



City of Sacramento City Council

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915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 11/29/2011

Report Type: Consent

Title: Termination and Lease Agreement: 1000 I Street

Report ID: 2011-00923

Location: 1000 I Street, District 4

Recommendation: Adopt a Resolution: 1) authorizing the City Manager to execute a lease termination agreement with Eats & Sweets, Inc. dba Fog Mountain Café, for retail space located at 1000 I Street; 2) finding that, pursuant to City Code Section 3.68.110, the leasing of 1000 I Street without bidding is in the best interests of the City; and 3) authorizing the City Manager to execute a 5-year lease agreement with one 5-year extended term option, with Big Joe's BBQ, Inc. for retail space located in City Hall Garage.

Contact: Paul Sheridan, Program Analyst, Department of Transportation, 808-6817; Howard Chan, Parking Services Manager, Department of Transportation, 808-7488

Presenter: None

Department: Transportation Department

Division: Off-Street Parking Admin

Dept ID: 15001211

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Agreement Cover Sheet
- 4-Resolution
- 5-Termination Agreement
- 6-Lease Agreement With Big Joes BBQ

City Attorney Review

Approved as to Form
Jerry Hicks
11/21/2011 11:22:17 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Janelle Gray
10/25/2011 8:17:44 AM

Approvals/Acknowledgements

Department Director or Designee: Jerry Way - 11/17/2011 4:17:22 PM

Eileen Teichert, City Attorney

Shirley Concolino, City Clerk
John F. Shirey, City Manager

Russell Fehr, City Treasurer



Description/Analysis

Issue: In 2008 Eats & Sweets, Inc. opened Fog Mountain Café at 1000 I Street in the City's City Hall Garage. After opening, the economy continued to deteriorate and Eats & Sweets was not able to sustain business levels that allowed it to meet its monthly rent obligations. After several efforts to succeed by adjusting their business model and restructuring expenses, Eats & Sweets closed Fog Mountain Cafe. As of September 1, 2011 it owed the City \$133,858.66 in outstanding rent.

Eats & Sweets, Inc. has limited resources to pay against their outstanding rent and has offered to surrender all equipment in the restaurant to the City, currently valued at \$52,000, in exchange for the City forgiving the remainder of their rent which would equal \$83,858.66. If the City chooses to terminate Eats & Sweets' tenancy through litigation, it could potentially take a lengthy period of time to resolve as demonstrated from previous cases.

Conditioned upon the City settling the tenancy with Eats & Sweets, Inc., the City has received a firm and complete offer from Big Joe's BBQ, Inc. to lease the site. Big Joe's currently has a successful catering business and would like to open a permanent location at 1000 I Street. They plan to offer a variety of BBQ sandwiches with sides plus have an outdoor grill to supplement their internal kitchen operations.

Policy Considerations: The recommendation is consistent with the City's strategic plan and the goal of the City Council to expand economic development throughout the City.

Environmental Considerations:

California Environmental Quality Act (CEQA): This project is exempt from the California Environmental Quality Act (CEQA) under Section 15301, "Operation of existing public structures or facilities involving no expansion of use."

Sustainability Considerations: None.

Other: None.

Commission/Committee Action: None.

Rationale for Recommendation: As of September 1, 2011, Eats & Sweets Inc. has a \$133,858.66 outstanding balance with the City which equates to approximately 29 months of rent. Eats & Sweets, Inc. has limited resources and is not able to pay their accrued rent. To settle their tenancy, they have offered to surrender all their restaurant equipment and supplies to the City in lieu of paying their accrued rent. Their equipment is valued at \$52,000 which would leave an account balance of \$83,858.66. Settling with Eats & Sweets will allow the City to immediately enter into a new lease agreement with Big Joe's BBQ, Inc. At the current market rate of \$1.65 per square foot the annual rent from Big Joe's would be \$40,788. If the City chooses to terminate Eats & Sweets' tenancy through litigation, it could take a lengthy period of time to resolve as demonstrated from previous cases.

City Code 3.68.110 allows the City to lease City property without bidding when a firm and complete written offer at or above market value is received by the City, and the City Council finds that leasing the property without bidding is in the best interests of the City. Big Joe's BBQ, Inc., has submitted a firm and complete written offer to lease wherein the rent specified is at or above the fair market rate for comparable property as determined by the City's real property supervisor. By leasing without bidding, the proposed lease agreement will enable the City to quickly re-tenant the 1000 I Street site with a quality new restaurant to serve the downtown.

Financial Considerations: As of September 1, Eats & Sweets, Inc. owes the City \$133,858.66 in accrued rent. The estimated value of the equipment and supplies at Fog Mountain is \$52,000. If the City accepts this as payment against their rent, it would leave a balance of \$83,858.66, which the City will write-off in the Parking Fund (Fund 6004).

1000 I Street measures approximately 2,060 square feet in size. Based on a current market rate of \$1.65 per square foot, monthly rent payments for Big Joe's BBQ, Inc. will begin at \$3,399 and increase annually based on the Consumer Price Index. Total rent collected during the initial 5-year term will be at least \$203,940. All rental income will be deposited in the Parking Fund (Fund 6004).

Emerging Small Business Development (ESBD): None.

Background Information

- 1) In December 2007, the City entered into a lease agreement (City Agreement # 2007-1358) with Eats & Sweets, Inc. for 2,060 square feet of retail space located at 1000 I Street in the City's City Hall Garage. In April 2008 Eats & Sweets, Inc. opened Fog Mountain Café, a restaurant specializing in freshly made soups and sandwiches. The term of the lease was for five years with two 5-year extended term options. Monthly rent started at \$4,326 (based on \$2.10 per square foot) and increased 3% annually. The current monthly rent is \$4,727 per month (\$2.29 per square foot). After opening in 2008, the economy continued to deteriorate and Eats & Sweets was not able to sustain business levels that allowed it to meet its monthly rent obligations. After several efforts to succeed by adjusting their business model and restructuring expenses, Eats & Sweets closed Fog Mountain Cafe. As of September 1, 2011 it owed the City \$133,858.66 in outstanding rent.
- 2) The principle owners of Big Joe's BBQ, Inc. are Joe Dunlap and Angelo Negrete. For five years Joe Dunlap operated Big Joes BBQ in Citrus Heights and has been focusing on catering the past two years. For the past eight years, Angelo Negrete has been the owner and operator of Fuddruckers, a popular family restaurant located in Citrus Heights.
- 3) 1000 I Street is approximately 2,060 square feet in size and is located in City Hall Garage. City Hall Garage has over 21,000 square feet of commercial retail space.
- 4) City Code 3.68.110 allows the City to lease City property without bidding when a firm and complete written offer at or above market value is received by the City, and the City Council finds that leasing the property without bidding is in the best interests of the City. Big Joe's BBQ, Inc., has submitted a firm and complete written offer to lease wherein the rent specified is at or above the fair market rate for comparable property as determined by the City's real property supervisor. By leasing without bidding, the proposed lease agreement will enable the City to quickly re-tenant the 1000 I Street site with a quality new restaurant to serve the downtown.



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RESOLUTION NO.

Adopted by the Sacramento City Council

TERMINATION AND LEASE AGREEMENT: 1000 I STREET

BACKGROUND

- A. 1000 I Street is located at the corner of 10th & I Streets in the City's City Hall Garage. The site is approximately 2,060 square feet in size. City Hall Garage has almost 3,000 square feet of commercial retail space.
- B. In 2008 Eats & Sweets, Inc. opened Fog Mountain Café at 1000 I Street. After opening, the economy continued to deteriorate and Eats & Sweets was not able to sustain business levels that allowed it to meet its monthly rent obligations. After several efforts to succeed by adjusting their business model and restructuring expenses, Eats & Sweets closed Fog Mountain Cafe. As of September 1, 2011 it owed the City \$133,858.66 in outstanding rent.
- C. Eats & Sweets, Inc. has limited resources to pay against their outstanding rent and has offered to surrender all equipment in the restaurant to the City, currently valued at \$52,000, in exchange for the City forgiving the remainder of their rent which would equal \$83,858.66. If the City chooses to terminate Eats & Sweets' tenancy through litigation, it could potentially take a lengthy period of time to resolve as demonstrated from previous cases.
- D. Conditioned upon the City settling the tenancy with Eats & Sweets, Inc., and pursuant to City Code Section 3.68.110, the City has received a firm and complete written offer from Big Joe's BBQ, Inc. to lease 1000 I Street wherein the rent specified is at or above the fair market rate for comparable property as determined by the City's real property supervisor. Big Joe's currently has a successful catering business and would like to open a permanent location at 1000 I Street. They plan to offer a variety of BBQ sandwiches with sides plus have an outdoor grill to supplement their internal kitchen operations.
- E. The term of the new lease is five years with one 5-year option. Based on a current market rate of \$1.65 per square foot, monthly rent payments for Big Joe's BBQ, Inc. will begin at \$3,399 and increase annually based on the Consumer Price Index. Total rent collected during the initial 5-year term will be at least \$203,940. All rental income will be deposited in the Parking Fund (Fund 6004).

