

**AMENDED
INTERLOCAL AGREEMENT**

THIS REVISED AGREEMENT is made and entered into as of the 6th day of December 2006, by and among the public hospital districts identified in Exhibit A and B and such additional public hospital districts as may agree to be bound by the terms of this Agreement in the future (hereinafter collectively referred to as the "Districts").

RECITALS

A. Section 70.44.003 RCW authorizes public hospital districts "to provide hospital services and other health care services for the residents of such districts and other persons."

B. Section 70.44.007(2) RCW defines "other health care services" to include "nursing home, extended care, long-term care, outpatient, rehabilitative, health maintenance, and ambulance services and such other services as are appropriate to the health needs of the population served."

C. Each of the Districts is a "rural public hospital district" as defined by Section 70.44.460 RCW: a public hospital district authorized under Chapter 70.44 RCW whose geographic boundaries do not include a city with a population greater than thirty thousand

D. Each of the Districts provides health care services and facilities, including hospital services, to its residents and others.

E. Section 70.44.450 RCW expressly authorizes rural public hospital districts as defined by Section 70.44.460 RCW to enter into cooperative agreements and contracts with one another under the Interlocal Cooperation Act (Chapter 39.34 RCW) to provide for the health care needs of the people they serve. These authorized agreements and contracts include combined purchases and allocations of medical equipment and technologies, joint agreements and contracts for health care service delivery and payment with public and private entities, and other cooperative arrangements.

F. Pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW, the Districts wish to negotiate, enter into and carry out joint agreements and contracts for health care service delivery and payment with public and private entities in order to better meet the health care needs of the residents of the Districts and other people served by the Districts and, from time to time, to engage in such other joint activities as may be in the best interests of those they serve.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants herein contained, the Districts agree as follows:

1. The Board. Pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW, the Districts hereby establish a joint operating board (the "Board"), which shall be known as the "Western Washington Rural Health Care Collaborative PHD Joint Operating Board" or such other name as the Board may approve from time to time

a. Class of Members: The Board shall consist of two classes of members:

1. *Full Members* are the seven Districts (Exhibit A), whose rights, obligations and benefits are defined in the Board's Bylaws.

2. *Associate Members* are those districts who enter into the Western Washington Rural Health Care Collaborative PHD Joint Operating Board after March 1, 2006, whose rights, obligations and benefits are defined in the Board's Bylaws.

b. The Members of the Board. The Board shall be composed of each Member's superintendent or such person as its superintendent may designate. Each Full Member of the board shall have one vote with respect to all matters presented to the Board for its review and approval. Associate Members shall designate one within their membership category to cast a single vote on behalf of all Associate Members.

c. Bylaws of the Board. The Board shall adopt bylaws governing the management of its business and the regulation of its affairs, including but not limited to procedures for electing officers and specifying their duties, calling meetings and establishing quorum. Approval of the initial bylaws and any amendments thereto shall require the unanimous approval of the Board's Full Members and the designated voting Associate Member.

2. The Purpose. On behalf of the Districts, the Board shall engage in the following activities:

a. Develop and analyze models and strategies to negotiate, enter into and carry out joint agreements and contracts for health care service delivery and payment with public and private entities that operate within the State of Washington;

b. Engage consultants from time to time as it deems necessary to assist in evaluating the various models and strategies under consideration;

c. Select and implement one or more models or strategies;

d. Engage in such other collective negotiations with health plans or provider groups desiring to contract in the State of Washington; and

e. Engage in such other collective activities as it deems appropriate in furtherance of its goals, which include negotiating, entering into and carrying out joint agreements and contracts for health care service delivery and payment with public and private entities that operate within the State of Washington.

3. Term. This Agreement shall remain in effect until December 31, 2007 and shall automatically renew for additional one-year terms, unless terminated by the Districts as described in Section 11.

4. Powers. The Board shall have the following powers in carrying out the purpose of this Agreement:

a. To make and enter into contracts; provided, however, that prior to entering into any contract that results in an aggregate liability to the Districts of five thousand dollars (\$5,000.00) or more, the Board shall obtain the prior written approval of each of the Districts;

b. To hire and fire agents and independent contractors as it deems necessary; and

c. To have and exercise all other powers necessary to carry out the purpose of this Agreement, subject to any restrictions applicable to a joint operating board established pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW.

5. Management of the Board's Activities and Scope of Authority. The Districts agree that the day-to-day management of the Board's activities and supervision of the Board's agents shall be under the control of the Board. No District shall have any independent authority to direct the management of the Board's activities or any authority to bind or to act for or to assume any obligations or responsibilities on behalf of any other District or the Board. The Board shall not have any authority to bind or act for or to assume any obligations or responsibilities on behalf of any District.

6. Contracts. Any contract entered into by the Board shall be in writing and shall contain a provision permitting termination of such contract upon no more than twelve (12) months' notice in the event this Agreement is terminated.

7. Property. Any property required to carry out the purposes of this Agreement shall, at the discretion of the Board, be held in the name of one of the Districts or by the Districts jointly as tenants in common or as partners.

