

MEMORANDUM OF UNDERSTANDING
REGARDING GIFT OF FLUORIDATION SYSTEM

The purpose of this Memorandum of Understanding (the "MOU") is to set forth the nonbinding understanding of Washington Dental Service Foundation, LLC, a Washington limited liability company ("WDSF"), the City of Port Angeles, Washington, a municipality (the "City"), and CH2M Hill Constructors, Inc., a corporation of the State of Washington, with respect to a contemplated gift by WDSF to the City of a fluoridation system to be designed, constructed and installed by the engineering firm CH2M Hill Constructors, Inc..

1. In furtherance of WDSF's charitable mission to improve the oral health of Washington State residents, WDSF intends to enter into an agreement with CH2M Hill Constructors, Inc. for the construction of a fluoridation system to fluoridate the public water supply of the City (the "System"), with the further intention of gifting the System to the City.
2. WDSF intends to enter into a design-build agreement with CH2M Hill Constructors, Inc. (the "Design-Build Agreement") for the design, construction and installation of the System. WDSF will pay the design, construction and installation costs associated with the System, in an amount that is mutually agreeable to all parties and will be finalized in the Design-Build Agreement. The parties understand that WDSF has allotted a total of \$260,000 for the design, construction and installation of the System and that WDSF will not be expected to pay for any amounts in connection with the design, construction and installation of the System that exceed this total allotted amount. The Design-Build Agreement between WDSF and CH2M HILL Constructors, Inc. will only be executed upon agreement of all parties of the Guaranteed Maximum Price (GMP), which shall be defined as \$260,000. Should it be determined that the System cannot be designed, constructed, and installed for \$260,000, this Memo of Understanding shall be considered null and void.
3. The Design-Build Agreement will require that CH2M Hill Constructors, Inc. work closely with and under the general advice and supervision of representatives designated by the City, as necessary, to ensure that the System is designed, constructed and installed in compliance with applicable federal, state and local health and safety laws concerning fluoridation of a public water supply.
4. As a pre-condition to WDSF entering into the Design-Build Agreement with CH2M Hill Constructors, Inc., the City shall have received approval from any and all applicable governing bodies, including but not limited to the Port Angeles City Council, for the design, construction and installation of the System, the fluoridation of the Port Angeles public water supply, and the gift of the System from WDSF to the City. The City shall provide written documentation of all such approvals to WDSF prior to WDSF's execution of the Design-Build Agreement.
5. Contemporaneously with execution of the Design-Build Agreement, WDSF and the City intend to enter into a gift agreement pursuant to which WDSF will gift the System to the

City (the "Gift Agreement"). Under the Gift Agreement, WDSF will agree to transfer complete ownership of the System to the City at no cost, with an additional amount of funding, in an amount to be determined after execution of the Design-Build Agreement, that shall be used specifically to implement the City's community water fluoridation project with its future water fluoridation system.

6. Under the Gift Agreement, WDSF will retain no rights or interests in the System, nor shall it have any responsibilities, obligations or liabilities with respect to any aspect of the future operation of the System.
7. Under the Gift Agreement, the City will agree to accept the gift of the System and not to take any action that may lead to the rejection of the gift of the System.
8. Under the Gift Agreement, the City will agree that the System will be transferred by WDSF "as is" with no warranty of any kind, whether express or implied, including, without limitation, any implied warranties of merchantability, fitness for a particular purpose or noninfringement.
9. Under the Gift Agreement, the City will agree to indemnify and hold harmless WDSF and its members, trustees, officers, agents, and employees from and against any and all causes of action, suits at law or equity, or claims or demands, and any liability, loss, damage, cost or expense (including without limitation reasonable attorneys' fees) of any nature, arising out of the design, construction, installation, operation, or gift of the System, or the performance of the terms of the Gift Agreement.
10. Under the Gift Agreement, the City will agree that its sole and exclusive remedy from the City's use or inability to use the System or any breach of the Gift Agreement by WDSF shall be for the City to discontinue use of the System or to repair or modify the System at the City's election and sole expense.
11. Under the Gift Agreement, the City will agree that WDSF will not be liable for any special, indirect, incidental or consequential damages in connection with the gift of the System or otherwise arising out of the Gift Agreement, even if WDSF has been advised of the possibility of such damages.
12. Under the Gift Agreement, the City will agree to designate one or more representatives to work closely with and to assist CH2M Hill Constructors, Inc. with the design, construction, and installation of the System, as necessary, to ensure that the System meets the requirements of the City and all applicable laws concerning the fluoridation of a public water supply.
13. The parties' understanding will be effectuated pursuant to and subject to conditions contained in the Gift Agreement in form and substance satisfactory to the City and WDSF. The Gift Agreement will contain such representations and warranties, covenants and conditions as are customary and appropriate to transactions of this nature.

14. The City and WDSF will coordinate all publicity relating to this MOU, and no party will issue any press release, publicity statement or other public notice relating to this proposal and the matters contemplated herein without prior consent of the other party.
15. Unless otherwise agreed, the City and WDSF will each pay its own expenses in connection with the transactions contemplated hereby.
16. This MOU is solely a statement of present intention of the parties made in good faith and is not intended to create any binding obligations. This MOU is not intended to be, is not represented as, and should not be interpreted as, a legal or binding contract or agreement. This MOU replaces and supersedes all previous correspondence and discussions between the parties concerning this proposal.
17. WDSF and the City will endeavor to complete and execute the Gift Agreement by June 30, 2003. In the event that the parties have not executed the Gift Agreement by September 1, 2003, WDSF reserves the right to withdraw this MOU and end negotiations with the City at any time by written notice to the City.

DATED this 20th day of May, 2003.

**WASHINGTON DENTAL SERVICE
FOUNDATION, LLC**

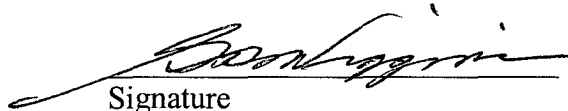


Signature

By: Tracy E. Garland

Its: President & CEO

**CITY OF PORT ANGELES,
WASHINGTON**

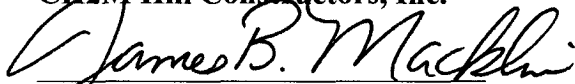


Signature

By: Glenn Wiggins

Its: Mayor

CH2M Hill Constructors, Inc.



Signature

By: James B. Macklin

Its: Contracts Manager