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October 14, 1991

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RE: SAN DIEGO HOSPICE ENVIRONMENTAL/CONSTRUCTION CLAIMS

Gentlemen and Ms. Bardsley:

The San Diego Hospice Board of Directors met last Tuesday night. In light of the $2.7 million net overrun for construction of its new facility, a figure which does not include all of the damage which has occurred or is likely to occur to the Hospice, the board unanimously authorized commencement of litigation with the prior owner, architect and general contractor.

As you are aware, the overrun was not funded by the Joan Kroc Foundation grant. The payments which have been made to cover the overrun came directly from the Hospice operating funds. While the Hospice is a well run not-for-profit corporation, that has been in existence providing home care services for 14 years, it does well to break even. Its operating budget cannot absorb the environmental and construction loss.

It is the Hospice's intention to meet its commitment that project subcontractors are paid. It will, therefore, be paying retention within the next few days. This payment will leave Hospice with approximately three weeks of operating funds. Following that, and barring unforeseen assistance, the emergency plan adopted by the board for personnel cutbacks and closure of the facility will be implemented.

While the situation is worsening, it is still possible that it could be addressed in mediation. Because of this I will wait a few days to hear from you before commencing litigation. Please contact me by **Wednesday morning, October 16, 1991.**

Very truly yours,

Michael F. Boyle

MICHAEL F. BOYLE
of
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cc: Ms. Holly Lorentson
Bob Griego