



Consent  
**September 7, 2010**

**Chair and Members of the Housing Authority Board**

**Title: Riverview Plaza Commercial Property Lease For Property Located At 600 I Street, Suite 110**

**Location/Council District: 600 I Street, Council District 1**

**Recommendation:** Adopt a **Housing Authority Resolution** authorizing the Executive Director or her designee to execute a six-year lease with Valerie M. Wilson dba Downtown Hair Design for the 600 I Street Riverview Plaza commercial property (Suite 110).

**Contact:** Nick Chhotu, Assistant Director of Public Housing, 916-440-1334  
Mike Wonderly, Program Manager, 916-449-6289

**Presenters:** N/A

**Department:** Sacramento Housing and Redevelopment Agency (SHRA)

**Description/Analysis**

**Issue:** The Redevelopment Agency of the City of Sacramento began leasing commercial space at Riverview Plaza on August 1, 1994 to Valerie M. Wilson doing business as Downtown Hair Design. In 1994, a five-year lease with one five-year extension option was approved by the Redevelopment Agency of the City of Sacramento; in 2004 its interest was assigned to the Housing Authority of the City of Sacramento. Downtown Hair Design is a 400 square foot beauty salon that serves residents of Riverview Apartments as well as the surrounding community. The existing lease expired July 31, 2010. The tenant has continued on a month-to-month tenancy at the same rent until a new lease could be executed.

After in-depth discussions, Downtown Hair Design agreed to a new lease commencing August 1, 2010 and terminating July 31, 2016. The new lease takes into account the existing weak commercial real estate market conditions and provides six months of free rent over the six-year term. Upon approval and lease execution, the effective date of the lease will remain August 1, 2010 and a retroactive rent refund will be issued to Downtown Hair Design. Staff conducted a commercial rent survey and determined that the proposed rents are

Riverview Plaza Commercial Lease Amendment

comparable to other rents in the area. Staff recommends entering into a new lease with the same tenant as they provide a valuable service to the downtown community and Riverview Plaza residents. Additionally, Downtown Hair Design has been a stable tenant at Riverview Plaza for over 16 years.

**Policy Considerations:** Public Housing Authorities are required to comply with applicable federal laws and regulations, including the Quality Housing and Work Responsibility Act of 1998 (QHWRA). No new policies are recommended in this report.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed action to enter into a new lease with Downtown Hair Design does not include any expansion of use and will continue an existing use in an existing facility. Therefore this action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Section 15301.

**National Environmental Policy Act (NEPA):** There is no federal funding or other federal action associated with this project; therefore, the National Environmental Policy Act (NEPA) does not apply.

**Sustainability Considerations:** N/A

**Other:** None

**Committee/Commission Action:** At its meeting on September 1, 2010, it is anticipated that the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Housing Authority Board in the event this does not occur.

**Rationale for Recommendation:** The attached resolution will enable the Housing Authority to enter into a lease with Downtown Hair Design for six years and allow them to continue to offer a needed service to the community and Riverview Plaza residents.

**Financial Considerations:** The monthly rent for the commercial space at Riverview Plaza was calculated after considering market conditions (vacancies, free rent, etc.), reviewing a rent survey, and taking into consideration the 16-year tenancy. The monthly rent agreed to is as follows:

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Time Period	Monthly Base Rent
8/1/2010 - 8/31/2010	\$0
9/1/2010 - 9/30/2010	\$165*
10/1/2010 - 12/31/2010	\$540
1/1/2011 - 1/31/2011	\$0
2/1/2011 - 3/31/2011	\$540
4/1/2011 - 4/30/2011	\$0
5/1/2011 - 6/30/2011	\$540
7/1/2011 - 7/31/2011	\$0
8/1/2011 - 8/31/2011	\$0
9/1/2011 - 12/31/2011	\$558
1/1/2012 - 1/31/2012	\$0
2/1/2012 - 7/31/2012	\$558
8/1/2012 - 7/31/2013	\$577
8/1/2013 - 7/31/2014	\$596
8/1/2014 - 7/31/2015	\$616
8/1/2015 - 7/31/2016	\$637

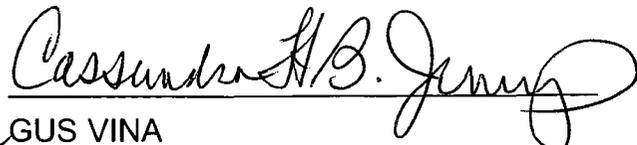
\*Rent reduced from \$540 to \$165 in September 2010 as rent credit for Tenant's stripping/re-waxing the suite's floor.

Per the proposed lease agreement, annual rent increases are 3.35 percent. Additionally, the tenant will pay the cost of electricity, janitorial, and exposed plumbing maintenance/repairs. The landlord will replace ceiling tiles and perform minor maintenance items totaling \$900. The 2010 Riverview Plaza operating budget contained in the adopted 2010 Agency Budget includes sufficient funds for this activity and no budget amendment is requested.

**M/WBE Considerations:** The activities recommended in this staff report do not involve federal funding; therefore, there are no M/WBE requirements.

Respectfully Submitted by:   
 LA SHELLE DOZIER  
 Executive Director

Recommendation Approved:

  
 for GUS VINA  
 Interim City Manager

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Riverview Plaza Commercial Lease Amendment

**RESOLUTION NO. 2010 -**

**Adopted by the Housing Authority of the City of Sacramento**

on date of

**RIVERVIEW PLAZA COMMERCIAL PROPERTY LEASE FOR PROPERTY  
LOCATED AT 600 I STREET, SUITE 110**

**BACKGROUND**

- A. The proposed action to enter into a new lease with Downtown Hair Design does not include any expansion of use, and will continue an existing use in an existing facility. Therefore this action is exempt from environmental review under California Environmental Quality Act (CEQA) Guidelines Section 15301.
- B. Downtown Hair Design is a 400 square foot beauty salon that serves residents of Riverview Apartments as well as the surrounding community. The existing lease expired July 31, 2010. The tenant has continued on a month-to-month tenancy at the same rent until a new lease could be executed.
- C. Downtown Hair Design has been a stable tenant at Riverview Plaza for over 16 years.
- D. Staff conducted a commercial rent survey and determined that the proposed rents are comparable to other rents in the area.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING  
AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:**

- Section 1. After due consideration of the facts presented the environmental findings regarding this action, as stated above are approved.
- Section 2. The Executive Director, or her designee, is authorized to execute the a six-year lease with Valerie M. Wilson dba Downtown Hair Design for the 600 I Street Riverview Plaza commercial property (Suite 110).

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## **Commercial Lease**

**VALERIE M. WILSON**

**DOWNTOWN HAIR DESIGN  
600 I Street, Suite 110  
Sacramento, CA 95814**

**LEASE**

In consideration of the rents and covenants hereinafter set forth, Landlord hereby leases to Tenant, and Tenant leases from Landlord, the following described Premises upon the following terms and conditions:

**ARTICLE I: SUMMARY OF LEASE PROVISIONS**

**Landlord:** Housing Authority of the City of Sacramento  
801 12<sup>th</sup> Street, Fifth Floor (Real Estate)  
Sacramento, CA, 95814  
ATTN: Program Manager, Real Estate

**Tenant:** Valerie M. Wilson

**Premises:** 600 I Street, Suite 110, Sacramento, CA 95814

**Lease Term:** Six (6) years

**Commencement Date:** August 1, 2010

**Termination Date:** July 31, 2016

**Minimum Rent:**

<b>Time Period</b>	<b>Monthly Base Rent</b>
8/1/2010 - 8/31/2010	\$0
9/1/2010 - 9/30/2010	\$165*
10/1/2010 - 12/31/2010	\$540
1/1/2011 - 1/31/2011	\$0
2/1/2011 - 3/31/2011	\$540
4/1/2011 - 4/30/2011	\$0
5/1/2011 - 6/30/2011	\$540
7/1/2011 - 7/31/2011	\$0
8/1/2011 - 8/31/2011	\$0
9/1/2011 - 12/31/2011	\$558
1/1/2012 - 1/31/2012	\$0
2/1/2012 - 7/31/2012	\$558
8/1/2012 - 7/31/2013	\$577
8/1/2013 - 7/31/2014	\$596
8/1/2014 - 7/31/2015	\$616
8/1/2015 - 7/31/2016	\$637

\*Rent reduced from \$540 to \$165 in September 2010 as a rent credit for Tenant's stripping/re-waxing the suite's floor.

**Rent Payable:** In advance on the first day of each month

Addresses for Notices:

To Landlord: Housing Authority of the City of Sacramento  
801 12<sup>th</sup> Street, Fifth Floor (Real Estate)  
Sacramento, CA, 95814  
ATTN: Program Manager, Real Estate

To Tenant: Valerie M. Wilson  
600 I Street, Suite 110  
Sacramento, CA 95814

Tenant's Use of Premises: Beauty Salon

Trade Name of DBA: Downtown Hair Design

Security Deposit: \$408 (previously deposited by Tenant)

Tenant Improvement Allowance: \$N/A, to be disbursed  
Pursuant to Article X hereof.

Late Charge: Ten percent (10%) of rent or any other sum due  
from Tenant hereunder, if payment of such sum is not received by Landlord within five  
(5) days of the date due. (Article III.A)

Additional Lease Documents: Exhibit "A" (Description of Premises)  
Exhibit "B" (General Site Plan)  
Exhibit "C" (Signage)

The foregoing provisions of this Article I summarize certain key terms of the Lease which are subject to terms and conditions of, and which are described more fully in, the subsequent Articles of this Lease. In the event of a conflict between the provisions of this Article I and the balance of the Lease, the latter shall control.

