



Emporio Rulli Caffè al Fresco at Union Square Term Sheet

Premises: The Building owned by City under the jurisdiction of its Recreation and Park Department, as shown on Exhibit A-1 attached hereto, located on the Stockton Street side between Post Street and Geary Street in the area known as "Union Square Park" in San Francisco, California, which area is bordered by Geary Street, Powell Street, Post Street and Stockton Street and is more particularly described on Exhibit A-2 attached hereto.

Expand the Premises to include approximately 420 square feet of space as more particularly described in the floor plan shown on Exhibit B-3 attached hereto located in the building located on the Stockton Street side between Post Street and Geary Street for the purpose of expanding food service operations from the Building in the Original Lease. Lessee also desires to expand the Premises to include approximately 72 square feet of storage space located in the adjacent building as more particularly shown in the floor plan shown on Exhibit B-4.

Term: Four (4) years. The lease amendment will require that the term of the Café Master Lease and the Café Sublease be extended to expire on June 30, 2013.

Commencement Date: July 1, 2009

Expiration Date: June 30, 2013

Use: A café annex operated in a first-class manner providing moderately priced fresh food items including pastries and desserts, sandwiches, soups and salads. Cooking and baking must be performed off-site. Coffee, espresso, other coffee specialty beverages, tea, juice and soft drinks must be available and beer and wine sales for consumption in the Premises will be permitted subject to Tenant obtaining and keeping in force all required alcoholic beverage sale licenses ("Permitted Use"). The sale of newspapers and such items as mugs, aprons, t-shirts and other items related to the Café and branded with the logo and/or name of the Café may be permitted with prior written approval from City. The sale of lottery tickets, post cards, and other merchandise not permitted hereunder, and the use of vending machines and electronic games and other merchandise is prohibited.

The greater of:

Monthly Base Rent: \$22,916.66

OR

Percentage Rent Eight percent (8%) of the gross sales less sales tax



Reduced Rent: Five Thousand Dollars (\$5,000)

Reduced Rent Period: Up to a maximum ninety (90) days

Utilities: Tenant shall be responsible for any and all other charges, costs and expenses related to its use, occupancy, operation or enjoyment of the Premises or any Improvements permitted thereon, including, without limitation, the cost of any utilities or services necessary for Tenant's use.

Maintenance: Tenant assumes full and sole responsibility for the condition, operation, repairs and maintenance and management of the Premises and any permitted Improvements from and after the Commencement Date. City shall not under any circumstances be responsible for the performance of any repairs, changes or alterations to the Premises, nor shall City be liable for any portion of the cost thereof except that City shall maintain, repair and keep in good condition the Park area in which the Premises are located, including gardening and landscaping services, and exterior bathrooms. City shall maintain, repair and replace if necessary all structural elements of the Premises. City shall be responsible for the structural integrity of the roof and for replacement of the roofing membrane or the roof and its structural members.

Surrender of Premises: Upon the Vacating Date or any earlier termination of this Lease pursuant hereto, Tenant shall surrender to City the Premises, in good condition, order and repair (but subject to the limitations contained in **Section 9.1** of the Lease, and except for ordinary wear and tear, or loss, damage and destruction or other casualty), free from debris and hazards, and free and clear of all liens, easements and other Encumbrances created or suffered by, through or under Tenant. On or before the Vacating Date or any earlier termination hereof, or later upon Landlord's request, Tenant shall, at its sole cost, remove any and all of Tenant's Personal Property from the Premises and demolish and remove any and all Improvements and Alterations from the Premises requested by Landlord to be removed (except for any Improvements or Alterations that City agrees are to remain part of the Premises pursuant to the provisions of **Section 8.2** of the Lease). Tenant shall have no obligation to demolish or remove any Pre-Existing Improvements in the Premises. In addition, Tenant shall, at its sole expense, repair any damage to the Premises resulting from the removal of any such items and restore the Premises to their condition immediately prior to the presence of any such Improvements or Alterations. In connection therewith, Tenant shall obtain any and all necessary permits and approvals, including, without limitation, any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal or restoration work required hereunder. Tenant's obligations under this Section shall survive the Vacating Date or other termination of this Lease. Any items of Tenant's Personal Property remaining on or about the Premises after the Vacating Date of this Lease may, at City's option, be deemed abandoned and in such case City may dispose of such property in accordance with Section 1980 *et seq.* of the California Civil Code or in any other manner allowed by Law. If Tenant fails to surrender the Premises to City on the Vacating Date or earlier termination of the Term as required by this Section, Tenant shall Indemnify City against all Losses

resulting therefrom, including, without limitation, Losses made by a succeeding tenant resulting from Tenant's failure to surrender the Premises. The City shall have the right upon the Vacating Date to lease the premises to a subsequent tenant and such subsequent tenant shall have the right to occupy the premises pursuant to any lease agreement City may enter into with subsequent tenant.

