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May 16, 2018

VIA ELECTRONIC TRANSMISSION ONLY

Mr. Keith Brady
Administrator
City & Borough of Sitka
VIA EMAIL ONLY
Keith.brady@cityofsitka.org

RE: RFP for Purchase, Lease, Partnership, Management or Affiliation of
/ With Sitka Community Hospital

Dear Mr. Brady:

I have been engaged by Sitka Jet Center, Inc., an Alaska corporation owned by Robert Petrie and his wife Debbie Petrie ("SJC") for the purpose of submitting a proposal to purchase the real estate and the hospital itself with a lease back on the terms set out in this letter. SJC's primary interest in submitting this proposal is to help give the City of Sitka a broader variety of offers to choose from after reading about the initial offer extended by SEARHC in the local press. Secondly, SJC believes its proposal offers a comparable capital infusion as the SEARHC's original offer to purchase the hospital, while allowing the City to negotiate terms with a management company for a share of operating profits, among other possibilities.

What follows is a point by point response to the RFP using the numerical outline provided in the RFP.

- 1. Identity:** Sitka Jet Center, Inc.
State of Alaska Entity No. 10027944
Status: Good standing
Entity Physical Address: 118 Lincoln St
Sitka, Alaska 99835
Contacts: Debbie Petrie
Dp5746@aol.com

Robert Petrie
Pmc1300@aol.com
817-401-1617

Brandon C. Marx, Esq.
Attorney for SJC
marxlaw@gci.net
907-747-7100

2. Description of the Nature and Structure of the proposed purchase-sale with leaseback.

SJC is willing to purchase the Sitka Community Hospital real estate, and all of its appurtenant and associated hospital buildings and improvements (exclusive of the furniture and equipment) located at 209 Moller Avenue, Sitka, Alaska, here in the First Judicial District in the State of Alaska, for the price of Five Million Dollars (\$5,000,000.00) on the following terms and conditions.

- a. The agreement would be reduced to a written purchase sale agreement that would be agreeable to the parties ("PSA").
- b. The PSA would include a 60 day due diligence ("inspection") period.
- c. \$25,000 earnest money, with \$3,000 non-refundable payable upon execution of the PSA.
- d. The Buyer's obligation to purchase would be contingent upon financing and SJC's agreement to purchase in its present condition following the 60 day inspection period, with all but \$3,000 of the earnest money refundable if financing cannot be obtained for any reason or if any objections arise during the inspection period. Financing will likely be contingent upon the property appraising at or above the purchase price.
- e. Closing could take place 45 days from the expiration of the Due Diligence period and 105 days from execution of the PSA.
- f. The purchase is for real estate only, with no assumption of liabilities or responsibility for operations.

- g. SJC is amenable to working with or partnering with an operating company or hospital management firm, however, for financing reasons, must have the City guarantee the leaseback described in more detail in subparagraph (j) below.
- h. Conveyance would be by warranty deed free and clear of any encumbrances that SJC does not approve or accept during the inspection period.
- i. Closing Costs would be shared equally between the parties, and would include only: closing agent fees, document preparation for the PSA and associated Warranty Deed, any bank required Appraisal or Survey, and title insurance.
- j. Leaseback. The purchase is further contingent upon SJC leasing back the real estate and improvements on a triple net lease basis to a management or operating company of the City's choosing on the following terms and conditions:
 - 1. 10 year lease term, with four (4), five (5) year options to renew.
 - 2. \$39,000 monthly rent with 10% increase for every renewal, which is believed to be fair market value for the square footage of leased property.
 - 3. The City must guarantee the lease payments in order for financing to be approved.
 - 4. The parties expressly agree that it is their intent to create a bona fide lease and disclaim any intent create any relationship between the parties, express or implied, other than lessor-lessee, and to disclaim any construction of the transaction as a security instrument or equitable mortgage. The parties would further agree that they do not intend for the leaseback to be recharacterized under any circumstance in the event lessee files for bankruptcy protection.

Paragraphs 2(b) through (f) are not applicable.