**ARTICLE II: LEASE DOCUMENTS**

A. Lease: This Lease and the Lease Documents listed in Article II, hereinafter referred to collectively as "the Lease", shall constitute a single and the entire agreement between Landlord and Tenant regarding the lease of the premises. In the event of conflict or contradiction between provisions of any of the Lease Documents, the order of precedence for construction of the documents shall be the order in which the respective Lease Documents as later amended or modified, are listed in Section B hereof.

B. Included Lease Documents: The Lease Documents, except for amendments and modifications properly issued after execution of this Agreement,

include only this Agreement and the following Exhibits and those additional lease documents listed in Article I:

- Exhibit A (Description of Premises)
- Exhibit B (General Site Plan)
- Exhibit C (Signage)

**ARTICLE III: PREMISES**

A. Description and Condition: Landlord hereby leases to Tenant hereby leases from Landlord, as of the Commencement Date specified in Article I and determined as specified in Article IV.A. (the "Commencement Date"), at the rental and upon the covenants and conditions specified in this Lease, the interest in real property (the "Premises") described in Exhibit A. Tenant agrees that (i) Tenant shall accept the Premises in an "as is" condition, (ii) Landlord shall have no responsibility to make improvements, which may be required to prepare the Premises for the Tenant's use other than the initial improvements as described, (iii) Tenant, at its sole expense, except as provided in Article X hereof, shall complete any improvements which may be required upon the Premises prior to Tenant's initial opening for business, and (iv) all such improvements shall be done in accordance with the terms of this Lease.

B. Common Area

1. Definition. The term "Common Area" refers to all improved and unimproved areas, if any, within the boundaries of the realty on which the Premises are located (the "Property") which are now or hereafter made available for the general use, convenience and benefit of Landlord, persons entitled to occupy portions of building in which the Premises are located and their customers, patrons, employees and invitees, including, without limitation, floors, ceilings, roofs, skylights, windows, driveways, open or enclosed malls, seating areas, sidewalks, curbs and landscaped areas, and such public transportation facilities and landscaped areas as are contiguous with and benefit the Property. The Common Area is limited to those portions of the first and second floors of the Building which are not reserved for the exclusive use of residential tenants or for any other tenant.

2. Use Subject to the provisions of this Section, Tenant and its customer, patrons, employees and invitees are authorized, empowered and privileged to use the Common Area together with other persons after the Commencement Date. Except as otherwise provided, Tenant shall conduct its activities in the Common Areas at all times in a manner which does not cause a nuisance or interfere with other tenants. Tenant shall not permit any employees of Tenant to drop or place objects or solid or fluid waste matter in the Common Area.

3. Control of Common Area Landlord shall at all times have the right and privilege of determining the nature and extent of the Common Area and of making such changes to the Common Area from time to time which in its opinion are deemed to be

desirable and for the best interest of all persons using the Common Area, including the relocation of entrances, exits, the direction and flow of traffic, and the installation of prohibited areas, landscaped areas, utilities and all other facilities.

(a) Landlord shall at all times after the Commencement Date have the sole and exclusive control of the Common Area, including, without limitation, the right to lease space within the Common Area to tenants for the sale of merchandise or services and the right to permit advertising displays, educational displays and entertainment in the Common Area. Landlord shall also have the right to exclude and restrain any person from use or occupancy of the Common Area, excepting bona fide customers, patrons and service suppliers of Tenant and other tenants of the Property who use the Common Area in accordance with the rules and regulations established by Landlord from time to time. The rights of Tenant in the Common Area shall at all times be subject to the rights of Landlord and the other tenants of Landlord to share the use of the Common Area with Tenant. It shall be the duty of Tenant to keep all of the Common Area free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operation and to permit the use of any of the Common Area free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operation and to permit the use of any of the Common Area only for ingress and egress by the said customers, invitees and service suppliers to, from and through the Property, except as provided otherwise herein.

(b) If in the opinion of the Landlord unauthorized persons are using the Common Area as a result of the presence of Tenant in the Premises, Tenant may, at its option, upon request of Landlord, enforce Landlord's right to exclude or restrain all such authorized persons by appropriate proceedings. Nothing in this provision shall limit the rights of Landlord to remove any such unauthorized persons from the Common Area or to restrain said persons from using the Common Area.

4. Rules and Regulations. Tenant shall abide by the rules and regulations governing the premises and Common Area in accordance with this Lease and which Landlord, in its sole discretion, may establish or amend from time to time for the proper and efficient operation and maintenance of any or all of the Common Area. Such rules and regulations may specify, without limitation, when the Common Area shall be open for use and when and where Tenant and its employees may use the Common Area.

#### **ARTICLE IV: TERM**

A. Duration. The Lease term shall commence at 12:01 a.m. on the commencement Date specified in Article I in this Lease. This Lease shall remain in full force and effect from the Commencement Date until the termination of the Lease Term specified in Article I ("Lease Term"), unless sooner terminated as provided in this Lease or by operation of law. The Lease Term shall be computed either from the Commencement Date if such date is the first day of the month or, in all other cases, from the first day of the calendar month following the Commencement Date.

B. Acceptance of the Premises. By their respective execution of this Lease, Landlord delivers and Tenant accepts possession of the Premises as of the Commencement Date, and Tenant agrees to occupy the Premises immediately upon the Commencement Date.

C. Surrender of the Premises. At the expiration of the Lease Term, or any earlier termination of this Lease, Tenant shall surrender possession of the Premises and deliver the Premises to Landlord in god and tenantable condition in accordance with this Lease.

**ARTICLE V: RENTAL**

A. Rental Commencement Date. Tenant's obligation to pay any rental under this Lease shall commence on the Commencement Date of the Lease term.

B. Monthly Rent. Tenant shall pay to the Landlord the rental for the Premises in each month during the term of this Lease, in advance, on the first day of each calendar month, without setoff, deduction, prior notice or demand.

1. Minimum Monthly Rent. Tenant agrees to pay at the base rental for the use and occupancy of the Premises the Minimum Monthly Rent specified in Article I ("Minimum Monthly Rent").

2. Additional Rent. Any and all sums due from Tenant to Landlord hereunder are hereby defined as Additional Rent. If any such sums are not paid at the time provided in this Lease, they shall nevertheless be collectible as Additional Rent with the next installment of Minimum Monthly Rent falling due, but nothing in this provision shall be deemed to suspend or delay the payment of any amount of money or charge when due or to limit any other remedy of Landlord. All amounts of Minimum Monthly Rent and Additional Rent payable in a given month (also collectively referred to in this Lease as "rental") shall be deemed to comprise a single rental obligation of Tenant to Landlord.

C. Delinquent Obligations. If Tenant fails to pay any sum when due, such delinquent obligations shall bear interest at the maximum legal rate existing from time to time until paid and computed on the basis of a 365-day year for actual days elapsed.

1. Late Charge. In addition to such interest, Tenant acknowledges that the late payment by Tenant of any monetary obligation will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amount of which costs are extremely difficult or impracticable to fix. Such costs and expenses will include, without limitation, administrative and collection costs, and processing and accounting expenses. Therefore, if any monetary obligation is not received by Landlord from Tenant within five (5) days of the due date, Tenant shall immediately pay to the Landlord the Late Charge ("Late Charge") specified in Article I. Landlord and Tenant agree that the Late Charge represents a reasonable estimate of such costs and expenses

and is fair compensation to Landlord for its loss caused by Tenant's nonpayment. Should Tenant pay the Late Charge but fail to pay the underlying original monetary obligation, Landlord's acceptance of this Large Charge shall not constitute a waiver of Tenant's default with respect to Tenant's nonpayment nor prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease or under law. Tenant hereby acknowledges and accepts as fair and reasonable the obligation to pay the Late Charge in accordance with this subparagraph V.C. hereof.

2. No Waiver. Notwithstanding any other provision, and regardless of Landlord's acceptance of the Late Charge, Landlord may exercise all rights available to it upon Tenant's default of the Lease.

3. Cash, Cashier's Check, Money Order. In the event that any check or draft tendered to Landlord in payment of any monetary obligation due hereunder is not honored by the institution upon which it was drawn, Landlord may, at its option, require that subsequent payments be made in the form of cash, cashier's check or money order. Landlord's acceptance of any payment or payments not in the form of such guaranteed funds shall not constitute a waiver of Landlord's right to thereafter require that subsequent payments be in the form of cash, cashier's check or money order.

D. Address for Payments. All payments due to Landlord hereunder shall be mailed or delivered to Landlord at the address specified in Article I hereof, or at such other place as Landlord may from time to time designate by giving at least ten (10) days written notice to Tenant.

#### **ARTICLE VI: POSSESSION AND USE**

A. Permitted Uses. Tenant shall use the Premises solely for the purpose specified in Article I. At Tenant's sole expense, Tenant shall procure, maintain and hold available for Landlord's inspection any governmental license or permit required for Tenant's use of the Premises.

B. Duties and Prohibited Conduct. Tenant shall not use or permit any person to use the Premises for the sale or display of pornography, nudity, graphic violence, drug paraphernalia, or any goods or services which, in the sole discretion of Landlord, are inconsistent with the image of the location and community. Tenant shall not use, or suffer or permit any person or persons to use, the Premises as a massage parlor, adult bookstore or second-hand store or to conduct any purpose that violates the laws of the United States of America, or the law, ordinances, regulations and requirements of the State, County and City or of any other lawful body where the Premises is located. Tenant shall not overload any floor or abuse the plumbing in the Premises. Tenant shall not burn trash or rubbish in or about the Premises and shall deposit its trash and rubbish only in proper receptacles. Tenant shall keep the Premises in a clean and wholesome condition, free from any litter, extraordinarily objectionable noises, music volumes, foul odors or nuisances, and shall comply with all health and police regulations in all respects. Tenant shall keep no live animals of any kind in or near the Premises. Tenant shall not display

or sell merchandise, or place carts, portable signs, devices or any other objects, outside the area of the Premises designated for Tenant's permitted use except with the Landlord's prior written approval. Tenant shall not be prohibited from distributing Agency approved flyers or coupons from the Premises.

