

PURCHASE AND SERVICE AGREEMENT

This Agreement is made on this 3rd day of July, 2006, by and between FUNNY RIVER EMERGENCY SERVICES, INC., an Alaska nonprofit corporation, whose address is P.O. Box 3557, Soldotna, Alaska 99669, ("FRES") and the KENAI PENINSULA BOROUGH, an Alaska municipal corporation, whose address is 144 North Binkley Street, Soldotna, Alaska 99669 ("KPB"), on behalf of Central Emergency Service Area, ("CES"), a service area of KPB pursuant to AS 29.35.450.

WHEREAS, FRES is a nonprofit corporation organized to provide fire and emergency medical services in the Funny River area; and

WHEREAS, FRES is the owner of that real property located in the Kenai Recording District, Third Judicial District, State of Alaska, and more particularly described as follows:

Lot 5 Salmon Bend Subdivision, FRVFD Addition, according to Plat No. 2002-24 (Tax Assessor No.066-170-31)

hereinafter "the Property"; and

WHEREAS, The Property includes a 6,400 square foot structure used to house emergency response vehicles; and

WHEREAS, during the regular October 2004 borough election the voters of the Central Emergency Service Area (CES) and the voters of the Funny River area approved passage of Proposition 5A and 5B which expanded the boundaries of CES to include the Funny River area; and

WHEREAS, KPB has offered to buy, and FRES is willing to sell, the Property, as evidenced by KPB Resolution 2006-058 adopted by the Assembly of the Kenai Peninsula Borough on June 20, 2006, and FRES by motion dated June 19, 2006, which is located within the expanded area of CES along with certain equipment and supplies as described in **Exhibit A**, attached hereto and incorporated herein by reference; and

WHEREAS, KPB and FRES have negotiated additional terms and conditions to ensure that the Property is used to provide fire and emergency medical services to the Funny River community, to house certain equipment, and that it will be manned full time; and

WHEREAS, KPB currently leases a portion of the building pursuant to a lease agreement dated October 7, 2003, and has pre-paid rent through December 15, 2007;

NOW THEREFORE, in consideration of the promises herein contained, FRES hereby agrees to sell to KPB, and KPB hereby agrees to buy from FRES, the Property and the

equipment described in Exhibit A and to use and operate the equipment and facility on the Property on the terms and conditions as set forth below.

1. PURCHASE PRICE

The purchase price of the Property and equipment listed in Exhibit A is the balance remaining of the rent paid for the Property in advance pursuant to the lease agreement as of the date of closing and ONE dollar and NO cents (\$ 1.00) to be paid at the time of closing.

2. TITLE

Title to the real property shall be delivered at time of closing by warranty deed, which shall be issued to KPB. Title shall be subject to reservations, easements, rights-of-way, covenants, conditions, and restrictions of record. Title to personal property shall be delivered at time of closing by Bill of Sale or other applicable document.

3. ESCROW AND CLOSING COSTS

In addition to the purchase price, KPB agrees to pay for all closing costs in connection with this Agreement, including without limitation all escrow fees, title insurance charges, and recording fees. All costs must be paid in full at the time of closing.

4. CLOSING

Unless otherwise agreed in writing, closing will occur prior to July 1, 2006. At closing KPB will pay the purchase price and any remaining unpaid closing costs. Both parties will execute all documents required to complete the conditions of this Purchase Agreement.

5. POSSESSION

Possession shall be delivered to KPB at time of recording, provided that nothing herein shall be construed to reduce KPB's current right of possession of the portion of the premises leased from FRES.

6. APPARATUS

The parties acknowledge and agree that the FRES fire engine, VIN 1FVACYDJ55HU56733, which is being transferred to CES, was purchased with FEMA funds received through the 2003 Assistance to Firefighters Grant (EMW-2003-FG-08079). That grant requires that the fire engine be located at the Funny River Fire Station, 32530 Funny River Road, Soldotna, Alaska for the balance of its serviceable life. It is agreed that the fire engine shall be located at the Funny River Fire Station in accordance with the grant requirements, and that it may be

occasionally used outside of the Funny River area for emergencies when other vehicles are not reasonably available.

7. PERSONNEL

Upon execution of this agreement and for a period of not less than ten years thereafter, CES shall staff the FRES station with one full-time Engineer/EMT III ACLS position. Upon approval of the budget, and subject to the appropriation and availability of sufficient funds, CES shall provide two additional full-time Engineer/EMT III ACLS positions. Funding for these positions is proposed in the pending FY 2007 budget. With these three positions CES shall provide coverage of the FRES station twenty-four hours per day, seven days per week, for a period of not less than ten years after execution of this agreement, subject to the appropriation and availability of funds.

