



**Harlem
Community
Development
Corporation**

163 West 125th Street
New York, NY 10027
212-961-4100
212-961-4143 fax
www.harlemcdc.com

BOARD OF DIRECTOR'S MEETING

Friday, November 16, 2012

10:00 A.M.

AGENDA

CONSIDERATION:

Cecil Hotel Development Corporation, Housing and Services Inc. – The Cecil Hotel Commercial Spaces; Consent to Cecil Hotel Development Corporation entering into a sublease with Harlem Jazz Enterprises LLC to sublease the commercial spaces at the Cecil Hotel; Authorization to Take Related Actions

OLD BUSINESS

NEW BUSINESS

ADJOURNMENT



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FOR CONSIDERATION

November 16, 2012

TO: The Directors

FROM: Curtis L. Archer

RE: The Cecil Hotel – 118th Street & St. Nicholas Avenue Commercial Spaces

REQUEST FOR: Cecil Hotel Development Corporation, Housing and Services Inc. – The Cecil Hotel Commercial Spaces; Consent to Cecil Hotel Development Corporation entering into a sublease with Harlem Jazz Enterprises LLC to sublease the commercial spaces at the Cecil Hotel; Authorization to Take Related Actions

I. Requested Action

The Board of Directors is requested to consent to Cecil Hotel Development Corporation (“Cecil HDC” or the “Tenant”) consenting to: 1) the assignment of a sublease dated October 21, 2009 with an effective start date of January 1, 2010 between Tenant and Caranda Emporium LLC and 2) Tenant entering into a new sublease with Harlem Jazz Enterprises LLC (“HJE” or the “Sub-Tenant”) for both commercial spaces within the Cecil Hotel. The Board of Directors is further requested to authorize the President or his designee to take such related actions as necessary or required in connection with the assignment of the Caranda sublease and new sublease.

II. Background

The Cecil Hotel (the “Cecil”), located at West 118th Street and St. Nicholas Avenue, is a five-story elevator building constructed circa 1901 of approximately 41,000 gross square feet of building area. It houses 89 single room occupancy (“SRO”) dwelling units, one two-bedroom superintendent’s unit, office space ancillary to the SRO units and approximately 7,000 square feet ground floor commercial retail space.

Harlem CDC owns the Cecil and master-leases it to a Housing and Services, Inc. (“HSI”) Article 11 Housing Development Fund Company affiliate, Cecil HDFC (“Cecil HDFC”). The current lease expiration date is 2050. HSI is a highly regarded non-profit housing development and management organization. Pursuant to the master-lease, any assignment or subletting of the commercial space is subject to Harlem CDC’s written permission.

In October 2009, Cecil HDFC requested and the Board authorized Harlem CDC to consent to the terms of a sub-lease of the commercial space within the Cecil Hotel that runs along St. Nicholas Avenue to Caranda Emporium (“Caranda”). Cecil HDFC and Caranda executed a sublease of the commercial space on October 21, 2009, which is effective as of January 1, 2010 (the “Caranda Lease”). The lease term is for 10 years with two 5 year renewal options subject to the approval of Harlem CDC. The term of that base lease expires on December 21, 2019.

In 2010 Doughba H. Caranda-Martin, principal of Caranda advised that, after initially seeking to obtain new business partners, he is unable to proceed with the retail business venture as envisioned due to personal and business reasons and requested permission to assign the Caranda Lease to HJE. The principals of HJE are Richard Parsons and Alexander Smalls. The HJE proposal (the "Proposal") envisions the development of the two (2) Cecil Hotel commercial spaces, inclusive of the St. Nicholas space currently subleased to Caranda and the historic Minton's Playhouse space that is currently vacant, as a restaurant, jazz performance space, bar/lounge and café/retail space. The Proposal includes a draft term sheet (the "Term Sheet") for the commercial spaces. The Term Sheet includes a request for the assignment of the Caranda lease to HJE and the amendment and restatement of said sublease to include the Minton's Playhouse space. Cecil HDC and HJE have negotiated the essential terms of that sublease, subject to Harlem CDC consenting to the sublease transaction. . .