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager is authorized to execute a lease termination agreement with Eats & Sweets, Inc. for retail space located at 1000 I Street.
- Section 2. Pursuant to City Code Section 3.68.110, it is in the best interests of the City to lease 1000 I Street without bidding.
- Section 3. The City Manager is authorized to execute a lease agreement with Big Joe's BBQ, Inc. for retail space located at 1000 I Street for a term of five years with one 5-year extended term option.
- Section 4. Exhibits A and B are attached and part of this resolution.

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Exhibit A—Lease Termination Agreement

Exhibit B—Lease Agreement

LEASE TERMINATION AGREEMENT

This Lease Termination Agreement (the "Agreement") is made between the City of Sacramento ("Lessor") and Eats & Sweets, Inc. ("Lessee")

RECITALS

- A. On December 18, 2007 Lessor and Lessee entered into City Agreement No. 2007-1358 ("Lease") whereby Lessee leased from Lessor certain property located at 1000 I Street, Sacramento, CA 95814 ("Premises"). The Premises measured 2,060 square feet. The term of the Agreement is five years, with two, five-year extension options. Rent payments began at \$4,326 per month (\$2.10 per square foot) and increased 3% annually. The current rental rate is \$4,727.14 per month (\$2.29 per square foot).
- B. As of September 1, 2011 Lessee owes Lessor \$133,858.66 in outstanding rent payments. Lessee is in default of the lease pursuant to paragraph 6.
- C. Lessee has abandoned the Premises, including all equipment, supplies, property existing within the Premises.
- D. By entering into this Agreement, and in consideration thereof, it is the intention of Lessor and Lessee to settle and resolve all disputes between them, on the terms and conditions set forth below.

AGREEMENT

Therefore, in consideration of the promises, covenants, warranties and representations set forth below, Lessor and Lessee agree as follows;

1. Lessee shall surrender to Lessor all equipment ("Equipment") listed in Exhibit A. Lessor and Lessee agree the value of the Equipment is \$52,000. Lessee warrants it has full ownership and title to the Equipment and there are no amounts owing or liens or encumbrances of any kind on the Equipment. To the extent that any liens or encumbrances are asserted against the Equipment, Lessee agrees to defend and indemnify Lessor from any claims asserted against the Equipment as a result of Lessee's failure to directly pay any such lien or encumbrance.
2. In exchange for all equipment listed in Exhibit A, Lessor agrees to forgo its right to collect all current and future outstanding rent due from Lessee.
3. Lessor and Lessee agree to terminate the Agreement effective September 1, 2011.

4.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Agreement on the date herein above first listed above.

LESSEE:
BY: [Signature] 10/23/11
Jim Harnish Date
TITLE: President

BY: [Signature]
Judy Harnish Date
TITLE: CFO 10/23/11

BY: [Signature] 10/23/11
Eric Harnish Date
TITLE: Chef

BY: [Signature] 10/22/11
Ben Crittenden Date
TITLE: _____

LESSOR:
CITY OF SACRAMENTO
A Municipal Corporation
BY: _____
City Manager

APPROVED AS TO FORM
BY: [Signature]
Deputy City Attorney

ATTEST
BY: _____
City Clerk

Exhibit A—FOG MOUNTAIN EQUIPMENT INVENTORY

Montague Grizzly G60-10 10-burner double sheet pan size ovens

True Reach-in refrigerator T-49

Robot Coupe + extra bowl, lid, and blade

Rolling Racks – 3

Large Salad Spinner

Stainless table – 3'x12'

Star Stockpot Range 601 SPRD

Star Grill 6115 RCBD 36"

Champion Flat top GGM-36H 36"

American Range Salamander ARCM-324 (never used)

Lincoln Conveyor Oven 1301

Duke Steam Table E-304

Custom fabricated plate window for steam table

Manitowoc Ice Machine EU 04018

Manitowoc Ice Bin

Lowboy 60"

Carrier Sandwich Prep Table SP60-M

POS System with Digital Dining (licensed to FMC) – two touch screen terminals, 3 printers

Computer

Fax Machine/Printer

Telephone

Commercial Microwave

Commercial Immersion Mixer

Meat Slicers (2)

Sinks – 1 3-bowl, custom-fabricated wall shield and drying table, 3 hand sinks

Stainless Tables – 2-3' x 2', 1-10' x 2½, 2-s x 2

Wire Shelving – 9 various sizes

Walk-in Fridge Shelving

Walk-in Freezer Shelving

Push Carts – 3

Soap Dispensers – 3

Towel Dispensers - 3

Open Signs – 2

Exit Signs – 2

Tables – 14 2-tops, 9 4-tops

Chairs – 61

Patio Tables – 4

Patio Chairs – 6

Bar Stools – 9

Bookshelf – 6' x 6' x 16"

Dishes – 51 plates, 35 side plates, 45 soup cups, 14 soup bowls, 27 salad bowls, 34 coffee cups, 4 tea pots, 36 water glasses, 46 juice glasses

Silverware – 60 sets

Napkin Dispensers – 25

Salt and Pepper Shakers – 16 sets

Flower Vases – 20

Plant Pots – 10 various sizes

Rolling Platforms for Plant Pots - 2

Pepper Mills – 2

Ice scoops – 3 various sizes

Baines – 7 large, 13 medium, 2 small

Sheet Pans – 45

Metal Bowls – 6

Mixing Bowls – 3

Strainers – 8 various styles

Metal Hotel pans – 57 various sizes

Plastic Hotel Pans – 60 various sizes

Cambros – 70 various sizes with 30 lids

Electric Food Warmers – 2 (11 quart round cooker, warmers) – never used

Employee lockers – 12

Colanders- 2

Chinois - 2

Tea Urn

Rubber Floor Mats – 6

Cash Box

Miscellaneous to-go containers

Plastic Bags – partial case

Oven Bricks - 4

Bussing and dishwasher tubs – 6

Commercial toaster – 4 slice

Miscellaneous kitchen utensils (two bins) – ladles, slotted spoons, whisks, can openers, zesters, high heat rubber and metal spatulas, tongs, house knives, thermometers, tomato sharks, channel knives, peelers, meat tenderizer, rolling pins, sharpening stone, church keys, spiders, wooden spoons, pastry brushes, grill brush

Miscellaneous dishwashing and cleaning chemicals

Cooling stick for freezer

Menu boards – 2 large, 1 small

Miscellaneous office supplies

Miscellaneous boxes of soda syrup and rack

Approximate replacement value: \$52,000



LEASE

CITY HALL GARAGE
1000 I Street
Lessee: Big Joes BBQ, Inc.

THIS LEASE, hereinafter referred to as a "Lease", is executed at Sacramento, California, on _____, between the CITY OF SACRAMENTO, a municipal corporation (hereinafter called the Lessor), and Big Joe's BBQ, Inc. (hereinafter called Lessee).

1. **DESCRIPTION OF PREMISES**. Lessor leases to Lessee, and Lessee hires from Lessor, on the terms and conditions hereinafter set forth, those certain "Premises" situated in the City of Sacramento, County of Sacramento, State of California, known as a portion of the City Hall Garage and described as space consisting of approximately two thousand sixty square feet (2,060) of floor space, shown on the diagram attached hereto and marked Exhibit "A".

2. **PARKING SPACES**. During the term of this Lease, the Lessor agrees to make available to Lessee or its employees up to four (4) undesignated monthly parking spaces in the parking facility which houses the demised Premises at the current rental rate applicable to monthly parking in the garage by members of the public. Rental paid for said monthly parking spaces shall be in addition to the minimum monthly rental specified in Paragraph 5 of this lease. Lessor warrants that parking policies will apply equally and justly to all tenants.

3. **TERM**. The term of this Lease shall be as follows:

This Lease shall be effective upon execution by both parties. The date of execution by both parties shall be known as the "Lease Commencement Date."

