

July 28, 2021

VIA E-MAIL

evan@cornerstonehcc.com

San Juan Assisted Living LLC d/b/a
Village at the Harbor
543 Spring Street
Friday Harbor, WA 98250

RE: Letter of Intent for Purchase of Assets of Village at the Harbor, a Washington corporation

Mr. Brian Brown and Mr. Evan Perrollaz:

This letter agreement is to serve as a "Letter of Intent" by and between San Juan County Public Hospital District No. 1 (the "District" or "Buyer") and San Juan Assisted Living, LLC, a Washington limited liability company (the "Seller"). This Letter of Intent sets forth the intentions of the parties with respect to negotiating a definitive asset purchase agreement for the purchase, sale, and conveyance of title to the assets used generally in the operations of the business of Seller (the "Business"). The Assets (defined below) will be conveyed together with only the liabilities referred to below. The terms set forth herein are not inclusive of all terms to be included in any subsequent definitive written asset purchase agreement ("APA") anticipated to be negotiated, executed, and delivered by and between Buyer and Seller in the immediate wake of this Letter of Intent.

This Letter of Intent consists of three parts. Part I sets forth certain obligations of the parties with respect to the transaction negotiations. This Letter of Intent is intended to create a binding obligation of the parties with respect to the matters set forth in Part I. Part II sets forth a general outline of proposed terms of the APA. With respect to Part II, this Letter of Intent is not intended as a definitive statement or agreement and is not a binding obligation of the parties with respect to the matters set forth in Part II. Part III sets forth concluding remarks and requests your signature to signify your acceptance of this Letter of Intent.

PART I

1. **Parties' Intentions with Respect to Enforceability.** The parties acknowledge and agree that, except as set forth in this Part I, this Letter of Intent is not intended to be or to evidence any legal binding agreement or obligation on the part of either party to convey the Assets. However, the parties agree and acknowledge that they shall act in good faith in providing or disclosing any documents contemplated hereunder and further acknowledge and agree that each shall be bound to act in good faith and in a commercially reasonable manner (and in commercially reasonable time) to negotiate, execute, and deliver the APA after further investigation of the Assets by Buyer. No further agreement concerning the Assets will be negotiated, executed, and delivered by and between Seller and Buyer other than the APA

contemplated by this Letter of Intent to be prepared, reviewed, approved, and executed by each of Buyer and Seller.

2. **Draft of Asset Purchase Agreement.** Upon execution of this Letter of Intent by both Seller and Buyer, Buyer shall cause its attorneys to prepare an APA and deliver the same to Buyer within thirty (30) business days following the date of mutual execution of this Letter of Intent. The definitive APA will be subject to the approval of the Board of Commissioners of Buyer, which approval is anticipated within the timeframes set forth below.
3. **Confidentiality.** Subject to the Open Public Meetings Act and Public Records Act, Buyer and Seller agree not to disclose the content of this Letter of Intent or of any negotiations or information received from the other party to any unrelated third parties without first obtaining the prior written consent of the other party.
4. **Counterparts.** This agreement may be executed and delivered in one or more counterparts and via electronic transmission, and all such counterparts shall be deemed an original and together shall be deemed to constitute one and the same instrument.

PART II

1. **Assets and Consideration.** Buyer will purchase from Seller the assets ("Assets") of the Business for the sum of Four Million Eight Hundred Thousand Dollars (\$4,800,000) [the "Purchase Price"]. Such assets are to include, without limitation, the following:
 - 1.1 FF&E. All Seller's furniture, fixtures, and equipment ("FF&E"), to be purchased at a price mutually agreed upon by Buyer and Seller prior to Closing.
 - 1.2 Inventory. All of Seller's inventory, to be purchased at invoice cost.
 - 1.3 Accounts Receivable. All Seller's accounts receivable, to be purchased at face value.
 - 1.4 Goodwill and Intangible Assets. Goodwill and contract rights, intellectual property, all patient lists, all cell and other telephone numbers, domain names, URL's and certain business records to be identified.
 - 1.5 Lease. Seller's interest in the lease with Friday Harbor Drug, Inc. ("Landlord").
 - 1.6 Assigned Agreements. Seller's interest in any assigned agreements.
 - 1.7 Lists. Sellers' current list of customers and patients.
 - 1.8 Medical Records. All patient medical records.
 - 1.9 Permits. All permits used in the Business.

2. **Excluded Assets.** The APA will expressly include, by Exhibit, a comprehensive list of excluded assets. Except as thus excluded, all assets of the Seller shall be included in the transaction contemplated by the APA. All cash on hand will be an excluded asset.

