

PURCHASE AND SALE AGREEMENT

(Cash)

This Agreement is made this _____ day of _____, 2004, by and between DENCO, INC., an Alaska corporation, hereinafter referred to as "Seller" and _____, hereinafter referred to as "Buyer."

I. PURCHASE AND SALE OF REAL PROPERTY.

A. PROPERTY. At the closing described in Article III ("Closing"), and subject to the terms and conditions of this Agreement, Seller agrees to sell to the Buyer, and Buyer agrees to purchase from Seller the real property ("Property"), excluding any improvements thereon, which is described as follows:

Lot _____, RIVER QUEST SUBDIVISION, according to Plat No. KN-2004-39, recorded on July 16, 2004 at Serial No. 2004-006959, Kenai Recording District, Third Judicial District, State of Alaska;

subject to the terms and conditions of this Agreement.

B. PURCHASE PRICE AMOUNT. The purchase price for the Property is

("Purchase Price"), payable in full by Buyers at closing.

C. PREMIUM. In addition to Purchase Price described above, the Buyer has elected to pay a premium to reserve one (1) additional boat moorage space along the Property's frontage on the Canal, Kenai River, or Slough, as shown in the River Quest Subdivision Plat, for the following Premium Price: \$ _____.

D. ROADS AND UTILITIES. Seller has provided roads, and has provided or will provide the following utilities to the Property: community water and septic system, electric, telephone.

E. EARNEST MONEY RECEIPT. Buyer shall pay to Seller at the execution of this Earnest Money and Sale and Purchase Agreement the sum of

as earnest money, which amount shall be applied to the balance owing by Buyer to Seller at closing. Seller agrees that Buyer will be entitled to a full refund of the earnest money if Seller does not satisfy the conditions for which Seller is responsible, as set forth in Article III. Buyer agrees that Buyer will forfeit the earnest money if Buyer does not satisfy the conditions for which Buyer is responsible, as set forth in Article III.

F. OPTION AGREEMENT. Buyer's payment pursuant to any Option Agreement in force before the time this Agreement is executed shall be applied to the

balance owing by Buyer to Seller at closing, minus any amount allowed to be withheld by Seller under the terms of the Option Agreement. Upon execution of this Agreement, the terms of any prior Option Agreement with Buyer as a party, relating to River Quest Subdivision, verbal or written, are fully settled and released.

G. FLOOD HAZARD AREA. The Property is located within a designated 100 year (Zone A) Flood Hazard Area. All development on the Property must comply with the Kenai Peninsula Borough Code of Ordinances, Title 21 (KPB 21.06). A survey to determine the elevation of the property may be required prior to construction. The River Quest Subdivision CCRs, Article XVI, Section 6, require that the Owner (Buyer) bring all structures located on the Property into compliance with the development requirements of KPB 21.06 by August 31, 2006. Buyer agrees to comply with this requirement.

H. HABITAT PROTECTION AREA. Portions of River Quest Subdivision, including the Property, are within the 50-foot Habitat Protection Area (“HPA”) established by the Kenai Peninsula Borough Code of Ordinances, Title 21 (KPB 21.18). Development of the Property within the HPA may be restricted. There is an existing one-year Conditional Use Permit (“CUP”) covering all River Quest Subdivision lots within the HPA, which may be extended for another year. The River Quest Subdivision CCRs, Article XVI, Section 4, require that the Owner (Buyer) bring all structures located on the Property into compliance with the setbacks for structures contained in the CUP by August 31, 2006. Buyer agrees to comply with this requirement, if applicable to the Property.

I. BANK RESTORATION. The River Quest Subdivision CCRs, Article XVI, Section 5, require that the Owner (Buyer) of all River Quest Subdivision Lots with frontage along or within the Canal, Kenai River or Slough (as located on the Plat) provide for bank stabilization along that frontage, according to standards set by Kenai Peninsula Borough ordinances or publications, and any standards set by the Association, by August 31, 2006. Buyer agrees to comply with this requirement, if applicable to the Property.

