

**VIA FED EX**  
**PERSONAL AND CONFIDENTIAL**

Mr. Cleve Haralson  
Vice President  
Real Estate & Development  
Kindred Healthcare Operating, Inc.  
113 Seaboard Lane, Suite B201  
Franklin, Tennessee 37067

RE:                    Donation of Land on ~~Foley Lane~~ **Park Avenue**, Foley, Alabama

Dear Mr. Haralson,

This letter (“Letter of Intent”) represents a non-binding offer by the City of Foley, Alabama (“Donor”) to donate a portion of not less **more** than 5 acres of the approximately 7.6 acres of land that is commonly known as Baldwin County Alabama tax parcel 61-03-05-4-001-014.004, and that is as depicted on Exhibit A attached hereto (the “Property”) to Kindred Healthcare Operating, Inc. or its designee (“Donee”). It is the goal of the Donor and Donee to work expeditiously toward the negotiation and execution of an agreement based on the terms and conditions set forth below (the “Donation Agreement”).

1. **Donation**: In exchange for the promises by Donee contemplated below, Donor agrees to donate all its right, title and interest in the Property to Donee free of charge. Donee will not be responsible for providing Donor with any monetary consideration for the Property.
2. **Appraised Value**: Donor and Donee believe that the Property has a market value of approximately TWO HUNDRED TWENTY EIGHT THOUSAND and 00/100 Dollars (\$228,000.00), which is based on an appraisal prepared by the Baldwin County Revenuer Commissioner (the “Appraised Value”). Neither party shall prepare or file documents or take a position with any taxing or regulatory authority that the Property has a value other than the Appraised Value.
3. **Title**: Donor shall convey good and insurable title to the Property to Donee by general warranty deed, in a form acceptable to Donee and First American Title Insurance Company – National Commercial Services (“Title Company”), at the Closing. The Property shall be conveyed free and clear of all liens, encumbrances, restrictions, and exceptions of any kind or nature except for (i) the lien of taxes not yet due and payable, (ii) all matters that would be revealed by a current and accurate survey and inspection of the Property and waived or not timely objected to by Donee pursuant to the terms to be negotiated in the Donation Agreement, (iii)

all matters of record waived or not timely objected to by Donee pursuant to the terms to be negotiated in the Donation Agreement, and (iv) any other matters of title to which Donee shall expressly consent in writing.

At Closing the Title Company will insure title to the Property as being vested in Donee pursuant to a standard ALTA policy, with all endorsements deemed necessary or desirable by Donee, for the full amount of the Appraised Value, without any exceptions, except those waived by Donee.

4. **Fees and Costs:** Each party shall pay their own costs, fees and expenses, including legal expenses, in connection with the contemplated transaction. Donor shall pay the cost of all transfer and recordation taxes, sales taxes and gross income taxes due and payable in connection with the transfer of the Property to Donee. Donee shall pay for recording fees, the premium charged by the Title Company for an ALTA's owner's policy of title insurance and any additional endorsements, survey and environmental due diligence that it desires.
5. **Proration of Taxes:** Any ad valorem property taxes and association dues/fees for the calendar year in which the closing occurs shall be prorated between the parties on the basis of the actual number of days elapsed in such year. Donor shall assume payment of all ad valorem property taxes and association dues/fees due or assessed prior to Closing. Donee shall assume payment of all ad valorem property taxes and association dues/fees due or assessed subsequent to Closing.
6. **Closing:** The parties shall make reasonable efforts to close the contemplated transaction within thirty (30) days after the conditions precedent contemplated in Section 15 have been satisfied (the "Closing"). Donee shall have 365 days from the date of Closing to start construction otherwise land reverts back to Donor, unless due to unforeseen delays that both parties agree to in writing to extend the construction start date.
7. **Definitive Agreement:** The contemplated transaction will be the subject of a definitive Donation Agreement, which shall be consistent with the terms and conditions of this Letter of Intent and shall contain representations, warranties, conditions to closing, indemnities and covenants for commercial transactions of similar size and character and which shall be agreed to and approved by the parties and their respective counsel.
8. **Inspections:** Commencing upon the date of the Donation Agreement and extending through one hundred eighty (180) days from the full execution of the Donation Agreement (the "Due Diligence Period"), (a) Donee and its officers, employees, engineers, surveyors, contractors and other agents and assigns shall have the right to enter upon the Property at any time and from time to time, and the right of ingress and egress over, through and from the Property, and over any other properties of Donor adjacent to the Property, for the purpose of inspecting, testing, making surveys, conducting surface or subsurface soil tests, borings, percolation tests,

