Attachment 3
Recent Communications between OCII/City and FDC’s Investor Group
Summary of Terms for
Stabilizing Fillmore Heritage Center
February 1, 2013

Fillmore Development Commercial LLC ("FDC") and Fillmore Jazz Club, LLC ("FJC"), have reached an agreement in principle with SN Fillmore ("SN Fillmore" or "Steve Mayer") to stabilize the Fillmore Heritage Center through the following:

**Proposed Terms**

1. FJC will contribute $500k ("New Investment") to fund a 9 month transition period (the "Transition Period") of the entertainment venue and restaurant historically operated under the Yoshi’s brand. During the Transition Period, a new company ("Newco") will be formed and Newco will enter into a sublease for the space historically occupied by Yoshi’s. Newco will hire an experienced team of entertainment and restaurant management professional who will operate the business under a new brand following the Transition Period.

2. SN Fillmore will, subject to Fillmore investment of $500k and the City agreeing to "Rent Relief" (as defined below), SN Fillmore will agree to restructure the debt owed by FDC as follows:
   a. (1) SN Fillmore will write off $700k as bad debt
   b. $500k will be converted into equity in Newco
   c. $1.25M will be restructured as a Note from Newco, with current payment obligations of Interest Only at 3% per annum.

3. To stabilize the Fillmore Heritage Center, the City will agree, subject to fulfillment of items (1) and (2) above, agree to provide the following reduction in rent obligations which shall be paid directly to the City, and not to FDC:
   a. The space at 1330 Fillmore shall pay $23k per month in rent & $8,374.72/mo CAM Charges (or Actual Assessment paid directly to the HOA), plus its share of the adjusted property taxes going forward
   b. The space at 1300 Fillmore shall pay $7.5k per month in rent & $1,862.38/Mo in CAM (or Actual Assessment paid directly to the HOA), plus its share of the adjusted property taxes going forward
   c. City to reduce the YSF Note of $7.2 M and Newco will agree to carry on its books a portion of this loan but it can’t be re-paid until Newco has received the repayment of all equity and the required returns on New Investment at which time the City would receive 25% of the available cash-flow if any.
   d. City to negotiate with Kaz & 1300 a Note for payment of some portion of back rent & property taxes which will go against the CDBG amount funded by the City.
THIS RESULTS IN A CONTRIBUTION BY THE CITY TO THE SECTION 108 LOAN OF $20K PER MONTH OVER 9 MONTHS OR $180,000 WHICH COULD BE REDUCED IF THERE IS AN EXCESS CASHFLOW DISTRIBUTION.

Newco shall provide monthly financial statements to the City on or before the 20th calendar day of the next succeeding month. If in any month during the Transition Period, the Newco business generates in excess of $50k in Net Operating Income, the City shall receive 1/3 of the excess, SN Fillmore shall receive 1/3 of the excess cashflow, and Newco’s investors shall receive 1/3 of the excess.

Beginning January 1, 2014, Newco’s rent shall increase to $45k per month and 1300 Fillmore’s rent shall increase to $10k per month, plus the actual HOA CAM and property taxes.
Office of Community Investment and Infrastructure
Response to FDC’s February 1, 2013 “Summary of Terms for Stabilizing Fillmore Heritage Center”

Date: March 1, 2013

OCII Response to FDC Proposal #3. C.

FDC proposes further delaying the repayment of the OCII’s $7.2 million tenant improvement loan. OCII cannot agree to this proposal for the following reasons:

1. This proposal would require an amendment to the tenant improvement loan agreement between Yoshi’s and OCII which would require Oversight Board approval. The Oversight Board is charged with approving only those amendments that clearly benefit the City’s taxing entities (i.e., the school district, BART, community college). Further delaying payment would not benefit the taxing entities, and therefore staff would not recommend such an action before the Oversight Board and the Oversight Board would never approve such an amendment.

2. The OCII has already been very patient with its money. The RDA/OCII has not received any payments on this loan since October 2004 (almost nine years). In addition, the RDA/OCII has already forgiven $108,000 in accrued interest. For reference, the following briefly outlines the history of this tenant improvement loan between Yoshi’s and the former redevelopment agency (“RDA”):

- **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 RDA’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 RDA 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 RDA’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 RDA 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.

