

CITY OF CORAL GABLES, FLORIDA

RESOLUTION NO. 2011-

RESOLUTION AUTHORIZING ENTERING INTO TWO LEASE AMENDMENTS WITH THE PALACE MANAGEMENT GROUP, LLC WITH REGARD TO CITY OWNED PROPERTY AT 45 AND 50 ANDALUSIA AVENUE, CORAL GABLES, FLORIDA.

WHEREAS, as authorized by Ordinance No. 2007-36, the City entered into simultaneous ground leases with The Palace Management Group, LLC (“Tenant”), for City-owned properties located at 45 and 50 Andalusia Avenue, Coral Gables, Florida, entitled Lease and Development Agreement and Garage Lease and Development Agreement respectively, and both dated July 14, 2008, for the development, construction and operation of a senior housing facility and garage (such leases, as amended, collectively the “Leases”); and

WHEREAS, as authorized by Resolution No. 2009-132, which was ratified by Ordinance No. 2010-17, the City entered into First Amendments to the Garage Lease and Development Agreement and the Lease and Development Agreement, which First Amendments were both dated June 12, 2008, *inter alia*, extending the Possession Date as defined by the Leases; and

WHEREAS, the City Commission authorized the entering into two Second Amendment Agreements by Ordinance No. 2010-17, *inter alia* to revise the Developer’s Schedule, but after passing of said Ordinance, Tenant found it needed further time to work with its lenders and therefore the approved Second Amendments were never signed; and

WHEREAS, Ordinance No. 2010-17 permits further amendments to the Leases by Resolution provided the period of the Term is not changed; and

WHEREAS, the Tenant has obtained its financing commitment and is scheduled to finalize the Bond Validation Complaint hearing on March 31, 2011, and is further desirous of entering into revised Second Amendments to the Leases to finalize the Developer’s Schedule, revise the City’s Guaranty of the CDD Bonds, and make other adjustments to the Leases as set forth in the proposed Second Amendments; and

WHEREAS, the City Commission believes it is in the best interest of the City to enter into the proposed Second Amendments.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF THE CITY OF CORAL GABLES:

SECTION 1. That the foregoing “Whereas” clauses are here hereby ratified and confirmed as being true and correct and are hereby made a specific part of this Resolution upon the adoption hereof.

SECTION 2. The Second Amendments to the Lease and Development Agreement and the Garage Lease and Development Agreement are hereby approved (the “Second Amendments”) in substantially the form attached hereto as Exhibits “A” and “B.”

SECTION 3. That the City Commission does hereby authorize the City Manager to execute the Second Amendments with such modifications from the terms as may be approved by the City Manager and City Attorney and are necessary to implement the intent of this Resolution.

SECTION 4. That this Resolution shall become effective immediately upon the date of its passage and adoption herein.

PASSED AND ADOPTED THIS TWENTY-SECOND DAY OF MARCH, A.D., 2011.

(Moved: / Seconded:)
(Yea: / Nay:)
(Vote:)
(Agenda Item:)

APPROVED:

DONALD D. SLESNICK II
MAYOR

ATTEST:

WALTER J. FOEMAN
CITY CLERK

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY

LOURDES ALFONSIN-RUIZ
ACTING CITY ATTORNEY

EXHIBIT A
SECOND AMENDMENT
TO
LEASE AND DEVELOPMENT AGREEMENT

This Second Amendment (“Second Amendment”) to Lease and Development Agreement entered into as of this _____ day of _____, 2011, by and between the CITY OF CORAL GABLES, a Florida municipal corporation (“City”) and THE PALACE MANAGEMENT GROUP, LLC, a Florida limited liability company (“Developer”).

W I T N E S S E T H:

WHEREAS, the City and Developer entered into that certain Lease and Development Agreement executed as of July 14, 2008 concerning the real property more particularly described in Exhibit “B” attached thereto and made a part thereof (the “Property”), as amended by that certain First Amendment to Lease and Development Agreement, dated as of June 12, 2009 and pursuant to extensions of time in Developer’s Schedule granted by the City Manager’s Office on April 12, 2010 (collectively the “Agreement” or “Lease”); and

WHEREAS, the parties hereto wish to further amend the Lease as hereinafter provided.

NOW, THEREFORE, in consideration of the premises, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. The above recitals are true and correct, and are hereby incorporated by reference.
2. Any capitalized term not otherwise defined herein, shall have the meaning ascribed thereto in the Lease.
3. The definition of Acceptable Operator under Section 1.2.1 of the Lease is hereby amended and restated in its entirety to read as set forth in Exhibit 1.2.1 attached hereto.
4. Section 6.1 (c)(xiv) of the Lease is hereby intentionally deleted.
5. Exhibit B (Legal Description of Leased Property) to the Lease is hereby amended and restated in its entirety to refer to Exhibit B attached to this Second Amendment.
6. Exhibit G (Developer’s Schedule) to the Lease is hereby amended and restated in its entirety to refer to Exhibit G attached to this Second Amendment.
7. Exhibit J (CDD Financing Structure) to the Lease is hereby amended and restated in its entirety to refer to Exhibit J attached to this Second Amendment.
8. The City and the Developer understand and agree that the number of units, unit mix, floor area for retail space and floor area for entire Residential Building have changed since the Lease was first executed. Therefore, pursuant to the terms of the Lease, the City and the

Developer are entering into this Second Amendment in order to confirm the final number of units, unit mix, floor area for retail space and floor area for the entire Residential Building pursuant to the final plans and specifications prepared by Fullerton Diaz, Architects, as follows:

A. The Residential Building is designed to have 243 residential units, with 198 units for Congregate Living and 45 units for Assisted Living, and the following unit mix:

Congregate Living – 198 Units:

<u>Apartment Type</u>	<u>Count</u>	<u>Size</u>
Studio	24 Units	375 - 483 sq. ft.
One-Bedroom	150 Units	625 - 842 sq. ft.
Two-Bedroom	24 Units	approx 935 sq. ft.

Assisted Living – 45 Units

<u>Apartment Type</u>	<u>Count</u>	<u>Size</u>
Studio	32 Units	375 - 483 sq. ft.
One-Bedroom	13 Units	625 - 842 sq. ft.

The Residential Building is designed to have approximately 242,229 square feet and 9 stories offering a myriad of amenities and services, with the street front space on the ground floor dedicated primarily to retail space open to the general public.

B. Retail Component. The ground floor of the Residential Building shall be dedicated primarily to retail space open to the general public and is designed to have approximately 10,007 square feet.

9. The last sentence of Section 2.8 of the Lease is hereby amended to read as follows:

“Developer shall give the City at least one (1) business days prior written notice of the Possession Date.”

10. The notice requirement set forth in Section 2b. of the parking Management Agreement by and between the City and the Developer dated June 12, 2009, a copy of which was attached as Exhibit M to the Lease pursuant to the First Amendment to Lease and Development Agreement dated as of June 12, 2009, is hereby amended to require the Developer to give the City at least five (5) business days written notice prior to the beginning of the calendar month in which the Palace Group shall require delivery of exclusive possession of the Municipal Parking Garage No. 5 by the end of such calendar month.

11. All other terms, covenants, and conditions of the Lease, including, without limitation, the First Amendment to Lease and Development Agreement dated as of June 12, 2009, not otherwise amended by these presents are hereby confirmed and ratified.

12. This Second Amendment may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the Developer has executed this Second Amendment as of the date and year first above written.

ATTEST:

Name: _____

Name: _____

DEVELOPER:

THE PALACE MANAGEMENT GROUP,
LLC, a Florida limited liability company

By: _____

Name: Jacob Shaham

Title: Manager

IN WITNESS WHEREOF, the City has executed this Second Amendment as of the date and year first above written.

By authority of Resolution No.

_____ duly passed and adopted by
the Coral Gables City Commission on
_____, 2011.

ATTEST:

CITY:

CITY OF CORAL GABLES, a
Florida municipal corporation

By: _____
Name: Walter J. Foeman
Title: City Clerk

By: _____
Name: Patrick G. Salerno
Title: City Manager

**APPROVED AS TO FORM AND LEGAL
SUFFICIENCY:**

By: _____
Name: Lourdes Alfonsin-Ruiz
Title: Interim City Attorney

**EXHIBIT 1.2.1 TO
SECOND AMENDMENT TO LEASE AND DEVELOPMENT AGREEMENT**

It is understood and agreed that the definition of "Acceptable Operator" set forth in this Second Amendment to Lease shall apply only in situations where a Lender or Leasehold Mortgagee, pursuant to rights granted to it in any loan agreement, Leasehold Mortgage or other security instrument by which Developer is bound, after a default, is retaining or has retained any person, corporation or other entity to act as operator of the Project and where a Lender or Leasehold Mortgagee becomes the tenant under the Lease pursuant to its terms in the event of an uncured Event of Default by Developer and during the period of such Lender's or Leasehold Mortgagee's tenancy under the Lease it is obligated to enter into an Acceptable Operator Agreement (the "Lender Special Situation"). It is further understood and agreed that under any other situations, the definition of Acceptable Operator as set forth under Section 1.2.1 of the main body of the Lease shall continue to apply without amendment, qualifications, or modification.

"Acceptable Operator" means any corporation or other entity which has, at a minimum, the following qualifications:

1. The Acceptable Operator must be a manager in the business of managing both high quality market rate Congregate Living and Assisted Living (as those terms are hereinafter defined) senior rental housing units ("Senior Rental Housing Units") facilities licensed to do business as required by the State of Florida and the City of Coral Gables, which license must be and remain in good standing; provided, however, that the determination as to whether a manager is a manager in the business of managing high quality market rate Congregate Living and Assisted Living Senior Rental Housing Units facilities with regards to this clause 1 shall be made by the Lender or Leasehold Mortgagee, as the case may be, in its sole discretion, only in the event of a Lender Special Situation.
2. The Acceptable Operator must possess the experience, qualifications, good reputation, financial resources and adequate personnel necessary for the proper management of the Overall Project (excluding the Parking Component as defined in the Parking Garage Lease) as required under this Agreement (including, without limitation, compliance with the Operational Standards for Residential Building set forth on **Exhibit "E"** attached hereto), undertaken pursuant to an Acceptable Operator Agreement, in a manner consistent with the quality, reputation and economic viability of the Project; provided, however, that the determination of compliance with the requirements, qualifications and criteria set forth in this clause 2 shall be made by the Lender or Leasehold Mortgagee, as the case may be, in its sole discretion, only in the event of a Lender Special Situation.
3. The Acceptable Operator must presently own or manage at least four hundred (400) Senior Rental Housing Units, at least two hundred fifty (250) of which must be in a single project; provided, however, the requirements, qualifications and criteria set forth in this clause 3 shall not apply only in the event of a Lender Special Situation.
4. The Acceptable Operator must establish and maintain an on-site management and/or administrative office within a portion of the Overall Project staffed with qualified employees responsible for day-to-day operations of the Overall Project (excluding the Parking Component); provided, however, only in the event of a Lender Special Situation (i) the determination as to

whether employees are qualified with regard to this clause 4 shall be made by the Lender or Leasehold Mortgagee, as the case may be, in its sole discretion, and (ii) the phrase "management and/or" in this clause 4 shall be deemed deleted.

5. a. The Acceptable Operator shall have no outstanding building code violations against any Senior Rental Housing Units or other property owned or managed by such Acceptable Operator within Miami-Dade County or Broward County, Florida; provided, however, only in the event of a Lender Special Situation the requirements, qualifications and criteria set forth in this clause 5a shall not apply.

b. The Acceptable Operator shall have no outstanding material violations of any applicable federal, state or local law, rule, regulation, code or ordinance against the Acceptable Operator, any Senior Rental Housing Units or other property owned or managed by such Acceptable Operator within Miami-Dade County or Broward County, Florida; provided, however, only in the event of a Lender Special Situation the requirements, qualifications and criteria set forth in this clause 5b shall not apply to any person, corporation, or other entity retained by a Lender or Leasehold Mortgagee to act as operator of the Project as long as that person, corporation or other entity is in compliance with clause (8) below.

c. The Acceptable Operator must manage a minimum of three (3) facilities of Senior Rental Housing Units similar in size, scope, market and program to the Residential Building (hereinafter defined), irrespective of location, which have no outstanding building code violations; provided, however, only in the event of a Lender Special Situation the requirements, qualifications and criteria set forth in this clause 5c shall not apply.

6. The Acceptable Operator must have in the aggregate at least ten (10) years experience managing senior housing and/or senior care (or have senior management personnel who have in the aggregate at least ten (10) years experience managing senior housing and/or senior care).

7. The Acceptable Operator must not (nor any of the individuals or entities who own at least a five (5%) equity interest in the Acceptable Operator or are officers, directors, managers or otherwise have the power to direct and control the business and affairs of the Acceptable Operator) have been, within the five (5) years preceding the date of submission by Acceptable Operator of its application for approval to the City, in an adversarial relationship in litigation or are in an adversarial relation in litigation currently pending with the City, in both cases including but not limited to, litigation with respect to ordinances, charter provisions or resolutions of the City, including building codes or tax code violations (but excluding zoning appeals and appeals of property tax assessments).

8. The Acceptable Operator must not be owned, controlled or run by entities or individuals who have been convicted, or are presently under indictment, for felonies under the laws of any foreign or domestic U.S. jurisdiction; provided, however, that the foregoing shall not apply to individuals or entities owning less than a five (5%) percent equity interest in the Acceptable Operator other than officers, directors, managers or others who have the power to direct and control the business and affairs of the Acceptable Operator.

9. The Acceptable Operator must not (nor any of the individuals or entities who own at least a five (5%) equity interest in the Acceptable Operator or are officers, directors, managers or otherwise have the power to direct and control the business and affairs of the Acceptable

Operator) have filed or been discharged from bankruptcy, reorganization or insolvency proceedings within the past five (5) years (bankruptcy filings by affiliates shall not disqualify an Acceptable Operator, unless such affiliates are any of the individuals or entities described in the parenthetical immediately above).