- (a) Following the Lease Commencement Date, Lessee shall have a build-out period of up to one hundred fifty (150) days herein referred to as the "Build Out Period." Following this 150-day "Build-Out Period" rent and all additional charges shall commence ("Rent Commencement Date").
- (b) The Initial Term of this Lease shall be for sixty (60) full calendar months commencing upon the beginning of the "Rent Commencement Date," The Initial Term shall expire, unless sooner terminated, at midnight on the last day of the sixtieth (60) full calendar month.
- (c) Lessee is entitled to one (1) additional five (5) year options to extend this Lease ("Extended Terms") following expiration of the Initial Lease Term, by giving notice to Lessor at least six (6) months but not more than one (1) year before the expiration of the Initial Lease Term to exercise the Extended Term If Lessee has been in default in the payment of rent as provided in the last sentence of Paragraph 6 of this Lease, more than one time in any one-year period prior to the date the first Extended Term is to

commence, the Lessor, at its sole discretion, may deny commencement of the Extended Term, at which point this Lease shall expire at the end of the Initial Lease Term.

4. **OCCUPANCY** Lessee shall occupy the leased Premises upon Lease execution by Lessor and Lessee.

5. **RENT**

(a) Rent charges shall begin upon the first day following the Build Out Period ("Rent Commencement Date").

(b) The minimum monthly rental charges shall be three thousand three hundred ninety nine dollars (\$3,399) per month, which is based on one dollar and sixty five cents (\$1.65) cents per square foot, times approximately two thousand sixty square feet (2,060) square feet, in lawful money of the United States of America, which Lessee agrees to pay Lessor, without deduction or offset, except as otherwise set forth in this lease, at such place or places as may be designated from time to time by Lessor, in writing to the Lessee, in installments as follows: three thousand three hundred ninety nine dollars (\$3,399) on the Rent Commencement Date, and three thousand three hundred ninety nine dollars (\$3,399) thereafter on the first day of each and every succeeding calendar month. Rent for any partial month of occupancy shall be prorated as to the number of days in such month. The monthly rental payments shall be due and payable on the first day of each month in advance.

(c) Every twelve (12) months of the Initial Lease Term and the Extended Term, the monthly rent shall increase by a percentage equal to the Consumer Price Index (CPI) for the San Francisco, Oakland and San Jose Metropolitan Area for All Urban Consumer (CPI-U), All Items (1982-84=100), published by the United States Department of Labor, Bureau of Labor Statistics. Such percentage increase will be over the prior year's lease rental rate. In no event will the annual increase exceed three and one-half percent (3.5%).

6. **DELINQUENT RENT.** In the event that rent payment is not received by Lessor on or before the Tenth (10th) day of the month for which rent is due, rent for that month shall be automatically increased by an amount equal to Ten (10%) percent ("Late Fee") of the current monthly rent. The Late Fee shall be in addition to and not in lieu of all other remedies of Lessor for failure to make timely payment of rentals pursuant to this Lease. In addition to the Late Fee, in the event that any rent payment is not actually received by Lessor on or before thirty (30) days after it is due, Lessee shall be considered in default under this Lease. All monetary obligations of Lessee to Lessor under the terms of this Lease, including but not limited to late fees, are deemed to be rent.

7. **LESSEE TERMINATION OPTION.** After two (2) years from the Rent Commencement Date, Lessee, at its sole option, may terminate this Lease under the

condition Lessee is not in default of any term of this Lease at the time of such request. In the event Lessee terminates this Lease, Lessee agrees to pay Lessor an amount equal to three (3) months of the rental rate at the time of termination. Such amount will be due and payable in full at the time Lessee vacates the premises. Lessee agrees to provide Lessor a minimum of thirty (30) days advance notice of a termination pursuant to this Paragraph 7.

8. **UTILITIES AND SERVICES**

- (a) Lessor shall pay water, sanitary sewer and storm drainage charges that are associated with Lessee's use of the Premises.
- (b) Except as otherwise provided for above Lessee shall pay for all other utilities and services serving the Premises, including, but not limited to, trash removal, natural gas and electricity.

9. **SERVICE AREAS AND GARBAGE REMOVAL.**

- (a) Lessee agrees that all removal of garbage and refuse from the Premises shall be made only by way of loading areas, or such portion of the parking areas within the parking structure operated by Lessor, as Lessor may designate from time to time for such use by Lessee, and at such hours as may be designated by Lessor from time to time. Lessee shall comply with all applicable provisions of the Sacramento City Code related to refuse, garbage storage, removal and collection.
- (b) Lessee shall tie all trash bags prior to placing trash bags in garbage receptacle(s). Lessee shall ensure that the lid on the garbage receptacle(s) into which Lessee's trash is placed is closed at all times the receptacle is not receiving trash. Lessee shall ensure that trash is not dragged on any surface.
- (c) Lessee agrees to arrange and pay for trash removal on a regular schedule of at least once every three (3) days. Lessee shall arrange for trash to be removed more frequently if, in Lessor's reasonable discretion, odor, health, or safety problems caused by Lessee's garbage develop. If, in Lessor's reasonable discretion, odor, health, or safety problems caused by Lessee's garbage develop and Lessee has not arranged for Lessee's garbage to be picked up in accordance with this Lease, Lessor reserves the right to arrange for pickup of Lessee's garbage and charge the reasonable cost of that removal to Lessee. In no event shall Lessor arrange the pickup of Lessee's garbage at the cost of the Lessee, without providing a minimum of 24 hours notice to Lessee.
- (d) Lessee's trash area is located in alley behind the Premises.

10. **TAXES.** Lessee shall, in addition to other sums to be paid under this Lease, pay to the County of Sacramento all personal property taxes which shall be levied against the personal property of the Lessee. Lessee is also responsible for the payment of possessory

interest tax. Pursuant to Section 107.6 of the California Revenue and Taxation Code, there may be a possessory interest tax levied by virtue of this Lease. Lessee shall be billed and shall pay the possessory interest tax directly to the County Assessor's Office.

11. **USE**. The Premises are leased to the Lessee for the purpose of operation of a restaurant. Lessee shall not use or permit said Premises, or any part thereof, to be used for any other purpose(s). Lessor makes no warranty, express or implied, as to the suitability of the Premises for the specified use.

12. **INSURANCE HAZARDS**. Other than the approved use set forth in Paragraph 11 of this Lease, no use shall be made or permitted to be made of the Premises, nor acts done, which will increase the existing rate of insurance upon the building in which the Premises are located, or cause a cancellation of any insurance policy covering said building, or any part thereof, nor shall Lessee sell, or permit to be kept, used, or sold, in or about the Premises, any article which may be prohibited by the standard form of fire insurance policies. Lessee shall, at its sole cost and expense, comply with any and all requirements, pertaining to the Premises, of any insurance organization or company, necessary for the maintenance of reasonable fire and public liability insurance, covering the building and appurtenances.

13. **LESSOR/LESSEE INITIAL IMPROVEMENTS TO PREMISES.**

- (a). Lessee shall bear the cost of the improvements and the cost of architectural and engineering consultants in connection with tenant improvements, except that Lessor shall contribute a Lessee Improvement Allowance equal to Twenty Seven Thousand dollars (\$27,000) Dollars, for the purchase and installation of fencing and heaters for an outdoor seating area and warming station. The Lessee Improvement Allowance shall be paid to the Lessee within 30 days of Lessor receiving all invoices and unconditional lien releases from all persons performing labor or providing materials on or to the premises, and providing copies of the lien releases, dated and with original signatures, to the Lessor from Lessee's contractor.
- (b). The Lessee Improvements may be commenced any time after the Lease Commencement Date and in advance of the Rent Commencement Date and shall be completed within a reasonable period of time following commencement of such improvements. However, no delay in completion of the Lessee Improvements shall change or extend the Rent Commencement Date or change or extend the date of the expiration of the Lease Term unless such delay is caused by Lessor's acts or omission
- (c). Lessor has determined that at the time of delivery of space to Lessee, no substandard work exists which adversely affects the mechanical, electrical, plumbing, heating, ventilation and air conditioning, life-safety or other systems of the Building, the curtain wall of the Building, and the structure or exterior appearance of the Building. Lessor shall have no responsibility to make any improvements to the structure of the Premises including those required by federal and state disability access laws. Lessor will determine that the building shell meets all current federal and state disability access laws at time of delivery. Any of Lessee's specific changes to interior space

that trigger additional requirements under federal and state disability access laws shall be Lessee's sole responsibility.

