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**RESTATED
MANAGEMENT
SERVICES
AGREEMENT**

**Between Eden Hospital
Health Services Corporation and
Eden Medical Center**

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MANAGEMENT SERVICES AGREEMENT

This Restated Management Services Agreement ("Agreement") is entered by and between Eden Hospital Health Services Corporation, a California nonprofit mutual benefit corporation ("Health Services Corporation"), and Eden Medical Center, a California nonprofit public benefit corporation ("Manager"), with reference to the following facts:

A. Manager owns and operates two general acute care hospitals formerly owned and operated by Eden Township Hospital District ("District"). District formerly provided management assistance to Health Services Corporation.

B. District no longer has employees and Health Services Corporation desires to have Manager manage its assets and operations.

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter contained, the parties hereby agree as follows:

ARTICLE 1. PREMISES

1.1. **In General.** Manager shall furnish such meeting and office space for the use of Health Services Corporation as is reasonably necessary for the operation and management of Health Services Corporation's assets and for the conduct of Health Services Corporation's affairs. The premises shall be located at Eden Medical Center.

1.2. **Meeting Space.** Manager shall make available to Health Services Corporation adequate space for meetings of the Board of Directors as needed from time to time. Health Services Corporation shall provide reasonable advance notice of such meetings.

ARTICLE 2. MANAGEMENT SERVICES

2.1. **Management Services.** Health Services Corporation hereby engages Manager for purpose of rendering management, support and administrative assistance in carrying on the affairs and business of the Health Services Corporation.

2.2. **Personnel.** Manager shall provide all personnel necessary for the provision of management services as required herein. The selection and retention of such personnel shall be the responsibility of Manager but shall be subject to consultation with the Health Services Corporation.

2.3. **Administrative Support.** Manager shall provide all necessary administrative support to Health Services Corporation's Board of Directors, including support in preparation for and in the conduct of board meetings and all routine filings required under applicable federal, state and local laws.

2.4. **Systems.** Manager shall provide management, financial, and information systems as necessary for the operations of the Health Services Corporation. Manager shall be responsible, at its expense, for the design, implementation, and maintenance of such systems. Upon termination of this Agreement, upon request from Health Services Corporation, Manager shall provide Health Services Corporation with hard copy or computer disk copy of any and all information Manager has retained relating to the business of Health Services Corporation.

2.5. **Operating Budget.** Manager shall prepare an annual operating budget for consideration by the Board of Directors of Health Services Corporation prior to the start of each fiscal year during the term of this Agreement.

2.6. **Bookkeeping and Record-Keeping Services.** Manager shall furnish Health Services Corporation with financial accounting, bookkeeping, and record-keeping services relating to the Health Services Corporation's affairs.

2.7. **Insurance.** Manager shall procure, renew and maintain Directors and Officers liability insurance with an insurer acceptable to Health Services Corporation and any other policies of insurance Health Services Corporation deems appropriate.

2.8. **Records.** Manager shall retain and separately maintain Health Services Corporation's records in accordance with applicable laws and policies and procedures mutually developed by Manager and Health Services Corporation.

ARTICLE 3. TERM AND TERMINATION

3.1. **Term and Termination.** The term of this Agreement shall commence on January 15, 1998 ("Commencement Date") and terminate on December 31, 2000 ("Termination Date"). Health Services Corporation may, at its option, renew this Agreement for an additional two (2) years by notifying Manager, at least thirty (30) days prior to the Termination Date, that it wishes to extend this Agreement.

3.2. **Termination for Cause.** Either party shall have a right to terminate in the event of the other party's material breach of this Agreement by providing thirty (30) days' notice to the other party. The written notice shall state the general nature of the breach. In the event the breach is not cured within the thirty (30) day notice period, the party providing notice shall thereafter be permitted to terminate at any time thereafter by giving the party in breach written notice of such termination. In the event that District terminates the Management Agreement between District and Manager, Health Services Corporation shall have the right to terminate this Agreement by providing thirty (30) days' notice to Manager.

3.3. **Immediate Termination.** Notwithstanding Section 3.2 above, Health Services Corporation may terminate this Agreement immediately upon the election, by District, to exercise its first right or right of first refusal under Section 8.1 of the Memorandum of Understanding between District, Manager and Sutter Health, dated as of June 11, 1997.