10. The Acceptable Operator must not in its charter or organizations documents (defined as the articles of incorporation and bylaws for any corporation, the partnership agreement and partnership certificate for any partnership, the trust agreement for any trust and the constitution of the relevant government for any governmental entity, but expressly excluding any statements, positions, actions or allegations not contained in such charter organizational documents) expressly advocate or have as its stated purpose: (i) the violent overthrow of or armed resistance against, the U.S. government; or (ii) genocide, violence, hatred or animosity toward persons based solely on their race, creed, color, sex or national origin.

(The foregoing are hereinafter collectively defined as the “Acceptable Operator Criteria”; provided, however, with respect to any person, corporation, or other entity retained by any Lender or Leasehold Mortgagee to act as operator of the Project only in the event of a Lender Special Situation, the term “Acceptable Operator Criteria” as used in this Lease shall be deemed in all instances:

- (i) to exclude clauses 3, and 5a, b and c, above;
- (ii) to exclude the phrase “management and/or” from clause 4 above and include the right of Lender or Leasehold Mortgagee, as the case may be, to determine whether or not employees are qualified with regard to clause 4;
- (iii) to include clauses 1, 2, and 6 as modified herein; and
- (iv) to include clauses 7, 8, 9 and 10 without modification)

Specifically, with respect to the issue of Acceptable Operator for all purposes under this Agreement, the parties hereby agree to the following:

- (i) It is understood and agreed that an entity shall not be automatically deemed to be an Acceptable Operator if it meets all of the Acceptable Operator Criteria, but that these factors shall be given substantial weight by the City in approving a Transfer of the Project to such an entity, either by sale or just for operational purposes; except that, this clause (i) shall not apply only in a Lender Special Situation in which case the Lender or its retained entity shall be automatically deemed to be an Acceptable Operator as long as it meets with all of the Acceptable Operator Criteria as modified above for situations in which a Lender or Leasehold Mortgagee is retaining an entity to manage the Project or entering into an Acceptable Operator Agreement itself.
- (ii) In the event that the Developer desires to change the identity of the Acceptable Operator, Developer shall deliver written notice to the City which shall confirm the identity of the proposed Acceptable Operator, and shall include with such notice (i) copies of any applicable operating licenses, (ii) the identification of the Senior Rental Housing Units owned or managed by the Acceptable Operator (iii) the resume of the Acceptable Operator or employees thereof, including identification of and duration, of Congregate Living and Assisted Living facilities management experience and (iv) such other evidence as is reasonably necessary

to establish that the new entity proposed to be the Acceptable Operator, meets the Acceptable Operator Criteria.

The City shall have thirty (30) days after the delivery of such written notice and the information required under subparagraphs (i) — (ii) immediately above, to determine whether or not to approve, as the case may be, the Acceptable Operator, provided, however, that if the City notifies the Developer, in writing, within such thirty (30) day period that the information submitted is incomplete or insufficient (and specifies in what ways it is incomplete or insufficient) then the Developer shall supplement such information, as requested, and the City shall have fifteen (15) days after such supplemental information is provided to make its determination as to whether or not to approve the Acceptable Operator. In the event the City disapproves the Acceptable Operator, the City shall provide to the Developer specific reasons for such disapproval. The failure to object to the designation of an Acceptable Operator, within such thirty (30) day period, or if applicable, such fifteen (15) day period, shall be deemed to be the approval of the City of the identity of the proposed Acceptable Operator.

- (iii) Any entity submitted to the City for approval as an Acceptable Operator, which does not meet the qualifications set forth in the Acceptable Operator Criteria may be rejected by the City in its sole discretion just because of the failure to meet said qualifications and Developer and any requesting party hereby waives the right to claim that said entity is competent even though said qualifications are not met.
- (iv) Any entity approved as an Acceptable Operator must continue to meet the Acceptable Operator Criteria throughout its service as an Acceptable Operator hereunder unless certain of said qualifications were waived by the City, in writing, at the time of original approval. If, after being accepted or approved as an Acceptable Operator, a violation of paragraph 5a. of the Acceptable Operator Criteria occurs, the Acceptable Operator shall have the greater of the following periods to cure same:
 - (x) 90 days after receipt of notice from the City or the governmental enforcement agency of such building code violation, or (y) the period permitted by the building code in question (including appeal of such claimed building code violation if allowed).
- (v) No approval by the City of an Acceptable Operator or its meeting of the Acceptable Operator Criteria shall have the effect of waiving or estopping the City from asserting and claiming that said Acceptable Operator is not in fact operating or maintaining the Overall Project (excluding the Parking Component) in accordance with the terms of this Agreement, thereby creating an Event of Default (subject to the applicable notice and cure periods provided in this Agreement).
- (vi) Subject to the provisions of subparagraph (v) immediately above: (a) the Palace and any Affiliate entity owned and controlled by or a principal officer of which is either Jacob Shaham or Helen Shaham and (b) any Acceptable Operator, which meets the Acceptable Operator Criteria set forth above (except to the extent such qualifications were waived by the City at the time of original approval) and has been acting as an Acceptable Operator for the Overall Project (excluding the

Parking Component) for at least two (2) years before a Transfer shall be deemed an Acceptable Operator for such Transfer. The foregoing situations are the only exceptions intended to the application of the Acceptable Operator Criteria set forth above.

Notwithstanding anything in this Lease to the contrary and only in the event of a Lender Special Situation, any person, corporation, or other entity retained by Lender or any Leasehold Mortgagee that meets the Acceptable Operator Criteria set forth above shall be automatically deemed to be an Acceptable Operator.

EXHIBIT B TO
LEASE AND DEVELOPMENT AGREEMENT
BETWEEN THE PALACE MANAGEMENT GROUP, LLC,
AND CITY OF CORAL GABLES, DATED AS OF JULY 14, 2008
AS AMENDED BY FIRST AMENDMENT TO LEASE DATED AS OF JUNE 12, 2009,
AND PURSUANT TO EXTENSIONS OF TIME IN DEVELOPER'S SCHEDULE
GRANTED BY CITY MANAGER ON APRIL 12, 2010

LEGAL DESCRIPTION OF LEASED PROPERTY

Parcel A (Municipal Lot 9):

Lots 35 through 43 in Block 4, of CORAL GABLES CRAFT SECTION, according to the Plat thereof, as recorded in Plat Book 10, Page 40, of the Public Records of Miami-Dade County, Florida and Tract B of Page's Replat of a portion of Block 4, Coral Gables Crafts Section, according to the Plat thereof as recorded in Plat Book 51, Page 32, of the Public Records of Miami-Dade County, Florida; and

Parcel B (Melody Inn Parcel): (Parcel B is part of the Leased Property subject to the terms and conditions set forth in Section 2.1(a) and Section 2.1(c)(viii) hereof).

Lots 44 through 47, in Block 4, of CORAL GABLES CRAFT SECTION, according to the Plat thereof, as recorded in Plat Book 10, Page 40, of the Public Records of Miami-Dade County, Florida.

EXHIBIT G TO
LEASE AND DEVELOPMENT AGREEMENT
BETWEEN THE PALACE MANAGEMENT GROUP, LLC,
AND CITY OF CORAL GABLES, DATED AS OF JULY 14, 2008
AS AMENDED BY FIRST AMENDMENT TO LEASE DATES AS OF JUNE 12, 2009,
AND PURSUANT TO EXTENSION OF TIME IN DEVELOPER'S SCHEDULE
GRANTED BY CITY MANAGER ON APRIL12, 2010

DEVELOPER'S SCHEDULE

Execution of MOU – January 24, 2007

Drafting of Lease Agreement – October 1, 2007

Execution of Lease Agreement – July 14, 2008

Conditions to Group Lease Execution

Operational Standards for Parking Garage – March 14, 2007

Operational Standards for Retail Component – March 14, 2007

Operational Standards for Residential Building – March 14, 2007

Possession Date – April 1, 2011

Conditions to Possession Date

Formation of CDD – July 30, 2010

City Approval of CDD Limited Guaranty – March 22, 2011

Final CDD Bond Validation Hearing – March 31, 2011

Final plans and specifications – January 15, 2010

General construction contract – March 31, 2011

Delivery of payment and performance bonds – March 25, 2011

Construction Loan commitment – March 31, 2011

CDD Bonds commitment – March 31, 2011

Closing on construction financing – April 1, 2011

Public Approvals – October 1, 2010

Building permits – March 25, 2011

Conveyance of title to City of Melody Inn Parcel - April 1, 2011

Supplemental Third Party Fees Reimbursement – June 30, 2009

Commencement of Site Clearance/Demolition – April 1, 2011

Commencement of Construction/Residential Building – April 15, 2011

Commencement of Construction/Parking Garage – May 1, 2011

Construction Completed (issuance of certificate of occupancy) – December 2012

Project opening – January 2013

**EXHIBIT J TO
LEASE AND DEVELOPMENT AGREEMENT
BETWEEN THE PALACE MANAGEMENT GROUP, LLC,
AND CITY OF CORAL GABLES, DATED AS OF JULY 14, 2008
AS AMENDED BY FIRST AMENDMENT TO LEASE DATES AS OF JUNE 12, 2009,
AND PURSUANT TO EXTENSION OF TIME IN DEVELOPER'S SCHEDULE
GRANTED BY CITY MANAGER ON APRIL 12, 2010**

Community Development District Bond Financing Structure

**The Palace Group
Redevelopment Project Opportunity
Coral Gables, Florida**

Summary of Potential Community Development District Bond Financing

- A. Project. The City of Coral Gables, Florida (the "City") seeks to redevelop two parcels of real property owned by the City in downtown Coral Gables, to include:
 - 1. Senior Living Facility. A high-quality, market-rate senior living facility with the ground floor devoted to retail space.
 - 2. Parking Component. A multi-level parking facility with:
 - a. Public Parking comprising 337 spaces for use by the general public in accordance with the Operational Standards for Parking Garage attached to as Exhibit I to the Parking Parcel ground lease;
 - b. Private Parking comprising approximately 205 spaces for use by the Senior Living Facility and Retail Component, subject to adjustment as provided in the Parking Parcel ground lease (referenced below); and
 - c. Retail Space for retail tenants on the ground level.
- B. Developer. The Palace Management Group, LLC, a company with demonstrated experience in developing and operating high-quality senior living facilities, will lead the redevelopment effort.
- C. Real Property Ownership. The City remains the fee owner of the land. The City will retain the fee interest in both parcels of real property.
 - 1. Ground Leases. The City will enter into two ground leases with the Developer for an initial term of 30 years each:
 - a. Senior Living Parcel covering the parcel on which the Senior Living Facility will be constructed; and

- b. Parking Parcel covering the parcel on which the Public Parking, Private Parking and Retail Space will be constructed.
2. Specific Ground Lease Provisions

The Developer will agree to pay all special assessments levied to finance construction of the Public Parking and failure to pay such assessments will be a default under both ground leases. Under the ground lease for the Senior Living Parcel, the Developer will agree to pay all special assessments levied by the CDD (defined below) on the Senior Living Parcel and vertical construction thereon. Under the ground lease for the Parking Parcel, the Developer will agree to pay all special assessments levied by the CDD on the Private Parking (defined above) and the Retail Space (defined above). Failure to pay such special assessments will be considered a payment default under both ground leases. For this purpose, the special assessments shall be treated as “additional rent” under the ground leases.

- a. Leasehold Mortgages Subordinated Leasehold mortgages secured by the Developer’s interest under ground leases and vertical construction thereon will be contractually subordinated to special assessments of the CDD (defined below) used to finance the Public Parking.
- b. Leasehold Mortgagee Cure Provisions The ground leases will contain typical provisions such that any leasehold mortgagee will have the opportunity to cure defaults under the ground leases for specified periods of time. This includes payment of special assessments on the Developer’s ground lease interests and vertical construction.
- c. City Obligation to Make Regular Payments of Principal and Interest on Assessment Bonds Under Certain Circumstances. In the event that (i) the Developer fails timely to make any payment due with regard to special assessments on the Leased Property, (ii) the applicable lender/mortgagee, or a replacement developer if any, does not cure such default within the time frames provided under the special assessment bond documents (which shall be substantially similar to the time frames provided in Articles VI and VII of the ground lease, as the case may be), (iii) as a result of such failure the indenture trustee for the special assessment bonds does not have sufficient funds in the bond fund to allow the indenture trustee to make a regularly scheduled payment of principal, interest, (computed on the basis of the initial interest rate on the Bonds) or both, on such bonds, (iv) the CDD does not have funds available from collection of user fees, or from operation of the Public Parking, taking into account reasonable reserves for future expenses not greater than one month’s operating expenses for the Public Parking, to make up the shortfall, (v) the amount of the Escrowed Pledged Account (hereinafter defined) held by Developer’s Lender or the City, as the case may be, is insufficient to make the required payment, and (vi) the debt service reserve fund held by the indenture trustee is not sufficient to make up the shortfall in the bond fund to allow the indenture trustee (after applying amounts available therefor in the bond fund and the debt service reserve fund and funds received from

the CDD for such purpose) to make the required payment, the City agrees to pay to the indenture trustee (the “City Guaranty”), from any legally available funds, the amount necessary to allow the indenture trustee to make each such regularly scheduled payment of principal, interest, or both. The City will covenant to budget, appropriate and deposit with the Indenture Trustee from all legally available non-ad valorem revenues of the City, sufficient non-ad valorem revenues to meet its obligations under the City Guaranty. However, the obligation of the City under the City Guaranty will not constitute a general obligation indebtedness of the City within the meaning of any constitutional or statutory provision or limitation, or a pledge of the full faith and credit or the taxing power of the City. The City will have the option, but not the obligation, any time a demand for payment under the Guaranty shall be made, to redeem all outstanding bonds at a redemption price of 100% of the principal amount thereof plus accrued interest, instead of making periodic payments under the City Guaranty. The initial gross proceeds (principal amount plus any premium) of the special assessment bonds will be the lesser of \$13,000,000, or the sum of (i) the hard and soft costs of construction of the Public Parking Component, (ii) reserves as required in connection with the CDD Financing, and (iii) issuance costs and fees in connection with the CDD Financing. Subject to the foregoing, the City’s obligation to make up such shortfalls in payment of assessments necessary to make regular payments of principal and interest on the related special assessment bonds shall continue until such time as the bonds are paid in full or legally defeased according to their terms. The CDD will agree to pay to the indenture trustee all available funds from operation of the Public Parking, taking into account reasonable reserves for future expenses not greater than one month’s operating expenses for the Public Parking, to the extent necessary to cover debt service shortfalls as addressed in this paragraph. The City Guaranty shall be substantially in the form attached thereto and made a part hereof as Exhibit J-1.

