

**REAL PROPERTY LEASE AGREEMENT BETWEEN
CITY OF SANDPOINT AND WELSH RESTAURANTS, INC.**

THIS LEASE AGREEMENT (this "Lease"), is made and entered into this 1st day of June, 2025 (the "Effective Date"), by and between the **CITY OF SANDPOINT**, a public body, corporate and politic (the "City") and **WELSH RESTAURANTS, INC.**, an Idaho corporation (the "Lessee").

WHEREAS, the City owns the following described real property, hereinafter referred to as the "Premises" located in Sandpoint, Bonner County, Idaho, Sandpoint, Idaho 83864, and legally described as:

**THAT PART OF LOTS 22, 23, AND 24 IN BLOCK "C" OF LAW'S THIRD ADDITION
TO SANDPOINT, IDAHO ACCORDING TO THE PLAT THEREOF, RECORDED IN
BOOK 1 OF PLATS, PAGE 42, RECORDS OF BONNER COUNTY, IDAHO, LYING
SOUTH AND EAST OF U.S. HIGHWAY NO. 2**

WHEREAS, The City acquired the Premises from MLM, Incorporated on December 21, 2023, pursuant to the City's authority to purchase real property as provided by Idaho Code Sec. 50-301; and

WHEREAS, as a material term and condition of that sale, the City agreed to permit the Lessee to continue operating their business, Dub's Drive In (the "Business") on the Premises, until such time that the Premises become needed by the City for other purposes; and

WHEREAS, on or about February 1, 2023, the City authorized, by resolution, MLM, Incorporated a lease, pursuant to its authority to lease the Premises because it was not needed for City purposes; and

WHEREAS, the previous Lessee, MLM, Incorporated, has sublet the premises to Lessee and the original Lease with MLM, Incorporated shall be terminated effective June 01, 2025 and this Lease will become the Lease for the Premises; and

WHEREAS, pursuant and subject to the terms and conditions set forth herein, the Lessee named above will be the new Lessee and shall lease the Premises from the City in order to accommodate the Lessee's continued use of the Premises, until such time that the Premises becomes needed for City purposes and that this Lease Agreement supersedes any previous Lease Agreement for the Premises.

NOW, THEREFORE, in consideration of the foregoing and of the mutual conditions, promises and covenants hereinafter contained, the parties hereto hereby agree as follows:

1. LEASE OF PREMISES: The City agrees to lease the Premises to the Lessee, in an "as-is" condition, in accordance with the following terms and conditions.

2. USE OF PREMISES: During the term of this Lease, the Premises shall be used by the Lessee solely for the purpose of continued operation of their restaurant business and for no other purpose which is not agreed upon by the City, in writing.

3. TERM OF LEASE: The Term of this Lease shall commence on June 01, 2025 and shall be for a term of two (2) years (the "Initial Term"). This Lease has the option to renew for three additional one-year

terms, with the first option to renew commencing June 01, 2027, upon the same terms and conditions contained herein ("Subsequent Terms") and shall be renewed if authorized by both Parties through an executed amendment to this Lease. In no event shall either party be obligated to accept any additional terms for continuation of this Lease and may terminate this Lease pursuant to Section 4, below.

4. TERMINATION:

4.1. City Termination. Upon the expiration of the Initial Term, and upon receipt of such notice, the Lessee shall have six (6) months to remove any items of personal property from the Premises, including, but not limited to, all equipment and fixtures, and shall return the Premises to the City as provided for herein.

4.2. Lessee Termination. The Lessee may terminate this Lease prior to expiration of the Initial Term, or any subsequent term or terms, by providing the City with ninety (90) days written notice. During this ninety (90) day period, Lessee shall remove all items of personal property from the Premises, including, but not limited to, all equipment and fixtures and other items identified in that certain Purchase and Sale Agreement between the parties, and shall return the Premises to the City as provided for herein. If necessary to remove all personal items after Lessee termination, Lessee may extend their possession for an additional thirty (30) days. If an extension is needed, Lessee will provide the City with notice and pay an additional month's rent.

4.3. After Termination. Termination of this Lease for any reason whatsoever shall not relieve the either party from any liability or obligation hereunder resulting from an event which may have occurred before such termination, or thereafter in case by the terms of this Lease it is provided that certain things shall or may have to be done after such termination (including, but not limited to, removal of fixtures and equipment placed on the Premises by the Lessee).