J. WATERWAY TRAFFIC PLAN. There is a Waterway Traffic Plan, which contains assignment of boat moorage and pedestrian traffic patterns, along and through easements established in the Plat and River Quest Subdivision Easements. River Quest Subdivision is subject to this Plan and Easements. All boat moorage is subject to Kenai River water levels.

K. CONDITION OF THE PROPERTY - “AS IS,” NO WARRANTIES. Seller is selling the Real Property to Buyer “as is.” Seller has made no disclosures, promises, assurances or warranties with respect to the condition of the Real Property, such as the Property’s fitness for any particular purpose, the Property’s fitness for Buyer’s purposes, the Buyer’s ability to retain existing structures in their current condition or location, the Buyer’s ability to develop any portion of the Property, the Buyer’s ability to obtain any permit or variance related to developing the Property, compliance with laws or regulations applicable to the Property or its development, compliance with codes or any other laws or regulations (including environmental or hazardous waste laws or regulations) applicable to any structure, improvement or utility existing on the Property at the time this Agreement is

executed, the boundaries or location or easements or other features of the Property as located on the ground; or, if Seller has made any statement regarding the condition of the Real Property to Buyer before Closing, Buyer agrees that Buyer did not rely on any such statement in making any decision or taking any action relating to Buyer's purchase of the Property.

L. EXISTING LEASE/IMPROVEMENTS/CONSTRUCTION.

1. Existing Lease. There is an existing lease of the Property, that terminates on September 30, 2004 or December 31, 2004, as the case may be. If the Buyer is not the Lessee, then Buyer takes the Property subject to the lease, and may not take physical possession of the Property until December 31, 2004.

2. Existing Improvements - Disclaimer. Tenants occupying the Property in the past may have put structures on the Property. Seller has no knowledge of, and has made no warranties, promises, statements or disclosures relating to, the condition of any such structure on the Property, including the expected useful life, compliance with building codes or any other laws or regulations that apply to such structures, or suitability of any use intended by Buyer.

3. Existing Improvements - Disposition. The existing lease applicable to the Property requires all structures to be removed from the Property at the termination of the lease. However, the existing lessee may offer to sell such structures to Buyer. If Buyer is not the existing lessee, and Buyer intends to purchase such a structure from the existing lessee, and leave such structure on the Property, Buyer must notify Seller in writing, obtain Seller's written consent to allow such structures to remain on the property, and submit proof of notice to Seller, Seller's consent, and Buyer's ownership of such structures, as part of closing. If Buyer's purchase of any such structure includes any kind of financing of the purchase price of the structure, then Buyer warrants and agrees that the Property has not been, and will not be, used as collateral to secure the purchase price, or any balance due on that price. If Buyer does not intend to purchase such structures, or does not provide proof of notice, consent and ownership, as required in this sub-section, then Seller will remove such structures from the Property, at Seller's expense. Buyer agrees that Seller may have until May 15, 2005 to remove such structures from the Property.

4. Compliance. Buyer expressly knowingly and voluntarily agrees to waive any and all so-called or claimed "grandfather rights," or any other claim of right, title or interest, or homestead or other exemptions from execution, as they may be applicable to structures or improvements existing on the Property as of the date of closing. Buyer agrees to bring such structures or improvements into compliance with the provisions of the River Quest Subdivision CCRs; particularly, Article XVI, within the time periods set forth in Article XVI. If no specific time period is set forth in the CCRs, then Buyer agrees to bring such structures into compliance with the CCRs by no later than August 31, 2006.

5. Construction. Seller is in the process of a construction project on the roads and utilities in the Subdivision, with the anticipated completion date of 6/1/05. Buyer agrees to take title subject to Seller's right to commence or complete construction. Buyer

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agrees to cooperate and not interfere with this project, and to tolerate any inconvenience arising from the project, until project completion, even if after 6/1/05.

M. BUYER'S RIGHT TO INSPECT PROPERTY.

1. The Buyer has the right to a physical inspection of the Property, by Buyer personally, and by a professional real property inspector or surveyor of Buyer's choice, before Closing, at Buyer's expense. The deadline for making this inspection is: __.