- d. Developer Obligation to Maintain Escrowed Funds for Payment of CDD Assessments. Pursuant to the terms of the Project’s construction/minipermit financing, Developer is required to maintain an amount equal to three (3) times the maximum annual debt service under the CDD Bonds escrowed in an account pledged in favor of Developer’s Lender (“Escrowed Pledged Account”) to be used exclusively to cure any deficiencies in the amount of (x) special assessments paid by the Developer or (ii) any other payments required to be made by the Developer under the Lease for the benefit of the City. Once the Developer’s Lender has agreed to the release of the Escrowed Pledged Account, Developer agrees that it will maintain an amount equal to the Escrowed Pledged Account in an account pledged for the benefit of the City for an additional period equal to the greater of (i) three (3) years; (ii) until a date which is six (6) years after the issuance of the final certificate of occupancy for the Project; or (iii) when the Residential Building has achieved 90% occupancy for a period of two (2) consecutive years.

Provided, however, the City's obligation to execute and deliver the City Guaranty is hereby conditioned upon:

- (i) the Project's construction/mini-perm financing documents setting forth a provision whereby the Developer and the Developer's Lender agree that the Developer's Lender shall not release (in whole or in part) the Escrow Pledged Account during the term of the said construction/mini-perm loan without the prior written consent of the City, which consent may be granted or denied in the City's sole and absolute discretion;
- (ii) the sale of the CDD Bonds in compliance with the financing parameters set forth in Section F below;
- (iii) payment to the City of the sum of \$225,000 in consideration for the City Guaranty from the proceeds of the CDD Bonds; and
- (iv) the actual closing and funding of the CDD Bonds.

3. Condominium of Parking Structure after Construction. The Developer will be responsible for retaining a contractor for construction of the parking facility and the CDD (defined below) will pay its pro rata share of construction costs attributable to the Public Parking component. Prior to commencement of construction of the parking facility, the CDD will be granted development (air) rights for the construction of the Public Parking component of the parking facility or, in the alternative, a sublease of the Parking Parcel representing the CDD's expected interest in the completed parking structure. After the parking facility is fully constructed on the Parking Parcel, the building will be subject to a condominium consisting of three units: the Public Parking, the Private Parking and the Retail Space. The Developer will retain the Private Parking and Retail Space condominium units. The CDD will exchange its development (air) rights or sublease interest for the Public Parking condominium unit. The Developer will be the declarant for the subject declaration of condominium.

D. Community Development DistrictFormation of Community Development District (“CDD”)

Community development districts in Florida are created through a petition which petition must include the eight items set forth in Florida Statutes §190.005(1)(a). Florida Statutes §190.005(2)(e) provides that in the case of a community development district of less than a 1,000 acres in size, that if all the land for the proposed district is in the territorial jurisdiction of a municipal corporation the petition requesting the creation of the CDD is filed with the municipal corporation.

However, the Home Rule Charter of Miami-Dade County provides in §1.01(A)(21) thereof that the County exercises all powers and privileges granted to municipalities by the Constitution and laws of the State of Florida unless those powers are prohibited by the Constitution or the Charter. Thus, the CDD petition will be filed with both the City of Coral Cables and the County. The County will ask the City to pass a resolution supporting the creation of the CDD. The actual

establishment of the CDD will take place through the County process. The City, as the owner of the land on which the CDD will be established, will need to consent to the establishment of the CDD along with The Palace Group.

1. Special Assessments The security for special assessment bonds will include the net revenues from the Public Parking facility as well as non-ad valorem special assessments. The CDD will levy special assessments on the Senior Living Facility, the Retail Space condominium and the Private Parking condominium pursuant to § 190.022 Florida Statutes using the procedures set forth in § 170, Florida Statutes. The special assessments shall not be a lien encumbrance on the fee interest of the City of Coral Gables or on the leasehold interest itself, but shall be enforceable as provided in Section 196.199(8) Florida Statutes.
2. Ownership of Public Parking Following Payment of Bonds Sections 190.046(4), (5) and (6), Florida Statutes provide a method for transfer of the Public Parking from the District to the City of Coral Gables through adoption by the City of a non-emergency ordinance. Under existing law, the City would assume and guarantee debt, if any, of the CDD that is related to the Public Parking. The statute currently provides for no other consideration from the City. In addition, the City must demonstrate the ability of the City to provide the public parking service: (a) as efficiently as the CDD; (b) at a level of quality equal to or higher than the level of quality actually delivered by the CDD to the users of the Public Parking; and (c) at a charge equal to or lower than the actual charge by the CDD to Public Parking customers. No later than 30 days following the adoption of a transfer plan ordinance, the board of supervisors may file in the circuit court a petition seeking review by certiorari of the factual and legal basis for the adoption of the transfer plan ordinance. Upon the transfer of all of the services of the CDD to the City, the CDD shall be terminated in accordance with a plan of termination which shall be adopted by the board of supervisors and filed with the clerk of the circuit court. So long as the petition of the board of supervisors satisfies the requirements of Sections 190.046(4), (5) and (6), Florida Statutes, the CDD will agree that it will not contest the petition.

In the event such transfer of the Public Parking to the City is completed as aforesaid, the Developer and the City shall execute such amendments to the ground lease(s) as are necessary or desirable to properly reallocate management responsibilities, procedures, and operating expenses concerning the Public Parking.

3. Limitations on Additional CDD Debt The CDD will agree that it will not (i) refinance the special assessment bonds issued to finance the construction of the Public Parking, or (ii) issue any other bonds or debt instruments, without the prior written approval of the City, which may be granted or withheld by the City in its sole and absolute discretion. The CDD will also agree that once the bonds have been issued it will refinance the bonds in full without the City Guaranty in the event that either (i) the net present value savings exceeds \$0 or (ii) the refunding of the CDD Bonds can be rated in the "A" category or higher without regard to "+" or "-", and the true interest cost does not exceed fifty (50) basis points over the initial true interest cost.

4. Validation of CDD Bonds Notwithstanding anything to the contrary contained herein, the CDD special assessment bonds will be subject to validation through judicial process under Chapter 75, Florida Statutes, prior to the delivery of possession by the City to the Developer of the Parking Parcel and Senior Housing Parcel under both ground leases. It shall be the responsibility of the Developer to diligently undertake the said validation process at Developer's sole cost and expense. In general, the court will hold a validation hearing 75 to 90 days after the filing of a validation complaint. The final judgment of the appropriate court shall include an order (the "CDD Bonds Validation Order") validating and confirming the legality of the special assessment bonds, the ground leases, the City Guaranty, the special assessments and all other ancillary documents and agreements, and the legality of all proceedings in connection therewith. The CDD Bonds Validation Order will be subject to a 30 day appeal period under Florida law. The Developer shall consult with the City throughout the said validation judicial process to ensure that the said process and the final (after all applicable appeal periods shall have expired) CDD Bonds Validation Order are acceptable to the City, in the City's sole and absolute discretion. Unless otherwise waived, the entering of the said CDD Bonds Validation Order and the expiration of all applicable appeal periods, shall be a condition precedent to the City's obligation to deliver possession of the Parking Parcel and Senior Housing Parcel under both ground leases.

E. Summary of Financing Sources Private Financing

The Developer will obtain private construction and permanent financing to construct the Senior Living Facility and the Private Parking and Retail Space components of the parking facility.

1. CDD Bonds The proceeds from issuance of special assessment bonds will be used to finance the Public Parking. During construction of the parking facility, bond proceeds will be released to pay the pro rata share of the parking facility construction costs represented by the Public Parking component. The bond obligations will remain in place as permanent financing upon completion of construction of the parking facility.

F. Initial Issuance Parameters

1. Gross proceeds (principal plus any premium) not in excess of \$13 million.
2. Fixed Rate Bonds with True Interest Cost less than 6%.
3. The CDD bonds must be sold in compliance with the following limitations: (x) the maximum annual debt service cannot exceed \$900,000 and (y) the total debt service on the bonds cannot exceed \$28,170,000.
4. Cash debt service reserve equal to the maximum annual debt service, subject to IRS tax exempt financing requirements.
5. Level debt service.

6. Capitalized interest for no longer than the lesser of the construction period or eighteen (18) months.
7. First principal payment no later than twenty-four (24) months after closing of the Bonds.
8. Final principal payment no later than 2042.

EXHIBIT J-1

GUARANTY

THIS GUARANTY (the “Guaranty”) is executed effective as of _____, 2011, by **CITY OF CORAL GABLES** (“Guarantor”), having an address at 405 Biltmore Way, Coral Gables, Florida 33134, Attention: City Manager), and **U. S. BANK NATIONAL ASSOCIATION** (“Trustee”), having an office at 225 East Robinson Street, Suite 250, Orlando, Florida 32801.

RECITALS:

A. In March 2006, the Guarantor issued a Request for Proposal for the redevelopment of Municipal Lot 9 and Municipal Garage No. 5 in the Coral Gables Central Business District for a high quality market rate mixed-used congregate senior housing facility. After a competitive process, which included public hearings and deliberations by the Mayor and City Commission, the Guarantor selected The Palace Group (“Palace”) and/or affiliates thereof to negotiate a long term ground lease and development agreement and other related agreements for such redevelopment based on that certain proposal submitted by Palace to the City on or about June 6, 2006 (“Original Palace Proposal”).

B. Pursuant to the authorization and direction of the City Commission, the appropriate officers of the Guarantor proceeded to negotiate with The Palace Management Group, LLC (the “Developer”), an affiliate of Palace, the basic terms and conditions for the development of said mixed use senior housing project, which included certain modifications to the Original Palace Proposal, and such terms and conditions are set forth in that certain Memorandum of Understanding between the City and Developer approved by the City Commission on January 23, 2007 by Resolution Number 2007-15 (the “MOU”).

C. In accordance with the terms and provisions set forth in the MOU and pursuant to the authorization of the City Commission, the appropriate officers of the Guarantor worked with representatives of Developer in the preparation of a Parking Garage Lease and Development Agreement (the “Lease”) which provides for the leasing by the Guarantor to the Developer of certain real property for the construction, development, operation, and maintenance of the improvements more specifically described in the Lease, which improvements include the “Public Parking Component.”

D. On November 13, 2007, the City Commission, by Ordinance Number 2007-36, approved the execution of the Lease by the City Manager on behalf of the Guarantor, which Lease is dated as of July 14, 2008.

E. To assist in financing the Public Parking Component and related public improvements, the Developer petitioned the Guarantor and Miami-Dade County to create Palace at Coral Gables Community Development District (the “District”), encompassing approximately 2.5 acres of land as described in the Lease (the “District Lands”).

F. The District was established by Ordinance of the Board of County Commissioners of Miami-Dade County effective July 30, 2010 pursuant to the provisions of Chapter 190, Florida Statutes (the “Act”).

G. Exhibit J to the Lease originally provided for the execution of a limited guaranty of up to \$13,000,000 of principal and interest on special assessment bonds to be issued by the District to finance construction of the Public Parking Component.

H. The First Amendment to the Lease was approved by the City Commission on June 2, 2009, pursuant to Resolution No. 2009-132 and the Second Amendment to the Lease was authorized and approved by the City Commission respectively on August 24, 2010, pursuant to Ordinance 2010-17 and on _____, 2011 by Resolution No. 2011-_____. The Second Amendment approved the execution of certain amendments to the Lease including Exhibit J, whereby the City agreed to guarantee the payment of principal and interest on up to \$13,000,000 aggregate principal amount of special assessment bonds, subject to the financing parameters contained therein, to be issued by the District to finance the Public Parking Component.

I. The District filed a Complaint for Validation of an Amount Not Exceeding \$13,000,000 Palace at Coral Gables Community Development District Special Assessment Revenue Bonds, in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, Case No. 10-62178CA22, in the case styled Palace at Coral Gables Community Development District, Plaintiff vs. The State of Florida and all of the Taxpayers, Property Owners, and Citizens of Palace at Coral Gable Community Development District, Et Al., Defendants (“Bond Validation Action”).

J. Final Judgment in the Bond Validation Action was entered on _____, 2011, and the appeal period expired on _____, 2011 without an appeal having been filed.

K. Pursuant to the Final Judgment the Circuit Court has ruled that the Guarantor and the Trustee have the power and authority to enter into this Guaranty.

L. The District has on the date hereof issued its Special Assessment Revenue Bonds, Series 2011 (the “Bonds”) to finance a capital project under the Act (the “2011 Project”), pursuant to a Master Trust Indenture, as supplemented by a First Supplemental Trust Indenture, both dated as of _____, 2011 (the “Indenture”) between the District and the Trustee.

M. The 2011 Project consists of all of the Public Parking Component as defined in the Lease, together with certain other public improvements.

N. The Developer and the Guarantor will derive a substantial benefit from the issuance of the Bonds and the financing of the 2011 Project by the District inasmuch as without the financing of the 2011 Project, the Developer would not be in a position to develop the District Lands.

