

The Chilcote Trust
c/o Twenty-One Hundred Ventures, LLC
274 Redwood Shores Parkway, # 202
Redwood City, California 94065

August 30, 2008

Mr. John Garcia
c/o JJ&F Market
2100 El Camino Real
Palo Alto, California 94036

Dear Mr. Garcia:

This letter, dated as of August 30, 2008, constitutes a "**Letter of Intent**" by and between The Chilcote Trust ("**Trust**"), as owner of that certain block located in the City of Palo Alto, County of Santa Clara, State of California, on which the current JJ&F Market is located (the "**Block**"). As you are aware, the Trust intends to demolish all of the existing improvements on the Block and to replace them with a mixed retail, residential and office complex called "College Terrace Centre." As you are also aware, if the City of Palo Alto ("**City**") approves the Trust's application to re-zone the Block from CN (neighborhood commercial) to PC (planned community), College Terrace Centre will be able to – and will provide a commitment to the City for – inclusion in the development of a neighborhood-serving grocery store (a "**Grocery**"), of the type and quality currently being operated by JJ&F in a more favorable and visible location on the Block.

According to our most recent plans, the Grocery will have the following square footage: 7,035 ground level interior space, 1,500 attached and covered receiving area, 1,312 "Open Market" (corner sidewalk space), and 600 for dry storage in the basement (which latter storage space will be adjacent to a dedicated elevator), for a total of 10,447 square feet (the "**Minimum Square Footage**"). At the option of the owner/operator of the Grocery, the ground-level interior space may be as large as 14,000 square feet (the "**Maximum Square Footage**"). Otherwise, the additional 6,965 of interior ground level space in the development will be leased to other neighborhood-serving retailers.

The base monthly rent for the 7,035 ground level interior space and the 1,500 receiving/storage space (collectively, the "**Primary Space**") (for a total of 8,535) will be \$ [redacted] sq ft., or \$ [redacted] per month. The monthly rental for the 1,312 open market space will be \$ [redacted] sq ft., or \$ [redacted] per month. And the monthly rental for the 600 storage space will be a flat rate of \$ [redacted]. This brings the total, triple net monthly rent for the entire space to \$ [redacted] collectively, "**Base Monthly Rent**"). This results in an effective blended rate of \$ [redacted] sq ft/month.

Triple net means that the Grocery will be responsible for payment of property taxes, insurance and utilities. Utilities (with the possible exception of water, which we may not be able to separately meter) will otherwise be separately metered. The Grocery will maintain all of its equipment, including but not limited to HVAC.

As you have been involved with us in our efforts to move College Terrace Centre through the City of Palo Alto's entitlement process, you are well aware that the economic terms set forth in this Letter of Intent depend upon the square footage of the entitlements that are actually approved by the City. The current CN zoning, which authorizes 25,000 square feet of office/commercial space and 25,000 square feet of residential space, does not provide sufficient rent to produce the income necessary to subsidize the rent for a grocery. If the City does not grant approval for a zoning change from CN to PC, there will be no subsidy for the grocery.

This letter acknowledges that your family members, Lloyd Garcia and Dennis Garcia, who have owned and operated JJ&F with you for many years, intend to retire at the end of the current lease term in preparation for ground breaking for College Terrace Centre. If our understanding of such impending retirements is incorrect, or if either Lloyd Garcia or Dennis Garcia should subsequently change their minds about their respective intentions to retire, the exclusive benefits provided to you in this Letter of Intent will of course be extended to them as well.

By this Letter of Intent, the Trust offers to you, personally, a right of first refusal to lease the Grocery. You may exercise this right any time between the date on which the City gives final approval to the proposed development of College Terrace Centre and the date that is eighteen (18) months prior to the expected completion of construction thereof and the issuance of a Certificate of Occupancy for the development (the "Required Date of Acceptance"). The undersigned will provide you with written notice of the Required Date of Acceptance at least sixty (60) days in advance thereof, during which sixty (60) day period you will have the opportunity to exercise your right of first refusal. If you have not exercised your right of first refusal by such date, the undersigned will market the Grocery to other potential owner/operators. Until such time as the undersigned actually executes a lease with another owner/operator, you can make, and the Trust will warmly receive, an offer to lease the Grocery.

The terms of the lease for the Grocery (the "Lease") will include the following:

1. The initial term of the lease (the "Term") shall be a minimum of ten (10) years. At your option, the minimum term may be as long as thirty (30) years.

