<u>Chicora v Charleston County</u>

Press Release

11-20-2017

For Immediate Release-

In the matter of <u>*Chicora Life Center v. Charleston County*</u>, the appeal periods for the related matters in the bankruptcy have all expired. The bankruptcy was successful. There are still several legal matters in process in the SC courts and other matters are pending both in SC courts and other jurisdictions. Now is a good time to issue a formal statement from Chicora to help correct the rumors, political puffery and multiple erroneous and even fabricated stories.

Statement of Facts

- 2013- Chicora Gardens Holdings LLC enters into to contract to buy the Naval Hospital from the City of North Charleston. One million dollars ($1,000,000) in earnest money is deposited when the contract is signed. Chicora later removes the portion of the contract dealing with the property across Rivers Ave when it is discovered the property has environmental contamination issues.

- The original plan is to put a destination hospital that combined the best medical service providers in a collaborative campus. Extensive public gardens and parks would be integrated throughout an expanding medical building campus to attract clients from around the world in the growing destination medical business. The plan called for a 5-star service hospital and adjoining hotel. Donald Trump Jr. was an active part of this plan given his successful history of developing, building, and operating world class 5-star properties. This facility was projected to have a major significant impact on the South Carolina economy. The Cleveland Clinic, John Hopkins, Duke and many others were contacted and engaged. This resulted in scheduling a meeting with several State of SC politicians in Columbia to discuss the plan and the requirements for a Certificate of Need. Local Charleston politicians and leaders joined the meeting in Columbia. Unfortunately, the results of that meeting and the requirements for a Certificate of Need results in the plan for a collaborative hospital being canceled.

- New Plan – After multiple meetings with local government leaders a plan to establish a social service hub that uses a collaborative approach to serve citizens and patients was formulated. DHEC, DAODAS, Vital Records, Mental Health, Franklin Fetter (Federal Health Care), DSS, Medicaid, Crisis Center, and many more services would all be located in one location (3600 Rivers). Using a holistic approach to treat each patient, service providers can focus on their specific service and then refer, down the hall, to others who can help treat other ailments all in one location. Records, verification, and treatment for all ailments in one location in the heart of Charleston County, on the major public transportation lines, with plenty of free parking. This plan saves money for everyone, (agencies, citizens, and patients) and provides better service. A win for everyone.

- (After the plan for a Destination Hospital ended Donald Trump Jr remained as a shareholder, but has had no further involvement in the project. He never visited the property again after 2013. He never attends a meeting, doesn't participate in any aspect of the project. He becomes a silent, or passive, "shareholder" from this point forward and any other representation of his involvement is false. During the litigation with Charleston County he never is deposed, questioned, or attends any meetings, hearings, or settlement negotiations. This was never a "Trump" project. It was never represented as such)

- November of 2013- Charleston County signs a Letter of Intent to lease space.

- Chicora buys, closes, on the property from the City of North Charleston in January of 2014.
- Almost immediately the final lease negotiations begin and are pursued between the parties. Plans, office layouts, building services, construction budgets are all vigorously negotiated which takes adequate time. After almost 6 months of sometimes hard negotiation the lease is finalized and is signed in late June 2014 with Charleston County as the anchor tenant to the Social Service Hub.
- The development work immediately begins, and good progress is made getting the entire building ready for its makeover. Floors that will not be utilized are gutted so as to not be a nuisance later and the required demolition of tenant improvements for each area are started.
- To reflect the focus of the project a SC LLC is formed "Chicora Life Center LLC". The property is transferred into this LLC.
- August of 2014 Chicora closes on a development and construction loan with the lender, UC Funds, that not only is fully funded for Chicora's financial obligations in the lease with Charleston County but has millions of dollars of reserves for building systems, and future tenants space construction costs.
- The tenant improvements for specific offices and spaces for the County tenants begin.

- A weekly coordination and update meeting with multiple department heads and county staff is held during the construction process. County staff and the future tenants pick and approve the finishes, colors, and even the location of power and data outlets in each room. Chicora and the County are working together and meeting daily with a formal weekly update and coordination meeting that included the outside contractors and subcontractors on many occasions.
- In November of 2014 the HVAC system develops a problem. This system was tested and inspected by engineers prior to Chicora purchasing the property. There is an insurance policy in place on the HVAC system. Despite the engineering inspections and insurance the "fix" grows from $59,000 to $750,000 to a complete replacement of over $10,000,000. An insurance claim is filed and denied and County is notified of the problem. A lawsuit against the insurance company is currently active today.

