

State of California

**California Exposition & State Fair
1600 Exposition Boulevard
Sacramento, CA 95815
Tel: (916) 263-3010
Fax: (916) 263-7903**

MEMORANDUM

Date: December 10, 2018

To: Board of Directors
California Exposition & State Fair

From: Rick K. Pickering, Chief Executive Officer
California Exposition & State Fair

Subject: Request by Rock & Brews of the Pacific to Amend Terms of the Revenue Generating Agreement

BACKGROUND

The Board approved a Letter of Understanding (LOU) with R&B at the Board Meeting of June 3, 2016. The following is the timeline of subsequent actions related to the R&B Revenue Generating Agreement:

March 15, 2017	Effective Date of the signed Revenue Generating Agreement between Cal Expo and R&B.
April 15, 2017	Agreed upon date which Due Diligence period is to conclude.
May 15, 2017	New date which Due Diligence is to conclude as a result of a 30 day extension provided to R&B per their request.
May 15, 2017	Due Diligence period expires.
June 15, 2017	R&B's obligation to pay \$2,500 a month begins 90 days from Effective Date, June 15, 2017.
July 15, 2017	As a result of the 30 day extension on the Due Diligence period, R&B's obligation to pay \$2,500 per month in rent now began July 15, 2017.
December 8, 2018	R&B requested and received approval from the Board to delay payment of \$12,500 per month until March 1, 2018.
March 1, 2018	R&B began its payments of \$12,500 per month. Due to delays in the planning and plan check process, R&B discontinued its payments in August of 2018.

Due to significant delays in the planning and design process, R&B is requesting that R&B be allowed to "defer" payment of the \$12,500/month for roughly 10 months (September 2018 - May 2019.) Beginning in June 2018 R&B would begin paying \$12,500/month, plus a portion of the deferred rent. The \$125,000 in deferred rent would

be made up by R&B over 24 months at \$5,208/month. Thus, beginning June 2019, R&B would pay Cal Expo \$17,708/month in base rent for the next 24 months.

STATUS UPDATE

R&B principals have undertaken several efforts to keep the project moving forward, yet it has taken much longer than expected to generate construction plans to remodel the existing older structure which will house the new R&B facility at Cal Expo. Several reiterations of planning documents have been reviewed, evaluated, resubmitted etc., over the past year.

Certain demolition work, site cleanup and landscaping has taken place. R&B hopes to finalize its Construction Permit by the end of 2018 and move its construction crew onto the site during the second week of January 2019. R&B hopes to have the facility open to the public by June 2019.

RECOMMENDATION

Should the Board desire to approve R&B's request to defer rent through May 2019, it is respectfully recommended that the Board require a mechanism to guarantee payment of the \$125,000 in deferred rent, such as a signed personal guarantee, or other appropriate financial instrument.