxes not yet due and payable or for Taxes being contested in good faith and by appropriate proceedings for which adequate reserves have been established, (iii) purchase money Encumbrances (including interests of goods consigned to the City) and Encumbrances securing rental payments under capital lease arrangements, (iv) Encumbrances arising out of a conditional sale, title retention or similar arrangements for the sale of goods entered into in the Ordinary Course of Business, (v) Encumbrances arising from the filing of Uniform Commercial Code financing statements as a precautionary measure in connection with operating leases, (vi) Encumbrances which constitute a setoff or banker’s liens, whether arising by Law or contract, (vii) Encumbrances on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person’s obligations in respect of bankers’ acceptances issued or created in the Ordinary Course of Business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods, (viii) Encumbrances on insurance proceeds in favor of insurance companies granted solely as security for financed premiums, (ix) pledges or deposits under workers’ compensation legislation, unemployment insurance Laws or similar Laws, (x) zoning, building, and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Authority having jurisdiction over such real property which are not violated in any material respect by the current use or occupancy of such real property, (xi) in the case of Real Property Leases, easements, covenants, conditions and other restrictions or matters of record or disclosed by a survey affecting title to real property which do not materially impair the current use or occupancy of the property subject thereto, (xii) any interest or title of a lessee or lessor pursuant to a lease of any portion of the Real Property, and (xiii) all matters, whether or not of record, that arise out of the actions of SEARHC or its agents, representatives or contractors.

“**PERS Plans**” has the meaning set forth in Section 1.6(c)(ii)(A).

“**Person**” means any individual, partnership, corporation, limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or any Governmental Authority.

“**Personal Property**” has the meaning set forth in Section 1.1(a).

“**Personal Property Leases**” has the meaning set forth in Section 1.1(b).

“**PIP Payment**” has the meaning set forth in Section 6.11(a).

“**Prepaid Expenses**” has the meaning set forth in Section 1.2(f).

“**Proceeding**” means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, and whether public or private).

“**PTO Accrual Rate**” has the meaning set forth in Section 6.4(b).

“**PTO Funding**” has the meaning set forth in Section 1.3.

“**Public Records**” has the meaning set forth in Section 6.4(b).

“**Public Records Disclosure Laws**” has the meaning set forth in Section 6.8(b).

“**Purchase Price Escrow Account**” means an account established with the Escrow Agent pursuant to the Escrow Agreement into which the Purchase Price Escrow Amount is deposited to serve as a partial mechanism to satisfy the obligations of the City under Article 8.

“**Purchase Price Escrow Amount**” has the meaning set forth in Section 1.7(a).

“**Purchased Inventory**” has the meaning set forth in Section 1.1(g).

“**Real Property**” has the meaning set forth in Section 2.7(b).

“**Real Property Leases**” has the meaning set forth in Section 1.1(c).

“**SCH Hospital Facility**” has the meaning set forth in Recital A.

“**SEARHC**” has the meaning set forth in the introductory paragraph.

“**SEARHC Break-up Fee**” has the meaning set forth in Section 7.3(b).

“**SEARHC Indemnified Parties**” has the meaning set forth in Section 8.2(a).

“**SEARHC Indemnifiable Losses**” has the meaning set forth in Section 8.2(c).

“**SEARHC’s Closing Documents**” has the meaning set forth in Section 5.4.

“**Settlement Payments**” has the meaning set forth in Section 1.4(h).

“**Sitka Health Care Operations**” has the meaning set forth in Section 6.21(b).

“**SNF**” has the meaning set forth in Recital A.

“**Stark Law**” means Section 1877 of the Social Security Act (42 U.S.C. 1395nn).

“**Straddle Patients**” has the meaning set forth in Section 6.11(b).

“**Surviving Covenants**” has the meaning set forth in Section 8.1(b).

“**Survival Period**” has the meaning set forth in Section 8.1(a).

