Big Pig Company, an SEC registrant, owns and operates a restaurant chain. The Company’s Piggy Special Sandwich (a pork sandwich with 10 strips of bacon) was recently named “The World’s Best Barbeque Sandwich.” Big Pig gives any man, woman or child who can finish the Piggy Special a free dessert and a hat saying: “I’m a Big Pig!” The Company’s recent success has prompted them to undertake a massive expansion program.

Big Pig typically constructs its restaurants on leased land. The land leases normally provide Big Pig with a period of time to construct its store before cash rental payments are due on the land. Excerpts from one of Big Pig’s land leases are included as Attachment A.

Other facts related to the lease are:

- The lease was signed by all parties on October 1, 2004.
- The Landlord delivered “Vacant Possession” of the Property to Big Pig on January 25, 2005.
- Big Pig began constructing its store on March 1, 2005. The store opened for business on June 10, 2005.

Big Pig’s lease accounting policy states “rents on the Company’s leases are charged to expense over the lease term on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which the leased property is used.”

**Required:**
- What date would constitute the “lease commencement” (i.e., the date that Big Pig would begin recognizing rent expense)? Assume the lease is appropriately classified as an operating lease.
Lease Excerpts: Big Pig Company

Execution Date: The effective date of the Lease ("Effective Date") shall be the date of final execution of the Lease.

Term: The term of the Lease is ten (10) years (the "Term"). The Term shall commence on the earlier of July 1, 2005, or the date that Tenant opens for business to the public (the "Commencement Date"). The first rent payment shall be due on the Commencement Date.

Conditions Precedent: Tenant shall have the termination right set forth below in the event the following conditions and covenants are not satisfied:

1) Landlord obtaining the approval of all public or governmental authorities as to all matters relating to Landlord’s redevelopment of the land, including but not limited to zoning, subdivision, lot splits, special use permits, or similar requirements pertaining to the land.

2) Tenant obtaining a land title survey and all necessary governmental permits, licenses, easements and approvals for Tenant's intended use of the land.

3) Tenant obtaining soil tests and feasibility, demographic, traffic pattern, labor pool, and other site studies showing that the Property is satisfactory, in Tenant's sole judgment, for Tenant's intended use.

In the event the foregoing conditions of this Lease have not been satisfied or complied with within 120 days after the Effective Date, or in the event that the soil tests, site studies, surveys, and/or other approvals do not meet with Tenant's approval or disclose matters that would make the Property unsuitable for the purposes stated herein, anything contained herein to the contrary notwithstanding, and notwithstanding that the Lease may have commenced and Tenant has started paying rent, Tenant may, at its option and at any time after the 120-day period, terminate this Lease, in which case the parties shall have no further liability hereunder and this Lease shall be null, void, and of no further force or effect between the parties.

Vacant Possession: Landlord covenants that it shall deliver sole and vacant possession of the Property to Tenant within thirty (30) days after Tenant notifies Landlord in writing that all conditions precedent have been satisfied ("Vacant Possession").