2. If Buyer declines to have such a professional real property inspection or survey performed before Closing, then Buyer agrees that Buyer has accepted the condition of the Property, including Lot boundaries and location of easements, as satisfactory, and Seller has no liability to Buyer for any condition on the Property.

3. If Buyer's inspection of the Property discloses defects in the condition of the Property, Buyer has a duty to provide Seller with a written statement of such defects, either by Buyer, or in a written report by the professional real property inspector, within 5 days of the date of the deadline for making the inspection, as set forth in Article I(M)(2), above.

4. In response to Buyer's disclosure of defects, pursuant to Article I(M)(3), above, Seller may choose to correct any defect disclosed by Buyer, reduce the purchase price to reflect the cost of correcting the defect, take no action to correct any defect or to reduce the purchase price, or cancel this Agreement, at Seller's option. Seller shall notify Buyer of Seller's option within 5 days of receipt of Buyer's statement or report, provided under Article I(M)(3), above.

5. If Seller opts to cancel the Agreement, then Buyer's earnest money and any option payment will be refunded to Buyer, minus the \$1,000 option fee, and neither party shall have any liability to the other party. If Seller opts to correct a defect identified in Buyer's statement, then Buyer may inspect the work before closing, and, if satisfactory, shall signify Buyer's acceptance of the work in writing, at closing. If Seller opts to reduce the purchase price to reflect the cost of correcting the defect, then Buyer shall signify Buyer's acceptance of this reduction in lieu of correction at closing.

6. Notwithstanding any other provision of this Agreement, Buyer's acceptance of a deed to the Property at closing signifies that Buyer is fully satisfied with the condition of the Property, and that Seller has no liability to Buyer for any condition on the Property.

N. CO-OWNERS. For River Quest Subdivision Lots with more than one Buyer, Buyers agree that Seller, and the River Quest Lot Owners Association, has no liability or responsibility for any term or condition between co-Owners relating to the use or development of the Property by any co-Owner, or the liability or responsibility to enforce any such use term or condition. Buyers agree that all Buyers are jointly and severally liable for any balance due on the Purchase Price, or for any assessment levied on the Property by the Association, and that, upon default, Seller or the Association may pursue foreclosure of any lien on the Property related to securing the Purchase Price or assessment levied on the Property by the Association, regardless of fault or failure to remedy the default as between co-Owners.

O. CONVEYANCE OF TITLE. Sellers shall convey fee simple title to the Property by statutory warranty deed, with warranties limited to those listed in the Alaska Statutes governing warranty deeds. Title to the Property shall be marketable and insurable to the extent described in Article II(B), below.

P. SUBDIVISION DOCUMENTS. Buyer will be provided with a copy of the following River Quest Subdivision governing documents for review before closing: Declaration of Covenants, Conditions and Restrictions (“CCRs”), River Quest Subdivision Plat (“Plat”), River Quest Subdivision Easements (“Easements”), River Quest Lot Owners Association (“Association”) Articles of Incorporation and Bylaws, Association Rules (“Rules”), River Quest Subdivision Conditional Use Permit (“CUP”), and any amendments to the CUP. Buyer has the right to inspect any permit which may apply to the Property, before closing, upon request. Buyer agrees to take title subject to these governing documents, and to comply with these governing documents, and Buyer agrees to execute a statement to that effect as part of Closing.

II. CONDITIONS PRECEDENT TO CLOSING.

The obligations of Buyer and Sellers under this Agreement are contingent upon the following conditions:

A. PERFORMANCE. Sellers and Buyer have performed all obligations, covenants and agreements to be performed prior to closing as set forth in this Agreement.

B. DOCUMENTS OF TITLE. Seller shall deliver to Buyer a duly executed and valid statutory warranty deed or other document necessary to transfer title to the Property to Buyer, at closing.

