LETTER OF INTENT

This Letter of Intent ("LOI") is entered into by and between the University of Washington ("UW"), an agency of the state of Washington, acting through UW Medicine, Skagit County Public Hospital District No. 1 d/b/a Skagit Regional Health ("SRH"), and Snohomish County Public Hospital District No. 3 d/b/a Cascade Valley Hospital and Clinics ("CVH") (herein referred to singularly as a "Party" and collectively as the "Parties") and is effective as of April 6, 2015 ("Effective Date").

RECITALS

Whereas, UW, an agency of the state of Washington, is an institution of higher education that includes hospitals and clinics, educational programs for health professionals and medical research programs referred to collectively as UW Medicine;

Whereas, UW Medicine includes Harborview Medical Center ("Harborview") as managed by UW pursuant to that certain Management and Operations Contract between the Harborview Board of Trustees and the UW Board of Regents; UW Medicine/Northwest d/b/a Northwest Hospital & Medical Center ("Northwest"); King County Public Hospital District No. 1 dba Valley Medical Center ("Valley Medical Center"); University of Washington Medical Center ("UW Medical Center"); UW Physicians Network d/b/a UW Neighborhood Clinics ("UWNC"); the faculty practice plan, UW Physicians ("UWP"); UW School of Medicine ("UW SoM"); and Airlift Northwest;

Whereas, UW Medicine's mission is to improve the health of the public by advancing medical knowledge, providing outstanding primary and specialty care to the people of the region, and preparing tomorrow's physicians, scientists and other health professionals;

Whereas, SRH is a public entity and an acute care hospital, medical group, and clinic health system in Skagit County committed to improving the health of the community;

Whereas, CVH is a public entity and an acute care hospital and clinic system in Snohomish County committed to improving the health of the community;

Whereas, the Parties share a vital and common interest in providing accessible, high-quality, coordinated, and cost-effective patient care services through community-based healthcare delivery systems including access to complex tertiary and quaternary care when needed and furthering the training of physicians and other healthcare professionals; and

Whereas, the Parties are committed to the "Triple Aim" of better care for individuals, better health for populations, and lower per capita costs.

Now, therefore, this LOI memorializes the principles and commitments that will guide the development of definitive agreements between and among the Parties.

AGREEMENT

1. **Guiding Principles.**

1.1 Mission. The Parties have a shared mission and commitment to improving the health of the community and furthering medical education and training.

1.2 Triple Aim. The Parties are committed to the "Triple Aim" of better care for individuals, better health for populations and lower per capita costs.

1.3 Community-Focused. The Parties share a commitment to the delivery of healthcare in the local community, closest to the patients' home, when possible, to provide safe and effective care. Access to care within the local community is a primary focus and objective of the Parties' collaboration. The Parties are committed to supporting local community resources already providing healthcare in the community, and supplementing such resources when possible.

1.4 Patient Choice and Access. Strategies must respect patient choice while increasing and enhancing access to a broad array of care options in patients' own communities.

1.5 Patient-Centered Care. The Parties, individually and collectively, are committed to enhancing the patient experience across the continuum of care. The organizations will share and collaborate on service initiatives to deliver consistent service excellence to every patient, every time.

1.6 Quality and Safety. The Parties share a commitment to evidence-based practices that improve quality and safety while reducing costs and improving patient and practitioner satisfaction.

2. **Proposed Definitive Agreements.**

2.1 Affiliation Agreement. The Parties intend to enter into an affiliation agreement to create a durable and long-term affiliation to increase the level of clinical integration between the Parties to improve the efficiency and coordination of care for patients of the Parties.

2.2 Strategic Affiliation. SRH and CVH intend to enter into a long-term lease/operator agreement in which SRH will assume financial and operational management for CVH.

3. **General Terms and Conditions.**

3.1 Binding Effect; Termination of LOI. Except for the provisions of Section 4, which begin as of the Effective Date and continue in effect for two (2) years following termination of this LOI, this LOI is effective for twelve (12) months unless earlier terminated by any Party. Notwithstanding the preceding or any other term herein to the contrary, this LOI may be terminated by any Party, in

such Party's sole discretion with or without cause, upon not less than ninety (90) days advance written notice by the terminating Party to the other Parties, which termination will be without liability or recourse to any Party. Section 1 and Section 2 of this LOI are intended to guide the development of definitive agreements, but are not legally binding or enforceable against any Party. No binding obligation will exist with respect to the subject matter of Section 1 and Section 2 unless and until the Parties sign any definitive agreements, and then only to the extent such obligations are set forth in the definitive agreements. From and after the expiration or termination of this LOI, except for the provisions of Section 4 hereof, all other provisions of this LOI shall be of no further force or effect.