To undertake the proposed business venture, HJE has established strategic alliances with the Jazz Foundation of America, which will work with HJE to create performance opportunities for struggling elderly jazz musicians, Jazz Mobile, which will assist with the design and programming of activities such as lecture series, panel discussions and master classes, and a joint venture of West Harlem Group Assistance, Abyssinian Development Corporation and Columbia University, who will provide hospitality training programs for local residents.

On January 21, 2011, Harlem CDC's Cecil Hotel Lease Committee (the "Lease Committee") met to review the Proposal. The Committee was favorably impressed with the Proposal and recommended that the Board approve in principal Cecil HDC entering into sub-leasing arrangements with HJE for the two commercial spaces located at the Cecil Hotel site, including an arrangement that would permit the assignment of the current Caranda sublease to HJE,-provided that:

- 1) HJE provided satisfactory responses to all questions raised by Harlem CDC;
- 2) the sublease include a requirement that the commercial spaces be developed in a manner substantially in accordance with the Proposal; and
- 3) Harlem CDC approve the final sublease, subleases and/or assignment in accordance with the standards, conditions and criteria set forth for review of subleases under the terms of the Agreement of Lease between Harlem CDC and Tenant.

On March 18, 2011 the Board approved in principal Cecil HDC entering into a sublease with Harlem Jazz Enterprises LLC ("HJE") for the purposes, and substantially in accord with the terms and conditions set forth in those Directors Materials, which are attached hereto as Exhibit 1.

After extensive negotiation between Cecil HDC and HJE, Cecil HDC presented Harlem CDC with a draft of the proposed sublease of the commercial spaces within the Cecil Hotel, The essential terms and conditions of the sublease are summarized below.

1. Term: Initial 10 years, with options for 3 additional terms of 5 years each, provided HJE is not in substantial default under the terms of the sublease.
2. Premises: Approximately 8,500 total square feet in building located at 206-210 West 118th Street, New York, NY, consisting of the premises described under the sublease dated January 10, 2010 between Cecil HDC and Caranda Emporium, LLC and the premises known as Minton's. The leased premises shall also include (i) use of courtyard passageway between the two above

described premises solely for use by employees of HJE; (ii) possible use of a portion of the rooftop of the building for HVAC equipment; (iii) the right to install HVAC and exhaust connections between the premises and the rooftop; (iv) administrative office space in the basement of the building; and (v) conditioned upon and subject to receipt of any required approvals and permits, extension of restaurant along the length of the St. Nicholas Avenue side of the building into an outdoor sidewalk café.

3. Permitted Use: Jazz Supper Club, live and recorded music and other cabaret type entertainment, restaurant, café, bar and lounge, retail food store.
4. Base Rent: \$10,000 per month in Year 1, escalating three percent (3%) per year, plus an additional \$12,000 per year for basement office space.
5. All alterations are subject to obtaining all required permits and approvals and are subject to the approval of Harlem CDC and Cecil HDFC. The sublease would be subject to the issuance by the NYC Department of Buildings of a permit to build and use the premises as two spaces for the uses permitted under the sublease, joined by a connecting courtyard bridge, to be used to provide access to the spaces by the staff of HJE.
6. The building is listed on the National Register of Historic Places and any alterations must be approved by the New York State Historic Preservation Office ("SHPO"). HJE will cooperate with Harlem CDC in its consultation with SHPO, which will be coordinated by and through Harlem CDC.
7. Assignment and Subletting: The proposed sublease includes an extensive section on assignment and subletting, including potentially modifying the permitted uses under the sublease. CHDFC and HJE wish to have the terms of any subletting or assignment outlined in advance, subject to Harlem CDC approval. Harlem CDC's approval would be required in order to modify the sublease, including assignments or further subletting.
8. Insurance and Indemnifications required to be provided for both Harlem CDC and Empire State Development ("ESD") as additional insured or indemnitees, as applicable.
9. Harlem CDC must approve all plans and specifications for the work to be performed in the subleased premises. Cecil HDFC is responsible for Harlem CDC's cost of reviewing the proposed building plans as part of its approval process.
10. ESD's environmental staff will coordinate any necessary/required historic preservation review related to the Cecil's State and Federal Historic Registry designation.
11. Noise, fumes and other quality of life issues are addressed in several places in the proposed sublease. CHDFC has working diligently to insure that noise attenuation measures are incorporated throughout and that there are adequate remedies to deal with any default under the provisions of the sublease involving these noise, fumes and quality of life issues. HJE will be obligated to comply with the New York City Noise Code.