OCII Counter Proposal

1. The OCII is unwilling to make any changes to the existing tenant improvement loan agreement between Yoshi’s and the RDA.

2. The OCII is willing to contribute a negotiated amount towards the $88,258.90 in outstanding common area maintenance charges FDC owes the Fillmore Heritage Center homeowners’ association.

In addition to the concerns listed in this response, both OCII and the Mayor’s Office of Housing agree that any future proposals from the parties should include a plan to pay all outstanding debt, including all past due property taxes to the City and County of San Francisco, as well as a strategy for keeping current on property taxes.
Mayor’s Office of Housing
Response to FDC’s February 1, 2013 “Summary of Terms for Stabilizing Fillmore Heritage Center”

Date: March 4, 2013

Mayor’s Office of Housing Response to FDC Proposal #3

FDC proposes to reduce the City’s repayment for a $5.5 million construction loan to the developer, FDC. MOH cannot agree to this proposal for the following reasons:

1. MOH provided a $5.5 million construction loan to the project secured by the FDC ground lease. The FDC loan is fully amortized at an interest rate of 6.54 percent with monthly payments due through August 2025. To fund this loan, MOH borrowed $5.5 million from the U.S. Department of Housing and Urban Development (HUD) in the form of a securitized Section 108 loan. Section 108 loans are backed by the City’s federal Community Development Block Grant fund allocation. MOH has no ability to alter the interest rate of the HUD loan and cannot pre-pay the loan until August 2017, giving MOH virtually no flexibility to modify the loan between FDC and MOH.

2. Although the rental income from the Fillmore Heritage Center tenants was intended to provide the annual revenue required to service the FDC debt, MOH has no direct relationship to the tenants. Regardless of the tenants’ finances, FDC is still responsible for its construction loan repayments. Therefore, the City is not in a position to negotiate a note with Yoshi’s owners or 1300 Fillmore for some portion of back rent. Recouping any back payments is the responsibility of FDC.

3. Since the loan began, FDC has missed scheduled loan repayments at various points in time. In August 2010, FDC was 8 months in arrears on its original MOH loan, owing $360,150 in missed payments. At the time, MOH agreed to a work-out plan, rather than foreclose on the ground lease, whereby MOH amended the original loan and agreed to a longer repayment schedule. In separating the delinquent amount in a first amendment to the loan, MOH agreed to no longer consider the loan delinquent and forgo collecting any late fees or penalties unless FDC missed subsequent payments. The repayment of the delinquent amount was structured with payments of $5,500 per month through August 2013, with the balance of the delinquent amount due as a balloon payment in August 2013. FDC made one payment under this first amendment and has missed all subsequent payments. MOH agreed to this work-out plan in good faith in recognition of a challenging economic climate and was led to believe that the Fillmore Heritage tenants had gotten behind on their rent payments. Subsequent information has shown that the tenants were making timely rent payments but that FDC got behind in passing along those revenues to service the debt. Furthermore, SN Fillmore, as a subordinate lender, was repaid from Yoshi’s rental income, ahead of MOH in violation of MOH’s agreement with FDC.
4. Due to the City Tax Collector’s two summary judgments on unpaid Unsecure Personal Property taxes owed by FDC, rental income has been going directly to the Tax Collector to repay FDC’s tax obligation. MOH has received no loan repayments since 2011. FDC’s loan is $1,010,810 delinquent as of February 15, 2013. Because the City has to make its loan repayments to HUD, the Mayor’s Office of Housing has had to absorb the cost of FDC’s missed loan repayments from its CDBG grant funds used to serve the City’s low- and moderate-income residents. As such, MOH cannot agree to any reduction in loan repayments. Furthermore, MOH does not see the value to the Newco operations in lowering the rent 1300 Fillmore which has no relation to Yoshi’s financial and management problems. As a secured lender, the Mayor’s Office of Housing expects FDC to become current on its loan before considering a plan that proposes to modify the loan repayment schedule.
To: Ms. Gigi Whitley,  
Ms. Tiffany Bohee  
Ms. Tracie Reynolds  

From: Theo Oliphant, Special Counsel and Authorized Representative of the Fillmore Parties  
Date: April 3, 2013  

Re: Proposed Revised Terms – Section 108 Loan & Agency TI Loan

As discussed during our meeting on March 22, 2013, Fillmore Development Commercial, LLC (“FDC”) and Fillmore Jazz Club, LLC (“FJC”), along with Steve Mayer of SN Fillmore LLC (“Mayer”), have revised the proposed terms for repayment of relating to the commercial space at 1330 Fillmore Street, San Francisco currently occupied by Yoshi’s San Francisco (“Yoshi’s”).