3. *Financial Strength of Proposer*

- a. Mr. Petrie attaches a letter from his bank in Fort Worth detailing his credit worthiness and overall financial capability to enter into this purchase /

lease back transaction. See attached at Exhibit A. Mr. Petrie has successfully owned and leased a variety of valuable real estate over the years which allows him to make the offer to purchase set out in this letter. He is prepared to purchase the property for \$5,000,000.00 and is able to obtain bank financing to do so if the City of Sitka signs as co-guarantor of the lease back, or if the City signs the lease and SJC approves of a sublease to an operator. He has no desire or experience in running a hospital, however, and, therefore, is not prepared to assume liabilities.

Paragraphs 3(b) through (c) are inapplicable.

d. Mr. Petrie submits a letter from his bank in Fort Worth as evidence of his financial capability, as well as his recent ~\$2,000,000 purchase and renovation of the Sitka Hotel, located down the street from City Hall, as further evidence of his financial capability.

4. Paragraphs's 4(a) through (k) are inapplicable to this proposer.

4.(l)(i). This proposal should help mitigate SCH's current financial impacts by providing an infusion of capital while allowing the City to negotiate terms by which an operator could step in and maintain the monthly lease payments and work toward profitability which could be shared with the City, providing additional positive cash flow to mitigate SCH's financial status. This is an improvement in Mr. Petrie's estimation from the previous offer made by SEARHC which removed any possible benefit from future profitability.

5. **Corporate Approvals.** Attached are copies of SJC's corporate bylaws (Exhibit B) and a resolution authorizing the undersigned to enter into this transaction on SJC's behalf (Exhibit C).

6. On behalf of SJC, as their corporate counsel related to this RFP and transaction, I acknowledge that CBS will not be liable for any damages or expenses of any kind or type, unless SJC is the successful proposer, and even then only to the extent set forth in the definitive agreement between SBS and the successful proposer.

Very truly yours,


Brandon C. Marx

Cc: CBS Clerk Sara Peterson Via Email Only
sara.peterson@cityofsitka.org



May 2, 2018

Robert Petrie
1924 Jacksboro Highway
Fort Worth Tx 76114

To the City of Sitka Alaska:

Ciera Bank and the account officer has maintained a depository and lending relationship with Robert Petrie and multiple related entities for the past 8 years. Ciera has been highly satisfied with this relationship and looks forward to continuing the relationship.

Robert maintains a deposit relationship with Ciera Bank that maintains average balances in the mid to high six figures, Ciera also hold several Term notes that total in excess of \$5MM and lines of credit that total in excess of \$7MM

Please do not hesitate to contact me if you have any questions.

Sincerely

A handwritten signature in blue ink, appearing to read "Steve Hockman", is written above the printed name.

Steve Hockman
SVP
817-348-1429

BYLAWS
OF
SITKA JET CENTER INC.

ARTICLE I. OFFICES

The principal office of the corporation shall be located at Sitka, Alaska. The corporation may have such other offices, either within or without the State of Alaska, as the Board of Directors may designate or as the business of the corporation may require from time to time.

The registered office of the corporation required by the Alaska Corporations Code to be maintained in the State of Alaska may be, but need not be, identical with the principal office and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II. SHAREHOLDERS

Section 1. Annual Meeting. The annual meeting of the shareholders shall be held on the first Saturday in March of each year for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the election of Directors shall not be held on the day designated herein for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be determined.

Section 2. Special Meetings. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by a majority of the Board of Directors and shall be called at the request of the holders of not less than fifty-one percent (51.0%) of all outstanding shares of the corporation entitled to vote at a shareholders' meeting.

Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Alaska, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all shareholders entitled to vote at a meeting may designate any place, either within or without the State of Alaska, as the place for holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the registered office of the corporation in the State of Alaska. Members of the Board of Directors may attend meetings by teleconference or any other means of simultaneous communications permitted by Alaska law.

Section 4. Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting

is called, shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock transfer books of the corporation with postage thereon prepaid.

