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State of California
DEPARTMENT OF JUSTICE



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July 13, 2010

Paul Gordon, Esq.
Michelle S. Nettesheim, Esq.
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

RE: Proposed Sale of Scripps Kensington

Dear Mr. Gordon and Ms. Nettesheim:

Pursuant to Corporations Code section 5914, the Attorney General hereby conditionally consents to the sale of Scripps Kensington to TAG Medical Investment Group, LLC, a California limited liability company, as set forth in the Notice filed on April 30, 2010. Corporations Code section 5917 and section 999.5, subdivision (f), of title 11 of the California Code of Regulations set forth factors that the Attorney General must consider in determining whether to consent to a proposed transaction between a nonprofit corporation and a for-profit corporation or entity. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions, which are incorporated by reference herein.

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

Sincerely,

[Original Signed]

WENDI A. HORWITZ
Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

Attachment

cc: Tin Kin Lee, Esq.
LA2010101114
60538545.doc

Conditions to Approval of Sale of Scripps Kensington

I.

For the purposes of these conditions, and unless the context indicates otherwise, the term “Buyer” shall mean TAG Medical Investment Group, LLC, a California limited liability company, the proposed acquirer of Scripps Kensington¹, any other subsidiary, parent, general partner, limited partner, affiliate, successor, or assignee of TAG Medical Investment Group, LLC, any entity succeeding thereto by consolidation, merger or acquisition of all or substantially all of the assets of Scripps Kensington, any entity owned by the Buyer that subsequently becomes the owner or licensed operator of Scripps Kensington, any entity that owns the Buyer that subsequently becomes the owner or licensed operator of Scripps Kensington, any future entity that purchases Scripps Kensington from the Buyer, and any entity owned by a future purchaser that subsequently becomes the owner or licensed operator of Scripps Kensington. These conditions shall be legally binding on any and all future owners or operators of Scripps Kensington. The term “Seller” shall mean The Episcopal Home Communities, a California nonprofit public benefit corporation.

II.

The transaction approved by the Attorney General between the Buyer and Seller consists of the Agreement for Purchase and Sale dated April 8, 2010, Business Sale Agreement dated May 28, 2010, Lease Agreement dated on or about May 28, 2010, Consulting Agreement dated on or about May 28, 2010, Management Agreement dated on or May 28, 2010, and Escrow Agreement dated on the Closing Date of the Transaction, and the Promissory Note and Deed of Trust dated on the Closing Date of the Transaction. Buyer and Seller shall fulfill the terms and conditions of the transaction. Buyer and Seller shall notify the Attorney General in writing of any proposed modification of the transaction, including a proposed modification or rescission of any of the agreements. Such notification shall be provided at least thirty days prior to the effective date of such modification in order to allow the Attorney General to consider whether the proposed modification affects the factors set forth in Corporations Code section 5917.

¹ Throughout this document, the term Scripps Kensington shall mean the continuing care retirement community, located in Alhambra, California, that includes the 99-bed skilled nursing facility (also known as the Cummings Care Center), the 112 assisted living units, and the 121 independent living residences.

III.

The Buyer and all future owners or operators of Scripps Kensington shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do either of the following:

(A) Sell, transfer, lease, exchange, option, convey, or otherwise dispose of Scripps Kensington or any portion thereof.

(B) Transfer control, responsibility, or governance of Scripps Kensington or any portion thereof. The substitution of a new corporate member of the Buyer or its members that transfers the control of, responsibility for, or governance of the Buyer shall be deemed a transfer for purposes of this condition. The substitution of one or more members of the governing body of the Buyer, or any arrangement, written or oral, that would transfer voting control of the members of the governing body of the Buyer, shall also be deemed a transfer for purposes of this condition.

IV.

For five years from the date of the transaction closing, the Buyer and Seller shall operate and maintain the Cummings Care Center at Scripps Kensington as a licensed skilled nursing facility (as defined in California Health and Safety Code Section 1250) and shall maintain the current types and levels of skilled nursing services as currently² licensed (99 beds) including, but not limited to, occupational therapy, outpatient services, physical therapy, and speech pathology. For five years from the date of the transaction closing, neither Buyer nor Seller shall place all or any portion of its 99 licensed-bed capacity in voluntary suspension or surrender its license for any of these beds.

V.

For five years from the date of the transaction closing, the Buyer and Seller (the Seller only until the Change of Ownership Application is approved for licensing certification by the California Department of Public Health) shall be certified to participate in the Medi-Cal program and shall provide the same types and levels of skilled nursing services to Medi-Cal beneficiaries (both Traditional Medi-Cal and Medi-Cal Managed Care) at the Cummings Care Center at Scripps Kensington as required in these Conditions.

For five years from the date of the transaction closing, the Buyer and Seller (the Seller only until the Change of Ownership Application is approved for licensing certification by the California Department of Public Health) shall have a Medicare Provider Number to provide the same types and levels of skilled nursing services to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) at the Cummings Care Center at Scripps Kensington as required in these Conditions.

² Throughout this document, the term "current" or "currently" means as of May 31, 2010

VI.

Seller shall use the net proceeds from the sale of Scripps Kensington to provide the same level and care of services to the current residents of Scripps Kensington as required under Seller's contractual and legal obligations to such residents and for the development, if determined feasible by Seller, using its best efforts, of the Seller's new campus in Altadena, California, known as Monte Cedro.

VII.

At the request of the Attorney General, the Buyer and Seller shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with the terms and conditions of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret, or is privileged under state or federal law, or if the public interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

VIII.

The Attorney General reserves the right to enforce each and every condition set forth herein to the fullest extent provided by law. Pursuant to Government Code section 12598, the Attorney General shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.