O. In order to promote the health, safety and welfare of the residents of the Guarantor, it is desirable and serves a valid public purpose for the Guarantor to enter into this Guaranty, thereby facilitating and promoting the availability of public parking within the geographic limits of the Guarantor, which public parking will alleviate vehicular congestion on the streets and provide increased and safe parking facilities to residents of Guarantor and its visitors.

P. Capitalized terms used herein and not specifically defined herein shall have the respective meanings ascribed to such terms in the Lease.

Q. Guarantor is entering into this Guaranty to induce the District to issue the Bonds and construct or acquire the 2011 Project.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals which are incorporated in to the operative provisions of this Guaranty by this reference, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby conclusively acknowledged, Guarantor hereby agrees as follows:

ARTICLE I - NATURE AND SCOPE OF GUARANTY

Section 1.1 Guaranty Obligation. Upon issuance of the Bonds, Guarantor hereby irrevocably agrees to pay to the Trustee from any legally available funds, as hereinafter provided, but only upon the occurrence and continuation of a Guarantor Payment Period (as defined in Section 1.4 hereof), for the benefit of the owners of the Bonds, that portion of the principal of and interest on the Bonds (it being understood that for any and all purposes of this Guaranty, interest is to be computed on the basis of the initial stated interest rate on the Bonds) that becomes Due for Payment but shall be unpaid by reason of Nonpayment; provided however, that notwithstanding anything to the contrary herein, the Guarantor's obligations under this Guaranty will be limited to (x) a maximum annual debt service amount of \$900,000.00 and (y) a maximum total debt service amount of \$28,170,000.00. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), unless Guarantor should elect, in its sole discretion, to pay all principal earlier than it would otherwise be due pursuant to the extraordinary optional redemption described below, together with any accrued interest to the date of any extraordinary optional redemption elected by the Guarantor and (b) when referring to interest on a Bond, payable on the stated date for payment of interest including the date of any extraordinary optional redemption described below. "Nonpayment" means, in respect of a Bond, that insufficient funds are available to the Trustee, after taking into account the sources of funds described in Section 1.4 hereof and any other moneys available to the Trustee for such purpose, for payment in full of all principal and interest that is Due for Payment on such Bond at least twenty (20) Business Days prior to such payment date. At that time, a Guarantor Payment Period shall exist and give rise to a payment obligation of the Guarantor hereunder, and the Guarantor shall pay to the Trustee, but only from the sources of funds described in Section 1.2 hereof, within ten (10) Business Days of receipt of notice, but no later than two (2) Business Days prior to each payment date on the Bonds that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment; provided that the Trustee shall provide Guarantor with sixty (60) days anticipatory notice if it believes that there may be Nonpayment.

Notwithstanding the foregoing, at any time a payment obligation shall arise hereunder, the Guarantor may elect in its sole discretion to extraordinarily optionally redeem at any time upon thirty (30) days' prior written notice, all of the Bonds then outstanding at a price of 100% of the remaining principal amount thereof, together with accrued interest to such redemption date, rather than making payments of principal and interest as provided in the immediately preceding sentence. "Business Day" means (a) any day excluding Saturday, Sunday or any other day on which banks in the cities in which the designated corporate trust office of the Trustee are

located are authorized or required by law or other governmental action to close and on which the Trustee is closed or (b) a day on which the Guarantor's office is authorized or required by law or executive order to remain closed. Notwithstanding anything to the contrary contained in this Guaranty or in any other document, Guarantor's payment obligation hereunder shall not arise until the occurrence and continuation of a Guarantor Payment Period. All payments by the Guarantor are to be in immediately available funds.

Section 1.2 Nature of Guaranty. This is a continuing guaranty and the obligations of Guarantor hereunder are and shall be, subject to the provisions hereof and to the extent permitted by applicable laws, and particularly subject to the existence and continuation of a Guarantor Payment Period, absolute, continuing, unconditional and irrevocable under any and all circumstances, and shall not be subject to any counterclaim, recoupment, set off, reduction or defense based on any claim that the Guarantor may have against the CDD or any other person, and such obligations shall remain in full force and effect until the CDD Bonds have been paid in full or legally defeased. The obligation of the Guarantor hereunder will not constitute a general debt, liability or obligation of the Guarantor within the meaning of any constitutional or statutory limitation. Neither the faith and credit nor the taxing power of the Guarantor is pledged to the payment of the Guarantor's obligations hereunder and no one seeking recourse hereunder shall ever have the right to compel any exercise of any ad valorem taxing power of the Guarantor, directly or indirectly, to enforce such obligations. However, the City hereby covenants to budget, appropriate and pay to the Trustee, within ten (10) Business Days of receipt of the above notice of deficiency from the Trustee while the CDD Bonds are outstanding, from all legally available Non-Ad Valorem Revenues of the City, sufficient Non-Ad Valorem Revenues to enable the Trustee to pay that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

This Guaranty is cumulative to the extent not paid, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in amounts sufficient to make the payments described above shall have been budgeted, appropriated and actually paid. Except with respect to such Non-Ad Valorem Revenues deposited with the Trustee, this Guaranty does not create a lien upon or pledge of such Non-Ad Valorem Revenues nor does it preclude the City from pledging in the future all or any specified portion of the Non-Ad Valorem Revenues, nor does it give the Trustee or the CDD bondholders a prior claim on all or any specified portion of the Non-Ad Valorem Revenues as opposed to claims of general creditors of the City. Although the City's obligation to make payments under this Guaranty is subject to the conditions set forth above, this Guaranty is on par with other debt of the City supported by the City's covenant to budget and appropriate Non-Ad Valorem Revenues. This Guaranty is intended to have the effect of making available for payment to the Trustee, at such times as may be required to cure any Nonpayment within the time frames described herein, the Non-Ad Valorem Revenues and placing on the City a positive duty to appropriate and budget, by amendment if necessary, amounts sufficient to make such payment.

The Guaranty is subject in all respects to the restrictions of Section 166.241, Florida Statutes, which provides that the governing body of each municipality shall make appropriations for each fiscal year of such municipality (the "Fiscal Period") which, in any one year, shall not exceed the amount to be received from taxation and other revenue sources, and to payments which are legally mandated by applicable law. The obligations of the City contained herein shall not be construed as a limitation on the ability of the City to pledge or covenant to pledge or use all or any portion of the Non-Ad Valorem Revenues for other legally permissible purposes. The obligation of the City to make the payments contained in this Guaranty within the time frames

described herein, is subject to the availability of Non-Ad Valorem Revenues in the treasury of the City and funding requirements for essential public purposes affecting the health, welfare and safety of the inhabitants of the City or which are legally mandated by law; however, such obligation is cumulative and shall carry over from Fiscal Period to Fiscal Period.

Section 1.3 Guaranty of Payment. This is a guaranty of payment and not of collection and during any Guarantor Payment Period, the Trustee may, at its option, but only after making claim for and fully exhausting all sources of funds described in Section 1.4 hereof, proceed directly against Guarantor to collect and recover the full amount of principal and interest on any Bond then Due for Payment or any portion thereof, without proceeding against any other person, or foreclosing upon, selling, or otherwise disposing of or collecting or applying against any property to the fullest extent permitted under applicable laws.

Section 1.4 Guarantor Payment Period and Payments. A “Guarantor Payment Period” shall be deemed to occur in the event that (i) the Developer fails timely to make any payment due with regard to special assessments on the Senior Living Parcel or the Parking Parcel (as those terms are defined in the Lease), (ii) the applicable lender/mortgagee, or a replacement developer if any, does not cure such default within the time frames provided under Article VI of the Lease, (iii) all amounts held by the Developer’s applicable lender/mortgagee as a Developer reserve including, but not limited to, the “Escrowed Pledged Account” required to be held by Developer’s construction lender and/or held for the benefit of Guarantor in accordance with the terms of Exhibit J of the Lease have been exhausted, (iv) as a result of such failure Trustee does not have sufficient funds under the Indenture to allow Trustee to make a regularly scheduled payment of principal, interest, or both, on the Bonds, (v) the District does not have funds available from operation of the Public Parking Component (as such term is defined in the Lease), taking into account reasonable reserves for future expenses not greater than one month’s operating expenses for the Public Parking Component, to make up the shortfall, (vi) the debt service reserve fund held by the Trustee under the Indenture is not sufficient to make up the shortfall in the amounts available to allow the Trustee (after applying amounts available therefor in the bond funds and debt service reserve fund and funds received from the District for such purpose) to make the required payment on the Bonds.

No payment made by the Guarantor under this Guaranty shall be considered to be a cure of any Developer default under the Lease.

ARTICLE II - SUBORDINATION OF CERTAIN INDEBTEDNESS

Section 2.1 Subordination of Guarantor Claims. Any indebtedness of District to Guarantor now or hereafter existing, including, but not limited to, any rights to subrogation Guarantor may have as a result of any payment by Guarantor under this Guaranty, together with any interest thereon, shall be, and such indebtedness is hereby deferred, postponed and subordinated to the prior payment in full of any Bond then Due for Payment.

ARTICLE III- EVENTS AND CIRCUMSTANCES NOT REDUCING OR DISCHARGING GUARANTOR’S OBLIGATIONS

Section 3.1 No Impairment of Obligations Guarantor further agrees to the extent permitted under applicable laws, that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected or impaired (a) by reason of the commencement of a case under the Bankruptcy Code by or against any person obligated under documents evidencing the Bonds, or (b) by reason of any payment made on the Bonds or any

other indebtedness arising under the documents evidencing the Bonds, whether made by District or Guarantor or any other person, which is required to be refunded pursuant to any bankruptcy or insolvency law; it being understood that no payment so refunded shall be considered as a payment of any portion of the Bonds, nor shall it have the effect of reducing the liability of Guarantor hereunder.

Section 3.2 Bond Document Modification. Guarantor further covenants that this Guaranty shall remain and continue in full force and effect as to any modification, extension or renewal of the documents evidencing the Bonds, provided that the prior written consent of the Guarantor shall be required prior to any such modification, extension or renewal.

Section 3.3 Waivers. Guarantor hereby waives to the extent permitted under applicable laws all defenses, offsets and counterclaims which Guarantor may at any time have to any claim against District and/or the Trustee. No act, failure to act, or omission of any kind on the part of Guarantor, District, Trustee or any person shall be a legal or equitable discharge or release of Guarantor hereunder.

ARTICLE IV - MISCELLANEOUS

Section 4.1 Waiver of Jury Trial; Service of Process. EACH OF THE GUARANTOR AND TRUSTEE BY GIVING AND ACCEPTING THIS GUARANTY, AS THE CASE MAY BE, HEREBY (A) KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT EITHER MAY HAVE TO TRIAL BY JURY IN REGARD TO ANY LITIGATION OR PROCEEDING BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTY AND (B) AGREES THAT ANY STATE OR FEDERAL COURT SITTING IN AND LOCATED IN MIAMI-DADE COUNTY, STATE OF FLORIDA SHALL HAVE EXCLUSIVE JURISDICTION OF ANY SUCH ACTION OR PROCEEDING.

Section 4.2 Successors and Assigns. Each reference herein to District or Trustee shall be deemed to include its successors and assigns, to whose favor the provisions of this Guaranty shall also inure. Each reference herein to Guarantor shall be deemed to include successors and assigns of Guarantor, all of whom shall be bound by the provisions of this Guaranty.

Section 4.3 Authority. Guarantor represents that it (and its representative, executing below, if any) has full power, authority and legal right to execute this Guaranty and to perform all its obligations under this Guaranty and that nothing exists to impair the effectiveness of the Guaranty.

Section 4.4 Notice. Any notice, demand, request, offer, consent, approval or communication to be provided under this Guaranty shall be in writing and sent by one of the methods hereinafter described and shall be deemed received: (i) the next delivery day after it is deposited for overnight delivery with a nationally recognized and reputable air courier (with electronic tracking being used) addressed to the recipient party at the address shown below; (ii) upon confirmation of receipt of electronic transmission if it is sent by facsimile or telecopier transmission to the recipient party at its facsimile number set forth below and, in such case, a copy is also sent by one of the methods described in clauses (i) or (iv) of this Section (it being understood and agreed, however, that such notice shall be deemed received upon confirmation of receipt of electronic transmission); (iii) upon transmission by e-mail if it is sent to the recipient party's e-mail address shown below and, in such case (1) the e-mail message is not returned to

the sender as being undeliverable, (2) any attachments to the e-mail must be in text, rich text, Adobe Acrobat or Microsoft Word formats (and not in HTML, .exe or other formats), and (3) a copy is also sent by one of the methods described in clauses (i) or (iv) of this Section (it being understood and agreed, however, that such notice shall be deemed received upon sending of the e-mail unless it is returned as non-deliverable), or (iv) the same day it is personally delivered to the recipient party's address shown below. Notwithstanding the foregoing, in the event any notice or other communication as described in this Section is sent by any party hereto to the other(s) by overnight delivery, personal delivery by facsimile/telecopy transmission or by e-mail and it is received by the recipient party(ies) (or delivery is attempted) during non-business hours (i.e., other than during 8:30 a.m. to 5:00 p.m., ET, Monday through Friday, excluding holidays), then such notice or other communication shall not be deemed to have been received until the next Business Day. Any party may designate a different address for receiving notices hereunder by notice to the other parties in accordance with the provisions of this Paragraph.