City Lease Form: The Lease Agreement shall be based on the City and County of San Francisco's standard form lease. The final Lease Agreement is subject to negotiations with the City through its Recreation and Park Department and approval by the City's Recreation and Park Commission, in their respective sole and absolute discretion.

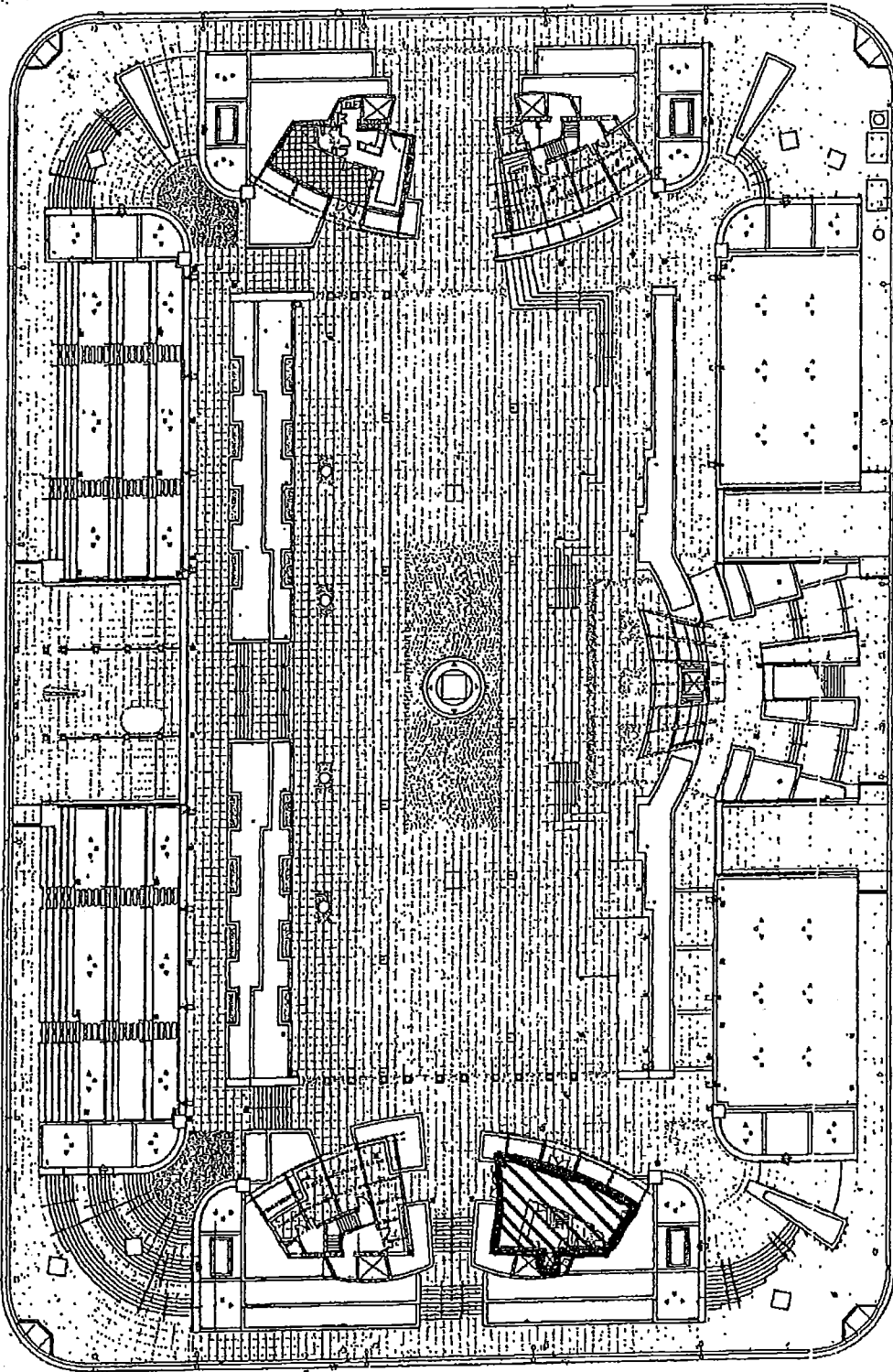
Other City Clauses: Tenant shall comply with the provisions (as applicable) specified in the San Francisco municipal codes including but not limited to: Resource – Efficient City Building (Admin. Code Sections 82.1-82.8), the MacBride Principals (Admin. Code Section 12F.1 et seq.), Prevailing Wages for Construction (SF Charter Section A&.204, and Admin. Code Section 6.33 through 6.45), the Controller's Certification of Funds (SF City Charter Section 3.105), the Tropical Hardwood and Virgin Redwood Ban (Admin. Code Section 121), Bicycle Storage (Planning Code Article 1.5), the Non Discrimination in City Contracts and Benefits Ordinance (Admin. Code Sections 12B, and 12C), Campaign Contribution Limitations (Section 1.126 of City's Campaign and Governmental Conduct Code), and First Source Hiring.