12. HJE will apply for a liquor license for the demised premises. In the event HJE cannot secure the license within six (6) months of the sublease commencement date, HJE will have the right to terminate the sublease.

13. Signage for the premises is subject to the approval of both Cecil HDFC as well as Harlem CDC.

The Board's Lease Committee (the "Committee") met on Friday, October 26, 2012 to review the terms and conditions of the proposed sublease and voted unanimously to recommend to the full Board that the Board consent to Cecil HDFC entering into a sublease with HJE upon substantially the same terms and conditions proposed. The Lease Committee also recommended that HJE be required to report to Cecil HDFC on an annual basis with respect to any community programs and activities undertaken in connection with the aforementioned strategic alliances.

III. Recommendation

It is recommended that the Board approve the requested actions.

IV. Additional Submission to Directors

Resolution

Exhibit 1- March 18, 2011 Directors Materials



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November 16, 2012

Cecil Hotel Development Corporation, Housing and Services Inc. – The Cecil Hotel Commercial Spaces; Consent to Cecil Hotel Development Fund Corporation (“Cecil HDFC”) permitting the assignment of the sublease dated October 21, 2009 between Cecil HDFC and Caranda Emporium to Harlem Jazz Enterprises LLC (“HJE”) and to Cecil HDFC entering into a new sublease for the two (2) commercial spaces at the Cecil Hotel; Authorization to Take Related Actions

RESOLVED, that based upon the materials presented at this meeting (the “Materials”), a copy of which is ordered filed with the corporate records, the Corporation acting by its President or the President’s designee(s), hereby consents to Cecil Hotel Development Corporation (“Cecil HDFC”): 1) consenting to the assignment of a sublease dated October 21, 2009 between Cecil HDFC and Caranda Emporium (please complete full name-I do not have access to my files) and 2) amending and restating said Caranda sublease and entering into a new sublease with Harlem Jazz Enterprises LLC for both the commercial space that is the premises described in the Caranda sublease and the remaining commercial space within the Cecil Hotel, as described in the Materials and substantially in accord with the terms and conditions, set forth in the Materials; and be it further

RESOLVED, that the President or the President’s designee(s) is, and each of them hereby is, authorized to take such actions or to execute on behalf of the Corporation such documents as he or she may deem necessary or appropriate in connection with the foregoing resolutions.

EXHIBIT 1



Harlem Community Development Corporation
Adam Clayton Powell, Jr. State Office Building
163 West 125th Street, New York, NY 10027
Tel (212) 961.4100 • Fax (212) 961.4143

FOR CONSIDERATION

March 18, 2011

TO: The Directors

FROM: Curtis L. Archer

RE: The Cecil Hotel – 118th Street & St. Nicholas Avenue Commercial Spaces

REQUEST FOR: Cecil Hotel - The Cecil Hotel Commercial Spaces; Consideration of the Intention of Cecil Hotel Development Corporation entering into negotiations with Harlem Jazz Enterprises LLC to sublease the commercial spaces at the Cecil Hotel; Authorization to Take Related Actions

I. Requested Action

The Board is requested to consider the intention of Cecil Hotel Development Corporation (“Cecil HDC” or the “Tenant”) to enter into negotiations with Harlem Jazz Enterprises LLC (“HJE” or the “Sub-Tenant”) for the sublease of the commercial spaces within the Cecil Hotel and instruct Harlem Community Development Corporation (“Harlem CDC”) staff to advise Cecil HDC that the Board approves in principle such negotiations.