5. RENT: The Lessee agrees to pay the City annual rent, in the amount of Six Thousand Dollars (\$6,300.00), payable in the amount of \$525.00, per month (the "Rent") during the first year of the Lease Agreement. The rent shall be adjusted to increase 5% annually, beginning June 01, 2026. Rent shall be paid by the first of each month and rent not paid by the 10th of the month shall be subject to a \$25.00 late fee.

The City may negotiate rent for subsequent Lease renewals beginning with the June 01, 2027 renewal.

6. TENANT IMPROVEMENTS The Lessee shall be solely responsible for all tenant improvements required to utilize the Premises as permitted and contemplated by this Lease, and at the expiration of the Initial Term, or any Subsequent Term, any and all improvements not removed by Lessee shall revert to the City.

7. REPAIR AND MAINTENANCE: During the term of this Lease, including both the Initial Term and any Subsequent Term(s), the Lessee shall be solely responsible for all repairs and day-to-day maintenance of the Premises. Repairs or replacements to the sewer lateral will be the responsibility of the Lessor.

8. UTILITIES AND SERVICES: The Lessee shall be solely responsible for payment of all utilities and services furnished to, or used by the Lessee at the Premises, including and without limitations, gas, electricity, water, sewer, telephone, cable, janitorial service, waste refuse and all pertinent taxes, levies, connection charges, fees, and surcharges, if applicable.

9. ALTERATIONS OR IMPROVEMENTS: The Lessee acknowledges that they accept the Premises in an "as-is" condition and agrees to make no demands upon the City for any alterations or improvements. The Lessee shall have the right to make alterations or improvements only upon receipt of written approval by the City, which will not be unreasonably withheld. Lessee may make cosmetic, non-structural improvements without the City's consent.

10. TAXES: The Lessee shall pay, prior to delinquency, all taxes and assessments of every kind and nature whatsoever arising in any way from the use, occupancy or possession of the Premises, together with all taxes levied upon or assessed against the Lessees' personal property. The Lessee shall indemnify and hold the City harmless from any loss (including attorney fees and costs) arising out of the Lessees' failure to pay such taxes as they become due.

11. INDEMNIFICATION: The Lessee agrees to indemnify and hold harmless the City, its agents, officers and employees from and against any and all liability, expense, including defense costs and legal fees, and claims for damages of any nature whatsoever, including, but not limited to, bodily injury, death, personal injury, or property damage arising from or connected with Lessee's use, occupancy or operations on the Premises, including any workers' compensation suits, liability, or expense, arising from or connected with services performed on behalf of the Lessee by any person pursuant to this Lease.

12. INSURANCE: The Lessee shall keep and maintain proof of general liability insurance with a company authorized to do business within the State of Idaho, insuring the public against any loss or damage which may result to any person or persons, or any damage to property, arising from their use, operation or occupancy of the Premises. Said insurance policy shall name the City as an additional insured. A Certificate of Insurance shall be provided to the City and the City shall be named as Additional Insured. Such policy of insurance shall, at all times be kept in full force and effect during the term of this Lease. The insurance policy shall provide liability insurance of not less than One Million Dollars (\$1,000,000), per occurrence and \$2,000,000 in the aggregate. The Lessee specifically acknowledges that the City does not maintain and shall not maintain any fire, casualty, hazard, or liability insurance whatsoever to protect the property of the Lessee.

The Lessee shall further provide to City proof of workers' compensation coverage, in amounts required by state statute and shall be kept in full force and effect during the term of this Lease.

13. FAILURE TO PROCURE INSURANCE: Failure on the part of the Lessee to keep and maintain required insurance shall constitute a material breach of this Lease, upon which the City may immediately terminate this Lease or, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith, and all monies so paid by the City shall be repaid by the Lessee to the City upon demand.

14. DEFAULT: If either party defaults in any of the covenants and agreements herein contained under this Lease, the non-defaulting party may revoke and terminate this Lease, upon sending sixty (60) days' written notice of its intent to do so.

15. ASSIGNMENT: This Lease may not be assigned by the Lessee without the express written consent of the City, and any attempt to do so shall constitute sufficient grounds to terminate the Lease by the City; provided, that any assignment authorized by the City shall not relieve the Lessee of the responsibilities and obligations assumed by them under this Lease, which shall remain in full force and effect during the term of this Lease.