“**Taxes**” means all (i) taxes, charges, withholdings, fees, levies, imposts, duties and governmental fees or other like assessments or charges of any kind whatsoever in the nature of taxes imposed by any United States federal, state, local or foreign or other Taxing Authority (including those related to income, net income, gross income, receipts, capital, windfall profit, severance, property (real and personal), production, sales, goods and services, use, business and occupation, license, excise, registration, franchise, liquor, employment, payroll (including social security contributions), deductions at source, withholding, alternative or add-on minimum, intangibles, ad valorem, transfer, gains, stamp, customs, duties, estimated, transaction, title, capital, paid-up capital, profits, premium, value added, recording, inventory and merchandise, business privilege, federal highway use, commercial rent or environmental tax, and any liability under unclaimed property, escheat, or similar Laws), (ii) interest, penalties, fines, additions to tax or additional amounts imposed by any Taxing Authority in connection with: (x) any item described in clause (i), or (y) the failure to comply with any requirement imposed with respect to any Tax Return, and (iii) liability in respect of any items described in clause (i) and/or (ii) payable by reason of contract, assumption, transferee, successor or similar liability (including bulk transfer, sales or similar law), operation of law (including pursuant to Treasury Regulations Section 1.1502-6 (or any predecessor or successor thereof or any analogous or similar state, local, or foreign Law)) or otherwise.

“**Tax Return**” means any return, declaration, form, report, claim informational return (including all Forms 1099) or statement required to be filed with any Governmental Authority with respect to Taxes, including any schedule or attachment thereto or amendment thereof.

“**Taxing Authority**” means, with respect to any Tax or Tax Return, the Governmental Authority that imposes such Tax or requires a Person to file such Tax Return and the agency (if any) charged with the collection of such Tax or the administration of such Tax Return, in each case, for such Governmental Authority.

“**Termination Date**” means September 30, 2019.

“**Third Party Claim**” has the meaning set forth in Section 8.3(b)(i).

“**Three Year Anniversary**” has the meaning set forth in Section 1.7(a).

“**Transferred Employees**” has the meaning set forth in Section 6.4(a).

“**Transferred Records**” has the meaning set forth in Section 1.1(h).

“**Transition Patients**” has the meaning set forth in Section 6.11.

“**Treasury Regulations**” means the Treasury regulations promulgated under the Code, as such Treasury Regulations may be amended from time to time. Any reference herein to a particular provision of the Treasury Regulations means, where appropriate, the corresponding successor provision.

“**Wind-Up Activities**” has the meaning set forth in Section 6.22.

Exhibit B
Form of Bill of Sale and Assignment

DRAFT

Exhibit C
Form of Assignment and Assumption Agreement

Exhibit D
Form of Facility Lease

Exhibit E
Form of Escrow Agreement

Exhibit F
MEH Campus

Exhibit G
Expanded Hospital Facility

Exhibit H
Enhanced Services

Exhibit I

SOUTHEAST ALASKA REGIONAL HEALTH CONSORTIUM SITKA COMMUNITY HEALTH COUNCIL CHARTER

This Council Charter (“Charter”) sets forth the duties and responsibilities and governs the operations of the Sitka Community Health Council (the “Council”), an advisory body of the SouthEast Alaska Regional Health Consortium (“SEARHC”).

I. Purpose.

The Council’s purposes are: (i) to advise SEARHC on the needs regarding the health and welfare of the people of Sitka, Alaska, and (ii) to advise SEARHC regarding the operations of SEARHC’s clinic(s) and its hospital(s) located in Sitka, Alaska (the “Sitka Clinical Facilities”).

II. Duties and Responsibilities.

The Council’s primary duties and responsibilities are as follows:

1. Advise SEARHC as to the strategic plan and the direction of its health care services in Sitka;
2. Provide input concerning quality, patient access to care, and patient experience at the Sitka Clinical Facilities;
3. Review the practices and policies of the Sitka Clinical Facilities and recommend to SEARHC changes or adjustments to such practices or policies;
4. Provide information and input from the community of Sitka to SEARHC on the specific geographic, social, health, and welfare needs of the Sitka community;
5. Recommend policies and courses of action to SEARHC that are designed to further the health needs of the people treated in the Service Area; and
6. Provide that once a year, a portion of the Council meeting is open to the general public for its input.

III. Organization.

1. Membership.

a. The Council shall consist of eleven (11) members, as follows:

- i. Five (5) At-Large Members. The initial five At-Large members shall be appointed by the Assembly, as follows:

1. Three members who are active members of the Sitka Community Hospital Board on February ___, 2019. The initial three of these members shall be appointed for initial terms as follows:
 - a. One shall be appointed for a one-year term,
 - b. One shall be appointed for a two-year term, and
 - c. One shall be appointed for a three-year term.

2. Two At-Large members. The initial two of these members shall be appointed for initial terms as follows:
 - a. One shall be appointed for a one-year term, and
 - b. One shall be appointed for a two-year term.