II. Background

The Cecil Hotel (the “Cecil”), located at West 118th Street and St. Nicholas Avenue, is a five-story elevator building constructed circa 1901 of approximately 41,000 gross square feet of building area. It houses 89 single room occupancy (“SRO”) dwelling units, one two-bedroom superintendent’s unit, office space ancillary to the SRO units and approximately 7,000 square feet ground floor commercial retail space.

Harlem CDC owns the Cecil and master-leases it to a Housing and Services, Inc. (“HSI”) Article 11 Housing Development Fund Company affiliate, Cecil HDC. HSI is a highly regarded non-profit housing development and management organization.

In 1987, Harlem CDC’s predecessor, Harlem Urban Development Corporation obtained title to the Cecil Hotel from the NYC Department of Housing Preservation and Development (“HPD”) pursuant to a Land Disposition Agreement that required the redevelopment of the Cecil as an SRO. HSI, through an affiliate, entered into a 43-year lease (the “Lease”) with HUDC to facilitate the renovation. Pursuant to a 30-year regulatory agreement, a minimum of 60 percent of the Cecil units must be occupied by referrals from the NYC shelter system; HSI consistently exceeds this minimum.

On May 9, 2008 Harlem CDC approved a 20 year extension to the Lease in order to facilitate the provision of a 30-year \$6 million interest-free mortgage from HPD to finance capital improvements to the Cecil Hotel. The current lease expiration date is 2050.

On October 9, 2009 the Board authorized Harlem CDC to consent to the terms of a sub-lease of the commercial space within the Cecil Hotel that runs along St. Nicholas Avenue to Caranda Emporium ("Caranda"). Pursuant to the sub-lease, any assignment or subletting of the commercial a space is subject to the Landlord's written permission.

In 2010 Doughba H. Caranda-Martin, principal of Caranda advised that, after initially seeking to obtain new business partners, he is unable to proceed with the retail business venture as envisioned due to personal and business reasons and requested permission to assign the Caranda lease to Harlem Jazz Enterprises, LLC ("HJE"). The principals of HJE are Richard Parsons and Alexander Smalls. The HJE proposal (the "Proposal") envisions the combination and development of the Cecil Hotel's commercial spaces, inclusive of the St. Nicholas space currently leased to Caranda and the historic Minton's Playhouse space that is currently vacant, as a restaurant, jazz performance space, bar/lounge and café/retail space. The Proposal was previously distributed to the Board.

The Proposal includes a draft term sheet (the "Term Sheet") for the combined commercial spaces. The Term Sheet is attached to these materials as Exhibit 1. The Term Sheet includes a request for the assignment of the Caranda lease to HJE and the amendment and restatement of said lease to include the Minton's Playhouse space. Cecil HDC and HJE have not yet commenced negotiations of any lease terms; they await written indication from Harlem CDC that it, in principal, supports the Proposal.

To undertake the proposed business venture, HJE has established strategic alliances with the Jazz Foundation of America, which will work with HJE to create performance opportunities for struggling elderly jazz musicians, Jazz Mobile, which will assist with the design and programming of activities such as lecture series, panel discussions and master classes, and a joint venture of West Harlem Group Assistance, Abyssinian Development Corporation and Columbia University, who will provide hospitality training programs for local residents.