- (d). Except for the Lessee Improvement Allowance, Lessor shall have no liability or responsibility for repairs to, changes to or code upgrades required in connection with the construction of the Lessee Improvements.
- (e). Within thirty (30) business days after the execution of this Lease, Lessee shall provide Lessor with a set of floor plans and within sixty (60) days after the execution of this lease, Lessee will provide Lessor with a set of detailed drawings showing Lessee's proposed improvements to the Leased Premises. Within ten (10) business days after receipt of Lessee's plans, Lessor shall provide Lessee with written approval or disapproval of the improvements, with reasons for disapproval. Lessor may post a notice of non-responsibility prior to the start of any improvements. Lessee Improvements shall include, at a minimum, the improvements described in "Exhibit B".
- (f). All construction work required or permitted by this Lease shall be done in a good and workmanlike manner, and in compliance with all applicable laws and ordinances, regulations, and orders of governmental authority and insurers of the Premises. Lessor may inspect the Lessee's work at reasonable times and shall promptly give notice of observed defects.
- (g). Before starting any work, Lessee shall:
 - (i) Obtain all required governmental approvals and permits required to start construction; and
 - (ii) Satisfy all requirements regarding insurance imposed by this Lease; and
 - (iii) Deliver to Lessor a statement of the names of all contractors and subcontractors and the estimated cost of all labor and material to be furnished by them;
 - (iv) Cause Lessee's contractors to carry worker's compensation insurance covering all the contractors' and subcontractors' employees, and public liability insurance with limits of One Million Dollars (\$1,000,000) and property damage insurance with limits of One Million Dollars (\$1,000,000), both general and vehicular (all insurance to be written by companies licensed to do business in the State of California, and insuring Lessor and Lessee as well as the contractors);
 - (v) Deliver to Lessor certificates of all insurance, providing that insurance may not be canceled without thirty (30) days' prior written notice to Lessor. Lessor shall have the right during the term to increase the minimum liability limits specified above, to meet reasonable changed

circumstances. Lessor shall be reasonable as to the cost of said changes. At all times Lessee shall keep the Premises free from and clear of mechanics' liens.

14. **ACCEPTANCE OF PREMISES. SURRENDER AT END OF TERM.** By signature hereto, Lessee accepts the Premises as being in good and sanitary order, condition and repair, and in the size and condition represented by Lessor, and agrees on the last day of the term, or sooner termination, of this Lease, to surrender the premises with appurtenances to the Lessor in broom clean condition reasonable use and wear excepted, and to remove all of Lessee's signs and personal property, not affixed to the premises, from the premises.

15. **WASTE. QUIET CONDUCT/QUIET ENJOYMENT.** Lessee shall not commit, or suffer to be committed, any waste upon the premises, or any nuisance or other act or thing which may disturb the quiet enjoyment of any other Lessee in the building in which the Premises are located. Lessor covenants and represents that it has full right and lawful authority to enter into and perform the Lessor's obligations under this lease and that it has a fee simple title, in the building of which the premises is a part, free and clear of all conditions, covenants, restrictions, mortgages and other liens or defects in title of any nature whatsoever affecting the premises, or the rights granted Lessee in this Lease. Lessor further covenants that if Lessee shall discharge the obligations set forth to be performed by Lessee, Lessee shall have and enjoy, during the term hereof, and all extensions herein provided, the quiet and undisturbed possession of the premises and all appurtenances appertaining thereto, together with the right to use the areas common to all lessees as in the this lease contemplated.

16. **LESSEE ALTERATIONS; MECHANICS' LIENS**

- (a) Lessee shall not make, or suffer to be made, any alterations of the premises, or any part thereof, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. All alterations, improvements, additions, or fixtures, other than trade fixtures not permanently affixed to realty, that may be made or installed upon the premises by either of the parties and that in any manner are attached to the floors, walls, or ceilings, shall be the property of the Lessor, and, at the termination of this Lease, shall remain upon and be surrendered with the premises as a part of the premises, without disturbance, molestation, or injury; provided, however, Lessee may remove trade fixtures, if Lessee repairs any damage to the premises caused by such removal.
- (b) Lessee shall pay, when, due, all sums of money that may become due or purportedly due for any labor, services, materials, supplies, or equipment alleged to have been furnished or to be furnished to or for Lessee in, at, upon or about the premises and which may be secured by any mechanics', material men's or other lien against the premises or Lessor's interest in the premises, and Lessee shall cause each such lien to be fully discharged and released at the time performance of the obligation secured matures or becomes due. Alternatively, Lessee shall have the right to contest the correctness of the validity of any such lien if, immediately on demand by

Lessor, Lessee procures and records a lien release bond issued by a corporation authorized to issue surety bonds in California in an amount equal to one and one-half times the amount of the claim of lien. The bond shall meet the requirements of California Civil Code Section 3143 and shall provide for the payment of any sum that the claimant may recover on the claim (together with costs of suit, if it recovers in the action). Lessor shall have the right to post and maintain on the premises such notices of non-responsibility as are provided for under the mechanics' lien law of California.

17. CARE AND MAINTENANCE OF THE DEMISED PREMISES.

- (a) Lessee shall maintain the premises, except all structural portions thereof, in the same order and condition as when received, wear and tear in the usual and ordinary operation of Lessee's business, and action of the elements, excepted. The term "structural portions" as used in this Paragraph, shall mean and include the foundations, exterior walls, concrete slabs, the beams and columns bearing the main load on the roof, of the premises. Lessee shall maintain the exterior and interior of doors, windows, and plate glass located on the premises.
- (b) Lessor shall keep in good order, condition and repair (i) the structural portions of the premises, as hereinabove defined, (ii) the plumbing and sewage system serving up to the premises, and (iii) the heating, air conditioning and ventilating equipment provided for the premises by the Lessor; except (as to all items) for any damage caused by any negligent or intentional act or omission of Lessee or its employees, agents, invitee, licensees, or contractors. Lessor shall maintain the cleanliness and maintenance of all areas common to retail Lessees at City Hall Garage including, but not limited to the exterior of premises, any common garbage areas, pedestrian walkways, patios, landscaped areas, sidewalks, service corridors, stairways, non-structural portions of the roofs and exterior walls, and loading areas. Lessor shall maintain and clean the type1cooking hood and exhaust system serving the premises.
- (c) Lessee and Lessor shall complete all repairs for which they are respectively responsible in a timely manner, not to exceed five (5) working days in the event of an emergency repair. In an emergency situation where Lessor is required to make the repair and is unable to make the repair so as to prohibit Lessee from conducting Lessee's normal business, Lessee shall be permitted to make the repair itself and deduct the reasonable and documented cost of such repair from Lessee's next rental payment. The amount of such repair shall not exceed the fair market rate(s) for the pertinent industry from which the repair is performed. For the purposes of this Subparagraph, "emergency" shall mean a condition affecting the health, safety or security of Lessee or Lessee's invitees.
- (d) The plumbing facilities serving the premises shall not be used for any other purpose than that for which they are constructed. No foreign substance of

any kind shall be thrown in the plumbing facilities. The expense of any breakage, stoppage, or damage resulting from a violation of this provision shall be borne by Lessee if Lessee or its employees, agents, contractors, or invitees shall have caused it.

18. **ABANDONMENT OF PREMISES, TRADE FIXTURES.** Lessee shall not vacate or abandon the premises at any time during the term, and if Lessee shall abandon, vacate, or surrender said premises, or be dispossessed by process of law, or otherwise, any personal property belonging to Lessee and left on the premises shall be deemed to be abandoned at the option of Lessor, subject to Lessee's mortgage company security interest.

19. **COMPLIANCE WITH LAW.**

- (a) Lessee shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the specific activity of Lessee on the premises. The judgment of any court of competent jurisdiction, or the admission of Lessee in any action or proceeding against Lessee, whether Lessor be a party thereto or not, that Lessee has violated any such ordinance or statute in the use of the premises shall be conclusive of the fact as between Lessor and Lessee.
- (b) Lessee represents, warrants and covenants that Lessee will remain in compliance with all applicable federal, state and local laws, ordinances and regulations (including consent decrees and administrative orders) relating to public health and safety and protection of the environment ("Environmental Laws"), and that Lessee will not permit to occur any release, generation, storage, disposal or treatment of any hazardous material as that term is defined in any of the Environmental Laws. Lessee shall immediately notify Lessor of any such release, generation, storage, disposal or treatment and Lessee shall take such necessary remediation measures at Lessee's expense to the complete satisfaction of Lessor. Lessee shall immediately notify Lessor of any complaints, citations, inquires or notices from any governmental entity relating to compliance with Environmental Laws. Lessee represents, warrants and covenants that all governmental permits relating to the use or operation of the premises required by applicable Environmental Laws are and will remain in effect, and Lessee will comply with them.