To Guarantor: City of Coral Gables
405 Biltmore Way
Coral Gables, Florida 33134
Attention: City Manager's Office
Attention: City Attorney's Office

With a copy to: Weiss Serota Helfman Pastoriza Cole & Boniske, P.L.
2525 Ponce de Leon Blvd., Suite 700
Coral Gables, Florida 33134
Attention: Stephen J. Helfman
Email: shelfman@wsh-law.com, or
Ignacio G. del Valle, Esq.
Email: jdelvalle@wsh-law.com

If to Trustee: U.S. Bank National Association
225 East Robinson Street, Suite 250
Orlando, Florida 32801
Attention:
Email:

With a copy to:

or such other address as either party may from time to time specify in writing to the other in the manner aforesaid

Copies of any notice hereunder shall also be provided to the District at:

If to District: Palace at Coral Gables Community Development District
c/o Fishkind & Associates, Inc.
12051 Corporate Boulevard
Orlando, Florida 32817
Attention: Henry Fishkind, Ph.D.
Email: Hankf@fishkind.com

With a copy to:

Billing, Cochran, Lyles, Mauro & Ramsey, P.A.
515 East Las Olas Boulevard, 6th Floor
Fort Lauderdale, Florida 33301
Attention: Susan F. Delegal
Email: sdelegal@bclmr.com

Section 4.5 Miscellaneous. If any provision of this agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this agreement or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each provision of this agreement shall be valid and enforceable to the full extent permitted by law. The failure or forbearance of Trustee to exercise any right hereunder, or otherwise granted to it by law or another agreement, shall not affect the obligation of Guarantor hereunder and shall not constitute a waiver of said right. This Guaranty contains the entire agreement between the parties. There is no understanding that any person other than or in addition to Guarantor shall execute this Guaranty. The captions to the paragraphs are for convenience only and shall not be deemed a part of the Agreement.

Section 4.6 Merger. All understandings, representations and agreements heretofore had with respect to this Guaranty are merged into this Guaranty which alone fully and completely expresses the agreement of Guarantor and Trustee.

Section 4.7 Counterparts. This Guaranty may be executed in one or more counterparts by some or all of the parties hereto, each of which counterparts shall be an original and all of which together shall constitute a single agreement of Guaranty.

Section 4.8 Amendments. This Guaranty may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any party, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 4.9 Reimbursement of Expenses Guarantor agrees that, to the extent permitted by applicable laws, Guarantor will reimburse Trustee, as applicable, for all expenses (including reasonable attorneys and paralegals fees and disbursements) incurred by Trustee in connection with the collection of the amounts due hereunder or any portion thereof or with the enforcement of this Guaranty if the Trustee prevails in such legal proceedings.

Section 4.10 Governing Law. This Guaranty shall be governed, construed, applied and enforced in accordance with the laws of the State of Florida without regards to principles of conflicts of laws.

IN WITNESS WHEREOF, Guarantor and Trustee have executed this Guaranty as of the day and year first above written.

By authority of Resolution No. _____
duly passed and adopted by the Coral Gables
City Commission on _____, 2011.

ATTEST:

GUARANTOR:
CITY OF CORAL GABLES, a Florida
municipal corporation

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM AND LEGAL
SUFFICIENCY:

By: _____
Name: Patrick G. Salerno
Title: City Manager

By: _____
Name: Lourdes Alfonsin-Ruiz
Title: Interim City Attorney

TRUSTEE:
U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

EXHIBIT B

SECOND AMENDMENT
TO
PARKING GARAGE LEASE AND DEVELOPMENT AGREEMENT

This Second Amendment (“Second Amendment”) to Parking Garage Lease and Development Agreement entered into as of this ____ day of _____, 2011, by and between the CITY OF CORAL GABLES, a Florida municipal corporation (“City”) and THE PALACE MANAGEMENT GROUP, LLC, a Florida limited liability company (“Developer”).

W I T N E S S E T H:

WHEREAS, the City and Developer entered into that certain Parking Garage Lease and Development Agreement executed as of July 14, 2008 concerning the real property more particularly described in Exhibit “B” attached thereto and made a part thereof (the “Property”), as amended by that certain First Amendment to Parking Garage Lease and Development Agreement, dated as of June 12, 2009 and pursuant to extensions of time in Developer’s Schedule granted by the City Manager’s Office on April 12, 2010 (collectively the “Agreement” or “Lease”); and

WHEREAS, the parties hereto wish to further amend the Lease as hereinafter provided.

NOW, THEREFORE, in consideration of the premises, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. The above recitals are true and correct, and are hereby incorporated by reference.
2. Any capitalized term not otherwise defined herein, shall have the meaning ascribed thereto in the Lease.
3. The definition of Acceptable Operator under Section 1.2.1 of the Lease is hereby amended and restated in its entirety to read as set forth in Exhibit 1.2.1 attached hereto.
4. Section 6.1 (c)(xiv) of the Lease is hereby intentionally deleted.
5. Exhibit G (Developer’s Schedule) to the Lease is hereby amended and restated in its entirety to refer to Exhibit G attached to this Second Amendment.
6. Exhibit J (CDD Financing Structure) to the Lease is hereby amended and restated in its entirety to refer to Exhibit J attached to this Second Amendment.
7. The City and the Developer understand and agree that the number of parking spaces for the Parking Garage have changed since the Lease was first executed. Therefore, pursuant to the terms of the Lease, the City and the Developer are entering into this Second

Amendment in order to confirm the final number of parking spaces for the entire Parking Garage pursuant to the final plans and specifications prepared by Fullerton Diaz, Architects, as follows:

<u>Use By</u>	<u>Number of Parking Spaces</u>
Residents	122
Employees	20
Retail	56
Replacement Public Parking	337
Total:	564

8. The last sentence of Section 2.8 of the Lease is hereby amended to read as follows:

“Developer shall give the City at least one (1) business days prior written notice of the Possession Date.”

9. The notice requirement set forth in Section 2b. of the parking Management Agreement by and between the City and the Developer dated June 12, 2009, a copy of which was attached as Exhibit M to the Lease pursuant to the First Amendment to Parking Garage Lease and Development Agreement dated as of June 12, 2009, is hereby amended to require the Developer to give the City at least five (5) business days written notice prior to the beginning of the calendar month in which the Palace Group shall require delivery of exclusive possession of the Municipal Parking Garage No. 5 by the end of such calendar month.

10. All other terms, covenants, and conditions of the Lease, including, without limitation, the First Amendment to Parking Garage Lease and Development Agreement dated as June 12, 2009, not otherwise amended by these presents are hereby confirmed and ratified.

11. This Second Amendment may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the Developer has executed this Second Amendment as of the date and year first above written.

ATTEST:

Name: _____

Name: _____

DEVELOPER:

THE PALACE MANAGEMENT GROUP,
LLC, a Florida limited liability company

By: _____

Name: Jacob Shaham

Title: Manager

IN WITNESS WHEREOF, the City has executed this Second Amendment as of the date and year first above written.

By authority of Resolution No.
_____ duly passed and adopted by
the Coral Gables City Commission on
_____, 2011.

ATTEST:

CITY:

CITY OF CORAL GABLES, a
Florida municipal corporation

By: _____
Name: Walter J. Foeman
Title: City Clerk

By: _____
Name: Patrick G. Salerno
Title: City Manager

**APPROVED AS TO FORM AND LEGAL
SUFFICIENCY:**

By: _____
Name: Lourdes Alfonsin-Ruiz
Title: Interim City Attorney

**EXHIBIT 1.2.1 TO
SECOND AMENDMENT TO PARKING GARAGE LEASE
AND DEVELOPMENT AGREEMENT**

It is understood and agreed that the definition of "Acceptable Operator" set forth in this Second Amendment to Lease shall apply only in situations where a Lender or Leasehold Mortgagee, pursuant to rights granted to it in any loan agreement, Leasehold Mortgage or other security instrument by which Developer is bound, after a default, is retaining or has retained any person, corporation or other entity to act as operator of the Project and where a Lender or Leasehold Mortgagee becomes the tenant under the Lease pursuant to its terms in the event of an uncured Event of Default by Developer and during the period of such Lender's or Leasehold Mortgagee's tenancy under the Lease it is obligated to enter into an Acceptable Operator Agreement (the "Lender Special Situation"). It is further understood and agreed that under any other situations, the definition of Acceptable Operator as set forth under Section 1.2.1 of the main body of the Lease shall continue to apply without amendment, qualifications, or modification.

"Acceptable Operator" means any corporation or other entity which has, at a minimum, the following qualifications:

1. The Acceptable Operator must be a manager in the business of managing both high quality market rate Congregate Living and Assisted Living (as those terms are hereinafter defined) senior rental housing units ("Senior Rental Housing Units") facilities licensed to do business as required by the State of Florida and the City of Coral Gables, which license must be and remain in good standing; provided, however, that the determination as to whether a manager is a manager in the business of managing high quality market rate Congregate Living and Assisted Living Senior Rental Housing Units facilities with regards to this clause 1 shall be made by the Lender or Leasehold Mortgagee, as the case may be, in its sole discretion, only in the event of a Lender Special Situation.
2. The Acceptable Operator must possess the experience, qualifications, good reputation, financial resources and adequate personnel necessary for the proper management of the Overall Project (excluding the Parking Component as defined in the Parking Garage Lease) as required under this Agreement (including, without limitation, compliance with the Operational Standards for Residential Building set forth on **Exhibit "E"** attached hereto), undertaken pursuant to an Acceptable Operator Agreement, in a manner consistent with the quality, reputation and economic viability of the Project; provided, however, that the determination of compliance with the requirements, qualifications and criteria set forth in this clause 2 shall be made by the Lender or Leasehold Mortgagee, as the case may be, in its sole discretion, only in the event of a Lender Special Situation.
3. The Acceptable Operator must presently own or manage at least four hundred (400) Senior Rental Housing Units, at least two hundred fifty (250) of which must be in a single project; provided, however, the requirements, qualifications and criteria set forth in this clause 3 shall not apply only in the event of a Lender Special Situation.
4. The Acceptable Operator must establish and maintain an on-site management and/or administrative office within a portion of the Overall Project staffed with qualified employees responsible for day-to-day operations of the Overall Project (excluding the Parking Component);

provided, however, only in the event of a Lender Special Situation (i) the determination as to whether employees are qualified with regard to this clause 4 shall be made by the Lender or Leasehold Mortgagee, as the case may be, in its sole discretion, and (ii) the phrase "management and/or" in this clause 4 shall be deemed deleted.

5. a. The Acceptable Operator shall have no outstanding building code violations against any Senior Rental Housing Units or other property owned or managed by such Acceptable Operator within Miami-Dade County or Broward County, Florida; provided, however, only in the event of a Lender Special Situation the requirements, qualifications and criteria set forth in this clause 5a shall not apply.

b. The Acceptable Operator shall have no outstanding material violations of any applicable federal, state or local law, rule, regulation, code or ordinance against the Acceptable Operator, any Senior Rental Housing Units or other property owned or managed by such Acceptable Operator within Miami-Dade County or Broward County, Florida; provided, however, only in the event of a Lender Special Situation the requirements, qualifications and criteria set forth in this clause 5b shall not apply to any person, corporation, or other entity retained by a Lender or Leasehold Mortgagee to act as operator of the Project as long as that person, corporation or other entity is in compliance with clause (8) below.

c. The Acceptable Operator must manage a minimum of three (3) facilities of Senior Rental Housing Units similar in size, scope, market and program to the Residential Building (hereinafter defined), irrespective of location, which have no outstanding building code violations; provided, however, only in the event of a Lender Special Situation the requirements, qualifications and criteria set forth in this clause 5c shall not apply.

6. The Acceptable Operator must have in the aggregate at least ten (10) years experience managing senior housing and/or senior care (or have senior management personnel who have in the aggregate at least ten (10) years experience managing senior housing and/or senior care).

7. The Acceptable Operator must not (nor any of the individuals or entities who own at least a five (5%) equity interest in the Acceptable Operator or are officers, directors, managers or otherwise have the power to direct and control the business and affairs of the Acceptable Operator) have been, within the five (5) years preceding the date of submission by Acceptable Operator of its application for approval to the City, in an adversarial relationship in litigation or are in an adversarial relation in litigation currently pending with the City, in both cases including but not limited to, litigation with respect to ordinances, charter provisions or resolutions of the City, including building codes or tax code violations (but excluding zoning appeals and appeals of property tax assessments).

8. The Acceptable Operator must not be owned, controlled or run by entities or individuals who have been convicted, or are presently under indictment, for felonies under the laws of any foreign or domestic U.S. jurisdiction; provided, however, that the foregoing shall not apply to individuals or entities owning less than a five (5%) percent equity interest in the Acceptable Operator other than officers, directors, managers or others who have the power to direct and control the business and affairs of the Acceptable Operator.

9. The Acceptable Operator must not (nor any of the individuals or entities who own at least a five (5%) equity interest in the Acceptable Operator or are officers, directors, managers or otherwise have the power to direct and control the business and affairs of the Acceptable Operator) have filed or been discharged from bankruptcy, reorganization or insolvency proceedings within the past five (5) years (bankruptcy filings by affiliates shall not disqualify an Acceptable Operator, unless such affiliates are any of the individuals or entities described in the parenthetical immediately above).

10. The Acceptable Operator must not in its charter or organizations documents (defined as the articles of incorporation and bylaws for any corporation, the partnership agreement and partnership certificate for any partnership, the trust agreement for any trust and the constitution of the relevant government for any governmental entity, but expressly excluding any statements, positions, actions or allegations not contained in such charter organizational documents) expressly advocate or have as its stated purpose: (i) the violent overthrow of or armed resistance against, the U.S. government; or (ii) genocide, violence, hatred or animosity toward persons based solely on their race, creed, color, sex or national origin.