compaction tests, environmental tests and audits and making such other reasonable observations, tests and inspections of the Property, including, without limitation, the surface, subsurface and topographic conditions thereof, as Donee shall deem necessary in its sole discretion, and (b) Donee shall be permitted to review at all reasonable times pertinent books, records, contracts and other documents of Donor related to the Property. Without limiting the generality of the foregoing, Donee may request the representatives of the United States Environmental Protection Agency, the Corps of Engineers and/or other governmental authority to determine if any portion of the Property is subject to the jurisdiction of any such entity and, if so, whether any actions of any nature, and the scope, intent and results thereof, have been taken with respect thereto. Donee shall repair any damage to the Property caused by Donee in conducting its due diligence examination if the Closing does not occur. If Donee is not satisfied with the results of the inspections that it undertakes within the Due Diligence Period, for any reason whatsoever, then Donee may elect to terminate the Donation Agreement, and upon Donee's election to terminate the Donation Agreement, Donor and Donee shall be released from all of their obligations thereunder.

9. **Due Diligence Materials:** Within ten (10) business days from the execution of this Letter of Intent, Donor shall furnish Donee with any existing title examination, survey, environmental audit, zoning and other information about the Property reasonably requested by Donee that is in Donor's possession.
10. **Rezoning and Approval of Development Plan:** If the Property is not zoned so as to permit Donee's intended use thereof, then Donee may obtain final rezoning of the Property to a designation or designations which permit(s) the Donee's intended use thereon and obtain final approval from all appropriate planning commissions, planned unit development boards and other authorities (all such public authorities, planning commissions, boards and other authorities are sometimes hereinafter referred to as the "Zoning Authorities") of the development plan or plans (whether one or more than one, the "Development Plan") which the Donee plans to submit to the Zoning Authorities, setting forth Donee's plan of development of the Property. Donee shall seek to obtain the rezoning of the Property by the Zoning Authorities and shall prepare the Development Plan and seek the approval thereof by the Zoning Authorities in its sole discretion at its expense, and Donor shall cooperate fully with Donee and shall support Donee's efforts in all respects in connection with the preparation of the Development Plan and in seeking to obtain the aforesaid rezoning of the Property and the approval of the Development Plan.

If Donee is unable to obtain all applicable approvals from the Zoning Authorities within one (1) year from the full execution of the Donation Agreement (the "Entitlement Period"), then the Donation Agreement shall terminate and Donee shall be released from all of its obligations under the Donation Agreement; provided, however, that Donee shall have the right to extend the Entitlement Period for two (2) successive periods of thirty (30) days each by written notice to Donor.

11. **Subdivision:** If required, the Donor shall bear all of the cost and expenses of subdivision. The subdivision shall be approved by all necessary public authorities.

Donee's obligation to accept the Property shall be contingent upon the completion and approval of such subdivision. Donee understands that they will be required to provide, at their cost, a Storm Water Retention Pond. The size to be determined by City Engineer.

12. **Utilities:** Donee shall have confirmed and verified that all public utilities, including, without limitation, storm sewer, electricity, gas, water, sanitary sewer and telephone service are currently accessible at the boundary line to the Property for utilization by Donee on the Property in quantities, forces, and/or pressures sufficient to fully service the uses intended by Donee, and in each case at a reasonable cost.
13. **Regulatory Approvals:** Donor will assist Donee in securing all governmental, quasi-governmental, regulatory, and other approvals, including, but not limited to certificates of need and licenses, necessary to permit Donee to operate a rehabilitation hospital on the Property. If Donee is unable to obtain all applicable approvals contemplated by this Section within the Entitlement Period, then the Donation Agreement shall terminate and Donee shall be released from all of its obligations under the Donation Agreement.
14. **Economic Incentives:** Donor will assist Donee in exploring the availability of tax exemptions, deductions, abatements, credits and similar economic incentives, including training grants, from all applicable state, federal or local agencies that are applicable to the Property and the proposed rehabilitation hospital project described in Section 17.
15. **Conditions Precedent:** Donee's obligation to purchase the Property shall be subject to the satisfaction of the following conditions:
  - a) Donee shall have obtained all governmental, quasi-governmental, regulatory, and other approvals, including, but not limited to certificate of need and licensure, necessary to permit Donee's intended use and operation of the Property during the Entitlement Period.
  - b) Donee's receipt of an ALTA survey satisfactory to Donee, in its sole discretion, and satisfactory for Title Company to delete the standard survey exception.
  - c) Donee's receipt of an ALTA commitment for title insurance and all desired title endorsements satisfactory to Donee, in its sole discretion, free kind or nature except those specifically agreed to in writing by Donee.
  - d) Donee shall have completed rezoning the Property, if necessary, and/or obtaining a conditional use permit and/or any other desired zoning approval during the Entitlement Period.
  - e) Donee shall be satisfied that nothing has come to its attention during the Due Diligence Period that would interfere with Donee's contemplated use of the Property.
  - f) Donee shall have verified to its complete satisfaction that the Property has not been contaminated by hazardous wastes or toxic materials and that no

remedial action of the Property is necessary.