On January 21, 2011 Harlem CDC's Cecil Hotel Lease Committee (the "Lease Committee") met to review the Proposal. The Committee was favorably impressed with the Proposal and recommended that the Board approve in principal Cecil HDC entering into sub-leasing arrangements with HJE for the two commercial spaces located at the Cecil Hotel site, including an arrangement that would permit the assignment of the current Caranda lease to HJE, -provided that:

- 1) satisfactory responses are provided to all questions raised by Harlem CDC;
- 2) the sublease include a requirement that the commercial spaces be developed in a manner substantially in accordance with the Proposal; and
- 3) subject to Harlem CDC's approval of the final sublease, subleases and/or assignment in accordance with the standards, conditions and criteria set forth for review of subleases under the terms of the Agreement of Lease between Harlem CDC and Tenant.

The questions posed by Harlem CDC concerning the Proposal and HJE's response to said questions were previously distributed to the Board and are attached to these materials for reference as Exhibit 2.

On January 28, 2011 the Board discussed the Proposal and requested clarification of the expenses that HJE will reimburse to Caranda under the assignment. A summary of the reimbursements is attached to these materials as Exhibit 3.

III. Recommendation

It is recommended that the Board approve the requested actions.

IV. Additional Submission to Directors

Resolution

Exhibit 1 - HJE Proposed Lease Terms

Exhibit 2 - HJE Responses to Harlem CDC's Questions

Exhibit 3 - Summary of Reimbursements to Caranda

Resolution No:
March 18, 2011

Cecil Hotel Development Corporation - The Cecil Hotel Commercial Spaces; Consideration of the intent of Cecil Hotel Development Corporation entering into sub-lease negotiations with Harlem Jazz Enterprises LLC to sublease the commercial spaces at the Cecil Hotel; Authorization to Take Related Actions

RESOLVED, that based upon the materials presented to this meeting (the "Materials"), a copy of which is ordered filed with the corporate records, the Corporation acting by its President or the President's designee(s), is, instructed to inform Cecil Hotel Development Corporation ("Cecil HDC") that the Board approves in principle Cecil HDC engaging in the sublease negotiations described in the Materials, for the purposes, and substantially in accord with the terms and conditions, set forth in the Materials, provided, however, that this does not constitute the Corporation's approval of or consent to any such sublease which approval and consent is, among other things, subject to this Board's review and consideration of the terms and conditions of any proposed sublease that may result from such negotiations and further action by this Board with respect such approval and consent; and be it further

RESOLVED, that the President or the President's designee(s) be, and each of them hereby is, authorized to take such actions or to execute on behalf of the Corporation such documents as he or she may deem necessary or appropriate in connection with the foregoing resolutions.

EXHIBIT 1

VI. TERM SHEET: AMENDED AND RESTATED LEASE FOR CARANDA EMPORIUM SPACE AND FOR THE ADDITION OF THE MINTON'S SPACE AT 206-210 WEST 118TH STREET, NEW YORK, NEW YORK

Building/Premises/Area:	A total of approximately 8,500 sf of ground floor space in the building located at 206 – 210 West 118 th Street, New York, New York 10026, consisting of the demised premises under the lease dated January 1, 2010 between landlord and Caranda Emporium, LLC, and the premises known as Minton's, including (i) exclusive use of the courtyard passageway between the two premises (and use of the rooftop of said passageway for the location of HVAC equipment); (ii) exclusive use of a portion of the rooftop of the building to be determined for HVAC equipment; (iii) the right to install HVAC and exhaust connections between the premises and the rooftop; and (iv) subject to applicable permitting, outdoor café space along the length of the St. Nicholas Avenue side of the premises. Tenant to submit preliminary schematics for the demised premises for approval by landlord which shall be annexed to the Amended and Restated Lease.
Tenant Assignee:	Harlem Jazz Enterprises, LLC, a newly formed limited liability company controlled by Dick Parsons and Alexander Smalls, which will upon execution of the Amended and Restated Lease be the assignee of Caranda Emporium under the existing lease as modified and restated to incorporate the additional premises described herein, the use contemplated hereby and such other changes to the existing Caranda Emporium lease as are necessary to effectuate the foregoing. HJE and Caranda have signed an agreement to assign the lease to HJE, subject to the approval of the Landlord and Harlem CDC and to entering into the amended and restated lease. A letter confirming these arrangements with Caranda is attached.
Use:	Restaurant and café serving breakfast, lunch and dinner with alcoholic beverages and providing live and recorded music and other cabaret type entertainment also a retail food store.
Lease Term:	Ten Years (10) years
Options:	Three (3) options of Five (5) year terms to commence at the end of each successive term with at least ninety (90) day notice from the Tenant
Lease Commencement Date:	TBD
Rent Commencement Date (free rent):	12 Months after lease commencement, provided that Tenant will pay the base rent contemplated by the existing Caranda Emporium lease commencing in September 2010 and shall