(The foregoing are hereinafter collectively defined as the “Acceptable Operator Criteria”; provided, however, with respect to any person, corporation, or other entity retained by any Lender or Leasehold Mortgagee to act as operator of the Project only in the event of a Lender Special Situation, the term “Acceptable Operator Criteria” as used in this Lease shall be deemed in all instances:

- (i) to exclude clauses 3, and 5a, b and c, above;
- (ii) to exclude the phrase “management and/or” from clause 4 above and include the right of Lender or Leasehold Mortgagee, as the case may be, to determine whether or not employees are qualified with regard to clause 4;
- (iii) to include clauses 1, 2, and 6 as modified herein; and
- (iv) to include clauses 7, 8, 9 and 10 without modification)

Specifically, with respect to the issue of Acceptable Operator for all purposes under this Agreement, the parties hereby agree to the following:

- (i) It is understood and agreed that an entity shall not be automatically deemed to be an Acceptable Operator if it meets all of the Acceptable Operator Criteria, but that these factors shall be given substantial weight by the City in approving a Transfer of the Project to such an entity, either by sale or just for operational purposes; except that, this clause (i) shall not apply only in a Lender Special Situation in which case the Lender or its retained entity shall be automatically deemed to be an Acceptable Operator as long as it meets with all of the Acceptable Operator Criteria as modified above for situations in which a Lender or Leasehold Mortgagee is retaining an entity to manage the Project or entering into an Acceptable Operator Agreement itself.
- (ii) In the event that the Developer desires to change the identity of the Acceptable Operator, Developer shall deliver written notice to the City which shall confirm the identity of the proposed Acceptable Operator, and shall include with such notice (i) copies of any applicable operating licenses, (ii) the identification of the Senior Rental Housing Units owned or managed by the Acceptable Operator (iii) the resume of the Acceptable Operator or employees thereof, including

identification of and duration, of Congregate Living and Assisted Living facilities management experience and (iv) such other evidence as is reasonably necessary to establish that the new entity proposed to be the Acceptable Operator, meets the Acceptable Operator Criteria.

The City shall have thirty (30) days after the delivery of such written notice and the information required under subparagraphs (i) — (ii) immediately above, to determine whether or not to approve, as the case may be, the Acceptable Operator, provided, however, that if the City notifies the Developer, in writing, within such thirty (30) day period that the information submitted is incomplete or insufficient (and specifies in what ways it is incomplete or insufficient) then the Developer shall supplement such information, as requested, and the City shall have fifteen (15) days after such supplemental information is provided to make its determination as to whether or not to approve the Acceptable Operator. In the event the City disapproves the Acceptable Operator, the City shall provide to the Developer specific reasons for such disapproval. The failure to object to the designation of an Acceptable Operator, within such thirty (30) day period, or if applicable, such fifteen (15) day period, shall be deemed to be the approval of the City of the identity of the proposed Acceptable Operator.

- (iii) Any entity submitted to the City for approval as an Acceptable Operator, which does not meet the qualifications set forth in the Acceptable Operator Criteria may be rejected by the City in its sole discretion just because of the failure to meet said qualifications and Developer and any requesting party hereby waives the right to claim that said entity is competent even though said qualifications are not met.
- (iv) Any entity approved as an Acceptable Operator must continue to meet the Acceptable Operator Criteria throughout its service as an Acceptable Operator hereunder unless certain of said qualifications were waived by the City, in writing, at the time of original approval. If, after being accepted or approved as an Acceptable Operator, a violation of paragraph 5a. of the Acceptable Operator Criteria occurs, the Acceptable Operator shall have the greater of the following periods to cure same:
 - (x) 90 days after receipt of notice from the City or the governmental enforcement agency of such building code violation, or (y) the period permitted by the building code in question (including appeal of such claimed building code violation if allowed).
- (v) No approval by the City of an Acceptable Operator or its meeting of the Acceptable Operator Criteria shall have the effect of waiving or estopping the City from asserting and claiming that said Acceptable Operator is not in fact operating or maintaining the Overall Project (excluding the Parking Component) in accordance with the terms of this Agreement, thereby creating an Event of Default (subject to the applicable notice and cure periods provided in this Agreement).
- (vi) Subject to the provisions of subparagraph (v) immediately above: (a) the Palace and any Affiliate entity owned and controlled by or a principal officer of which is either Jacob Shaham or Helen Shaham and (b) any Acceptable Operator, which meets the Acceptable Operator Criteria set forth above (except to the extent such

qualifications Were waived by the City at the time of original approval) and has been acting as an Acceptable Operator for the Overall Project (excluding the Parking Component) for at least two (2) years before a Transfer shall be deemed an Acceptable Operator for such Transfer. The foregoing situations are the only exceptions intended to the application of the Acceptable Operator Criteria set forth above.

Notwithstanding anything in this Lease to the contrary and only in the event of a Lender Special Situation, any person, corporation, or other entity retained by Lender or any Leasehold Mortgagee that meets the Acceptable Operator Criteria set forth above shall be automatically deemed to be an Acceptable Operator.

EXHIBIT G TO
PARKING GARAGE LEASE AND DEVELOPMENT AGREEMENT
BETWEEN THE PALACE MANAGEMENT GROUP, LLC,
AND CITY OF CORAL GABLES, DATED AS OF JULY 14, 2008
AS AMENDED BY FIRST AMENDMENT TO LEASE DATED AS OF JUNE 12, 2009,
AND PURSUANT TO EXTENSION OF TIME IN DEVELOPER'S SCHEDULE
GRANTED BY CITY MANAGER ON APRIL 12, 2010

DEVELOPER'S SCHEDULE

Execution of MOU – January 24, 2007

Drafting of Lease Agreement – October 1, 2007

Execution of Lease Agreement – July 14, 2008

Conditions to Group Lease Execution

Operational Standards for Parking Garage – March 14, 2007

Operational Standards for Retail Component – March 14, 2007

Operational Standards for Residential Building – March 14, 2007

Possession Date – April 1, 2011

Conditions to Possession Date

Formation of CDD – July 30, 2010

City Approval of CDD Limited Guaranty – March 22, 2011

Final CDD Bond Validation Hearing – March 31, 2011

Final plans and specifications – January 15, 2010

General construction contract – March 31, 2011

Delivery of payment and performance bonds – March 25, 2011

Construction Loan commitment – March 31, 2011

CDD Bonds commitment – March 31, 2011

Closing on construction financing – April 1, 2011

Public Approvals – October 1, 2010

Building permits – March 25, 2011

Conveyance of title to City of Melody Inn Parcel - April 1, 2011

Supplemental Third Party Fees Reimbursement – June 30, 2009

Commencement of Site Clearance/Demolition – April 1, 2011

Commencement of Construction/Residential Building – April 15, 2011

Commencement of Construction/Parking Garage – May 1, 2011

Construction Completed (issuance of certificate of occupancy) – December 2012

Project opening – January 2013

EXHIBIT J TO
PARKING GARAGE LEASE AND DEVELOPMENT AGREEMENT
BETWEEN THE PALACE MANAGEMENT GROUP, LLC,
AND CITY OF CORAL GABLES, DATED AS OF JULY 14, 2008
AS AMENDED BY FIRST AMENDMENT TO LEASE DATED AS OF JUNE 12, 2009,
AND PURSUANT TO EXTENSION OF TIME IN DEVELOPER'S SCHEDULE
GRANTED BY CITY MANAGER ON APRIL 12, 2010

Community Development District Bond Financing Structure

**The Palace Group
Redevelopment Project Opportunity
Coral Gables, Florida**

Summary of Potential Community Development District Bond Financing

- A. Project. The City of Coral Gables, Florida (the "City") seeks to redevelop two parcels of real property owned by the City in downtown Coral Gables, to include:
 - 1. Senior Living Facility. A high-quality, market-rate senior living facility with the ground floor devoted to retail space.
 - 2. Parking Component. A multi-level parking facility with:
 - a. Public Parking comprising 337 spaces for use by the general public in accordance with the Operational Standards for Parking Garage attached to as Exhibit I to the Parking Parcel ground lease;
 - b. Private Parking comprising approximately 205 spaces for use by the Senior Living Facility and Retail Component, subject to adjustment as provided in the Parking Parcel ground lease (referenced below); and
 - c. Retail Space for retail tenants on the ground level.
- B. Developer. The Palace Management Group, LLC, a company with demonstrated experience in developing and operating high-quality senior living facilities, will lead the redevelopment effort.
- C. Real Property Ownership City Remains Fee Owner of Land The City will retain the fee interest in both parcels of real property.
 - 1. Ground Leases The City will enter into two ground leases with the Developer for an initial term of 30 years each:
 - a. Senior Living Parcel covering the parcel on which the Senior Living Facility will be constructed; and
 - b. Parking Parcel covering the parcel on which the Public Parking, Private Parking and Retail Space will be constructed.

2. Specific Ground Lease Provisions Covenant to Pay Special Assessments

The Developer will agree to pay all special assessments levied to finance construction of the Public Parking and failure to pay such assessments will be a default under both ground leases. Under the ground lease for the Senior Living Parcel, the Developer will agree to pay all special assessments levied by the CDD (defined below) on the Senior Living Parcel and vertical construction thereon. Under the ground lease for the Parking Parcel, the Developer will agree to pay all special assessments levied by the CDD on the Private Parking (defined above) and the Retail Space (defined above). Failure to pay such special assessments will be considered a payment default under both ground leases. For this purpose, the special assessments shall be treated as “additional rent” under the ground leases.

- a. Leasehold Mortgages Subordinated Leasehold mortgages secured by the Developer’s interest under ground leases and vertical construction thereon will be contractually subordinated to special assessments of the CDD (defined below) used to finance the Public Parking.
- b. Leasehold Mortgagee Cure Provisions The ground leases will contain typical provisions such that any leasehold mortgagee will have the opportunity to cure defaults under the ground leases for specified periods of time. This includes payment of special assessments on the Developer’s ground lease interests and vertical construction.
- c. City Obligation to Make Regular Payments of Principal and Interest on Assessment Bonds Under Certain Circumstances. In the event that (i) the Developer fails timely to make any payment due with regard to special assessments on the Leased Property, (ii) the applicable lender/mortgagee, or a replacement developer if any, does not cure such default within the time frames provided under the special assessment bond documents (which shall be substantially similar to the time frames provided in Articles VI and VII of the ground lease, as the case may be), (iii) as a result of such failure the indenture trustee for the special assessment bonds does not have sufficient funds in the bond fund to allow the indenture trustee to make a regularly scheduled payment of principal, interest, (computed on the basis of the initial interest rate on the Bonds) or both, on such bonds, (iv) the CDD does not have funds available from collection of user fees, or from operation of the Public Parking, taking into account reasonable reserves for future expenses not greater than one month’s operating expenses for the Public Parking, to make up the shortfall, (v) the amount of the Escrowed Pledged Account (hereinafter defined) held by Developer’s Lender or the City, as the case may be, is insufficient to make the required payment, and (vi) the debt service reserve fund held by the indenture trustee is not sufficient to make up the shortfall in the bond fund to allow the indenture trustee (after applying amounts available therefor in the bond fund and the debt service reserve fund and funds received from the CDD for such purpose) to make the required payment, the City agrees to pay to the indenture trustee (the “City Guaranty”), from any legally available funds, the amount necessary to allow the indenture trustee to

make each such regularly scheduled payment of principal, interest, or both. The City will covenant to budget, appropriate and deposit with the Indenture Trustee from all legally available non-ad valorem revenues of the City, sufficient non-ad valorem revenues to meet its obligations under the City Guaranty. However, the obligation of the City under the City Guaranty will not constitute a general obligation indebtedness of the City within the meaning of any constitutional or statutory provision or limitation, or a pledge of the full faith and credit or the taxing power of the City. The City will have the option, but not the obligation, any time a demand for payment under the Guaranty shall be made, to redeem all outstanding bonds at a redemption price of 100% of the principal amount thereof plus accrued interest, instead of making periodic payments under the City Guaranty. The initial gross proceeds (principal amount plus any premium) of the special assessment bonds will be the lesser of \$13,000,000, or the sum of (i) the hard and soft costs of construction of the Public Parking Component, (ii) reserves as required in connection with the CDD Financing, and (iii) issuance costs and fees in connection with the CDD Financing. Subject to the foregoing, the City's obligation to make up such shortfalls in payment of assessments necessary to make regular payments of principal and interest on the related special assessment bonds shall continue until such time as the bonds are paid in full or legally defeased according to their terms. The CDD will agree to pay to the indenture trustee all available funds from operation of the Public Parking, taking into account reasonable reserves for future expenses not greater than one month's operating expenses for the Public Parking, to the extent necessary to cover debt service shortfalls as addressed in this paragraph. The City Guaranty shall be substantially in the form attached thereto and made a part hereof as Exhibit J-1.

d. Developer Obligation to Maintain Escrowed Funds for Payment of CDD Assessments. Pursuant to the terms of the Project's construction/minipermit financing, Developer is required to maintain an amount equal to three (3) times the maximum annual debt service under the CDD Bonds escrowed in an account pledged in favor of Developer's Lender ("Escrowed Pledged Account") to be used exclusively to cure any deficiencies in the amount of (x) special assessments paid by the Developer or (ii) any other payments required to be made by the Developer under the Lease for the benefit of the City. Once the Developer's Lender has agreed to the release of the Escrowed Pledged Account, Developer agrees that it will maintain an amount equal to the Escrowed Pledged Account in an account pledged for the benefit of the City for an additional period equal to the greater of (i) three (3) years; (ii) until a date which is six (6) years after the issuance of the final certificate of occupancy for the Project; or (iii) when the Residential Building has achieved 90% occupancy for a period of two (2) consecutive years.

Provided, however, the City's obligation to execute and deliver the City Guaranty is hereby conditioned upon:

- (i) the Project's construction/mini-perm financing documents setting forth a provision whereby the Developer and the Developer's Lender agree that the Developer's Lender shall not release (in whole or in part) the Escrow Pledged Account during the term of the said construction/mini-perm loan without the prior written consent of the City, which consent may be granted or denied in the City's sole and absolute discretion;
- (ii) the sale of the CDD Bonds in compliance with the financing parameters set forth in Section F below;
- (iii) payment to the City of the sum of \$225,000 in consideration for the City Guaranty from the proceeds of the CDD Bonds; and
- (iv) the actual closing and funding of the CDD Bonds.