- g) Donor and Donee shall have entered into a mutually acceptable Donation Agreement.
- h) Donee shall have obtained all necessary or desired internal corporate and other approvals for the purchase of the Property, including, but not limited to approval by Donee's Board of Directors and its lending group.
- ~~i) Donee shall develop a portion of the remaining parcel as well as a portion of the adjacent parcel known as 05-61-03-05-0-001-004.72 into a passive park for community and public use with amenities such as, but not limited to benches, walking paths, and other similar features. The cost of the park shall be borne by the facility development and determined solely by Kindred Healthcare Operating, Inc.~~

**16. Donor's Representations:**

- a) Donor is the current fee title owner of the Property.
- b) Donor will secure all necessary approvals to donate the Property based on the terms contemplated in this Letter of Intent.
- c) The Property, at Closing, will be free and clear of all monetary liens and encumbrances, except ad valorem property taxes and association fees/dues not yet due and payable.
- d) To Donor's actual knowledge, the Property is, and at Closing will be, free of contamination by hazardous wastes or toxic materials.
- e) The Property is currently a separately-assessed tax parcel.

**17. Donee's Commitments:** Donee intends to redevelop the Property and intends to do so by undertaking, at a minimum, the following activities:

- a) Construction of a 25 bed rehabilitation hospital consisting of approximately 35,000 square feet (the "Hospital").
- b) Creation of approximately ~~80~~ 75 new full-time health care jobs at the Property that are necessary to operate the Hospital.

Donor acknowledges and agrees that Donee may enter into a Ground Lease of the Property to a developer who will be responsible for planning, constructing and owning the Hospital, which will be leased to Donee for Donee's intended use; provided, however, Donee or its affiliate shall be the operator of the Hospital.

**18. Exclusivity:** If Donor accepts the terms and conditions of this Letter of Intent, Donor understands and acknowledges that Donee shall incur significant expenses in connection with its investigation of the Property and its negotiation of a Donation Agreement with Donor. Accordingly, Donor agrees that commencing on the date it signs this Letter of Intent and continuing through the earlier of sixty (60) days

thereafter or the mutual execution of the Donation Agreement, Donor shall not: (a) negotiate, discuss or otherwise communicate with any other parties with respect to the sale, donation or other transfer of the Property, (b) solicit, market or encourage the submission of any proposal or offer to acquire the Property, or (c) furnish to any person or entity, other than Donee, any information regarding the Property. If Donor receives any unsolicited offer or proposal to acquire, lease or otherwise transfer the Property during said period, Donor shall promptly notify Donee and provide Donee with a copy of any written material received by Donor related to said offer or proposal. This exclusivity provision shall also be included in the Donation Agreement, to be effective as of the execution of the Donation Agreement through the Closing.

19. **Brokerage Fees:** Donor and Donee each represent to the other that they have not been represented by any real estate brokers, agents or professionals in connection with the donation of the Property contemplated by this Letter of Intent.
20. **Confidentiality:** Donor, its officers, employees, agents and representatives, shall not (a) make any press release or any public statement concerning the transactions contemplated herein without the prior written consent of Donee, or (b) disclose either the terms or existence of this Letter of Intent to any person or entity, other than to its attorneys, accountants, members (and their respective consummate the proposed transactions, such as bankers.
21. **Governing Laws:** This Letter of Intent, and the Donation Agreement, once executed, shall be governed by the laws of the State of Alabama.

The purpose of this Letter of Intent is to set forth the basic terms and conditions of the transaction contemplated herein. This Letter of Intent shall constitute a non-binding agreement between Donee and Donor except that the terms of Paragraphs 4, 16, 18 and 20 shall be binding on Donor and Donee if Donee shall accept the terms of this Letter of Intent. If the terms and conditions outlined herein are acceptable to you, please so indicate by signing and returning the enclosed duplicate of this Letter of Intent to me at the address on this letterhead by 5:00 PM Central Daylight Time on \_\_\_\_\_, 2017. If a response is not received by 5:00PM Central Daylight Time on \_\_\_\_\_, 2017, this Letter of Intent shall terminate.

Very truly yours,  
CITY OF FOLEY, ALABAMA

By: \_\_\_\_\_

Printed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Accepted and approved this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

KINDERD HEALTHCARE OPERATING, INC.