16. OPERATIONAL RESPONSIBILITIES: The parties agree that Lessee's Business has acquired a

grandfather status regarding some local, state, and federal ordinances, laws, and regulations, and as such, the City shall not require Lessee's strict compliance with those grandfathered local, state, and federal ordinances, laws, and regulations. Beyond the grandfathered status, Lessee shall: (a) comply with all applicable local, state and federal ordinances, laws and regulations and, in the course thereof, obtain and keep in effect all permits and licenses required to conduct the authorized activities on the Premises; (b) maintain the Premises in a clean and sanitary condition; (c) assume the risk of loss, damage or destruction due to theft, fire and casualty of any and all fixtures and personal property belonging to the Lessee that are installed or placed upon or within the Premises; (d) if Lessee desires to continue operating the Business at the Premises, Lessee shall repair any and all damage to the Premises caused by or arising out of the Lessee's use of the Premises; and (e) permit the City and/or its authorized representatives to enter the Premises at any time during business hours for the purpose of determining whether the Lessee is in compliance with the terms and conditions of this Lease.

17. NOTICES: Notices desired or required to be given by this Lease or by any law now or hereafter in effect may be given by personal service or by enclosing the same in a sealed envelope addressed to the party for whom intended and by depositing such envelope with postage prepaid in the United States Post Office or any substation thereof, or any public letter box, and any such notice and the envelope containing the same shall be addressed to City as follows:

City of Sandpoint
City Clerk
1123 Lake Street
Sandpoint, Idaho 83864

or such other place as may hereinafter be designated in writing by the City, and the notices and envelopes containing the same to Lessees shall be addressed to:

Welsh Restaurants, Incorporated
c/o Ryan Welsh, President
382 W. Dustarr Lane
Ponderay, Idaho 83852

or such other place as may hereinafter be designated in writing by the Lessee.

18. WARRANT OF AUTHORITY: The Lessee hereby personally covenants, warrants, and guarantees that the undersigned, jointly and severally, have the power and authority to execute this Lease upon the terms and conditions stated herein and each agrees to indemnify and hold harmless the City from all damages, costs, and expenses, which result from a breach of this material representation.

19. LIENS: The Lessee shall have no power to do any act or make any contract which may be created or be the foundation for any lien, mortgage or other encumbrance upon the Premises or in the buildings or improvements thereon; it being agreed that should the Lessee cause any alterations, rebuilding, replacements, changes, additions, improvements, or repairs to be made to the Premises, or labor performed or material furnished therein, the City shall not, under any circumstances, be liable for the payment of any expense incurred thereof, and the cost of any repairs, labor and materials shall be made shall be paid by the Lessee. If, because of any act or omission (or alleged act or omission) of the Lessee, any mechanic's or other liens, charges or orders for the payment of money shall be filed against the Premises, regardless of whether such lien, charge or order is valid or enforceable, the Lessee shall, at their own cost and expense, cause the same to be cancelled and discharged of record or bonded within ten (10) days after notice to the Lessee of the

filing thereof, and the Lessee shall indemnify and hold the City harmless against and from such claims.

20. LESSEE ADMINISTRATION OF LEASE/RECORDING: The Mayor, and/or his or her authorized representatives shall have the authority to administer the City's rights and responsibilities under this Lease in accordance with its terms. A Memorandum of Lease may be recorded at the request of either party in the Records of Bonner County, Idaho.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Lease, or caused it to be duly executed, as of the day, month and year first above written.

LESSOR:

CITY OF SANDPOINT, a public body, corporate and politic

Jeremy Grimm, Mayor

ATTEST:

Melissa Ward, City Clerk

STATE OF IDAHO)
COUNTY OF BONNER) ss.


On this ____ day of _____, 2025, before me the undersigned Notary Public, personally appeared Jeremy Grimm, known or identified to me to be the Mayor of Sandpoint, Idaho, the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same on behalf of the City of Sandpoint, Idaho.

IN WITNESS WHEREOF I have hereunto set my hand and seal the day and year first Written in
this certificate.

Notary Public – State of Idaho
Residing at:
Commission Expires:

LESSEE:

WELSH RESTAURANTS, INCORPORATED



Ryan Welsh, President

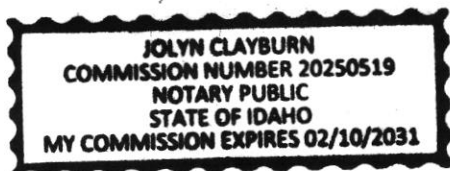
STATE OF IDAHO)

: ss.

County of Bonner)

On the 29 day of April before me, the undersigned Notary Public, personally appeared RYAN WELSH, known or proved to me on the basis of satisfactory evidence to be the Secretary of MLM, INCORPORATED the corporation that executed the instrument or the person who executed the instrument on behalf of said corporation and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have set my hand and seal the day and year as above written.



Jolyn Clayburn
 Notary Public for Idaho
 Residing at Sandpoint
 Commission Expires: 2/10/2031