- ii. The Municipal Administrator of the City and Borough of Sitka (the “Municipal Administrator”). The Municipal Administrator shall serve during his/her tenure as the chief administrative officer of the City and Borough of Sitka.

- iii. SEARHC Representative. One member appointed by SEARHC (the “SEARHC Representative”). The SEARHC Representative shall serve at the pleasure of SEARHC and shall be subject to removal by SEARHC, solely at its discretion. SEARHC shall appoint replacements for the SEARHC Representative.

- iv. Four Additional At-Large Members. Four additional At-Large members shall be appointed for initial terms as follows:
 1. SEARHC shall appoint two initial At-Large members for initial terms as follows:
 - a. One shall be appointed for a one-year term, and
 - b. One shall be appointed for a three-year term.

 2. The Sitka Tribe of Alaska shall appoint two initial At-Large members for initial terms as follows:
 - c. One shall be appointed for a two-year term, and
 - d. One shall be appointed for a three-year term.

2. Removal of At-Large Council Members.

Any At-Large member of the Council may be removed from the Council following a determination by the majority vote of the Council that the continued service of such person is inappropriate due to a conflict of interest, inability to attend meetings, or other good cause. Council member expectations regarding code of conduct are as follows:

- a. Participate in Council orientation process;
- b. Attend at least 75% of regularly scheduled meetings (and Council Committee meetings if/as applicable);
- c. Be continuously informed about SEARHC’s organization, mission, programs and services;
- d. Abide by SEARHC’s confidentiality and conflict of interest policies;
- e. Disclose potential conflicts of interest;

- f. Respect the confidentiality of Council discussions and information that may affect SEARHC’s competitive position; and
 - g. Practice ethical behavior at all times consistent with SEARHC’s mission and core values.
3. Manner of Appointment of Subsequent At-Large Council Members.
- a. Each member of the Council shall hold office until the expiration of the term for which he/she was appointed or: (i) until removed, or (ii) in the event of resignation, upon resignation, or if agreeable to the Member, until his/her successor has been qualified and appointed.
 - b. Upon expiration of the initial term of an At-Large member seat, the At-Large member seat shall be filled for subsequent terms of three (3) years each, as set out below.
 - c. Open seats for At-Large members of the Council shall be filled as follows:
 - i. Nominations for the election of At-Large Members shall be proposed by a Nominating Committee composed of three (3) members of the Council. One member of the Nominating Committee shall be the SEARHC Representative, one the CBS Administrator, and one shall be any At-Large member appointed to the Nominating Committee by the Council.
 - ii. The Nominating Committee shall be responsible for fully vetting all At-Large candidates and ensuring their commitment to participate as active Council members if so elected and to assure that each such candidate meets the following criteria:
 - 1. At all times at least one member of the Council is a physician on the active medical staff of Mt. Edgecumbe Hospital.
 - 2. All such candidates shall:
 - a. Have familiarity with the Sitka Community;
 - b. Have availability/time for (fully participation);
 - c. Be representative of the community at large; and
 - d. Have a commitment to act in the best interests of SEARHC and community (and shall not be a representative of a political or individual interest).
 - d. From the slate of nominees advanced to the Council by a unanimous vote of the Nominating Committee, the Council shall elect At-Large members to open At-Large Council positions.
4. Chair. A majority of the members of the Council may select or replace the chair of the Council (the “Chair”). The Chair shall be responsible for coordinating and overseeing the meetings of the Council. In the event the Chair is absent for a meeting, a majority of the quorum may select a person to serve as acting Chair for the duration of that meeting.
5. Reports to the Accreditation Governing Body (“AGB”). A written report of the Council shall be provided to the SEARHC AGB at each regularly scheduled meeting of the AGB. Further, the Chair

shall annually attend the quarterly meeting of AGB that is held in Sitka, Alaska and at such meeting the Chair shall report on the activities of the Council.

6. Report to the Public: A written report of the Council, approved by SEARHC, shall be made available to the public on an annual basis.
7. Compensation and financial interest. Council members shall not receive compensation from SEARHC for their service on the Council and shall not have a material financial interest in an entity doing business with SEARHC.
8. Frequency of meetings. The Council shall meet four times a year and keep minutes. Except once a year—when a portion of the Council meeting will be open to the public—meetings of the Council are not open to the public and minutes and other records of the Council shall be deemed confidential business records of SEARHC.
9. Quorum. A majority of the members of the Council shall constitute a quorum for the Council to act in the discharge of its duties.
10. Teleconference. The members of the Council may participate in a meeting by means of a conference telephone or similar communication equipment by means of which all members participating in the meeting can hear each other at the same time, and participation by which means shall be conclusively deemed to constitute presence in person at such meeting.