C. TITLE INSURANCE AND EXCEPTIONS. Concurrently with the execution of this Agreement, Seller shall cause First American Title Company to issue a Commitment of Title Insurance in the amount of the Purchase Price (“Commitment”). Buyer shall have 5 days after receipt of the Commitment to review the condition of title set forth therein, and to deliver to Seller in writing any objections Buyer may have to any exception in the Commitment, with reasons specified. Any such exception which Buyer does not object to within this 5 day time period shall be conclusively deemed as approved and accepted by Buyer. If Buyer does deliver such written objections, an objected-to exception shall be satisfied or otherwise removed from title by Seller, unless Buyer agrees to accept such condition, or Buyer and Seller agree otherwise, in writing. If an objected-to exception is not satisfied or removed, or if the Buyer or Seller do not agree otherwise, then Buyer is under no obligation to purchase the Property, and the earnest money and any option payment, minus the \$1,000 option fee, will be refunded to Buyer.

D. BUYER FINANCING. Buyer shall pay the balance due on the Purchase Price

in full, after being credited for any earnest money and option payments.

E. REAL PROPERTY INSPECTION. Seller agrees to take any action necessary to correct conditions on the Property identified in the Buyer’s statement or report of defects, provided under Section I(M)(3), above, if Seller has opted to correct such condition, as provided in Seller’s notice to Buyer, under Section I(M)(4), above. Otherwise, Buyer shall execute a release of Seller from any obligation to correct any defect in the condition of the Property, or any liability for any condition of the Property, as part of closing.

III. CLOSING.

A. CLOSING AGENT. The closing agent for this Agreement is First American Title, Kenai, Alaska office.

B. TIME, DATE AND PLACE OF CLOSING. Closing shall be at the offices of the closing agent on _____, but no later than _____, unless another date is agreed to by the Seller and Buyer, in writing.

C. CLOSING INSTRUCTIONS. Buyer and Sellers shall execute and deliver at closing all documents and instruments necessary to facilitate the closing of this Agreement.

D. COSTS OF CLOSING. Costs to close this purchase and sale agreement shall be allocated and paid between the parties as follows:

<u>Costs</u>	<u>SELLER</u>	<u>BUYER</u>
Title Insurance Premium	X (50%)	X (50%)
Cost to Cure Buyer’s Objections - § II(C)	X	
Closing/Escrow Fees	X (50%)	X (50%)
Recording Costs		X
Transfer or Excise Taxes	X (50%)	X (50%)
Property Taxes and Insurance 2004	X (pro rata)	X (pro rata)
Real Property Inspection - § I(F)(1)		X
Association Reserves		X
Cost to Correct Defects - §§ I(M)(4), II(E)	X	

A closing statement which details costs of closing shall be provided for review by the parties before closing.

IV. OTHER PROVISIONS.

A. GOVERNING LAW, JURISDICTION AND VENUE. This Agreement shall be construed and interpreted according to the laws of the State of Alaska. The parties agree that the courts of Alaska, Third Judicial District, shall have exclusive jurisdiction of any

dispute between the parties arising out of this Agreement.

B. ADDENDA. The parties may enter into other agreements related to the purchase and sale of the Property. Such agreements shall be in writing, signed by both parties, and attached to this Agreement as an addendum, clearly labeled as such.

C. EXTENSIONS OF TIME. Either party may agree to extend the deadline for the other party to perform an obligation under this Agreement, or to extend the date of closing; provided that any such agreement shall be in writing signed by both parties.

D. ASSIGNMENT. This Agreement, and the rights and duties hereunder, may not be assigned or transferred without the express written consent of Seller.

E. WAIVER OF NOTICE AND RIGHT TO COMMENT/OBJECT. Buyer expressly, knowingly and voluntarily waives all rights to notice, comment or object under KPB Code, Chapter 20 and Chapter 21, relating to any development project undertaken by Seller, its successors and assigns, on Lots 5 and 6, Sec. 19, T5N, R10W, S.M., Kenai Recording District, Third Judicial District, State of Alaska, including River Quest Subdivision. And, further, Buyer agrees to refrain from any negative comment or objection to any development project undertaken by Seller, its successors and assigns, on Lots 5 and 6, Sec. 19, T5N, R10W, S.M., Kenai Recording District, Third Judicial District, State of Alaska, involving any phase of River Quest Subdivision, directed to the Kenai Peninsula Borough or any other government agency involved in issuing permits or approvals for such development projects. If Buyer attempts or makes any such comment or objection, Seller may provide a copy of this Agreement to the relevant government agency. Furthermore, Buyer agrees to execute any document required by Seller to effectuate this waiver.