3.2 Preparation of Definitive Agreements. As soon as is reasonably practicable after the execution of this LOI, the Parties will proceed to negotiate and, if agreement is reached, execute mutually satisfactory definitive binding agreements. Based on the information known to the Parties as of the Effective Date, the parties propose that the definitive agreements be consistent with the provisions set forth in Section 1 and Section 2 of this LOI. If the definitive agreements have not been executed by the Parties on or prior to the end of twelve (12) months from the Effective Date, this LOI will terminate without liability or recourse to either Party unless extended by mutual, written agreement of the Parties, as further addressed above.

3.3 Due Diligence. Each of the Parties will provide to the other and its representatives: (a) a full opportunity to complete any reasonable and necessary due diligence investigation, (b) such assistance as is reasonably requested by such Party and its representatives, and (c) access to the other Party and its representatives at reasonable times. Except as provided for under Section 4 of this LOI, none of the Parties will contact any third Parties (including members of their respective medical staffs) for the express purpose of performing due diligence without the other Parties' prior written approvals. Certain of this information may be determined by the disclosing Party to be competitively sensitive. Such information will be disclosed in accordance with guidelines consistent with state and federal antitrust laws, to the extent applicable, as may be identified and agreed upon by the Parties.

3.4 Expenses. Each Party will each pay each Party's respective costs and expenses incurred in connection with evaluating and negotiating the terms of the transactions contemplated by this LOI (including fees and expenses of attorneys, accountants and other representatives and advisors).

3.5 Communications. The Parties intend to coordinate any external communications, press releases or other external statements about the prospective, and later the executed, definitive agreements and shall use commercially reasonable efforts to seek the other's approval before releasing any public statements and before using names, logos or other trademarks in such external communications, all to

the greatest extent possible and consistent with applicable law (including without limitation applicable open or public record laws and open meeting laws).

4. **Confidentiality**. Each Party agrees not to disclose to any third party except its own employees, agents, affiliates, directors and officers, legal counsel, consultants auditors and other representatives who have a need to know or are advising the Party, any confidential business information or trade secrets that are disclosed to the Party as a result of each Party's participation in the negotiations conducted pursuant to the LOI. "Confidential Information" shall mean all information provided by one Party to this LOI to another in connection with this LOI and the negotiations for the contemplated definitive agreements, which is treated and designated by the Party as "Confidential." Confidential Information includes, without limitation, information relating to a Party's financial records, trade secrets, research and development, inventions, know how, software (including source code and object code), procedures, purchasing, accounting, marketing, patients, customers, suppliers, financial status or employees; and patient information as further covered by Section 5. Each Party agrees that the Party will not make use of, disseminate, disclose or in any way circulate any Confidential Information supplied to or obtained by the Party in writing, orally or by observation, except as expressly permitted by this LOI or as required by law (including without limitation under applicable open or public record laws and open meeting laws, as further addressed below) or order of a court or administrative agency having jurisdiction. Confidential Information may be used as necessary to perform the work required under this LOI and may be disclosed by a Party to this LOI to the Party's own employees that require access to such Confidential Information for the purposes of this LOI. The Parties acknowledge that each is subject to the Washington State Public Records Act. If a valid request is made to a Party under the Washington State Public Records Act for another Party's Confidential Information, the Party will use commercially reasonable efforts to (1) notify the other Parties in order to allow the Parties to take immediate steps to protect its Confidential Information and (2) only disclose the amount of information required to be disclosed by law. This paragraph does not prevent disclosure in connection with an audit or survey in the normal course of business by regulatory authorities, certified public accountants, accrediting institutions and the like; provided the recipient is under a duty to protect the confidentiality of the information disclosed. This LOI is the entire understanding between the Parties and supersedes all prior oral or written understandings and courses of conduct and dealing between the Parties on the subject matter hereof.

5. **Confidentiality Regarding Protected Health Information**. Without limiting the other commitments by the Parties with respect to other types of Confidential Material, the Parties agree as follows with respect to any PHI (as defined below) received by a Party from the other Party, based on the definitions also set forth below:

5.1 Definitions.

(a) "Applicable Privacy Laws" shall mean HIPAA, the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 ("HITECH Act"), and other applicable federal and state laws applicable to privacy of health information.

(b) "Electronic Protected Health Information" means Protected Health Information that is maintained in or transmitted by electronic media.

(c) "HIPAA" shall mean the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191, as amended, and the regulations promulgated thereunder by the U.S. Department of Health and Human Services.

