HALLANDALE BEACH COMMUNITY REDEVELOPMENT AGENCY (HBCRA)

MEMORANDUM

DATE: April 17, 2017

TO: Chair and Board Members of the HBCRA

FROM: Roger M. Carlton, Executive Director

SUBJECT: Second Amended and Restated Development Agreement dated April 6, 2016 (the "Development Agreement") between HBC Medical Holdings, LLC (the "Developer") and the Hallandale Beach Community Redevelopment Agency (the "HBCRA")

In response to prior correspondence from the Executive Director to the Developer, on March 31, 2017, the Developer submitted to the HBCRA copies of the following documents:

1. An executed Commercial Lease dated March 31, 2017 (the "Lease") between HBC Medical Holdings, LLC, as Landlord, and Doctor Plus Medical Center, Inc., as Tenant; and

2. An executed letter dated March 30, 2017, from TFS RT, Inc. to the Developer approving the Developer's application for a construction loan in the maximum amount of $6,600,000 (the "Construction Loan Commitment Letter").

HBCRA Staff and the HBCRA Attorney reviewed the Lease and the Construction Loan Commitment Letter for compliance with the terms of the Development Agreement. Such documents were determined to be not acceptable. As a result, the HBCRA Executive Director sent a letter dated April 11, 2017 (copy attached hereto) (the "Default Letter") providing the Developer with notice of certain material defaults on the part of Developer, as follows:

1. Failure to meet Project requirements;
2. Failure to meet Minimum Leasing Requirement;
3. The Lease is not reasonably acceptable to the HBCRA; and

4. The Construction Loan Commitment Letter is not reasonably acceptable the HBCRA.

The elements of these enumerated defaults are set forth in further detail in the Default Letter. In order to assist the Developer with curing these defaults, the Default Letter provides the Developer with suggestions as to how to cure the defaults, as well as provides the maximum amount of time (90 days) allowable to cure the default.

ATT: Default Letter

April 11, 2017

VIA HAND DELIVERY

Mr. Nicolae Popescu
HBC Medical Holdings, LLC
913 Diplomat Parkway
Hallandale Beach, FL 33009

RE: Second Amended and Restated Development Agreement dated April 6, 2016 (the "Agreement") between HBC Medical Holdings, LLC, a Florida limited liability company (the "Developer") and the Hallandale Beach Community Redevelopment Agency (the "HBCRA")

Dear Mr. Popescu:

This letter is a follow-up to my letters to you dated February 24 and March 28, 2017. The purpose of this letter is to provide the Developer with written notice, on behalf of the HBCRA, of certain material defaults by the Developer under Section 8.1(a) the Agreement, as follows:

1. Failure to meet Project requirements. Section 2.2 of the Agreement provides that the Project shall contain approximately 25,000 square feet of Rentable Area. The Lease (as defined below) provides that the Project will only contain 22,810 square feet of Rentable Area. In order to overcome this issue and remove the default, please explain why you were not able to meet or exceed the expected 25,000 square feet of Rentable Area.

2. Failure to meet Minimum Leasing Requirement. Section 3.9 provides that, in order to meet the Minimum Leasing Requirement, the Developer must provide Lease(s) for a minimum of 12,500 square feet of Rentable Area for a minimum term of five years commencing upon Substantial Completion. The Premises (as defined in the Lease) only includes 11,633 square feet and, as set forth in further detail below, the Lease contains numerous termination rights that benefit the Tenant after the Land is conveyed to the Developer, which make the five year term difficult, if not impossible, to confirm and puts the HBCRA at substantial risk by having conveyed the Land without there potentially being a Tenant for the Project. In order to remedy this default, it will be necessary to provide a new Lease which removes the termination rights and addresses the other matters noted in Section 3 below.