New members shall receive a copy of this Charter upon appointment and shall receive appropriate orientation from current Council members.

IV. Resources and Authority of the Council

The Council's role is advisory in nature. Thus, the Council has no authority to bind or represent SEARHC. However, the Council shall have the resources and authority appropriate to discharge its duties and responsibilities.

V. Council Effectiveness

Every two years, the Council shall invite the Chair of the AGB to participate with the Council in evaluating the Council's performance and effectiveness (the "**Effectiveness Review Cycle**"). The Chair of the Council shall be responsible for implementing improvement opportunities that emerge from the evaluation. Following the second Effectiveness Review Cycle the Council shall determine if it should continue to exist or sunset. A decision to sunset must be recommended by the Council Chair, based on the majority vote of the Council members present at a regularly scheduled meeting of the Council, and with the written approval of the SEARHC President/Chief Executive Officer, or his/her designee.

VI. Amendment

This Charter shall not be amended except by recommendation of the Council Chair, based on the majority vote of the Council and the written approval of the SEARHC President/Chief Executive Officer, or his/her designee.

I, the undersigned, being the Secretary of Southeast Alaska Regional Health Consortium hereby certify that the foregoing was adopted by the Board of Directors on this ____ day of _____, 2019.

Secretary
Southeast Alaska Regional Health Consortium

SCHEDULE 1.1(a)
Personal Property

TO BE COMPLETED PRIOR TO CLOSING

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SCHEDULE 1.1(b)
Personal Property Leases

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(c)
Real Property Leases

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(d)
Assumed Contracts

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(e)
Licenses

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(f)
Hardware and Software

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(g)
Purchased Inventory

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(h)
Transferred Records

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(i)
Names, Logos, Goodwill

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(i)
Domain Names

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(k)
Provider Numbers

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(1)
Insurance Proceeds

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(m)
Third Party Claims

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.1(n)
Insurance Policies

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.2(a)
Cash and Cash Equivalents

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.2(b)
Excluded Contracts

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.2(f)
Prepaid Expenses

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.2(1)
Other Excluded Assets

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.3
Assumed Liabilities

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 1.4
Excluded Liabilities

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.2(c)
Notice to Government Authorities

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.3(b)
Personal Property

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.6(b)
Leased Equipment

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.8
Condition of Sitka Community Hospital

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.9(a)
Proceedings, Investigations, Claims, Actions, Appeals

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.9(d)
Medicare Conditions of Participation

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.10(a)
Compliance with Laws

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.10(b)
Material Licenses

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.11
Proceedings Related to the Hospital or the Business

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.13
Insurance

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.15(e)
New Assets or Properties

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.15(g)
Loans, Advances, Capital Contributions or Investments

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.15(k)
Pricing Practices or Policies

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.15(m)
Transactions, Agreements, Contracts or Understandings

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.16
Employee Benefit Plans

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.17(a)
Employee Lists

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.17(b)
Collective Agreements, Bargaining Relationships or Other Contracts

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 2.18
Financial Information

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 4.4
Licenses

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 4.5
Third Party Consents

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 6.4(a)
Transferred Employees

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 6.4(c)
Transferred Management Employees' Compensation and Benefits

TO BE COMPLETED PRIOR TO CLOSING

SCHEDULE 6.15(b)
Continuing Interim Services

Services currently provided at SCH that CBS would like to ensure continue during the interim period, at a level of community access at least equal to that currently provided:

- Acute Care services:
 - Inpatient medical
 - Ancillary and support services including:
 - Respiratory therapy
 - Radiology
 - Laboratory (including blood bank)
 - Hospital rehab services (inpatient and outpatient)
 - Physical Therapy
 - Occupational Therapy
 - Speech Therapy
 - Surgery (inpatient* and outpatient)
 - Obstetrical Services*
 - Emergency Department services
 - Swing bed services
- Skilled Nursing Facility long-term care services
- Outpatient Services:
 - Primary care clinic
 - Visiting specialty clinics including cardiology, allergy-immunology, ENT, podiatry, sleep medicine
 - Walk-in clinic
 - Infusion services
 - Home Health
 - FASD Assessment Services

Other Services SCH Offers to community:

- Attending physician assigned for Sitka Pioneer Home patients who qualify for an Intermediate Care Facility
- Food services/dietary (including meal service to jail)
- Laundry (including laundry for EMS and the jail)

*Services previously provided at SCH and committed by SEARHC to continue per the APA.