C. Cooking. Tenant may cook individual food products on the Premises in accordance with all applicable laws. However, Landlord shall have the right to prohibit the cooking of any and all food products on the Premises, if such cooking creates a nuisance or an odor problem for the Landlord's other tenants on the Property, as determined solely by the Landlord and such nuisance or odor problem is not corrected within twenty-four (24) hours by the Tenant after written notification by the Landlord.

#### ARTICLE VII: INDEMNITY; INSURANCE

A. Indemnity by Tenant. Landlord shall not be liable for, and Tenant shall defend and indemnify Landlord from, any claim, demand, liability, judgment, award, fine, mechanics' lien or other lien, loss, damage, expense, charge or cost of any kind or character, including actual attorney fees and court costs, arising directly or indirectly from (a) any labor dispute involving Tenant or its contractors and agents; or (b) from the construction, repair, alteration, improvement, use, occupancy or enjoyment of the Premises by Tenant, Tenant's assignees or subtenants and their respective contractors, agents, licensees or invitees ("Claims"), including without limitation, Claims caused by the sole or concurrent negligent act of omission, whether active or passive of Landlord or its agents; provided, however, Tenant shall have not obligation to defend or indemnify Landlord from Claims caused by the willful or criminal act of Landlord or its agents.

B. Tenant's Insurance Obligation. During the entire term of the Lease, Tenant shall carry and maintain, at its sole cost and expense, the following types of insurance in the amounts and in the form specified, including all special endorsements required of Tenant's business, subject to Landlord's approval.

1. Comprehensive Public Liability. Comprehensive Public Liability insurance in the amount of not less than \$1,000,000.00 combined single limit for injury to or death of one or more than one person in any one accident or occurrence insuring Landlord and Tenant against any liability arising out of the Tenant's ownership, use, occupancy or maintenance of the Premises and all areas appurtenant to the Premises.

2. Workers' Compensation. Workers' Compensation and Employees' Liability Insurance for all employees of Tenant in an employer's liability limit of not less than \$1,000,000.00 and written in strict compliance with the laws of the State of California.

3. Plate Glass. Insurance covering full replacement of any and all plate glass on the Premises. Tenant shall have the option either to insure commercially or to self-insure the risk.

4. Policy Requirements.

(a) All such policies of insurance shall be in a form acceptable to Landlord and issued by insurance companies qualified to do business in California and having a general policyholder's rating acceptable to and approved by Landlord,

(b) Liability and plate glass insurance policies shall be issued in the names of Landlord and Tenant, and shall be for the mutual and joint benefit and protection of Landlord and Tenant.

(c) Executed copies of such policies of insurance shall be delivered to Landlord prior to the Commencement Date. Thereafter, executed copies of renewal policies thereof shall be delivered to Landlord within thirty (30) days prior to the expiration of the term of each such policy. As often as any such policy shall expire or terminate, renewal or additional policies meeting the requirements of this Lease shall be procured and maintained by Tenant. Tenant agrees to permit Landlord at all reasonable times to inspect any policies of insurance of Tenant which Tenant has not yet delivered to Landlord.

(d) All policies of insurance delivered to Landlord shall contain a provision that the company writing said policy will give to Landlord thirty (30) days' notice in writing in advance of any cancellation, lapse, reduction or other adverse change respecting such insurance. All public liability, property damage and other casualty policies shall be written as primary policies, not contributing with or secondary to coverage which Landlord may carry.

(e) Subject to Landlord's prior written consent, Tenant's obligations to carry the insurance provided for above may be satisfied by inclusion of the Premises within the coverage of a "blanket" policy or policies of insurance carried and maintained by Tenant; provided, however, that Landlord and Landlord's employees, consultants and mortgagees or beneficiaries shall be named as additional insureds on such policies as their interests may appear, provided that the coverage afforded Landlord will not be reduced or diminished by use of such blanket policies, and provided further that the requirements of this Article VII are otherwise satisfied.

C. Insurance Use Restrictions. Tenant agrees that it will not carry any stock or goods or do anything in or about the Premises which will in any way tend to increase the insurance rates upon the Premises or the building including the Premises. Tenant agrees to pay to Landlord upon demand the amount of any increase in insurance premiums charged to Landlord as a result of Tenant's violation of the foregoing restrictions, irrespective of Landlord's consent to Tenant's act. If Tenant installs any electrical equipment which overloads the electrical lines, Tenant shall at its own expense make all changes to its Premises and install any fire extinguishing equipment and other safeguards that Landlord's insurance underwriters or applicable fire, safety and building codes and regulations may require. Nothing contained in this provision shall be deemed to constitute Landlord's consent to such overloading.

D. Waiver of Subrogation. Landlord and Tenant each release and relieve the other and waive their entire right of recovery against the other for loss or damage arising out of or incident to any occurrences in or about the Premises against which either party is insured, except for self-insurance, and whether or not due to the negligence of either party or their agents, employees, contractors or invitees. Landlord and Tenant shall notify each insurance carrier of the requirements of this waiver of subrogation. This waiver of subrogation shall have no effect with regard to any policy of insurance respecting the Premises which expressly prohibits said waiver or diminishes insurance coverage to the extent of said waiver.

E. Landlord's Liability Exemption. Tenant expressly agrees that Landlord shall not be liable for any injury to Tenant's business or for any loss of income from Tenant's business, for any damage to the merchandise or personal property of Tenant or any personal property of Tenant's employees, invitees, customers or any other person in or about the Premises whether such damage is caused by or results from defects or conditions in the Premises or Building from the act or neglect of any other Lessee, occupant or user of the Building or Property.

**ARTICLE VIII: TITLE OF PREMISES**

A. Landlord's Covenant. Landlord covenants that as of the Commencement Date the Premises are not subject to any lien, claim or encumbrance except the following:

- 1. Documents of Record. The effect of covenants, conditions, restrictions, easements, mortgages or deeds of trust, any ground lease of record, any rights-of-way of record, and any other matters as documents of record.
- 2. Zoning. The effect of zoning and use laws of the City and County of Sacramento and the State of California.
- 3. Taxes. General and special taxes not delinquent.

B. No Tenant Encumbrances. Tenant and any person in possession of the Premises shall not encumber the Premises, whether involuntarily or otherwise, unless expressly permitted in this Lease.

**ARTICLE IX: UTILITIES SERVICES AND JANITORIAL SERVICES**

A. Payment of Utility Costs. Tenant shall, at its own expense, pay to the appropriate utility companies on or before the due date for payment the cost of all utilities used upon the Premises except for the payment of the City of Sacramento water and sewer utilities and trash disposal, which shall be paid by the Agency. If any such charges are not paid by the Tenant when due, Landlord may, but shall not be required to, pay such charges on Tenant's account. Any utilities not separately metered to Tenant, but used by Tenant, shall be paid by Landlord and Tenant shall reimburse Landlord for its share of

said utilities payment forthwith upon receipt of written notice therefore. Such written notice shall include itemization of the portions of the total amount attributable to various utilities. Upon Tenant's written request, Landlord shall provide copies of bills or invoices or other data supporting the amount billed to Tenant.

B. Janitorial Services. Tenant shall provide, at its sole expense, janitorial services for the leased Premises and shall keep and maintain the Premises in a safe, neat, clean and orderly condition at all times.

C. Common Area Fees. Tenant shall be assessed a fee for Common Area janitorial maintenance and utilities, not to exceed Tenant's share (based on total square footage available) of the actual pro rata cost of providing such service. For the purposes of this paragraph, Tenant's share shall be deemed to be zero percent (0%). Landlord may, at its option, require Tenant's advance payment of its share of the estimated total Common Area expenses for any given calendar year, in monthly installments, provided that Landlord informs Tenant of its election to do so and of the amount of such installments, at least ten (10) days in advance of the due date of the initial payment. In the event of such election, installments shall be due and payable concurrently with the minimum monthly rent. Upon tenant's written request, Landlord shall provide copies of bills or invoices or other data supporting the amount billed to Tenant.

D. Trash Disposal. Landlord shall provide one or more receptacles for Tenant's use for collection and pickup of trash and refuse. Available capacity for Tenant's use shall be not less than two and one-half (2-1/2) cubic yards, and shall be increased as necessary to accommodate Tenant's trash and refuse. Landlord shall provide for daily trash pickup six (6) days per week. Tenant shall transport its trash, except packaging materials such as cardboard boxes or cartons, to such collection receptacles in closed, leak-proof containers. Tenant shall transport its trash to such collection receptacles with sufficient frequency that trash does not accumulate on the Premises causing unsightliness or offensive odor.

E. Documentation of Expenses. Landlord shall provide, at Tenant's expense, copies of bills, invoices or other reasonable data supporting utilities expenses or other expenses chargeable to Tenant hereunder, upon Tenant's written request. Landlord may, at its option, require Tenant's prior payment of Landlord's estimated costs of obtaining, assembling and copying such data. In no event shall Tenant delay or withhold payment of any sum due to Landlord hereunder pending receipt of such data.

#### **ARTICLE X: TENANT'S RIGHT TO MAKE IMPROVEMENTS**

A. Improvements. Tenant may, from time to time, make such permanent and nonstructural alterations, replacements, additions, changes or improvements (collectively "Improvements") to the Premises as Tenant may find necessary or convenient for its purposes subject to the following conditions:

1. Landlord Notice or Consent. Tenant shall notify Landlord in writing prior to making such Improvements to the Premises. Tenant shall obtain Landlord's prior written approval to any Improvement which (a) costs more than \$500.00, (b) affects the storefront, the mechanical system, the exterior or load bearing walls, the roof or the floor, (c) penetrates the roof or floor or (d) increases the floor space of the Premises. Approval by Landlord shall not be unreasonably withheld and shall be granted or denied within a reasonable amount of time after receipt of written notice.