8. Funding. Any costs incurred by the Board on behalf of the Districts in carrying out the activities described in Section 2 shall be allocated among the Districts on the basis of a methodology to be determined by the Board. Any payment from a District shall be due within thirty (30) days of the District's receipt of a request for payment from the Board or such shorter period of time as may reasonably be specified by the Board. In order to facilitate the payment of expenses on behalf of the Districts, the Board shall have the authority to establish a special fund with the Treasurer of any District that is a party to this Agreement; this fund shall be designated as the "Operating Fund of the Western Washington Rural Health Care Collaborative PHD Joint Operating Board" (the "Operating Fund"). All grant funds received by the Districts jointly or individually to assist in financing the activities covered by this Agreement shall be deposited in the Operating Fund and used to pay the costs incurred by the Board as described herein.

9. Financial Statements. The Board shall develop and deliver to the Districts within forty-five (45) days after the close of the Board's fiscal year a balance sheet of the Board as of the end of the fiscal year and statements of income and cash flow. Each of these documents shall be prepared in accordance with generally accepted accounting principles, consistently applied, reviewed by the Treasurer of the Board, and clearly reflect any positive or negative variances from the operating budget approved by the Board.

10. Audit. An audit of the Board shall occur at such times as the Board deems to be reasonable or as required by state law. This audit shall be conducted by an independent accounting firm, by the Board's internal auditors, or by the State Auditor, as appropriate under the circumstances. In addition, any District may request an audit of the Board. In the event two or more Districts request such an audit, the cost thereof shall be borne equally by those Districts. In the event any District individually requests such an audit, the cost thereof shall be borne entirely by that District.

11. Termination and Distribution.

a. Termination of Agreement. This Agreement may be terminated and the Board dissolved prior to the expiration of the term specified in Paragraph 3 as follows: (i) upon mutual agreement of the Districts, in which event the termination shall be effective at any time established by mutual agreement; or (ii) upon receipt by each District of written notice that one or more of the Districts intends to withdraw, in which event the termination shall be effective no sooner than ninety (90) days from the date that each of the Districts receives the written notice of withdrawal. No termination, however, shall be effective until either the winding up and distribution process as described below is completed or two or more of the Districts elect to continue the business of the Board pursuant to the procedures described in Section 12 hereof. In addition, a District that provides notice of withdrawal shall not be liable for any liabilities incurred by the Board following receipt of its notice other than those incurred in connection with the winding up and distribution process described below.

b. Winding Up. Prior to the expiration or termination of this Agreement in accordance with the terms hereof, the Board shall diligently proceed to wind up its affairs through the payment of all debts and liabilities and the settlement or other disposition of all claims by or against the Board or any of the Districts arising out of or related to this Agreement. During the period of winding up, the Board shall have no authority to otherwise carry on the business as prescribed in this Agreement except to the extent necessary to complete the winding up.

c. Distribution. Upon completion of the winding up process, the Board shall distribute any property that it may then be holding to the Districts in proportion to the payments that they have made pursuant to Section 8 of this Agreement.

d. Books and Records. Upon completion of the winding up and distribution process, the Board shall make arrangements for the safe storage of its books and records for the period of time needed to satisfy any federal or state record keeping laws then in effect. These books and records shall be available during normal business hours to the Districts for inspection and copying at their own cost and expense.

12. Election to Continue the Business of the Board. Upon receipt of a notice of withdrawal pursuant to Section 11 hereof, any two or more of the Districts may elect to continue the business of the Board after reaching an agreement with the withdrawing District(s) regarding an appropriate allocation of the Board's assets and liabilities among the withdrawing District(s) and those that wish to continue the business of the Board.

13. Notices. Any and all notices or communications required or permitted to be given under any of the provisions of this Agreement may be in writing and shall be deemed to have been given:

a. Upon receipt when personally delivered, sent by overnight courier, sent by facsimile with hard copy in two (2) days, or delivery is refused; or

b. Two (2) days after deposit in the United States mail when sent first class, certified or registered mail, return receipt requested.

If any Member has given prior consent and provided electronic mail address, notice may be delivered by electronic transmission as defined by RCW 24.03.005. All notices shall be addressed to the parties at the addresses set forth in Exhibit A or at such other as any District may specify by notice to the other Districts.

14. Entire Agreement and Amendment. This Agreement represents the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior negotiations or discussions with respect thereto. This Agreement may be amended or modified by written instrument signed by the parties hereto. Such amendments or modifications may be for the purposes of, among other things, adding or deleting parties to this Agreement or expanding the purposes for which the Board is organized.

15. Assignment. No party to this Agreement may assign its rights or obligations hereunder.

16. Counterparts. This Agreement may be executed in counterparts, each of which shall be an original but all of which taken together shall constitute but one and the same instrument.

17. Filing Requirements. Upon execution of this Agreement, the parties shall file a true and complete copy thereof in compliance with the provisions of Chapter 39.34 RCW.

18. Authorization. Each District does hereby represent and warrant to the others that it is duly authorized to enter into and to carry out the terms of this Agreement.