Section 5. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose the Board of Directors of the corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, 60 days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least 10 days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than 60 days and, in case of a meeting of shareholders, not less than 10 days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 6. Voting Lists. The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least 10 days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list, for a period of 10 days prior to such meeting, shall be kept on file at the registered office of the corporation and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders.

Section 7. Quorum. A majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at a meeting as originally noticed. The shareholders present at a duly

organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 8. Proxies. At all meetings of shareholders, a shareholder may vote by proxy, executed in writing by the shareholder or by his or her duly authorized attorney in fact. Such proxy shall be filed with the secretary of the corporation before or at any time of the meeting. No proxy shall be valid after 11 months from the date of its execution.

Section 9. Voting of Shares. Subject to the provisions of Section 11 of Article II of these Bylaws, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders.

Section 10. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his or her name if authority so to do so is contained in an appropriate court order by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to the corporation or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

Section 11. Informal Action by Shareholders. At any action required to be taken at a meeting of the shareholders or any other action which may be taken at a meeting of the shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the shareholders entitled to vote with respect to the subject matter thereof.

ARTICLE III. BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed by its Board of Directors.

Section 2. Number, Tenure and Qualifications. The number of Directors of the corporation shall be at least two (2) and no more than five (5).

Each director shall hold office until the next annual meeting of shareholders and until his or her successor shall have been elected and qualified. Directors need not be residents of the State of Alaska or shareholders of the corporation.

Section 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this provision of the Bylaws immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Alaska, for the holding of additional regular meetings without notice other than such resolution.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any Director. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Alaska, as the place for holding any special meeting of the Board of Directors called by them.

Section 5. Notice. Notice of any special meeting shall be given at least two days prior to the meeting by written notice delivered personally or mailed to each Director at his or her business address, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. The presence of any Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Any action required or permitted to be authorized by the Board of Directors may be taken without the necessity of a meeting of the Board of Directors if all members thereof assent to such action in writing.

Section 6. Quorum. Fifty percent (50.0%) of the number of Directors fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 7. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 8. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. Any directorship to be filled by reason of an increase in the number of Directors shall be filled by election at an annual meeting or at a special meeting of shareholders called for that purpose.

Section 5. The President. The president shall be the principal executive officer of the corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the corporation. He or she shall, when present, preside at all meetings of the shareholders and of the Board of Directors. He or she may sign, with the Secretary or any other proper officer of the corporation thereunto authorized by the Board of Directors, certificates for shares of the corporation, any deeds, mortgages, bonds, contracts or other instruments, which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. The Vice President(s). In the absence of the President, or in the event of his or her death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or any Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 7. The Secretary. The Secretary shall: (a) keep the minutes of the meetings of the shareholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are fully given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents for which its seal is duly authorized on behalf of the corporation; (d) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign with the President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all other duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. The Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. He or she shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for monies due and payable to the corporation from any source whatsoever, and deposit all such monies in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the depositories as shall be selected in accordance with the provisions of Article V of these Bylaws; and (b) in general perform all of the duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the President or a Vice President certificates for shares of the corporation, the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers, if required by the Board of Directors, shall respectively give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors Shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or Treasurer, respectively, or by the President or the Board of Directors.

Section 10. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a Director of the corporation.

ARTICLE V. CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall be from time to time determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the corporation may be in such form as determined by the Board of Directors. Such certificates, if issued, shall be signed by the President or a Vice President and by the Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like

ARTICLE XI. AMENDMENTS

These Bylaws may be altered, amended, or repealed at any regular or special meeting of the Board of Directors.

ARTICLE XII. ADOPTION BYLAWS

These Bylaws were duly adopted by a meeting of the Board of Directors of the corporation held on the ____ day of March, 2015, and the same do now constitute the Bylaws of the corporation.

DATED this 16 day of March, 2015.

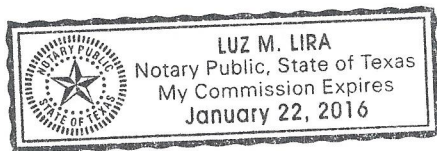
Robert Petrie Pres.
Robert Petrie, President

STATE OF TEXAS)

COUNTY OF Tarrant)

ss:

Subscribed and sworn to before me this 16 day of March, 2015, by Robert Petrie.