2. Reimbursement of Landlord's Costs. After initial occupancy, Tenant shall reimburse Landlord for all costs and fees reasonably incurred by Landlord in its review and approval or disapproval of Tenant's plans for Improvements, if such costs and fees exceed \$50.00.

3. Indemnification. Tenant shall be liable for and shall indemnify and defend Landlord from any claim, demand, lien, loss, damage or expense, including reasonable attorney's fees and costs which may be incurred as a result of any Improvements under this Article.

4. Cost of Improvements. Tenant shall certify in writing to Landlord within 30 days after completion of any Improvements, the actual cost of constructing such Improvements.

5. Disbursement of Tenant Improvement Allowance. Any Tenant Improvement Allowance to be provided by Landlord under this Lease shall be retained by Landlord until certification pursuant to Article X.A.4. hereof. As such time, Landlord shall forthwith disburse to Tenant the sum specified in Article I or the actual cost of constructing such Improvements, whichever is lesser. If, however, the total actual cost of constructing such Improvements exceeds the specified Tenant Improvement Allowance, Landlord shall not be required to disburse final payment until provided with proof of Tenant's payment of the difference between such cost and the Tenant Improvement Allowance.

(a) Progress Payments. Landlord shall disburse partial payments to Tenant on a monthly basis in accordance with work actually performed, and determined by Landlord in its progress inspections. Landlord shall provide to Tenant, prior to commencement of the work, Schedule of Payments forms and Partial Payment forms, with instructions for their completion and use, for submittal to Landlord to request progress payments. Landlord reserves the right to withhold ten percent (10%) of the Tenant Improvement Allowance until all punch list items are completed and any and all claims arising out of the work are settled.

(b) Allowance Surplus. If the total actual cost of completing the Initial Improvements is less than the Tenant Improvement Allowance, the balance shall be disbursed to Tenant as reimbursement for additional improvements or equipment, upon presentation of an itemized listing and supporting receipts or invoices prior to Landlord's disbursements of the retention monies specified hereinabove.

(c) Ownership of Initial Improvements. Any and all Improvements or equipment acquired by Tenant with Tenant Improvement Allowance funds or for which Tenant is reimbursed from said funds shall be and remain the sole and exclusive property of Landlord and shall remain in the Premises, at Landlord's election, upon the termination of the tenancy created by this Lease, with the exception that items only partially acquired with or reimbursed from said funds shall be owned by Landlord proportionally according to the expenditure of said funds for the acquisition, delivery and installation of such items.

B. Construction Requirements. Improvements to be constructed prior to initial occupancy shall be performed under the supervision and according to the direction and plans of architects and engineers to be selected solely by Landlord and whose fees shall be Landlord's sole responsibility. All Improvements to be made to the Premises which require the approval of the Landlord shall be made under the supervision of a competent architect or licensed structural engineer, unless such requirement is waived in writing and shall meet the following requirements:

1. Compliance with Law. Tenant shall construct the Improvements in accordance with plans and specifications which meet all applicable laws, codes, statutes and ordinances and which are in conformity with the structural, mechanical, electrical, design and quality standards of the Building.

2. Permits and Licenses. Prior to commencement such work, Tenant shall obtain all permits, licenses and approvals required by law for the Improvements and for the plans and specifications regarding the Improvements.

3. Licenses contractor, Prosecution of the Work. Tenant shall obtain a licensed and bondable contractor who shall do all work with respect to the improvements in a good and workmanlike manner and who shall diligently prosecute such work to completion.

4. Completion. Upon completion of the Improvements, Tenant shall records a Notice of Completion in the Sacramento County Recorder's office and shall deliver to Landlord, within ten (10) days after completion of the work, a copy of the certificate of occupancy or evidence of completed final inspection for the work.

5. No Obstruction. In performing the work of any such Improvements, Tenant shall have the work performed in such a manner as not to obstruct access to the premises of any other Tenant of the Building nor to interfere with any other Tenant's use of the Building without prior written approval of the other tenant.

C. Election on Termination. Upon expiration or earlier termination of this Lease, Landlord may direct Tenant to remove all or part of the Improvements, at Tenant's sole cost. Tenant shall abide by and comply with such direction of Landlord.

D. Insurance for Improvements. In the event that Tenant makes any Improvements to the Premises, Tenant agrees to insure such Improvements under such policies and by such terms as Landlord may require. It is expressly understood and agreed that such Improvements shall not be insured by Landlord under its insurance, nor shall Landlord be required under the provisions of Article XV to reinstall any such Improvements, nor shall Landlord bear any other liability with respect to such improvements except as may be expressly granted in this Lease.

#### **ARTICLE XI: MECHANICS' LIENS**

A. Tenant's Covenants. Tenant agrees that it shall pay all costs of labor, services and materials supplied in the prosecution of any work done on the Premises, and Tenant shall keep the Premises free and clear of all mechanics' liens and other such liens on account of work done for Tenant or persons claiming under Tenant.

B. Payment Bond. Prior to the commencement of any proper and approved work, including the supply of any labor, services and materials for work of cost in excess of \$1,000.00 on the Premises, Tenant shall provide Landlord with a "labor and materials payment bond" in an amount equal to one hundred percent (100%) of the aggregate price of all contracts for such work, conditioned upon Tenant's payment in full of all claims of mechanics' lien claimants for such labor, services and/or materials supplied in the prosecution of such work. Said payment bond shall name Landlord as a primary obligee, shall be given by a surety company which is satisfactory to Landlord, and shall be in such form as Landlord shall approve, in its sole discretion.

C. Contest of Lien. If Tenant desires to contest any claim of such mechanics' lien, Tenant shall first furnish to Landlord adequate security for the amount of the claim, plus estimated costs and interest, or a bond of a responsible corporate surety company in such amount, conditioned on the discharge of the lien. If, as a result of such contest a final judgment establishing the validity or existence of a lien for any amount is entered, Tenant shall immediately pay and satisfy the same.

D. Right to Cure. If Tenant is in default in paying any charge for which a mechanics' lien claim and suit to foreclose the lien have been filed and has not given Landlord security to protect the Property and Landlord from liability for such claim of lien or cured such claim of lien within fourteen (14) days after the filing of such suit, Landlord may pay said claim and any costs but shall not be required to do so. The amount so paid, together with reasonable attorney fees incurred by Landlord in connection with claim and suit, shall be immediately due and owing from Tenant to Landlord, and Tenant shall pay the same to Landlord with interest at the maximum lawful rate from the date of Landlord's payment.

E. Notice of Lien. Should any claim of lien be filed against the Premises or any action affecting the title to such property be commenced, the party receiving notice of such lien or action shall immediately give the other party written notice of the same.

F. Notice of Nonresponsibility. Tenant shall give Landlord at least forty-eight (48) hours notice of its intent to cause or allow the commencement of construction or any other which, under the law, could give rise to a mechanics' or other lien. Tenant shall further give immediate notice to Landlord of the actual commencement of such work. Landlord or its representatives shall be entitled to enter and inspect the Premises at all reasonable times in connection with such prospective or actual work and to post and keep posted on the Premises any Notice of Nonresponsibility or other notice required or permitted by law for the protection of Landlord's interest in the Premises.

## **ARTICLE XII: PERSONAL PROPERTY; FIXTURES; TAXES**

A. Removal and Replacement. Unless otherwise stated in this Lease, any Personal Property of Tenant not permanently affixed to the Premises shall remain the property of Tenant. Provided Tenant is not in default under the terms of this Lease, Tenant shall have the right to remove any or all of its Personal Property stored or installed in the Premises. Tenant shall, at its expense, immediately repair any damages occasioned to the Premises by reason of the removal of any such Personal Property.

B. Fixtures. Tenant Improvements, work, and personal property affixed to the Premises are collectively referred to in this Lease as "Fixtures" and shall remain the property of Landlord upon expiration or earlier termination of this Lease. All such fixtures shall be removed from the premises by the Tenant only with the prior written approval of Landlord.

C. Personal Property Taxes. Tenant shall pay before delinquency all taxes (including sales and use taxes), assessments, license fees and public charges levied, assessed or imposed upon its business operation as well as upon its merchandise, Fixtures and Personal Property.

D. Possessory Interest Taxes. Tenant shall pay all real estate taxes levied upon the Tenant's possessory interest in the Premises.

E. Existing Salon Equipment. The existing salon equipment located in the Premises and owned by Landlord is included in this Lease. Tenant is responsible for the maintenance, repair and replacement of said equipment. In the event said equipment is to be replaced, Tenant shall contact landlord for instructions and approval of the disposition of said equipment.

## **ARTICLE XIII: OCCUPANCY TRANSACTIONS**

A. Definitions. As used in this Article XIII, the following definitions shall apply:

1. Transfer. "Transfer" means any voluntary, unconditional and preset (a) assignment of some or all of Tenant's interest, rights and duties in the Lease and the Premises, including Tenant's right to use, occupy and possess the Premises, or (b) sublease of Tenant's right to use occupy and possess the Premises, in whole or in part.

2. Encumbrance. "Encumbrance" means any conditional, contingent or deferred assignment, sublease or conveyance voluntarily made by Tenant of some or all of Tenant's interest, rights or duties in the Lease or the Premises, including Tenant's right to use, occupy or possess the Premises, in whole or in part, and including without limitation, any mortgage, deed of trust, pledge, hypothecation, lien, franchise, license, concession or other security arrangement.