ARTICLE 4. MANAGEMENT FEE

4.1. **Management Fee.** As payment for the services that Manager renders under the this Agreement, Health Services Corporation shall pay to Manager an annual management fee in the amount of one hundred and twenty thousand dollars (\$120,000) (the "Management Fee"). The Management Fee may be adjusted annually on the mutual agreement of the parties.

If the parties are unable to reach an agreement concerning the Management Fee before the applicable anniversary date, the Management Fee currently in effect will remain in effect until an agreement is reached, subject to possible retroactive adjustment as may be mutually agreed.

ARTICLE 5. INDEPENDENT CONTRACTOR

5.1. In the performance of Manager's duties and obligations hereunder, Manager shall, at all times, act and perform the duties and functions in the capacity of an Independent Contractor. Neither this Agreement nor the exercise of any of the duties of Manager or Health Services Corporation hereunder shall be deemed to create any partnership, joint venture, association, or other relationship between the parties hereto other than independent contractors, each as to the other.

5.2. In the event that an audit by any federal or state government agency results in this Agreement being interpreted as an employment agreement, each party shall reimburse the other party for costs of all claims for payroll taxes, social security taxes or other sums that might be charged against the other party in an amount necessary to place the parties in the same financial position relative to one another that they would have been in if this Agreement originally had been structured as an employment agreement.

ARTICLE 6. RECORDS

6.1. **Medicare Record Compliance.** In compliance with Section 1861(v)(1)(I) of the Social Security Act, Manager agrees, for a four (4) year period following the rendering of service, to maintain books, documents and records showing the nature and extent of the cost of services furnished under this Agreement and, if requested, to grant access thereto to the DHHS Secretary, HCFA's Medicare Intermediary and the DHHS Inspector General. If manager carries out its duties under this Agreement through a subcontract worth Ten Thousand Dollars (\$10,000.00) or more over a twelve (12) month period, such subcontract shall require the subcontractor to maintain, for a four (4) year period following the rendering of services, books, documents and records showing the nature and extend of the cost of services furnished under the subcontract and, if requested, to grant access thereto to the DHHS Secretary, HCFA's Medicare Intermediary and the DHHS Inspector General.

ARTICLE 7. MISCELLANEOUS

7.1. **No Assignment.** No rights or obligations hereunder may be assigned or transferred to any other person, firm or corporation without the express written approval of the other party.

7.2. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the management of the Health Services Corporation and supersedes any and all prior or contemporaneous agreements, either oral or written, between the parties hereto, with respect thereto. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of another provision, whether or not similar, nor shall any waiver constitute a continuing waiver. This Agreement may not be modified except by an instrument in writing executed by the parties.

7.3. **Governing Law.** The rights, duties and obligations of the parties and the validity interpretation, performance and legal effect of this Agreement shall be governed and determined by the internal laws of the State of California without regard to the conflicts of law rules applied under California law.

7.4. **Conflicts of Interests.** No employee or officer of Manager shall participate in the making of a governmental decision by District as defined in subdivision (c) of §18700, Title 2, California Code of Regulations, except as provided by subdivision (d) of said regulation, where the effect of that decision is material to Manager, Sutter Health, or a subsidiary of Manager or Sutter Health, as defined by §18702.5, Title 2, California Code of Regulations.

7.5. **No Third-Party Beneficiaries.** Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to anyone other than Manager and Health Services Corporation as parties to this Agreement. No one is an intended third-party beneficiary of this Agreement.

7.6. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, assigns and legal representatives.

7.7. **Non-Discrimination.** Neither Manager nor Health Services Corporation will discriminate against any person because of race, color, religion, sex, marital status, national origin or age, physical handicap or medical condition as provided by law.

7.8. **Notices.** Any notice required or permitted under this Agreement to any party shall be deemed sufficiently made and given if personally delivered to or deposited in the United States mail, postage prepaid, as follows:

If directed to Manager:

Eden Medical Center
20103 Lake Chabot Road
Castro Valley, CA 94546

If directed to Health Services Corporation:

Eden Hospital Health Services Corporation
20103 Lake Chabot Road
Castro Valley, CA 94546

or to such other address as either party from time to time informs the other in writing.