[Signature]
Notary Public for Texas

My commission expires: January 22, 2016

ATTEST:

Recording Secretary

PERO3BYL1.wpd.c:\petrier

Minutes of the Director's Meeting

MINUTES OF A MEETING OF DIRECTORS of Sitka Jet Center, Inc. dba Sitka Hotel held at 118 Lincoln Street on this 16th day of April 2018.

The following members were present Robert Petrie and Deborah Petrie, constituting the entire board.

Upon a motion duly made, seconded and unanimously carried, Deborah Petrie acted as Chairperson of the meeting and Secretary of the meeting.

The following memorandum was then read and ordered to be inserted into these minutes.

I, Robert Petrie, consent to this meeting being held at the above time and place and do waive notice and publication of this meeting and consent to the transaction of such business, as may have come before it, as testified by my signature below.



Robert Petrie

Minutes of the last regular meeting were read and, upon motion duly made, seconded and carried were adopted as read.

The Chairperson presented to the meeting and thereupon the following resolutions were offered, seconded and unanimously adopted.

IT WAS RESOLVED THAT:

The following individual is appointed and confirmed as signing officer for Corporation for a term of one year or until replaced and is authorized to manage bank accounts that have been established for the benefit of the Corporation, sign and endorse checks, drafts and other orders of payment for those bank accounts, and is authorized to sign bills of lading and other documents, as needed and reasonable, for the normal conduct of business of the Corporation.

Robert Petrie

The officers and directors are authorized to enter into the following contract (the "Contract")

Land and Building in Sitka AK known as the Sitka Community Hospital

Any one officer or director is authorized to execute the Contract on behalf of the Corporation.

The officers of the Corporation are authorized, empowered and directed to purchase the following asset for the best price obtainable and under terms and conditions that are deemed reasonable and in the best interest of the Corporation.

Land and Building in Sitka AK known as the Sitka Community Hospital.

This document gives Robert Petrie the express authority to make an offer of \$5,000,000.00 for said property. This offer includes purchase of land and building and then leasing the Sitka Community Hospital to the City of Sitka for \$39,000.00 per month for a 20 year triple net lease. This lease comes with four 5 year options with a 10% increase with each renewal. This purchase is for land and building only it does not include equipment or furniture and fixtures. The purchaser will be Sitka Jet Center Inc. and or its assigns. The contract should allow for a 60 day due diligence period. The due diligence fee is \$3,000.00 none refundable. Contract will include \$30,000.00 earnest money that is refundable if financing cannot be obtained. Closing should take place within 45 days after the due diligence period has expired. The total time frame is 105 days from the commencement date of the contract.

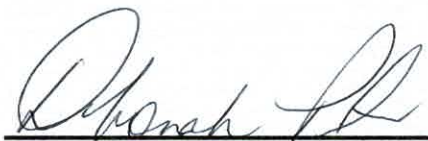
This is a real estate contract only. Sitka Jet Center, Inc. will not assume any responsibility for any liabilities of the hospital or the City and Borough of Sitka. Sitka Jet Center, Inc. will not in any way inherit any leases of any kind or any retirement funding. Again this is a land and building purchase only with a lease back to the City of Sitka.

It is further concluded that Sitka Jet Center, Inc. will hire Brandon Marx law firm to make the offer on said terms.

The maximum authorized expenditure for this asset, exclusive of all taxes, brokerage fees and commissions is \$6,000,000.00. The officers and directors of the Corporation are authorized to take whatever action deemed necessary to ensure the reasonable and in the best interest of the Corporation.

There being no further business to come before the meeting, the meeting was adjourned.

Dated in the State of Alaska on the 16th day of April, 2018.

A handwritten signature in cursive script, appearing to read "Deborah Petrie", written over a horizontal line.

Deborah Petrie

Secretary for Sitka Jet Center, Inc.