8. CONSTRUCTION OF IMPROVEMENTS

Upon closing KPB shall promptly begin construction of sleeping quarters adequate for such use by the personnel manning the FRES station.

9. GRAVEL

Upon execution of this agreement, KPB through CES shall excavate and fill the portions of the station driveway in need of gravel in order that the station may continue to be used as a fire and emergency medical station.

10. BREACH AND REMEDIES

In the event of a default in the performance or observance of any of the agreement terms, conditions, covenants and stipulations thereto prior to the closing of the sale, and such default continues thirty days after written notice of the default, the non-defaulting party may cancel the agreement or take any legal action for damages or recovery of the property.

In the event of a default in the performance or observance of any of the agreement terms, conditions, covenants and stipulations thereto after the closing of the sale, and such default continues thirty days after written notice of the default, the non-defaulting party may enforce the terms and conditions of this agreement through equitable remedies including specific performance and injunctive relief. In the case of default after closing, no improvements may be removed during the time that the contract is in default. This provision shall survive the execution of sale documents and shall continue in full force and effect until either the parties agree otherwise in writing, or ten years from the date of execution of this agreement, whichever shall occur first.

11. HAZARDOUS MATERIAL

- A. FRES covenants and agrees that no hazardous substances or wastes have been located on or stored on the property, or any adjacent property, nor shall any such substance be owned, stored, used, or disposed of on the property or any adjacent property by FRES, its agents, employees, contractors, or invitees, prior to KPB's ownership, possession, or control of the property.
- B. FRES covenants and agrees that if the presence of hazardous material on the property is caused or permitted by FRES, its agents, employees, contractors, or invitees, or if contamination of the property by hazardous material otherwise occurs on the property prior to closing, FRES shall defend, indemnify, and hold harmless KPB from any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including, but not limited to, sums paid in the settlement of claims, attorney's fees, consultant fees and expert fees) which may arise as a result of such contamination. This defense and indemnification includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state or local government on or under the property. As used herein, the term "hazardous material" means any hazardous or toxic substance, material, or waste which is or becomes regulated by any local government authority, the State of Alaska, or the United States Government.

12. ENTIRE AGREEMENT

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

13. MISCELLANEOUS

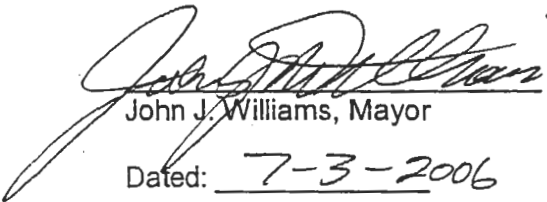
- A. Not Residential Property. The parties mutually agree that this transfer will not be covered by the Residential Real Property Transfers Act, AS 34.70.010 et. seq.
- B. Time. Time is of the essence in performance of this Agreement.
- C. Cancellation. This agreement, while in good standing, may be canceled in whole or in part, at any time, upon mutual written agreement by the parties. This purchase agreement is subject to cancellation in whole or in part if improperly issued through error in procedure or with respect to material facts.

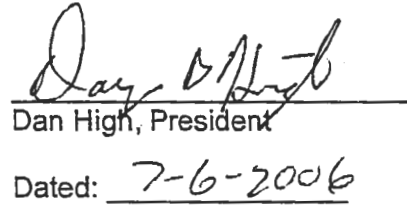
- D. Notice. Any notice or demand, which under the terms of this agreement or under any statute must be given or made by the parties thereto, shall be in writing, and be given or made by registered or certified mail, addressed to the other party at the address shown on the contract. However, either party may designate in writing such other address to which such notice or demand shall thereafter be so given, made, or mailed. A notice given hereunder shall be deemed received when deposited in a U.S. general or branch post office by the addressor.
- E. Written Waiver. Failure of either party to enforce any covenant or provision therein contained shall not discharge or invalidate such covenants or provision or affect the right of that party to enforce the same in the event of any subsequent breach or default.
- F. Construction. This Agreement shall be deemed to have been jointly drafted by both parties. It shall be constructed according to the fair intent of the language as a whole, not for or against any party. The interpretation and enforcement of this Agreement shall be governed by the laws of the State of Alaska. The titles of sections in this Agreement are not to be construed as limitations of definitions but are for identification purposes only.

