



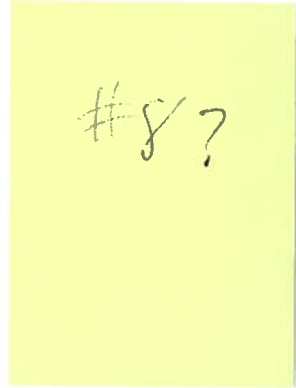
Sutter Health

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December 19, 1997

Mr. Ted Schreck  
President and Chief Executive Officer  
Eden Medical Center  
20103 Lake Chabot Road  
Castro Valley, CA 94546-5367



Dear Ted:


In response to two outstanding issues relative to the closing of Eden's affiliation with Sutter Health, I wanted to address the issue of equity in East Bay Medical Network ("EBMN") and Eden Medical Center's opportunity to purchase Alta Bates Medical Center's ("ABMC") interest in the Eden POD.

Regarding EBMN we noted that Eden will, as a participant in Sutter Health and the Sutter Obligated Group, in effect, have equity in EBMN as ABMC's equity in EBMN flows through to Sutter. ABMC would be willing to provide an opportunity for an Eden Medical Center representative to serve on the board of EBMN, as long as Eden met the terms for ownership in EBMN. For example, EBMN requires that the owner hospital not contract with another physician delivery system or take hospital capitation from another provider or payor (as long as that payor contracts through EBMN).

In regards to the purchase of ownership in the Eden POD, ABMC will, in conformity with the terms purchase already offered to the Eden physicians, sell to Eden Medical Center the hospital ownership piece in the POD. It is understood that both Eden Medical Center and the physicians participating in the Eden POD would agree to continue to contract through Alta Bates Medical Group and EBMN. Should either of those relationships terminate for any reason, Alta Bates Medical Center would have the option to purchase back from Eden Medical Center, the equity it purchased from ABMC for the same price that the equity was originally purchased by Eden Medical Center.

Hopefully, this clarifies and resolves these outstanding issues.

Sincerely,

  
Albert L. Greene  
Chief Executive Officer  
Sutter Health East Bay Service Area