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September 10, 2007

William L. Abalona
Foley & Lardner LLP
1215 K Street, Suite 1920
Sacramento, CA 95814-3947

RE: Proposed Transaction between Rehabilitation Institute of Santa Barbara and
Santa Barbara Cottage Hospital
Request for Waiver of Notice and Consent

Dear Mr. Abalona:

The Attorney General hereby waives notice and conditionally consents to the transfer of assets of Rehabilitation Institute of Santa Barbara (RISB) to Santa Barbara Cottage Hospital. Corporations Code section 5920(c) and title 11, California Code of Regulations, section 999.5, subd. (a)(5) set forth factors the Attorney General must consider in determining whether to grant a waiver of notice and consent to a proposed transaction between two nonprofit corporations. The Attorney General has reviewed the documents submitted by the parties, the last of which were received on August 9, 2007, and considered such factors. Accordingly, the Attorney General waives notice and consents to the proposed transaction subject to the following conditions:

1. SBCH shall provide the Attorney General's office with a copy of the report that SBCH is required to submit to the RISB Foundation pursuant to the Asset Purchase Agreement, section 7.9, "Continuation of Rehabilitation Services at SBCH," if SBCH decides to terminate rehabilitation services;

2. If, pursuant to the Asset Purchase Agreement, Section 7.9, "Continuation of Rehabilitation Services at SBCH," SBCH intends to relocate all or part of the acute and other rehabilitation services elsewhere in the Cottage Health System within five years of the closing date of this transaction, SBCH shall notify the Attorney General's office at the same time it notifies the RISB Foundation; and

3. SBCH shall abide by Section 7.12, Charity Care, of the Asset Purchase

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Agreement, specifically as it relates to informing the Attorney General of any deficiency in the annual minimum charity care cost provision.

Thank you for your cooperation and that of your client and the purchaser throughout the review process.

Sincerely,

JEFFERY M. OGATA
Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

JMO:kt