3. The Lease is not reasonably acceptable to the HBCRA. Section 4.7(c)(vii) provides that the Developer needs to provide a Lease that satisfies the Minimum Leasing Requirement and is reasonably acceptable to the HBCRA. On March 31, 2017, the Developer provided the HBCRA with a copy of an executed Commercial Lease dated March 31, 2017 (the "Lease") between HBC Medical Holdings, LLC, as Landlord, and Doctor Plus Medical Center, Inc., as Tenant. As noted above, the Lease does not meet the Minimum Leasing Requirements. Further, the Lease contains numerous termination rights that benefit the Tenant, which make the five year term difficult, if not impossible, to confirm and puts the HBCRA at

substantial risk by having conveyed the Land without there potentially being a Tenant for the Project, as follows (Section references in this paragraph are to the Lease):

a. Section SD-(21)(2) provides that if the parties fail to sign a written addendum to the Lease expressing adjusted Rent for each renewal term within 30 calendar days after the Land is conveyed to the Landlord, then either party may terminate the Lease.

b. Section Two (2) provides that if the plans and specifications for the build-out of the Premises have not been approved by Landlord and Tenant within 180 calendar days after the conveyance of the Land to the Landlord, then either party may terminate the Lease.

c. Section Two-A (5) provides that, if the Landlord receives an offer from a third party to rent the entire Medical Center, the Tenant has an option to rent the entire Medical Center on the same terms failing which, either party may terminate the Lease. Such provision does not require the Landlord to enter into the lease with the third party for the entire Medical Center as a condition to such termination, thereby putting the HBCRA at risk that the Project will not have a Tenant.

d. Section Two-B provides that the Landlord grants to the Tenant an option to purchase the Medical Center on terms and conditions to be agreed upon within 30 days after the Land is conveyed to the Landlord. If the Landlord and Tenant fail to agree upon such terms and conditions within such 30-day period, then either party may terminate the Lease.

e. Section Two-C provides the Tenant with an option to terminate the Lease based on the revocation or certain modifications to the Affordable Care Act.

f. Section Two-D provides that the Tenant may terminate the Lease if the Landlord makes any changes to the site plan without the prior written approval of the Tenant.

g. Section Twenty-Four of the Lease provides for the remedies of Landlord upon Tenant's default but there are no enumerated default provisions in the Lease.

h. The Exhibits are not attached to the Lease.

i. The Lease is not properly executed.

4. <u>The Terms of the Construction Loan Commitment Letter are not reasonably acceptable to the HBCRA</u>. Section 2.2 of the Agreement provides that the Lender is subject to the prior written approval of the HBCRA. On March 31, 2017, the Developer provided the HBCRA with a copy of an executed letter dated March 30, 2017, from TFS RT, Inc. ("TFS") to the Developer approving the Developer's application for a construction loan in the maximum amount of $6,600,000 (the "Loan"). It should be noted that in the third paragraph TFS states that it borrows money in order to lend money. The HBCRA does not approve TFS at this time because the approval letter does not require a guarantor for the Loan. Underwriting approval for the Loan should have indicated that a guarantor or guarantors are necessary due to the fact that the Developer is single purpose entity whose only asset is the HBCRA Land. In the event of a default by the Developer, without a guarantor or guarantors, there is a substantial risk to the HBCRA that the Land would be foreclosed upon by TFS. It should be noted that all other HBCRA projects subject to Development Agreements, which utilize a private construction lender, require guarantor(s).

Section 8.1(a) of the Agreement provides for a 30 day cure period with respect to the Developer's failure to observe, satisfy or perform any material term, covenant or agreement continued in the Agreement. However, if the default cannot be cured within the 30 day period, such failures on the part of Developer will not constitute an Event of Default so long as the Developer provides the HBCRA with written notice within 15 days of receipt of this notice advising the HBCRA that the default cannot be reasonably cured within 30 days and the reasons therefore, and within the 30 day period commences and thereafter is in good faith proceeding to diligently and continuously remedy the failures. In this case, the Developer can have up to 90 days to cure the defaults. Assuming that the entire time period available is utilized, the end date of the Agreement will be July 10, 2017. If these matters are not resolved by that date, the Agreement will terminate.

The HBCRA recognizes that the above enumerated defaults may not be curable in 30 days. Accordingly, please send us a letter within the next 15 days advising of your plans to cure and the additional time will apply. In this regard, we request that any revised Lease be provided within the next 60 days so that the HBCRA will have adequate time to review it.

This letter is being sent to you in accordance with Section 17 of the Agreement and constitutes notice. All defined terms not defined in this letter shall have the meanings ascribed to them in the Agreement.

Should you have any questions, please feel free to contact me.

Sincerely,

Roger M. Carlton
Executive Director

cc: Alex Berkovich
Jonathan Staebler, Esq.
Steven W. Zelkowitz, Esq.
Lina Duran