2. The rent will be subsidized by the owners and their successors-in-interest for as long as you (and your successors-in-interest) agree that the grocery use remains viable and so long as the premises are not taken by condemnation or destroyed by fire or natural disaster. If the Certificate of Occupancy is issued on or before December 31, 2011, the lease rate for the Primary Space for the first five (5) years of the Term will be \$ NNN, per square foot. The lease rate for the Open Market and the basement storage space shall increase by a similar fraction. If the Certificate of Occupancy is issued on or after January 1, 2012, the lease rate, per square foot for the Minimum Square Footage, for the first five (5) years of the Term will be as follows:

Calendar Year 2012	\$:
Calendar Year 2013	\$:
Calendar Year 2014	\$:
Calendar Year 2015	\$:
Calendar Year 2016	\$:

3. Notwithstanding the provisions in Paragraph 2, during the first three (3) months of the Term, Base Monthly Rent will be waived completely and, during the following three (3) months of the Term, Base Monthly Rent will be reduced by fifty percent (50%).

4. During the term of the Lease for the Grocery, the per square foot rent for the Total Square Footage (i.e., the Primary Space, the Open Market Space and the storage space) will increase, every five (5) years, by the amount of increase, if any, in the San Francisco-San Jose-Oakland CPI Index over the previous five (5)-year period.

5. You will have the right, exercisable nine (9) months prior to the issuance of a Certificate of Occupancy for the development, to increase the square footage of the Grocery, up to the Maximum Square Footage; provided, however, that any square footage so leased in excess of the Minimum Square Footage shall not be provided at a subsidized rent, but rather at a market-rate rent (which we currently expect to be \$ _____ per square foot if the Certificate of Occupancy is issued on or before December 31, 2011), and shall be adjusted on the same basis as the rest of the retail space in College Terrace Centre.

Although most Letters of Intent are not binding on the parties thereto until and unless a lease or purchase agreement is executed between them, our intentions with respect to this Letter of Intent are different. If you agree with the foregoing, and execute this Letter of Intent in the space provided below for your signature on or before September 1, 2008, we agree to be bound by its terms. On the other hand, understanding that your personal circumstances may change between now and the time you would be required to exercise your right of first refusal under this Letter of Intent, we also agree that this Letter of Intent is not binding on you, and that you have the right, at any time prior to the Required Date of Acceptance, to terminate it by giving the undersigned notice, in writing, of your decision.

If you are in agreement with the terms of this Letter of Intent, please so indicate by signing in the space provided below for your signature and returning the original signature page to Robin Kennedy.

Sincerely yours,

THE CHILCOTE TRUST

By: 

Patrick Smailey

Its: Authorized Agent

AGREED TO AND ACCEPTED:

JJ&F Market

By: 

John Garcia

Its: 

Date: 

MEMORANDUM OF LETTER OF INTENT

THIS MEMORANDUM OF LETTER OF INTENT is effective as of August 30, 2008 by and between John Garcia on behalf of JJ&F Market ("JJ&F") and The Chilcote Trust ("Owner") (collectively, the "Parties"), who hereby agree as follows:

1. By that certain Letter of Intent by and between the Parties, dated as of August 30, 2008, The Chilcote Trust offered to JJ&F, and JJ&F accepted, a right of first refusal to lease 10,447 square feet in new premises to be constructed by The Chilcote Trust in a new development in the City of Palo Alto known as College Terrace Centre. This square footage shall be dedicated for use by JJ&F Market as a grocery store.
2. Pursuant to the Letter of Intent, the initial term of the lease will be ten (10) years. At JJ&F's sole option, the initial term of the lease may be as long as thirty (30) years.
3. Pursuant to the Letter of Intent, JJ&F Market shall have the right to lease up to an additional 6,965 square feet of ground level retail space at College Terrace Centre.
4. Pursuant to the Letter of Intent, the right to exercise the right of first refusal to lease the space shall be at JJ&F's sole discretion.

IN WITNESS WHEREOF, the Parties have executed this instrument as of the date first set forth above.

JJ&F MARKET

By: _____

John Garcia

Its: Co-Owner

Date: 8/30/08

THE CHILCOTE TRUST

By: _____

Patrick Smailey

Its: Authorized Agent

Date: 9/3/08