	receive a credit for any such payments during the free rent period to be applied against future base rent payments to the extent such future base rent exceeds the base rent under the existing Caranda Emporium lease.
Rent:	\$120,000 per annum escalating three (3%) percent per year
Option to renew:	3 x 5 year options to renew at the then escalated fixed rent (i.e. fixed rent at the three (3%) increase per year).
Real Estate Tax:	None
Utilities:	Tenant shall pay utilities directly to all local utility companies, except that Landlord shall install appropriate submeters for water, gas and electric service.
Heat, Air Conditioning Equipment:	The tenant will use existing HVAC. The landlord to install gas service, water and electric lines to the space.
Base Building Work / Delivery Condition:	Sprinkler system to be delivered by Landlord in good working order.
Contingencies:	The Lease must provide Tenant with the ability to install the following: (i) 1000 ampere@208 volt, 3 phase electric service; (ii) minimum of 3" sprinkler connection each at 1 st floor and cellar floor; (iii) minimum of 2" domestic water service; (iv) the right to use the space in the court yard for HVAC equipment; (v) minimum of 3" gas service for cooking and heating. In addition, Tenant must have the right to use the space on the roof, including the bridge roof for HVAC equipment and exhaust system.

Tenant-responsibility during the lease	The tenant shall be responsible at it's sole cost for: <ol style="list-style-type: none"> 1. Cleaning 2. Trash removal 3. Maintenance of mechanical systems within its space
Landlord responsibility during the Term:	The Landlord will maintain the roof, and exterior walls and all common mechanical systems, including the elevator systems.
Liquor License:	The Landlord shall cooperate with Tenant in securing a liquor license for the Premises. The Tenant will until six months after the Lease Commencement Date to obtain the liquor license. In the event that Tenant shall fail to secure its liquor license by the specified timetable, then Tenant shall have the right to

	terminate the Lease.
<i>Sublease and Assignments</i>	The tenant shall have the right to sublease to any of its subsidiaries or affiliates as occupants of the Premises without the landlord's consent. Affiliates shall mean any entity controlled by, controlling or under common control with the tenant. The tenant shall also have the right at any time to sublease or assign any portion of Premises to any unrelated entities, subject to the approval of the landlord, such approval not to be unreasonably withheld. All subtenants must execute a sublease document that incorporates all the terms of the master lease and shall assume all responsibilities stated therein.
<i>Security Deposit:</i>	\$30,000 (\$18,000 of which is currently held by landlord under existing lease; new tenant will reimburse Caranda Emporium for existing security deposit and other agreed amounts) The definitive lease will also reflect tenant's commitment to invest at least \$3,500,000 in the project (inclusive of construction costs, pre-opening costs and initial working capital).
<i>Financing:</i>	Landlord shall arrange for its lender to execute applicable SNDA in favor of Tenant. Tenant will be permitted to grant first priority security interest in restaurant equipment as part of restaurant financing and Landlord will execute such acknowledgements thereof as may be reasonably required by Tenant's lender.
<i>Signage:</i>	TBD
<i>Conduct of Business</i>	Lease shall acknowledge intended uses by Tenant and require no further modifications by Tenant of plans once approved by Landlord (such as further sound attenuation alterations)
<i>Brokerage</i>	None

This letter is a non-binding document and is hereby delivered for the purpose of commencing discussions between the parties herein. This letter is subject to withdrawal and/or modification at any time prior to the final incorporation into a mutually executed lease agreement.