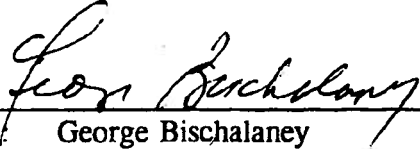
7.9. **Attorneys' Fees.** If any arbitration or action at law or in equity is initiated in order to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to collect from the other party reasonable attorneys' fees and costs in addition to any other relief to which such party may be entitled.

7.10. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.11. **Headings.** The section and other headings contained in this Agreement and in the Exhibits and Schedules to this Agreement are included for the purpose of convenient reference only and shall not restrict, amplify, modify or otherwise affect in any way the meaning or interpretation of this Agreement or the Exhibits and Schedules hereto.

Dated effective January 15, 1998.

Eden Medical Center


By: George Bischalaney

Its: Chief Executive Officer

Eden Hospital Health Services Corporation


By: Margaret Green

Its: Administrator/CEO

PLAN TAKEOVER AGREEMENT

The Eden Township Hospital District (District), Sutter Health (Sutter) and Eden Medical Center (Newco) hereby enter into the following agreement (Agreement) this 14th day of January, 1998 providing for the takeover by Newco of certain employee benefit plans sponsored by the District.

RECITALS

The District, Sutter and Newco entered into a Memorandum Of Understanding dated as of June 11, 1997 (MOU). The MOU provided, among other things, for the acquisition by Newco of certain assets and the assumption of certain liabilities of the District.

As part of the transaction contemplated by the MOU, Newco will employ individuals who have been employed by the District. In order to provide continuity, and for the benefit of plan participants, the District, Sutter and Newco have agreed that certain employee benefit plans sponsored by the District (collectively referred to as the "Plans") will be assumed and taken over by Newco.

This Agreement sets forth the Plans to be assumed and taken over and the rights and responsibilities of the parties to this Agreement with respect to the Plans.

AGREEMENT

Accordingly, the parties to this Agreement, for good and valuable consideration, including the promises, undertakings and agreements contained herein and in the MOU, hereby agree as follows:

1. Effective as of the closing of the transactions contemplated in the MOU (Closing), Newco will assume and take over the sponsorship of the Plans, and the District's sponsorship of the Plans will cease, as follows:
 - A. Pension Benefit Plans
 - (1) Eden Township Hospital District of Alameda County, State of California Retirement Income Plan (Income Plan), with respect to which:
 - (a) The District shall, prior to the Closing, amend the plan for all applicable legislation through and including the Omnibus Budget Reconciliation Act of 1993;

- (b) The District shall, prior to, or as soon as feasible after, the Closing, cause Connecticut General Life Insurance Company, the issuer of Group Annuity Contract Number GR-1614 to the District in connection with the plan, to accept the assignment of the ownership of such group annuity contract from the District to Newco;
 - (c) The District and Newco shall enter into such agreements as necessary or appropriate in order to transfer the ownership of such group annuity contract from the District to Newco effective with the Closing;
 - (d) Effective with the Closing, the District and Newco shall adopt such resolutions and plan amendments as necessary or appropriate in order to (i) cease the sponsorship of the plan by the District and (ii) commence the sponsorship of the plan by Newco; and
 - (e) Newco shall, after the Closing, amend the plan as necessary or appropriate in view of the plan no longer being exempt from (i) the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and (ii) certain provisions of the Internal Revenue Code of 1986, as amended (Code), as a governmental plan.
- (2) California Nurses Association Annuity Plan (Annuity Plan), with respect to which:
- (a) The District shall, prior to, or as soon as feasible after, the Closing, cause The Variable Annuity Life Insurance Company (VALIC), the sponsor of the prototype plan documents adopted by the District in connection with the plan, to prepare an adoption agreement that transfers the sponsorship of the plan from the District to Newco effective with the Closing; and
 - (b) Effective with the Closing, the District and Newco shall adopt such resolutions and plan amendments

as necessary or appropriate in order to (i) cease the sponsorship of the plan by the District and (ii) commence the sponsorship of the plan by Newco.