Per the attached cashflow projections prepared by FDC and FJC, please see the following repayment terms proposed to the Mayor’s Office of Housing (“MOH”) and the Office of Community Investment and Infrastructure as successor to the Redevelopment Agency (the “Agency”) related to commercial property FDC currently has under master lease from the Agency as follows:

1. FJC will form a new company – Fillmore Entertainment Group, LLC (“New Co”, and together with FDC and FJC, the “Fillmore Parties”) to operate an entertainment & restaurant business in the space formerly occupied by Yoshi’s SF, LLC. The investors in New Co, a group comprised of existing FJC members and new investors, will collectively invest a minimum of $500,000 as operating and working capital for New Co.

2. FJC has lined up the investors for this $500k capital infusion to stabilize the commercial space, and is ready to move forward with a new management team to operate both the entertainment venue and the restaurant. Primary responsibility for the daily operations will be managed utilizing Ovation Consultants, and an experienced team of professionals that will implement best practices in talent booking, cost controls and fiscal management. For your convenience, the resumes of 2 of the leading team members Bob Burke and Michael Karp, are attached hereto.

3. Please note that the $500k capital infusion to stabilize the commercial space and retain Ovation Consultants is subject to the following conditions aimed at stabilizing the businesses and ensuring the long-term success of the Fillmore Heritage Center:

   a. MOH will agree to reduce the monthly payment to FDC on the mortgage for the months of May 2013 to December 2013 per the attached cashflow projection from the current amount of $50,519 (made up of $45,019 plus $5,500) to $31,500. This results in a contribution of $132,151 in additional CDBG funding by MOH during 2013. This will allow FDC to adjust the rents on the three spaces to the following tenants and allow these three tenants to stabilize their
operations during the balance of 2013, particularly New Co, which will be a new business.

i. New Co Space (Formerly YSF): $23,000
ii. 1300 on Fillmore: $10,000
iii. Gallery: $1,000
iv. Total: $34,000

4. FDC will still pass on to the three tenants the insurance, CAM and property taxes going forward to be paid monthly so that they are collected in full. Please note, FDC has already applied for a re-calculation of the property taxes and will pass on any reduction to the tenants.

5. In year 2014, FDC will pay the current full mortgage payment to MOH of $50,519 based on rents to the tenants as follows. This adds up to $606,227, which pays the full mortgage amount.

   a. New Co Space (Formerly YSF): $38,419
   b. 1300 on Fillmore: $10,000
   c. Gallery: $1,500
   d. Total: $50,519

6. In year 2015, FDC will pay the full mortgage to MOH along with each succeeding year. However, the rents in 2015 will increase to the following, allowing FDC to repay the amount contributed in 2013 from CDBG of $152k. Together with the increases in rents in 2015 and 2016, FDC will repay the full amount of the $152k in CDBG funds.

   a. New Co Space (Formerly YSF): $45,000
   b. 1300 on Fillmore: $11,000
   c. Gallery: $2,000
   d. Total: $58,000

7. FDC currently has two notes with MOH. One that requires the payment of $45,019 per month, and the other, which requires a $5,500 payment per month. The second note of $5,500 per month has a balloon that is due on Sept 2013. FDC proposes to extend this note to continue to pay the $5,500 for an additional approx. 40 months until the amount of the note is paid in full. As shown in the attached projection, this would be paid together with the $45,019 until the end of 2016.