20. **INDEMNITY.** This lease is made upon the express condition that Lessee shall indemnify and hold harmless Lessor from and against any and all claims, damages, causes of action, suits, or damages (including costs and expenses incurred in connection therewith) for death or injury to persons or for loss of or damage to property arising out of or in connection with the use and occupancy of the premises by Lessee, its agents, servants, employees, or invitees and to the extent not caused by Lessor's or Lessor's employees' negligence or willful misconduct; provided, however, Lessor shall be liable for loss, damages, or injury resulting from structural defects of the building in which the premises are situated which are not caused by negligence or intentional act of Lessee, its agents, servants, employees, or invitees. Lessor shall indemnify and hold harmless Lessee from and against

any and all claims, causes of action, suits or damages (including costs and expenses incurred in connection therewith) for death or injury to persons or for loss of or damage to property arising out of or in connection with Lessor's or Lessor's employees' negligence or willful misconduct or resulting from structural defects of the building in which the Premises are situated which are not caused by the negligence or intentional act of Lessee, its agents, servants, employees or invitees. In the event of any claims made or suits filed, Lessor shall give Lessee notice thereof.

21. INSURANCE REQUIREMENTS.

During the term of this Lease Agreement, and until final completion and acceptance of any work required by this Agreement, Lessee shall maintain in full force and effect at its own cost and expense the following insurance coverage. By requiring the insurance herein, the CITY does not represent that the coverage and limits will necessarily be adequate to protect the LESSEE. It is understood and agreed by the LESSEE that the required insurance coverage and limits shall not be deemed as a limitation on LESSEE'S liability under the indemnities granted to the CITY in this Lease Agreement.

Insurance requirements are subject to review and revision every five (5) years to assure that policy terms, conditions and limits are maintained in accordance with current insurance industry standards for comparable premises and buildings.

A. Minimum Scope & Limits of Insurance Coverage

- (1) General Liability Insurance is required providing coverage at least as broad as ISO GL Form 00 01 on an occurrence basis for bodily injury including death of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000). The policy shall include coverage for premises, operations, products and completed operations and contractual liability for the term of the policy. The policy shall include a fire legal liability limit of \$50,000 for a small leased space or \$250,000 for a large leased space.
- (2) All Risk Property Insurance including coverage for special perils is required all improvements, fixtures and equipment. All property insurance must be for replacement value and name the City as loss payee.
- (3) Workers' Compensation Insurance with statutory limits, and Employers' Liability Insurance with limits of not less than one million dollars (\$1,000,000) are required. The Worker's Compensation policy shall include a waiver of subrogation.
- (4) Automobile Liability Insurance providing coverage at least as broad as ISO Form CA 00 01 on an occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000) per occurrence. The policy shall provide coverage for owned, non-owned and/or hired autos as appropriate to the operations of the LESSEE.

No automobile liability insurance shall be required if LESSEE completes the following certification:

"I certify that a motor vehicle will not be used in the performance of any work or services under this agreement." _____ (LESSEE initials)

B. Additional Insured Coverage

General Liability Insurance The CITY, its officers, employees and volunteers shall be covered by policy terms or endorsement as additional insured as respects general liability arising out of activities performed by or on behalf of the LESSEE including products and completed operations of LESSEE and premises owned, leased or used by LESSEE.

C. Other Insurance Provisions

The policies are to contain or be endorsed to contain the following provisions.

- (1) LESSEE's insurance shall be primary as respects the CITY, its officers, employees and volunteers. Any insurance or self-insurance maintained by the CITY, its officials, employees or volunteers shall be in excess of LESSEE's insurance and shall not contribute with it.
- (2) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the CITY, its officers, employees and volunteers.
- (3) Coverage shall state that LESSEE'S insurance shall apply separately to each insured against whom claim is made or suit is brought except with respect to the limits of the insurer's liability.
- (4) The CITY will be provided with thirty (30) days written notice of cancellation or material change in the policy terms or language.

D. Acceptability of Insurers

Insurance shall be placed with insurers with a Bests' rating of not less than A:V. Self insured retentions, policy terms or other variations that do not comply with the requirements of this section must be declared to CITY's representative and approved by the CITY Risk Management Division.

E. Verification of Coverage

- (1) LESSEE shall provide initial insurance documents to the CITY representative upon request, prior to execution of the final contract. All future insurance renewal documents shall be sent to:

EBIX BPO
212 Kent Street

Portland, MI, 48875
Phone: (517) 647-1700
Fax: (517) 647-7900
Email: CertsOnly@periculum.com

- (2) The CITY may withdraw its offer or cancel this Lease Agreement if the certificates of insurance and endorsements required have not been provided prior to execution of this Lease. Failure to provide insurance certificates and endorsements and keep such certificates and endorsements current will be considered a material breach by LESSEE of this Lease Agreement.

F. Contractors

Lessee shall require and verify that all contractors and subcontractors maintain insurance coverage that meets the minimum scope and limits of insurance coverage specified in subsections A, C and D above.

22. **AUCTIONS. SIGNS.** Lessee shall not conduct or permit to be conducted any sale by auction on the premises. Lessee shall not place or permit to be placed any sign, decoration, marquee or awning on the front of the premises, or any other portion of the building in which the premises is a part, without the prior written consent of Lessor. Lessee shall not place or permit to be placed upon any wall, sidewall, rear wall, or roof, any sign, advertisement, or notice without the prior written consent of Lessor. All signage shall be agreed to between Lessor and Lessee; however, Lessor shall not unreasonably withhold said approval. Lessee's signage must meet all applicable governmental codes and regulations. Lessor further grants to Lessee during the term of this lease a non-exclusive right and easement over that portion of the Center as may be required by Lessee to improve, renovate, repair, replace, and maintain the Premises or replace its signage. Tenant shall have the right, at its own cost, to change or alter such signage at any time during the term of this Lease provided such signage is in compliance with all applicable governmental codes and regulations.

23. **ENTRY BY OWNER.** Lessee shall permit Lessor and its agents to enter the premises at all reasonable times when given a minimum of 24 hours notice from Lessor, (except in the case of emergency, in which case Lessor may enter as reasonably necessary) for the purpose of inspecting the same or for the purpose of maintaining the building in which premises are situated, or for the purpose of making repairs, alterations, or additions to any other portion of said building in which the premises are located, including the erection and maintenance of such scaffolding, canopies, fences and props as may be required, for the purpose of posting notices of non-liability for alterations, additions or repairs, or for the purpose of enforcing the provisions of Paragraph 22 of this Lease, without any rebate of rent and without any liability to Lessee for any loss of occupation or quiet enjoyment of the premises thereby occasioned. Provided, however, that if Lessor's repairs/alterations interrupt Lessee's operations for longer than five (5) business days, rent shall abate until repairs are completed. Lessee shall permit Lessor, at any time within sixty (60) days prior to the expiration of this Lease, to place upon premises any usual or ordinary "to let" or "to lease" signs. If there is an emergency however Lessor shall have the right to immediate access.

Lessor shall use its best efforts to interfere with operation of Lessee as little as is reasonably possible.

24. DESTRUCTION OF PREMISES. In the event of a partial destruction of the premises during the term of this Lease, from any cause for which Lessor is responsible for repair according to the terms and conditions of this Lease, Lessor shall forthwith repair the same, provided such repairs can be made within one hundred twenty (120) days under the laws and regulations of state, federal, or municipal authorities, but such partial destruction shall in no way annul or void this Lease, except that Lessee shall be entitled to a proportionate reduction in rent to be based upon the extent to which the making of such repairs shall interfere with the occupancy of the premises by Lessee. If such repairs cannot be made within one hundred twenty (120) days, Lessor may, at its option, make same within a time mutually agreeable between Lessor and Lessee, this Lease continuing in full force and effect, and the rent will be proportionately reduced as aforesaid in this Paragraph. In the event that Lessor does not so elect to make such repairs, or repairs cannot be made in one hundred twenty (120) days, or such repairs cannot be made under such laws or regulations, this Lease may be terminated at the option of either party upon thirty (30) days notice to other party. In respect to any partial destruction which Lessor is obligated to repair or may elect to repair under the terms of this paragraph, the provisions of section 1932, subdivision 2, and of section 1933, subdivision 4, of the Civil Code of the State of California are waived by Lessee. A total destruction of the building in which the premises are situated shall terminate this Lease.