- (3) The tax-deferred annuity programs, under Code section 403(b), in which the employees of the District currently participate through annuity contracts offered by VALIC and Aetna Life Insurance and Annuity Company (Aetna), with respect to which:
 - (a) The only involvement by the District, prior to the Closing, and by Newco, after the closing, shall be the compliance with all valid salary reduction agreements entered into by and between the participating employees and the District or Newco as their employer, including the withholding of the appropriate salary reduction amounts from the compensation of the employees and the remittance of same to VALIC or Aetna, as appropriate;
 - (b) The District shall, prior to, or as soon as feasible after, the Closing, cause VALIC and Aetna to accept the assignments of the ownership of any annuity contracts owned by the District in connection with such programs from the District to Newco; and
 - (c) The District and Newco shall enter into such agreements as necessary or appropriate in order to transfer the ownership of any such annuity contracts from the District to Newco effective with the Closing.
- (4) Notwithstanding any provision of this Agreement to the contrary, the District shall continue to be the sponsoring employer with respect to all nonqualified deferred compensation plans under Code section 457, Newco shall not become the sponsoring employer of any such plan, and Newco shall not be obligated by the terms of the MOU or this Agreement to offer any such plan to its employees at any time.

B. Welfare Benefit Plans

- (1) The District's self-insured health insurance plan(s), through which the District provides its employees with basic and major medical benefits, prescription drug benefits, dental benefits, and vision benefits, with the administrative assistance of The MGIS Companies (MGIS), with respect to which:
 - (a) The District shall, prior to, or as soon as feasible after, the Closing, cause Security Life Of Denver Insurance Company, the issuer of the stop loss insurance to the plan(s) through Group Policy Number 46166, to accept the assignment of the ownership of such policy from the District to Newco;
 - (b) The District and Newco shall enter into such agreements as necessary or appropriate in order to transfer the ownership of such stop loss insurance from the District to Newco effective with the Closing;
 - (c) The District shall, prior to, or as soon as feasible after, the Closing, cause MGIS to accept the assignment of the administration contract between the District and MGIS from the District to Newco;
 - (d) Effective with the Closing, the District and Newco shall adopt such resolutions and plan amendments as necessary or appropriate in order to (i) cease the sponsorship of the plan(s) by the District, (ii) commence the sponsorship of the plan(s) by Newco, and (iii) assign the administration contract between the District and MGIS to Newco; and
 - (e) Newco shall, after the Closing, amend the plan(s) as necessary or appropriate in view of the plan(s) no longer being exempt from (i) the provisions of ERISA and (ii) certain provisions of the Code, as a governmental plan.
- (2) The District's group life and accidental death and dismemberment insurance program, with respect to which:

- (a) The District shall, prior to, or as soon as feasible after, the Closing, cause Reliance Standard Life Insurance Company, the issuer of the insurance policies to the plan through Policy Number GL 96,000 and Policy Number VAR 51,931, to accept the assignment of the ownership of such policies from the District to Newco;
 - (b) The District and Newco shall enter into such agreements as necessary or appropriate in order to transfer the ownership of such insurance policies from the District to Newco effective with the Closing;
 - (c) Effective with the Closing, the District and Newco shall adopt such resolutions and plan amendments as necessary or appropriate in order to (i) cease the sponsorship of the plan(s) by the District, and (ii) commence the sponsorship of the plan(s) by Newco; and
 - (d) Newco shall, after the Closing, amend the plan(s) as necessary or appropriate in view of the plan(s) no longer being exempt from (i) the provisions of ERISA and (ii) certain provisions of the Code, as a governmental plan.
- (3) The District's group long term disability insurance program, with respect to which:
- (a) The District shall, prior to, or as soon as feasible after, the Closing, cause Reliance Standard Life Insurance Company, the issuer of the insurance policy to the plan through Policy Number LCS 067746, to accept the assignment of the ownership of such policy from the District to Newco;
 - (b) The District and Newco shall enter into such agreements as necessary or appropriate in order to transfer the ownership of such insurance policy from the District to Newco effective with the Closing;

