

Venture Hospitality & Real Estate, LLC
618 NW Glisan, Suite 202
Portland, Oregon 97209
971-703-4453

October 23, 2014

Michael Leash
Rapoza Development Group, LLC

RE: PROPOSAL FOR ALL FOOD & BEVERAGE OPERATIONS AT PROPOSED HILTON GARDEN INN HOTEL AND GRANADA THEATER IN THE DALLES (THE “HOTEL”)

Dear Michael:

The following are proposed terms of an agreement for certain food and beverage operations, including a ground floor restaurant (the “Restaurant”), conference space in the “Blue Building”, the Granada Theater Food & Beverage and hotel back of house operations for in room dining (“IRD”) at the proposed Hilton Garden Inn Hotel in The Dalles (collectively “the Operations”). The parties contemplate that the Operations would be supervised, directed and controlled by the Hotel service provider in collaboration with Venture Hospitality (“VH”), through a license agreement (the “Definitive Agreement”). This term sheet is not intended to be all-inclusive of the terms and conditions of the Definitive Agreement should the parties reach agreement on final terms and conditions.

- 1. Effective Date:** Upon execution of the Definitive Agreement
- 2. Owner:** Rapoza Development Group, LLC
- 3. Manager:** Venture Hospitality & Real Estate, LLC
- 4. Hotel Franchise:** Hilton Hotels and Resorts
- 5. Hotel Services Provider:** TPG Hospitality a Procaccianti Company
- 6. Concepts:**

Restaurant: A 3-meal restaurant / bar / lounge concept owned by Manager or its affiliates, based upon any of the existing locations owned, managed, or licensed by Manager or its affiliates in Portland, Beaverton, Hillsboro, Denver and Phoenix. The concept will be customized for the modern Columbia Gorge-Northwest palate, with a particular focus on the bar / lounge component and related beverage sales.

Terrace: A to-be-determined concept focused on beverage sales and private events, potentially positioned as an extension of (or in some way related to) the restaurant.
- 7. Concepted Areas:** Shall consist of the following (all figures are to be verified prior to finalization of the Definitive Agreement, and subject to final design programming):

Main Dining Room and Bar	3650 sq. feet
Restaurant Terrace	4700 sq. feet

<u>Kitchen and Other BOH</u>	2000 sq. feet
Total	10,350 sq. feet
Granada Theater	2,500 sq. feet
Grand Total	12,850 sq. feet

8. Term: Management Agreement shall be in force and effect for 5 years as of effective date of execution of Definite Agreements. Renewals shall be subject to written consent by Parties. Early termination applies in the event of breach of any of the parties thereto (“Default”).

9. License Fee: Three percent (3.0%) of Gross Operating Revenues, (as defined in the Management Agreement, or to be defined in the Definitive Agreement) of the Operations.

10. Pre-Opening Costs:

- a. **Development Fee:** Twenty Five Thousand dollars (USD \$25,000), payable upon signing of the Definitive Agreement, as reimbursement for the costs of Manager’s corporate operations, culinary, finance, human resources, design, and marketing activities for the Concepted Areas during the period between the signing of this letter and the date two (2) weeks prior to the Opening Date. Specific deliverables would include, but would not be limited to:
 - i. Pre opening task force training services (but not including allocated salaries of task force personnel);
 - ii. Pre opening marketing assistance;
 - iii. Pre opening rights to VH-owned intellectual property;
 - iv. Delivery of the logo, collateral, and all related branding;
 - v. Food and beverage menus;
 - vi. Recipes and methodologies;
 - vii. Training and operational manuals;
 - viii. Interior design guidance;
 - ix. Any fees associated with the Preferred Consultants;
 - x. Operational, FF&E, and IT programming guidance;
 - xi. Other documents and services required to effectively deliver the concept
- b. **Pre-Opening Budget:** Hotel Services Provider would work with Manager to develop a pre-opening budget specific to the Concepted Areas (the “Concept POB”). The Concept POB would include estimates of expenses including, but not limited to:
 - i. Restaurant and Terrace salaries, wages, and related employment costs prior to opening,
 - ii. Operating supplies and equipment,
 - iii. Marketing costs,
 - iv. Setup costs for the Systems,
 - v. Costs associated with the Training Process,
 - vi. Food and beverage used during the Training Process and pre-opening live simulations / promotional meals in the Restaurant and Terrace,
 - vii. Training manual printing and, if applicable, translation,
 - viii. Allocated salaries of Licensor’s task force training personnel during the opening process

For the avoidance of doubt, the expenses included in the Concept POB, whether incurred directly by Owner or incurred by Manager or Hotel Services Provider and reimbursed by Owner, will be separate and apart from the Development Fee.

- c. **T&E and Reimbursable Expenses:** Separate from the Concept POB, Hotel Services Provider would work with Manager to provide an indicative estimate, of reimbursable travel, entertainment, and other out of pocket costs expected to be incurred by Hotel Services Provider between the signing of this letter and the date two (2) weeks prior to the opening date of the Concepted Areas. Such amount would be subject to review by Owner. The parties acknowledge that such an estimate is inherently imprecise, and that actual expenses incurred will be affected by factors out of Hotel Service Provider's or Owner's control, including, but not limited to, fluctuating travel costs and uncertainty regarding the number of visits to The Dalles (or elsewhere) necessary to complete the design process of the Concepted Areas. Class of travel will be consistent with the policies of Hotel Services Provider's corporate affiliate.

11. Training Process:

- a. All significant training and retraining exercises would be coordinated with Manager and shall take place at the Hotel except if otherwise agreed with Hotel Services Provider;

12. Operations and Employees:

The terms of the HMA would apply in full to the operation of the Operations as components of the Hotel, including without limitation those relating to Hotel Personnel (with the addition that recruitment and selection of the Restaurant's chef de cuisine and general manager would be coordinated with Licensor), annual operating plans and financial reporting, it being understood that Hotel Services Provider may share any and all financial information relating to the Operations with Manager.

13. Systems:

Manager to designate reservations system.

14. Preferred Consultants:

Owner acknowledges that Manager will engage with certain third-party consultants during the design and construction phases of the Restaurant's and Terrace's development, such consultants to include specialists in the areas of:

- a. Lighting design,
- b. Tabletop design (OS&E),
- c. Music selection,
- d. Collateral design (menus, printed materials)
- e. Uniform design, and
- f. Kitchen design

The above are collectively the "Preferred Consultants". Owner recognizes that Manager utilizes the Preferred Consultants' at all restaurants with which Manager is involved. Owner agrees to incorporate the Preferred Consultants' recommendations into the final design and operation of the Operations. The cost of the Preferred Consultants is included in the Development Fee.