This letter is a preliminary statement of City's general intentions. It should be understood that City and Emporio Rulli, Inc. mutually intend that neither party shall have any binding contractual obligation to the other relative to the terms specified herein until a formal lease agreement has been prepared, reviewed and approved by each parties' counsel and has been fully executed with all necessary approvals and delivered by the parties. Execution of the proposed Lease is explicitly subject to and conditioned upon approval by the Recreation and Park Commission in their sole discretion.

Nothing in this proposal shall be deemed to impose on either party any obligation to continue negotiations and either party shall have the right to discontinue negotiations without incurring any obligation or liability to the other.

Exhibit A-1

POWELL STREET



UNION SQUARE

GEARY STREET

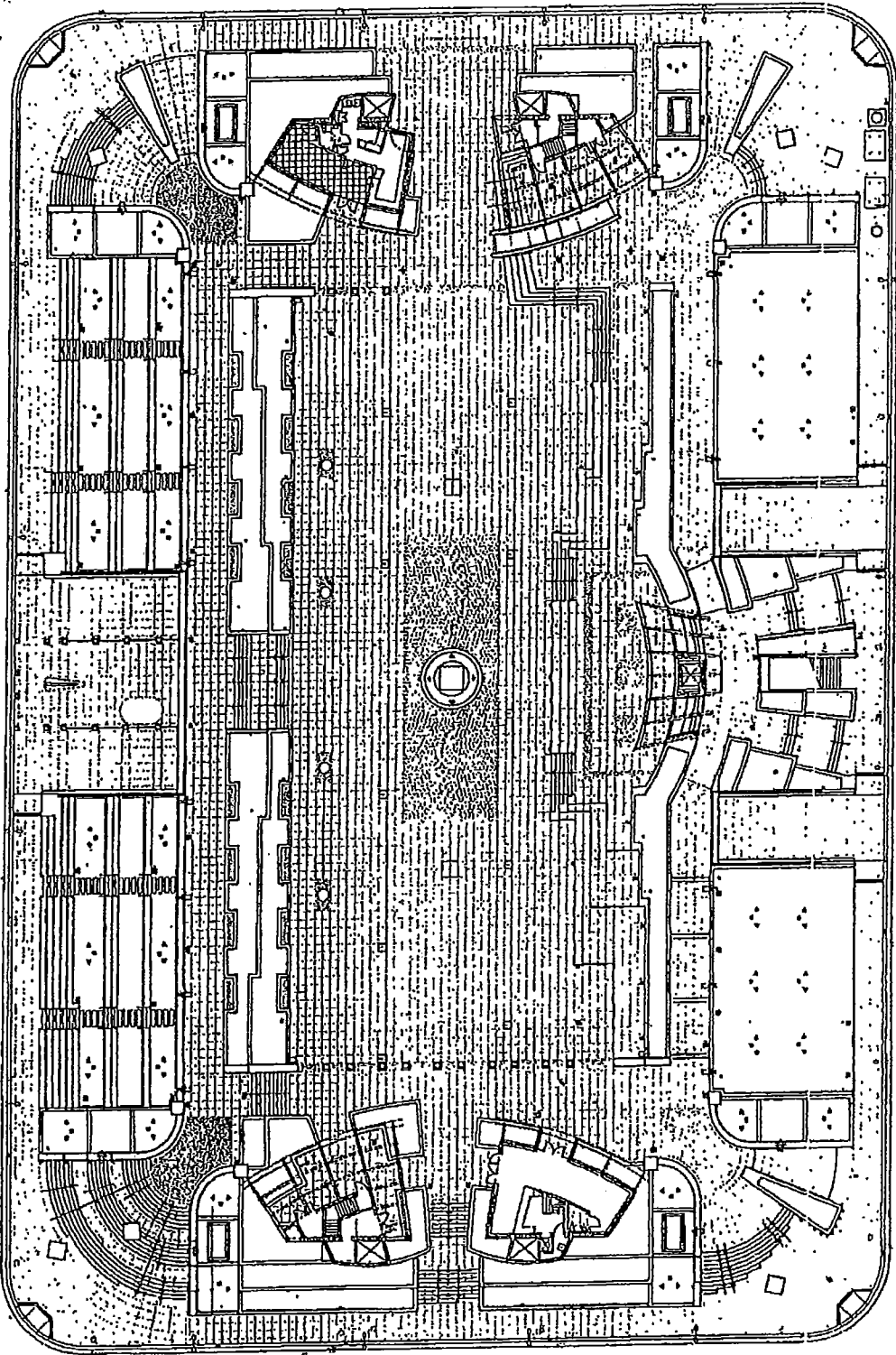
POST STREET

STOCKTON STREET



Exhibit A-2

POWELL STREET



POST STREET

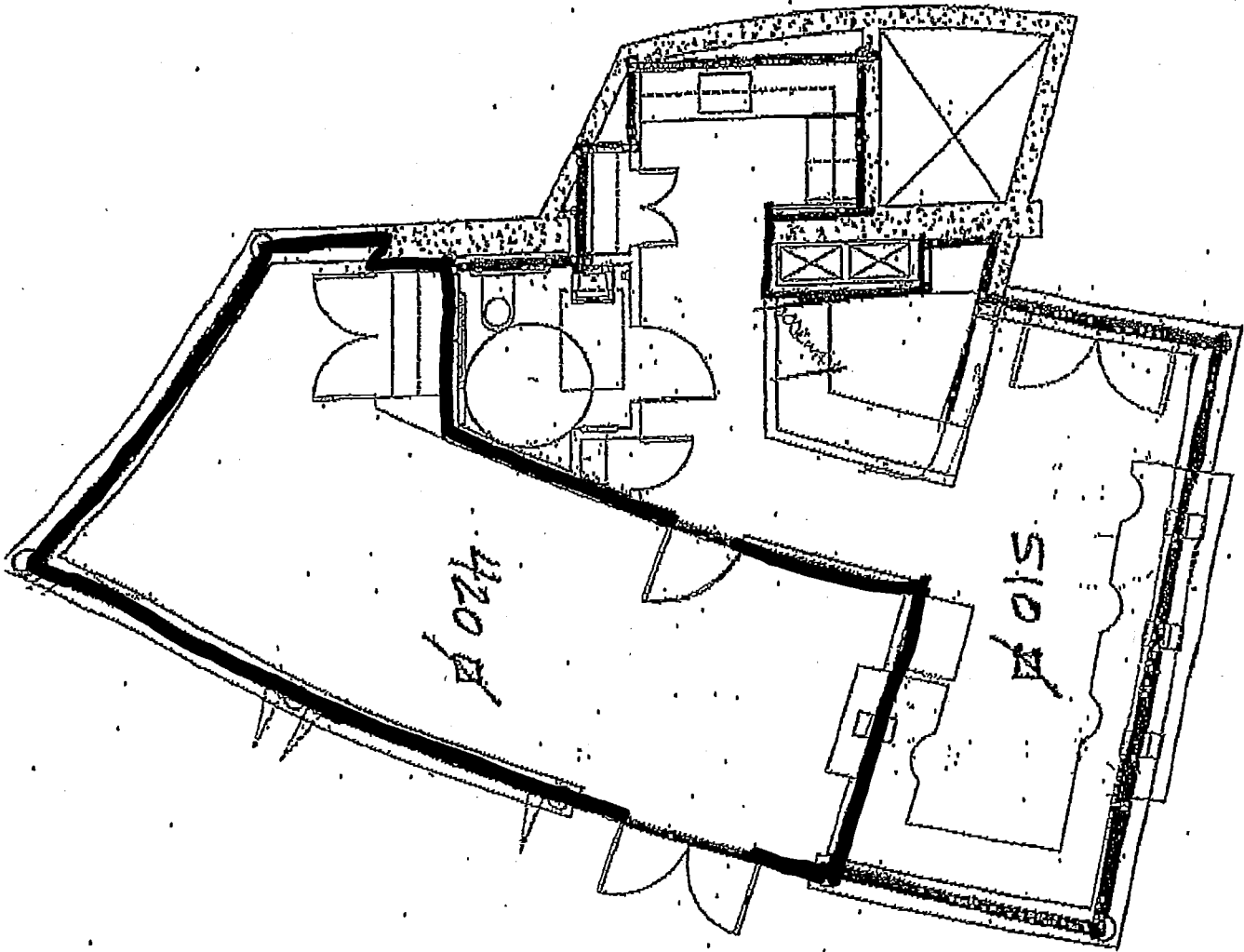
GEARY STREET

UNION SQUARE

STOCKTON STREET



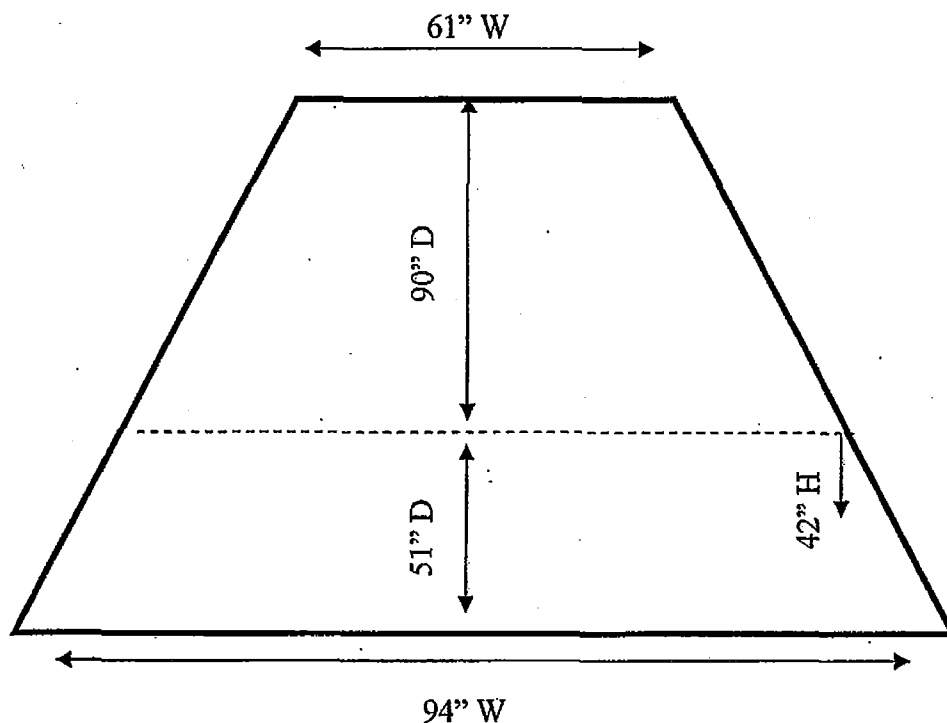
Exhibit B-3



PH. 1. 1981

Exhibit B-4

**Union Square—Powell St. Arbor
Storage Room across from
Half-Price Ticket Booth**



The Storage Room at the Powell St. Arbor at Union Square is currently utilized by Rec & Park's Gardener(s).

The Width just inside the Front door measures 94 inches Wide, but narrows to 61 inches in the back. At center of this space, it measures a total of 141 inches deep, but breaks out with the front portion at 51 inches deep, then a rise of 42 inches, and the back portion of this room measuring 90 inches deep.