25. ASSIGNMENT OR SUBLETTING. Lessee shall not assign this Lease, or any interest therein, and shall not sublet the Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the agents, employees and invitees of Lessee excepted) to occupy or use the Premises, or any portion thereof, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. A consent to one assignment, subletting, occupation or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. Any such assignment or subletting without such consent shall be void, and shall at the option of Lessor, terminate this Lease. This Lease shall not, nor shall any interest therein, be assignable, as to the interest of Lessee, by operation of law, without the prior written consent of Lessor.

26. INSOLVENCY. RECEIVER. Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Lessee, or (b) a general assignment by Lessee for the benefit of creditors, or (c) any action taken or suffered by Lessee under any insolvency or bankruptcy act, shall constitute a breach of this Lease by Lessee. Should such action occur against Lessee, Lessee shall have thirty (30) days to cure the action or suit prior to being considered in default of this Lease.

27. REMEDIES OF LESSOR. The following rights and remedies shall be available to Lessor in the event Lessee commits any act of default during the term. Unless a different time period is set forth elsewhere in this Lease, Lessee shall be deemed to be in default only after receipt of written notice from Lessor specifying the nature of the violation and not having cured said violation within thirty (30) days after receipt of the notice. These rights and remedies shall not be exclusive, but shall be cumulative subject to Paragraph 39 of this Lease, and in addition to any and all rights and remedies now or hereafter allowed by law:

- (a) Even though Lessee breaches this Lease, or abandons the premises, this Lease shall continue in full force and effect for so long as Lessor does not terminate Lessee's right to possession of the premises; and Lessor shall be entitled to enforce all its rights and remedies under this Lease, including the right to collect rent as it becomes due. It is hereby specifically agreed between the parties that acts of maintenance or efforts to relet the premises, and/or the appointment of a receiver on initiative of Lessor to protect Lessor's interest under this Lease, will not constitute a termination of Lessee's right to possession. Lessor shall not be deemed to have elected to terminate Lessee's right to possession of the premises unless Lessor gives written notice of such election to terminate.

- (b) Lessor may elect, by written notice to Lessee, to terminate Lessee's right to possession of the premises at any time after the occurrence of any act of monetary default by Lessee, if said default is not cured within thirty (30) days of written notice of said default, and in such event may, at Lessor's option, declare this Lease and Lessee's right to possession terminated. It is hereby specifically agreed between the parties that acts of maintenance or efforts to relet the Leased premises, and/or the appointment of a receiver on initiative of Lessor to protect Lessor's interest under this Lease will not constitute a termination of Lessee's right to possession. In the event Lessor elects to terminate this Lease and Lessee's right to possession as aforesaid, Lessor may recover as damages from Lessee the following:
 - (i) The worth at the time of award of the unpaid rental which has been earned at the time of termination of the Lease; and
 - (ii) The worth at the time of award of the amount by which the unpaid rental which would have been earned after the date of termination of this Lease until the time of award exceeds the amount of such loss of rental that Lessee proves Lessor could have reasonably avoided; and
 - (iii) The worth at the time of the award of the amount by which the unpaid rental for the balance of the term after the time of award exceeds the amount of the loss of such rental that Lessee proves Lessor could have reasonably avoided; and
 - (iv) Any other amount necessary to compensate Lessor for all detriment proximately caused by Lessee's act or default or which in the ordinary course of things would be likely to result therefrom. The phrase "the worth at the time of the award" as referred to in this paragraph is to be computed by the allowing interest at the rate of ten (10) percent annually. The phrase "the worth at the time of the award" as referred to in this paragraph shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one (1) percent.

- (c) Efforts by Lessor to mitigate the damages caused by Lessee's breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph.
- (d) Nothing in this Paragraph shall affect the right of Lessor to indemnification against liability arising from or related to acts or events occurring prior to the termination of this Lease for personal injuries or property damage, or against mechanic's liens or other liens, claims or expenses.

28. **SURRENDER OF LEASE NOT MERGER.** The voluntary or other surrender of this Lease by Lessee, or mutual cancellation thereof, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subleases or subtenancies, or may, at the option of Lessor, operate as an assignment to it of any or all such subleases or subtenancies.

29. **JOINT & SEVERAL OBLIGATIONS.** If more than one individual or entity comprises Lessee, the obligations imposed on each individual or entity that comprises Lessee under this Lease shall be joint and several.

30. **NOTICES.** Any and all notices or demands by or from Lessor to Lessee, or Lessee to Lessor, shall be in writing. They shall be served either personally or by mail. If served personally, service shall be conclusively deemed made at the time of service. If served by mail, service of notices or demands shall be conclusively deemed made as of the time of deposit in the United States mail, postage paid, certified mail, return receipt requested.

Any notice or demand to Lessor or Lessee may be given to:

LESSOR:

City of Sacramento
Parking Services Division
Attn: Properties Coordinator
And Parking Manager
300 Richards Blvd, 2nd Floor
Sacramento, CA 95811
(916) 808-5110

LESSEE:

Big Joe's BBQ, Inc.
7962 Arcade Lake
Citrus Heights
CA 95610

Any party hereto shall change the address for notice by giving written notice to the other party according to this Paragraph.

31. **WAIVER.** The waiver by either party of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained. The subsequent acceptance of any delinquent rental payment by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant, or condition of this Lease, other than the failure of Lessee to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

32. **BINDING ON SUCCESSORS.** The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all of the parties hereto.

33. **TIME.** Time is of the essence of this Lease.

34. **CONDEMNATION.** In the event any entity with the power of eminent domain shall take the premises, or any part thereof, actually using the power of eminent domain or negotiating under the threat of the use of the power of eminent domain, then:

- (a) In the event of taking of the entire premises, this Lease shall be terminated when title passes to the condemner or when possession is obtained by the condemner, whichever shall first occur; or
- (b) In the event of a taking any area of the Premises less than the entire Premises, the rent shall be reduced in the same proportion as the area taken bears to the remainder and the Lease shall continue in full force and effect, unless within ten (10) days of the date the condemner takes possession or legal title vests in the condemner, Lessee shall give written notice of termination, which assigns and transfers to the Lessor any right to compensation or damages to which the Lessee may become entitled during the term hereof by reason of the condemnation of all, or a part of the premises. Lessee shall have the right to petition the condemning authority for Lessee's relocation costs.

35. **EXCUSABLE DELAYS.** If the performance of any act required by this lease to be performed by either Lessor or Lessee is prevented or delayed by reason of an act of God, strike, lockout, labor troubles, inability to secure materials or permits, restrictive governmental laws or regulations, or any other cause except financial inability that is not the fault of the party required to perform the act, the time for performance of the act will be extended for a period equivalent to the period of delay, and performance of the act during the period of delay will be excused. If any said delays or restrictions occur during the 120 day Build Out Period, and prevent Lessee from opening its business by Rent Commencement date, Lessee has the option to terminate lease agreement. However, nothing contained in this section shall excuse the prompt payment of rent by Tenant as required by this lease or the performance of any act rendered difficult solely because of the financial condition of the party required to perform the act.

36. **RIGHT TO MEASURE FLOOR SPACE OF PREMISES.** Within thirty (30) days following delivery of possession of the premises to Lessee, Lessee, at its sole cost and expense, or Lessor, at its sole cost and expense, may elect to cause the net usable floor space of the premises to be measured by a licensed architect. In the event such calculation reflects a deviation from the floor space set forth in Paragraph 1, and the other party approves the calculation, this Lease shall be amended to reflect the recalculated floor space. If the parties do not exercise their right to measure the floor space as provided herein, both Lessor and Lessee hereby acknowledge and agree that each party shall automatically be deemed to have absolutely and unconditionally (i) waived such right, (ii) accepted the floor space calculation as set forth in Paragraph 1, and (iii) released and waived any rights the

parties may have against one another in the event the floor space calculation set forth in Paragraph 1 is different from the actual floor space.

37. **CAPTIONS**. The title or headings to the paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part of this Lease.

38. **RULES AND REGULATIONS**. Lessor shall have the right from time to time to promulgate reasonable rules and regulations and amendments thereto for the safety, care and cleanliness of the building in which the Premises are located and for the preservation of good order. Upon delivery of a copy of such rules and regulations or upon receiving written notice of such rules and regulations, together with a copy thereof, Lessee will comply with the rules and regulations, and a violation of any of them shall constitute a breach and default of this Lease as provided in Paragraph 27 of the Lease. If there is a conflict between the Lease and any rule or regulation, the Lease shall prevail. Lessor shall make all reasonable efforts to enforce any such rules and regulations uniformly against all Lessees in the building. No such rules and regulations shall require Lessee to pay any additional rent under this Lease.