EXHIBIT A

FULL MEMBERS

Forks Community Hospital
Clallam County Public Hospital District No. 1
530 Bogachiel Way
Forks, Washington 98331

Jefferson General Hospital
Jefferson County Public Hospital District No. 2
834 Sheridan
Port Townsend, Washington 98368

Mark Reed Hospital
Grays Harbor County Public Hospital District No. 1
322 South Birch Street
McCleary, Washington 98557

Mason General Hospital
Mason County Public Hospital District No. 1
901 Mt. View Drive
Shelton, Washington 98584

Morton General Hospital
Lewis County Public Hospital District No. 1
521 Adams Street
Morton, Washington 98356

Ocean Beach Hospital
Pacific County Public Healthcare Services District No. 3
174-1st Avenue North
Ilwaco, Washington 98624

Willapa Harbor Hospital
Pacific County Public Hospital District No. 2
800 Alder Street
South Bend, Washington 98586

EXHIBIT B

ASSOCIATE MEMBERS

Valley General Hospital
Snohomish County Public Hospital District No. 1
14701 179th S. E.
Monroe, Washington 98272

Whidbey General Hospital
Whidbey Island Public Hospital District
101 N. Main Street
Coupeville, Washington 98239

United General Hospital
Skagit County Public Hospital District No. 304
2000 Hospital Drive
Sedro-Woolley, Washington 98284

Snoqualmie Valley Hospital
King County Public Hospital District No. 4
9575 Ethan Wade Way SE
Snoqualmie, Washington 98065

AMENDMENT TO INTERLOCAL AGREEMENT

This is an amendment to the Interlocal Agreement (Western Washington Rural Health Care Collaborative PHD Joint Operating Board), entered into as of the 6th day of March, 2006, by and among the public hospital districts identified in Exhibit A. This amendment is effective December 6th, 2006.

The Agreement is amended as follows:

Section 1, The Board, is deleted in its entirety and replaced by the following:

"1. The Board. Pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW, the Districts hereby establish a joint operating board (the "Board"), which shall be known as the "Western Washington Rural Health Care Collaborative PHD Joint Operating Board" or such other name as the Board may approve from time to time.

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b. The Members of the Board. The Board shall be composed of each Member's superintendent or such person as its superintendent may designate. Each Full Member of the board shall have one vote with respect to all matters presented to the Board for its review and approval and Associate Members shall designate one within their membership category to cast a single vote on behalf of all Associate Members.

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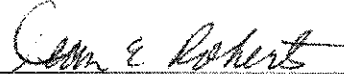
All other sections of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereby execute this Amendment as of the day and year set forth above.


PUBLIC HOSPITAL DISTRICT NO. 1,
CLALAM COUNTY, WASHINGTON

By: 
Name: Camille Scott
Its Superintendent


PUBLIC HOSPITAL DISTRICT NO. 1
GRAYS HARBOR COUNTY,
WASHINGTON

By: 
Name: Jean Roberts
Its Superintendent

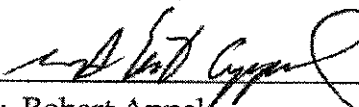
PUBLIC HOSPITAL DISTRICT NO. 2,
JEFFERSON COUNTY, WASHINGTON

By: 
Name: Victor Dirksen
Its Superintendent


PUBLIC HOSPITAL DISTRICT NO. 1
LEWIS COUNTY, WASHINGTON

By: 
Name: Ron DeArth
Its Superintendent


PUBLIC HOSPITAL DISTRICT NO. 1
MASON COUNTY, WASHINGTON

By: 
Name: Robert Appel
Its Superintendent

PUBLIC HOSPITAL DISTRICT NO. 2,
PACIFIC COUNTY, WASHINGTON

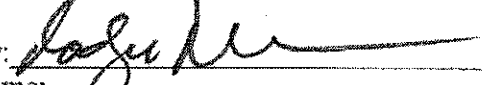
By: 
Name: Carole Halsan
Its Superintendent

PACIFIC COUNTY, WASHINGTON


By: 
Name: James Robertson
Its Superintendent

Undersigned hereby agree to be bound by the terms and conditions of the Interlocal Agreement (Western Washington Rural Health Care Collaborative PHD Joint Operating Board) entered into on March 1, 2006 and amended on December 6, 2006

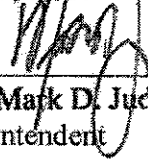
PUBLIC HOSPITAL DISTRICT NO. 4,
KING COUNTY, WASHINGTON

By: 
Name: _____
Its Superintendent


PUBLIC HOSPITAL DISTRICT NO. 304
SKAGIT COUNTY, WASHINGTON

By: 
Name: Gregory C. Rea
Its Superintendent

PUBLIC HOSPITAL DISTRICT NO. 1,
SNOHOMISH COUNTY,
WASHINGTON

By: 
Name: Mark D. Judy
Its Superintendent

WHIDBEY ISLAND PUBLIC HOSPITAL
DISTRICT
ISLAND COUNTY, WASHINGTON

By: 
Name: Scott Rhine
Its Superintendent