SCHEDULE 6.15(d)
Contract Performance Accountability

As set forth in in Section 6.15(d), every six (6) months during the first two (2) years following the Closing Date (or such longer period as the Parties shall agree) the CEO of SEARHC (or his/her designee, which designee shall be a high level SEARHC executive) shall meet with the City and Borough of Sitka, Alaska Assembly, first to the Hospital Subcommittee prior to reporting to the full Assembly, to advise the Assembly on SEARHC’s delivery of healthcare to the citizens of Sitka. The chart set out immediately below in this Exhibit 6.15(d) lists key performance indicators referenced in Section 6.15(d) and the criteria to be used to measure performance.

Accountability Provision	Description	Measure(s)	Reporting Time Period
Employment and other critical transitions	<ul style="list-style-type: none"> • Report on collaborative efforts to ensure the best outcomes for implementation of pre-post-closing covenants set forth in APA. 	<ol style="list-style-type: none"> 1. Transition team objectives achieved. 2. Employment offered to all SCH employees who meet SEARHC’s employment standards. 3. Employment offered to SCH employed providers meeting SEARHC medical staff licensing and credentialing standards. 	<ol style="list-style-type: none"> 6 months post-closing 2. 6 months 3. 6 months
Expansion of Clinical Services	<ul style="list-style-type: none"> • Monitor schedule of Continuing Interim Services. • Coordinate community needs with Sitka Community Health Council. • Ensure equal access to all healthcare services and programs for all members of Sitka community. • Ongoing planning and development of new SEARHC healthcare campus, including Long-Term Care facility. 	<ol style="list-style-type: none"> 1. Continuing Interim Services offered with similar scope and level of access (per <u>Exhibit 6.15.b</u> of APA). 2. Summary roll-up report of SEARHC’s “SNAP” patient experience and patient complaint surveys. 3. Break ground on new SEARHC healthcare campus. 	<ol style="list-style-type: none"> 1. 2 years 2. 3-5 years 3. 3-5 years
Limitation of liability to CBS	Reporting of SCH escrow fund and liability settlements funded out of escrow.	1. Cost report/other liability settlements funded out of escrow to the extent required by the APA.	2 years

Other Provisions	Description	Where Covered
Financial stability of SEARHC	<p>Review of 5-year financial plan, annual audited statements, and key financial indicators.</p> <p>Review of completed acquisitions or affiliations and anticipated financial impact on SEARHC.</p>	Documents to be reviewed and assessed as part of due diligence process pre-closing.
Fund all necessary daily maintenance and capital expenditures in support of delivering continuing services at SCH Campus	<p>Property condition and use</p> <p>Facility needs and planned capital expenditures</p> <p>Facility maintenance and repairs</p>	Requirements and ongoing expectations clarified in Facility Lease Agreement.
Governance and Oversight	<p>Formation of, and ongoing functioning of Sitka Community Health Council</p> <p>Sitka Community Health Council.</p> <p>Established and meeting regularly per Charter.</p>	Purpose, function, membership, meeting parameters, and succession planning of Community Health Council outlined in Charter (<u>Exhibit 1</u> of APA).

The following table is a cross walk to aid readers of this Agreement in locating the relevant sections hereof, or in the Lease, and certain work performed in negotiating this Agreement, with respect to specific issues.

Other Provisions	Description	Where Covered
Financial stability of SEARHC	Review of 5-year financial plan, annual audited statements, and key financial indicators. Review of completed acquisitions or affiliations and anticipated financial impact on SEARHC.	Documents reviewed and assessed as part of due diligence process pre-closing.
Fund all necessary daily maintenance and capital expenditures in support of delivering continuing services at SCH Campus	Property condition and use Facility needs and planned capital expenditures Facility maintenance and repairs	Requirements and ongoing expectations clarified in Facility Lease Agreement.
Governance and Oversight	Formation of, and ongoing functioning of, Sitka Community Health Council, meeting regularly per Charter.	Purpose, function, membership, meeting parameters, and succession planning of Community Health Council outlined in Charter (<u>Exhibit I</u>).