39. **MERCHANT VALIDATION PROGRAM**. Lessee agrees to participate in Lessor's Merchant Validation Program.

40. **NON-DISCRIMINATION IN EMPLOYEE BENEFITS**. This Agreement is subject to the provisions of Sacramento City Code Chapter 3.54, Non-Discrimination in Employee Benefits by City Contractors. The requirements of Sacramento City Code Chapter 3.54 are summarized in Exhibit B. Lessee is required to sign the attached Declaration of Compliance (Equal Benefits Ordinance), Exhibit B, to assure compliance with these requirements.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease on the date herein above first written.

LESSEE:

Big Joe's BBQ, Inc.

BY: *Joe Smith*

Its: *CEO*

Date: *11-7-11*

By: *[Signature]*

Its: *VICE PRESIDENT OF OPERATIONS*

Date: *11/7/11*

LESSOR:

CITY OF SACRAMENTO
A Municipal Corporation

BY: _____
CITY MANAGER

APPROVED AS TO FORM:

BY: *[Signature]*
DEPUTY CITY ATTORNEY

ATTEST:

BY: _____
CITY CLERK

EXHIBIT "A"

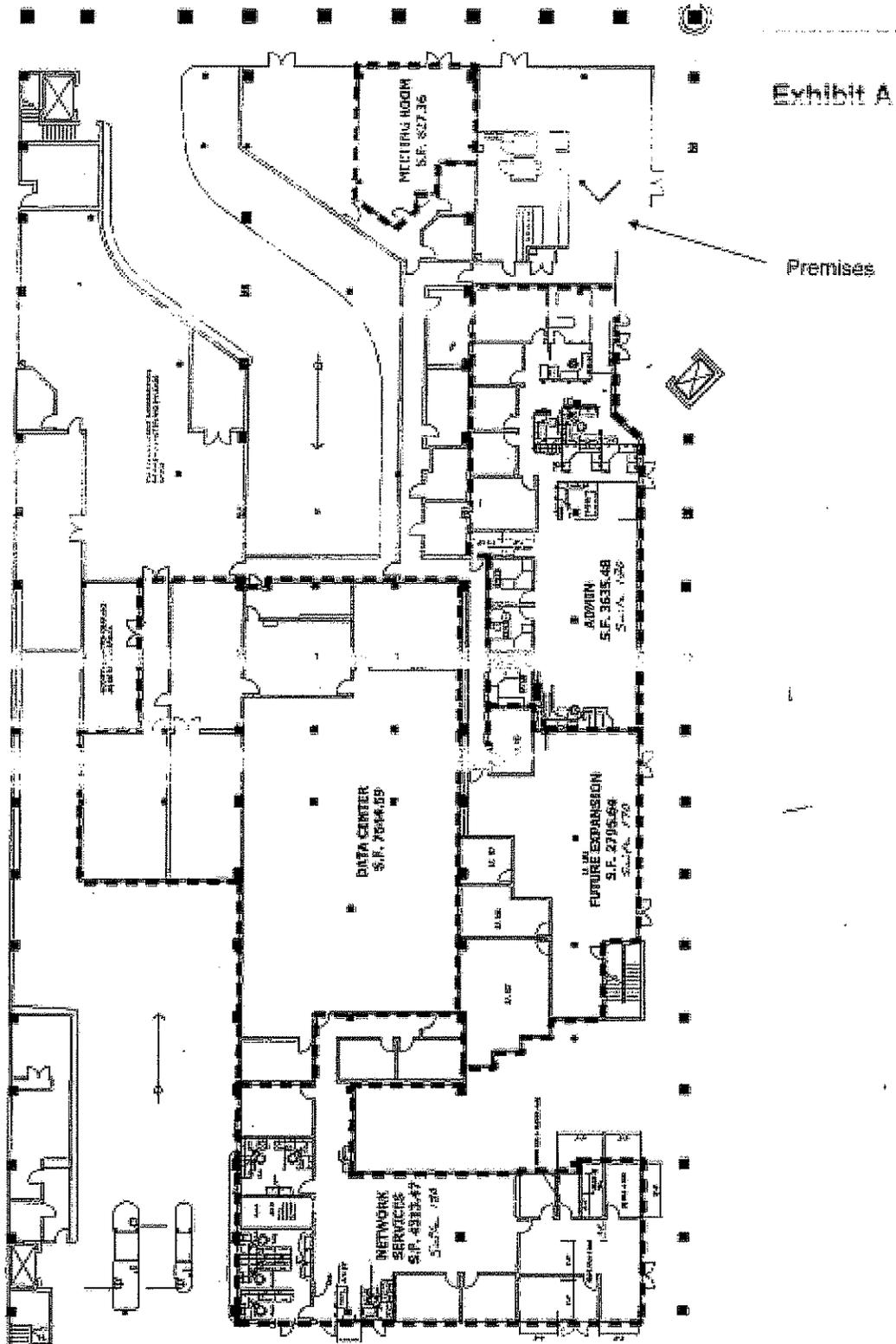


EXHIBIT "B"

DECLARATION OF COMPLIANCE Equal Benefits Ordinance

Name of Lessee: Big Joe's BBQ, Inc.

Address: 1000 I Street, Sacramento, CA 95814

The above named Lessee ("Lessee") hereby declares and agrees as follows:

1. I have read and understand the Requirements of the Non-Discrimination In Employee Benefits Code (the "Requirements") provided to me by the City of Sacramento ("City") and attached as Exhibit E to my City contract or agreement ("Contract").
2. As a condition of receiving the City Contract, I agree to fully comply with the Requirements, as well as any additional requirements that may be specified in the City's Non-Discrimination In Employee Benefits Code codified at Chapter 3.54 of the Sacramento City Code (the "Ordinance").
3. I understand, to the extent that such benefits are not preempted or prohibited by federal or state law, employee benefits covered by the Ordinance, are any of the following:
 - a. Bereavement Leave
 - b. Disability, life, and other types of insurance
 - c. Family medical leave
 - d. Health benefits
 - e. Membership or membership discounts
 - f. Moving expenses
 - g. Pension and retirement benefits
 - h. Vacation
 - i. Travel benefits
 - j. Any other benefit offered to employees

I agree that should I offer any of the above listed employee benefits, that I will offer those benefits, without discrimination between employees with spouses and employees with domestic partners, and without discrimination between the spouses and domestic partners of such employees.

4. I understand that I will not be considered to be discriminating in the provision or application of employee benefits under the following conditions or circumstances:
 - a. In the event that the actual cost of providing a benefit to a domestic partner or spouse, exceeds the cost of providing the same benefit to a spouse or domestic partner of an employee, I will not be required to provide the benefit, nor shall it be deemed discriminatory, if I require the employee to pay the monetary difference in order to provide the benefit to the domestic partner or to the spouse.
 - b. In the event I am unable to provide a certain benefit, despite taking reasonable measures to do so, if I provide the employee with a cash equivalent, I will not be deemed to be discriminating in the application of that benefit.
 - c. If I provide employee benefits neither to employee's spouses nor to employee's domestic

partners.

- d. If I provide employee benefits to employees on a basis unrelated to marital or domestic partner status.
- e. If I submit, to the Program Coordinator, written evidence of making reasonable efforts to end discrimination in employee benefits by implementing policies which are to be enacted before the first effective date after the first open enrollment process following the date the Contract is executed with the City.

I understand that any delay in the implementation of such policies may not exceed one (1) year from the date the Contract is executed with the City, and applies only to those employee benefits for which an open enrollment process is applicable.

- f. Until administrative steps can be taken to incorporate, in the infrastructure, nondiscrimination in employee benefits.

The time allotted for these administrative steps will apply only to those employee benefits for which administrative steps are necessary and may not exceed three (3) months from the date the Contract is executed with the City.

- g. Until the expiration of a current collective bargaining agreement(s) where, in fact, employee benefits are governed by a collective bargaining agreement(s).
- h. I take all reasonable measures to end discrimination in employee benefits by either requesting the union(s) involved agree to reopen the agreement(s) in order for me to take whatever steps are necessary to end discrimination in employee benefits or by my ending discrimination in employee benefits without reopening the collective bargaining agreement(s).
- i. In the event I cannot end discrimination in employee benefits despite taking all reasonable measures to do so, I provide a cash equivalent to eligible employees for whom employee benefits (as listed previously), are not available.