3. **Liabilities.** Buyer will assume only certain liabilities of Seller as expressly set forth in this paragraph. Buyer will assume: (i) the real property leases to which Seller is a party; (ii) all vendor contracts approved by Buyer during the Review Period; and (iii) all service and operating contracts approved by Buyer during the Review Period. Buyer will not assume any other liabilities, including any accounts payable.

4. **Buyer's Due Diligence.** The sale is contingent on Buyer's satisfaction with respect to the Assets, any assumed liabilities, and the Business. Buyer will have ninety (90) days following mutual execution of the APA (the "Review Period") and Seller's delivery of requested materials to Buyer to conduct adequate due diligence. Buyer's due diligence will include, without limitation, the following:

- A. Review of Seller's financial statements.
- B. Site visits, including inspections of buildings and equipment.
- C. Review of non-redacted accounts receivable aging information.
- D. Review of all non-redacted salary schedules, commission programs, bonus programs, and written employment contracts or agreements.
- E. Review of all benefit plans, including vacation, sick and 401(k).
- F. Review of detailed inventory information, including current inventory, 12 months or more of sales history, and cost of goods.
- G. Conduct random price audits to verify costing of inventory.
- H. Review of all contracts for phone, VoIP, HR services, IT equipment and software.
- I. Review of non-redacted customer lists, by volume, including margins and profitability analysis by account.
- J. Review of any vendor agreements and other contracts pertaining to the Business.

Buyer's completion and approval, within its sole discretion and after the mutual execution of an acceptable APA, of such due diligence, will be a condition precedent to the obligation of the Buyer to proceed to Closing.

5. **Access.** To permit Buyer to conduct its due diligence investigation, as long as the APA remains in effect, Seller will permit Buyer and its agents to have reasonable access to the Assets and to its books and records pertaining thereto, and will furnish to Buyer financial data, operating data, and other information as Buyer shall reasonably request, including customer lists and pricing. Buyer agrees to retain all information so obtained from Seller on a confidential basis, subject only to the requirements of the Open Public Meetings Act, RCW 42.30, and the Public Records Act, RCW 42.56.

6. **Conditions Precedent to Closing.** The obligations of the parties to close the transaction contemplated by this Letter of Intent will be subject to, among other things: (1) the negotiation and execution of the APA; (2) receipt of all necessary approvals and third-party consents required in connection with the closing of the transaction; (3) no material casualty event shall have occurred with respect to the Assets; (4) no litigation or governmental proceeding shall be pending or threatened relating to the Seller or the Assets; (5) the conduct of a complete business, legal, and accounting due diligence of the Assets which shall be satisfactory to Buyer in its sole and absolute discretion; (6) the approval by the voters of the Buyer of a levy lid lift at the 2021 general election; (7) Landlord's approval of an assignment of the Lease; (8) Seller shall be in good standing with the State of Washington and all applicable legal requirements as of the date of Closing and (9) Buyer and Evan Perrollaz shall have entered into an agreement for Perrollaz to provide services to Buyer on not less than a half-time basis for twelve (12) months following Closing.

7. **Closing.** The "Closing Date" will be no later than February 28, 2022. The APA will set forth instructions necessary to close the transaction.

8. **Seller's Representations and Warranties.** The APA will contain customary and mutually agreeable representations and warranties by Seller and by Buyer.

9. **Fees and Costs.** Each party will pay its own attorneys' fees incurred with respect to the transaction contemplated by the APA for the purchase and sale of the Assets. All recording fees, escrow fees, and the like will be paid solely by Buyer. Seller and Buyer shall equally split the payment of real estate excise tax. Buyer shall pay any use tax.

10. **Brokerage Commissions.** Neither Buyer nor Seller will have any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transaction contemplated by the APA. Seller and Buyer will indemnify and hold each other harmless from and against any claims for brokerage commissions.

11. **Employees; Employment Agreements.** All of Seller's employees will be terminated as of the Closing Date, and Buyer will have sole discretion to hire Seller's former employees after Closing.

PART III

If the foregoing terms correctly state your understanding of the terms on which the parties will proceed with undertaking to negotiate, execute, and deliver a definitive APA necessary to accomplish the contemplated purchase and sale transaction, please sign and return this Letter of Intent to Buyer to San Juan County Public Hospital District No. 1, c/o Nathan Butler, 1079 Spring St, Friday Harbor, WA 98250.

Sincerely,

Nathan Butler, Superintendent

Dated: _____

Dated: _____

BUYER:

SELLER:

**SAN JUAN COUNTY PUBLIC HOSPITAL
DISTRICT NO. 1**

San Juan Assisted Living LLC

By: _____

By: Evan Perrollaz

Its: _____

Its: _____