EXHIBIT 2

MEMORANDUM

TO: Curtis Archer
Wayne Benjamin

FROM: Harlem Jazz Enterprises, LLC

DATE: January 25, 2011

RE: Minton's/Cecil

Thanks to you and the lease committee of the Harlem CDC Board for taking the time on Friday to meet with us and discuss our proposal for the retail space at the Cecil. We hope our enthusiasm for the project was contagious and the committee came away from the meeting with a shared sense of what can be accomplished for the building and the community if we are successful with this effort.

We are writing to respond to some of the questions you submitted to us. As we indicated in the meeting, more definitive answers to some of the questions involve time and money on our part which we are prepared to address as expeditiously as possible once we have received an indication that the Board has approved our proposal in principle and, in particular, the financial terms set forth therein.

1. *Caranda.* Harlem Jazz Enterprises LLC entered into an agreement with Caranda Emporium for the assignment of its lease with Cecil Housing Development Fund Corporation for the space at 206 West 118th Street. The Assignment is of course subject to the approval of the landlord and Harlem CDC as overlandlord. It is also subject to the amendment and restatement of that lease to (i) include the Minton's space and (ii) reflect the terms set forth in the Term Sheet we submitted to the Board as part of our proposal. If and when the landlord and Harlem Jazz Enterprises enter into a new lease and all of the material conditions in that lease are satisfied, HJE will (i) reimburse Caranda for its out-of-pocket expenses incurred under its existing lease (comprised largely of prepaid rent, security deposit and legal fees) and (ii) pay Caranda the sum of \$100,000. This is inclusive of any consulting services Caranda may provide. We would like to offer Caranda's coffee and tea products at the restaurant but neither party has made a commitment to that arrangement as of yet.
2. *Parking.* We anticipate that most patrons will arrive at the restaurant by public transportation, taxi or other car service. We do intend to offer valet

parking to those who arrive by personal car which we do not anticipate would exceed 50 to 75 cars per evening. We intend to make arrangements for that valet service with one of the several garages located in the immediate vicinity of the restaurant.

3. *Price points.* We intend to offer a variety of price choices to restaurant patrons. While this information is preliminary at this point in time, dinner at the supper club may range from \$20.00 to \$30.00 per entrée and \$10.00 to \$14.00 for appetizers and dessert. Live music at the supper club may also involve a cover charge. At the bar/lounge area, the target prices are likely to be from \$14.00 to \$22.00 for entrees and \$10.00 to \$12.00 for appetizers and desserts. The café will offer sandwiches and similar items and we anticipate that check averages at that portion of the space will be around \$14.00.
4. *Programming/Artists.* The list of artists that may perform at the club was intended to be representative of the type of artists we would seek to book. It would have of course been premature on our part to discuss bookings with artists or their agents when we have not yet secured the space. Through Jazzmobile, the Jazz Foundation of America, and our own contacts in the industry, we do not anticipate any issue in booking artists of the caliber we described in our proposal. We know that the Board has expressed a strong interest in the development of programs to support music education in public schools and a desire to explore with us the possibility of music scholarships for Harlem youth. These are goals that the principals of HJE strongly support. Our initial focus is to create a viable and self-sustaining business enterprise that is then in a position to entertain commitments of that nature. We will in addition keep the landlord apprised as our programming arrangements with Jazzmobile and JFA develop.
5. *Employment/Harlem Hospitality Academy.* The staffing at the restaurant will include approximately 30 people in the kitchen staff and another 30 people in the service staff (wait staff, hostesses and security), working in two shifts. Another 10 to 12 people will be on the managerial staff. As noted in our proposal, the focus of our local recruitment will be through the Harlem Hospitality Academy, a program being developed by Columbia University, West Harlem Group Assistance and the Abyssinian Development Corporation. We will of course keep the Board of Harlem CDC apprised of our progress as we further develop our relationship with the Academy. For example, the Academy has developed a course outline which we include with this memorandum as representative of the efforts that are already underway.
6. *Investment/Funding/Financials.* As we noted in the meeting, while we have made some preliminary estimates of the build out costs for the restaurant, a more definitive budget requires further expenditures on more detailed plans and specifications. We are prepared to incur those costs as soon as the Harlem CDC Board approves our proposal in principle. We still anticipate that the venture will require funding of between \$4.0 and \$5.0 in construction costs, pre-opening costs and initial working capital. This may be comprised of equity capital, loans and