3. Condominium of Parking Structure after Construction. The Developer will be responsible for retaining a contractor for construction of the parking facility and the CDD (defined below) will pay its pro rata share of construction costs attributable to the Public Parking component. Prior to commencement of construction of the parking facility, the CDD will be granted development (air) rights for the construction of the Public Parking component of the parking facility or, in the alternative, a sublease of the Parking Parcel representing the CDD's expected interest in the completed parking structure. After the parking facility is fully constructed on the Parking Parcel, the building will be subject to a condominium consisting of three units: the Public Parking, the Private Parking and the Retail Space. The Developer will retain the Private Parking and Retail Space condominium units. The CDD will exchange its development (air) rights or sublease interest for the Public Parking condominium unit. The Developer will be the declarant for the subject declaration of condominium.

D. Community Development District Formation of Community Development District (“CDD”)

Community development districts in Florida are created through a petition which petition must include the eight items set forth in Florida Statutes §190.005(1)(a). Florida Statutes §190.005(2)(e) provides that in the case of a community development district of less than a 1,000 acres in size, that if all the land for the proposed district is in the territorial jurisdiction of a municipal corporation the petition requesting the creation of the CDD is filed with the municipal corporation.

However, the Home Rule Charter of Miami-Dade County provides in §1.01(A)(21) thereof that the County exercises all powers and privileges granted to municipalities by the Constitution and laws of the State of Florida unless those powers are prohibited by the Constitution or the Charter. Thus, the CDD petition will be filed with both the City of Coral Cables and the County. The County will ask the City to pass a resolution supporting the creation of the CDD. The actual establishment of the CDD will take place through the County process. The City, as the owner of the land on which the CDD will be established, will need to consent to the establishment of the CDD along with The Palace Group.

1. Special Assessments The security for special assessment bonds will include the net revenues from the Public Parking facility as well as non-ad valorem special assessments. The CDD will levy special assessments on the Senior Living Facility, the Retail Space condominium and the Private Parking condominium pursuant to § 190.022 Florida Statutes using the procedures set forth in § 170, Florida Statutes. The special assessments shall not be a lien encumbrance on the fee interest of the City of Coral Gables or on the leasehold interest itself, but shall be enforceable as provided in Section 196.199(8) Florida Statutes.
2. Ownership of Public Parking Following Payment of Bonds Sections 190.046(4), (5) and (6), Florida Statutes provide a method for transfer of the Public Parking from the District to the City of Coral Gables through adoption by the City of a non-emergency ordinance. Under existing law, the City would assume and guarantee debt, if any, of the CDD that is related to the Public Parking. The statute currently provides for no other consideration from the City. In addition, the City must demonstrate the ability of the City to provide the public parking service: (a) as efficiently as the CDD; (b) at a level of quality equal to or higher than the level of quality actually delivered by the CDD to the users of the Public Parking; and (c) at a charge equal to or lower than the actual charge by the CDD to Public Parking customers. No later than 30 days following the adoption of a transfer plan ordinance, the board of supervisors may file in the circuit court a petition seeking review by certiorari of the factual and legal basis for the adoption of the transfer plan ordinance. Upon the transfer of all of the services of the CDD to the City, the CDD shall be terminated in accordance with a plan of termination which shall be adopted by the board of supervisors and filed with the clerk of the circuit court. So long as the petition of the board of supervisors satisfies the requirements of Sections 190.046(4), (5) and (6), Florida Statutes, the CDD will agree that it will not contest the petition.

In the event such transfer of the Public Parking to the City is completed as aforesaid, the Developer and the City shall execute such amendments to the ground lease(s) as are necessary or desirable to properly reallocate management responsibilities, procedures, and operating expenses concerning the Public Parking.

3. Limitations on Additional CDD Debt The CDD will agree that it will not (i) refinance the special assessment bonds issued to finance the construction of the Public Parking, or (ii) issue any other bonds or debt instruments, without the prior written approval of the City, which may be granted or withheld by the City in its sole and absolute discretion. The CDD will also agree that once the bonds have been issued it will refinance the bonds in full without the City Guaranty in the event that either (i) the net present value savings exceeds \$0 or (ii) the refunding of the CDD Bonds can be rated in the "A" category or higher without regard to "+" or "-", and the true interest cost does not exceed fifty (50) basis points over the initial true interest cost.
4. Validation of CDD Bonds Notwithstanding anything to the contrary contained herein, the CDD special assessment bonds will be subject to validation through judicial process under Chapter 75, Florida Statutes, prior to the delivery of possession by the City to the Developer of the Parking Parcel and Senior Housing

Parcel under both ground leases. It shall be the responsibility of the Developer to diligently undertake the said validation process at Developer's sole cost and expense. In general, the court will hold a validation hearing 75 to 90 days after the filing of a validation complaint. The final judgment of the appropriate court shall include an order (the "CDD Bonds Validation Order") validating and confirming the legality of the special assessment bonds, the ground leases, the City Guaranty, the special assessments and all other ancillary documents and agreements, and the legality of all proceedings in connection therewith. The CDD Bonds Validation Order will be subject to a 30 day appeal period under Florida law. The Developer shall consult with the City throughout the said validation judicial process to ensure that the said process and the final (after all applicable appeal periods shall have expired) CDD Bonds Validation Order are acceptable to the City, in the City's sole and absolute discretion. Unless otherwise waived, the entering of the said CDD Bonds Validation Order and the expiration of all applicable appeal periods, shall be a condition precedent to the City's obligation to deliver possession of the Parking Parcel and Senior Housing Parcel under both ground leases.

E. Summary of Financing Sources
Private Financing

The Developer will obtain private construction and permanent financing to construct the Senior Living Facility and the Private Parking and Retail Space components of the parking facility.

1. CDD Bonds The proceeds from issuance of special assessment bonds will be used to finance the Public Parking. During construction of the parking facility, bond proceeds will be released to pay the pro rata share of the parking facility construction costs represented by the Public Parking component. The bond obligations will remain in place as permanent financing upon completion of construction of the parking facility.

F. Initial Issuance Parameters

1. Gross proceeds (principal plus any premium) not in excess of \$13 million.
2. Fixed Rate Bonds with True Interest Cost less than 6%.
3. The CDD bonds must be sold in compliance with the following limitations: (x) the maximum annual debt service cannot exceed \$900,000 and (y) the total debt service on the bonds cannot exceed \$28,170,000.
4. Cash debt service reserve equal to the maximum annual debt service, subject to IRS tax exempt financing requirements.
5. Level debt service.
6. Capitalized interest for no longer than the lesser of the construction period or eighteen (18) months.
7. First principal payment no later than twenty-four (24) months after closing of the Bonds.

8. Final principal payment no later than 2042.

EXHIBIT J-1

GUARANTY

THIS GUARANTY (the “Guaranty”) is executed effective as of _____, 2011, by **CITY OF CORAL GABLES** (“Guarantor”), having an address at 405 Biltmore Way, Coral Gables, Florida 33134, Attention: City Manager), and **U. S. BANK NATIONAL ASSOCIATION** (“Trustee”), having an office at 225 East Robinson Street, Suite 250, Orlando, Florida 32801.

RECITALS:

A. In March 2006, the Guarantor issued a Request for Proposal for the redevelopment of Municipal Lot 9 and Municipal Garage No. 5 in the Coral Gables Central Business District for a high quality market rate mixed-used congregate senior housing facility. After a competitive process, which included public hearings and deliberations by the Mayor and City Commission, the Guarantor selected The Palace Group (“Palace”) and/or affiliates thereof to negotiate a long term ground lease and development agreement and other related agreements for such redevelopment based on that certain proposal submitted by Palace to the City on or about June 6, 2006 (“Original Palace Proposal”).

B. Pursuant to the authorization and direction of the City Commission, the appropriate officers of the Guarantor proceeded to negotiate with The Palace Management Group, LLC (the “Developer”), an affiliate of Palace, the basic terms and conditions for the development of said mixed use senior housing project, which included certain modifications to the Original Palace Proposal, and such terms and conditions are set forth in that certain Memorandum of Understanding between the City and Developer approved by the City Commission on January 23, 2007 by Resolution Number 2007-15 (the “MOU”).

C. In accordance with the terms and provisions set forth in the MOU and pursuant to the authorization of the City Commission, the appropriate officers of the Guarantor worked with representatives of Developer in the preparation of a Parking Garage Lease and Development Agreement (the “Lease”) which provides for the leasing by the Guarantor to the Developer of certain real property for the construction, development, operation, and maintenance of the improvements more specifically described in the Lease, which improvements include the “Public Parking Component.”

D. On November 13, 2007, the City Commission, by Ordinance Number 2007-36, approved the execution of the Lease by the City Manager on behalf of the Guarantor, which Lease is dated as of July 14, 2008.

E. To assist in financing the Public Parking Component and related public improvements, the Developer petitioned the Guarantor and Miami-Dade County to create Palace at Coral Gables Community Development District (the “District”), encompassing approximately 2.5 acres of land as described in the Lease (the “District Lands”).

F. The District was established by Ordinance of the Board of County Commissioners of Miami-Dade County effective July 30, 2010 pursuant to the provisions of Chapter 190, Florida Statutes (the “Act”).

G. Exhibit J to the Lease originally provided for the execution of a limited guaranty of up to \$13,000,000 of principal and interest on special assessment bonds to be issued by the District to finance construction of the Public Parking Component.

H. The First Amendment to the Lease was approved by the City Commission on June 2, 2009, pursuant to Resolution No. 2009-132 and the Second Amendment to the Lease was authorized and approved by the City Commission respectively on August 24, 2010, pursuant to Ordinance 2010-17 and on _____, 2011 by Resolution No. 2011-_____. The Second Amendment approved the execution of certain amendments to the Lease including Exhibit J, whereby the City agreed to guarantee the payment of principal and interest on up to \$13,000,000 aggregate principal amount of special assessment bonds, subject to the financing parameters contained therein, to be issued by the District to finance the Public Parking Component.

I. The District filed a Complaint for Validation of an Amount Not Exceeding \$13,000,000 Palace at Coral Gables Community Development District Special Assessment Revenue Bonds, in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County, Florida, Case No. 10-62178CA22, in the case styled Palace at Coral Gables Community Development District, Plaintiff vs. The State of Florida and all of the Taxpayers, Property Owners, and Citizens of Palace at Coral Gable Community Development District, Et Al., Defendants (“Bond Validation Action”).

J. Final Judgment in the Bond Validation Action was entered on _____, 2011, and the appeal period expired on _____, 2011 without an appeal having been filed.

K. Pursuant to the Final Judgment the Circuit Court has ruled that the Guarantor and the Trustee have the power and authority to enter into this Guaranty.

L. The District has on the date hereof issued its Special Assessment Revenue Bonds, Series 2011 (the “Bonds”) to finance a capital project under the Act (the “2011 Project”), pursuant to a Master Trust Indenture, as supplemented by a First Supplemental Trust Indenture, both dated as of _____, 2011 (the “Indenture”) between the District and the Trustee.

M. The 2011 Project consists of all of the Public Parking Component as defined in the Lease, together with certain other public improvements.

N. The Developer and the Guarantor will derive a substantial benefit from the issuance of the Bonds and the financing of the 2011 Project by the District inasmuch as without the financing of the 2011 Project, the Developer would not be in a position to develop the District Lands.

O. In order to promote the health, safety and welfare of the residents of the Guarantor, it is desirable and serves a valid public purpose for the Guarantor to enter into this Guaranty, thereby facilitating and promoting the availability of public parking within the geographic limits of the Guarantor, which public parking will alleviate vehicular congestion on the streets and provide increased and safe parking facilities to residents of Guarantor and its visitors.

P. Capitalized terms used herein and not specifically defined herein shall have the respective meanings ascribed to such terms in the Lease.

Q. Guarantor is entering into this Guaranty to induce the District to issue the Bonds and construct or acquire the 2011 Project.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals which are incorporated in to the operative provisions of this Guaranty by this reference, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby conclusively acknowledged, Guarantor hereby agrees as follows:

ARTICLE I - NATURE AND SCOPE OF GUARANTY

Section 1.1 Guaranty Obligation. Upon issuance of the Bonds, Guarantor hereby irrevocably agrees to pay to the Trustee from any legally available funds, as hereinafter provided, but only upon the occurrence and continuation of a Guarantor Payment Period (as defined in Section 1.4 hereof), for the benefit of the owners of the Bonds, that portion of the principal of and interest on the Bonds (it being understood that for any and all purposes of this Guaranty, interest is to be computed on the basis of the initial stated interest rate on the Bonds) that becomes Due for Payment but shall be unpaid by reason of Nonpayment; provided however, that notwithstanding anything to the contrary herein, the Guarantor's obligations under this Guaranty will be limited to (x) a maximum annual debt service amount of \$900,000.00 and (y) a maximum total debt service amount of \$28,170,000.00. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), unless Guarantor should elect, in its sole discretion, to pay all principal earlier than it would otherwise be due pursuant to the extraordinary optional redemption described below, together with any accrued interest to the date of any extraordinary optional redemption elected by the Guarantor and (b) when referring to interest on a Bond, payable on the stated date for payment of interest including the date of any extraordinary optional redemption described below. "Nonpayment" means, in respect of a Bond, that insufficient funds are available to the Trustee, after taking into account the sources of funds described in Section 1.4 hereof and any other moneys available to the Trustee for such purpose, for payment in full of all principal and interest that is Due for Payment on such Bond at least twenty (20) Business Days prior to such payment date. At that time, a Guarantor Payment Period shall exist and give rise to a payment obligation of the Guarantor hereunder, and the Guarantor shall pay to the Trustee, but only from the sources of funds described in Section 1.2 hereof, within ten (10) Business Days of receipt of notice, but no later than two (2) Business Days prior to each payment date on the Bonds that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment; provided that the Trustee shall provide Guarantor with sixty (60) days anticipatory notice if it believes that there may be Nonpayment.