Unless otherwise authorized in writing by the City Manager, I understand this cash equivalent must begin at the time the union(s) refuse to allow the collective bargaining agreement(s) to be reopened or no longer than three (3) months from the date the Contract is executed with the City.

- 5. I understand that failure to comply with the provisions of Section 4. (a) through 4. (i), above, will subject me to possible suspension and/or termination of this Contract for cause; repayment of any or all of the Contract amount disbursed by the City; debarment for future contracts until all penalties and restitution have been paid in full; deemed ineligible for future contracts for up to two (2) years; the imposition of a penalty, payable to the City, in the sum of \$50.00 for each employee, for each calendar day during which the employee was discriminated against in violation of the provisions of the Ordinance.
- 6. I understand and do hereby agree to provide each current employee and, within ten (10) days of hire, each new employee, of their rights under the Ordinance. I further agree to maintain a copy of each such letter provided, in an appropriate file for possible inspection by an authorized representative of the City. I also agree to prominently display a poster informing each employee of these rights.
- 7. I understand that I have the right to request an exemption to the benefit provisions of the Ordinance when such a request is submitted to the Procurement Services Division, in writing with sufficient justification for resolution, prior to contract award.

I further understand that the City may request a waiver or exemption to the provisions or requirements of the Ordinance, when only one lessee is available to enter into a contract or agreement to occupy and use City property on terms and conditions established by the City; when sole source conditions exist for goods, services, public project or improvements and related construction services; when there are no responsive bidders to the Ordinance requirements and the contract is for essential goods or services;

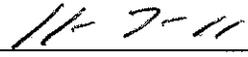
when emergency conditions with public health and safety implications exist; or when the contract is for specialized legal services if in the best interest of the City.

9. In consideration of the foregoing, I shall defend, indemnify and hold harmless, the City, its officers and employees, against any claims, actions, damages, costs (including reasonable attorney fees), or other liabilities of any kind arising from any violation of the Requirements or of the Ordinance by me.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that I am authorized to bind the Contractor to the provisions of this Declaration.



Signature of Authorized Representative



Date



Print Name



Title

REQUIREMENTS OF THE NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE

INTRODUCTION

The Sacramento Non-Discrimination In Employee Benefits Code (the "Ordinance"), codified as Sacramento City Code Chapter 3.54, prohibits City contractors from discriminating in the provision of employee benefits between employees with spouses and employees with domestic partners, and between the spouses and domestic partners of employees.

APPLICATION

The provisions of the Ordinance apply to any contract or agreement (as defined below), between a Contractor and the City of Sacramento, in an amount exceeding \$25,000.00. The Ordinance applies to that portion of a contractor's operations that occur: (i) within the City of Sacramento; (ii) on real property outside the City of Sacramento if the property is owned by the City or if the City has a right to occupy the property; or (iii) at any location where a significant amount of work related to a City contract is being performed.

The Ordinance does not apply: to subcontractors or subcontracts of any Contractor or contractors; to transactions entered into pursuant to cooperative purchasing agreements approved by the Sacramento City Council; to legal contracts of other governmental jurisdictions or public agencies without separate competitive bidding by the City; where the requirements of the ordinance will violate or are inconsistent with the terms or conditions of a grant, subvention or agreement with a public agency or the instructions of an authorized representative of any such agency with respect to any such grant, subvention or agreement; to permits for excavation or street construction; or to agreements for the use of City right-of-way where a contracting utility has the power of eminent domain.

DEFINITIONS

As set forth in the Ordinance, the following definitions apply:

"Contract" means an agreement for public works or improvements to be performed, or for goods or services to be purchased or grants to be provided, at the expense of the City or to be paid out of moneys deposited in the treasury or out of the trust money under the control or collected by the City. "Contract" also means a written agreement for the exclusive use ("exclusive use" means the right to use or occupy real property to the exclusion of others, other than the right reserved by the fee owner) or occupancy of real property for a term exceeding 29 days in any calendar year, whether by singular or cumulative instrument, (i) for the operation or use by others of real property owned or controlled by the City for the operation of a business, social, or other establishment or organization, including leases, concessions, franchises and easements, or (ii) for the City's use or occupancy of real property owned by others, including leases, concessions, franchises and easements.

"Contract" shall not include: a revocable at-will use or encroachment permit for the use of or encroachment on City property regardless of the ultimate duration of such permit; excavation, street construction or street use permits; agreements for the use of City right-of-way where a contracting utility has the power of eminent domain; or agreements governing the use of City property that constitute a public forum for activities that are primarily for the purpose of espousing or advocating causes or ideas and that are generally protected by the First Amendment to the United States Constitution or that are primarily recreational in nature.

"Contractor" means any person or persons, firm partnership or corporation, company, or combination thereof, that enters into a Contract with the City. "Contractor" does not include a public entity.

“Domestic Partner” means any person who has a currently registered domestic partnership with a governmental entity pursuant to state or local law authorizing the registration.

“Employee Benefits” means bereavement leave; disability, life, and other types of insurance; family medical leave; health benefits; membership or membership discounts; moving expenses; pension and retirement benefits; vacation; travel benefits; and any other benefit given to employees;. “Employee benefits” shall not include benefits to the extent that the application of the requirements of this chapter to such benefits may be preempted by federal or state.

CONTRACTOR’S OBLIGATION TO PROVIDE THE CITY WITH DOCUMENTATION AND INFORMATION

Contractor shall provide the City with documentation and information verifying its compliance with the requirements of the Ordinance within ten (10) days of receipt of a request from the City. Contractors shall keep accurate payroll records, showing, for each City Contract, the employee’s name, address, Social Security number, work classification, straight time pay rate, overtime pay rate, overtime hours worked, status and exemptions, and benefits for each day and pay period that the employee works on the City Contract. Each request for payroll records shall be accompanied by an affidavit to be completed and returned by the Contractor, as stated, attesting that the information contained in the payroll records is true and correct, and that the Contractor has complied with the requirements of the Ordinance. A violation of the Ordinance or noncompliance with the requirements of the Ordinance shall constitute a breach of contract.

EMPLOYER COMPLIANCE CERTIFICATE AND NOTICE REQUIREMENTS

(a) All contractors seeking a Contract subject to the Ordinance shall submit a completed Declaration of Compliance Form, signed by an authorized representative, with each proposal, bid or application. The Declaration of Compliance shall be made a part of the executed contract, and will be made available for public inspection and copying during regular business hours.

(b) The Contractor shall give each existing employee working directing on a City contract, and (at the time of hire), each new employee, a copy of the notification provided as attachment “A.”

(c) Contractor shall post, in a place visible to all employees, a copy of the notice provided as attachment “B.”

Attachment B



YOUR RIGHTS UNDER THE CITY OF SACRAMENTO'S NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE

On (date), your employer (the "Employer") entered into a contract with the City of Sacramento (the "City") for (contract details), and as a condition of that contract, agreed to abide by the requirements of the City's Non-Discrimination In Employee Benefits Code (Sacramento City Code Section 3.54).

The Ordinance does not require the Employer to provide employee benefits. The Ordinance does require that if certain employee benefits are provided by the Employer, that those benefits be provided without discrimination between employees with spouses and employees with domestic partners, and without discrimination between the spouse or domestic partner of employees.

The Ordinance covers any employee working on the specific contract referenced above, but only for the period of time while those employees are actually working on this specific contract.

The included employee benefits are:

- Bereavement leave
- Disability, life and other types of insurance
- Family medical leave
- Health benefits
- Membership or membership discounts
- Any other benefits given to employees
- Moving expenses
- Pension and retirement benefits
- Vacation
- Travel benefits

(Employee Benefits does not include benefits that may be preempted by federal or state law.)

If you feel you have been discriminated or retaliated against by your employer in the terms and conditions of your application for employment, or in your employment, or in the application of these employee benefits, because of your status as an applicant or as an employee protected by the Ordinance, or because you reported a violation of the Ordinance, and after having exhausted all remedies with your employer,

You May . . .

- Submit a written complaint to the City of Sacramento, Contract Services Unit, containing the details of the alleged violation. The address is:

City of Sacramento
Contract Services Unit
915 I St., 2nd Floor
Sacramento, CA 95814

- Bring an action in the appropriate division of the Superior Court of the State of California against the Employer and obtain the following remedies:
 - Reinstatement, injunctive relief, compensatory damages and punitive damages
 - Reasonable attorney's fees and costs