

**THIRD AMENDMENT**  
TO THE  
**SUBSIDY AGREEMENT**  
FOR A  
**COMBINED CLINIC AND HOSPITAL FACILITY**

**RECITALS**

- A. On May 6, 2009, **PeaceHealth**, a Washington nonprofit corporation that is qualified as exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (“PeaceHealth”), and the **San Juan County Public Hospital District No. 1** (the “District”), a Washington State Public Hospital District organized pursuant to the Revised Code of Washington Title 70, Chapter 44 (jointly referred to hereinafter as “the Parties”) entered into a Subsidy Agreement for a Combined Clinic and Hospital Facility, which agreement was amended by a First Amendment to the Subsidy Agreement for a Combined Clinic and Hospital Facility effective October 14, 2010, and a Second Amendment to the Subsidy Agreement for a Combined Clinic and Hospital Facility effective March 28, 2012 (as amended, the “Agreement”). PeaceHealth and the District are referred to herein as the “Parties.”
- B. The Parties have determined that it is in the best interest of each to further modify the Agreement as set forth in this document (the “Third Amendment”) in order to allow the District to support additional healthcare services not provided or available at the combined clinical/hospital facility.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the mutual benefits to be derived, the adequacy of which is acknowledged, and intending to be legally bound, the Parties agree as follows:

1. A new section numbered 2.1.2.7 shall be added, which shall read as follows:

2.1.2.7 Effective with the calendar year beginning January 1, 2017 (the “Effective Date” for purposes of this paragraph), the amount of the Annual Subsidy payable by the District to PeaceHealth as determined in accordance with Section 2.1.2, shall be reduced by the amount (the “District Share”) specified below, which the District may use to purchase additional healthcare services not provided or available at the combined clinic/hospital facility (“Additional Services”), subject to PeaceHealth’s right of first refusal for services consistent with PeaceHealth’s stated mission as set forth in Section 1.2.4 of the Agreement. The Parties agree that the amount of the District Share shall be fifty thousand dollars (\$50,000); provided, however, that ninety (90) days prior to the end of calendar year 2019, and ninety (90) days prior to the end of each fifth calendar year thereafter throughout the duration of this Agreement, the Parties shall review whether the District Share shall be adjusted up or down for succeeding calendar years in order to provide adequate but not excess funds needed by the District to purchase Additional Services. Any such adjustment must be agreed to in writing by the Parties.


2. The current language of Section 2.2.2 of the Agreement shall be stricken and the following language shall be substituted therefore:


2.2.2 Right to Recommend Future Services. The Parties recognize that over the term of this Agreement healthcare will change substantially due to ongoing medical and technological developments. The District shall have the right to (i) provide input on an annual basis concerning the services and procedures provided through the combined clinic/hospital facility, as long as the services and procedures are within the scope, licensure, policies and mission of PeaceHealth, and (ii) confirm that District payments are used exclusively for the provision of healthcare services with the District in compliance with Section 1.1.23 hereof. PeaceHealth agrees to give good faith consideration to such District input.

3. All capitalized terms not otherwise defined in this Third Amendment shall have meanings set forth in the Agreement.
4. Except as explicitly set forth in the First Amendment, Second Amendment, and this Third Amendment, the Parties agree and acknowledge that all terms of the Agreement shall remain in effect and fully binding upon them.
5. Each party to his Third Amendment represents that the execution, delivery and performance by that party of this Third Amendment have been duly authorized.


IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in duplicate original:

**SAN JUAN COUNTY PUBLIC HOSPITAL  
DISTRICT NO. 1**

By:   
Name: William K. Williams  
Title: Chair  
Date: 11/23/2016

By:   
Name: Monica Harrington  
Title: Commissioner  
Date: 11/23/2016

**PEACEHEALTH**

By:   
Name: Dale Zender  
Title: Chief Executive NW  
Date: 11/29/16