3. Change of Control. "Change of Control"; means the transfer by sale, assignment, death, incompetency, mortgage, deed of trust, trust, operation of law, or otherwise of any shares, voting rights or ownership interests which will result in a change in the identity of the person or persons exercising, or who may exercise, effective control of Tenant, unless such change results from the trading of shares listed on a recognized public stock exchange and such trading is not for the purpose of acquiring effective control of Tenant. If Tenant is a private corporation whose stock becomes publicly held, the transfers of such stock from private to public ownership shall not be deemed a Change of Control.

4. Occupancy Transaction. "Occupancy Transfer" means any Transfer, Encumbrance, Change of Control, or other arrangement whereby the identity of the of the persons using, occupying or possessing the Premises changes or may change, whether such change be of an immediate, deferred, conditional, exclusive, nonexclusive, permanent or temporary nature.

5. Transferee. "Transferee" means the proposed assignee, sublessee, mortgagee, beneficiary, pledgee or other recipient of Tenant's interests, rights or duties in this Lease or the Premises in an Occupancy Transaction.

#### B. Restrictions

1. Prior Consent to Encumbrance. Tenant shall not make or consent to any Encumbrance without the prior written consent of Landlord, which shall not be unreasonably withheld.

2. Prior Consent to Other Occupancy Transactions, Tenant shall not enter into, or consent to, an Occupancy Transaction, other than an Encumbrance, without first procuring Landlord's written consent, which Landlord shall not withhold unreasonably. By way of example and without limitation, the parties agree that it shall be reasonable for Landlord to withhold its consent if any of the following situations exist or may exist:

(a) The Transferee's contemplated use of the Premises following the proposed Occupancy Transaction conflicts with the "Use of Premises" as stated in Article I.

(b) In Landlord's reasonable business judgment, the Transferee lacks sufficient business reputation or experience to operate a successful business of the type and quality permitted under the Lease.

(c) In Landlord's reasonable business judgment, the preset net worth of the Transferee indicates insufficient financial stability or prior business success.

(d) With respect to (b) and (c) hereinabove, "Landlord's reasonable business judgment" shall be based on standards equivalent to those by which Landlord evaluated Tenant's qualifications prior to entering into this Lease.

(e) In Landlord's reasonable business judgment, the Additional Rental, if any, that Landlord reasonably anticipates receiving from the Transferee is less than that which Landlord has received from Tenant.

(f) The proposed Occupancy Transaction would breach any covenant of Landlord respecting radius, location, use or exclusivity in any other lease, financing agreement, or other agreement relating to the Landlord's property adjacent to or including the Premises.

(g) Any proposed sublease or equivalent does not include a provision that the sublease or equivalent will terminate if the Lease is surrendered or terminated.

C. Nondefault as Condition Precedent. The Tenant is not in default under the Lease or in default of Tenant's obligations under the provisions of any other lease of real property owned or managed by Landlord or any parent, subsidiary, affiliate or successor-in-interest of Landlord, shall be a condition precedent to Tenant's right to request to enter into an Occupancy Transaction.

D. Tenant Request. Should Tenant desire to enter into an Occupancy Transaction, Tenant shall give notice of such desire to Landlord by requesting in writing Landlord's consent to such transaction at least thirty (30) days before the effective date of any such transaction and shall provide Landlord with the following:

1. Transaction Information. The full particulars of the proposed transaction, including its nature, effective date, terms and conditions, and copies of any offers, draft agreements, subleases, letters of commitment or intent, and other documents pertaining to such proposed transaction;

2. Transferee Information. A description of the identity, net worth and previous business experience of the Transferee, including, without limitation, copies of Transferee's latest income, balance sheet and change-of-financial-position statements (with accompanying notes and disclosure of all material changes) in audited form, if available, and certified under penalty of perjury as accurate by the Transferee;

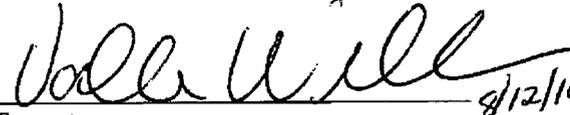
3. Further Information. Any further information relevant to the transaction requested by Landlord within fifteen (15) days after receipt of Tenant's request for consent; and

4. Statement. A statement that Tenant intends to consummate the transaction if Landlord consents thereto.

E. Tenant's Failure to Request.

1. Material Breach. Should Tenant fail to make the required written request in accordance with this Article, Tenant's failure shall constitute a material breach of this Lease which Landlord, in its sole discretion, may deem curable in the following manner, notwithstanding any other provisions of this Lease.

2. Liquidated Damages. Within ten (10) days of Landlord's written demand, Tenant shall make said written request in accordance with this section and shall pay Landlord the sum of fifty percent (50%) of the then Minimum Monthly Rent as liquidated damages for Tenant's breach. The parties agree that said sum represents a reasonable estimate of Landlord's damages sustained by reason of Tenant's breach, which damages are extremely difficult or impracticable to fix. Landlord's acceptance of said sum together with Tenant's late notice shall cure Tenant's breach of the notice requirement of this Article but shall not waive Tenant's default, if any, with respect to any other provision of this Article. Tenant hereby acknowledges that the liquidated damages provision of this Article is reasonable and expressly agrees to be bound by such liquidated damages provision.

  
\_\_\_\_\_ 8/12/10  
Tenant

\_\_\_\_\_  
Landlord

F. Landlord's Response. Within thirty (30) days after receipt of Tenant's request for consent, Landlord may respond as follows:

1. Consent. Consent to the Occupancy Transaction, subject to any terms or conditions imposed by this Article;

or

2. Refuse to Consent. Refuse to consent to the Occupancy Transaction.

G. Documentation and Expenses. Each Occupancy Transaction to which Landlord has consented shall be evidenced by an instrument in written form satisfactory to Landlord and executed by Tenant and Transferee.

1. Assumption of Lease Terms. By such instrument, Transferee shall assume and promise to perform the terms, covenants and conditions of this Lease which are obligations of Tenant.

2. Tenant's Continued Obligations. Unless expressly released in writing by Landlord, and in any event, if Tenant has failed to disclose or has misstated any material fact in the Occupancy Transaction, Tenant shall remain fully liable to perform its duties under the Lease following the Occupancy Transaction.

3. Reimbursement of Landlord. Tenant shall, on demand of Landlord, reimburse Landlord for Landlord's reasonable costs, including legal fees not to exceed \$500, incurred in obtaining advice and preparing documentation for each Occupancy Transaction to which Landlord has consented which reimbursement shall be a condition of Landlord's consent to the Occupancy Transaction.

H. Consideration to Landlord. In the event Landlord consents to an Occupancy Transaction, the Transferee's Minimum Monthly Rent specified in Article I shall be an amount equal to the sum of the Minimum Monthly Rent and any Additional Rent required to be paid by Tenant pursuant to this Lease.

I. Nullity. Any purported Occupancy Transaction consummated in violation of the provisions of this Article shall be null and void and of no force or effect. Tenant shall be liable to Landlord for all costs, including without limitation, reasonable attorney's fees incurred in terminating such void Occupancy Transaction and in removing any persons in possession of the Premises as a result of such void Occupancy Transaction.

**ARTICLE XIV: TENANT'S CONDUCT OF BUSINESS**

Tenant covenants and agrees that it will, without regard for the expense or profitability of such business, conduct its business as follows:

A. Continuous Operation. Tenant shall continuously operate and conduct within the Premises the business which it is permitted to operate and conduct under this Lease, except while the Premises are untenable by reason of fire or other casualty.

1. Days and Hours of Operation. Minimum days and hours of operation shall be:

Monday through Friday, 10:00 a.m. to 5:00 p.m.

B. Orderly Condition. Tenant shall keep the Premises in a neat, clean and orderly condition at all times.

**ARTICLE XV: REPAIRS; MAINTENANCE**

A. Tenant's Obligations. Tenant agrees at all times from and after delivery of the Premises, at its own cost and expense, to repair, to maintain in good and tenable condition and to replace, as necessary, all parts of all sinks' exposed (not in the wall) plumbing.

Surrender. Upon surrender of the Premises, Tenant shall deliver the Premises to Landlord in good order, condition and state of repair, but shall not be responsible for damages resulting from ordinary wear and tear, insured casualty losses reimbursed to Landlord, or any items of repair for which the Landlord is responsible pursuant to the terms hereof.

B. Landlord's Obligation.

1. Extent. With the exception of Article XV Paragraph A ("Tenant's Obligations"), maintenance and repairs will be handled and paid for by Landlord including, but not limited to, replacing light bulbs, repairing plumbing inside the walls, and heating and air conditioning. As necessary, Landlord shall repair, maintain in good and tenable condition and replace the roof, exterior walls, structural parts of the Premises (including the structural floor) and all meters, pipes, conduits, equipment, components and facilities that supply the Premises with Utilities on a nonexclusive basis (except as the appropriate utility company has assumed these duties) or that form a centralized Air Conditioning System serving the Premises in common with other premises owned by Landlord unless otherwise provided in this Lease.

2. Tenant Negligence. Landlord shall not be required to make repairs resulting from the negligence of Tenant or anyone claiming under Tenant or from the failure of Tenant to perform or observe any conditions or agreements of this Lease from Improvements made by Tenant or anyone claiming under Tenant.

3. Limitation and Liability for Repairs. It is understood and agreed that Landlord shall be under no obligation to repair, replace or maintain the Premises or the mechanical equipment exclusively serving the Premises at any time, except as this Lease expressly provides. Notwithstanding anything to the contrary in this Lease, Landlord shall not be liable to Tenant for failure to make repairs as required by this Lease unless Tenant has previously notified Landlord, in writing, of the need for such repairs and Landlord has failed to commence and complete said repairs within a reasonable period of time following receipt of Tenant's written notification.

4. Exterior Walls. As used in this Article, "exterior walls" shall exclude storefronts, plate glass, window cases or window frames, doors or door frames, security grilles or similar enclosures.