(d) "Privacy Rule" shall mean the HIPAA regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and E.

(e) "Protected Health Information or PHI" means any information, whether oral or recorded, in any form or medium: (i) that relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual; and (ii) that identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual, and shall have the meaning given to such term under the Privacy Rule, including, but not limited to, 45 C.F.R. § 164.501. Protected Health Information includes Electronic Protected Health Information.

(f) "Secretary" shall mean the Secretary of the U.S. Department of Health and Human Services.

(g) "Security Rule" shall mean the HIPAA regulation that is codified at 45 C.F.R. Parts 160 and 164, Subparts A and C.

5.2 Permitted Uses and Disclosures. The receiving Party shall not use or disclose PHI received from the other Party other than as permitted or required by this LOI and as permitted or required by law. Further, the receiving Party shall not use PHI in any manner that would constitute a violation of the Privacy Rule, if so used by disclosing Party, or any other Applicable Privacy Law.

5.3 Appropriate Safeguards. Each Party receiving PHI shall implement, and cause any of its affiliates' officers, directors, employees, legal and business counsel and consultants, and other representatives ("Party Consultants") receiving PHI to implement, appropriate safeguards as are necessary to prevent the use or disclosure of PHI received from the other Party other than as permitted or required by this Agreement, the LOI and all Applicable Privacy Laws. To the extent either Party receives maintains or transmits Electronic PHI received from the other Party, such receiving Party shall use administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of such Electronic PHI.

5.4 Mitigation. Each Party receiving PHI from the other Party agrees to mitigate, to the extent practicable, any harmful effect that is known to such receiving Party of a use or disclosure of PHI in violation of this Agreement.

5.5 Reporting of Improper Access, Use or Disclosure. Each Party receiving PHI from the other Party shall promptly report to the disclosing Party in writing of any access, use or disclosure of PHI not permitted by this Agreement or Applicable Privacy Laws, as well as any security incident, as defined in the Security Rule, of which it becomes aware.

5.6 Business Associate's Subcontractors and Agents. Each Party receiving PHI from the other Party shall ensure that any Party Consultants to whom it provides PHI agree to the same restrictions and conditions that apply to such Party with respect to such PHI.

5.7 Minimum Necessary. Each Party receiving PHI from the other Party (and its Party Consultants) shall request, use and disclose only the minimum amount of PHI necessary to accomplish the purpose of the request, use or disclosure, in connection with the project contemplated pursuant to this LOI. Each Party understands and agrees that the definition of "minimum necessary" is in flux and shall keep itself informed of guidance issued by the Secretary with respect to what constitutes "minimum necessary."

6. **Exclusive Dealings**. During the term of this LOI, CVH will not, directly or indirectly, without the prior written approval of SRH and UW Medicine: (a) communicate or negotiate with any other individual or entity for purposes of providing or arranging for healthcare services within the geographic area of the service area of Snohomish County Public Hospital District No. 3, except at the current locations of CVH; (b) offer for sale, lease or management the assets utilized in the operation of CVH and/or its related clinics; (c) solicit offers to buy, lease or manage all or any of CVH or any of its related clinics; (d) communicate or negotiate with any individual or entity other than SRH or UW Medicine regarding a sale, lease or management agreement relating to CVH or any of its related clinics; (e) enter into any agreement with any individual or entity other than SRH or UW Medicine with respect to the sale, lease, management or other disposition of Cascade Valley Hospital or any of its related clinics; or (f) other than in the ordinary course of business, enter into any other major transaction.

7. **Notices**. Any notices delivered under this LOI shall be deemed delivered when personally delivered, or five (5) days after they are deposited in the United States Postal Service, certified mail, return receipt requested, or upon delivery by reputable overnight carrier with signature required, addressed to the Parties at the addresses set forth below. Any Party may change the address to which notices are to be sent by mailing written notice thereof to the other Party as provided in this LOI.

If to UW:
Attn: Ruth Mahan, Chief Business Officer
UW Medicine
1959 NE Pacific Street, Box 356340
Seattle WA 98195-6340

If to SRH:
Attn: Gregg A. Davidson, CEO
Skagit Regional Health
1415 E. Kincaid Street
Mount Vernon, WA 98273

If to CVH:
Attn: W. Clark Jones, CEO
Cascade Valley Hospital and Clinics
330 S. Stillaguamish Avenue
Arlington, WA 98223

8. **Independent Parties**. The Parties to this LOI are independent Parties, and nothing in this LOI shall be construed or be deemed to create between them any relationship of principal and agent, partnership, joint venture, or any relationship other than that of independent Parties. Each Party has separate goals, aspirations and responsibilities and is accountable to its separate and independent governing body. Each Party will continue its existing ownership, governance structure and control of ongoing hospital operations. No Party hereto, nor the respective agents or employees of either Party, shall be required to assume or bear any responsibility for the acts or omissions, or any consequences thereof of the other Party under this LOI.

