



December 14, 2007

Scripps Memorial Hospital
Attention: Todd Hoff, CEO
Administration Department
435 H Street
Chula Vista, CA 91910

SUBJECT: OUTSTANDING IN-LIEU PAYMENTS DUE TO THE CITY OF CHULA VISTA REDEVELOPMENT AGENCY

Dear Mr. Hoff,

As you are aware, the city's Redevelopment Agency and Scripps Health are parties to an Agreement that requires payments to the Agency over time for certain redevelopment activities which both parties had agreed to in the 1990s. Our records indicate that Scripps has not provided the in-lieu payments due to the Agency as stipulated under the Amended and Restated Owner Participation Agreement that was entered into between Scripps and the Agency in October 1997. Under the Amended and Restated Agreement Scripps agreed to:

1. Continue the payment equal to the tax increments accruing from Scripps purchase of the property for approximately half the site as contemplated under the original Owner Participation Agreement in an amount not less that \$16,000 annually.
2. Provide annual in lieu payments totaling \$36,000 for the planned oncology center if not constructed by June 30, 1999. The payment will increase by 2% annually from that date.
3. Provide annual in-lieu payments for the first medical office building proposed under the revised plan if not constructed by June 30, 2003 in the amount of \$80,000. This payment will increase by 2% annually from that date. The first medical office building was planned for the corner of H Street and Fifth Avenue.
4. Provide annual in-lieu payments in the amount of \$80,000 if the second medical building (between the planned oncology center and the hospital expansion) is not constructed by June 30, 2005. This payment will increase by 2% annually from that date.

5. Guarantee that the redevelopment site will be devoted to medical services and related uses until 2014.

According to the Agency Chief Financial Officer, Scripps, under the Amended and Restated Agreement, owes the Chula Vista Redevelopment Agency a guaranteed amount due to date of \$959,582. The agreement requires the injured party (Redevelopment Agency) to provide written notice of default to Scripps allowing 30 days to cure said default. This letter will serve as the required 30-day notice. In addition, we are providing you with a table that provides the details of the in lieu amounts owed through June 30, 2008.

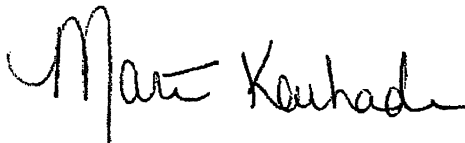
Fiscal Year	In-Lieu Payment Totals	Payments Made	Cumulative Balance Due
1999-2000	52,979	52,979	-
2000-01	54,039	54,039	-
2001-02	55,120	55,120	-
2002-03	56,221	56,221	-
2003-04	137,345	-	137,345
2004-05	140,092	-	277,437
2005-06	222,894	-	500,331
2006-07	227,352	-	727,683
2007-08	231,899	-	959,582

For specific details regarding the in-lieu payment requirements, refer to the attached Amended and Restated Agreement. If there are no issues pertaining to the amount due, please remit the payment to:

City of Chula Vista
Redevelopment Agency
276 Fourth Avenue
Chula Vista, CA 91910

If you have any questions regarding this matter please contact Eric Crocket at (619) 476-5341.

Sincerely,



Maria Kachadoorian
Director of Finance/Treasurer

Attachments:

1. Attachment 6 of the Amended and Restated Owner Participation Agreement between the Redevelopment Agency and Scripps Health (adopted October 21, 2007)
2. Payment Schedule