F. DISPUTE RESOLUTION. Seller and Buyer agree that they shall endeavor to resolve claims, disputes, and other matters in question between them: (1) first, by written notice to the other party of the claim or dispute, and giving the other party a reasonable opportunity to satisfy the claim or resolve the dispute; and (2) then, by mediation that, unless the parties mutually agree otherwise, shall be in accordance with the Mediation Rules of the American Arbitration Association currently in effect. Request for mediation shall be filed in writing with the other party to this Agreement. Mediation shall proceed in advance of legal or equitable proceedings, which shall be stayed pending mediation for a period of 60 days from the date of filing, except for Buyer's breach of Article IV(E), above, which Buyer may act to cure immediately; and unless stayed for a longer period by agreement of the parties or by court order. The parties shall share the mediator's fee and any filing fees equally. The mediation shall be held in the Kenai Venue District, Third Judicial District, State of Alaska. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof.

G. NOTICES. All notices and demands shall be given in writing, either by personal service or by registered or certified mail, postage prepaid, and return receipt

requested, or by fax transmission with a confirmation copy delivered by mail. Notice shall be considered given when mailed or sent by fax. Notices shall be addressed as shown below for each party, except that, if any party gives notice of a change of name or address, notices to that party shall thereafter be given as shown in that notice.

SELLER:
DENCO, INC.
110 So. Willow St., Ste. 101
Kenai, Alaska 99611

BUYERS:

H. ATTORNEY FEES AND COSTS. The parties agree that if a party is in default under this Agreement, then such party shall pay to the other party reasonable attorney fees and other costs and expenses incurred by the other party after default and referral to an attorney, in any settlement negotiations, and in preparing for and prosecuting any suit or action ("Collection Costs"). Collection costs shall be immediately due and payable.

I. TIME IS OF THE ESSENCE. The parties agree that time is of the essence with respect to the duties to be performed by either party under this Agreement.

J. RIGHTS CUMULATIVE. Except as expressly provided in this Agreement, and to the extent permitted by law, any remedies described in this Agreement are cumulative, and not alternative to any other remedies available at law and equity.

K. NONWAIVER OF REMEDIES. The failure or neglect of a party to enforce any remedy available by reason of the failure of the other party to perform a term or condition set forth in this Agreement shall not constitute a waiver of such term or condition. A waiver by a party shall not affect any term or condition other than the one specified in such waiver, and only for the time and in a manner specifically and expressly stated in the waiver.

L. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns, heirs and personal representatives.

M. AGREEMENT NOT TO BE CONSTRUED AGAINST DRAFTER. The parties agree that each party has had an opportunity to have this Agreement reviewed by an attorney of their choice, and that, even though this Agreement has been prepared by Seller's attorney, this Agreement shall be enforced according to its plain meaning, and shall not be construed against the drafter.

N. ENTIRE AGREEMENT/INTEGRATED AGREEMENT. All exhibits and addenda to this Agreement constitute a part of this Agreement. This Agreement, together with any exhibits or addenda, constitute the entire agreement between the parties, and supersedes all prior agreements (including any Option Agreement entered into by Buyer,

or Seller and Buyer, relating to River Quest Subdivision), memoranda, correspondence, conversations and negotiations. The parties expressly agree that there are no verbal or other written agreements regarding the purchase and sale of the Property that are not set forth in this Agreement, or attached as an exhibit or addenda.

O. SEVERABILITY. The invalidity of any portion of this Agreement, as determined by a court of competent jurisdiction, shall not affect the validity of any other portion of this Agreement.

END OF AGREEMENT

LIST OF EXHIBITS AND ADDENDA ATTACHED TO THIS AGREEMENT:

[SIGNATURE LINES]