9. **Severability**. If any provision of this LOI is held to be illegal, invalid or unenforceable under present or future laws effective during the term of the LOI, such provision shall be fully severable from this LOI. Therefore, the Parties agree that should any covenant herein be declared illegal, invalid or unenforceable under present or future laws as currently stated, this LOI shall be deemed modified as necessary to be enforceable while maintaining the original intent of the Parties, as originally stated, to the fullest extent legally possible, and the Parties agree to promptly (but in any case within thirty (30) days), execute an amendment memorializing any such required amendments. If the LOI is unable to be so amended, then it shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this LOI.

10. **Counterparts**. This LOI may be executed in any number of counterparts, each of which shall be deemed an original, but all counterparts together shall constitute one and the same instrument. Signatures transmitted by facsimile, PDF, JPG or other digital formats shall be deemed valid execution of this LOI.

11. **Binding Effect**. Other than Section 1 and Section 2, this LOI is intended to be binding on the Parties and their successors during the term of this Agreement, subject to the provisions of Section 3.1, and permitted assigns, and will inure to their benefit.

12. **No Assignment**. No Party may assign or delegate any of the Party's rights or obligations under this LOI to any person without the prior written consent of the other Parties.

13. **Amendment**. This LOI may be amended only by a written document signed by all of the Parties to this LOI.

14. **Waiver**. The waiver of any provision of this LOI shall only be effective if set forth in a writing signed by the waiving Party. Any other waiver shall not operate as, or be deemed to be, a continuing waiver of the same or of any other provision of this LOI.

15. **No Third-Party Rights**. The Parties do not intend the benefits of this LOI to inure to any third person not a signatory to this LOI except as otherwise described in this LOI. The LOI shall not be construed as creating any right, claim, or cause of action against any Party by any person or entity not a Party to this LOI except as otherwise described in this LOI.

16. **Termination**. The termination of this LOI, regardless of how it occurs, will not relieve a Party of obligations that have accrued before the termination.

17. **Attachments**. Any exhibits, schedules, and other attachments referenced in this LOI are part of this LOI.

18. **Remedies**. The Parties will have all remedies available to them at law or in equity. All available remedies are cumulative and may be exercised singularly or concurrently.

19. **Governing Law**. This LOI shall be governed and construed in accordance with the laws of the state of Washington.

20. **Venue**. Any action, suit, or proceeding arising out of the subject matter of this LOI will be litigated in courts located in King County, Washington. Each Party consents and submits to the jurisdiction of any local, state or federal court located in King County, Washington.

21. **Entire Agreement**. This LOI contains the entire understanding of the Parties regarding the subject matter of this LOI and supersedes all prior and contemporaneous negotiations and agreements, whether written or oral, between the Parties with respect to the subject matter of this LOI.

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In witness whereof, we execute this LOI:

University of Washington and UW Medicine:

By: Paul G. Ramsey, M.D. Date
Its: CEO, UW Medicine
Executive Vice President for Medical Affairs and
Dean of the School of Medicine,
University of Washington

For Skagit Regional Health:

By: Gregg A. Davidson Date
Its: CEO

For Cascade Valley Hospital and Clinics:

By: W. Clark Jones Date
Its: CEO

In witness whereof, we execute this LOI:

University of Washington and UW Medicine:

_____

By: Paul G. Ramsey, M.D. Date
Its: CEO, UW Medicine
Executive Vice President for Medical Affairs and
Dean of the School of Medicine,
University of Washington

For Skagit Regional Health:

_____

By: Gregg A. Davidson Date
Its: CEO

For Cascade Valley Hospital and Clinics:

W Clark Jones 04/06/15

By: W. Clark Jones Date
Its: CEO

In witness whereof, we execute this LOI:

University of Washington and UW Medicine:

By: Paul G. Ramsey, M.D. Date
Its: CEO, UW Medicine
Executive Vice President for Medical Affairs and
Dean of the School of Medicine,
University of Washington

For Skagit Regional Health:

4.06.2015

By: Gregg A. Davidson Date
Its: CEO

For Cascade Valley Hospital and Clinics:

By: W. Clark Jones Date
Its: CEO