8. FDC currently has a land note on the Commercial Parcel with the RDA that is to be repaid from a share of cashflow from the FDC space (the “Commercial Parcel Land Note”). We propose that this approx. $3.3m Note would be increased by $500,000 to offset a portion of the approx. $1.0 million that FDC has not been able to pay because the tenants were not able to pay their share of assessed property taxes, and because YSF did not pay rent during approx. 8 months in 2012. This would result in a payment beginning in 2016 of 50% of the net available cashflow to FDC, and 50% to MOH until this $500k is repaid, then the 50% share would be paid to the Agency to reduce the Commercial Parcel Land Note. From our cashflow analysis it appears that this $500k
amount to MOH would be repaid by approx. 2021. Additionally, FDC requests that it be taken out of Default by MOH under this loan so it can resume business without this blemish in its business activity.

9. FJC proposes that New Co would assume a portion ($1.0 million) of the current $7.2 million Tenant Improvement Loan that was made to Yoshi’s SF. FJC proposes to have the original amount of $7.2 million written down because of the depreciated value of the improvements constructed with this loan. The repayment of this assumed loan amount would be subordinate to the repayment of all private capital invested by New Co, SN Fillmore and FJC, and at that time the Agency would receive 50% of the available cashflow. Additionally, FJC is requesting (on behalf of Yoshi’s request) that in exchange for New Co assuming this $1.0 million in new debt from the Old Yoshi’s TI loan, that Yoshi’s Japanese Restaurant, Inc. be released from the $500,000 guarantee it provided to the Agency.

In conclusion, FDC and FJC feel these proposed terms are reasonable given the distressed situation existing among the current tenants at the Fillmore property. As you are aware, Yoshi’s SF management has filed bankruptcy, and the business is in danger of going under which would leave FDC as the landlord with a vacant space that it would have to secure a new tenant for. The alternative to this is that the FJC investors have agreed to form New Co to take over this operation, and invest new capital to turn this business operation around. This will include the hiring of Ovation Consulting run by Mr. Bob Burke who has an exceptional reputation in the industry to manage this new venture. We believe the terms proposed offer New Co the opportunity to establish its footing in the operation of the business, and allow both 1300 and a tenant in the Gallery space to re-establish their business in order to pay rent and other expenses that will allow FDC to service the MOH mortgage going forward over the long term. Furthermore, New Co is assuming debt responsibilities of Yoshi’s SF, including the first lien holder note with California Bank & Trust, the SN Fillmore loan, and additionally a portion of the Agency TI loan. The preservation of these business operations not only will retain over 200 existing jobs, but maintain the cashflow to the City and public sector for sales, personal and property taxes. And most importantly, these tenants are the anchor of the Fillmore entertainment district that simulates the attendance of hundreds of thousands of customers into the district that support many other businesses in the area.

The settlement discussions with the Yoshi’s Parties and Kaz are going fairly well. Judge Montali, serving as the settlement judge, is going to convene a meeting of the parties on April 11, 2013 and April 19, 2013 (if necessary). As we discussed during the March 22nd meeting, it would be most helpful if MOH and the Agency, respectively, could provide both qualitative and quantitative feedback if there are suggested changes.

Thank you for your consideration.
Hi Theo,
Both the City and the Successor Agency have reviewed your latest proposal to restructure Yoshi's and we believe the proposed terms are not in the best interests of either the City or the Successor Agency. Our position has remained unchanged since the beginning of negotiations with you. We cannot accept any deal that further delays repayment of the HUD Section 108 loan, asks the City to put in additional CDBG program income, asks the Successor Agency to forgive its tenant improvement loan and give up its guarantees, and asks the Successor Agency to increase its land loan and further delay its payments under the ground lease.

Tracie Reynolds
Manager, Real Estate and Development Services
Office of Community Investment and Infrastructure
(Successor Agency to the San Francisco Redevelopment Agency)
One South Van Ness, Fifth Floor
San Francisco, CA 94103
Phone: (415) 749-2533
Fax:(415) 749-2526
Email: tracie.reynolds@sfgov.org

Hi Gigi, Tiffanny and Tracie,
CBT is turning up the heat. They are trying to seize the Yoshi's rent payments.
See attached and let's meet soon.
Thanks,
Theo

-------- Forwarded message --------
From: Chenetz, Sara L. <Chenetz@blankrome.com>
Date: Tue, Apr 30, 2013 at 1:30 PM
Subject: FW: Yoshi's PDF Court Docs
To: "Theo F. Oliphant" <toliphant@urbancorellc.com>