Notwithstanding the foregoing, at any time a payment obligation shall arise hereunder, the Guarantor may elect in its sole discretion to extraordinarily optionally redeem at any time upon thirty (30) days' prior written notice, all of the Bonds then outstanding at a price of 100% of the remaining principal amount thereof, together with accrued interest to such redemption date, rather than making payments of principal and interest as provided in the immediately preceding sentence. "Business Day" means (a) any day excluding Saturday, Sunday or any other day on which banks in the cities in which the designated corporate trust office of the Trustee are

located are authorized or required by law or other governmental action to close and on which the Trustee is closed or (b) a day on which the Guarantor's office is authorized or required by law or executive order to remain closed. Notwithstanding anything to the contrary contained in this Guaranty or in any other document, Guarantor's payment obligation hereunder shall not arise until the occurrence and continuation of a Guarantor Payment Period. All payments by the Guarantor are to be in immediately available funds.

Section 1.2 Nature of Guaranty. This is a continuing guaranty and the obligations of Guarantor hereunder are and shall be, subject to the provisions hereof and to the extent permitted by applicable laws, and particularly subject to the existence and continuation of a Guarantor Payment Period, absolute, continuing, unconditional and irrevocable under any and all circumstances, and shall not be subject to any counterclaim, recoupment, set off, reduction or defense based on any claim that the Guarantor may have against the CDD or any other person, and such obligations shall remain in full force and effect until the CDD Bonds have been paid in full or legally defeased. The obligation of the Guarantor hereunder will not constitute a general debt, liability or obligation of the Guarantor within the meaning of any constitutional or statutory limitation. Neither the faith and credit nor the taxing power of the Guarantor is pledged to the payment of the Guarantor's obligations hereunder and no one seeking recourse hereunder shall ever have the right to compel any exercise of any ad valorem taxing power of the Guarantor, directly or indirectly, to enforce such obligations. However, the City hereby covenants to budget, appropriate and pay to the Trustee, within ten (10) Business Days of receipt of the above notice of deficiency from the Trustee while the CDD Bonds are outstanding, from all legally available Non-Ad Valorem Revenues of the City, sufficient Non-Ad Valorem Revenues to enable the Trustee to pay that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

This Guaranty is cumulative to the extent not paid, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in amounts sufficient to make the payments described above shall have been budgeted, appropriated and actually paid. Except with respect to such Non-Ad Valorem Revenues deposited with the Trustee, this Guaranty does not create a lien upon or pledge of such Non-Ad Valorem Revenues nor does it preclude the City from pledging in the future all or any specified portion of the Non-Ad Valorem Revenues, nor does it give the Trustee or the CDD bondholders a prior claim on all or any specified portion of the Non-Ad Valorem Revenues as opposed to claims of general creditors of the City. Although the City's obligation to make payments under this Guaranty is subject to the conditions set forth above, this Guaranty is on par with other debt of the City supported by the City's covenant to budget and appropriate Non-Ad Valorem Revenues. This Guaranty is intended to have the effect of making available for payment to the Trustee, at such times as may be required to cure any Nonpayment within the time frames described herein, the Non-Ad Valorem Revenues and placing on the City a positive duty to appropriate and budget, by amendment if necessary, amounts sufficient to make such payment.

The Guaranty is subject in all respects to the restrictions of Section 166.241, Florida Statutes, which provides that the governing body of each municipality shall make appropriations for each fiscal year of such municipality (the "Fiscal Period") which, in any one year, shall not exceed the amount to be received from taxation and other revenue sources, and to payments which are legally mandated by applicable law. The obligations of the City contained herein shall not be construed as a limitation on the ability of the City to pledge or covenant to pledge or use all or any portion of the Non-Ad Valorem Revenues for other legally permissible purposes. The obligation of the City to make the payments contained in this Guaranty within the time frames

described herein, is subject to the availability of Non-Ad Valorem Revenues in the treasury of the City and funding requirements for essential public purposes affecting the health, welfare and safety of the inhabitants of the City or which are legally mandated by law; however, such obligation is cumulative and shall carry over from Fiscal Period to Fiscal Period.

Section 1.3 Guaranty of Payment. This is a guaranty of payment and not of collection and during any Guarantor Payment Period, the Trustee may, at its option, but only after making claim for and fully exhausting all sources of funds described in Section 1.4 hereof, proceed directly against Guarantor to collect and recover the full amount of principal and interest on any Bond then Due for Payment or any portion thereof, without proceeding against any other person, or foreclosing upon, selling, or otherwise disposing of or collecting or applying against any property to the fullest extent permitted under applicable laws.

Section 1.4 Guarantor Payment Period and Payments. A “Guarantor Payment Period” shall be deemed to occur in the event that (i) the Developer fails timely to make any payment due with regard to special assessments on the Senior Living Parcel or the Parking Parcel (as those terms are defined in the Lease), (ii) the applicable lender/mortgagee, or a replacement developer if any, does not cure such default within the time frames provided under Article VI of the Lease, (iii) all amounts held by the Developer’s applicable lender/mortgagee as a Developer reserve including, but not limited to, the “Escrowed Pledged Account” required to be held by Developer’s construction lender and/or held for the benefit of Guarantor in accordance with the terms of Exhibit J of the Lease have been exhausted, (iv) as a result of such failure Trustee does not have sufficient funds under the Indenture to allow Trustee to make a regularly scheduled payment of principal, interest, or both, on the Bonds, (v) the District does not have funds available from operation of the Public Parking Component (as such term is defined in the Lease), taking into account reasonable reserves for future expenses not greater than one month’s operating expenses for the Public Parking Component, to make up the shortfall, (vi) the debt service reserve fund held by the Trustee under the Indenture is not sufficient to make up the shortfall in the amounts available to allow the Trustee (after applying amounts available therefor in the bond funds and debt service reserve fund and funds received from the District for such purpose) to make the required payment on the Bonds.

No payment made by the Guarantor under this Guaranty shall be considered to be a cure of any Developer default under the Lease.

ARTICLE II- SUBORDINATION OF CERTAIN INDEBTEDNESS

Section 2.1 Subordination of Guarantor Claims. Any indebtedness of District to Guarantor now or hereafter existing, including, but not limited to, any rights to subrogation Guarantor may have as a result of any payment by Guarantor under this Guaranty, together with any interest thereon, shall be, and such indebtedness is hereby deferred, postponed and subordinated to the prior payment in full of any Bond then Due for Payment.

ARTICLE III- EVENTS AND CIRCUMSTANCES NOT REDUCING OR DISCHARGING GUARANTOR’S OBLIGATIONS

Section 3.1 No Impairment of Obligations Guarantor further agrees to the extent permitted under applicable laws, that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected or impaired (a) by reason of the commencement of a case under the Bankruptcy Code by or against any person obligated under documents evidencing the Bonds, or (b) by reason of any payment made on the Bonds or any

other indebtedness arising under the documents evidencing the Bonds, whether made by District or Guarantor or any other person, which is required to be refunded pursuant to any bankruptcy or insolvency law; it being understood that no payment so refunded shall be considered as a payment of any portion of the Bonds, nor shall it have the effect of reducing the liability of Guarantor hereunder.

Section 3.2 Bond Document Modification. Guarantor further covenants that this Guaranty shall remain and continue in full force and effect as to any modification, extension or renewal of the documents evidencing the Bonds, provided that the prior written consent of the Guarantor shall be required prior to any such modification, extension or renewal.

Section 3.3 Waivers. Guarantor hereby waives to the extent permitted under applicable laws all defenses, offsets and counterclaims which Guarantor may at any time have to any claim against District and/or the Trustee. No act, failure to act, or omission of any kind on the part of Guarantor, District, Trustee or any person shall be a legal or equitable discharge or release of Guarantor hereunder.

ARTICLE IV - MISCELLANEOUS

Section 4.1 Waiver of Jury Trial; Service of Process. EACH OF THE GUARANTOR AND TRUSTEE BY GIVING AND ACCEPTING THIS GUARANTY, AS THE CASE MAY BE, HEREBY (A) KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT EITHER MAY HAVE TO TRIAL BY JURY IN REGARD TO ANY LITIGATION OR PROCEEDING BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTY AND (B) AGREES THAT ANY STATE OR FEDERAL COURT SITTING IN AND LOCATED IN MIAMI-DADE COUNTY, STATE OF FLORIDA SHALL HAVE EXCLUSIVE JURISDICTION OF ANY SUCH ACTION OR PROCEEDING.

Section 4.2 Successors and Assigns. Each reference herein to District or Trustee shall be deemed to include its successors and assigns, to whose favor the provisions of this Guaranty shall also inure. Each reference herein to Guarantor shall be deemed to include successors and assigns of Guarantor, all of whom shall be bound by the provisions of this Guaranty.

Section 4.3 Authority. Guarantor represents that it (and its representative, executing below, if any) has full power, authority and legal right to execute this Guaranty and to perform all its obligations under this Guaranty and that nothing exists to impair the effectiveness of the Guaranty.

Section 4.4 Notice. Any notice, demand, request, offer, consent, approval or communication to be provided under this Guaranty shall be in writing and sent by one of the methods hereinafter described and shall be deemed received: (i) the next delivery day after it is deposited for overnight delivery with a nationally recognized and reputable air courier (with electronic tracking being used) addressed to the recipient party at the address shown below; (ii) upon confirmation of receipt of electronic transmission if it is sent by facsimile or telecopier transmission to the recipient party at its facsimile number set forth below and, in such case, a copy is also sent by one of the methods described in clauses (i) or (iv) of this Section (it being understood and agreed, however, that such notice shall be deemed received upon confirmation of receipt of electronic transmission); (iii) upon transmission by e-mail if it is sent to the recipient party's e-mail address shown below and, in such case (1) the e-mail message is not returned to

the sender as being undeliverable, (2) any attachments to the e-mail must be in text, rich text, Adobe Acrobat or Microsoft Word formats (and not in HTML, .exe or other formats), and (3) a copy is also sent by one of the methods described in clauses (i) or (iv) of this Section (it being understood and agreed, however, that such notice shall be deemed received upon sending of the e-mail unless it is returned as non-deliverable), or (iv) the same day it is personally delivered to the recipient party's address shown below. Notwithstanding the foregoing, in the event any notice or other communication as described in this Section is sent by any party hereto to the other(s) by overnight delivery, personal delivery by facsimile/telecopy transmission or by e-mail and it is received by the recipient party(ies) (or delivery is attempted) during non-business hours (i.e., other than during 8:30 a.m. to 5:00 p.m., ET, Monday through Friday, excluding holidays), then such notice or other communication shall not be deemed to have been received until the next Business Day. Any party may designate a different address for receiving notices hereunder by notice to the other parties in accordance with the provisions of this Paragraph.

To Guarantor: City of Coral Gables
405 Biltmore Way
Coral Gables, Florida 33134
Attention: City Manager's Office
Attention: City Attorney's Office

With a copy to: Weiss Serota Helfman Pastoriza Cole & Boniske, P.L.
2525 Ponce de Leon Blvd., Suite 700
Coral Gables, Florida 33134
Attention: Stephen J. Helfman
Email: shelfman@wsh-law.com, or
Ignacio G. del Valle, Esq.
Email: jdelvalle@wsh-law.com

If to Trustee: U.S. Bank National Association
225 East Robinson Street, Suite 250
Orlando, Florida 32801
Attention:
Email:

With a copy to:

or such other address as either party may from time to time specify in writing to the other in the manner aforesaid

Copies of any notice hereunder shall also be provided to the District at:

If to District: Palace at Coral Gables Community Development District
c/o Fishkind & Associates, Inc.
12051 Corporate Boulevard
Orlando, Florida 32817
Attention: Henry Fishkind, Ph.D.
Email: Hankf@fishkind.com

With a copy to:

Billing, Cochran, Lyles, Mauro & Ramsey, P.A.
515 East Las Olas Boulevard, 6th Floor
Fort Lauderdale, Florida 33301
Attention: Susan F. Delegal
Email: sdelegal@bclmr.com

Section 4.5 Miscellaneous. If any provision of this agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this agreement or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each provision of this agreement shall be valid and enforceable to the full extent permitted by law. The failure or forbearance of Trustee to exercise any right hereunder, or otherwise granted to it by law or another agreement, shall not affect the obligation of Guarantor hereunder and shall not constitute a waiver of said right. This Guaranty contains the entire agreement between the parties. There is no understanding that any person other than or in addition to Guarantor shall execute this Guaranty. The captions to the paragraphs are for convenience only and shall not be deemed a part of the Agreement.

Section 4.6 Merger. All understandings, representations and agreements heretofore had with respect to this Guaranty are merged into this Guaranty which alone fully and completely expresses the agreement of Guarantor and Trustee.

Section 4.7 Counterparts. This Guaranty may be executed in one or more counterparts by some or all of the parties hereto, each of which counterparts shall be an original and all of which together shall constitute a single agreement of Guaranty.

Section 4.8 Amendments. This Guaranty may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of any party, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 4.9 Reimbursement of Expenses Guarantor agrees that, to the extent permitted by applicable laws, Guarantor will reimburse Trustee, as applicable, for all expenses (including reasonable attorneys and paralegals fees and disbursements) incurred by Trustee in connection with the collection of the amounts due hereunder or any portion thereof or with the enforcement of this Guaranty if the Trustee prevails in such legal proceedings.

Section 4.10 Governing Law. This Guaranty shall be governed, construed, applied and enforced in accordance with the laws of the State of Florida without regards to principles of conflicts of laws.

IN WITNESS WHEREOF, Guarantor and Trustee have executed this Guaranty as of the day and year first above written.

By authority of Resolution No. _____
duly passed and adopted by the Coral Gables
City Commission on _____, 2011.

ATTEST:

GUARANTOR:
CITY OF CORAL GABLES, a Florida
municipal corporation

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM AND LEGAL
SUFFICIENCY:

By: _____
Name: Patrick G. Salerno
Title: City Manager

By: _____
Name: Lourdes Alfonsin-Ruiz
Title: Interim City Attorney

TRUSTEE:
U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer