

**Restaurant Lease of Privilege of Selling Spirituous Liquor  
for Off-Premises Consumption**

**1. Parties**

This Lease Agreement is made on this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_ by and between ("Lessee") \_\_\_\_\_ (**Legal Entity**), holder of Restaurant spirituous liquor license No. \_\_\_\_\_ and ("Lessor") \_\_\_\_\_ (**Legal Entity**), holder of Bar, Beer and Wine Bar, or Liquor Store license No \_\_\_\_\_. Lessee and Lessor (collectively "the parties") agree that the Department of Liquor Licensing and Control ("Department") and the State of Arizona, except as their interests as third party beneficiaries of the Agreement may appear herein, are not parties to this Lease Agreement.

**2. Recitals**

Whereas A.R.S. § 4-203.07 permits Restaurant liquor licensees to lease from Bar, Beer and Wine Bar, and Liquor Store licensees the privilege of selling spirituous liquor for consumption off the licensed premises, except for Mixed Cocktails for off-premises consumption under A.R.S. § 4-244(32)(d) and

Whereas, Lessee will apply to the Department for approval of this lease of Lessor's privilege of spirituous liquor for consumption off the licensed premises, and this Agreement is therefore contingent on Department approval,

Now, therefore, it is hereby agreed as follows:

**3. Pro-rated Initial Term.**

Beginning on \_\_\_\_\_ and continuing until \_\_\_\_\_ (restaurant renewal date), Lessee shall have and Lessor shall relinquish the privilege of spirituous liquor, except for Mixed Cocktails for off-premises consumption under A.R.S. § 4 -244(32)(d), for consumption off the licensed premises in accordance with A.R.S. § 4-203.07.

**4. Renewal.**

Except as provided in Sections 6 through 9 of this Agreement, Lessee may renew this agreement for successive one-year terms commencing on \_\_\_\_\_ (restaurant renewal date) each year.

Lessee must affirmatively renew this Agreement with Lessor, with such renewal contingent upon the submission of applicable renewal forms to the Department simultaneously with its annual Restaurant liquor license renewal form. The Department shall review the renewal and may, as provided in Sections 6 through 9 of this Agreement, refuse to permit Lessee to renew this Agreement.

If Lessee fails to renew this Agreement on or before \_\_\_\_\_ (restaurant renewal date), this Agreement shall expire and for Lessee to continue selling spirituous liquor for consumption off the premises it shall apply under A.R.S. § 4-203.07(B)(2) by entering a new lease with Lessor or a different Bar, Beer and Wine Bar, or Liquor Store.

After the Pro-rated Initial Term of this Agreement, each renewal shall be for a one-year term, commencing on \_\_\_\_\_ (restaurant renewal date).

**5. Consideration.**

As a condition of the effectiveness of this Agreement and Lessee using the privilege to sell spirituous liquor for off-premises consumption, Lessee shall pay, in full, the lease amount to Lessor, through the Department, prior to the initial term and prior to any renewal date.

- a. The Department published lease amount under A.R.S. § 4-203.07(C) for urban counties is **\$5,500** and for rural counties is **\$5,000** for spirituous liquor for off-premises consumption. The Department published lease amount under A.R.S. § 4-203.07(C) for urban counties is **\$3,500** and for rural counties is **\$2,800** for beer and wine for off-premises consumption. The Parties may agree to a lease amount other than the Department-published amount. The lease amount that the parties agree to shall be expressed as a fixed amount payable in one lump-sum at the commencement of the lease, which may not be contingent upon the amount of Lessee's sales of spirituous liquor or any other variable factor.

The parties agree that the lease amount shall be \$\_\_\_\_\_.

- b. The parties may agree to modify the amount of the lease for any subsequent term, and the Department may publish modified lease amounts for urban and rural counties in future years.
- c. Upon the Department's receipt and validation of Lessee's payment of the above amount, the Department shall act as a third-party facilitator to arrange for the transmission of the payment to the Lessor.
- d. Upon the Department's receipt of Lessee's payment, this Agreement or any renewal thereof shall be in effect and Lessee's privileges shall commence or continue for the applicable lease term. Failure to pay the lease amount before the commencement of any term shall not operate to modify the length of the term.
- e. The above lease amount(s), upon transmission to Lessor, are nonrefundable to Lessee in the event of a suspension, revocation, or transfer of the privileges in this Agreement.
- f. If after the commencement of this Agreement Lessee's payment method is returned or rejected, the Department shall suspend this Agreement until Lessee submits an alternative form of payment and any applicable penalties and the Department validates that payment.
- g. The Department is not responsible to the Parties or to any other person, to collect, retain, or recover, for the above amounts or any other financial obligations related to this Agreement other than as expressly provided in this Agreement.

**6. Effect of a Transfer of Lessee's License During this Agreement.**

If, while this Agreement is in effect, Lessee transfers Control of its license under A.R.S. § 4-101(10), Lessee may also transfer its privileges under this Agreement under the following terms and conditions:

- a. For any transfer of the privileges granted in this Agreement, Lessee must comply with the notice requirements under A.R.S. § 4-203(F).
- b. Lessor shall not be entitled to any additional payments during a pending pro-rated or annual term of this Agreement due to the transfer of a Lessee's privileges.

- c. The parties may renew this Lease by mutual Agreement.

**7. Effect of a Transfer of Lessor's License During this Agreement.**

If, while this Agreement is in effect, Lessor transfers Control of its license under A.R.S. §§ 4-101(10) and -203, Lessee shall continue to enjoy the privileges under this Agreement, under the following terms and conditions:

- a. The transferee of Lessor's license is not entitled to any additional payments from Lessee during a pending pro-rated or annual term of this Agreement.
- b. If Lessor's license is transferred to a new person, other than through an acquisition of control of Lessor's business, Lessee's privileges under this Agreement shall terminate at the conclusion of any pending term of this Agreement. If desired, Lessee and the transferee may execute a new Agreement at the commencement of the next term and apply for Department approval under A.R.S. § 4-203.07(B)(2).
- c. The transferee of Lessor's license may not sell spirituous liquor for consumption off the licensed premises until the conclusion of any pending pro-rated initial term or annual term of this Agreement.

**8. Cancellation, Suspension, Revocation, and Nonrenewal of this Agreement.**

This Agreement is subject to cancellation, suspension, revocation, and nonrenewal under the following circumstances:

- a. Lessor and Lessee have no obligation to renew this Agreement.
- b. The Department may refuse to approve the Parties to renew this Agreement based on the proposed location or the history of the Lessee, including its Controlling Persons under A.R.S. § 4-101(11), during the term of this Agreement.
- c. In addition to its disciplinary authority in A.R.S. § 4-210(A), the Department may summarily suspend, without advance notice or the opportunity for a hearing, the Lessee's privileges under this Agreement for any violation of Department statutes or rules.
- d. Lessee shall not be entitled to any partial or total refund of payments under this Agreement due to any Department imposed suspension, revocation, or other disciplinary action.

**9. Revocation, Suspension, Nonrenewal, Expiration, or Inactivity of the Parties' Licenses.**

- a. Lessee's privileges under this Agreement shall continue to the conclusion of a pending term if Lessor's license is suspended, revoked, not renewed, expired, or placed on inactive status.
- b. Lessor's license may be in an inactive status during this Agreement.
- c. If Lessor's license is suspended, revoked, not renewed, or expired at the time of renewal of this Agreement, at the conclusion of the pending lease term the Department shall not approve the renewal of Agreement. Lessee may execute a new lease agreement with a different Bar, Beer & Wine Bar, or Liquor Store licensee, which shall be subject to Department approval under A.R.S. § 4-203.07(B)(2).

**10. Lessee's Duties Under A.R.S. § 4-203.07.**

- a. At all times during this Agreement, Lessee shall comply with Title IV and Department rules, A.R.S. § 4-203.07, and this Agreement.
- b. Lessee must continue to comply with A.R.S. § 4-205.02(J) and derive at least forty (40) percent of its gross revenue from the sale of food.
- c. Lessee's sale of spirituous liquor for consumption off the premises may not exceed thirty (30) percent of the sales price of on-sale spirituous liquors by Lessee from its premises, as prescribed in A.R.S. § 4- 206.01 (G).
- d. Lessee is solely responsible for any violation of Title IV and Department rules related to its business including the sale of spirituous liquor for consumption off the premises.
- e. This Agreement does not permit Lessor to direct, manage, or control any part of Lessee's business and Lessee shall not transfer control of its business without complying with A.R.S. § 4-203.
- f. Lessee may not pay to Lessor any direct or indirect compensation for the privileges granted in this Agreement except the lease amounts in this Agreement.

**11. Lessor's Duties Under A.R.S. § 4-203.07.**

- a. At all times during this Agreement, Lessor shall comply with Title IV and Department rules, A.R.S. § 4-203.07, and this Agreement.
- b. Lessor shall cease the sale of spirituous liquor for consumption off the premises, except for mixed cocktails for off-premises consumption under A.R.S. § 4-244(32)(d), during any pending term of this Agreement.
- c. Lessor may not be a party to more than one lease under A.R.S. § 4-203.07 at any given time.
- d. Lessor may not direct, manage, or control any part of Lessee's business and is not responsible for Lessee's violation of Title IV and Department rules related to the operation of Lessee's business, including the sale of spirituous liquor for consumption of the premises.
- e. Lessor may not receive any additional direct or indirect compensation for the use of the privilege to sell spirituous liquor for consumption off the licensed premises from Lessee other than the lease payment established in this Agreement.

**12. Governing Law.**

This Agreement shall be interpreted under the law of Arizona. All references to Arizona law in this Agreement are to the law in effect at the time of the Agreement.

**13. No Parol Evidence.**

This Agreement is intended by the Parties as a final and complete expression of their agreement. No course of prior dealings between the Parties shall supplement or explain any terms used in this document and no other understanding either oral or in writing shall be binding.

**Severability.**

The provisions of this Agreement are severable. Any term or condition deemed illegal or invalid shall not affect anyother term or condition of the Agreement.

**14. Change in Law.**

The Parties understand and acknowledge that this Agreement is made pursuant to A.R.S. § 4-203.07 and other Arizona laws in effect at the time of this Agreement. Neither party has a vested right to conclude a lease term or tocommence an annual lease term, or to any of the specific terms in this Agreement, if a subsequent amendment to Arizona law requires the amendment or cancellation of this Agreement, or if the Department subsequently amends the language of this standard form agreement under A.R.S. § 4-203.07(B)(4)(A).

**15. Counterparts.**

This Agreement may be executed in counterparts, each of which will, when executed, be deemed an original and all of which will be deemed to be one and the same instrument. The Parties agree that an electronic transmission of the signed Agreement will have the same force and effect as a signed original.

**16. Indemnification of the State and its Agencies.**

To the fullest extent permitted by law, Lessee shall defend, indemnify, and hold harmless the State of Arizona and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter referred to as "Indemnatee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury (including death) or personal injury or loss or damage to tangible or intangible property caused or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Lessee or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Laws or arising out of the failure of Lessee to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the Parties that Indemnatee shall in all instances be indemnified by Lessee from and against any and all Claims. Lessee shall be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. Lessee hereby waives all rights of subrogation against the State of Arizona, its officers, officials, agents, and employees with respect to the Claims.

\_\_\_\_\_  
Print Owner/Controlling Person Name (Lessee)

\_\_\_\_\_  
Print Owner/Controlling Person Name (Lessor)

\_\_\_\_\_  
Signature Owner/Controlling Person (Lessee)

\_\_\_\_\_  
Signature Owner/Controlling Person (Lessor)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date