Here are relief from stay pleadings. Give me a call when you have a chance.
May 14, 2013

Ms. Tiffany Bohee
Executive Director
Office of Community Investment and Infrastructure
Successor Agency to the San Francisco Redevelopment Agency
1 South Van Ness Avenue
San Francisco, CA 94103

Re: Yoshi’s San Francisco

Dear Ms. Bohee:

As you are aware, Fillmore Jazz Club, LLC (FJC) is a co-owner within the Yoshi’s San Francisco, LLC (YSF), which occupies 28,500 sq. ft. of space within the Fillmore Heritage Center located at 1330 Fillmore Street. Over the past five and half years YSF has generated an average of $10 million in revenue per year, while experiencing cumulative losses in excess of $2.5 million. This has resulted in no return on investment for FJC members that contributed over $16 million to this venture. Then in early 2012, YSF started not paying its expenses including rent, CAM charges and assessed property taxes. We are aware that this has resulted in a burden on the City as a result of the landlord – Fillmore Development Commercial not receiving this income to pay the mortgage held by the City, and property taxes due on the property. This lack of financial stability within the YSF business also lead to the management of YSF filing for involuntary bankruptcy in the fall of 2012, something we opposed.

Over the last six months we have been working with and advising your staff while we negotiated with a mediation Judge within the Bankruptcy Court. The results of these negotiations have prepared a Draft Settlement Agreement between FJC and YSF management that will result in YSF ceasing to exist, and with FJC forming a new company “Fillmore Entertainment Group, LLC”, which will take over the operation of this space with the Fillmore Heritage Center. Our plans are to continue to operate an upscale jazz & music entertainment venue with a restaurant component, but to improve service, adjust management and operational costs, and improve the overall profitability of the venue under an experienced management team – Ovation Consulting (Mr. Bob Burke). After much effort we have secured and committed approximately $500,000 from existing FJC and new investors to capitalize this new entity, and are in the process of completing negotiations with the key creditors – California Bank & Trust and SN Fillmore. In each instance, both CBT and SN Fillmore are either reducing their debt or extending the terms, based on the fact that the new company will assume these loans, which provided the FF&E for the space.

At this stage, together with Fillmore Development Commercial, LLC (the Landlord), we requesting that the Agency approves the acceptance of this new company as the new tenant for this property. Furthermore, we understand from the staff of MOH, that they are unwilling to lower the required monthly mortgage for FDC that would result in a lower initial rent for the new tenant. The investors in this group however are unwilling to accept the
May 13, 2013

current base rent that YSF is paying for the first twelve months of operations because this places a significant burden on the new venture as it gets up and running. We are willing to increase the base rent to the current YSF level after the first twelve months based on our assumption that the new company will stabilize its operations after this initial twelve-month period. Furthermore, the lower rent differential from the twelve-month period will be repaid to FDC and the City from future cash flow after repayment of the new investor capital. In this regard we need your assistance to finalize these terms with MOH in order to move this forward. (PLEASE SEE THE ATTACHED NEW CO FINANCIAL PROJECTION)

Finally, we are writing to you not only to request the approval of the new tenant by the end of May 2013 so that all agreements will be in place for the Settlement Agreement to be executed, but for the Agency to complete negotiations with us concerning the outstanding debt that YSF has with the Agency which is a $7.2 million loan. We think that it is not in the best interest financially for the new venture to assume ALL of this debt, while the value of the improvements related to this debt have depreciated over the last 6 years. Furthermore, it is in the Agency’s best interest to support this new venture to avoid YSF going out of business and their being no tenant, or if FJC does not complete the negotiations with YSF, they will continue with the bankruptcy process that will most likely result in a significant reduction of the Agency loan to YSF imposed by the Court.

We would like to conclude the negotiate on the rent level and Agency debt issue to avoid the potential continued delay in our actions to restore financial viability to this operation that will result in the preservation of over 125 jobs, continued sales tax to the City, as well as the payment of the rent, CAM and property taxes by the new business. This venue is the entertainment anchor to the lower Fillmore that has leveraged significant new investment and on-going revenue for numerous businesses in the area.

