

Memorandum

To: Cynthia Birdsill
From: Patti Greenberg
Date: March 17, 2011
Re: Gables Senior Living Project

You have asked us to provide the City with an updated assessment on the viability of the lease transaction with the Palace Management Group, in particular, with regard to the proposed modification to the provisions relating to an "Acceptable Operator" under the Second Amendment to the Lease and Development Agreement.

Background

Throughout much of 2007, our company served as a consultant to the City of Coral Gables in connection with the lease of its property to the Palace Management Group, LLC. At that time, we were asked to assess various aspects of the Senior Living Project, including the qualification of the Palace Management Group as operators of the proposed facility. It was our opinion that the Palace Management Group was well qualified to operate the facility. We also provided the City with criteria to evaluate an alternate operator in the event of a voluntary or involuntary transfer of ownership.

Lease Amendment

It is our understanding that the Palace has now secured a final commitment from TD Bank for financing of the Project and that TD Bank requires the City to agree to certain amendments to the "Acceptable Operator" criteria. Based upon our review of the Second Amendment to the Lease and Development Agreement, including the newly revised definition of "Acceptable Operator," We believe that any subsequent operator who meets the new criteria should be qualified to provide the level of service expected by the City.