- (c) Effective with the Closing, the District and Newco shall adopt such resolutions and plan amendments as necessary or appropriate in order to (i) cease the sponsorship of the plan by the District, and (ii) commence the sponsorship of the plan by Newco; and
 - (d) Newco shall, after the Closing, amend the plan as necessary or appropriate in view of the plan no longer being exempt from (i) the provisions of ERISA and (ii) certain provisions of the Code, as a governmental plan.
- (4) The District's employee assistance program, with respect to which:
- (a) The District shall, prior to, or as soon as feasible after, the Closing, cause Psychology Systems, Inc., the issuer of a Group Emotional Health Care Services Contract to the District, to accept the assignment of the ownership of such policy from the District to Newco;
 - (b) The District and Newco shall enter into such agreements as necessary or appropriate in order to transfer the ownership of such insurance policy from the District to Newco effective with the Closing;
 - (c) Effective with the Closing, the District and Newco shall adopt such resolutions and plan amendments as necessary or appropriate in order to (i) cease the sponsorship of the plan by the District, and (ii) commence the sponsorship of the plan by Newco; and
 - (d) Newco shall, after the Closing, amend the plan as necessary or appropriate in view of the plan no longer being exempt from (i) the provisions of ERISA and (ii) certain provisions of the Code, as a governmental plan.

- (5) The District's Health Care Reimbursement Account and Dependent Care Reimbursement Account, maintained by the District under its Flexible Benefit Plan, with the administrative assistance of Trust Administrators, Inc. (TAI), with respect to which:
- (a) The District shall, prior to, or as soon as feasible after, the Closing, cause TAI to accept the assignment of the administration contract between the District and TAI from the District to Newco;
 - (b) The District shall, prior to, or as soon as feasible after, the Closing, cause The Farmington Company to accept the assignment of the Billing Administration Agreement between the District and The Farmington Company from the District to Newco;
 - (c) Effective with the Closing, the District and Newco shall adopt such resolutions and plan amendments as necessary or appropriate in order to (i) cease the sponsorship of the plans by the District, (ii) commence the sponsorship of the plans by Newco through Newco's cafeteria plan under Code section 125, (iii) assign the administration contract between the District and TAI to Newco, and (iv) assign the Billing Administration Agreement between the District and The Farmington Company to Newco;
 - (d) Newco shall, after the Closing, amend the plans as necessary or appropriate in view of the plans no longer being exempt from (i) the provisions of ERISA and (ii) certain provisions of the Code, as governmental plans; and
 - (e) Notwithstanding any provision of this Agreement to the contrary, Newco shall not become the sponsoring employer of the District's Flexible Benefit Plan.

2. As the new sponsor of the Plans, Newco agrees to assume all of the responsibilities and liabilities under the Plans, including the liability for

the payment of benefits in accordance with the terms of the Plans as those terms provided as of the Closing. The assumption of liabilities will include the substitution of Newco (or the plan(s) sponsored by Newco as appropriate under ERISA) for the District as the contract owner and holder of any and all insurance or annuity contracts under which the Plans are maintained. By virtue of its assumption of the sponsorship of the Plans, effective as of the Closing, Newco (or the plan(s) sponsored by Newco as appropriate under ERISA) shall have all right, title and interest in and to the assets of each Plan, and any reserves or accounts maintained by it or any third party (e.g., Connecticut General Life Insurance Company, VALIC, Aetna, Security Life Of Denver Insurance Company, Reliance Standard Life Insurance Company, MGIS, TAI, or Psychology Systems, Inc.) for the purpose of paying benefits or claims under any of the Plans, to the extent that the District had such right, title and interest prior to the Closing.

3. Nothing contained in this Agreement will prohibit Newco from amending the Plans so long as any amendment does not reduce the benefits and rights that are accrued to and for participants of the Plans as of the Closing.
4. Newco agrees to maintain the Pension Benefit Plans so that the Pension Benefit Plans will continue to be qualified under Code section 401(a) or 403(b), as applicable.
5. Newco agrees to submit the Income Plan and the Annuity Plan to the Internal Revenue Service for a request for a favorable determination letter as to each plan as soon as is administratively feasible after the Closing. Newco will transmit the IRS's response to the District, whether favorable or unfavorable, as soon as it is received by Newco. The District shall cooperate with Newco as necessary or appropriate in connection with each such application and the processing thereof by the Internal Revenue Service, as reasonably requested by Newco, including, but not limited to, providing original plan documents to Newco, providing employee and participant information and data to Newco, and providing factual declarations regarding each such plan to Newco.
6. If the Internal Revenue Service issues a determination letter ruling that the Income Plan is a qualified plan under Code section 401(a), then within one hundred twenty (120) days of the date of such determination letter, Connecticut General Life Insurance Company (CIGNA) shall determine the total cost to the Income Plan, determined as of the Closing, for the purchase by the Income Plan from CIGNA of a nontransferable annuity

contract for each participant in the Income Plan as of the Closing in the amount necessary to pay such participant's benefit under the Income Plan to the extent accrued as of the Closing. For this purpose only, each such participant shall be treated as one hundred percent (100%) vested. Each annuity contract to be used for purposes of this determination by CIGNA shall contain such provisions as would be necessary or appropriate in order to preserve the qualified status of the Income Plan if the Income Plan were terminated as of the Closing and such annuity contracts were distributed to such participants in full satisfaction of their accrued benefits under the Income Plan. To the extent that the value of the assets of the Income Plan as of the Closing exceeds the total cost to the Income Plan for such annuity contracts, as determined by CIGNA, the Income Plan shall have "excess assets." If there are such excess assets, there will be an increase at that time to the Consideration specified under Section 3.1 of the MOU equal to any such excess assets.

7. The District will provide to Newco any documents, including resolutions of its Board of Directors, as are necessary to effect a transfer of the sponsorship of the Plans. The District will provide Newco with any and all information about the Plans in its possession as the same may be requested by Newco, including original plan documents, governmental filings, participant records, contracts, actuarial studies and reports and any other information reasonably needed by Newco to administer and sponsor the Plans.
8. The District will be responsible for the preparation and filing of any and all forms required to be filed by state or federal law with respect to the Plans for all plan years ending prior to or coincident with the Closing and Newco will be responsible for any and all such filings for all plan years ending thereafter.
9. The District represents with respect to the Plans as follows:
 - A. Exhibit 9.10 to the MOU contains a true and complete list of each employee benefit plan, contract, agreement, practice, policy or arrangement, written or oral, that the District maintains, contributes to, is a party to or otherwise could have any obligation under, with respect to any current or former employee, officer, director or independent contractor of the District, as of the Closing.
 - B. No such plan maintained by the District is governed by ERISA because each such plan is exempt from ERISA as a governmental plan as defined in ERISA section 3(32).

- C. True and complete copies of each of the Plans have been delivered to Newco, Sutter or their duly designated representative(s).
- D. All insurance policies and contracts referenced in paragraph 1 of this Agreement shall be in effect as of the Closing and shall not be subject to any notice of cancellation, non-renewal, or termination as of the Closing Date (whether effective on or after the Closing Date). The District shall be responsible for the payment of all premiums for such policies and contracts relating to periods prior to the Closing.
- E. With respect to the Income Plan:
 - (1) The plan is intended to be qualified under Code section 401(a);
 - (2) The plan has been administered in compliance with the applicable provisions of the Code and other applicable law, and in accordance with the plan documents, as each has been in effect from time to time;
 - (3) No event has occurred and no condition exists that would adversely affect the qualified status of the plan under Code section 401(a); and
 - (4) No prohibited transaction under Code section 503 has occurred involving the plan.
- F. With respect to the Annuity Plan:
 - (1) The plan is intended to be qualified under Code section 401(a);
 - (2) The plan has been administered in compliance with the applicable provisions of the Code and other applicable law, and in accordance with the plan documents, as each has been in effect from time to time;
 - (3) No event has occurred and no condition exists that would adversely affect the qualified status of the plan under Code section 401(a);

- (4) No prohibited transaction under Code section 503 has occurred involving the plan; and
 - (5) All of the contributions required to fund the plan through the plan year ending December 31, 1997, and that portion of the plan year beginning January 1, 1998 prior to the Closing, have been paid to VALIC for the benefit of the plan.
- G. With respect to the annuities issued under the District's Code section 403(b) programs:
- (1) Each annuity contract is intended to be qualified under Code section 403(b);
 - (2) Each program has been administered in compliance with the applicable provisions of the program and in accordance with the annuity contracts, as each has been in effect from time to time;
 - (3) No event has occurred and no condition exists that would adversely affect the qualified status of any such annuity contract under Code section 403(b); and
 - (4) All of the salary reduction amounts that were to have been withheld by the District from the compensation of the employees participating in such annuity contracts, prior to the Closing, have been withheld by the District and remitted to VALIC or Aetna, as appropriate.
- H. With respect to the Welfare Benefit Plans:
- (1) Each plan is intended to provide income-tax free benefits to the employees under Code section(s) 79, 104, 105, 106, 125 or 129, as appropriate;
 - (2) Each plan has been administered in compliance with the applicable provisions of the Code and other applicable law (including, but not limited to, the Public Health Service Act as amended by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), as amended, with respect to each such plan that is a group health plan), and in

accordance with the plan documents and insurance contracts, as each has been in effect from time to time;