5. Existing Needed Repairs: After mutual lease execution and within stated time periods below, Landlord will handle at Landlord's expense (labor and materials) the following items:

- Replace the ceiling tiles within sixty (60) days. Landlord is not required to replace the metal ceiling grid-work.
- Replace the utility room's sink faucet within sixty (60) days. Landlord will also remove the vertical exposed pipe in this room's southwest corner if this pipe is no longer needed by Landlord; if it is feasible to remove this pipe, it will be removed within sixty (60) days. If pipe must remain, Landlord will replace it with white PVC.
- Replace one wall-mounted light switch located near the space's east door within sixty (60) days. The replacement light switch will be similar but not necessarily identical.

C. Tenant's Failure to Maintain. If Tenant fails or refuses to repair, replace, or maintain any parts of the Premises in a manner reasonably satisfactory to Landlord, Landlord shall have the right, after reasonable written notice to Tenant, to elect to make such repairs or perform such maintenance on Tenant's behalf. In such event, Tenant shall pay the cost of such work as Additional Rent within five (5) days after receipt from Landlord of an invoice specifying said work and its cost.

#### **ARTICLE XVI: RECONSTRUCTION**

A. Insured Casualty. In the event the Premises are damaged by fire or other perils covered by Landlord's insurance, Landlord shall:

1. Reconstruction. Within a period of ninety (90) days thereafter, commence repair, reconstruction and restoration (collectively "Reconstruction") of the Premises and prosecute the Reconstruction diligently to completion, in which event the Lease shall continue in full force and effect; or

2. Destruction. In the event of a partial or total destruction of the Premises during the Lease Term, Landlord and Tenant shall each have the option to terminate this Lease upon written notice to the other within thirty (30) days after such destruction. For purposes of this Article, "partial destruction" shall mean destruction to an extent of at least fifty percent (50%) of the full replacement cost of the Premises as of its date of destruction.

B. Uninsured Casualty. In the event the Premises are damaged by any flood, earthquake, act of war, nuclear reaction, nuclear radiation or radioactive contamination, or any other casualty not covered by Landlord's insurance to any extent whatsoever, Landlord shall have the election, and shall within ninety (90) days following the date of such damage give Tenant written notice of Landlord's election, either to commence Reconstruction of the Premises and prosecute the same diligently to completion, in which event this Lease shall continue to full force and effect, or not to perform such Reconstruction of the Premises, in which event this Lease shall cease and terminate not later than thirty (30) days after Landlord's notice of its election to terminate.

C. Construction Provisions. Any reconstruction shall substantially conform to the configuration of the Premises prior to damage, including all improvements. Landlord shall reconstruct the Premises only to the extent of the work originally done by Landlord. Tenant, at its sole cost and expense, shall reconstruct all items originally done by the Landlord. Tenant, at its sole cost and expense, shall reconstruct all items originally done by Tenant and shall replace its merchandise, fixtures and personal property. Tenant shall commence such reconstruction of Tenant's work and replacement of Tenant's merchandise, fixtures and personal property promptly upon delivery to it of possession of the Premises and shall diligently prosecute the same to completion.

D. Release of Liability. Upon any termination of this Lease under any of the provisions of this Article and coincident with the surrender of possession of the Premises to Landlord, the parties shall be released without further obligation to the other party, except with regard to items which have previously accrued and are then unpaid.

E. Abatement of Rent. In the event of reconstruction, the Minimum Monthly Rent shall be abated proportionately with the degree to which Tenant's use of the Premises is impaired, commencing from the date of destruction and continuing during the period of such reconstruction and replacement.

1. Continuation of Business. Nevertheless, there shall be no abatement of rent if Tenant receives insurance benefits during said period under a policy insuring against loss from business interruption. Tenant shall continue the operation of its business on the Premises during such period to the extent reasonably practicable from the standpoint of prudent business management, and the obligation of Tenant to pay Additional Rent shall remain in full force and effect.

2. No Loss of Use. Tenant shall not be entitled to any compensation or damages from Landlord for loss of use of the whole or any part of the Premises, the building, Tenant's personal property, or any inconvenience or annoyance occasioned by such damage or Reconstruction. Tenant hereby waives any statutory rights of termination which may arise by reason of any partial or total destruction of the Premises which Landlord is obligated to restore or may restore under any of the provisions of this Lease.

F. Major Destruction. Notwithstanding any of the foregoing provisions of this Article, should there be a partial or total destruction of the Premises at any time after the Commencement Date, Landlord shall have the right to terminate this Lease on written notice to Tenant within thirty (30) days after such destruction.

## **ARTICLE XVII: BANKRUPTCY; INVOLUNTARY TRANSFERS**

A. Right of Termination. Should any of the following events occur, Landlord may terminate this Lease and any interest of Tenant in this Lease, effective with the commencement of the event.

1. Receiver, Assignment for Benefit of Creditors. Proceedings are instituted whereby all, or substantially all, of Tenant's assets are placed in the hands of a receiver, trustee or assignee for the benefit of Tenant's creditors, and such proceedings continue for at least thirty (30) days.

2. Execution or Attachment. Any creditor of Tenant institutes judicial or administrative process to execute on, attach or otherwise seize any of Tenant's merchandise, fixtures or personal property located on the Premises and Tenant fails to discharge, set aside, exonerate by posting a bond, or otherwise obtain a release of such property within thirty (30) days.

3. Bulk Sale. Tenant makes a bulk sale of all, or substantially all, of Tenant's merchandise, fixtures or personal property located on the Premises, except as specifically permitted by this Lease, and fails to replace the same with similar items of equal or greater value and utility within three (3) days; or

4. Guarantor. Any of the foregoing events occurs with respect to any Guarantor of this Lease.

**B. Rights and Obligations Under the Bankruptcy Code.**

1. Performance by Debtor or Trustee. Upon the filing of a petition by or against Tenant under the United States Bankruptcy Code, Tenant, as debtor in possession, and a trustee who may be appointed agree as follows:

(a) to perform each and every obligation of Tenant under this Lease until such time as this Lease is either rejected or assumed by order of the United States Bankruptcy Court; and

(b) to pay monthly in advance on the first day of each month reasonable compensation for use and occupancy of the Premises in an amount equal to all Minimum Monthly Rent and other charges otherwise due pursuant to this Lease; and

(c) to reject or assume this Lease within sixty (60) days of the filing of such petition under Chapter 7 of the Bankruptcy Code or within one hundred twenty (120) days (or such shorter term as Landlord, in its sole discretion, may deem reasonable so long as notice of such period is given) of the filing of a petition under any other Chapter; and

(d) To give Landlord at least forty-five (45) days prior written notice of any abandonment of the Premises; any such abandonment to be deemed a rejection of this Lease; and

(e) to do all other things of benefit to Landlord otherwise required under the Bankruptcy Code; and

(f) to be deemed to have rejected this Leases in the event of the failure to comply with any of the above; and

(g) to have consented to the entry of an order by an appropriate United States Bankruptcy Court providing all of the above, waiving notice and hearing of the entry of the same.

2. Assumption or Assignment. Included within and in addition to any other conditions or obligations imposed upon Tenant or its successor in the event of assumption and/or assignment are the following:

(a) the cure of any monetary defaults and the reimbursement of pecuniary loss within not more than thirty (30) days of assumption and/or assignment; and

(b) the deposit of an additional sum equal to three (3) months Minimum Monthly Rent to be held as an additional security deposit hereunder and as permitted by California law; and

(c) the use of the Premises as set forth in Articles I and III of this Lease and the quality, quantity and/or lines of merchandise or any goods or services required to be offered for sale are unchanged; and

(d) the reorganized debtor or assignee of such debtor in possession of Tenant's trustee demonstrates in writing that it has sufficient background including, but not limited to, substantial retailing experience in shopping centers of comparable size and financial ability to operate a retail establishment in the Premises in the manner contemplated in this Lease and meet all other reasonable criteria of Landlord as did Tenant upon execution of this Lease; and

(e) the prior written consent of any mortgagee to which this Lease has been assigned as collateral security; and

(f) the Premises, at all times, remains a single store and no physical changes of any kind may be made to the Premises unless in compliance with the applicable provisions of this Lease.

3. No Waiver of Default. No default under this Lease by Tenant, either prior to or subsequent to the filing of such a petition, shall be deemed to have been waived unless expressly waived in writing by Landlord.

4. Shopping Center Lease. Landlord and Tenant understand and expressly agree that this Lease is a lease of real property in a shopping center as such a lease is described in Section 365(b)(3) of the Bankruptcy Code.

C. Request for Information. Within ten (10) days after Landlord's request therefore, Tenant or Guarantor of this Lease shall provide Landlord and Landlord's mortgagee or proposed mortgagee, as Landlord shall specify, such financial, legal and business information concerning any of the events described in this Article as Landlord shall request.

#### **ARTICLE XVIII: DEFAULT BY TENANT; REMEDIES**

A. Events of Default. The occurrence of any of the following shall constitute a default by Tenant and a breach of this Lease:

1. Nonpayment of Rent or Other Monetary Obligations. Failing or refusing to pay any amount of Minimum Monthly Rent or Additional Rent when due in accordance with the provisions of this Lease.

2. Nonoccupancy. Failing or refusing to occupy and operate the Premises.

3. Nonperformance. Failing or refusing to perform fully and promptly any covenant or condition of this Lease, other than those specified in subparagraphs 19.1.1 and 19.1.2 above.

4. Specific Defaults. Maintaining, committing or permitting on the Premises waste, nuisance, or use of the Premises for an unlawful purpose, entering into an Occupancy Transaction contrary to the provisions of Article 14 regarding Occupancy Transactions; or understating or misstating any fact or information affecting Additional Rent; failing to continuously operate or remain open for business during normal business hours at any time during the Lease Term.