By: \_\_\_\_\_

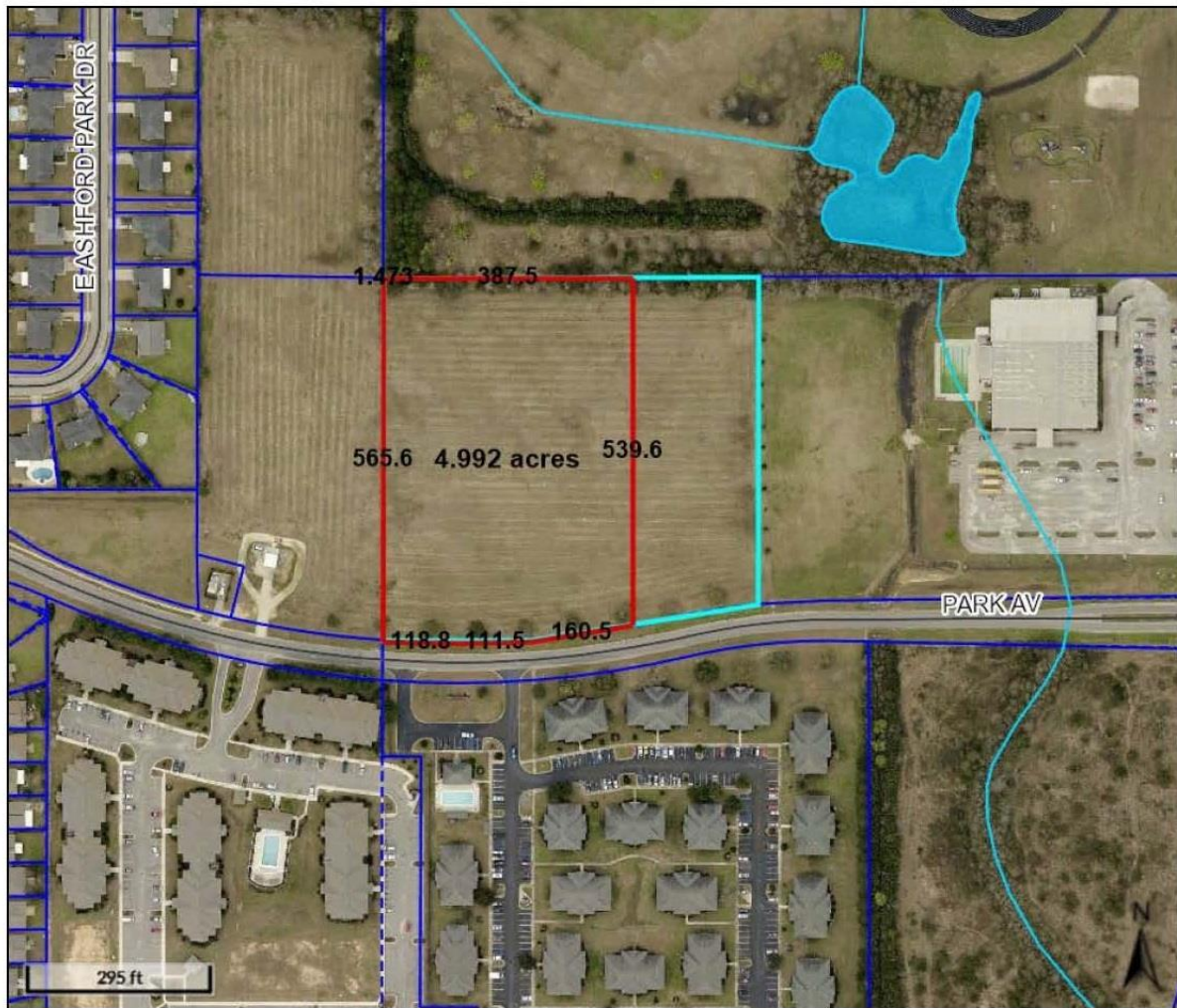
Douglas L. Curnutte  
Senior Vice President  
Corporate Development

Date: \_\_\_\_\_

cc: Cristina O'Brien

## EXHIBIT A

### DEPICTION OF THE PROPERTY



**PIN - 238342**  
**Par Num - 014.004**  
**Acreage - 7.349**  
**Subdivision - 01EVPS**  
**Lot -**  
**Street Name - FOLEY LN**  
**Street Number - 0**  
**Improvement -**

**Name - FOLEY, THE CITY OF**  
**Address1 - P O BOX 1750**  
**Address2 -**  
**Address3 -**  
**City - FOLEY**  
**State - AL**  
**Zip - 36536**