We the undersigned investor members of FJC respectfully request your consideration of our proposal. This will be a significant additional investment on our part; something we take very seriously given the importance of maintaining this entertainment venue in the Fillmore District. We look forward to hearing from you as soon as possible.

Respectfully,

FJC Members:
Timothy Simon
Michael Covarrubias
Cathy Greenwold
Seth W. Scott
John Fisher
David Devine
Ted Vinther
Walter Wright
Hal Brandel
Joe Belluomini
Tim Farrelly
Brad Flewelling
Michael Johnson
Steve Mayer

c: Commissioner London Breed
City Administrator Naomi Kelly
Olsen Lee
Tracie Reynolds
Gigi Whitley
Theo Oliphant
# YOSHI’S SF - NEW CO. FINANCIAL OPERATING PROJECTION

5/13/13

<table>
<thead>
<tr>
<th>Year</th>
<th>1 (6 Months)</th>
<th>2 (12 Months)</th>
<th>3 (12 Months)</th>
<th>4 (12 Months)</th>
<th>5 (12 Months)</th>
<th>6 (12 Months)</th>
<th>7 (12 Months)</th>
<th>8 (12 Months)</th>
<th>9 (12 Months)</th>
<th>10 (12 Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Co - San Francisco, LLC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Revenue</strong></td>
<td>$5,000,000.00</td>
<td>$10,300,000.00</td>
<td>$10,609,000.00</td>
<td>$10,927,270.00</td>
<td>$11,255,088.10</td>
<td>$11,594,522.97</td>
<td>$12,298,738.65</td>
<td>$12,667,700.81</td>
<td>$13,047,731.84</td>
<td></td>
</tr>
<tr>
<td><strong>Minus Operating Expenses</strong></td>
<td>$4,272,340.00</td>
<td>$8,801,020.40</td>
<td>$9,065,051.01</td>
<td>$9,317,117.62</td>
<td>$9,505,626.00</td>
<td>$10,202,794.78</td>
<td>$10,508,878.62</td>
<td>$10,824,144.98</td>
<td>$11,148,869.33</td>
<td></td>
</tr>
<tr>
<td><strong>-5% Savings in Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Base Rent (Steps up over 3 Yrs)</td>
<td>$138,000.00</td>
<td>$(192,000.00)</td>
<td>$240,000.00</td>
<td>$336,000.00</td>
<td>$440,000.00</td>
<td>$560,000.00</td>
<td>$692,000.00</td>
<td>$836,000.00</td>
<td>$992,000.00</td>
<td>$1,152,000.00</td>
</tr>
<tr>
<td><strong>-CAM:</strong></td>
<td>$52,800.00</td>
<td>$108,768.00</td>
<td>$112,031.04</td>
<td>$115,391.97</td>
<td>$118,853.73</td>
<td>$122,419.34</td>
<td>$126,091.92</td>
<td>$129,874.68</td>
<td>$133,770.92</td>
<td>$137,784.05</td>
</tr>
<tr>
<td><strong>-Property Taxes:</strong></td>
<td>$22,000.00</td>
<td>$45,600.00</td>
<td>$45,600.00</td>
<td>$45,600.00</td>
<td>$45,600.00</td>
<td>$45,600.00</td>
<td>$45,600.00</td>
<td>$45,600.00</td>
<td>$45,600.00</td>
<td>$45,600.00</td>
</tr>
<tr>
<td><strong>SBA Loan:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- CBT Portion:</td>
<td>$566,000 (1)</td>
<td>$93,840.00</td>
<td>$93,840.00</td>
<td>$93,840.00</td>
<td>$93,840.00</td>
<td>$93,840.00</td>
<td>$93,840.00</td>
<td>$93,840.00</td>
<td>$93,840.00</td>
<td>$93,840.00</td>
</tr>
<tr>
<td>- Participation Portion:</td>
<td>$410,000</td>
<td>$65,600.00</td>
<td>$65,600.00</td>
<td>$65,600.00</td>
<td>$65,600.00</td>
<td>$65,600.00</td>
<td>$65,600.00</td>
<td>$65,600.00</td>
<td>$65,600.00</td>
<td>$65,600.00</td>
</tr>
<tr>
<td><strong>New Investor Convertible Notes:</strong></td>
<td>$355,546.00</td>
<td>$1,161,383.60</td>
<td>$579,698.95</td>
<td>$583,546.07</td>
<td>$741,107.75</td>
<td>$769,494.82</td>
<td>$798,733.51</td>
<td>$828,849.35</td>
<td>$859,868.67</td>