B. Notices. Following the occurrence of any of the defaults specified in subsection XVIII.A.1-3, Landlord may give Tenant a written notice specifying the nature of the default, the provisions of this Lease breached and demanding that Tenant and any subtenant either fully cure each default within the time period specified in the corresponding subsections below or quit the Premises and surrender the same to Landlord.

1. Nonpayment of Rent. For failing or refusing to pay any rent when due, three (3) days

2. Nonoccupancy. For failing or refusing to occupy and operate the Premises, three (3) days.

3. Curable Default. For a curable default, a reasonable period not to exceed fifteen (15) days, except with regard to any default under this Lease regarding Labor Disputes, as to which default the time period shall be four (4) hours, provided, however, that if such default cannot be cured within said time period, Tenant shall be

deemed to have cured such default if Tenant commences cure of the default within said time period, so notifies Landlord in writing, and thereafter diligently and in good faith continues with and actually completes said cure; and

4. Incurable Default. With regard to those incurable defaults, Landlord shall give Tenant a written notice specifying the nature of the default, the provisions of this Lease breached and Landlord shall have the right to demand in said notice that Tenant quit the Premises within five (5) days.

C. Time for Cure as Condition Precedent. To the extent permitted by law, the time periods provided in this Section for cure of Tenant's defaults under this Lease or for surrender of the Premises shall be a condition precedent to the commencement of legal action against Tenant for possession of the Premises.

D. Landlord's Rights and Remedies. Should Tenant fail to cure any curable default within the time periods specified or fail to quit the Premises for any noncurable default, Landlord may exercise any of the following rights without further notice or demand of any kind to Tenant or any other person, except as may be required by law:

1. Termination and Reentry. The right of Landlord to terminate this Lease and Tenant's right to possession of the Premises and thereafter to reenter, take possession and remove all persons from the Premises, following which Tenant shall have no further claim to the Premises or under this Lease.

2. Unlawful Detainer. Tenant covenants that Landlord's service of any notice pursuant to the unlawful detainer statutes and the Tenant's surrender of possession pursuant to such notice shall not, unless Landlord elects otherwise in writing, be deemed to be a termination of this Lease.

3. Damages. In the event that the Lease may be terminated upon Tenant's breach of the Lease and abandonment of the Premises before the end of the term or if Landlord terminates Tenant's right to possession because of Tenant's breach of the Lease, Landlord may recover from Tenant:

(a) The worth at the time of award of the unpaid rent which had been earned at the time of termination;

(b) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Tenant proves could have been reasonably avoided;

(c) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided; and

(d) Any other amount necessary to compensate the Landlord for all the detriment proximately caused by the Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom.

(e) "Worth of the time of award" shall be computed by allowing interest at the then maximum legal rate.

E. Removal of Property. In the event of any reentry or taking possession of the Premises, Landlord shall have the right, but not the obligation, to remove all or any part of the merchandise, fixtures or personal property located in the Premises and to place the same in storage at a public warehouse at the expense and risk of Tenant.

1. In Addition to Other Rights. The rights and remedies given to Landlord in this Section shall be additional and supplemental to all other rights or remedies which Landlord may have under laws in force when the default occurs.

F. No Waiver. The waiver by Landlord of any breach of any term, covenant or condition contained in this Lease shall not be deemed to be a waiver of any subsequent breach of any term, covenant or condition contained in this Lease. Landlord's subsequent acceptance of any preceding breach of any term, covenant or condition of this Lease by Tenant shall not be deemed to be an accord and satisfaction or a waiver of any such preceding breach or of any right of Landlord to a forfeiture of the Lease by reason of such breach, regardless of Landlord's knowledge of such preceding breach at the time of acceptance. No term, covenant or condition of this Lease shall be deemed to have been waived by Landlord unless in writing and signed by Landlord.

G. Assignments of Rent. Tenant immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under the Lease, all rents from any subletting of all or part of the premises as permitted by the Lease, and Landlord, as assignee and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application may collect such rent and apply it toward Tenant's obligation under the Lease; except that until the occurrence of an act of default by Tenant, Tenant shall have the right to collect such rent.

**ARTICLE XIX: SUBORDINATION; ATTORNMENT**

A. Subordination. Within ten (10) days after the receipt of a written request from Landlord, from any trustee or beneficiary of a first mortgage or first deed of trust affecting the Premises or from any lessor of Landlord, Tenant will, in writing, subordinate its rights under this Lease to the lien or security interest of the first mortgage, the first deed of trust (including all future advances made under such mortgage or deed of trust), or the interest of any lease under which Landlord is the lessee, as such may burden the Premises or any building placed upon the land of which the Premises are a part.

B. Attornment. If Landlord conveys by sale all of its rights and duties in the Lease, the Premises, or the realty underlying the Premises, then upon the request of Landlord's lawful successor, Tenant shall attorn to said successor, provided said successor accepts the Premises subject to this Lease.

#### **ARTICLE XX: SECURITY DEPOSIT**

A. Payment. Tenant has previously deposited with Landlord the sum specified in Article I as "Security Deposit". Said deposit shall be held by Landlord without liability for interest as security for the faithful performance by Tenant of all of its obligations under this Lease. The Security Deposit shall not be mortgaged, assigned, transferred or encumbered by Tenant without the prior written consent of Landlord and any such act on the part of Tenant shall be without force and effect and shall not be binding upon Landlord.

B. Application. If any rental or other sum payable by Tenant to Landlord shall be either overdue and unpaid or paid by Landlord on behalf of Tenant, or if Landlord is damaged by Tenant's breach of any Lease provision, then Landlord may, at its option and without prejudice to any other remedy, appropriate and apply all or any of the Security Deposit to compensate Landlord for such sum or damage. Thereafter and upon demand of Landlord, Tenant shall immediately restore the Security Deposit to compensate Landlord for such sum or damage. Thereafter and upon demand of Landlord, Tenant shall immediately restore the Security Deposit in the original sum deposited. Should Tenant comply with all Lease obligations and promptly pay all the rentals when due and all other sums payable by Tenant to Landlord when due, said Security Deposit shall be refunded in full to Tenant at the expiration or earlier termination of the Lease Term.

C. Bankruptcy. In the event of bankruptcy or other debtor-creditor proceedings against Tenant, as specified in this Lease, the Security Deposit shall be deemed to be applied first to the payment of rental and other charges due Landlord for the Tenant's earliest accruing obligation prior to the initiation of such proceedings.

D. Transfer of Landlord's Interest. Subject to the terms and conditions of this Lease, Landlord may deliver the Security Deposit to any purchaser or assignee of Landlord's interest in the Premises, and Landlord shall then be discharged from any further liability with respect to such Security Deposit, provided that such a purchaser or assignee assumes all the Landlord's obligations relating to such security deposit.

#### **ARTICLE XXI: GENERAL TERMS AND CONDITIONS**

A. Relationship of the Parties. Nothing contained in this Lease shall be construed as creating a partnership, joint venture, principal-agent, or employer-employee relationship between Landlord and Tenant, or any other person or entity, or as causing Landlord to be responsible in any way for the debts or obligations of such other person or entity.

B. Conflict of Interest. Tenant represents and warrants that, as of the Commencement Date, no officer, director or employee of Landlord has any direct or indirect interest in Tenant. Tenant covenants and agrees that during the Lease Term no officer, director or employee of Landlord shall have any direct or indirect interest in Tenant without the prior written authorization of Landlord. A breach of this covenant shall be deemed a curable default.

C. Severability. If any provision of this Lease shall be determined by any court of competent jurisdiction to be void, then such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect. It is the intention of the parties that if any provision of this Lease is capable of two (2) constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid unless such meaning would clearly conflict with the context in which it arises.

D. Entire Agreement. It is understood that there are no oral or written agreements or representations between the parties affecting this Lease, and that this Lease supersedes and cancels any and all previous or contemporaneous leases, proposals, negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements and understandings, if any, made by or between Landlord and Tenant with respect to the Lease subject matter, and the same shall not be used to interpret, construe, supplement, or contradict this Lease. This Lease, including the Exhibits herein, is the only agreement between the parties and their representatives and agents. All negotiations and oral agreements acceptable to both parties have been merged into and are included in this Lease. There are not other leases, representations, covenants or warranties between the parties, and the parties have relied, in all matters regarding this Lease, solely upon the express representations, covenants or warranties contained in this Lease.

E. Use of Lease Form. Although the printed provisions of this Lease were drawn by Landlord, the parties agree that this circumstance alone shall not create any presumption, canon of construction or implication favoring the position of either Landlord or Tenant. The parties agree that any deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to raise any presumption, canon of construction or implication, including without limitation, any implication that the parties intended thereby to state the converse, obverse or opposite of the deleted language.

F. Right to Lease. Landlord reserves the absolute right to establish other tenancies in the Property. Tenant does not rely in any way on the establishment of any other specific tenancies or number of tenancies.

G. Governing Law. The laws of the State of California shall govern the validity, performance and enforcement of this Lease.

H. Waiver or Consent Limitation. A waiver or acceptance of any given breach or default shall not be a waiver or acceptance of any other breach or default. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent similar act by Tenant.

I. Force Majeure. The occurrence of any of the following events shall excuse Landlord or Tenant from obligations thereby rendered impossible or reasonably impracticable of performance for so long as such event continues: strikes; lockouts; labor disputes; acts of God; inability to obtain labor, materials or reasonable substitutes; governmental restrictions, regulations or controls; judicial orders; enemy or hostile governmental action; civil commotion; fire or other casualty; and other causes beyond the reasonable control of the party obligated to perform. Notwithstanding the foregoing, the occurrence of such events shall not excuse Tenant's obligations to pay Minimum Monthly and Additional Rent (unless otherwise provided in this Lease) or excuse such obligation as this Lease may otherwise impose on the party to obey, remedy or avoid such event. If the work performed by Tenant or Tenant's contractor results in such strike, lockout and/or labor dispute, such strike, lockout and/or labor dispute shall not excuse Tenant's performance.