- The January 1, 2015 deadline for Tenant Improvement completion is removed from the lease. There is never another deadline for completion. It was removed from the contract at the suggestion of Charleston County upon the failure of the HVAC system.
- January 2015, a new County Council Chairman is elected; Elliot Summey.
- March 2015 a notice was given to Charleston County that the developer budget is about to be exceeded. Charleston County will need to start paying for the additional costs of construction.
- The lease specifically states that Chicora will pay the first $1.6M of tenant improvements and the County would pay for expenses above that amount. That is the agreed and contracted terms. The $1.6M is the estimate by Charleston County Architect and Engineering department.
- March of 2015 Elliot Summey sends a letter stating he, Charleston County, will not pay anything towards the tenant improvements, contrary to the lease.
- Nevertheless, the remainder of the tenant improvements for Charleston County are completed and Certificate of Occupancy is issued by City of North Charleston in May of 2015.
    - This included a 'temporary' HVAC system that was designed and installed by Cullum Contractors. Even though the County had said they would accept the temporary system for which Chicora spent over $300,000 to install, the temporary system upon installation is now rejected and the new HVAC is demanded before County will move in.

- Mechanics liens are filed against the project for nonpayment. Contractors who had completed the tenant improvements are not paid, Chicora had paid more than $1.6M that was Chicora's obligation under the lease. The remainder of the costs were Charleston County's responsibility. Contractors, not having been paid, file mechanics liens against the Chicora Life Center property. Chicora has sent several notices written and verbal to County. Charleston County in turn alerts media of the mechanics liens when contractors are calling Charleston County for payment. Media is referred to the lease and contractual obligations by Chicora. Notwithstanding the clear obligations in the lease, media reports Chicora has not paid its bills, without reporting that the County has not paid its bill.

- Chicora has a fully funded project loan for its obligations. The extra costs were not part of that loan budget, they were the County responsibility.

- August 2015 notwithstanding the lease Chicora and its lenders increase loan amounts to pay for the extra costs until the County pays its contractual obligations. Every contractor was paid, and all mechanics liens were released.
- August of 2015, Chicora offered to install a new HVAC system by November 1, 2015 and a penalty if not completed by that date. Charleston County rejected this date during negotiations. Instead week's later Charleston County sends a letter saying "get it done and we will move in". The County continued to refuse to pay for the previous construction costs. The County response letter was the next

month after Chicora's offer. The November 1 date was based off of an agreement and terms in the previous month. Their notice cut the construction time by 33%. Contractor was told to begin and do the best they could.

- Bennett Hofford Construction. With a shortened construction time, and a difficult work environment stood tall and mobilizes a large work force to complete the new HVAC installation as well as the full tenant improvements for SC Department of Mental Health and Franklin Fetter who both signed leases.
- December 2015-February 2016. The new HVAC, a new Certificate of Occupancy, the DEA license, DHEC letter approving the plans for the DAODAS space are all completed and issued. Even a new hot water system is installed by Cullum Contractors.
- DHEC, including Vital Records and the WIC program center, Franklin Fetter, SC Department of Mental Health can all move in. Two other tenants actually do move in.
- The only thing left for the remaining County space was a scheduled inspection by DHEC to certify the plans and any punch list generated by the list. This DHEC approval is addressed in the lease and is very specific, this is a County item that Chicora will 'assist' with.
- The walkthrough inspection is scheduled for the middle of March 2016.
- Days before this last item can be completed the County unilaterally attempts to cancel the lease by way of a letter for reasons that are unclear.
- Over $300,000 left in the interest reserve with the Lender, but the lender filed for foreclosure because of the County attempt to cancel the lease.
- Chicora files for Chapter 11 Reorganization Bankruptcy protection and immediately files a lawsuit against Charleston County to enforce the lease.
- The County has numerous projects that are years delayed, millions over budget, which begs the question: There was no contractual date for Chicora and the County to commence the lease. The last item was days away, and everything would have been complete. Why cancel?
- The Court summarily rules against the County and in favor of Chicora that the lease is valid, binding, and enforceable against the County.

The litigation with Charleston County on this matter has been settled and resolved. Charleston County paid $33M for a building that appraised last year for over $40M.

It is the sincere hope that Charleston County will follow through on the social service center for the benefit of those who need these services.

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