<td>$1,051,346.57</td>
</tr>
<tr>
<td><strong>New FJC Capital Investment:</strong></td>
<td>$500,000</td>
<td>$177,773.00</td>
<td>$580,691.80</td>
<td>$150,464.80</td>
<td>$741,107.75</td>
<td>$769,494.82</td>
<td>$798,733.51</td>
<td>$828,849.35</td>
<td>$859,868.67</td>
<td>$1,051,346.57</td>
</tr>
<tr>
<td>- Preferred Return @ 12%</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
</tr>
<tr>
<td><strong>SN Fillmore Equity Capital:</strong></td>
<td>$500,000</td>
<td>$177,773.00</td>
<td>$580,691.80</td>
<td>$150,464.80</td>
<td>$741,107.75</td>
<td>$769,494.82</td>
<td>$798,733.51</td>
<td>$828,849.35</td>
<td>$859,868.67</td>
<td>$1,051,346.57</td>
</tr>
<tr>
<td>- Preferred Return @ 12%</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
<td>$608,000.00</td>
</tr>
<tr>
<td><strong>DEFERRED RENT (REPAID TO CITY):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET INCOME AVAILABLE:</strong></td>
<td>$566,619.55</td>
<td>$583,546.07</td>
<td>$741,107.75</td>
<td>$769,494.82</td>
<td>$798,733.51</td>
<td>$828,849.35</td>
<td>$859,868.67</td>
<td>$1,051,346.57</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SN Fillmore Principal Repayment:</strong></td>
<td>$60,000.00</td>
<td>$120,000.00</td>
<td>$120,000.00</td>
<td>$120,000.00</td>
<td>$120,000.00</td>
<td>$120,000.00</td>
<td>$120,000.00</td>
<td>$120,000.00</td>
<td>$120,000.00</td>
<td>$120,000.00</td>
</tr>
<tr>
<td><strong>FJC Legacy Capital Investment:</strong></td>
<td>$1,250,000</td>
<td>$1,250,000.00</td>
<td>$1,250,000.00</td>
<td>$1,250,000.00</td>
<td>$1,250,000.00</td>
<td>$1,250,000.00</td>
<td>$1,250,000.00</td>
<td>$1,250,000.00</td>
<td>$1,250,000.00</td>
<td>$1,250,000.00</td>
</tr>
<tr>
<td>- Preferred Return @ 10%</td>
<td>$165,800</td>
<td>$165,800</td>
<td>$165,800</td>
<td>$165,800</td>
<td>$165,800</td>
<td>$165,800</td>
<td>$165,800</td>
<td>$165,800</td>
<td>$165,800</td>
<td>$165,800</td>
</tr>
<tr>
<td><strong>After Repayment of FJC Capital:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Agency Percentage Split (50%)</td>
<td>$443,209.87</td>
<td>$443,209.87</td>
<td>$455,351.06</td>
<td>$481,494.82</td>
<td>$509,494.82</td>
<td>$537,494.82</td>
<td>$565,494.82</td>
<td>$593,494.82</td>
<td>$621,494.82</td>
<td>$649,494.82</td>
</tr>
<tr>
<td>FJC/New Co Share (50%)</td>
<td>$443,209.87</td>
<td>$443,209.87</td>
<td>$455,351.06</td>
<td>$481,494.82</td>
<td>$509,494.82</td>
<td>$537,494.82</td>
<td>$565,494.82</td>
<td>$593,494.82</td>
<td>$621,494.82</td>
<td>$649,494.82</td>
</tr>
</tbody>
</table>
June 14, 2013

Sent via email and U.S. mail

Members
Fillmore Jazz Club, LLC
457 10th Street
San Francisco, CA 94103

Re: Response to your May 14, 2013 letter to the Office of Community Investment and Infrastructure (“OCII”), successor agency to the San Francisco Redevelopment Agency

Dear Members of Fillmore Jazz Club, LLC:

This letter responds to your May 14, 2013 letter in which the members of Fillmore Jazz Club, LLC (“FJC”), ask me to consider their latest proposal to restructure operations at Yoshi’s San Francisco in the Fillmore Heritage Center on Fillmore Street in the Western Addition. The latest proposal contemplates a new tenant for the Yoshi’s San Francisco commercial space and a restructuring of various debt and cost obligations associated with that space.