J. Nondiscrimination. For themselves, their heirs, executors, administrators, successors and assigns and all persons claiming under or through them, Landlord and Tenant covenant as follows: there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, marital status, national origin, ancestry, age physical handicap or medical condition, in the leasing, subleasing, transferring, sue, occupancy, tenure or enjoyment of the Premises herein leased, and Tenant and any person claiming under or through Tenant shall not establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, subtenants, licensees or vendees in the Premises.

K. Amendments. To be effective and binding on Landlord and Tenant, any amendment, modification, addition or deletion to the provisions of this Lease must be made in writing and executed by both parties in the same manner as the Lease itself.

L. Right to Enter. Landlord and/or its authorized representatives shall have the right to enter the Premises to confirm compliance with this Lease or for showing the Premises to Prospective purchasers or lenders.

M. Notices.

1. Written Service. Every notice or demand referred to in this Lease shall be in writing, given or served by mail shall be by certified mail, return receipt requested. Either party may change its address for notice by providing written notice of the change to the other by certified mail, return receipt requested. Whenever a party is served with a notice both personally and by mail, such party's time to respond to the

notice shall not be extended by law beyond the date stated in such notice because of such service by mail.

2. Service of Default Notices. Notwithstanding other provisions of this Article, any notices from Landlord to Tenant advising Tenant of violations of Tenant's covenants regarding Tenant's improper advertising or signs, or Tenant's failure to repair or maintain the Premises as required under this Lease, shall be deemed to have been duly given or served upon Tenant upon Landlord's attempted delivery of a copy of the notice to Tenant or his responsible employee at the Premises during normal business hours promptly followed by Landlord's mailing of a copy of such notice to Tenant in the manner specified in this Article

N. Attorney Fees. If either Landlord or Tenant institutes any action or proceeding against the other relating to the provisions of this Lease or any default of this Lease, the nonprevailing party shall reimburse the prevailing party for its reasonable attorney fees and all costs and expenses incurred by the prevailing party in such action or proceeding, including, without limitation, any such fees, costs or disbursements incurred on any appeal from such action or proceeding. The prevailing party shall recover all such fees, costs or disbursements as costs taxable by the court or arbiter in the action or proceeding itself without the necessity for a cross-action by the prevailing party,

O. Captions and Terms.

1. Reference Only. The captions of the articles and Sections of this Lease are for convenience only, are not operative parts of this Lease and do not in any way limit or amplify the terms and provisions of this Lease.

2. Parties. If two (2) or more persons or entities execute this Lease as either Landlord or Tenant, then and in such event the words "Landlord" or "Tenant" as used in this Lease shall refer to all such persons or entities and the liability of such persons or corporations for compliance with and performance of all the terms, covenants and conditions of this Lease shall be joint and several. The masculine pronoun used herein shall include the feminine or the neuter, as the case may be, and the use of the singular shall include the plural.

P. Time of Essence. Time is of the essence in the performance of all covenants and conditions in this Lease.

Q. Obligations of Successors. The parties agree that all provisions of this Lease are to be construed as covenants and agreements and, except as otherwise specified, that said provisions shall bind and inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns.

R. Consent of Landlord and Tenant. Wherever consent or approval is required by this Lease, such consent or approval shall be given in writing and shall not be unreasonably withheld, unless otherwise expressly provided.

1. Conditioned Upon Third Party. Landlord shall not be deemed to have withheld its consent unreasonably where Landlord's action is required, contractually or legally, by any person, agency or authority.

2. Specific Performance. If Landlord or Tenant fails to give any such consent, the other party shall be entitled to seek specific performance in equity and shall have such other remedies as are reserved to it under this Lease, but in no event shall Landlord or Tenant be responsible in monetary damages for such failure to give consent unless said consent is withheld maliciously or in bad faith.

S. Certification of Authority. The person or persons executing this Lease hereby certify under penalty of perjury under the laws of the State of California:

1. Partnership. That if Tenant is a partnership, such person or persons is/are authorized by Tenant to execute this Lease on its behalf; or

2. Corporation. That if Tenant is a corporation, such person or persons is/are authorized by Tenant to execute this Lease on its behalf; and further, that as of the date of execution hereof: (a) Tenant is a duly constituted corporation, qualified to do business in California, active and in good standing; (b) Tenant has paid all applicable franchise and corporate taxes; and (c) Tenant will file when due all future forms, reports, fees and other documents necessary to comply with applicable laws.

T. Approval of Counsel. The parties hereto have entered into this Lease after its review and revision by separate legal counsel of each party's choosing.

Executed as of the date first written above in Sacramento County, California

**LANDLORD:**

**TENANT:**

**HOUSING AUTHORITY OF THE  
CITY OF SACRAMENTO**

By: \_\_\_\_\_  
La Shelle Dozier  
Executive Director

  
\_\_\_\_\_  
Valerie M. Wilson  
Tenant 8/12/10

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Agency Counsel.

**EXHIBIT A**

**DESCRIPTION OF PREMISES**

The Premises are described as follows:

Approximately 408 square feet located on the first floor of the building located at 600 I Street (Riverview Plaza), Sacramento, California, as reflected in *Exhibit B* hereto.

**TENANT'S TRADE NAME**

Tenant shall operate the Premises only under the following trade name:

DOWNTOWN HAIR DESIGN

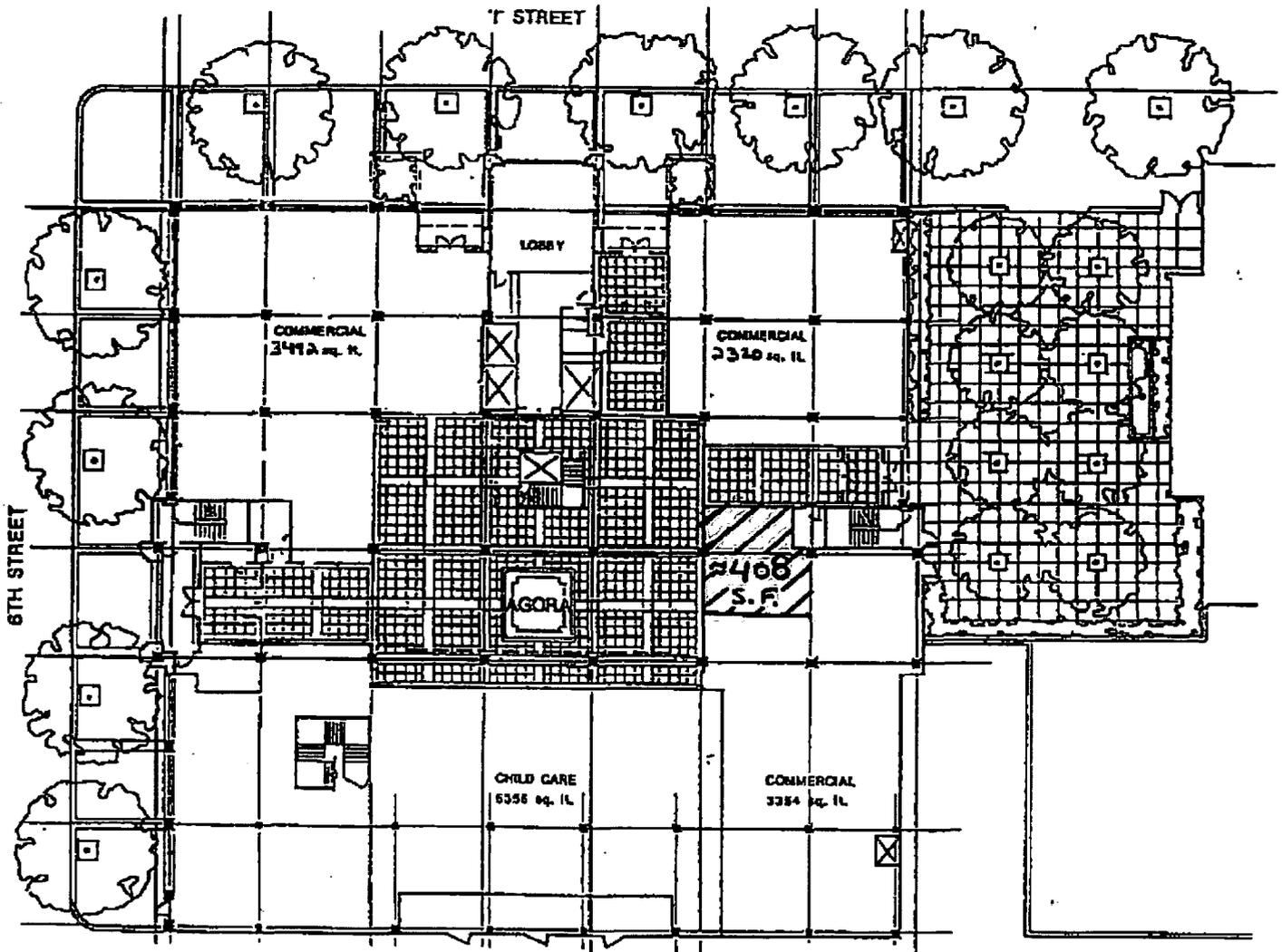
**USE OF PREMISES**

Tenant shall only use the Premises for the following:

BEAUTY SALON

**EXHIBIT B**

**GENERAL SITE PLAN**



**EXHIBIT C**

**SIGNAGE**

Tenant shall maintain, at its expense, a sign on or adjacent to the entry of the premises.

Landlord shall include Tenant's trade name and suite number or other designation of the premises, at landlord's cost, in any directory style sign listing the retail tenants of the building.

All signage is subject to landlord's prior written approval.