This Agreement has been executed by the parties on the day and year first above written.

KENAI PENINSULA BOROUGH:

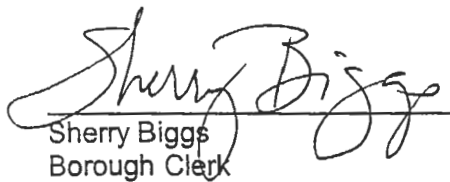
FUNNY RIVER EMERGENCY SERVICES, INC.

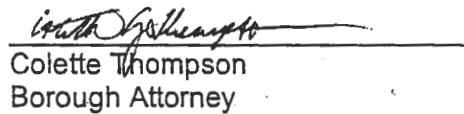

 John J. Williams, Mayor
 Dated: 7-3-2006


 Dan High, President
 Dated: 7-6-2006

ATTEST:

APPROVED AS TO FORM
 AND LEGAL SUFFICIENCY:

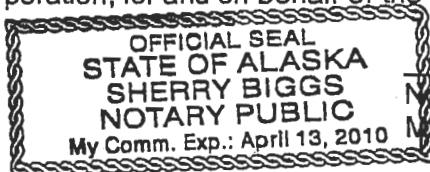

 Sherry Biggs
 Borough Clerk


 Colette Thompson
 Borough Attorney

NOTARY ACKNOWLEDGMENT

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 3rd day of July 2006, by John J. Williams, Mayor of the Kenai Peninsula Borough, an Alaska municipal corporation, for and on behalf of the corporation.

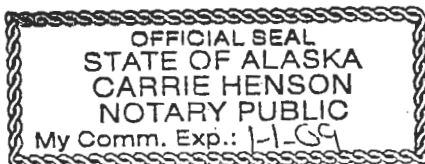


Sherry Biggs
Notary Public in and for Alaska
My commission expires: 4-13-2010

NOTARY ACKNOWLEDGMENT

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 6th day of July 2006, by Dan High, President of Funny River Emergency Services, Inc., an Alaska non-profit corporation, for and on behalf of the corporation.



Carrie Henson
Notary Public in and for Alaska
My commission expires: 1-1-09

**EXHIBIT A to
PURCHASE AND SERVICE AGREEMENT**

Funny River Emergency Services, Inc.

Station and Equipment Inventory

- Fire Engine VIN 1FVACYDJ55HU56733
- 105 folding Chairs
- 14 folding Tables
- 22 rolls of 2.5" hose
- 13 rolls of 1.5" hose
- 1000 gallon heating fuel tank
- 16 in-ground helicopter landing pad light fixtures
- 16 FAA approved helicopter landing pad lights
- Miscellaneous helicopter landing zone fixtures and equipment
- Miscellaneous (old) hose adapters, fittings and nozzles
- Miscellaneous assortment of (old) Nomex firefighting pants and jackets
- Miscellaneous assortment of (old) firefighting boots (various sizes)
- Miscellaneous assortment of firefighting helmets

BILL OF SALE

Funny River Emergency Services, Inc., Seller, of P.O. Box 3557, Soldotna, Alaska, 99669 for and in consideration of the payment of the sum of Ten dollars (\$10.00), receipt of which is hereby acknowledged, does hereby sell and transfer to the Kenai Peninsula Borough on behalf of Central Emergency Service Area, Buyer, of 144 N. Binkley Street, Soldotna, Alaska 99669 its successors and assigns, the following described personal property located at 32530 Funny River Road, Soldotna, Alaska 99669 in the Third Judicial District, State of Alaska:

- Fire Engine VIN 1FVACYDJ55HU56733
- 105 folding Chairs
- 14 folding Tables
- 22 rolls of 2.5" hose
- 13 rolls of 1.5" hose
- 1000 gallon heating fuel tank
- 16 in-ground helicopter landing pad light fixtures
- 16 FAA approved helicopter landing pad lights
- Miscellaneous helicopter landing zone fixtures and equipment
- Miscellaneous (old) hose adapters, fittings and nozzles
- Miscellaneous assortment of (old) Nomex firefighting pants and jackets
- Miscellaneous assortment of (old) firefighting boots (various sizes)
- Miscellaneous assortment of firefighting helmets

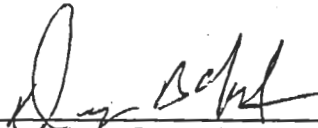
Seller warrants that it is the lawful owner in every respect of all of the described property and that the property is free and clear of all liens, security agreements, encumbrances, claims, demands, and charges of every kind whatsoever, except that the fire engine is subject to the terms and conditions of grant agreement #EMW-2003-FG-08079 (2003 Assistance to Firefighters Grant) with FEMA.

