Attachment 2
Background on Yoshi’s San Francisco Tenant Improvement Loan

The following briefly outlines the history of the tenant improvement loan between Yoshi’s and the former San Francisco Redevelopment Agency (“SFRA”):

- **Original Loan (October 2004)** – $4.4 million. At that time, Yoshi’s estimated its tenant improvement cost to be $7.4 million. This cost was to be funded with the SFRA’s $4.4 million tenant improvement loan and $3.0 million from Yoshi’s and its private equity investors. Annual interest was 3.25% per year beginning on November 28, 2007, the date Yoshi’s opened. The repayment schedule was as follows: (i) quarterly payments were interest only during the first five years of the loan term; then (ii) beginning in Year 6, quarterly payments were 20% of the club’s net income until the equity investors received a 15% return on their equity contribution; then (iii) quarterly payments were 75% of the club’s net income until the loan was fully repaid. The term of the loan was 20 years.

- **First Amendment (May 2008)** – added $1.3 million to principal amount, for a total loan amount of $5.7 million. By the end of 2007, the cost of the tenant improvements had skyrocketed to $15.0 million – an increase of $7.6 million. This cost was covered with an additional $1.3 million in loan funds from the SFRA and an additional $6.3 million from Yoshi’s and its private equity investors. In addition, (i) the quarterly interest payments were deferred for six months and (ii) the equity investors received a 10% return on their equity contribution instead of a 15% return, which accelerated the SFRA’s repayment schedule.

- **Second Amendment (December 2008)** -- added $1.5 million to principal amount, for a total loan amount of $7.2 million. Yoshi’s and its equity investors covered all but $1.5 million of the $6.3 million cost increase mentioned under the First Amendment. To buy time to raise the $1.5 million, Yoshi’s entered into settlement agreements with the subcontractors to delay action on their mechanics’ lien claims. Yoshi’s was unable to finance the final $1.5 million so it asked the SFRA for the money. The money was used to directly pay the general contractor and subcontractors. In addition, interest was delayed until November 29, 2012 and accrued at 3.25% simple interest, no compounding. About $108,000 in accrued interest to date was forgiven. Quarterly principal and interest payments were deferred until January 1, 2013.