

March 4, 2009

Ms. Cathy Swanson
Interim Assistant City Manager
Development Director
City of Coral Gables
405 Biltmore Way
Coral Gables, FL 33134

Re: The Palace at Coral Gables / Request for Amendment to Lease

Dear Ms. Swanson,

As you know, we represent the Palace Management Group, LLC, (the “Palace Group”), the City’s selected bidder to develop a senior housing facility and accompanying municipal parking garage on the City owned properties located at 30, 45, and 50 Andalusia Avenue. The lease agreements entered into between the City and the Palace Group in July of 2008 included a “Developer’s Schedule” which required the completion of certain events by particular dates. In particular, the Developer’s Schedule expected that the Palace Group would take possession of the site by January 4, 2009. In order for possession to take place, a series of conditions precedent were required to be satisfied first. One of these conditions was the obtaining of a loan commitment for construction financing by October 15, 2008. Unfortunately, this deadline coincided with a credit crisis in the international financial markets which has essentially frozen lending for major construction projects. The accompanying national real estate market crash, which was particularly acute for the South Florida area, has served to even further dampen the ability to obtain financing for projects in South Florida regardless of their merits.

Accordingly, in order to weather this credit crisis and still be able to complete this much needed project, we are requesting that the leases be amended so as to extend the remaining deadlines included in the Developer’s Schedule by a maximum of one year each. Enclosed for your review are “clean” and “redline” copies of our proposed new Developer’s Schedule. Conditions precedent which are not dependent upon construction financing, such as land use and zoning approvals, the creation of the Community Development District, and completion of the final building plans will be completed within the next 6 months but we will require additional time so as to secure construction financing. The new date by which construction financing would have to be secured is November 15, 2009.

Please do not doubt my client’s commitment to completing this project nor its ability to obtain construction financing once the credit markets stabilize. Thus far, my client has invested \$6 million into this project including the acquisition of the property abutting the City’s parking

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lot and commonly referred to as the Melody Inn property. This is not an investment from which my client is willing to walk away. Furthermore, my client is confident that this project will be able to obtain construction financing once the credit markets stabilize. Since 1980, the Palace Group has constructed and operated 8 senior housing communities. All of them have been successful and all have gone through difficult economic periods in the past. We are confident that we can complete this very important project as long as we are provided sufficient time to secure construction financing. The City's government and its residents have been exceptionally helpful and supportive in making this project a reality and the Palace Group has reciprocated with good faith efforts to move this project forward but, like all developers and businesses at the present time, is facing challenges arising from this exceptional economic recession. It is in this spirit of mutual cooperation in both good and bad times, that we respectfully request the City Commission's favorable consideration of the above referenced proposed amendments to the Palace Group's leases. If you have any questions or would like to discuss this request further, please contact me at 305-579-0837.

Best regards,



Mario J. Garcia-Serra

cc: Ms. Elizabeth Hernandez, Esq.
Mr. Ignacio G. del Valle, Esq.
Mr. Jacob Shaham
Mrs. Helen Shaham

EXHIBIT G TO
LEASE AND DEVELOPMENT AGREEMENT
BETWEEN THE PALACE MANAGEMENT GROUP, LLC,
AND CITY OF CORAL GABLES,
DATED AS OF _____, 2007

DEVELOPER'S SCHEDULE

Execution of MOU – January 24, 2007

Drafting of Lease Agreement – October 1, 2007

Execution of Lease Agreement – November 14, 2007

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 – January 15, 2010

Conditions to Possession Date

Formation of CDD – June 30, 2009

Final plans and specifications – August 1, 2009

General construction contract – December 15, 2009 *

Delivery of payment and performance bonds – December 15, 2009*

Loan commitments for financing – November 15, 2009

Closing on construction financing – January 15, 2010*

Public Approvals – April 30, 2009*

Demolition and building permits – January 15, 2010*

Conveyance of title to City of Melody Inn Parcel - January 15, 2010*

Supplemental Third Party Fees Reimbursement – January 15, 2010*

Commencement of Site Clearance/Demolition – January 15, 2010*

Commencement of Construction – January 15, 2010*

Construction Completed (issuance of certificate of occupancy) – December 2011*

Project opening – December 2011*

*Dates assume expeditious and diligent cooperation between City of Coral Gables and The Palace Management Group.

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