other funding. Our Term Sheet specifies that there will be a minimum investment of \$3.5 million. In addition to supplementing the security deposit so that it mirrors for the entire space the terms that are in the current Caranda lease (three months security deposit), prior to entering into the new definitive lease we will provide evidence to the landlord of the capitalization of the tenant so that the commitments for the financing are abundantly clear. As you are aware, the principal investor/managing partner of Harlem Jazz Enterprises is Richard Parsons who may fund the entire venture personally but reserves the right to include additional investors. These arrangements will be finalized and disclosed to the landlord prior to the time the definitive lease is signed.

7. *Alterations/Approvals/Licensing*

- a. *Basement.* The demised premises include basement space, access to which by the public would require an ADA compliant means of ingress/egress. The cost/engineering aspects of this component of the build out is one of the principal items to address with our architects, engineers and counsel as we move forward. Depending on the cost estimates, we may utilize the basement space only as a prep kitchen or office space.
- b. *Sidewalk Cafe.* We are familiar with the requirements for community board involvement in this aspect of our proposal but believe it would have been premature on our part to initiate discussions when we have not yet secured the space.
- c. *Bridge Space/Minton's Entrance/Sign.* The bridge between the 118th side of the premises and the Minton's space will be the main entrance to the supper club within the Minton's space. However, the 118th Street entrance to the Minton's space is intended to be preserved both for historic preservation purposes and as a means of emergency egress from the Minton's space. We further intend to preserve the Minton's sign as well. We are familiar with the landmark status of the building and will comply with historic preservation guidelines. This is another principal area for discussion with our architects, engineers and counsel as we move forward.
- d. *HVAC.* Our preliminary plans are for certain HVAC equipment to be located on the roof of the bridge. We will work closely with the landlord to develop plans that minimize the noise that emanates from this equipment.
- e. *SLA/Cabaret Licenses.* The SLA process may include documents that need to be signed by the landlord. We don't have any other particular need in mind at this time when we refer to landlord's cooperation. Our intended use of the premises will not require a cabaret license.

8. *The Team.* For most of the past decade, Alexander Smalls has been engaged in his own catering and hospitality business, as a chef, writer and brand spokesperson. His prior restaurant ventures were open, during overlapping periods, from 1994 to 2001. We believe that the two architectural firms and the

engineering firm included as part of the project team are minority business enterprises (of those three firms, HTD is an African-American firm). HJE and its construction manager, T. Higgins Construction Corp., will actively seek out minority business enterprises based in Harlem for all aspects of the construction of the facility. As a former chairman of the Upper Manhattan Empowerment Zone, Richard D. Parsons is committed to the goal of promoting economic opportunities for businesses within the local community and has the experience, knowledge and contacts to enable HJE to fulfill that goal.

EXHIBIT 3

Caranda Emporium
Reimbursable Expenses

Initial rent & security	\$48,000
Legal	\$11,200
Architects fee for preliminary drawings and consultation	\$5,000
Consultant on contracting and design	\$4,400
Consultant on lease (Bea Sibbles)	\$2,500
Event at 610 Morris Park Ave. for Harlem CDC	\$1,400
Product introduction	\$1,200
Debris removal and demolition	\$6,000
Presentation document design and execution	\$8,500
Business plan	\$5,000
Sets of copies - Lease and drawings	\$127
Total	\$93,327