Seller binds Seller, its successors and assigns, to warrant and defend the title to all of the described property to Buyer, its successors and assigns, forever against every person lawfully claiming the described property or any part of it.

This Bill of Sale shall be effective as to the transfer of all property listed in it as of June 30, 2006.

IN WITNESS WHEREOF, this Bill of Sale is executed on 7-6-2006
[date].

FUNNY RIVER EMERGENCY SERVICES, INC:

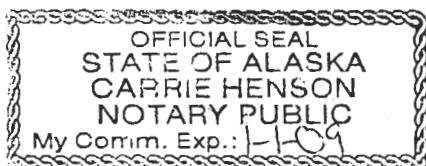


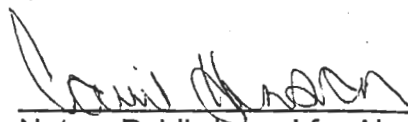
Dan High, President

NOTARY ACKNOWLEDGMENT

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 6th day of July, 2006, by Dan High, President of Funny River Emergency Services, Inc, an Alaska corporation, for and on behalf of the corporation.





Notary Public in and for Alaska
My commission expires: 1-1-09

2006-007032-0

Recording Dist: 302 - Kenai
7/7/2006 1:52 PM Pages: 1 of 3

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WARRANTY DEED

The GRANTOR, FUNNY RIVER EMERGENCY SERVICES, INC, an Alaska corporation, whose address is P.O. Box 3557, Soldotna, Alaska 99669, for ten dollars (\$10.00) and other good and valuable consideration receipt of which is hereby acknowledged, conveys and warrants unto the GRANTEE, KENAI PENINSULA BOROUGH, an Alaska municipal corporation, whose address is 144 North Binkley Street, Soldotna, Alaska 99669, the following described real property:

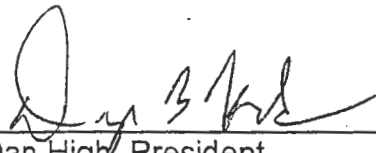
Lot Five (5), Salmon Bend Subdivision, FRVFD Addition, according to Plat No. 2002-24, Kenai Recording District, Third Judicial District, State of Alaska.

TOGETHER WITH all the improvements thereon, if any, and all rights of the Grantor to any and all hereditaments and appurtenances hereto, and

SUBJECT TO any taxes and assessments, exceptions, reservations, restrictions, conditions, covenants, easements, rights-of-way, encroachments either of record or ascertainable by physical inspection.

Dated this 7 day of July, 2006

FUNNY RIVER EMERGENCY SERVICES, INC:



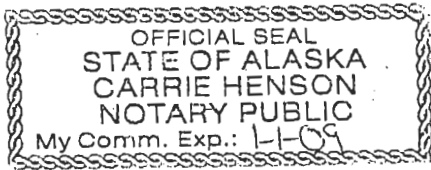
Dan High, President

Dated: 6-7-2006

NOTARY ACKNOWLEDGMENT

STATE OF ALASKA)
)ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 6th day of July, 2006, by Dan High, President of Funny River Emergency Services, Inc, an Alaska corporation, for and on behalf of the corporation.



Carrie Henson
Notary Public in and for Alaska
My commission expires: 1-09

Please return to:

Kenai Peninsula Borough
Planning Department
144 N. Binkley Street
Soldotna AK 99669



CORPORATE RESOLUTION

On June 19, 2006 the Board of Directors of FRES, held a special meeting at office or normal meeting place located at Soldotna, Alaska.

Whereas the following Resolutions were unanimously passed by those present which constituted a quorum in accordance with our articles and by-laws:

BE IT RESOLVED that the Corporation, the Seller, sell the real property and appurtenances thereto, to Kenai Peninsula Borough the Purchasers, for the amount of \$ 1.00, which real property is more particularly described as follows:

LEGAL DESCRIPTION: T05N R08W 517 KN 2002024
Lot 5 Salmon Bend Subdivision, FR VFD Addition,
according to Plat No. 2002-24 (Tax Assessor No. 066-170-31)

FURTHER BE IT RESOLVED that Danny High being the President respectively of the Corporation and have been duly appointed and authorized to negotiate, bargain, bind, sell, convey and sign all necessary documents to complete the above mentioned transaction.

ATTEST:

Danny High, President
Rene Marie Hallmark
Byron L. Bondurant