- (3) No event has occurred and no condition exists that would adversely affect the intended income tax status of any such plan and the benefits thereunder under the Code; and
 - (4) All of the salary reduction amounts that were to have been withheld by the District from the compensation of the employees, whether pursuant to the District's Flexible Benefit Plan or otherwise, prior to the Closing, have been withheld by the District and either remitted to the appropriate insurance company, remitted to the appropriate third party or otherwise maintained by the District for purposes of paying benefits under the Plans.
- I. No event has occurred that creates, and no circumstances exist pursuant to which Newco or Sutter could reasonably be expected to incur, liability for a violation by the District of the Code or other applicable law with respect to any of the Plans, including, but not limited to, any tax, excise tax, penalty or fee arising under the Code.
 - J. There are no pending, threatened or anticipated claims by, on behalf of, or against any of the Plans and none of the Plans is presently under examination or audit by any governmental entity.
10. The District shall indemnify, defend and hold harmless Newco, Sutter, each of their directors, officers, employees and agents, and the Plans (including all amounts transferred to Newco in connection with the Plans), hereinafter collectively referred to as the "Indemnitees," from and against any and all commitments, costs, losses, debts, accounts, taxes, liabilities, obligations, damages, lawsuits, judgments, arbitrations, deficiencies, claims, demands, and expenses, including interest and penalties, attorneys fees and all amounts paid in investigation, defense or settlement of any of the foregoing (Damages), of every kind, incurred in connection with, arising out of, resulting from, or incident to any breach of this Agreement by the District, including but not limited to, any failure with respect to the representations made by the District regarding any Plan. Such indemnification shall be governed by the provisions of Section 16.2 and 16.3 of the MOU.

11. Newco represents that it has received and reviewed information about the Plans including current actuarial reports and plan administration reports on the financial and actuarial status of the Plans.
12. The District and Newco agree that, pending the adoption of the documents contemplated in paragraph 1 of this Agreement, this Agreement shall constitute an amendment of the Plans to provide for the change in sponsorship of the Plans to the extent any such amendment is required to effectuate the change in sponsorship of the Plans. The parties further agree that the termination of employees covered by the Plans by the District shall not constitute a distributable event under the Plans for those individuals who immediately thereafter are employed by Newco.
13. The parties agree to cooperate with each other in effecting the change in sponsorship of the Plans and in the transition from sponsorship by the District to sponsorship by Newco.
14. This Agreement shall be binding upon and shall inure to the benefit of the heirs, executors, assigns or successors of the parties hereto.
15. The parties acknowledge that no promises, agreements, representations or conditions have been made or are applicable to the Plans except as set forth in this Agreement and this Agreement supersedes any and all such other promises, agreements, representations or conditions, except as may be

provided for in the MOU to the extent the MOU is not inconsistent with the terms of this Agreement.

This parties hereby execute this Agreement this 14th day of January, 1998:

EDEN TOWNSHIP
HOSPITAL DISTRICT

EDEN MEDICAL CENTER

By: Frank Ivica

By: _____

Name: FRANK IVICA

Name: _____

Title: CHAIR

Title: _____

SUTTER HEALTH

By: _____

Name: _____

Title: _____

provided for in the MOU to the extent the MOU is not inconsistent with the terms of this Agreement.

This parties hereby execute this Agreement this 14th day of January, 1998:

EDEN TOWNSHIP
HOSPITAL DISTRICT

EDEN MEDICAL CENTER

By: _____

By:  _____

Name: _____

Name: Robert D. Reed

Title: _____

Title: Chief Financial Officer

SUTTER HEALTH

By:  _____

Name: Gary F. Loveridge

Title: Authorized Representative