As you know, OCII has a $7.2 million tenant improvement loan with Yoshi’s San Francisco which is supposed to be repaid from a percentage of the jazz club’s net operating income. Since October 2004, when the bulk of the loan was approved, OCII hasn’t received any payments (almost 9 years). In addition, OCII has a $3.3 million land loan with Fillmore Development Commercial (“FDC”), the master tenant under a ground lease for the commercial space at the Fillmore Heritage Center. The land loan is supposed to be repaid from rents generated on the commercial space as a whole. To date, OCII hasn’t received any payments associated with this loan either. Based on my understanding of the proposal, you would be asking OCII to agree to:

- Forgive $6.2 million of the $7.2 million tenant improvement loan to Yoshi’s San Francisco. The remaining $1.0 million debt to OCII would be paid back, but only after $4.0 million in both new and old investor capital (plus returns of between 10% and 12%) was paid back to outside investors. Based on your calculations, OCII wouldn’t start receiving payments until 2021.

- Release OCII’s security on the tenant improvement loan, which consists of $1.0 million in guarantees from Fillmore Development Associates, the developer of the Fillmore Heritage Center, and Yoshi’s Japanese Restaurant in Oakland.

- Increase OCII’s approximately $3.3 million land loan to Fillmore Development Commercial by $500,000, which represents money FDC owes the Mayor’s Office of Housing (“MOH”) for a separate construction loan on the commercial space. Increasing
the loan amount and paying MOH first would further delay payments to OCII. Based on your calculations, OCII wouldn’t start receiving payments until 2021.

In addition, your proposal asks MOH to restructure its two debt obligations with FDC. One obligation consists of a $5.5 million construction loan. To fund this loan, MOH borrowed $5.5 million from the U.S. Department of Housing and Urban Development ("HUD") in the form of a securitized Section 108 loan, which is backed by the City of San Francisco’s federal Community Development Block Grant ("CDBG") fund allocation. This obligation is about $1.0 million in arrears. Because the City has to make its loan repayments to HUD, MOH has had to absorb the cost of FDC’s missed loan repayments from its CDBG grant funds used to serve the City’s low- and moderate-income residents. As to this loan, your proposal asks MOH to:

- Accept a lower debt service payment for at least six months (which adds to the amount MOH has to cover with its limited CDBG grant funds) and give FDC two to three years to pay back the resultant increase to the arrearage.

- Accept a deferred repayment schedule for the $1.0 million in existing arrears. Half of the existing arrears ($500,000) would be added to the OCII’s land loan with FDC and get repaid to MOH between 2016 and 2021. The other half of the existing arrears is not addressed in your proposal.

The second obligation to MOH is a $360,000 loan to FDC that represents additional money FDC owes under the HUD Section 108 loan. In addition to FDC’s regular debt service payment, FDC is supposed to pay an additional $5,500 a month to MOH to pay back the $360,000. To date, only one payment has been made under this loan, and the entire amount is due in September. As to this loan, your proposal asks MOH to extend the repayment schedule of this obligation an additional 40 months (about 3.5 years) until the obligation is paid in full.

Based on the foregoing, I do not believe the proposed terms of your latest restructuring proposal are in the best interests of either OCII or the City. Neither party can accept a deal that further delays repayment of the HUD Section 108 loan, asks the City to put in additional CDBG program income, asks OCII to forgive its tenant improvement loan and give up its guarantees, and asks OCII to increase its land loan and further delay its payments under the ground lease.

Sincerely,

Tiffany Boee

Cc:
San Francisco Supervisor London Breed, District 5
Naomi Kelly, Director of Administrative Services, City and County of San Francisco
Olson Lee, Mayor’s Office of Housing
Gigi Whitley, Mayor’s Office of Housing
Tracie Reynolds, Office of Community Investment and Infrastructure
Theo Oliphant, Fillmore Development Commercial